Flow Capital Corp.

Consolidated Financial Statements

For the year ended December 31, 2020

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Flow Capital Corp.

Opinion

We have audited the consolidated financial statements of Flow Capital Corp. (the “Company”), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of comprehensive income/(loss), changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on February 13, 2020.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management’s Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Matthew Gosden*.*

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

March 29, 2021

MOORE

An independent firm
associated with Moore
Global Network Limited

Flow Capital Corp.
Consolidated Statements of Financial Position

(Canadian dollars)

	Note		December 31, 2020		December 31, 2019
Assets					
Current Assets					
Cash and cash equivalents	9	$	7,141,988	$	10,324,694
Accounts receivable and accrued income			1,420		5,557
Income tax recoverable			-		1,891
Investments – current portion	12		5,925,359		1,660,277
Finance lease receivable – current portion	17		325,097		802,605
Prepaid expenses and other receivables	11		524,697		684,829
Total Current Assets			**13,918,561**		**13,479,853**
Non-Current Assets					
Property and equipment			90,823		374,966
Finance lease receivable – non-current portion	17		-		572,267
Other receivables			-		194,820
Investments – non-current portion	12		23,847,928		20,779,133
Total Non-Current Assets			**23,938,751**		**21,921,186**
Total Assets		**$**	**37,857,312**	**$**	**35,401,039**
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable and accrued liabilities	15	$	2,458,634	$	2,043,137
Income tax liability	18		398,374		-
Prepaid royalty payment income			-		271,820
Lease liability – current portion	17		365,694		1,344,479
Redeemable debt – current portion	21		2,620,029		-
Total Current Liabilities			**5,842,731**		**3,659,436**
Non-Current Liabilities					
Provisions	19		375,440		375,440
Deferred tax liability	18		502,376		12,537
Lease liability – non-current portion	17		45,315		1,517,282
Convertible debentures	20		-		4,216,912
Redeemable debt – non-current portion	21		13,119,971		8,017,450
Total Non-Current Liabilities			**14,043,102**		**14,139,621**
Shareholders' Equity (Note 23)					
Share capital	23	$	52,538,126	$	54,281,689
Warrants	23		486,624		486,624
Contributed surplus	23		656,612		1,386,728
Accumulated other comprehensive loss			(437,143)		(24,474)
Accumulated deficit			(35,272,740)		(38,528,585)
Total Shareholders' Equity			**17,971,479**		**17,601,982**
Total Liability and Shareholders' Equity		**$**	**37,857,312**	**$**	**35,401,039**

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors on March 29, 2021:

"Vern Lobo"
Vernon Lobo, Director

"Alan Torrie"
Alan Torrie, Director

Flow Capital Corp.
Consolidated Statements of Comprehensive Income/(Loss)

(Canadian dollars)

	Note	Year ended December 31, 2020	Year ended December 31, 2019
Revenues			
Income from investments at fair value			
Royalty payment and loan interest income	24	$ 5,373,630	$ 5,576,727
Foreign exchange (loss) gain	24	(276,665)	(661,873)
Realized gain (loss) from sale of investments	24	918,379	(788,085)
Realized loss on investments written-off	24	-	(5,457,902)
Adjustments to fair value	24	3,937,929	4,257,948
Income (loss) from investments at fair value		9,953,273	2,926,815
Other income			
Fee and other income	24	-	750,000
Other interest income and gains	24	425,914	349,555
Total Revenues		**10,379,187**	**4,026,370**
Operating Expenses			
Salaries, benefits and staffing costs	25	$ 1,687,491	$ 1,287,269
Restructuring costs	25	517,770	293,750
Share-based compensation	26	403,990	180,306
Depreciation		115,089	161,606
Professional fees		925,888	1,550,388
Office and general administrative		235,861	633,776
Total Operating Expenses		**3,886,089**	**4,107,095**
Operating Income (Loss)		**$ 6,493,098**	**$ (80,725)**
Bargain purchase gain		-	(304,908)
Financing expense	27	3,483,146	3,028,774
Income (loss) before income taxes		**3,009,952**	**(2,804,591)**
Income Taxes			
Current income tax expense	18	$ 398,374	$ 49,022
Deferred tax expense	18	489,839	9,369,051
Total Income Tax		**$ 888,213**	**$ 9,418,073**
Net Income (Loss) from continuing operations		**$ 2,121,739**	**$ (12,222,664)**
Net income from discontinued operations, net of taxes	6	-	366,813
Net Income (Loss)		**$ 2,121,739**	**$ (11,855,851)**
Other comprehensive income that may be subsequently reclassified to profit or loss			
Foreign currency translation		(412,669)	(152,335)
Total Comprehensive Income (Loss)		**$ 1,709,070**	**$ (12,008,186)**
Earnings (loss) per share (Note 28)			
Earnings (loss) per share			
Basic earnings (loss) per share		$ 0.0600	$ (0.2991)
Diluted earnings (loss) per share		$ 0.0600	$ (0.2991)
Earnings (loss) per share – continuing operations			
Basic earnings (loss) per share		$ 0.0600	$ (0.3084)
Diluted earnings (loss) per share		$ 0.0600	$ (0.3084)

See accompanying notes to the consolidated financial statements.

Flow Capital Corp.
Consolidated Statements of Changes in Equity

(Canadian dollars)

	Number of shares (restated)	Note	Share capital	Accumulated other comprehensive income (loss)	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	-	**26**	-	-	-	180,306	-	-	180,306
Treasury shares cancelled	(4,546,045)	**23**	(1,562,333)	-	-	-	-	-	(1,562,333)
Share cancellation cost	-		(158,108)	-	-	-	-	-	(158,108)
Transfer of equity component to share capital on maturity of debenture	-		558,831	-	-	-	(558,831)	-	-
Foreign currency translation	-		-	(152,335)	-	-	-	-	(152,335)
Net loss for the year	-		-	-	-	-	-	(11,855,851)	(11,855,851)
Balance, December 31, 2019	**38,847,337**		**$ 54,281,689**	**$ (24,474)**	**$ 486,624**	**$ 1,386,728**	**$ -**	**$(38,528,585)**	**$ 17,601,982**
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	-	**26**	-	-	-	(730,116)	-	1,134,106	403,990
Treasury shares cancelled	(6,692,260)	**23**	(1,722,099)	-	-	-	-	-	(1,722,099)
Share cancellation cost	-		(21,464)	-	-	-	-	-	(21,464)
Foreign currency translation	-		-	(412,669)	-	-	-	-	(412,669)
Net income for the year	-		-	-	-	-	-	2,121,739	2,121,739
Balance, December 31, 2020	**32,155,077**		**$ 52,538,126**	**$ (437,143)**	**$ 486,624**	**$ 656,612**	**$ -**	**$(35,272,740)**	**$ 17,971,479**

See accompanying notes to consolidated financial statements.

Flow Capital Corp.

Consolidated Statements of Cash Flows

(Canadian dollars)

	Note	Year ended December 31, 2020	Year ended December 31, 2019
Cash flows from operating activities			
Income (loss) before income taxes		$ 3,009,952	$ (2,804,591)
Adjustments for non-cash items			
Share-based compensation		403,990	180,306
Bargain purchase gain		-	(304,908)
Depreciation		115,089	161,606
Amortization of deferred fee income		-	(750,000)
Adjustments relating to investments at carrying value			
Unrealized foreign exchange loss (gain)		276,665	698,688
Adjustments to fair value		(3,807,220)	(4,257,948)
Impairment		151,642	-
Realized loss on investments written-off		-	5,457,902
Realized (gain) loss on sale of investment		(918,379)	1,984,703
New investments and loan advances		(9,592,861)	(4,362,900)
Gain on amendment to promissory note agreement		(282,351)	-
Repayment of promissory note		1,500,000	9,500,000
Proceeds received on sale of shares		245,868	651,700
Buyout and redemption of investments		4,170,729	3,616,637
Realized gain (loss) on equity investments received on buyout		162,500	(648,641)
Other Adjustments			
Financing expense		3,483,146	3,028,774
Income tax recovery		-	31,380
Changes in working capital items	30	(80,501)	563,490
Net Cash Flows generated from continuing operations - Operating Activities		**(1,161,731)**	**12,746,198**
Net Cash Flows generated from discontinued operations - Operating Activities		**-**	**983,321**
Net Cash Flows generated from Operating Activities		**(1,161,731)**	**13,729,519**
Cash flows from financing activities			
Other (receivables) payables		$ 193,568	$ -
Common shares repurchased for treasury		(1,743,563)	(1,720,440)
Convertible debentures redeemed		(5,376,997)	(17,161,000)
Lease liability payments		(733,994)	(1,211,049)
Interest paid		(1,403,236)	(1,980,847)
Advance from redeemable debt		15,740,000	10,000,000
Redemption of redeemable debt		(9,082,614)	(1,982,550)
Net Cash flows from (used in) Financing Activities		**(2,406,836)**	**(14,055,886)**
Cash flows from investing activity			
Purchase of property and equipment		$ (1,048)	$ (9,067)
Finance lease receivable payments		386,909	807,442
Net Cash flows from continuing operations - Investing Activities		**385,861**	**798,375**
Net Cash flows from discontinued operations - Investing Activities		**-**	**1,245,000**
Net Cash Flows generated from Investing Activities		**385,861**	**2,043,375**
Net increase in cash during the period		**(3,182,706)**	**1,717,008**
Cash and cash equivalents, beginning		10,324,694	8,607,686
Cash and cash equivalents, ending	**9**	**$ 7,141,988**	**$ 10,324,694**
Interest paid		1,403,236	1,980,847
Income taxes paid		-	-

See accompanying notes to the consolidated financial statements.

In Canadian dollars, for the year ended December 31, 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. 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, US	100
Flow Investment Services Corp. (formerly LOGiQ Asset Management Ltd.)	Subsidiary of Flow Capital, Canada	100
Flow Investment Holdings Corp. (formerly 2705535 Ontario Inc.)	Subsidiary of Flow Capital, Canada	100
LOGiQ Capital 2016	Subsidiary of Flow Capital, Canada	100
Flow Priority Return Fund II LP	Controlled by Flow through contractual arrangements, Canada	0
Tuscarora Capital Inc.	Subsidiary of Flow Capital, Canada	100
Flow Capital Partnership Holding Corp. (formerly 2535706 Ontario Inc.)	Subsidiary of Flow Capital, Canada	100

On September 30, 2020, Flow Capital redeemed Flow Priority Return Fund LP ("PRF I") and formed Flow Priority Return Fund II LP (the "Priority Return Fund II" or "PRF II") 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 II 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 consolidated financial statements have been prepared based on the principles of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations by the IFRS Interpretations Committee.

The financial statements were approved and authorized by the Board of Directors on March 29, 2021.

3. Summary of significant accounting policies

(A) Basis of consolidation

The financial statements of all entities controlled by the Company are included in the consolidated financial statements from the date control commenced. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company's subsidiaries have the same reporting date as the Company. Intra-group balances and transactions are eliminated on consolidation.

(B) Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the foreign currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. All differences are taken to the consolidated statements of comprehensive income and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Translation to the Presentation Currency

The financial statements of the foreign subsidiary are translated from its functional currency to Canadian dollars. Assets and liabilities are translated at the closing exchange rate at the statement of financial position date, and income and expenses are translated using the average exchange rates. The accumulated gains or losses arising from translation of functional currencies to the presentation currency, are included as a separate component of Other Comprehensive Income within equity.

(C) Revenue recognition

Income from investments at fair value

i) Royalty payment and loan interest income

Royalty payment and loan interest income are recognized in the statement of comprehensive income when earned and collection is probable.

ii) Adjustments to fair value

Adjustments to fair value of the investments measured at fair value through profit and loss is recognized in the statement of comprehensive income under Adjustments to fair value. The change in the fair value consists of gains or losses both realized and unrealized in the fair value of the investment.

iii) Realized gain (loss) from sale of investments and realized loss from investments written-off

Realized gain (loss) from sale of investments is recognized in the statement of comprehensive income when an investee buyout occurs or when gains or losses are incurred on the sale of equity instruments. Realized loss from investments written-off is recognized at the date the investment is written off when there is no expectation of any recovery in the future.

iv) Foreign exchange (loss) gain

Foreign exchange gains or losses on investments held by entities with a Canadian dollar functional currency denominated in US dollars are recognized under Income from investments at fair value in the statements of comprehensive income.

Management fee revenue

Management fee revenue relates to revenue earned through sales-related fee earning contracts and is recognized in the statements of comprehensive income when earned and the collection of the consideration is probable. The revenue recognized is presented in net profit (loss) from discontinued operations. Under the contracts, the Company's single performance obligation is to assist specified and previously selected investment managers in establishing relationships with institutional clients. In exchange for this performance obligation, the Company earn a fixed percentage share of the investment advisory fee earned by the investment manager. The management fee revenue is earned either on a monthly or quarterly basis and the fee is paid to the Company generally within sixty days following the end of the period. The fee earned is dependent on the client funds invested with the investment manager and therefore is variable with constraints. This revenue is included in discontinued operations.

Other interest income and gains (losses)

Other interest income includes interest income earned on short term money market investments and gains (losses) includes any gains or losses incurred on the repurchase of the convertible debentures. Other interest income and gains (losses) is accrued in the statement of comprehensive income when earned and is presented in Other interest income and gains (losses).

(D) Taxes

Current income tax

Current income tax assets and liabilities for the respective period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of any deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority.

(E) Financial instruments

(i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit or loss. A financial asset is measured at amortised cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and iii) is not designated as fair value through profit or loss.

For investments at fair value, the Company has determined that these assets must be classified as financial assets measured at fair value through profit or loss as the contractual terms of the agreements do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company also classifies equity-accounted investments and cash and cash equivalents as fair value through profit and loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, including any royalty and loan payment income recognized in the statement of comprehensive income and loss. Cash and cash equivalents and equity-accounted investments are classified within these categories.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Accounts receivable and promissory notes receivable are classified as measured at amortized cost.

(ii) Derecognition

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. The Company determines the classification of its financial liabilities at initial recognition. The Company’s financial liabilities are accounts payable and accrued liabilities, and prepaid royalty payment income which are recognized on an amortized cost basis, convertible debentures which are accounted for in accordance with Note 3(J) and redeemable debt, which is accounted for at fair value through profit or loss.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. Typically, fair value is determined by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs. When observable valuation inputs are not available, significant judgement is required through determining the valuation technique to apply, the valuation techniques such as discounted cash flow analysis and selecting inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value. A description of the fair value methodologies and assumptions by type of asset is included in Note 7.

(vi) Transaction costs

Transaction costs for financial instruments classified as fair value through profit and loss are recognized as an expense in professional fees, in the period the cost was incurred. For all financial instruments measured at amortized cost, the transaction costs are included in the initial measurement of the financial asset or financial liability and are amortized using the effective interest rate method over a period that corresponds with the term of the financial instruments.

(vii) Embedded Derivatives

For financial liabilities measured at amortized cost, under certain conditions, an embedded derivative must be separated from its host contract and accounted for as a derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. For financial assets at fair value through profit or loss, any embedded derivatives are not separated from its host contract.

(F) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

The Company uses the indirect method of reporting cash flow from operating activities.

(G) Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in the statement of comprehensive income or loss.

(H) Earnings per share

Basic earnings per share is calculated by dividing the income or loss for the period by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating the dilutive effect of the outstanding stock options and other dilutive securities. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted income or loss per share assumes that the proceeds to be received on the exercise of dilutive share options are used to repurchase common shares at the average market price during the period.

(I) Share-based compensation

The Company has a share-based compensation plan. The Company accounts for share-based compensation options granted to employees and consultants using the fair value method. Under this method, compensation expense for share-based compensation granted is measured at the fair value at the grant date, using a Black-Scholes option valuation model. In accordance with the fair value method, the Company recognizes estimated compensation expense related to share-based compensation over the vesting period of the options granted, with the related credit being charged to contributed surplus. Consideration paid by employees on the exercise of share-based compensation is recorded as share capital and the related share-based compensation is transferred from contributed surplus to share capital.

(J) Convertible debentures

Convertible debentures are separated into their financial liability and equity components at the initial date of recognition. The fair value of the liability component at the time of issue is determined based on an estimated interest rate of the debentures without the conversion feature. The value attributed to the equity component was determined as the difference between the fair value of the instrument as a whole and the fair value of the liability component. The convertible debentures are subsequently measured at amortized cost using the effective interest rate method.

(K) Property and equipment

Property and equipment are measured at cost less accumulated depreciation. Depreciation is calculated to expense the cost of the property and equipment items over their estimated useful lives using the straight-line method. Items relating to leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives of property and equipment are as follows:

Leasehold improvements	3-6 years
Furniture	5 years
Office equipment	3-5 years

The estimated useful life of the asset is reviewed at the end of each reporting date and adjusted if appropriate.

(L) Leases

Where the Company has entered a lease, the Company has recognized a right-of-use asset representing its rights to use the underlying assets and a lease liability representing its obligation to make lease payments. The right-of-use asset, where it relates to an operating lease, has been presented net of accumulated amortization and is disclosed under property and equipment, and for finance leases, the right-of-use asset is shown as finance lease asset, allocated between current and non-current assets. The lease liability has been disclosed as a separate line item, allocated between current and non-current liabilities.

The lease liability associated with all leases is measured at the present value of the expected lease payments at inception and discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, the Company’s incremental borrowing rate is used to discount the lease liability. Judgement is required to determine the incremental borrowing rate.

(M) Share warrants

The share warrants were issued as part of the private placement in July 2018 and were initially measured at fair value using a Black Scholes model. When the share warrants are exercised, the fair value attributable to the warrants exercised are added to the proceeds received and shown under share capital.

(N) Discontinued operations

Discontinued operations are reported when a component of the Company, representing a separate major line of business or area of operations with clearly distinguishable cash flows, has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Discontinued operations are reported as a separate element of net income or loss on the consolidated statement of net and comprehensive loss for both the current and comparative periods. When a disposal group is classified as held for sale, assets and liabilities are aggregated and presented as separate line items, respectively, on the consolidated statement of financial position. Comparative periods are not restated on the consolidated statement of financial position. Assets held for sale are not depreciated and are measured at the lower of carrying value and fair value less costs to sell.

4. 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.

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 7.

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.

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.

In Canadian dollars, for the year ended December 31, 2020

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 will continue to review the impact of COVID-19 in reporting periods.

5. 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.

6. 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.

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.

The net income from this business has been classified as a discontinued operation in accordance with IRFS 5. Net earnings from discontinued operations for December 31, 2019 were $366,813 and have been reported on the consolidated statements of comprehensive income/(loss) as net income from discontinued operations.

	Year ended December 31, 2020	Year ended December 31, 2019
Revenues		
Management fee revenue	$ -	$ 904,414
Total Revenues	**-**	**904,414**
Operating Expenses		
Salaries, benefits and staffing costs	$ -	$ 600,988
Amortization of intangible asset	-	407,485
Office and general administrative	-	65,744
Total Operating Expenses	**-**	**1,074,216**
Gain on assets held for sale	-	536,616
Net income	**$ -**	**$ 366,813**

7. 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.

In Canadian dollars, for the year ended December 31, 2020

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

Cash and cash equivalents, royalty agreements acquired, and equity securities in investee companies 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. These financial assets are measured at fair value through profit and loss.

	Total	Level 1	Level 2	Level 3
December 31, 2020				
Cash and cash equivalents	$ 7,141,988	$ 7,141,988	$ -	$ -
Royalty agreements acquired	17,109,057	-	-	17,109,057
Equity securities in investee companies	4,328,699	3,637,271	-	691,428
	$ 28,579,744	**$ 10,779,259**	**$ -**	**$ 17,800,485**

	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
Equity securities in investee companies	2,494,443	2,125,297	-	369,146
	$ 29,233,222	**$ 12,449,991**	**$ -**	**$ 16,783,231**

Promissory notes receivable are recorded at amortized cost. The carrying amounts at December 31, 2020 and 2019 are $8,335,531 and $3,530,882, respectively, and approximate the fair value.

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.

	Balance at December 31, 2019	Total gains and (losses) recognized in profit or loss	Purchases	Sales	Maturities and repayment	Balance at December 31, 2020
Royalty agreements acquired	$ 16,414,085	$ 3,466,250	$1,399,460	$ (38,203)	$(4,132,535)	$ 17,109,057
Equity securities in investee companies	369,146	322,282	-	-	-	691,428
Total	**$ 16,783,231**	**$ 3,788,532**	**$ 1,399,460**	**$ (38,203)**	**$(4,132,535)**	**$ 17,800,485**

	Balance at December 31, 2018	Total gains and (losses) recognized in profit or loss	Purchases	Sales	Maturities and repayment	Transfers in/(out) of Level 3	Balance at December 31, 2019
Royalty agreements acquired	$ 21,104,132	$(3,344,619)	$2,271,209	$ -	$(3,616,637)	-	$ 16,414,085
Equity securities in investee companies	850,570	(700,982)	219,558	-	-	-	369,146
Total	**$ 21,954,702**	**$(4,045,601)**	**$2,490,767**	**$ -**	**$(3,616,637)**	**$ -**	**$ 16,783,231**

In Canadian dollars, for the year ended December 31, 2020

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 12.8%-20.2%), growth rate of the revenues of the investee (range is between no growth and 20%). 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 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 December 31, 2020 and December 31, 2019 as follows:

December 31, 2020		December 31, 2019	
Discount rate	Revenue growth rate	Discount rate	Revenue growth rate
$ 455,537	$ 325,935	$ 609,053	$ 343,012

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.

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 December 31, 2020, the fair value recognized was $15,740,000. 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	Issued	Accrued interest	Maturities and repayment	Balance at December 31, 2020
Redeemable debt PRF I	$8,017,450	$1,000,000	$-	$65,174	$(7,582,624)	$ -
Redeemable debt PRF II	-	-	15,740,000	-	-	$ 15,740,000
Total	$8,017,450	$1,000,000	$15,740,000	$65,174	$(7,582,624)	$ 15,740,000

	Balance at January 1, 2019	Total (gains) and losses recognized in profit or loss	Issued	Sales	Maturities and repayment	Balance at December 31, 2019
Redeemable debt	$ -	$-	$10,000,000	$-	$(1,982,550)	$ 8,017,450

At December 31, 2020, the carrying value of the PRF II redeemable debt approximated fair value, as the carrying value of the pool of underlying securitised royalty investments was assessed to be higher than the face value of the outstanding senior units in PRFII and units were issued near to December 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 December 31, 2020	Fair Value December 31, 2020	Carrying Amount December 31, 2019	Fair Value December 31, 2019
Financial liabilities				
Accounts payable and accrued liabilities	$ 2,458,634	$ 2,458,634	$ 2,043,137	$ 2,043,137
Convertible debentures	-	-	4,216,912	5,122,590
Total	**$ 2,458,634**	**$ 2,458,634**	**$ 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 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.

8. 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 payments on the redeemable debt could vary based on declines in royalties received and is subject to a maximum of 10% per annum. Otherwise, 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 five 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., Wedge Networks and The Pyure Co. 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 December 31, 2020 was $4,328,699 (December 31, 2019: $2,494,443) and a 1% change in the share price has an impact of $43,287 (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 December 31, 2020 was $21,109,459 (December 31, 2019: $6,239,536) United States dollars and a 1% movement in the exchange rate has an impact of $211,095 (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 and cash equivalents, accounts receivable and accrued income, investments at fair value and amortized cost, excluding equity securities in investee companies, represents the maximum exposure to credit risk. The maximum exposure at December 31, 2020 was $32,589,514 (December 31, 2019: $30,151,325). 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.

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:

Contractual obligations – December 31, 2020	**< 1 year**	**1-2 years**	**3-5 years**	**Expected more than 1 year**	**Total**
Accounts payable and accrued liabilities	$ 2,458,634	$-	$-	$-	$ 2,458,634
Lease Liability	365,694	24,734	20,581	-	411,009
Redeemable debt	2,620,029	-	-	13,119,971	15,740,000
Total	**$5,444,357**	**$24,734**	**$20,581**	**$13,119,971**	**$ 18,609,643**

The repayment of the redeemable debt from PRF II, is determined by buyouts from the underlying royalty agreements (see **Note 21**).

In Canadian dollars, for the year ended December 31, 2020

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 21**) a limited partnership. On September 30, 2020, the Company redeemed all outstanding Class A and Class D units in Flow Priority Return Fund LP and launched Priority Return Fund II LP to raise capital from the issuance of class A and F units, up to $15,740,000 with a first close of $13,660,000 on October 1, 2020 and a second close of $2,080,000 on December 1, 2020. 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 December 31, 2020, FISC is in compliance with all externally imposed restrictions on capital. As of December 31, 2020, the Company has submitted an application for voluntary surrender of FISC's registration with the Ontario Securities Commission and is currently awaiting the results of that application.

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.

9. Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash held in bank accounts	$ 6,263,740	$ 1,076,009
Guaranteed investment certificates cashable at any time	878,248	9,248,685
	$ 7,141,988	**$ 10,324,694**

10. Accounts receivable and accrued income

	December 31, 2020	December 31, 2019
Accounts receivable on sales-related fee earning contracts	$ -	$ 4,132
Other accounts receivable	1,420	1,425
	$ 1,420	**$ 5,557**

11. Prepaid expenses and other receivables

	December 31, 2020	December 31, 2019
Prepaid insurance, rent deposit and other prepaid expenses	$ 473,180	$ 553,510
Other receivables	50,000	94,935
Accrued interest on guaranteed investment certificates	1,517	36,384
	$ 524,697	**$ 684,829**

12. Investments

a) Carrying value of investments

Royalty agreements acquired (at FVTPL)	December 31, 2020	December 31, 2019
Expected within 1 year	$ 5,448,105	$ 160,277
Expected after more than 1 year	11,660,952	16,253,808
Total	**$ 17,109,057**	**$ 16,414,085**

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 (at Amortized Cost)	December 31, 2020	December 31, 2019
Due within 1 year	$ 63,742	$ 1,500,000
Due after more than 1 year	8,271,789	2,030,882

In Canadian dollars, for the year ended December 31, 2020

Total	**$**	**8,335,531**	**$**	**3,530,882**

		December 31, 2020		December 31, 2019
Equity securities in investee companies (at FVTPL)	**$**	**4,328,699**	**$**	**2,494,443**
Total carrying amount of investments	**$**	**29,773,287**	**$**	**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:

		December 31, 2020		December 31, 2019
Royalty agreements	$	4,659,904	$	4,637,315
Promissory notes receivable		8,271,791		1,879,242
	$	**12,931,695**	**$**	**6,516,557**

As detailed in Note 6, 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 December 31, 2020		Carrying amount December 31, 2020		Cost December 31, 2019		Carrying Amount December 31, 2019
Common shares (publicly traded)									
Inner Spirit Holdings Ltd.	Level 1	$	953,656	$	1,922,130	$	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		111,000		395,000		469,000
Pulse Oil Corp.	Level 1		27,071		9,024		31,571		38,586
Medical Imaging Corp.	Level 3		-		-		-		-
Leveljump Healthcare Corp.	Level 1		1,495,403		1,552,000		-		-
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		72,476		1,365,572		14,588
DionyMed Holdings Inc.	Level 3		53,442		-		53,442		-
Stability Healthcare Inc.	Level 3		90,395		149,986		90,395		-
First Crypto Inc.	Level 3		-		-		-		-
DirecTech Labs Inc.	Level 3		-		-		-		-
Wedge Networks Inc.	Level 3		-		-		-		-
Spiridon Technologies Ltd.	Level 3		-		-		-		135,000
Echobox Ltd.	Level 3		80,181		228,603		14,544		14,544
Wirkn Inc.	Level 3		205,014		106,977		205,014		205,014
The Pyure Co.	Level 3		157,325		133,386		-		-
Total		**$**	**5,117,428**	**$**	**4,328,699**	**$**	**3,570,281**	**$**	**2,494,443**

In Canadian dollars, for the year ended December 31, 2020

c) Movement during the period

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

Year ended December 31, 2020	Royalty agreement acquired	Equity securities in investee companies	Promissory notes receivable	Loan	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	2,043,409	6,149,992	-	9,592,861
Repayment of promissory note	-	-	(1,500,000)	-	(1,500,000)
Proceeds received on sale of shares	-	(245,868)	-	-	(245,868)
Gain recognized on sale of shares – net	-	237,150	-	-	237,150
Redemptions and contract buydowns	(4,170,729)	-	-	-	(4,170,729)
Royalty earned and payments received- net	253,235	-	-	-	253,235
Foreign exchange movements	(486,493)	(308,156)	23,948	-	(770,701)
Gain on amendment to promissory note agreement			282,351		282,351
Impairment	-	-	(151,642)		(151,642)
Adjustment to fair value	3,699,499	107,721	-	-	3,807,220
Balance as at December 31, 2020	**$ 17,109,057**	**$ 4,328,699**	**$ 8,335,531**	**$ -**	**$ 29,773,287**

Year ended December 31, 2019	Royalty agreement acquired	Equity securities in investee companies	Promissory notes receivable	Loans	Total
Starting balance	**$ 21,104,132**	**$ 2,971,707**	**$ -**	**$ -**	**$ 24,075,839**
New investments during the period	2,271,209	-	2,111,100	-	4,382,309
Promissory note received on sale of Global Partners assets	-	-	11,000,000	-	11,000,000
Repayment of promissory note	-	-	(9,500,000)	-	(9,500,000)
Equity investment received on dividend payment	-	56,141	-	-	56,141
Proceeds received on sale of shares	-	(651,700)	-	-	(651,700)
Loss recognized on sale of shares – net	-	(1,786,696)	-	-	(1,786,696)
Investments written-off	(3,471,433)	-	-	(1,447,318)	(4,918,751)
Redemptions and contract buydowns	(3,616,637)	-	-	-	(3,616,637)
Royalty earned and payments received- net	218,542	-	-	-	218,542
Royalty payment written-off	(434,199)	-	-	-	(434,199)
Foreign exchange movements	(627,807)	(4,332)	(11,247)	-	(643,386)
Adjustment to fair value	970,278	1,909,323	(68,971)	1,447,318	4,257,948
Ending balance	**$ 16,414,085**	**$ 2,494,443**	**$ 3,530,882**	**$ -**	**$ 22,439,410**

13. Property and equipment

	Right-of-use asset	Office equipment & furniture	Leasehold improvements	Total
Cost				
Balance at December 31 2018	$ -	$ 176,583	$ 220,339	$ 396,922
Adjustment – IFRS 16 implementation	381,278	-	-	381,278
Balance at January 1 2019	381,278	176,583	220,339	778,200
Additions	-	9,067	-	9,067
Disposals	-	(5,110)	-	(5,110)
Balance at December 31 2019	381,278	180,540	220,339	782,157
Adjustment for future lease payments classified as fixed	(269,077)	-	-	(269,077)
Additions	-	3,799	-	3,799
Balance at December 31 2020	**$ 112,201**	**$ 184,339**	**$ 220,339**	**$ 516,879**

In Canadian dollars, for the year ended December 31, 2020

	Right-of-use asset	Office equipment & furniture	Leasehold improvements	Total
Accumulated depreciation				
Balance at December 31 2018	$ -	$ 97,029	$ 77,297	$ 174,326
Adjustment – IFRS 16 implementation	78,078	-	-	78,078
Balance at January 1 2019	78,078	97,029	77,297	252,404
Charge in year	61,834	25,759	71,195	158,788
Disposals	-	(4,001)	-	(4,001)
Balance at December 31 2019	139,912	118,787	148,492	407,191
Adjustment for future lease payments classified as fixed	(98,973)	-	-	(98,973)
Charge in year	18,195	27,796	71,847	117,838
Balance at December 31 2020	**$ 59,134**	**$ 146,583**	**$ 220,339**	**$ 426,056**
Carrying amount				
At December 31, 2019	**$ 241,366**	**$ 61,753**	**$ 71,847**	**$ 374,966**
At December 31, 2020	**$ 53,067**	**$ 37,756**	**$ -**	**$ 90,823**

The right-of use asset was related to the office lease at 1 Adelaide Street East, Suite 3002.

14. Intangible assets

The asset is for Global Partner sales-related fee earning contracts that have a finite life.

	December 31, 2020	December 31, 2019
Starting balance	**$ -**	**$ 12,115,869**
Amortization	-	(407,485)
Transfer to assets held for sale	-	(11,708,384)
Ending Balance	**$ -**	**$ -**

On April 15, 2019, the Global Partner business was sold (**Note 6**) and following the closing, there are no more intangible assets recognized.

15. Accounts payable and accrued liabilities

	December 31, 2020	December 31, 2019
Accounts payable	$ 1,127,071	$ 181,124
Accrued expenditures	236,001	787,462
Payroll taxes and HST payable	368,223	372,077
Financing cost payable to Class F unitholders of Priority Return Fund II	131,167	80,075
Other liabilities, tenant deposits and prepaid rents	596,172	622,399
Total	**$ 2,458,634**	**$ 2,043,137**

The Company entered into an agreement to terminate its lease in Calgary in January 2021 and as a result, the Company has recorded a payable of $559,734, which is included in the accounts payable balance in the table above.

16. Prepaid royalty payment income

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

17. Finance lease receivable and lease liability

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

	Finance lease receivable	Lease liability
Balance as at January 1, 2019	**$ 2,182,314**	**$ 2,698,395**
Adjustment to amount of future lease payments classified as fixed	(491,154)	973,059
Lease payments received / paid	(417,703)	(1,072,000)
Interest recognized	101,415	262,307
Balance as at December 31, 2019	**$ 1,374,872**	**$ 2,861,761**

In Canadian dollars, for the year ended December 31, 2020

	Finance lease receivable	Lease liability
Adjustment to amount of future lease payments classified as fixed	(662,865)	(1,076,229)
Lease payments received / paid	(455,676)	(1,004,507)
Interest recognized	68,766	189,718
Early termination of lease liability	-	(559,734)
Balance as at December 31, 2020	**$ 325,097**	**$ 411,009**

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

	December 31, 2020	December 31, 2019
Carrying amount – finance lease assets	**$ 325,097**	**$ 1,374,872**
Current	325,097	802,605
Non-current	-	572,267
Total lease liability	**$ 411,009**	**$ 2,861,761**
Current	365,694	1,344,479
Non-current	45,315	1,517,282

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date of December 31, 2020:

Less than one year	$ 379,730
One to two years	-
Total	**$ 379,730**

18. Income taxes

The Company has tax losses available for carryforward of approximately $39,175,420. The deferred tax on loss carryforwards and deductible temporary differences have not been recognized because 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.

(a) Amounts recognized in statements of comprehensive income (loss)

	Year ended December 31, 2020	Year ended December 31, 2019
Income tax expense – current year	$ 398,374	$ 36,534
Income tax expense (recovery) – prior year	-	12,488
Total current income tax expense (recovery)	**398,374**	**49,022**
Deferred tax expense (recovery)		
Deferred tax expense (recovery) -prior year	-	(71,696)
Origination and reversal of temporary differences in year	508,347	(2,627)
Derecognition of deferred tax on losses and temporary differences previously recognized	(18,508)	9,443,374
Total deferred income tax expense (recovery)	**489,839**	**9,369,051**
Total income tax expense (recovery)	**$ 888,213**	**$ 9,418,073**

(b) Reconciliation of effective tax rate

In Canadian dollars, for the year ended December 31, 2020

	Year ended December 31, 2020	Year ended December 31, 2018
Net Income (Loss) before tax for continuing and discontinuing operations	**$ 3,009,952**	**$ (2,437,778)**
Tax at the combined Canadian federal and provincial statutory tax rate of 26.5%	797,637	(646,011)
Income and deferred tax recovery – prior year	-	(59,208)
Derecognition of deferred tax previously recognized	-	9,443,374
Income recognized where no tax provision is required	-	(142,203)
Changes in deductible temporary differences where the tax benefit is not recognized	(347,548)	846,755
Tax cost (benefit) of non-deductible expenses and non-taxable income	438,124	(24,634)
Incomes tax expense	**$ 888,213**	**$ 9,418,073**

(c) Deferred tax liability

Balance at December 31, 2019	$ 12,537
Deferred tax expense	489,839
Balance at December 31, 2020	$ 502,376

The deferred tax liability relates to fair value adjustments on the investments held by Flow Capital US Corp.

(d) Unrecognized deferred tax asset

A deferred tax asset has not been recognised in respect of the following items, reflecting the Company's recent history of tax losses, and the Company does not currently have convincing evidence that future taxable profit will be available against which the Company can use the benefits.

	December 31, 2019	
	Gross amount	**Tax effect**
Deductible temporary differences net of taxable temporary differences ($527,443)	$ 6,017,021	$ 1,594,511
Tax losses carried forward	38,674,969	10,248,867
	46,691,990	11,843,378

	December 31, 2020	
	Gross amount	**Tax effect**
Deductible temporary differences net of taxable temporary differences	$(37,657)	$(9,979)
Tax losses carried forward	39,175,420	10,381,486
	$ 39,137,763	$ 10,371,507

(e) Tax losses carried forward – December 2020

Tax losses for which no deferred tax asset was recognised expire as follows:

	December 31, 2020	December 31, 2019
2025	$ -	$ 54,647
2026	-	122,825
2037	2,052,035	8,634,440
2038	29,093,966	26,529,342
2039	6,717,599	3,333,715
2040	1,311,820	-
Total	**$ 39,175,420**	**$ 38,674,969**

Based on a long-term financial plan prepared by management, the Company forecasts that the tax losses can be utilized before their expiry date.

19. Provisions

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

Retail funds indemnity

In Canadian dollars, for the year ended December 31, 2020

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.

20. Convertible debentures

	December 31, 2020	December 31, 2019
Convertible debenture - Series B	$ -	$ 4,216,912
Total	**$ -**	**$ 4,216,912**
Current	-	-
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. Between June 2, 2020 and December 6, 2020, the Company has repurchased $49,000 Series B debentures at a weighted average price per share of $0.9801 for a total cost of $48,340.

On December 6, 2020, the Company redeemed all outstanding Series B debentures by payment of a redemption amount of $1,050 for each $1,000 principal amount of the Series B debentures plus all accrued and unpaid interest thereon.

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

Principal	
Balance at December 31, 2020	$ **-**
Balance at December 31, 2019	$ **5,122,590**
Liability	
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 year ended December 31, 2020	(5,376,997)
Interest and accretion of finance expense for the year ended December 31, 2020	1,493,264
Interest payments for the year ended December 31, 2020	(333,179)
Balance at December 31, 2020	**$ -**

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

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense on convertible debentures		
Series A	$ -	$ 1,222,100
Series B	333,906	358,591
	333,906	1,580,691
Accretion of finance expense for the period		
Series A	-	488,367
Series B	1,159,358	479,386
	1,159,358	967,753

In Canadian dollars, for the year ended December 31, 2020

	Year ended December 31, 2020	Year ended December 31, 2019
Total	**$ 1,493,264**	**$ 2,548,444**

21. Redeemable debt

At fair value through profit and loss

	Class A		Class D		Total
	Number of units		Number of units		
Balance at December 31, 2018	**-**	**$ -**	**-**	**$ -**	**$ -**
Issued	10,000,000	9,999,990	10,000,000	10	10,000,000
Redeemed	(1,982,550)	(1,982,550)	-	-	(1,982,550)
Balance at December 31, 2019	**8,017,450**	**$ 8,017,440**	**10,000,000**	**$ 10**	**$ 8,017,450**
Redeemed	(1,500,000)	(1,500,000)	-	-	(1,500,000)
Accrued interest	65,174	65,174	-	-	65,174
Capital gain on bonus units	-	-	-	999,990	999,990
Repayment	(6,582,624)	(6,582,614)	(10,000,000)	(999,990)	(7,582,614)
Balance at December 31, 2020	**-**	**-**	**-**	**-**	**-**

*The Class B GP unit and Class C founding LP unit are $10 each.

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, on February 28, 2020, 1,000,000 Class A units were redeemed at $1 per unit and on July 27, 2020, 500,000 Class A units were redeemed at $1 per unit. On September 30, 2020, the Company redeemed the outstanding Class A and Class D units for $1 per unit. These amounts were paid out to unitholders on October 1, 2020.

On September 30, 2020, the Company launched Priority Return Fund II LP to raise capital up to $25,000,000 against the issuance of A, F and S Units. The Company will subscribe to subordinated S units equal to 25% of the total number of A and F units initially subscribed in each tranche of the financing, giving rise to a maximum raise of $18,750,000, excluding S units.

Under the LPA, A and F Unit investors will receive an amount equal to the lesser of the (i) sum of 9% per year, payable monthly, of the outstanding Investment Amount (the “Class A Return”) and 10% per year, payable monthly, of the outstanding Investment Amount (the “Class F Return”) or (ii) royalty payments received by Flow Capital from the Underlying Royalty Contracts. To date, the interest paid on the Class F units has been at the maximum rate of 10% per annum. The A and F Units are *pari passu* senior units ranking in priority over the subordinated S units and any cash buyout payments received by Flow Capital from the Underlying Royalty Contracts will be used to redeem senior A and F units of PRF II held by investors in priority to subordinated units as and when such buyout payments are received by Flow Capital, until the preferred units are fully redeemed. If by the fifth anniversary of the establishment of PRF II there has been less than 50% in redemptions of senior A and F units, the Company will redeem, at every quarterly period thereafter, such number of senior A and F units as is equal to 20% of the Adjusted Net Royalty Payments divided by the applicable unit redemption price, until such time as there have been 50% in redemptions of senior A and F units. The Priority Return Fund II does not have any additional obligation or liability to the Limited Partners beyond the payments under the Class A and Class F units detailed above and as a result, the Class A and Class F units are subject to asset-specific performance risk.

	Class A		Class F		Total
	Number of units		Number of units		
Balance at December 31, 2019	**-**	**$ -**	**-**	**$ -**	**$ -**
Issued	-	-	15,740,000	15,740,000	15,740,000
Balance at December 31, 2020	**-**	**-**	**15,740,000**	**15,740,000**	**15,740,000**
Current	-	-	2,620,029	2,620,029	2,620,029
Non-current	-	-	13,119,971	13,119,971	13,119,971

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 F units at fair value through profit and loss. At December 31, 2020, the recognition of Underlying Royalty Contracts and the redeemable debt was concurrent and 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 year ended December 31, 2020.

In Canadian dollars, for the year ended December 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:

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense on PRF I Class A units	$ 640,074	$ 480,331
Interest expense on PRF II Class F units	349,808	-
Total	**$ 989,882**	**$ 480,331**

22. Deferred income

	December 31, 2020	December 31, 2019
Starting Balance	$ -	$ 750,000
Amortization and release	-	(750,000)
Ending Balance	**$ -**	**$ -**

23. 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 December 31, 2020 were 32,155,077.

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 $0.2484 for a total cost of $1,277,893. 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**

Flow Capital announced on July 30, 2018, that approval was received from the TSX Venture Exchange ("TSXV") to commence a normal course issuer bid ("Common Share NCIB") through the facilities of the TSXV, permitting the Company to repurchase, for cancellation up to 4,666,666 pre-consolidation common shares of the Company, representing approximately 5.32% of the Company's presently issued and outstanding common shares. The Common Share NCIB started on August 2, 2018 and finished on August 1, 2019. Between January 1 and August 1, 2019, 1,692,000 post consolidation common shares were repurchased at a weighted-average price per share of $0.2468 for a total cost of $417,455.

Flow Capital announced on August 29, 2019, the commencement of a substantial issuer bid (the "SIB"), permitting the Company to repurchase for cancellation up to $4,000,000 of its common shares. The SIB started on August 29, 2019 and expired on October 7, 2019. The SIB allowed shareholders to submit auction tenders in which they specified the number of shares being tendered at a specific price per share, being within the range of $0.15 and $0.20 per common share. On October 7, 2019, the Company announced that 2,854,045 post consolidation shares were tendered at a price of $0.40 per common share. On October 17, 2019, the Company announced that 2,854,045 post consolidation shares were repurchased for cancellation at a price of $0.40 per common share and the total cost was $1,141,618.

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 finished on December 22, 2020. Between December 23, 2019 and December 22, 2020, the equivalent of 1,548,250 post-consolidation common shares were repurchased at a weighted-average price per share of $0.2869 for a total cost of $444,206.

The Company announced on December 24, 2020, a normal course issuer bid ("Third Common Share NCIB") through the facilities of the TSXV, permitting the Company to repurchase, for cancellation up to 2,548,000 common shares of the Company, representing approximately 7.92% of the Company's pre-consolidation issued and outstanding common shares. The Third Common Share NCIB started on December 30, 2020 and will finish on December 29, 2021. No common shares were repurchased as of December 31, 2020.

In Canadian dollars, for the year ended December 31, 2020

Share warrants

The details of the share warrants outstanding at December 31, 2020 and 2019 were:

Number of Warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
2,516,345	$0.44	June 26, 2023	2.50

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	0.42
November 18, 2016	120,443	120,443	$0.63	November 18, 2021	0.88
June 13, 2018	1,590,000	892,500	$0.36	June 13, 2023	2.45
December 4, 2018	1,000,000	450,000	$0.36	December 4, 2023	2.93
February 29, 2020	62,500	-	$0.36	February 28, 2025	4.16
May 1, 2020	562,500	75,000	$0.36	April 30, 2027	6.33
May 27, 2020	100,000	15,000	$0.36	May 26, 2027	6.40
Total	**3,513,568**	**1,631,068**			
Weighted average exercise price	**$0.3989**	**$0.4439**		Weighted average remaining contractual life	**3.25**

During the year ended December 31, 2020, 725,000 options were granted at an exercise price of $0.36. For the same period, 226,016 options with a weighted-average exercise price of $1.16 were forfeited and 79,427 options with an exercise price of $3.38 expired. During the year ended December 31, 2019, no new options were granted, and 878,646 options expired or were forfeited.

The options granted typically vest quarterly, over a 5-year vesting period and in some cases may have an initial 1-year vesting cliff.

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 December 31, 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

In Canadian dollars, for the year ended December 31, 2020

24. Revenues

i) Income from investments at fair value

	Year ended December 31, 2020	Year ended December 31, 2019
Royalty and loan payment income		
Royalty payment income	$ 4,833,547	$ 4,342,510
Loan interest income	503,199	-
Promissory notes receivable income	36,884	1,234,217
Total	**$ 5,373,630**	**$ 5,576,727**
Foreign exchange gains (losses)		
Royalty agreements acquired	$ (276,665)	$ (662,928)
Promissory notes receivable	-	1,055
Total	**$ (276,665)**	**$ (661,873)**
Unrealized foreign exchange (loss) gain	$ (264,365)	$ (698,688)
Realized foreign exchange (loss) gain	(12,300)	36,815
Total	**$ (276,665)**	**$ (661,873)**
Realized gains (losses) from sale of investment		
Royalty agreements acquired	$ 681,229	$ 993,225
Equity securities in investee companies		
- gain recognized on sale	237,150	313,109
- loss recognized on sale	-	(2,094,419)
Total	**$ 918,379**	**$ (788,085)**
Realized gain on sale of equity investments	$ 74,650	$ 109,716
Transfer of fair value adjustment upon sale of shares	162,500	203,393
Total	**$ 237,150**	**$ 313,109**
Realized loss on investments written-off		
Royalty agreements acquired	$ -	$ (5,457,902)
Total	**$ -**	**$ (5,457,902)**
Adjustments to fair value		
Royalty agreements acquired	$ 3,699,499	$ 2,417,596
Promissory notes receivable	(151,642)	150,587
Gain on amendment to promissory note agreement	282,351	-
Equity securities in investee companies	107,721	1,689,765
Total	**$ 3,937,929**	**$ 4,257,948**

ii) Other income

	Year ended December 31, 2020	Year ended December 31, 2019
Fee and other income		
Amortization and release of deferred fee income	$ -	$ 750,000
Total	**$ -**	**$ 750,000**
Other investment income and gains		
Interest income on invested cash and cash equivalents	$ 381,210	$ 280,076
COVID19 wage subsidy	44,044	-
Equity investments received for dividend payment	-	56,141
Gain on repurchase of convertible debentures	660	13,338
Total	**$ 425,914**	**$ 349,555**

In Canadian dollars, for the year ended December 31, 2020

25. Employee benefit expense

	Year ended December 31, 2020	Year ended December 31, 2019
Wages and salaries	$ 1,569,296	$ 881,195
Restructuring costs	517,770	293,750
Other benefits	49,928	42,505
Employer related costs for insurance, health tax	68,267	69,819
Salaries, benefits and other staffing costs	**2,205,261**	**1,287,269**
Share-based compensation **(Note 26**)	403,990	180,306
Total	$ 2,609,251	$ 1,467,575

26. Share-based compensation

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

	Year ended December 31, 2020	Year ended December 31, 2019
Expense recognized for services provided based on vesting conditions of stock options	**$ 403,990**	**$ 180,306**

27. Financing expense

	Year ended December 31, 2020	Year ended December 31, 2019
Convertible debentures **(Note 20**)	$ 1,493,264	$ 2,548,444
Redeemable debt **(Note 21**)	989,882	480,330
Redemption of Class D units in PRF I **(Note 21**)	1,000,000	-
Total	**$ 3,483,146**	**$ 3,028,774**

28. Earnings/ (Loss) per share

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

	Year ended December 31, 2020	Year ended December 31, 2019
Profit/(loss) attributable to ordinary equity holders for basic earnings /(loss) per share	$ 2,121,739	$ (11,855,851)
Financing expense (**Note 27**) after tax at 26.5%	2,560,112	1,873,106
Profit/(loss) attributable to ordinary equity holders for diluted earnings /(loss) per share	4,681,851	(9,982,745)
Basic earnings (loss) per share	0.0600	(0.2991)
Diluted earnings (loss) per share	0.0600	(0.2991)
Basic weighted and diluted average number of shares outstanding (restated)	35,391,244	39,632,418

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 years ended December 31, 2020 and 2019.

29. Operating segment information

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

In Canadian dollars, for the year ended December 31, 2020

	Year ended December 31, 2020	Year ended December 31, 2019
Canada	$ 1,293,446	$ 2,158,024
United States	9,085,741	1,868,346
Total	**$ 10,379,187**	**$ 4,026,370**

For the year ended December 31, 2020, the royalty and loan payment income and the interest income on promissory notes received for 2 (2019: 3) investees are greater than 10% of the total, at 16% and 16%, respectively.

30. Changes in working capital items

	Year ended December 31, 2020	Year ended December 31, 2019
Royalty agreements acquired – current portion	$ 40,119	$ 1,764
Accounts receivable and accrued income	4,137	-
Prepaid royalty	(271,820)	271,820
Prepaid expenses and other receivables	160,132	(138,430)
Accounts payable and accrued liabilities	(13,069)	428,336
Total	**$ (80,501)**	**$ 563,490**

31. Priority Return Fund and Priority Return Fund II

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 limited partners of the Priority Return Fund appointed FISC as General Partner to administer all the activities of the PRF I 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.

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 21**. In exchange for the $10,000,000 investment amount, Flow Capital granted a royalty to the Priority Return Fund. On September 30, 2020, Flow Capital redeemed the total outstanding investment in the Priority Return Fund of $7,582,614. The capital contribution of ten dollars in the Class B and Class C units was repaid on the winding up of the Priority Return Fund, after the reporting period.

On September 30, 2020, FISC became the general partner of the Priority Return Fund II 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 II. FISC controls all the relevant activities of the Priority Return Fund II through the LPA. The limited partners of the Priority Return Fund II appointed FISC as General Partner to administer all the activities of PRF II in accordance with the LPA. FISC has no contractual obligation to provide financial or other support to the Priority Return Fund II 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 II.

The purpose of the Priority Return Fund II was to raise capital of up to $25,000,000 for Flow Capital. Under the terms of the LPA, Flow Capital will subscribe for Class S units in the amount of 25% of the senior preferred units issued in each tranche of funds raised. In exchange for the investment amount raised, Flow Capital will grant a royalty to the Priority Return Fund II, as detailed in **Note 21**.

32. Events after the reporting period

On January 18, 2021, the Company announced that it had completed dispositions of 373,333 common shares of its position in Leveljump (TSXV: JUMP) ("Leveljump"), reducing its security holding percentage in Leveljump from 10.9% to 9.98%. The Company had acquired the 4,400,000 Common Shares at a deemed value of $0.45 per Common Share in December 2020, in connection with the business combination of Leveljump (formerly Good2Go2 Corp.) and Canadian Teleradiology Services, Inc. ("CTS"), pursuant to a buyout of the Company's royalty investment in CTS.

33. Contingencies

LOGiQ Capital 2016 was one of several defendants in a legal proceeding commenced by Performance Diversified Fund ("PDF") for breach of fiduciary duty and negligence, and punitive damages. LOGiQ Capital 2016 had denied the allegations. The proceeding has been dismissed on consent and Flow Capital has no further obligations in respect of this matter.

In Canadian dollars, for the year ended December 31, 2020

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. The Company has created a provision for a nominal amount.

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 year ended December 31, 2020. The final contract payment amount has not been finalized and the Company had recorded a payable of $293,750 on December 31, 2019. As of December 31, 2020, the Company has paid $146,875 and $146,875 is payable in 2021.

34. Related party disclosures

Key management personnel

The number of key management personnel as at December 31, 2020 was 7 (2019: 8) and are identified as the members of the board of directors and the officers of the Company.

i) Compensation

	Year ended December 31, 2020	Year ended December 31, 2019
Short term employee benefits	$ 968,564	$ 832,649
Share-based compensation	394,092	173,063
Consultancy fees	118,222	362,390
Contract payment provision	-	293,750
Total	**$ 1,480,878**	**$ 1,661,852**

ii) Other transactions

In July 2019, the Company, through a limited partnership called Priority Return Fund, raised $10,000,000 in financing **(Note 31)**. Of the $10,000,000 redeemable debt raised, $1,600,000 was subscribed for by certain key management personnel. During the year ended December 31, 2020, interest of $116,523 was accrued and expensed on the redeemable debt held by the key management personnel. On September 30, 2020, the Company allocated the Priority Return Fund bonus units to unitholders and $200,000 of these bonus units were paid out to key management personnel.

On September 30, 2020, the Company launched Priority Return Fund II LP to raise capital up to $25,000,000 with a first close of $17,075,000 on October 1, 2020 and a second close of $2,600,000 on December 1, 2020. As at December 31, 2020, $1,775,000 of redeemable debt was held by key management personnel and interest of $44,291 was accrued and expensed on that redeemable debt.

In 2019, the Company made a royalty investment of US$500,000 in a company effectively jointly controlled by a member of the key management personnel.

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 year ended December 31, 2020. The final contract payment amount was US$328,791 and as of December 31, 2020, the Company has made payments of US$164,396 and the remaining balance owed is US$164,396.

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 year ended December 31, 2020. The interest income received was as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Total	**$ 1,721**	**$ 3,409**