

**Flow Capital Corp.**

Interim Condensed Consolidated Financial Statements

**For the three months ended March 31, 2020**

**(Unaudited)**

Flow Capital Corp.

Consolidated Statements of Financial Position

(Canadian dollars)

	Note	March 31, 2020	December 31, 2019
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	\$ 10,673,082	\$ 10,324,694
Accounts receivable and accrued income		2,650	5,557
Income tax recoverable	12	-	1,891
Investments at fair value – current portion	9	137,965	1,660,277
Finance lease asset – current portion	11	827,957	802,605
Prepaid expenses and other receivables		669,646	684,829
<b>Total Current Assets</b>		<b>12,311,300</b>	<b>13,479,853</b>
<b>Non-Current Assets</b>			
Property and equipment		332,878	374,966
Finance lease asset – non-current portion	11	356,988	572,267
Other receivables		212,805	194,820
Investments at fair value – non-current portion	9	20,787,870	20,779,133
<b>Total Non-Current Assets</b>		<b>21,690,541</b>	<b>21,921,186</b>
<b>Total Assets</b>		<b>\$ 34,001,841</b>	<b>\$ 35,401,039</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 1,877,700	\$ 2,043,137
Deferred tax liability	12	12,537	12,537
Prepaid royalty payment income	10	193,820	271,820
Lease liability – current portion	11	1,384,611	1,344,479
<b>Total Current Liabilities</b>		<b>3,468,668</b>	<b>3,671,973</b>
<b>Non-Current Liabilities</b>			
Provisions – non-current portion	13	375,440	375,440
Lease liability – non-current portion	11	1,155,999	1,517,282
Convertible debentures	14	4,470,449	4,216,912
Redeemable debt – non-current portion	15	7,017,450	8,017,450
<b>Total Non-Current Liabilities</b>		<b>13,019,338</b>	<b>14,127,084</b>
<b>Shareholders' Equity (Note 16)</b>			
Share capital		\$ 54,071,564	\$ 54,281,689
Warrants		486,624	486,624
Contributed surplus		312,184	1,386,728
Accumulated other comprehensive income		433,035	(24,474)
Accumulated deficit		(37,789,572)	(38,528,585)
<b>Total Shareholders' Equity</b>		<b>17,513,835</b>	<b>17,601,982</b>
<b>Total Liability and Shareholders' Equity</b>		<b>\$ 34,001,841</b>	<b>\$ 35,401,039</b>

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on May 19, 2020:

“Vern Lobo”  
Vernon Lobo, Director

“Alan Torrie”  
Alan Torrie, Director

Flow Capital Corp.

Consolidated Statements of Comprehensive Income/(Loss)

(Canadian dollars)

	Note	Three months ended March 31, 2020	Three months ended March 31, 2019
<b>Revenues</b>			
<b>Income from investments at fair value</b>			
Royalty and loan payment income	17	\$ 930,333	\$ 1,527,833
Foreign exchange (loss) gain	17	846,201	(349,267)
Realized gain (loss) from sale of investments	17	225,970	(893,838)
Realized loss on investments written-off	17	-	(3,947,861)
Adjustments to fair value	17	(970,792)	5,632,062
<b>Income (loss) from investments at fair value</b>		<b>1,031,712</b>	<b>1,968,929</b>
<b>Other income</b>			
Fee and other income	17	-	50,000
Other interest income and gains (losses)	17	61,225	34,866
<b>Total Revenues</b>		<b>1,092,937</b>	<b>2,053,795</b>
<b>Operating Expenses</b>			
Salaries, benefits and staffing costs	18	\$ 413,905	\$ 293,617
Share-based compensation	19	34,005	54,586
Depreciation		42,007	39,607
Professional fees		341,186	435,490
Office and general administrative		147,999	144,233
<b>Total Operating Expenses</b>		<b>979,102</b>	<b>967,533</b>
<b>Operating Profit</b>		<b>\$ 113,835</b>	<b>\$ 1,086,262</b>
Financing expense	20	483,371	656,053
<b>Profit (loss) before income taxes</b>		<b>(369,536)</b>	<b>430,209</b>
<b>Income Taxes</b>			
Current income tax expense (recovery)	12	\$ -	\$ 64,554
Deferred tax expense (recovery)	12	-	86,253
<b>Total Income Tax</b>		<b>\$ -</b>	<b>\$ 150,807</b>
<b>Net Profit (Loss) from continuing operations</b>		<b>\$ (369,536)</b>	<b>\$ 279,402</b>
Net loss from discontinued operations, net of taxes	5	-	(65,852)
<b>Net Profit (Loss)</b>		<b>\$ (369,536)</b>	<b>\$ 213,550</b>
<b>Other comprehensive income</b>			
Foreign currency translation reserve		457,509	70,945
<b>Total Comprehensive Income</b>		<b>\$ 87,973</b>	<b>\$ 284,495</b>
<b>Earnings (loss) per share (Note 21)</b>			
<i>Earnings (loss) per share</i>			
Basic earnings (loss) per share		\$ (0.0048)	\$ 0.0025
Diluted earnings (loss) per share		\$ (0.0048)	\$ 0.0025
<i>Earnings (loss) per share – continuing operations</i>			
Basic earnings (loss) per share		\$ (0.0048)	\$ 0.0033
Diluted earnings (loss) per share		\$ (0.0048)	\$ 0.0033

See accompanying notes to financial statements.

**Flow Capital Corp.**

**Consolidated Statements of Changes in Equity**  
(Canadian dollars)

	Number of shares	Note	Share capital	Accumulated other comprehensive income	Warrants	Contributed surplus	Equity component of the convertible debenture	Accumulated deficit	Total
<b>Balance, January 1, 2019</b>	<b>86,786,764</b>		<b>\$ 55,443,299</b>	<b>\$ 127,861</b>	<b>\$ 486,624</b>	<b>\$ 1,206,422</b>	<b>\$ 558,831</b>	<b>\$(26,643,228)</b>	<b>\$ 31,179,809</b>
Adjustment - IFRS 16 implementation	-		-	-	-	-	-	(29,506)	(29,506)
<b>Adjusted balance, January 1, 2019</b>	<b>86,786,764</b>		<b>\$ 55,443,299</b>	<b>\$ 127,861</b>	<b>\$ 486,624</b>	<b>\$ 1,206,422</b>	<b>\$ 558,831</b>	<b>\$(26,672,734)</b>	<b>\$ 31,150,303</b>
Share-based compensation	-	19	-	-	-	54,586	-	-	54,586
Treasury shares	(1,500,000)	16	(180,625)	-	-	-	-	-	(180,625)
Foreign currency translation	-		-	(56,916)	-	-	-	-	(56,916)
Net loss for the period	-		-	-	-	-	-	213,550	213,550
<b>Balance, March 31, 2019</b>	<b>85,286,764</b>		<b>\$ 55,262,689</b>	<b>\$ 70,945</b>	<b>\$ 486,624</b>	<b>\$ 1,261,008</b>	<b>\$ -</b>	<b>\$(26,459,184)</b>	<b>\$ 31,180,898</b>
<b>Balance, January 1, 2020</b>	<b>77,694,674</b>		<b>\$ 54,281,689</b>	<b>\$ (24,474)</b>	<b>\$ 486,624</b>	<b>\$ 1,386,728</b>	<b>\$ -</b>	<b>\$(38,528,585)</b>	<b>\$ 17,601,982</b>
Share-based compensation	-	19	-	-	-	(1,074,544)	-	1,108,549	34,005
Treasury shares	(1,538,500)	16	(198,872)	-	-	-	-	-	(198,872)
Share cancellation cost	-	16	(11,253)	-	-	-	-	-	(11,253)
Foreign currency translation	-		-	457,509	-	-	-	-	457,509
Net loss for the period	-		-	-	-	-	-	(369,536)	(369,536)
<b>Balance, March 31, 2020</b>	<b>76,156,174</b>		<b>\$ 54,071,564</b>	<b>\$ 433,035</b>	<b>\$ 486,624</b>	<b>\$ 312,184</b>	<b>\$ -</b>	<b>\$(37,789,572)</b>	<b>\$ 17,513,835</b>

See accompanying notes to financial statements.

**Flow Capital Corp.**  
**Consolidated Statements of Cash Flows**  
**(Canadian dollars)**

	Note	Three months ended March 31, 2020	Three months ended March 31, 2019
<b>Cash flows from operating activities</b>			
Profit (Loss) before income taxes		\$ (369,536)	\$ 430,208
<i>Adjustments for non-cash items</i>			
Share-based compensation	19	34,005	54,586
Amortization of intangible asset		-	(407,485)
Depreciation		42,007	39,607
Amortization of deferred fee income		-	(50,000)
<i>Adjustments relating to investments at fair value</i>			
Unrealized foreign exchange loss (gain)	17	(846,201)	349,433
Adjustments to fair value	17	970,792	(5,632,062)
Realized loss on investments written-off	17	-	3,947,861
Realized loss on sale of equity securities	17	-	899,224
Realized (gain) on sale of equity securities	17	(225,970)	-
Repayment of promissory note		1,500,000	-
Proceeds received on sale of shares	9	225,970	124,865
Realized gain on equity investments received on buyout		162,500	-
<i>Other Adjustments</i>			
Financing expense	20	483,371	656,053
Income tax recovery	12	1,891	9,246
Changes in working capital items	23	(48,345)	176,433
<b>Net Cash Flows generated from continuing operations - Operating Activities</b>		<b>1,930,484</b>	<b>597,969</b>
<b>Net Cash Flows generated from discontinued operations - Operating Activities</b>		<b>5</b>	<b>341,633</b>
<b>Net Cash Flows generated from Operating Activities</b>		<b>1,930,484</b>	<b>939,602</b>
<b>Cash flows from financing activities</b>			
Other receivables		\$ -	\$ -
Common shares repurchased for treasury	15	(210,125)	(180,625)
Convertible debentures redeemed		-	(190,000)
Lease liability payments		(322,145)	(263,789)
Interest paid		(239,833)	(1,355)
Redemption of redeemable debt	15	(1,000,000)	-
<b>Net Cash flows from (used in) Financing Activities</b>		<b>(1,772,103)</b>	<b>(635,769)</b>
<b>Cash flows from investing activity</b>			
Purchase of property and equipment		\$ (1,050)	\$ (1,708)
Finance lease asset payments		191,057	169,004
<b>Net Cash flows from continuing operations - Investing Activities</b>		<b>190,007</b>	<b>167,296</b>
<b>Net Cash Flows generated from Investing Activities</b>		<b>190,007</b>	<b>167,296</b>
<b>Net increase in cash during the period</b>		<b>348,388</b>	<b>471,129</b>
Cash and cash equivalents, beginning of period		10,324,694	8,607,686
<b>Cash and cash equivalents, end of period</b>		<b>8 \$ 10,673,082</b>	<b>\$ 9,678,815</b>

See accompanying notes to financial statements.

## Flow Capital Corp.

### Notes to the Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2020

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#### 1. Corporate information and reporting entity

Flow Capital Corp. ("Flow Capital", or "the Company") is a company under the jurisdiction of the laws of the Province of British Columbia, Canada, and is domiciled in Canada. Flow Capital resulted from a Plan of Arrangement made under Division 5 of Part 9 of the Business Corporations Act (British Columbia) as set out in the Arrangement Agreement between LOGiQ Asset Management Inc. ("LOGiQ") and Grenville Strategic Royalty Corp. ("Grenville") dated March 11, 2018. The Plan of Arrangement closed on June 7, 2018. On the same date, LOGiQ and Grenville amalgamated as one corporate entity and the corporate entity was named Flow Capital. The transactions and balances of LOGiQ, the legal parent, and its other subsidiaries, are included in these consolidated financial statements from the effective date of the acquisition, being June 7, 2018. The common shares of the Company are traded on the TSX Venture Exchange under the symbol FW. The registered and records office of the Company is Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3.

The following is a summary of the list of material subsidiaries:

Legal name	Legal status	Ownership interest %
Flow Capital US Corp.	Subsidiary of Flow Capital	100
Flow Investment Services Corp. (formerly LOGiQ Asset Management Ltd.)	Subsidiary of Flow Capital	100
Flow Investment Holdings Corp. (formerly 2705535 Ontario Inc.)	Subsidiary of Flow Capital	100
LOGiQ Capital 2016	Subsidiary of Flow Capital	100
Flow Priority Return Fund LP	Controlled by Flow through contractual arrangements	0
Tuscarora Capital Inc.	Subsidiary of Flow Capital	100
Flow Capital Partnership Holding Corp. (formerly 2535706 Ontario Inc.)	Subsidiary of Flow Capital	100

On July 19, 2019, Flow Capital formed Flow Priority Return Fund LP (the "Priority Return Fund") and under the limited partnership agreement, Flow Investment Services Corp. the Company's wholly owned subsidiary was appointed as the general partner. The Company has assessed that based on the terms of the limited partnership agreement, the Company has a substantial interest in the variable returns and has the current ability to direct the activities that most significantly affect these returns. Based upon this assessment, the Company has determined that the Priority Return Fund is controlled by the Company and must be consolidated in the financial statements of Flow Capital.

#### 2. Basis of presentation

The financial statements have been prepared on a historical cost basis, except for cash and cash equivalents, investments at fair value and redeemable debt that have been measured at fair value. The presentation currency for these financial statements is the Canadian dollar which is also the functional currency of the Company. The functional currency of the Company's subsidiary Flow Capital US Corp. is United States dollar and the financial statements of the subsidiary are translated from its functional currency to Canadian dollars. Amounts are stated in and recorded to the nearest Canadian dollar except where otherwise indicated.

##### Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared based on the principles of International Financial Reporting Standards (IFRS) and International Accounting Standard 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB), London, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's 2019 audited annual consolidated financial statements and accompanying notes.

The financial statements were approved and authorized by the Board of Directors on May 19, 2020.

#### 3. Significant accounting judgements, estimates, and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

##### Royalty agreements acquired

The terms of the royalty agreements entered into by the Company provide that payments to be made by investee companies are fixed or determinable. In addition, each of the Company's royalty agreements contains one or more of the following terms: (i) a right in favour of the investee company to buydown or buyout part or all of the Company's royalty in exchange for a principal payment that, when combined with royalty payments made to the date of the buydown or buyout, exceed the value of the Company's initial investment; and (ii) the payment of a minimum monthly royalty payment by the investee company, which provides the Company with certainty of payment over time. As a result, the Company has concluded that it is highly probable (which it defines as a probability equal to or exceeding 75%) that it will collect greater than 85% of its initial investment under each royalty agreement.

## Flow Capital Corp.

### Notes to the Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2020

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For the royalty agreements acquired, the term of the agreement is normally perpetual, and the royalty amount received can be dependent on the revenues of the investee. The term of the royalty agreement can also be influenced by the termination of the royalty agreement subsequent to a contract buyout event. As a result, uncertainties exist as to how long the agreements will exist and the royalty payment income that will be received. The Company is primarily focused on building a portfolio of investee companies that have carried on business for a number of years and have a demonstrable history of revenues. This enables the Company to use historical revenues as the starting base for estimating expected cash flows from an investment. Those royalty agreements that contain a provision requiring an investee company to make a minimum monthly royalty payment provide the Company with a strong indication of what expected cash flows under the royalty agreement should be over time. In addition to historical revenues of investee companies, the Company also considers other factors, such as external market factors, future performance and industry performance, in estimating expected cash flows from an investment.

#### Royalty agreements acquired and promissory notes receivable and measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities. The Company has established a control framework with respect to the measurement of fair values. This includes that all significant fair value measurements have been reviewed and approved by the Investment Committee of the Company. The Investment Committee reviews on a quarterly basis, significant unobservable inputs and valuation adjustments used in the fair value measurement of royalty agreements acquired and promissory notes. Fair values are categorized into different levels of a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Further information about the assumptions made in measuring fair values for financial instruments are included in Note 6.

#### Fair value of stock options and warrants

Determining the fair value of stock options and warrants requires judgement related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

#### Fair value of unquoted equity instruments

The fair value of unquoted instruments included in equity securities in investee companies that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on transaction and market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 7 b) below.

#### COVID-19 impact on fair values

The impact of the COVID-19 coronavirus pandemic requires significant judgements about the fair value of the royalty and loan investments. It is not possible to reliably estimate the length and severity of these developments and the ultimate impact on the financial results and condition of the Company in future period. The Company has assessed the relevant developments and has estimated the impact of adjusting and non-adjusting events into its financial statements, under the provisions of IAS 10. The Company will continue to review the impact of COVID-19 in ensuing quarters.

## 4. Standards issued but not yet effective

At the date of authorization of these financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective and have not been adopted early by the Company.

Management anticipates that all the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. The new standards and interpretations that have been issued are not expected to have a material impact on the Company's financial statements.

## 5. Discontinued operations

On April 15, 2019, Flow Capital announced they had entered into an asset purchase agreement (the "Asset Purchase Agreement"), providing for the sale of the Global Partner assets owned by Flow Investment Services Corp. (formerly LOGiQ Asset Management Ltd.) ("FISC") (the "Transaction"). The assets were comprised of the Global Partner sales-related fee earning contracts and certain other business-related assets. Under the terms of the Asset Purchase Agreement, the purchase price for the assets sold was \$12,375,000. The purchase price is subject to an adjustment of up to \$1,500,000 upward or downward if the revenue of the Global Partners business for the 2019 fiscal year increases or decreases by more than 5% compared to the revenue for the 2018 fiscal year (the "Purchase Price Adjustment").

Under the terms of the Transaction, Flow Capital received a cash payment of \$1,375,000, a first note in the principal amount of \$9,500,000 bearing interest at an annual rate of 10%, and a second note in the principal amount of \$1,500,000 bearing interest at an

## Flow Capital Corp.

### Notes to the Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2020

annual rate of 10%, repayable on the later of: i) the date that is two months following the date on which the first note is repaid and ii) three business days following the determination of the Purchase Price Adjustment. The first note was paid on December 2, 2019 and the second note was paid on March 30, 2020. As at March 31, 2020, there remains an immaterial outstanding settling amount due to Flow, which is expected to be collected during the second quarter of 2020.

#### 6. Fair values

##### a) Valuation Technique

The Company uses valuation techniques with the objective of determining a fair value measurement that reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of the royalty agreements acquired and promissory notes receivable by the Company are determined using discounted cash flow models with fair value estimated by applying a discount rate based on a weighted average cost of capital using variables from the industry in which each investee company operates as well as company specific variables. Future cash flows are weighted by the Company using a combination of a probability approach and a terminal value approach, as applicable, and the fair value for each investment is individually calculated. Some or all the inputs used in the cash flow model may not be observable in the market and are generally derived from published sources that are commonly used by market participants.

The fair value of equity securities in investee companies that are classified as Level 1 in the fair value hierarchy are determined using the closing share price on the last business day of the reporting period provided that such securities have actively been traded. The fair value of the redeemable debt is determined by the change in fair values of the underlying royalty agreements in that significant changes in the fair value may have an impact on the valuation of the redeemable debt.

As a result of the significant use of unobservable inputs, a high degree of management judgement and estimation is required. Management judgement is required for the determination of the expected future cash flows on the financial instrument being measured, determination of the probability of the outcomes, adjustments to the discount rate for liquidity risk, model uncertainties and investee-specific risk factors. The extent of the adjustments to the discount rate is based on management's assessment that a third-party market participant would take them into account in pricing the transaction.

##### b) Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

##### i) Financial assets

All financial assets are measured at fair value. The financial assets measured at fair value by hierarchy are shown in the table below. The amounts shown are based on the amounts recognized in the statements of financial position. All financial assets are classified as financial assets and measured at fair value through profit and loss.

	Total	Level 1	Level 2	Level 3
<b>March 31, 2020</b>				
Cash and cash equivalents	\$ 10,673,082	\$ 10,673,082	\$ -	\$ -
Royalty agreements acquired	16,678,414	-	-	16,678,414
Promissory notes receivable	2,150,782	-	-	2,150,782
Equity securities in investee companies	2,096,639	1,693,347	-	403,292
	<b>\$ 31,598,917</b>	<b>\$ 12,366,429</b>	<b>\$ -</b>	<b>\$ 19,232,488</b>
	Total	Level 1	Level 2	Level 3
<b>December 31, 2019</b>				
Cash and cash equivalents	\$ 10,324,694	\$ 10,324,694	\$ -	\$ -
Royalty agreements acquired	16,414,085	-	-	16,414,085
Promissory notes receivable	3,530,882	-	-	3,530,882
Equity securities in investee companies	2,494,443	2,125,297	-	369,146
	<b>\$ 32,764,104</b>	<b>\$ 12,449,991</b>	<b>\$ -</b>	<b>\$ 20,314,113</b>

The following table shows a reconciliation between the opening balances to the closing balances for fair value measurements for financial assets measured at fair value through profit and loss in Level 3 of the fair value hierarchy.



## Flow Capital Corp.

### Notes to the Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2020

	Balance at December 31, 2019	Total gains and (losses) recognized in profit or loss	Purchases	Sales	Maturities and repayment	Transfers in/(out) of Level 3	Balance at March 31, 2020
Royalty agreements acquired	\$ 16,414,085	\$ 289,585	\$ -	\$ (25,256)	\$ -	\$ -	\$ 16,678,414
Equity securities in investee companies	369,146	34,146	-	-	-	-	403,292
Promissory notes receivable	3,530,882	119,900	-	-	(1,500,000)	-	2,150,782
<b>Total</b>	<b>\$ 20,314,113</b>	<b>\$ 443,631</b>	<b>\$ -</b>	<b>\$ (26,256)</b>	<b>\$(1,500,000)</b>	<b>\$ -</b>	<b>\$ 19,232,488</b>

The valuation technique used to determine the fair value of the royalty agreements acquired is a discounted cash flow model. The most significant unobservable inputs used in the valuation are the discount rate (range is between 13.6%-23.2%), growth rate of the revenues of the investee (range is between no growth and 50%) and the liquidity premium (range is between 6.0%-15.7%). The low and high input values represent the actual highest and lowest level of values used over the portfolio and represent the range on an individual investment basis. The input ranges will therefore vary from period to period based on the characteristic of the underlying investment at each statement of financial position date.

For fair value measurements of the royalty agreements acquired and promissory notes receivable in Level 3, changing the most significant unobservable inputs by 1% would have the following impact on the fair value of these assets as at March 31, 2020 and December 31, 2019 as follows:

March 31, 2020			December 31, 2019		
Discount rate	Revenue growth rate	Liquidity premium	Discount rate	Revenue growth rate	Liquidity premium
\$ 776,842	\$ 377,674	\$ 14,767	\$ 609,053	\$ 343,012	\$ 18,146

The unlisted equity instruments included in equity securities in investee companies are included in Level 3. The valuation technique used for unlisted equity instruments in general is the market approach ("Market Approach"). The Market Approach uses transaction prices paid for an identical or similar instrument of the investee or comparable company valuation multiples. The unobservable inputs used are prices used in recent transactions involving the investee and company valuation multiples using such measures as EBITDA, revenues, enterprise value and multiples taken from information available on similar types of companies. For March 31, 2020, any variances in the unobservable inputs were not material.

#### ii) Financial liabilities measured at fair value through profit and loss

The only financial liability measured at fair value is redeemable debt and as at March 31, 2020, the fair value recognized was \$7,017,450. Redeemable debt is classified as Level 3 in the fair value hierarchy.

The following table shows a reconciliation between the opening balances to the closing balances for fair value measurements for financial liabilities measured at fair value through profit and loss in Level 3 of the fair value hierarchy.

	Balance at December 31, 2019	Total gains and (losses) recognize d in profit or loss	Issues	Sales	Maturities and repayment	Transfers in/(out) of Level 3	Balance at March 31, 2020
Redeemable debt	\$8,017,450	\$-	\$-	\$-	\$(1,000,000)	\$ -	\$ 7,017,450

The valuation technique used to determine the fair value of the redeemable debt is a discounted cash flow model that ultimately reflects the changes in the underlying royalty agreements (Note 15).

For the fair value measurement of the redeemable debt classified in Level 3, changing the most significant unobservable inputs by 1% would have the following impact on the fair value of the underlying royalty agreements and therefore the redeemable debt as at March 31, 2020:

March 31, 2020		
Discount rate	Revenue growth rate	Liquidity premium
\$ 667,686	\$ 357,218	\$ 12,420

## Flow Capital Corp.

### Notes to the Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2020

#### c) Financial liabilities not measured at fair value

The below noted financial liabilities are measured at amortized cost. The table below is a comparison of the carrying amount and the fair value of the financial liabilities that are recognized in the statements of financial position:

	Carrying Amount March 31, 2020	Fair Value March 31, 2020	Carrying Amount December 31, 2019	Fair Value December 31, 2019
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,877,700	\$ 1,877,700	\$ 2,043,137	\$ 2,043,137
Convertible debentures	4,470,449	4,610,331	4,216,912	5,122,590
<b>Total</b>	<b>\$ 6,348,149</b>	<b>\$ 6,488,031</b>	<b>\$ 6,260,049</b>	<b>\$ 7,165,727</b>

The following methods and assumptions were used to estimate the fair values:

- Accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of the debt component of the convertible debentures for March 31, 2020 and December 31, 2019 was based on the listed price of the security at that date less a calculated price for the convertible option using a Black Scholes model.

## 7. Financial risk management objectives and policies

The Company's primary risk management objective is to protect the Company's assets and cash flow. The Company is exposed to market risks including interest rate, equity price risk, credit, foreign exchange and liquidity risks. The Company's management team oversees the management of these risks. It is the Company's policy that no trading for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees to policies for managing each of these risks, which are summarized below:

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise several types of risk: interest rate risk, currency risk, commodity price risk, and other price risk, such as equity risk. The Company is not directly subject to commodity price risk and has exposure to equity price risk on the equity securities held in investee companies.

#### Interest rate risk

The Company invests surplus cash in bank deposits which, due to their short-term nature, do not expose the Company to any material interest rate risks. For royalty agreements acquired and promissory notes receivable, the income can vary on a monthly basis and is not a function of an underlying interest rate. The Company has no material interest rate exposure.

#### Equity price risk

In certain circumstances, the Company may exchange the royalty investments for equity instruments in the investee company. The Company held significant equity security interests in nine investees, of which four are actively traded as the securities are listed on a recognized exchange. The fair value of the listed equity securities, similar to any other Level 1 asset, were measured using the quoted price of the shares by the numbers of shares held. The shares in Medical Imaging Corp. and Crimson Energy Ltd., the warrants in Boardwalktech Software Corp., DionyMed Holdings Inc., Stability Healthcare Inc., Spiridon Technologies Ltd., Echobox Inc., Wirkn Inc., DirecTech Labs, Inc. and Wedge Networks are not actively traded and were classified as Level 3 assets. These Level 3 investments were measured using commonly used valuation models. The equity price risk exposure at March 31, 2020 was \$2,096,639 (December 31, 2019: \$2,494,443) and a 1% change in the share price has an impact of \$20,966 (December 31, 2019: \$24,944) on the results.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Starting in 2014, the Company has foreign currency exposures to receivables in United States dollars. The Company continually monitors its transaction and translation exposure and its related impact on reported results. The foreign exchange exposure at March 31, 2020 was \$9,252,693 (December 31, 2019: \$6,239,536) United States dollars and a 1% movement in the exchange rate has an impact of \$92,527 (December 31, 2019: \$62,395) on the Company's results.

#### Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company enters into royalty arrangements with investees in which a purchase price is advanced in return for participation in the investees' revenue stream. This can take the form of a royalty or promissory note, without limitation. The carrying amount of cash, accounts receivable and accrued income, and investments at fair value, excluding equity securities in investee companies, represents the maximum exposure to credit risk. The maximum exposure at March 31, 2020 was \$31,509,509 (December 31, 2019: \$32,645,768). The cash is held by a Canadian bank which is rated A+ and the cash is invested in short term liquid investments.

In monitoring credit risk, the Company considers industry, sales volume and aging trends, maturity, and other relevant factors. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary.

## Flow Capital Corp.

### Notes to the Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2020

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis and by continuously reviewing both actual and forecasted cash flows to ensure that the Company has appropriate capital capacity and liquidity.

The following table summarizes the amount of contractual future cash flow requirements including all financial instruments as at March 31, 2020 and December 31, 2019 respectively:

Contractual obligations	< 1 year	1-2 years	3-5 years	Not determinable	Total
Accounts payable and accrued liabilities	\$ 1,877,700	\$-	\$-	\$-	\$ 1,877,700
Lease Liability	1,384,611	1,093,750	62,249	-	2,540,610
Redeemable debt	-	-	-	7,017,450	7,017,450
Convertible debenture	-	5,122,590	-	-	5,122,590
<b>Total</b>	<b>\$3,262,311</b>	<b>\$6,216,340</b>	<b>\$62,249</b>	<b>\$7,017,450</b>	<b>\$ 16,558,350</b>

Contractual obligations	< 1 year	1-2 years	3-5 years	Not determinable	Total
Accounts payable and accrued liabilities	\$ 2,043,137	\$-	\$-	\$-	\$ 2,043,137
Lease Liability	1,344,479	1,439,625	77,657	-	2,861,761
Redeemable debt	-	-	-	8,017,450	8,017,450
Convertible debenture	-	5,122,590	-	-	5,122,590
<b>Total</b>	<b>\$3,387,616</b>	<b>\$6,562,215</b>	<b>\$77,657</b>	<b>\$8,017,450</b>	<b>\$ 18,044,938</b>

The repayment of the redeemable debt is determined by buyouts from the underlying royalty agreements (see **Note 15**) and as the timing of buyouts are uncertain, the Company is unable determine the repayment date of the \$7,017,450.

#### Capital management

The Company manages its capital with the primary objective of safeguarding it while providing sufficient working capital to sustain day-to-day operations. An important source of capital for the Company will continue to be from royalty payment income, realized gains on contract buyouts and fee income. On July 24, 2019, the Company announced that it had raised capital of \$10,000,000 through Flow Priority Return Fund LP (**Note 15**) a limited partnership. As repayments to the limited partners must match payments received from the underlying royalty investments, the Company is able to manage the balance sheet obligations. This type of financing is expected to become an important source of capital for the Company as investments in the portfolio mature.

FISC is registered under the Ontario Securities Act as an investment fund manager, portfolio manager, and exempt market dealer. FISC is subject to externally imposed capital requirements and FISC is currently required to maintain minimum working capital of \$100,000, plus \$10,000 deductible under its bonding insurance policy. In the event of non-compliance, FISC is required to file additional financial information and to review its policies and procedures for compliance with securities law and to file a compliance report. At March 31, 2020, FISC is in compliance with all externally imposed restrictions on capital.

The Company will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Company's strategy, economic conditions, and the risk characteristics of the business.

## 8. Cash and cash equivalents

	March 31, 2020	December 31, 2019
Cash held in bank accounts	\$ 3,815,741	\$ 1,076,009
Guaranteed investment certificates cashable at any time	6,857,341	9,248,685
	<b>\$ 10,673,082</b>	<b>\$ 10,324,694</b>

Included in the guaranteed investment certificates was \$15,000 (December 31, 2019: \$15,010) that was held as collateral for security purposes.

## 9. Investments at fair value

### a) At fair value through profit and loss

Royalty agreements acquired	March 31, 2020	December 31, 2019
Due within 1 year	\$ 137,965	\$ 160,277
Due after more than 1 year	16,540,449	16,253,808
<b>Total</b>	<b>\$ 16,678,414</b>	<b>\$ 16,414,085</b>

## Flow Capital Corp.

### Notes to the Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2020

The term of the typical royalty agreement is normally perpetual and in certain cases the investee has a buyout and buydown option.

	March 31, 2020	December 31, 2019
<b>Promissory notes receivable</b>		
Due within 1 year	\$ -	\$ 1,500,000
Due after more than 1 year	2,150,782	2,030,882
<b>Total</b>	<b>\$ 2,150,782</b>	<b>\$ 3,530,882</b>
	March 31, 2020	December 31, 2019
<b>Equity securities in investee companies</b>		
Due after more than 1 year	\$ 2,096,639	\$ 2,494,443
<b>Total carrying amount of investments at fair value</b>	<b>\$ 20,925,835</b>	<b>\$ 22,439,410</b>

For particular investments, the Company has in place a charge on the assets of the investees under General Security Agreements. The carrying value of these investments with such security in place was as follows:

	March 31, 2020	December 31, 2019
Royalty agreements	\$ 3,537,732	\$ 4,637,315
Promissory notes receivable	1,583,788	1,879,242
	<b>\$ 5,121,520</b>	<b>\$ 6,516,557</b>

As detailed in Note 5, the assets of the Global Partners business were sold for a purchase price of \$12,375,000. The Company received a cash payment of \$1,375,000 and two notes issued by the buyer for \$9,500,000 (the "First Note") and \$1,500,000 (the "Second Note") respectively that were recognized under promissory notes receivable. On August 1, 2019, the Company exercised its option to call for the full repayment of the First Note which was paid on December 2, 2019. The Second Note also became payable at that time and payment was made on March 30, 2020.

#### b) Equity securities in investee companies

	Fair Value Hierarchy	Cost March 31, 2020	Carrying amount March 31, 2020	Cost December 31, 2019	Carrying Amount December 31, 2019
<b>Common shares (publicly traded)</b>					
Inner Spirit Holdings Ltd.	Level 1	\$ 962,374	\$ 1,385,500	\$ 962,374	\$ 1,593,325
Boardwalktech Software Corp.	Level 1	152,841	31,808	152,841	24,386
mCloud Technologies Corp.	Level 1	237,000	261,000	395,000	469,000
Pulse Oil Corp.	Level 1	27,071	15,039	31,571	38,586
Medical Imaging Corp.	Level 3	-	-	-	-
<b>Common shares (not publicly traded)</b>					
Crimson Energy Ltd.	Level 3	299,528	-	299,528	-
<b>Warrants (not publicly traded)</b>					
Boardwalktech Software Corp.	Level 3	1,365,572	22,501	1,365,572	14,588
DionyMed Holdings Inc.	Level 3	53,442	-	53,442	-
Stability Healthcare Inc.	Level 3	90,395	-	90,395	-
First Crypto Inc.	Level 3	-	-	-	-
DiracTech Labs Inc.	Level 3	-	-	-	-
Wedge Networks Inc.	Level 3	-	-	-	-
Spiridon Technologies Ltd.	Level 3	-	161,233	-	135,000
Echobox Ltd.	Level 3	14,544	14,544	14,544	14,544
Wirkn Inc.	Level 3	205,014	205,014	205,014	205,014
<b>Total</b>		<b>\$ 3,407,781</b>	<b>\$ 2,096,639</b>	<b>\$ 3,570,281</b>	<b>\$ 2,494,443</b>

#### c) Movement during the period

The changes in the carrying amount in investments at fair value during the reporting period were:

## Flow Capital Corp.

### Notes to the Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2020

Three months ended March 31, 2020

	Royalty agreement acquired	Equity securities in investee companies	Promissory notes receivable	Total
<b>Balance as at December 31, 2019</b>	<b>\$ 16,414,085</b>	<b>\$ 2,494,443</b>	<b>\$ 3,530,882</b>	<b>\$ 22,439,410</b>
Repayment of promissory note	-	-	(1,500,000)	(1,500,000)
Proceeds received on sale of shares	-	(225,970)	-	(225,970)
Gain recognized on sale of shares – net	-	225,970	-	225,970
Redemptions and contract buydowns	(25,256)	-	-	(25,256)
Royalty earned and payments received- net	(22,312)	-	-	(22,312)
Foreign exchange movements	884,885	-	119,900	1,004,785
Adjustment to fair value	(572,988)	(397,804)	-	(970,792)
<b>Balance as at March 31, 2020</b>	<b>\$ 16,678,414</b>	<b>\$ 2,096,639</b>	<b>\$ 2,150,782</b>	<b>\$ 20,925,835</b>

#### 10. Prepaid royalty payment income

	March 31, 2020	December 31, 2019
Royalty paid in advance of revenue recognition	<b>\$ 193,820</b>	<b>\$ 271,820</b>

#### 11. Finance lease assets and lease liability

	March 31, 2020	December 31, 2019
<b>Carrying amount – finance lease assets</b>	<b>\$ 1,184,945</b>	<b>\$ 1,374,872</b>
Current	827,957	802,605
Non-current	356,988	572,267

#### Total lease liability

	March 31, 2020	December 31, 2019
Current	1,384,611	1,344,479
Non-current	1,155,999	1,517,282

	March 31, 2020	December 31, 2019
Interest on lease liabilities included in office and general administrative expense	74,391	386,508
Income from sub-lease of finance lease assets included in office and general administrative expense	77,589	367,996
Incremental borrowing rate at time of transition	12%	12%
Expenses relating to short-term leases	-	251,931
Total cash outflow for the lease	381,330	1,181,544

The Company has sub-leased two of the locations that have been presented as part of the finance lease assets. The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date of March 31, 2020:

Less than one year	\$ 1,070,060
One to two years	680,514
<b>Total</b>	<b>\$ 2,030,904</b>

## Flow Capital Corp.

### Notes to the Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2020

#### 12. Income taxes

Amounts recognized in statements of comprehensive income (loss)

	Three months ended March 31, 2020	Three months ended March 31, 2019
Income tax expense – current year	\$ -	\$ 64,557
Income tax expense (recovery) – prior year	-	-
<b>Total current income tax expense (recovery)</b>	<b>-</b>	<b>64,557</b>
<b>Deferred tax expense (recovery)</b>		
Deferred tax expense (recovery) -prior year	-	(70,696)
Origination and reversal of temporary differences in year	-	157,211
<b>Total deferred income tax expense (recovery)</b>	<b>-</b>	<b>86,250</b>
<b>Total income taxes expense</b>	<b>\$ -</b>	<b>\$ 150,807</b>

The Company have tax losses available for carryforward of \$38,335,890 and based on a long-term financial plan prepared by management, the Company forecasts that the tax losses can be utilized before their expiry date. The derecognition of the deferred tax on loss carryforwards and deductible temporary differences reflects guidance from IFRS that because of recent tax losses, the Company can only recognize such assets if there is convincing evidence that it is probable that there will be future taxable profits against which the unused tax losses or deductible temporary differences can be utilized. In line the Company's accounting policy, the Company will recognize a related deferred tax asset when convincing evidence becomes available that future taxable profits are probable.

#### 13. Provisions

	Retail funds indemnity	Other	Total
<b>Balance at December 31, 2019</b>	\$ 333,000	\$ 42,440	\$ 375,440
<b>Balance at March 31, 2020</b>	<b>\$ 333,000</b>	<b>\$ 42,440</b>	<b>\$ 375,440</b>
<b>Current</b>	-	-	-
<b>Non-current</b>	333,000	42,440	375,440

##### Retail funds indemnity

The Company assumed an indemnity to the buyer related to certain representations and warranties as part of the transaction prior to the reverse take-over on June 7, 2018. The indemnity assumed was recognized at the fair value of the liability assumed. There have been no claims made under the indemnity.

#### 14. Convertible debentures

	March 31, 2020	December 31, 2019
Convertible debenture - Series B	\$ 4,470,449	\$ 4,216,912
<b>Total</b>	<b>\$ 4,470,449</b>	<b>\$ 4,216,912</b>
<b>Current</b>	-	-
<b>Non-current</b>	4,470,449	4,216,912

On June 7, 2018, upon closing of the Arrangement Agreement between LOGiQ and Grenville, the Company assumed 7% senior unsecured convertible debentures ("Series B debentures") with a maturity date of June 30, 2021 with the outstanding balance of \$5,213,590. The conversion price of \$3.60 per common share, being a conversion rate of 277.78 common shares for each \$1,000 principal amount of Series B Debentures. The fair value of the Series B debentures was determined to be \$3,757,434 using Level 1 of fair value hierarchy based on the last traded price prior to the closing of the reverse acquisition. The fair value was fully allocated to the liability component.

The Debentures are direct, unsecured obligations of the Company, subordinated to other indebtedness of the Company for borrowed money and ranking equally with all other unsecured subordinated indebtedness.

The following table summarizes the outstanding balance and changes in the amounts recognized in the liability during the period:

##### Principal

Balance at March 31, 2020	\$ 5,122,590
Balance at December 31, 2019	\$ 5,122,590

## Flow Capital Corp.

### Notes to the Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2020

#### Liability

Face value of the debenture	\$ 5,213,590
Accrued interest at June 7, 2018	158,280
Adjustment to recognize the fair value	<u>(1,614,436)</u>
Liability component initially recognized	3,757,434
Interest and accretion for the period from June 7, 2018 to December 31, 2018	435,448
Interest payment on June 30, 2018 and December 31, 2018	<u>(364,356)</u>
Redemption of debentures for the period from June 7, 2018 to December 31, 2018	<u>(86,000)</u>
<b>Balance at December 31, 2018</b>	<b>\$ 3,742,526</b>
Redemption of debentures for the year ended December 31, 2019	(5,000)
Interest and accretion of finance expense for the year ended December 31, 2019	837,977
Interest payments for the year ended December 31, 2019	<u>(358,591)</u>
<b>Balance at December 31, 2019</b>	<b>\$ 4,216,912</b>
Interest and accretion of finance expense for the three months ended March 31, 2020	<u>253,536</u>
<b>Balance at March 31, 2020</b>	<b>\$ 4,470,449</b>

The financing expense amounts for the convertible debentures recognized in the statements of comprehensive income (loss) were made up as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019
<b>Interest expense on convertible debentures</b>		
Series B	\$ 89,645	\$ 90,490
	<u>89,645</u>	<u>429,430</u>
<b>Accretion of finance expense for the period</b>		
Series B	163,891	107,616
	<u>163,891</u>	<u>226,623</u>
<b>Total</b>	<b>\$ 253,536</b>	<b>\$ 656,053</b>

## 15. Redeemable debt

#### At fair value through profit and loss

	Class A		Class D		Total
	Number of units		Number of units		
<b>Balance at December 31, 2019</b>	<b>8,017,450</b>	<b>\$ 8,017,440</b>	<b>10,000,000</b>	<b>\$ 10</b>	<b>\$ 8,017,450</b>
Redeemed	(1,000,000)	(1,000,000)	-	-	(1,000,000)
<b>Balance at March 31, 2020</b>	<b>7,017,450</b>	<b>7,017,440</b>	<b>10,000,000</b>	<b>10</b>	<b>7,017,450</b>
Current	-	-	-	-	-
Non-current	<u>7,017,450</u>	<u>7,017,440</u>	<u>10,000,000</u>	<u>10</u>	<u>7,017,450</u>

On July 19, 2019, the Company closed a \$10,000,000 financing through a limited partnership called Priority Return Fund, which is considered a subsidiary of Flow Capital for the purposes of consolidation. A collection of institutional and high net worth investors (the "Limited Partners") invested \$10 million into the Priority Return Fund. Under the limited partnership agreement dated July 19, 2019 (the "LPA"), in exchange for the \$10,000,000 investment, the Limited Partners were granted 10,000,000 of Class A units redeemable at \$1 per unit and 10,000,000 of Class D units redeemable at \$0.10 per unit. The initial fair value of the Class A and Class D units was recognized as \$10,000,000. On October 4, 2019, 1,982,550 Class A units were redeemed at \$1 per unit and on February 28, 2020, 1,000,000 Class A units were redeemed at \$1 per unit.

Under the LPA, Class A units will receive i) an amount equal to the lesser of 1% per month of the outstanding amount under the Class A units or the royalty payments received by the Company from royalty agreements specified under the LPA (the "Underlying Royalty Contracts") and ii) all cash buyout payments received by Flow Capital from the Underlying Royalty Contracts up to a maximum of \$10,000,000. After all Class A units have been redeemed, Class D units will receive up to \$1,000,000 from any further buyout payments from the Underlying Royalty Contracts. If by the third anniversary of the establishment of the Priority Return Fund there has been less than \$5 million in redemptions, the Limited Partners will receive an enhanced return equal to 20% of the net adjusted royalty payments on a monthly basis from the Underlying Royalty Contracts until such time as there have been \$5 million in redemptions. The Priority Return Fund does not have any additional obligation or liability to the Limited Partners beyond the payments under the Class A and Class D units detailed above and as a result, the Class A and Class D units are subject to asset-specific performance risk.

## Flow Capital Corp.

### Notes to the Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2020

For accounting purposes, as the Underlying Royalty Contracts are measured at fair value through profit and loss, the Company has, to avoid an accounting mismatch and therefore provide more relevant information, elected to measure the Class A and Class D units at fair value through profit and loss. Since July 19, 2019, there have been no significant changes for the Underlying Royalty Contracts so there were no gains or losses relating to fair value adjustments of the redeemable debt recognized in the consolidated statements of comprehensive income/(loss) for the three months ended March 31, 2020.

The obligation to make the monthly payment to the Limited Partners was classified as an interest expense and was included as part of the financing expense. The amounts recognized in the statements of comprehensive income (loss) were made up as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Interest expense on Class A units	\$ 229,835	\$ -

## 16. Share capital and other components of equity

### Common shares

The authorized share capital of the Company consists of an unlimited number of voting common shares without par value. The issued and outstanding common shares at March 31, 2020 were 76,156,174.

The Company announced on December 16, 2019, a normal course issuer bid ("Second Common Share NCIB") through the facilities of the TSXV, permitting the Company to repurchase, for cancellation up to 6,000,000 common shares of the Company, representing approximately 7.72% of the Company's presently issued and outstanding common shares. The Second Common Share NCIB started on December 23, 2019 and due to be finished on December 22, 2020. Between December 23, 2019 and March 31, 2020, 1,538,500 common shares were repurchased at a weighted-average price per share of \$0.1293 for a total cost of \$198,872.

### Share warrants

The details of the share warrants outstanding at March 31, 2020 were:

Number of Warrants outstanding	Fair value of warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
5,032,689	\$486,624	\$0.22	June 26, 2023	3.25

On July 5, 2018, as a part of the non-brokered private placement, the Company issued 5,032,689 share warrants with an expiry date of June 26, 2023 at an exercise price of \$0.22 per warrant with a fair value of \$486,624. Each share warrant is convertible into one common share of the Company. The fair value of the share warrants at the date of issue was estimated using the Black-Scholes Option Pricing Model using the following assumptions:

### Assumption

Expected stock price volatility	119.62%
Expected life in years	5
Risk free interest rate	1.80%
Expected dividend yield	0.0%
Weighted average fair value per warrant granted	\$0.0967

### Stock Options

Under the Plan of Arrangement, the Company adopted the 10% "rolling" stock option plan maintained by Grenville. This stock option plan ("the Plan") is to develop the interest of and provide an incentive to eligible employees, directors and consultants of the corporation and its affiliates. The Plan provides for the issuance of a maximum of 10% of the issued and outstanding common shares. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option. As part of the reverse acquisition the Company maintained all outstanding stock options and no modifications were made to the terms that would be considered as beneficial to either the Company or the holder.



## Flow Capital Corp.

### Notes to the Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2020

Original Issue Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Remaining contractual life (years)
May 25, 2015	158,854	158,854	\$1.69	May 25, 2020	0.15
June 3, 2016	156,250	156,250	\$0.85	June 3, 2021	1.18
November 18, 2016	240,885	240,886	\$0.32	November 18, 2021	1.64
June 13, 2018	3,180,000	1,320,000	\$0.18	June 13, 2023	3.20
December 4, 2018	2,000,000	533,332	\$0.18	December 4, 2023	3.68
February 29, 2020	125,000	-	\$0.18	February 28, 2025	4.92
<b>Total</b>	<b>5,860,989</b>	<b>2,409,322</b>			
Weighted average exercise price	<b>\$0.2443</b>	<b>\$0.3363</b>		Weighted average remaining contractual life	<b>3.20</b>

During the three months ended March 31, 2020, 125,000 options were granted at an exercise price of \$0.18. For the same period, 452,031 options were forfeited.

#### Share-based payments

The Company uses the Black-Scholes option pricing model to calculate the fair value of any options granted. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. The following weighted average assumptions were used to estimate the weighted average grant date fair value of the outstanding options as at March 31, 2020;

#### Assumption

Expected stock price volatility	116.38%
Expected life	5
Risk free interest rate	1.91%
Expected dividend yield	0.15%
Weighted average fair value per option granted	\$0.1248

## 17. Revenues

### i) Income from investments at fair value

	Three months ended March 31, 2020	Three months ended March 31, 2019
<b>Royalty and loan payment income</b>		
Royalty payment income	\$ 813,886	\$ 1,373,217
Loan interest income	79,562	-
Promissory notes receivable income	36,885	154,616
<b>Total</b>	<b>\$ 930,333</b>	<b>\$ 1,527,833</b>
<b>Foreign exchange gains (losses)</b>		
Royalty agreements acquired	\$ 846,201	\$ (362,486)
Promissory notes receivable	-	13,200
<b>Total</b>	<b>\$ 846,201</b>	<b>\$ (349,268)</b>
Unrealized foreign exchange (loss) gain	\$ 846,238	\$ (349,433)
Realized foreign exchange (loss) gain	(37)	165
<b>Total</b>	<b>\$ 846,201</b>	<b>\$ (349,268)</b>
<b>Realized gains (losses) from sale of investment</b>		
Royalty agreements acquired	\$ -	\$ 5,386
Equity securities in investee companies		
- gain recognized on sale	225,970	-
- loss recognized on sale	-	(899,224)
<b>Total</b>	<b>\$ 225,970</b>	<b>\$ (282,475)</b>

## Flow Capital Corp.

### Notes to the Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2020

Realized gain on sale of equity investments	\$	63,470	\$	-
Transfer of fair value adjustment upon sale of shares		162,500		-
<b>Total</b>	<b>\$</b>	<b>225,970</b>	<b>\$</b>	<b>-</b>

#### Realized loss on investments written-off

Royalty agreements acquired	\$	-	\$	(3,947,861)
<b>Total</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>(3,947,861)</b>

#### Adjustments to fair value

Royalty agreements acquired	\$	(572,988)	\$	2,446,917
Promissory notes receivable		-		127,966
Equity securities in investee companies		(397,804)		3,057,179
<b>Total</b>	<b>\$</b>	<b>(970,792)</b>	<b>\$</b>	<b>5,632,062</b>

#### ii) Other income

##### Fee and other income

Amortization of deferred fee income	\$	-	\$	50,000
<b>Total</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>50,000</b>

##### Other investment income and gains

Interest income on invested cash and cash equivalents	\$	61,225	\$	21,823
<b>Total</b>	<b>\$</b>	<b>61,225</b>	<b>\$</b>	<b>34,866</b>

## 18. Employee benefit expense

	Three months ended March 31, 2020	Three months ended March 31, 2019
Wages and salaries	\$ 360,667	\$ 270,000
Other benefits	14,371	10,416
Employer related costs for insurance, health tax	38,867	13,201
<b>Salaries, benefits and other staffing costs</b>	<b>413,905</b>	<b>293,617</b>
Share-based compensation (Note 19)	34,005	54,586
<b>Total</b>	<b>\$ 447,910</b>	<b>\$ 348,203</b>

## 19. Share-based compensation

The amounts recognized in the statement of comprehensive income (loss) were made up as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Expense recognized for services provided based on vesting conditions of stock options	<b>\$ 34,005</b>	<b>\$ 54,586</b>

## 20. Financing expense

	Three months ended March 31, 2020	Three months ended March 31, 2019
Convertible debentures (Note 14)	\$ 253,536	\$ 656,053
Redeemable debt (Note 15)	229,835	-
<b>Total</b>	<b>\$ 483,371</b>	<b>\$ 656,053</b>

## Flow Capital Corp.

### Notes to the Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2020

#### 21. Earnings/ (Loss) per share

The following reflects the profit, loss and unit data used in the basic and diluted earnings per share computations:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Profit/(loss) attributable to ordinary equity holders for basic earnings /(loss) per share	\$ (369,536)	\$ 213,550
Financing expense ( <b>Note 20</b> ) after tax at 26.5%	173,119	482,199
Profit/(loss) attributable to ordinary equity holders for diluted earnings /(loss) per share	(196,417)	695,749
Basic weighted average number of shares outstanding	77,262,685	85,584,081
Diluted weighted average number of shares outstanding	89,945,324	101,681,656

Due to the anti-dilutive impact, the same net loss attributable to ordinary equity holders and weighted average number of common shares have been used for both the basic and diluted earnings and loss calculations for the year ended March 31, 2020.

#### 22. Operating segment information

Flow Capital operates as an investment firm providing revenue-linked capital and advisory services to emerging growth businesses. All of the Company's reported revenue is from external customers. The breakdown of the recognized revenue by country was:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Canada	\$ (182,940)	\$ 722,276
United States	1,275,877	1,331,518
<b>Total</b>	<b>\$ 1,092,937</b>	<b>\$ 2,053,794</b>

For the three months ended March 31, 2020, the royalty and loan payment income and the interest income on promissory notes received for 3 (2019: 3) investees are greater than 10% of the total.

#### 23. Changes in working capital items

	Three months ended March 31, 2020	Three months ended March 31, 2019
Royalty agreements acquired – current portion	\$ 177,003	\$ (309,062)
Accounts receivable and accrued income	2,907	61,902
Provisions	-	(94,858)
Deferred fee income	-	(50,000)
Prepaid royalty	(78,000)	-
Prepaid expenses and other receivables	15,183	230,723
Accounts payable and accrued liabilities	(165,438)	337,728
<b>Total</b>	<b>\$ (48,345)</b>	<b>\$ 176,433</b>

#### 24. Priority Return Fund

On July 19, 2019, FISC a wholly owned subsidiary of Flow Capital became the general partner of the Priority Return Fund and made a capital contribution of ten dollars for one Class B unit and this represents the Company's maximum exposure to a loss. The Company does not have any further direct financial interests in the Priority Return Fund. FISC controls all the relevant activities of the Priority Return Fund through the LPA.

The purpose of the Priority Return Fund was to raise capital of \$10,000,000 for Flow Capital. A collection of institutional and high net worth investors invested \$10,000,000 in the Priority Return Fund for a return detailed on **Note 16**. In exchange for the \$10,000,000 investment amount, Flow Capital granted a royalty to the Priority Return Fund. As at March 31, 2020, the total outstanding investment in the Priority Return Fund is \$7,017,450. The limited partners of the Priority Return Fund appointed FISC as General Partner to administer all the activities of the PRF in accordance with the LPA. FISC has no contractual obligation to provide financial or other support to the Priority Return Fund other than the management and operational services detailed in the LPA. FISC does not receive any consideration for the services provided to the Priority Return Fund.

## Flow Capital Corp.

### Notes to the Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2020

#### 25. Events after the reporting period

The following events occurred after the end of the reporting period:

- On April 1, 2020, Flow Capital announced the appointment of a new Chief Financial Officer.
- On April 7, 2020, Flow Capital closed a new investment for \$1,300,000 United States dollars with Novation Enterprises, LLC.
- On May 1, 2020, the Company granted 1,125,000 options at an exercise price of \$0.18.
- On May 5, 2020, the Company announced a key management transition, on the departure of its Chief Investment Officer.

#### 26. Contingencies

LOGiQ Capital 2016's is one of several defendants in a legal proceeding commenced by Performance Diversified Fund ("PDF"). PDF seeks damages against LOGiQ Capital 2006 in the amount of \$5,000,000 for breach of fiduciary duty and negligence, as well as seeks punitive damages in the amount of \$5,000,000, pre- and post- judgment interest, and substantial indemnity costs from all defendants jointly and severally. In the claim, PDF alleges that LOGiQ Capital 2016, as advisor and co-manager of the Flatiron Market Neutral Limited Partnership fund (the "Fund"), breached its duty of care and fiduciary duty to PDF as a result of its alleged mismanagement of the Fund after its termination. LOGiQ Capital 2016 denies the allegations and will continue to vigorously defend the claim. All parties have exchanged affidavits of documents and the next step in the litigation is examinations for discovery. The amount of the losses incurred, if any, cannot be reasonably determined at this time.

Under a share purchase agreement dated March 11, 2016 (the "SPA") with Brant Securities Limited ("Brant"), the wholly owned subsidiary, Aston Hill Securities Inc. ("AHS"), was sold to Brant. Under the SPA, the Company agreed to indemnify Brant in respect of certain claims, limited to a maximum amount of \$300,000. Two notices of claims have been received in respect of this indemnity arising from two third-party claims against Brant by a former AHS client. The Company based upon the recourse terms relating to other agreements with Brant believe that it is unlikely that the Company will have to make a \$300,000 payment.

In January 2019, the Company was served with a statement of claim on behalf of a former employee of Front Street Capital 2004. The claim is for damages and wrongful dismissal and relates back to the period prior to December 2016. On January 31, 2019, the Company filed a Notice of Intent to Defend. This claim is over two years and as a result the amount of the liability, if any, cannot be reasonably determined at this time.

In June 2019, the Company was served with a statement of claim on behalf of an employee who was employed by the Global Partners business and who decided not to take up the employment offer by the buyer when the business was sold in April 2019. The claim is for \$500,000 for damages for wrongful dismissal and breach of employment contract and \$100,000 for aggravated and general damages. On June 19, 2019, the Company filed a Notice of Intent to Defend. On July 15, 2019, Flow Capital filed a statement of defense and a counterclaim for i) repayment of \$50,000 promissory note and ii) a counterclaim of \$375,000 for intentional interference in the transaction selling the Global Partners business. As the employee himself terminated his employment with the Company and decided not to take up the buyer's employment offer, the amount of the liability, if any, cannot be reasonably determined at this time.

In November 2019, the Company undertook a commitment to complete a restructuring. This restructuring involves a contract payment to an employee who was a key management personnel during the three months ended March 31, 2020. The final contract payment amount has not been finalized and the Company recorded a provision of \$293,750 on December 31, 2019.

#### 27. Related party disclosures

##### Key management personnel

The number of key management personnel as at March 31, 2020 was 8 (2019: 8) and are identified as the members of the board of directors and the officers of the Company.

##### i) Compensation

	Three months ended March 31, 2020	Three months ended March 31, 2019
Short term employee benefits	\$ 223,225	\$ 207,452
Share-based compensation	34,005	40,154
Consultancy fees	82,604	86,149
<b>Total</b>	<b>\$ 339,834</b>	<b>\$ 333,755</b>

##### ii) Other transactions

In July 2019, the Company, through a limited partnership called Priority Return Fund, raised \$10,000,000 in financing (Note 25). Of the \$10,000,000 redeemable debt raised, \$1,600,000 was subscribed for by certain key management personnel. During the three months ended March 31, 2020, interest of \$36,773 was accrued and expensed on the redeemable debt held by the key management personnel. As at March 31, 2020, \$1,122,792 of redeemable debt was held by key management personnel.

**Flow Capital Corp.**

**Notes to the Interim Condensed Consolidated Financial Statements  
In Canadian dollars, for the three months ended March 31, 2020**

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In 2019, the Company has made a royalty investment of US\$500,000 in a company effectively jointly controlled by a member of the key management personnel. The terms of the investment were based on similar terms offered on other investments and other investees. The amounts payable under the investment are in accordance with normal payment terms.

A subsidiary of the Company has provided a loan of US\$150,000 to a member of the key management personnel that was still outstanding as at March 31, 2020. The interest income received was as follows:

	<b>Three months ended March 31, 2020</b>	<b>Three months ended March 31, 2019</b>
<b>Total</b>	<b>\$ 889</b>	<b>\$ 868</b>