Flow Capital Corp.

Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020

(Unaudited)

Flow Capital Corp.

Consolidated Statements of Financial Position

(Canadian dollars)

	Note		June 30, 2020 (unaudited)		December 31, 2019
Assets					
Current Assets					
Cash and cash equivalents	8	$	7,840,408	$	10,324,694
Accounts receivable and accrued income			2,666		5,557
Income tax recoverable			-		1,891
Investments at fair value – current portion	9		2,386,064		1,660,277
Finance lease asset – current portion	11		414,819		802,605
Prepaid expenses and other receivables			750,967		684,829
Total Current Assets			**11,394,924**		**13,479,853**
Non-Current Assets					
Property and equipment			146,000		374,966
Finance lease asset – non-current portion	11		22,506		572,267
Other receivables			-		194,820
Investments at fair value – non-current portion	9		20,626,882		20,779,133
Total Non-Current Assets			**20,795,388**		**21,921,186**
Total Assets		**$**	**32,190,312**	**$**	**35,401,039**
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable and accrued liabilities		$	2,387,398	$	2,043,137
Deferred tax liability			12,537		12,537
Prepaid royalty payment income	10		115,820		271,820
Lease liability – current portion	11		946,238		1,344,479
Convertible debentures – current portion	14		4,555,939		-
Redeemable debt – current portion	15		500,000		-
Total Current Liabilities			**8,517,932**		**3,671,973**
Non-Current Liabilities					
Provisions – non-current portion	13		375,440		375,440
Lease liability – non-current portion	11		603,149		1,517,282
Convertible debentures – non-current portion	14		-		4,216,912
Redeemable debt – non-current portion	15		6,517,450		8,017,450
Total Non-Current Liabilities			**7,496,039**		**14,127,084**
Shareholders' Equity (Note 16)					
Share capital		$	52,793,676	$	54,281,689
Warrants			486,624		486,624
Contributed surplus			423,734		1,386,728
Accumulated other comprehensive income			208,426		(24,474)
Accumulated deficit			(37,736,119)		(38,528,585)
Total Shareholders' Equity			**16,176,341**		**17,601,982**
Total Liability and Shareholders' Equity		**$**	**32,190,312**	**$**	**35,401,039**

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on August 20, 2020:

"Vernon Lobo"
Vernon Lobo, Director

"Alan Torrie"
Alan Torrie, Director

Flow Capital Corp.

Consolidated Statements of Comprehensive Income/(Loss) (Unaudited)

(Canadian dollars)

	Note	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Revenues					
Income from investments at fair value					
Royalty and loan payment income	17	$ 1,295,928	$ 1,474,893	$ 2,226,262	$ 3,002,726
Foreign exchange (loss) gain	17	(401,891)	(336,025)	444,310	(685,292)
Realized gain (loss) from sale of investments	17	-	(708,254)	225,970	(1,602,091)
Realized loss on investments written-off	17	-	(104,952)	-	(4,052,813)
Adjustments to fair value	17	724,113	(915,626)	(246,679)	4,716,436
Income (loss) from investments at fair value		1,618,150	(589,964)	2,649,863	1,378,966
Other income					
Fee and other income	17	-	50,000	-	100,000
Other interest income and gains (losses)	17	216,795	30,020	278,019	64,886
Total Revenues		**1,834,945**	**(509,944)**	**2,927,882**	**1,543,852**
Operating Expenses					
Salaries, benefits and staffing costs	18	$ 346,142	$ 343,959	$ 760,047	$ 637,577
Restructuring costs	18	447,770	-	447,770	-
Share-based compensation	19	137,108	53,171	171,112	107,757
Depreciation		17,905	40,720	59,912	80,328
Professional fees		239,184	435,655	580,371	871,145
Office and general administrative		139,647	149,771	287,646	294,004
Total Operating Expenses		**1,327,756**	**1,023,276**	**2,306,858**	**1,990,811**
Operating Profit (Loss)		**$ 507,189**	**$ (1,533,220)**	**$ 621,024**	**$ (446,959)**
Bargain purchase gain		-	(304,908)	-	(304,908)
Financing expense	20	479,294	675,772	962,664	1,331,825
Profit (loss) before income taxes		**27,895**	**(1,904,084)**	**(341,640)**	**(1,473,876)**
Income Taxes					
Current income tax expense (recovery)		$ -	$ 6,578	$ -	$ 71,132
Deferred tax expense (recovery)		-	(493,755)	-	(407,501)
Total Income Tax		**$ -**	**$ (487,177)**	**$ -**	**$ (336,369)**
Net Profit (Loss) from continuing operations		**$ 27,895**	**$ (1,416,907)**	**$ (341,640)**	**$ (1,137,507)**
Net profit from discontinued operations, net of taxes	5	-	416,045	-	350,194
Net Profit (Loss)		**$ 27,895**	**$ (1,000,862)**	**$ (341,640)**	**$ (787,313)**
Other comprehensive income					
Foreign currency translation reserve		(224,609)	(63,903)	232,900	(120,819)
Total Comprehensive Loss		**$ (196,714)**	**$ (1,064,765)**	**$ (108,740)**	**$ (908,132)**
Earnings (loss) per share (Note 21)					
Earnings (loss) per share					
Basic earnings (loss) per share		$ 0.0007	$ (0.0236)	$ (0.0090)	$ (0.0185)
Diluted earnings (loss) per share		$ 0.0007	$ (0.0236)	$ (0.0090)	$ (0.0185)
Earnings (loss) per share – continuing operations					
Basic earnings (loss) per share		$ 0.0007	$ (0.0334)	$ (0.0090)	$ (0.0267)
Diluted earnings (loss) per share		$ 0.0007	$ (0.0334)	$ (0.0090)	$ (0.0267)

See accompanying notes to financial statements.

Flow Capital Corp.

Consolidated Statements of Changes in Equity (Unaudited)

(Canadian dollars)

	Number of shares (restated)	Note	Share capital	Accumulated other comprehensive income	Warrants	Contributed surplus	Equity component of the convertible debenture	Accumulated deficit	Total
Balance, January 1, 2019	**43,393,382**		**$ 55,443,299**	**$ 127,861**	**$ 486,624**	**$ 1,206,422**	**$ 558,831**	**$(26,643,228)**	**$ 31,179,809**
Adjustment - IFRS 16 implementation	-		-	-	-	-	-	(29,506)	(29,506)
Adjusted balance, January 1, 2019	**43,393,382**		**$ 55,443,299**	**$ 127,861**	**$ 486,624**	**$ 1,206,422**	**$ 558,831**	**$(26,672,734)**	**$ 31,150,303**
Share-based compensation	-	**19**	-	-	-	107,757	-	-	107,757
Treasury shares cancelled	(1,406,500)	**16**	(338,300)	-	-	-	-	-	(338,300)
Foreign currency translation	-		-	(120,819)	-	-	-	-	(120,819)
Net loss for the period	-		-	-	-	-	-	(787,313)	(787,313)
Balance, June 30, 2019	**41,986,882**		**$ 55,104,999**	**$ 7,042**	**$ 486,624**	**$ 1,314,179**	**$ 558,831**	**$(27,460,047)**	**$ 30,011,628**
Balance, January 1, 2020	**38,847,337**		**$ 54,281,689**	**$ (24,474)**	**$ 486,624**	**$ 1,386,728**	**$ -**	**$(38,528,585)**	**$ 17,601,982**
Share-based compensation	-	**19**	-	-	-	(962,994)	-	1,134,106	171,112
Treasury shares cancelled	(5,913,260)	**16**	(1,476,760)	-	-	-	-	-	(1,476,760)
Share cancellation cost	-	**16**	(11,253)	-	-	-	-	-	(11,253)
Foreign currency translation	-		-	232,900	-	-	-	-	232,900
Net loss for the period	-		-	-	-	-	-	(341,640)	(341,640)
Balance, June 30, 2020	**32,934,077**		**$ 52,793,676**	**$ 208,426**	**$ 486,624**	**$ 423,734**	**$ -**	**$(37,736,119)**	**$ 16,176,341**

See accompanying notes to financial statements.

Flow Capital Corp.

Consolidated Statements of Cash Flows (Unaudited)

(Canadian dollars)

	Note	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Cash flows from operating activities					
Profit (Loss) before income taxes		$ 27,895	$ (1,904,085)	$ (341,640)	$ (1,473,877)
Adjustments for non-cash items					
Share-based compensation		137,108	53,171	171,112	107,757
Bargain purchase gain		-	(304,908)	-	(304,908)
Depreciation		17,905	40,720	59,912	80,328
Amortization of deferred fee income		-	(50,000)	-	(100,000)
Adjustments relating to investments at fair value					
Unrealized foreign exchange loss (gain)		401,891	333,169	(444,310)	682,602
Adjustments to fair value		(724,113)	915,626	246,679	(4,716,436)
Realized loss on investments written-off		-	104,952	-	4,052,813
Realized loss on sale of equity securities		-	702,867	-	1,602,091
Realized (gain) on sale of equity securities		-	-	(225,970)	-
New investments and loan advances		(1,470,395)	(1,645,025)	(1,470,395)	(1,645,025)
Repayment of promissory note		-	-	1,500,000	-
Proceeds received on sale of shares		-	236,225	225,970	361,091
Buyout and redemption of investments		70,935	12,621	70,935	12,621
Realized gain on equity investments received on buyout		-	-	162,500	-
Other Adjustments					
Financing expense		479,293	675,772	962,664	1,331,825
Income tax recovery		-	10,284	1,891	19,529
Changes in working capital items	23	(207,755)	(274,410)	(256,102)	(505,463)
Net Cash Flows generated from continuing operations - Operating Activities		**(1,267,236)**	**(1,093,021)**	**663,246**	**(495,052)**
Net Cash Flows generated from discontinued operations - Operating Activities		**-**	**399,042**	**-**	**740,676**
Net Cash Flows generated from Operating Activities		**(1,267,236)**	**(693,979)**	**663,246**	**245,624**
Cash flows from financing activities					
Other receivables		$ 193,568	$ -	$ 193,568	$ -
Common shares repurchased for treasury		(1,277,888)	(157,675)	(1,488,013)	(338,300)
Convertible debentures redeemed		(4,000)	-	(4,000)	(190,000)
Lease liability payments		(38,998)	(321,271)	(361,142)	(585,060)
Interest paid		(389,804)	(858,131)	(629,637)	(859,486)
Redemption of redeemable debt		-	-	(1,000,000)	-
Net Cash flows from (used in) Financing Activities		**(1,517,122)**	**(1,337,077)**	**(3,289,224)**	**(1,972,846)**
Cash flows from investing activity					
Purchase of property and equipment		$ -	$ -	$ (1,048)	$ (1,708)
Finance lease asset payments		(48,316)	264,097	142,740	433,100
Net Cash flows from continuing operations - Investing Activities		**(48,316)**	**264,097**	**141,692**	**431,392**
Net Cash flows from discontinued operations - Investing Activities		**-**	**1,245,000**	**-**	**1,245,000**
Net Cash Flows generated from Investing Activities		**(48,316)**	**1,509,097**	**141,692**	**1,676,392**
Net increase in cash during the period		**(2,832,674)**	**(521,959)**	**(2,484,286)**	**(50,830)**
Cash and cash equivalents, beginning of period		10,673,082	9,078,815	10,324,694	8,607,686
Cash and cash equivalents, end of period	**8**	**$ 7,840,408**	**$ 8,556,856**	**$ 7,840,408**	**$ 8,556,856**

See accompanying notes to financial statements.

In Canadian dollars, for the six months ended June 30, 2020

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) and follows the same accounting policies and methods of application as the Company's most recent annual financial statements. 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 August 20, 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.

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 investments in 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 6 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 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.

In Canadian dollars, for the six months ended June 30, 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 evaluated 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**
June 30, 2020				
Cash and cash equivalents	$ 7,840,408	$ 7,840,408	$ -	$ -
Royalty agreements acquired	18,107,025	-	-	18,107,025
Promissory notes receivable	2,163,022	-	-	2,163,022
Equity securities in investee companies	2,742,899	2,360,230	-	382,669
	$ 30,853,354	**$ 10,200,638**	**$ -**	**$ 20,652,716**

	Total	**Level 1**	**Level 2**	**Level 3**
December 31, 2019				
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
	$ 32,764,104	**$ 12,449,991**	**$ -**	**$ 20,314,113**

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.

In Canadian dollars, for the six months ended June 30, 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 June 30, 2020
Royalty agreements acquired	$ 16,414,085	$ 390,637	$1,399,460	$ (26,222)	$(70,935)	$-	$ 18,107,025
Equity securities in investee companies	369,146	13,523	-	-	-	-	382,669
Promissory notes receivable	3,530,882	61,205	70,935	-	(1,500,000)	-	2,163,022
Total	**$ 20,314,113**	**$ 465,365**	**$ 1,470,395**	**$ (26,222)**	**$(1,570,935)**	**$-**	**$ 20,652,716**

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 June 30, 2020 and December 31, 2019 as follows:

June 30, 2020			December 31, 2019		
Discount rate	Revenue growth rate	Liquidity premium	Discount rate	Revenue growth rate	Liquidity premium
$ 768,152	$ 455,325	$ 16,381	$ 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 June 30, 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 June 30, 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) recognized in profit or loss	Issues	Sales	Maturities and repayment	Transfers in/(out) of Level 3	Balance at June 30, 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 June 30, 2020:

June 30, 2020		
Discount rate	Revenue growth rate	Liquidity premium
$ 645,790	$ 425,036	$ 12,275

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 June 30, 2020	Fair Value June 30, 2020	Carrying Amount December 31, 2019	Fair Value December 31, 2019
Financial liabilities				
Accounts payable and accrued liabilities	$ 2,387,398	$ 2,387,398	$ 2,043,137	$ 2,043,137
Convertible debentures	4,555,939	4,701,425	4,216,912	5,122,590
Total	**$ 6,943,337**	**$ 7,088,823**	**$ 6,260,049**	**$ 7,165,727**

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 June 30, 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 June 30, 2020 was $2,742,899 (December 31, 2019: $2,494,443) and a 1% change in the share price has an impact of $27,429 (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 June 30, 2020 was $11,776,459 (December 31, 2019: $6,239,536) United States dollars and a 1% movement in the exchange rate has an impact of $117,765 (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 June 30, 2020 was $30,616,754 (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.

In Canadian dollars, for the six months ended June 30, 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 June 30, 2020 and December 31, 2019 respectively:

Contractual obligations	**< 1 year**	**1-2 years**	**3-5 years**	**Not determinable**	**Total**
Accounts payable and accrued liabilities	$ 2,387,398	$-	$-	$-	$ 2,387,398
Lease Liability	946,238	571,484	31,665	-	1,549,387
Redeemable debt	500,000	-	-	6,517,450	7,017,450
Convertible debenture	5,118,590	-	-	-	5,118,590
Total	**$8,952,226**	**$571,484**	**$31,665**	**$6,517,450**	**$ 16,072,825**

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
Total	**$3,387,616**	**$6,562,215**	**$77,657**	**$8,017,450**	**$ 18,044,938**

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 June 30, 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

	June 30, 2020	**December 31, 2019**
Cash held in bank accounts	$ 1,012,606	$ 1,076,009
Guaranteed investment certificates cashable at any time	6,827,802	9,248,685
	$ 7,840,408	**$ 10,324,694**

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	**June 30, 2020**	**December 31, 2019**
Due within 1 year	$ 1,038,552	$ 160,277
Due after more than 1 year	17,068,473	16,253,808
Total	**$ 18,107,025**	**$ 16,414,085**

In Canadian dollars, for the six months ended June 30, 2020

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

Promissory notes receivable		**June 30, 2020**		**December 31, 2019**
Due within 1 year	$	1,347,512	$	1,500,000
Due after more than 1 year		815,510		2,030,882
Total	**$**	**2,163,022**	**$**	**3,530,882**

		June 30, 2020		**December 31, 2019**
Equity securities in investee companies	**$**	**2,742,899**	**$**	**2,494,443**
Total carrying amount of investments at fair value	**$**	**23,012,946**	**$**	**22,439,410**

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:

		June 30, 2020		**December 31, 2019**
Royalty agreements	$	5,183,418	$	4,637,315
Promissory notes receivable		1,942,498		1,879,242
	$	**7,125,916**	**$**	**6,516,557**

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 June 30, 2020**		**Carrying amount June 30, 2020**		**Cost December 31, 2019**		**Carrying Amount December 31, 2019**
Common shares (publicly traded)									
Inner Spirit Holdings Ltd.	Level 1	$	962,374	$	2,078,250	$	962,374	$	1,593,325
Boardwalktech Software Corp.	Level 1		152,841		43,117		152,841		24,386
mCloud Technologies Corp.	Level 1		237,000		214,800		395,000		469,000
Pulse Oil Corp.	Level 1		27,071		24,063		31,571		38,586
Medical Imaging Corp.	Level 3		-		-		-		-
Common shares (not publicly traded)									
Crimson Energy Ltd.	Level 3		299,528		-		299,528		-
Warrants (not publicly traded)									
Boardwalktech Software Corp.	Level 3		1,365,572		42,042		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		-		-		-		-
DirecTech Labs Inc.	Level 3		-		-		-		-
Wedge Networks Inc.	Level 3		-		-		-		-
Spiridon Technologies Ltd.	Level 3		-		121,069		-		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
Total		**$**	**3,407,781**	**$**	**2,742,899**	**$**	**3,570,281**	**$**	**2,494,443**

c) Movement during the period

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

In Canadian dollars, for the six months ended June 30, 2020

	Six months ended June 30, 2020			
	Royalty agreement acquired	**Equity securities in investee companies**	**Promissory notes receivable**	**Total**
Balance as at December 31, 2019	**$ 16,414,085**	**$ 2,494,443**	**$ 3,530,882**	**$ 22,439,410**
New investments during the period	1,399,460	-	70,935	1,470,395
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	(97,157)	-	-	(97,157)
Royalty earned and payments received- net	447,310	-	-	447,310
Foreign exchange movements	438,462	-	61,205	499,667
Adjustment to fair value	(495,135)	248,456	-	(246,679)
Balance as at June 30, 2020	**$ 18,107,025**	**$ 2,742,899**	**$ 2,163,022**	**$ 23,012,946**

10. Prepaid royalty payment income

	June 30, 2020	**December 31, 2019**
Royalty paid in advance of revenue recognition	**$ 115,820**	**$ 271,820**

11. Finance lease assets and lease liability

A continuity of the Company's finance lease asset and lease liability are as follows:

	Finance lease asset	**Lease liability**
Balance as at December 31, 2019	**$ 1,374,872**	**$ 2,861,761**
Adjustment to amount of future lease payments classified as fixed	(749,865)	(955,022)
Lease payments received / paid	(227,838)	(465,382)
Interest recognized	40,156	108,030
Balance as at June 30, 2020	**$ 437,325**	**$ 1,549,387**

Details of the Company's finance lease assets and lease liability are as follows:

	June 30, 2020	**December 31, 2019**
Carrying amount – finance lease assets	**$ 437,325**	**$ 1,374,872**
Current	414,819	802,605
Non-current	22,506	572,267
Total lease liability	**$ 1,549,387**	**$ 2,861,761**
Current	946,238	1,344,479
Non-current	603,149	1,517,282

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 June 30, 2020:

Less than one year	$ 590,826
One to two years	253,254
Total	**$ 844,080**

12. Income taxes

The Company have tax losses available for carryforward of approximately $38,655,560 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.

In Canadian dollars, for the six months ended June 30, 2020

13. Provisions

	Retail funds indemnity	Other	Total
Balance at December 31, 2019	$ 333,000	$ 42,440	$ 375,440
Balance at June 30, 2020	**$ 333,000**	**$ 42,440**	**$ 375,440**
Current	-	-	-
Non-current	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

	June 30, 2020	December 31, 2019
Convertible debenture - Series B	$ 4,555,939	$ 4,216,912
Total	**$ 4,555,939**	**$ 4,216,912**
Current	4,555,939	-
Non-current	-	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 $7.20 per common share (post-consolidation), being a conversion rate of 138.89 common shares (post-consolidation) 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.

Normal Course Issuer Bid ("NCIB")

On May 25, 2020, the Company announced a Normal Course Issuer Bid ("NCIB"), commencing June 2, 2020, to purchase, for cancellation up to $512,259 principal amount of the $5,122,590 principal amount Series B debentures due June 30, 2021. This represents 10% of the public float of the Series B debentures. The NCIB will terminate upon the earliest of (i) the Company purchasing $512,259 principal amount of the Series B debentures, (ii) the Company providing notice of termination of the NCIB, and (iii) June 2, 2021. Since June 2, 2020, the Company has repurchased $4,000 Series B debentures at a weighted average price per share of $0.9025 for a total cost of $3,625.

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

Principal	
Balance at June 30, 2020	$ **5,118,590**
Balance at December 31, 2019	$ **5,122,590**
Liability	
Face value of the debenture	$ 5,213,590
Accrued interest at June 7, 2018	158,280
Adjustment to recognize the fair value	(1,614,436)
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	(364,356)
Redemption of debentures for the period from June 7, 2018 to December 31, 2018	(86,000)
Balance at December 31, 2018	**$ 3,742,526**
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	(358,591)
Balance at December 31, 2019	**$ 4,216,912**
Redemption of debentures for the six months ended June 30, 2020	(4,000)
Interest and accretion of finance expense for the six months ended June 30, 2020	522,307
Interest payments for the six months ended June 30, 2020	(179,281)
Balance at June 30, 2020	**$ 4,555,939**

In Canadian dollars, for the six months ended June 30, 2020

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

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Interest expense on convertible debentures				
Series B	$ 89,635	$ 89,342	$ 179,280	$ 180,282
	89,635	433,441	179,280	862,842
Accretion of finance expense for the period				
Series B	179,137	119,401	343,027	227,017
	179,137	242,360	343,027	468,983
Total	**$ 268,772**	**$ 675,772**	**$ 522,307**	**$ 1,331,825**

15. Redeemable debt

At fair value through profit and loss

	Class A		**Class D**		**Total**
	Number of units		Number of units		
Balance at December 31, 2019	**8,017,450**	**$ 8,017,440**	**10,000,000**	**$ 10**	**$ 8,017,450**
Redeemed	(1,000,000)	(1,000,000)	-	-	(1,000,000)
Balance at June 30, 2020	**7,017,450**	**7,017,440**	**10,000,000**	**10**	**7,017,450**
Current	500,000	500,000	-	-	500,000
Non-current	6,517,450	6,517,440	10,000,000	10	6,517,450

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.

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 six months ended June 30, 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 June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Interest expense on Class A units	$ 210,522	$ -	$ 440,357	$ -

16. Share capital and other components of equity

Common shares

In Canadian dollars, for the six months ended June 30, 2020

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 June 30, 2020 were 32,934,077.

On June 8, 2020, the Company effected a share alteration whereby all the issued and outstanding common shares of the Company were consolidated at a ratio of 25,000 pre-consolidation shares for every 1 post consolidation common share. Any holder of less that 1 post-consolidation share ceased to hold shares and was paid cash consideration of $0.12 per common share. The post-consolidation common shares were further subdivided on the basis of 12,500 post-subdivision common shares for each 1 pre-subdivision common share. As a result, 5,144,010 shares were repurchased at a weighted-average price per share of $0.24 for a total cost of $1,277,888. Due to the share alteration, certain prior period numbers for share capital and earnings per share have been restated to reflect the post-consolidation outstanding common shares.

Outstanding shares pre-consolidation	**76,156,174**
Consolidation (25,000:1)	3,043
Split (1:12,500)	32.934,077
Outstanding shares post-consolidation	**32,934,077**

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 (pre-consolidation) common shares of the Company, representing approximately 7.72% of the Company's pre-consolidation 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 June 30, 2020, the equivalent of 769,250 post-consolidation common shares were repurchased at a weighted-average price per share of $0.2586 for a total cost of $198,872.

Share warrants

The details of the share warrants outstanding at June 30, 2020 were:

Number of Warrants outstanding	Fair value of warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
2,516,345	$486,624	$0.44	June 26, 2023	3.00

On July 5, 2018, as a part of the non-brokered private placement, the Company issued 2,516,345 (post-consolidation) share warrants with an expiry date of June 26, 2023 at an exercise price of $0.44 (post-consolidation) per warrant with a fair value of $486,624. Each share warrant is convertible into one post-consolidation 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 (post-consolidation)	$0.1934

Stock Options

Under the Plan of Arrangement, the Company adopted the 10% "rolling" stock option plain 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 post-consolidation 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.

Original Issue Date	Number of Options Outstanding (restated)	Number of Options Exercisable (restated)	Exercise Price (restated)	Expiry Date	Remaining contractual life (years)
June 3, 2016	78,125	78,125	$1.69	June 3, 2021	0.93
November 18, 2016	120,443	120,443	$0.63	November 18, 2021	1.39
June 13, 2018	1,590,000	737,500	$0.36	June 13, 2023	2.95
December 4, 2018	1,000,000	322,222	$0.36	December 4, 2023	3.43
February 29, 2020	62,500	-	$0.36	February 28, 2025	4.67
May 1, 2020	562,500	16,667	$0.36	April 30, 2027	6.84

In Canadian dollars, for the six months ended June 30, 2020

May 27, 2020	100,000	1,923	$0.36	May 26, 2027	6.91
Total	**3,513,568**	**1,276,880**			
Weighted average exercise price	**$0.3989**	**$0.4672**		Weighted average remaining contractual life	**3.76**

During the six months ended June 30, 2020, 725,000 options were granted at an exercise price of $0.36. For the same period, 226,016 options were forfeited and 79,427 options expired.

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 June 30, 2020;

Assumption	
Expected stock price volatility	135.98%
Expected life	5.38 years
Risk free interest rate	1.62%
Expected dividend yield	0.0%
Weighted average fair value per option granted (post-consolidation)	$0.2443

17. Revenues

i) Income from investments at fair value

	Three months ended June 30, 2020	**Three months ended June 30, 2019**	**Six months ended June 30, 2020**	**Six months ended June 30, 2019**
Royalty and loan payment income				
Royalty payment income	$ 1,211,906	$ 1,074,891	$ 2,025,792	$ 2,448,108
Loan interest income	84,022	-	163,585	-
Promissory notes receivable income	-	400,002	36,885	554,618
Total	**$ 1,295,928**	**$ 1,474,893**	**$ 2,226,262**	**$ 3,002,726**
Foreign exchange gains (losses)				
Royalty agreements acquired	$ (401,891)	$ (278,182)	$ 444,310	$ (640,649)
Promissory notes receivable	-	(57,843)	-	(44,643)
Total	**$ (401,891)**	**$ (336,025)**	**$ 444,310**	**$ (685,292)**
Unrealized foreign exchange (loss) gain	$ (399,915)	$ (333,169)	$ 446,323	$ (682,602)
Realized foreign exchange (loss) gain	(1,976)	(2,856)	(2,013)	(2,690)
Total	**$ (401,891)**	**$ (336,025)**	**$ 444,310**	**$ (685,292)**
Realized gains (losses) from sale of investment				
Royalty agreements acquired	$ -	$ -	$ -	$ 5,387
Equity securities in investee companies				
- gain recognized on sale	-	84,404	225,970	84,404
- loss recognized on sale	-	(792,658)	-	(1,691,882)
Total	**$ -**	**$ (708,254)**	**$ 225,970**	**$ (1,602,091)**
Realized gain on sale of equity investments	$ -	$ 84,404	$ 63,470	$ 84,404
Transfer of fair value adjustment upon sale of shares	-	-	162,500	-
Total	**$ -**	**$ 84,404**	**$ 225,970**	**$ 84,404**
Realized loss on investments written-off				
Royalty agreements acquired	$ -	$ (104,952)	$ -	$ (4,052,813)
Total	**$ -**	**$ (104,952)**	**$ -**	**$ (4,052,813)**

In Canadian dollars, for the six months ended June 30, 2020

Adjustments to fair value				
Royalty agreements acquired	$ 77,853	$ (526,609)	$ (495,135)	$ 1,920,308
Promissory notes receivable	-	384,113	-	512,079
Equity securities in investee companies	646,260	(773,130)	248,456	2,284,049
Total	**$ 724,113**	**$ (915,626)**	**$ (246,679)**	**$ 4,716,436**

ii) Other income

Fee and other income				
Amortization of deferred fee income	$ -	$ 50,000	$ -	$ 100,000
Total	**$ -**	**$ 50,000**	**$ -**	**$ 100,000**
Other investment income and gains				
Interest income on invested cash and cash equivalents	$ 172,376	$ 30,020	$ 233,600	$ 51,843
COVID19 wage subsidy	44,044	-	44,044	-
Gain on repurchase of convertible debentures	375	-	375	13,043
Total	**$ 216,795**	**$ 30,020**	**$ 278,019**	**$ 64,886**

18. Employee benefit expense

	Three months ended June 30, 2020	**Three months ended June 30, 2019**	**Six months ended June 30, 2020**	**Six months ended June 30, 2019**
Wages and salaries	$ 323,379	$ 275,833	$ 684,046	$ 545,834
Restructuring costs	447,770	38,750	447,770	38,750
Other benefits	12,805	10,144	27,176	20,560
Employer related costs for insurance, health tax	9,958	19,232	48,825	32,433
Salaries, benefits and other staffing costs	**793,912**	**343,959**	**1,207,817**	**637,577**
Share-based compensation **(Note 19)**	137,108	53,171	171,112	107,757
Total	$ 931,020	$ 397,130	$ 1,378,929	$ 745,334

19. Share-based compensation

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

	Three months ended June 30, 2020	**Three months ended June 30, 2019**	**Six months ended June 30, 2020**	**Six months ended June 30, 2019**
Expense recognized for services provided based on vesting conditions of stock options	**$ 137,108**	**$ 53,171**	**$ 171,112**	**$ 107,757**

20. Financing expense

	Three months ended June 30, 2020	**Three months ended June 30, 2019**	**Six months ended June 30, 2020**	**Six months ended June 30, 2019**
Convertible debentures **(Note 14)**	$ 268,772	$ 675,772	$ 522,307	$ 1,331,825
Redeemable debt **(Note 15)**	210,522	-	440,357	-
Total	**$ 479,294**	**$ 675,772**	**$ 962,664**	**$ 1,331,825**

21. Earnings/ (Loss) per share

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

In Canadian dollars, for the six months ended June 30, 2020

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Profit/(loss) attributable to ordinary equity holders for basic earnings /(loss) per share	$ 27,895	$ (1,000,862)	$ (341,640)	$ (787,313)
Financing expense (**Note 20**) after tax at 26.5%	352,281	496,692	707,558	978,891
Profit/(loss) attributable to ordinary equity holders for diluted earnings /(loss) per share	(324,386)	(504,170)	(1,049,198)	191,578
Basic and diluted weighted average number of shares outstanding (restated)	38,245,539	42,418,936	38,161,813	42,529,718

Due to the anti-dilutive impact of the dilutive instruments, the same weighted average number of common shares have been used for both the basic and diluted earnings calculations for the six months ended June 30, 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 June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Canada	$ 147,038	$ 726,575	$ (26,895)	$ 1,448,852
United States	1,678,901	(1,236,519)	2,954,777	95,000
Total	**$ 1,834,945**	**$ (509,944)**	**$ 2,927,882**	**$ 1,543,852**

For the six months ended June 30, 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 June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Royalty agreements acquired – current portion	$ (570,798)	$ (169,972)	$ (393,798)	$ (479,035)
Accounts receivable and accrued income	(16)	(38,919)	2,891	22,983
Provisions	-	94,858	-	-
Deferred fee income	-	(50,000)	-	(100,000)
Prepaid royalty	(78,000)	-	(156,000)	-
Prepaid expenses and other receivables	(81,322)	(400,212)	(66,138)	(169,489)
Accounts payable and accrued liabilities	522,381	289,835	356,943	220,078
Total	**$ (207,755)**	**$ (274,410)**	**$ (256,102)**	**$ (505,463)**

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 15**. In exchange for the $10,000,000 investment amount, Flow Capital granted a royalty to the Priority Return Fund. As at June 30, 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.

25. Events after the reporting period

On July 10, 2020, Stability Healthcare, a previously distressed investment, repaid all arrears and legal expenses amounting to over $600,000, and the investee has been reinstated as an active investment.

In Canadian dollars, for the six months ended June 30, 2020

On July 17, 2020, Medical Imaging Corp. (“MIC”) and Canadian Teleradiology Services Inc. (“CTS”, and together with MIC, collectively, the “Corporation”) agreed to buyout Flow Capital’s royalty investment in the Corporation conditional on CTS completing a Reverse-Takeover (RTO) with a TSXV listed company, and a concurrent financing of at least $4,000,000. Per the terms of the buyout agreement, Flow will receive $1,500,000 in cash and between 3,500,000 and 3,900,000 common shares in the resulting listed issuer (to be determined based on the price achieved in the proposed concurrent financing). This transaction is expected to be completed by October 31, 2020.

On July 22, 2020, eSCRIBE Software Ltd. completed a buyout of the Company’s royalty investment for $500,000.

26. Contingencies

LOGiQ Capital 2016 is one of several defendants in a legal proceeding commenced by Performance Diversified Fund (“PDF”). PDF seeks damages against LOGiQ Capital 2016 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, believes 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. 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 six months ended June 30, 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 June 30, 2020 was 7 (2019: 8) and are identified as the members of the board of directors and the officers of the Company.

i) Compensation

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Short term employee benefits	$ 138,226	$ 203,939	$ 361,451	$ 411,390
Share-based compensation	137,108	5,677	171,112	45,831
Consultancy fees	35,618	83,985	118,222	170,134
Total	**$ 310,952**	**$ 303,601**	**$ 650,785**	**$ 627,355**

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 six months ended June 30, 2020, interest of $66,054 was accrued and expensed on the redeemable debt held by the key management personnel. As at June 30, 2020, $1,403,491 of redeemable debt was held by key management personnel.

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.

In Canadian dollars, for the six months ended June 30, 2020

In May 2020, 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 six months ended June 30, 2020. The final contract payment amount is US$328,791 and the Company recorded a provision for this amount during the six months ended June 30, 2020.

A subsidiary of the Company had provided a loan of US$150,000 to a former member of the key management personnel that was repaid during the six months ended June 30, 2020. The interest income received was as follows:

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Total	**$ 832**	**$ 856**	**$ 1,721**	**$ 1,694**