

FOUR ARROWS CAPITAL CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2020

(Expressed in Canadian Dollars)

**Four Arrows Capital Corp.
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(Expressed in Canadian dollars)**

The Management Discussion and Analysis (“MD&A”) prepared on February 26, 2021 should be read in conjunction with the unaudited condensed interim financial statements and notes thereto for the three months ended December 31, 2020, and the notes thereto of Four Arrows Capital Corp. (the “Company”) which were prepared in accordance with International Financial Reporting Standards.

This MD&A may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

The Company was incorporated under the Business Corporations Act (British Columbia) on February 21, 2019. The Company is in the process of identifying a suitable business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

The head office of the Company is located at 1208 Rosewood Crescent, North Vancouver British Columbia V7P 1H4.

As at December 31, 2020, the Company has no business operations and the Company's principal purpose is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholder approval and acceptance by the Exchange.

Additional information relating to the Company is on SEDAR at www.sedar.com.

QUALIFYING TRANSACTION

The Company intends to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction. Any proposed Qualifying Transaction must be accepted by the TSX Venture Exchange (“TSX-V” or “Exchange”) and in the case of a Non-Arm's Length Qualifying Transaction is also subject to Majority of the Minority Approval in accordance with the CPC Policy. The Company is not specifically considering pursuing a company, asset or business in any specific business or industry sector, or in any particular geographical area, and the Company anticipates reviewing companies, assets and businesses in a broad range of industry sectors and geographical areas.

Until Completion of a Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. With the consent of the Exchange, this may include the raising of additional funds in order to finance an acquisition. Except as described herein, the funds raised pursuant to this Offering and any subsequent financing will be utilized only for the identification and evaluation of potential Qualifying Transactions and not for any deposit, loan or direct investment in a potential acquisition. The Company is required to complete its Qualifying Transaction on or before two years from the date the Company receives regulation approval on a CPC.

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SELECTED ANNUAL FINANCIAL INFORMATION

	September 30	September 30
Financial results	2020	2019
	\$	\$
Loss and comprehensive loss for the period	(1,249)	(1,000)
Basic and diluted loss per share	(12.74)	(10.00)
Balance sheet data		
Cash	249,289	232
Total assets	272,751	232
Shareholders' equity (deficiency)	272,751	(1,000)

SELECTED QUARTERLY FINANCIAL INFORMATION

	December 31	September 30	June 30	March 31
Financial results	2020	2020	2020	2020
	\$	\$	\$	\$
Loss and comprehensive loss for the period	(41,887)	(853)	-	(396)
Basic and diluted loss per share	-	(8.07)	-	(3.96)
Balance sheet data				
Cash	215,058	249,289	235	235
Total assets	234,229	272,751	235	235
Shareholders' equity (deficiency)	234,229	272,751	(1,396)	(1,396)

	December 31	September 30	June 30	March 31
Financial results	2019	2019	2019	2019
	\$	\$	\$	\$
Loss and comprehensive loss for the period	-	-	-	(1,000)
Basic and diluted loss per share	-	-	-	(10.00)
Balance sheet data				
Cash	232	232	232	-
Total assets	232	232	232	-
Shareholders' equity (deficiency)	(1,000)	(1,000)	(1,000)	(1,000)

RESULTS OF OPERATIONS

Three months ended December 31, 2020 compared to the three months ended December 31, 2019

During the quarter ended December 31, 2020, the Company incurred general operating costs of \$32,292, including professional fees of \$19,171, filing fees of \$11,523 and rent and office expenses of \$1,598. These costs were associated with supporting the preparation of the Company's prospectus. During the quarter ended December 31, 2020, the Company recorded foreign exchange loss of \$9,595 corresponding to the change in value of its cash based in US dollars.

During the quarter ended December 31, 2019, the Company did not incur any operating costs. The increase in operating costs during the quarter ended December 31, 2020 can be attributed to the fact that the Company was inactive for the majority of fiscal 2019.

The loss for the quarter ended December 31, 2020 amounted to \$41,887 compared to a loss for the quarter ended December 31, 2019 of \$nil.

Liquidity and Capital Resources

For the period ending December 31, 2020 the Company had a working capital surplus of \$230,864 (September 30, 2020: \$272,751), which includes a cash balance of \$215,058 (September 30, 2020: \$249,289) and prepaid expenses of \$19,171 (September 30, 2020: \$23,462).

The Company has no business operations and the Company's principal purpose is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. Historical administrative activities have been funded through equity financing and the Company expects that it will continue to be able to utilize this source of financing until a Qualifying Transaction is completed; however, upon completion of the Qualifying Transaction additional capital may be necessary.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company has 5,500,000 common shares issued and outstanding.

RELATED PARTY BALANCE AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the chief executive officer ("CEO") and chief financial officer ("CFO") of the Company. During the periods ended December 31, 2020 and 2019, there was no compensation amounts paid to the Company's related parties. As at December 31, 2020, accounts payable and accrued liabilities include amounts owing to related parties in the amount of \$845 (September 30, 2020 - \$nil). The amounts due to related parties represent unpaid expenses.

REMUNERATION

No salary, consulting, management fees or similar remuneration of any kind have, or may, be paid directly or indirectly to a related party of the Company or a related party of a QT.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based upon observable market data.

The fair value of the Company's accounts payable approximates its carrying values. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

Financial risk management objectives and policies

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

i. Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash account. Cash accounts are held with major banks in Canada. The Company has deposited its cash with a bank from which management believes the risk of loss is low.

ii. Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

iii. Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company has moderate foreign exchange risk associated with a portion of its cash held in US dollars.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Financial risk management objectives and policies (continued)

iv. Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. The Company did not identify any standards that may have any impact on the Company's condensed interim financial statements during the period.

ACCOUNTING ESTIMATES

The preparation of the condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to the fair value for stock options and warrants granted or vested during the period.

SUBSEQUENT EVENTS

On January 28, 2021, the Company filed a final prospectus (the "Prospectus") dated January 25, 2021, offering a minimum of 3,000,000 common shares and a maximum of 5,000,000 common shares at a price of \$0.10 per common share (the "Offering") and had engaged Canaccord Genuity Corp. (the "Agent") in connection with the Offering. The Company has granted the Agent a right of first refusal for all brokered equity financings that the Company proposes to undertake until the date which is the earlier of: (a) the closing of the Company's Qualifying Transaction; and (b) 24 months from the closing of the Offering (the "ROFR Termination Date"). The Agent will also have a right of first refusal to provide sponsorship services for any Qualifying Transaction, if a sponsor is required by the Exchange for the period commencing on the Closing of the Offering and ending on the ROFR Termination Date.

On February 25, 2021, the Company successfully completed its Offering of a maximum 5,000,000 common shares (the "Common Shares") at \$0.10 per share for gross proceeds of \$500,000 pursuant to the Prospectus. As a result of this issuance, the Company has 10,500,000 Common Shares issued and

SUBSEQUENT EVENTS (Continued)

outstanding, of which 5,500,000 are subject to escrow restrictions as disclosed in the Prospectus. In connection with the Offering, the Company granted the Agent warrants to acquire an aggregate of 500,000 Common Shares (the “Agent’s Warrants”) at an exercise price of \$0.10 per share. The Agent’s Warrants will expire 5 years from the date the Company’s Common Shares are listed (the “Listing Date”) on the TSX Venture Exchange Inc. (the “Exchange”). In consideration for acting as agent for the Offering, the Agent also received an administration fee of \$15,000, and a cash commission equal to 10% of the gross proceeds of the Offering. The Company also reimbursed the Agent \$19,500 for its legal fees, disbursements and taxes, and other expenses incurred in connection with the Offering. Pursuant to stock option agreements dated as of January 13, 2021, and as disclosed in the Prospectus, the Company granted incentive stock options effective February 25, 2021, being the date of listing of the Company’s shares on the Exchange to acquire an aggregate of 1,050,000 Common Shares comprised of 741,175 incentive stock options having an exercise price of \$0.05 and 308,825 incentive stock options having an exercise price of \$0.06 share to the directors and officers of the Company, which expire five years from the Listing Date. All of the 1,050,000 Common Shares exercisable pursuant to the stock options will be subject to escrow, per the policies of the Exchange. It is expected that the Company’s Common Shares will commence trading on the Exchange under the trading symbol “AROW.P” on March 1, 2021.