

Flow Capital Corp.

Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2021

(Unaudited)

Flow Capital Corp.**Consolidated Statements of Financial Position**

(Canadian dollars - Unaudited)

	Note	March 31, 2021	December 31, 2020
Assets			
Current Assets			
Cash and cash equivalents	7	\$ 7,258,753	\$ 7,141,988
Accounts receivable and accrued income		1,482	1,420
Investments at fair value – current portion	9	10,391,292	5,925,359
Finance lease asset – current portion	10	219,629	325,097
Prepaid expenses and other receivables	8	464,206	524,697
Total Current Assets		18,335,362	13,918,561
Non-Current Assets			
Property and equipment		82,423	90,823
Investments at fair value – non-current portion	9	19,391,970	23,847,928
Total Non-Current Assets		19,474,393	23,938,751
Total Assets		\$ 37,809,755	\$ 37,857,312
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 1,561,683	\$ 2,458,634
Income tax liability		499,277	398,374
Lease liability – current portion	10	254,366	365,694
Redeemable debt – current portion	13	8,067,923	2,620,029
Total Current Liabilities		10,383,249	5,842,731
Non-Current Liabilities			
Provisions – non-current portion	12	375,440	375,440
Deferred tax liability		372,021	502,376
Lease liability – non-current portion	10	39,032	45,315
Redeemable debt – non-current portion	13	7,672,077	13,119,971
Total Non-Current Liabilities		8,458,570	14,043,102
Shareholders' Equity (Note 14)			
Share capital		\$ 52,311,805	\$ 52,538,126
Warrants		486,624	486,624
Contributed surplus		630,415	656,612
Accumulated other comprehensive loss		(550,101)	(437,143)
Accumulated deficit		(33,910,807)	(35,272,740)
Total Shareholders' Equity		18,967,936	17,971,479
Total Liability and Shareholders' Equity		\$ 37,809,755	\$ 37,857,312

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on May 25, 2021:

"Vernon Lobo"

Vernon Lobo, Director

"Alan Torrie"

Alan Torrie, Director

Flow Capital Corp.

Consolidated Statements of Comprehensive Income/(Loss)

(Canadian dollars – Unaudited)

	Note	Three months ended March 31, 2021	Three months ended March 31, 2020
Revenues			
Income from investments at fair value			
Royalty and loan payment income	15	\$ 1,610,068	\$ 930,333
Foreign exchange (loss) gain	15	(143,924)	846,201
Realized gain (loss) from sale of investments	15	344,362	225,970
Adjustments to fair value	15	525,750	(970,792)
Income (loss) from investments at fair value		2,336,256	1,031,712
Other income			
Other interest income and gains (losses)	15	4,314	61,225
Total Revenues		2,340,570	1,092,937
Operating Expenses			
Salaries, benefits and staffing costs	16	\$ 390,992	\$ 413,905
Share-based compensation	17	27,780	34,005
Depreciation		8,401	42,007
Professional fees		78,365	341,186
Office and general administrative		151,783	147,999
Total Operating Expenses		657,321	979,102
Operating Profit		\$ 1,683,249	\$ 113,835
Financing expense	18	393,500	483,371
Profit (loss) before income taxes		1,289,749	(369,536)
Income Taxes			
Current income tax expense (recovery)		\$ 106,108	\$ -
Deferred tax expense (recovery)		(124,315)	-
Total Income Tax		\$ (18,207)	\$ -
Net Profit (Loss)		\$ 1,307,956	\$ (369,536)
Other comprehensive income			
Foreign currency translation		(112,958)	457,509
Total Comprehensive Income		\$ 1,194,998	\$ 87,973
Earnings (loss) per share (Note 19)			
<i>Earnings (loss) per share</i>			
Basic earnings (loss) per share		\$ 0.0411	\$ (0.0096)
Diluted earnings (loss) per share		\$ 0.0408	\$ (0.0096)

See accompanying notes to financial statements.

Flow Capital Corp.

Consolidated Statements of Changes in Equity

(Canadian dollars - Unaudited)

	Number of shares	Note	Share capital	Accumulated other comprehensive income	Warrants	Contributed surplus	Accumulated deficit	Total
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	-	17	-	-	-	(1,074,544)	1,108,549	34,005
Treasury shares	(769,250)	14	(198,872)	-	-	-	-	(198,872)
Share cancellation cost	-	14	(11,253)	-	-	-	-	(11,253)
Foreign currency translation	-		-	457,509	-	-	-	457,509
Net loss for the period	-		-	-	-	-	(369,536)	(369,536)
Balance, March 31, 2020	38,078,087		\$ 54,071,564	\$ 433,035	\$ 486,624	\$ 312,184	\$(37,789,572)	\$ 17,513,835
Balance, January 1, 2021	32,155,077		\$ 52,538,126	\$ (437,143)	\$ 486,624	\$ 656,612	\$(35,272,740)	\$ 17,971,479
Share-based compensation	-	17	-	-	-	(26,197)	53,977	27,780
Treasury shares	(543,500)	14	(224,915)	-	-	-	-	(224,915)
Share cancellation cost	-	14	(1,406)	-	-	-	-	(1,406)
Foreign currency translation	-		-	(112,958)	-	-	-	(112,958)
Net profit for the period	-		-	-	-	-	1,307,956	1,307,956
Balance, March 31, 2021	31,611,577		\$ 52,311,805	\$ (550,101)	\$ 486,624	\$ 630,415	\$(33,910,807)	\$ 18,967,936

See accompanying notes to financial statements.

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

	Note	Three months ended March 31, 2021	Three months ended March 31, 2020
Cash flows from operating activities			
Profit (Loss) for the period		\$ 1,307,956	\$ (369,536)
<i>Adjustments for non-cash items</i>			
Share-based compensation		27,780	34,005
Depreciation		8,401	42,007
<i>Adjustments relating to investments at fair value</i>			
Unrealized foreign exchange loss (gain)		143,924	(846,201)
Adjustments to fair value		(565,250)	970,792
Realized loss on sale of equity securities		9,510	-
Realized (gain) on sale of equity securities		(344,362)	(225,970)
Repayment of promissory note		-	1,500,000
Proceeds received on sale of shares		578,874	225,970
Realized gain on equity investments received on buyout		39,500	162,500
<i>Other Adjustments</i>			
Financing expense		393,500	483,371
Income tax recovery		(18,207)	1,891
Changes in working capital items	21	(492,697)	(48,345)
Net cash flows generated from Operating Activities		1,088,929	1,930,484
Cash flows from financing activities			
Common shares repurchased for treasury		(226,321)	(210,125)
Lease liability payments		(457,811)	(322,145)
Interest paid		(393,500)	(239,833)
Redemption of redeemable debt		-	(1,000,000)
Net cash flows used in Financing Activities		(1,077,632)	(1,772,103)
Cash flows from investing activities			
Purchase of property and equipment		-	(1,050)
Finance lease asset payments		105,468	191,057
Net cash flows generated from Investing Activities		105,468	190,007
Net increase in cash during the period		116,765	348,388
Cash and cash equivalents, beginning of period		7,141,988	10,324,694
Cash and cash equivalents, end of period	7	\$ 7,258,753	\$ 10,673,082

See accompanying notes to financial statements.

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2021

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	20
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 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 unaudited interim condensed consolidated financial statements have been prepared based on the principles of International Financial Reporting Standards (IFRS) and International Accounting Standard 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB), London, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and follows the same accounting policies and methods of application as the Company's most recent annual financial statements. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's 2020 audited annual consolidated financial statements and accompanying notes.

The financial statements were approved and authorized by the Board of Directors on May 25, 2021.

3. Significant accounting judgements, estimates, and assumptions

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

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

Royalty agreements acquired

The terms of the royalty agreements entered into by the Company provide that payments to be made by investee companies are fixed or determinable. In addition, each of the Company's royalty agreements contains one or more of the following terms: (i) a right in favour of the investee company to buydown or buyout part or all of the Company's royalty in exchange for a principal payment that, when combined with royalty payments made to the date of the buydown or buyout, exceed the value of the Company's initial investment; and (ii) the payment of a minimum monthly royalty payment by the investee company, which provides the Company with certainty of payment over time.

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

Flow Capital Corp.

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

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 5.

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.

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.

4. Standards issued but not yet effective

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

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

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

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

As a result of the significant use of unobservable inputs, a high degree of management judgement and estimation is required. Management judgement is required for the determination of the expected future cash flows on the financial instrument being measured, determination of the probability of the outcomes, adjustments to the discount rate for liquidity risk, model uncertainties and investee-

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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.

	Level 1	Level 2	Level 3	Total
March 31, 2021				
Cash and cash equivalents	\$ 7,258,753	\$ -	\$ -	\$ 7,258,753
Royalty agreements acquired	-	-	16,221,667	16,221,667
Equity securities in investee companies	4,462,492	-	833,133	5,295,625
	\$ 11,721,245	\$ -	\$ 17,054,800	\$ 28,776,045
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	3,637,271	-	691,428	4,328,699
	\$ 10,779,259	\$ -	\$ 17,800,485	\$ 28,579,744

Promissory notes receivable are recorded at amortized cost. The carrying amounts at March 31, 2021 and December 31, 2020 are \$8,265,970 and \$8,335,531, 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, 2020	Total gains and (losses) recognized in profit or loss	Buyouts and Redemptions	Balance at March 31, 2021
Royalty agreements acquired	\$ 17,109,057	\$ (852,957)	\$ (34,433)	\$ 16,221,667
Equity securities in investee companies	691,428	141,705	-	833,133
Total	\$ 17,800,485	\$ (711,252)	\$ (34,433)	\$ 17,054,800

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 and promissory notes receivable in Level 3, changing the most significant unobservable inputs by 1% would have the following impact on the fair value of these assets as at March 31, 2021 and December 31, 2020 as follows:

March 31, 2021		December 31, 2020	
Discount rate	Revenue growth rate	Discount rate	Revenue growth rate
\$ 230,475	\$ 230,475	\$ 455,537	\$ 325,935

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

The unlisted equity instruments included in equity securities in investee companies are included in Level 3. The valuation technique used for unlisted equity instruments in general is the market approach ("Market Approach"). The Market Approach uses transaction prices paid for an identical or similar instrument of the investee or comparable company valuation multiples. The unobservable inputs used are prices used in recent transactions involving the investee and company valuation multiples using such measures as EBITDA, revenues, enterprise value and multiples taken from information available on similar types of companies. For March 31, 2021, any variances in the unobservable inputs were not material.

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

The only financial liability measured at fair value is redeemable debt and as at March 31, 2021 and December 31, 2020, the fair value recognized was \$15,740,000. Redeemable debt is classified as Level 3 in the fair value hierarchy.

At March 31, 2021, 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.

c) Financial liabilities not measured at fair value

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

	Carrying Amount March 31, 2021	Fair Value March 31, 2021	Carrying Amount December 31, 2020	Fair Value December 31, 2020
Financial liabilities				
Accounts payable and accrued liabilities	\$ 1,561,683	\$ 1,561,683	\$ 2,458,634	\$ 2,458,634
Total	\$ 1,561,683	\$ 1,561,683	\$ 2,458,634	\$ 2,458,634

Accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

6. Financial risk management objectives and policies

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

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

Market risk

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

Interest rate risk

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

Equity price risk

In certain circumstances, the Company may exchange the royalty investments for equity instruments in the investee company. The Company held significant equity security interests in fourteen investees, of which four are actively traded as the securities are listed on a recognized exchange. The fair value of the listed equity securities, similar to any other Level 1 asset, were measured using the quoted price of the shares by the numbers of shares held. The shares in Medical Imaging Corp. and Crimson Energy Ltd., the warrants in Boardwalktech Software Corp., 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 March 31, 2021 was \$5,295,625 (December 31, 2020: \$4,328,699) and a 1% change in the share price has an impact of \$52,956 (December 31, 2020: \$43,287) on the results.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Starting in 2014, the Company has foreign currency exposures to receivables in United States dollars. The Company continually monitors its transaction and translation exposure and its related impact on reported results. The foreign exchange exposure at March 31, 2021 was \$17,133,518 (December 31, 2020: \$21,109,459) United States dollars and a 1% movement in the exchange rate has an impact of \$171,335 (December 31, 2020: \$211,095) 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

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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 March 31, 2021 was \$31,784,301 (December 31, 2020 was \$32,589,514). 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 as at March 31, 2021 and December 31, 2020 respectively:

Contractual obligations at March 31, 2021	< 1 year	1-2 years	3-5 years	Expected more than 1 year	Total
Accounts payable and accrued liabilities	\$ 1,561,683	\$ -	\$ -	\$ -	\$ 1,561,683
Lease Liability	254,366	24,411	14,621	-	293,398
Redeemable debt	8,067,923	-	-	7,672,077	15,740,000
Total	\$ 9,883,972	\$ 24,411	\$ 14,621	\$ 7,672,077	\$ 17,595,081

Contractual obligations at 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 is determined by buyouts from the underlying royalty agreements (see **Note 13**) and as the timing of buyouts are uncertain, the Company is unable determine the repayment date of the \$7,672,077.

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 September 30, 2020, the Company launched Priority Return Fund II LP to raise capital from the issuance of class A, F and H units. As at March 31, 2021, the Company has raised \$15,740,000 from the issuance of A and F units (December 31, 2020 was \$15,740,000). As repayments to the limited partners must match payments received from the underlying royalty investments, the Company is able to manage the balance sheet obligations. This type of financing is expected to become an important source of capital for the Company as investments in the portfolio mature.

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

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

7. Cash and cash equivalents

	March 31, 2021	December 31, 2020
Cash held in bank accounts	\$ 6,365,505	\$ 6,263,740
Guaranteed investment certificates cashable at any time	893,248	878,248
	\$ 7,258,753	\$ 7,141,988

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8. Prepaid expenses and other receivables

	March 31, 2021	December 31, 2020
Prepaid insurance, rent deposit and other prepaid expenses	\$ 408,938	\$ 473,180
Other receivables	50,000	50,000
Accrued interest on guaranteed investment certificates	5,268	1,517
	\$ 464,206	\$ 524,697

9. Investments at fair value

a) At fair value through profit and loss

Royalty agreements acquired	March 31, 2021	December 31, 2020
Expected within 1 year	\$ 10,328,417	\$ 5,448,105
Expected after more than 1 year	5,893,250	11,660,952
Total	\$ 16,221,667	\$ 17,109,057

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	March 31, 2021	December 31, 2020
Due within 1 year	\$ 62,875	\$ 63,742
Due after more than 1 year	8,203,095	8,271,789
Total	\$ 8,265,970	\$ 8,335,531

Equity securities in investee companies	March 31, 2021	December 31, 2020
Fair value of equity securities	\$ 5,295,625	\$ 4,328,699
Total carrying amount of investments at fair value	\$ 29,783,262	\$ 29,773,287

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

	March 31, 2021	December 31, 2020
Royalty agreements	\$ 4,447,848	\$ 4,659,904
Promissory notes receivable	8,200,021	8,271,791
	\$ 12,647,869	\$ 12,931,695

b) Equity securities in investee companies

	Fair Value Hierarchy	Cost March 31, 2021	Carrying amount March 31, 2021	Cost December 31, 2020	Carrying amount December 31, 2020
Common shares (publicly traded)					
Inner Spirit Holdings Ltd.	Level 1	\$ 873,812	\$ 3,333,700	\$ 953,656	\$ 1,922,130
Boardwalktech Software Corp.	Level 1	-	-	152,841	43,117
mCloud Technologies Corp.	Level 1	197,500	116,000	237,000	111,000
Pulse Oil Corp.	Level 1	27,071	21,055	27,071	9,024
Leveljump Healthcare Corp.	Level 1	1,365,122	991,737	1,495,403	1,552,000
Common shares (not publicly traded)					
Medical Imaging Corp.	Level 3	-	-	-	-
Crimson Energy Ltd.	Level 3	299,528	-	299,528	-
Warrants (not publicly traded)					
Boardwalktech Software Corp.	Level 3	1,365,572	134,226	1,365,572	72,476
Stability Healthcare Inc.	Level 3	90,395	149,986	90,395	149,986
First Crypto Inc.	Level 3	-	-	-	-

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	Fair Value Hierarchy	Cost March 31, 2021	Carrying amount March 31, 2021	Cost December 31, 2020	Carrying amount December 31, 2020
DirecTech Labs Inc.	Level 3	-	-	-	-
Wedge Networks Inc.	Level 3	-	44,382	-	-
Spiridon Technologies Ltd.	Level 3	-	-	-	-
Echobox Ltd.	Level 3	80,181	228,603	80,181	228,603
Wirkn Inc.	Level 3	205,014	106,977	205,014	106,977
The Pyure Co.	Level 3	157,325	168,959	157,325	133,386
Total		\$ 4,661,520	\$ 5,295,625	\$ 5,063,986	\$ 4,328,699

c) Movement during the period

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

Three months ended March 31, 2021

	Royalty agreement acquired	Equity securities in investee companies	Promissory notes receivable	Total
Balance as at December 31, 2020	\$ 17,109,057	\$ 4,328,699	\$ 8,335,531	\$ 29,773,287
Proceeds received on sale of shares	-	(578,874)	-	(578,874)
Gain recognized on sale of shares – net	-	344,362	-	344,362
Redemptions and contract buydowns	(34,433)	-	-	(34,433)
Royalty earned and payments received- net	(22,543)	-	-	(22,543)
Foreign exchange movements	(154,726)	-	(92,163)	(246,889)
Loan amortization income	-	-	22,602	22,602
Adjustment to fair value	(675,688)	1,201,438	-	525,750
Balance as at March 31, 2021	\$ 16,221,667	\$ 5,295,625	\$ 8,265,970	\$ 29,783,262

10. Finance lease receivables 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 December 31, 2020	\$ 325,097	\$ 411,009
Adjustment to lease payments	-	(994)
Lease payments received / paid	(114,203)	(127,711)
Interest recognized	8,735	11,095
Balance as at March 31, 2021	\$ 219,269	\$ 293,398

In the three-month period ended March 31, 2021, the Company settled its obligations on another lease, prior to the expiry of its full term. Since the terms of early termination of this lease had been agreed in the previous quarter, it was recorded under accounts payable as at December 31, 2020 and hence excluded from this schedule.

11. Income taxes

The Company have tax losses available for carryforward of approximately \$40,145,514 and based on a long-term financial plan prepared by management, the Company forecasts that the tax losses can be utilized before their expiry date. The derecognition of the deferred tax on loss carryforwards and deductible temporary differences reflects guidance from IFRS that because of recent tax losses, the Company can only recognize such assets if there is convincing evidence that it is probable that there will be future taxable profits against which the unused tax losses or deductible temporary differences can be utilized. In line the Company's accounting policy, the Company will recognize a related deferred tax asset when convincing evidence becomes available that future taxable profits are probable.

12. Provisions

	Retail funds indemnity	Other	Total
Balance at December 31, 2020	\$ 333,000	\$ 42,440	\$ 375,440
Balance at March 31, 2021	\$ 333,000	\$ 42,440	\$ 375,440

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Retail funds indemnity

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

13. Redeemable debt

At fair value through profit and loss

	Class A		Class F		Total
	Number of units		Number of units		
Balance at December 31, 2020	-	\$ -	15,740,000	\$ 15,740,000	\$ 15,740,000
Issued	-	-	-	-	-
Redeemed	-	-	-	-	-
Balance at March 31, 2021	-	-	15,740,000	15,740,000	15,740,000
Current	-	-	8,067,923	8,067,923	8,067,923
Non-current	-	-	7,672,077	7,672,077	7,672,077

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 \$20,000,000, 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.

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 September 30, 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 nine months ended March 31, 2021.

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Interest expense on PRF I Class A units	\$ -	\$ 229,835
Interest expense on PRF II Class F units	393,500	-

14. Share capital and other components of equity

Common shares

The authorized share capital of the Company consists of an unlimited number of voting common shares without par value. The issued and outstanding common shares at March 31, 2021 were 31,611,577.

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. Between December 30, 2020 and March 31, 2021, 543,500 common shares were repurchased at a weighted-average price per share of \$0.4138 for a total cost of \$224,915.

Share warrants

The details of the share warrants outstanding at March 31, 2021 were:

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Number of Warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
2,516,345	\$0.44	June 26, 2023	2.25

Stock Options

The Company maintains a 10% "rolling" stock option plan to develop the interest of and provide an incentive to eligible employees, directors and consultants of the corporation and its affiliates. The Plan provides for the issuance of a maximum of 10% of the issued and outstanding common shares. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option.

Original Issue Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Remaining contractual life (years)
November 18, 2016	52,083	52,083	\$0.63	November 18, 2021	0.64
June 13, 2018	1,550,000	930,000	\$0.36	June 13, 2023	2.20
December 4, 2018	1,000,000	500,000	\$0.36	December 4, 2023	2.68
May 1, 2020	500,000	100,000	\$0.36	April 30, 2027	6.08
May 27, 2020	100,000	20,000	\$0.36	May 26, 2027	6.16
Total	3,202,083	1,602,083			
Weighted average exercise price	\$0.3645	\$0.3689		Weighted average remaining contractual life	3.06

During the three months ended March 31, 2021, 125,000 options were forfeited, and 186,484 options were cancelled.

15. Revenues

i) Income from investments at fair value

	Three months ended March 31, 2021	Three months ended March 31, 2020
Royalty and loan payment income		
Royalty payment income	\$ 1,256,494	\$ 813,886
Loan interest income	353,574	79,562
Promissory notes receivable income	-	36,885
Total	\$ 1,610,068	\$ 930,333
Foreign exchange gains (losses)		
Royalty agreements acquired	\$ (143,924)	\$ 846,201
Promissory notes receivable	-	-
Total	\$ (143,924)	\$ 846,201
Unrealized foreign exchange (loss) gain	\$ (147,161)	\$ 846,238
Realized foreign exchange (loss) gain	3,237	(37)
Total	\$ (143,924)	\$ 846,201
Realized gains (losses) from sale of investment		
Royalty agreements acquired	\$ -	\$ -
Equity securities in investee companies		
- gain recognized on sale	353,872	225,970
- loss recognized on sale	(9,510)	-
Total	\$ 344,362	\$ 225,970

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

Realized gain on sale of equity investments	\$	304,862	\$	63,470
Transfer of fair value adjustment upon sale of shares		39,500		162,500
Total	\$	344,362	\$	225,970

Adjustments to fair value

Royalty agreements acquired	\$	(675,688)	\$	(572,988)
Loans receivable		-		-
Equity securities in investee companies		1,201,438		(397,804)
Total	\$	525,750	\$	(970,792)

ii) Other income

Other investment income and gains

Interest income on invested cash and cash equivalents	\$	4,314	\$	61,225
Total	\$	4,314	\$	61,225

16. Employee benefit expense

	Three months ended March 31, 2021	Three months ended March 31, 2020
Wages and salaries	\$ 355,915	\$ 360,667
Other benefits	11,732	14,371
Employer related costs for insurance, health tax	23,345	38,867
Salaries, benefits and other staffing costs	390,992	413,905
Share-based compensation (Note 19)	27,780	34,005
Total	\$ 418,772	\$ 447,910

17. Share-based compensation

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Expense recognized for services provided based on vesting conditions of stock options	\$ 27,780	\$ 34,005

18. Financing expense

	Three months ended March 31, 2021	Three months ended March 31, 2020
Convertible debentures	\$ -	\$ 253,536
Redeemable debt (Note 13)	393,500	229,835
Total	\$ 393,500	\$ 483,371

19. Earnings/ (Loss) per share

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Profit/(loss) attributable to ordinary equity holders for diluted earnings /(loss) per share	\$ 1,307,956	\$ (369,536)
Basic weighted average number of shares outstanding	31,858,744	38,631,233
Diluted weighted average number of shares outstanding	32,095,596	38,631,233

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

20. Operating segment information

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Canada	\$ 1,780,286	\$ (182,940)
United States	560,284	1,275,877
Total	\$ 2,340,570	\$ 1,092,937

For the three months ended March 31, 2021, the royalty and loan payment income and the interest income on promissory notes received for 3 (2020: 3) investees are greater than 10% of the total.

21. Changes in working capital items

	Three months ended March 31, 2021	Three months ended March 31, 2020
Royalty agreements acquired – current portion	\$ 3,625	\$ 177,003
Accounts receivable and accrued income	(62)	2,907
Prepaid royalty	-	(78,000)
Prepaid expenses and other receivables	60,492	15,183
Accounts payable and accrued liabilities	(896,952)	(165,438)
Lease termination fee	340,200	-
Total	\$ (492,697)	\$ (48,345)

Included in the changes in working capital was an amount of \$340,200 payable as a fee towards the early termination of a lease obligation (refer Note 10). This amount has been included in the statement of cash flows as a financing activity.

22. Priority Return Fund

On September 30, 2020, FISC, a wholly owned subsidiary of Flow Capital, became the general partner of Priority Return Fund II ("PRF II") and made a capital contribution of ten dollars for one GP unit. 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 PRF II Limited Partnership Agreement ("PRF II LPA"), Pursuant to the terms of the PRF II LPA Flow Capital will subscribe for Class S units in the amount of 25% of the senior preferred units (A or F) 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**. On October 1, 2020, the Company closed a \$13,660,000 financing from the issuance of senior units in the first tranche through PRF II. On December 1, 2020, the Company raised a second tranche of \$2,080,000 from the issuance of senior units in PRF II. PRF II is considered a subsidiary of Flow Capital for the purposes of consolidation.

FISC controls all the relevant activities of the Priority Return Fund II through the PRF II 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 services detailed in the LPA. FISC does not receive any consideration for the services provided to the Priority Return Fund II.

23. Events after the reporting period

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

- On April 8, 2021 the Company announced that it had completed a buyout its royalty investment in Spiridon Technologies Ltd., for US\$425,000 in cash proceeds.
- On April 28, 2021, the Company announced that it had completed a US\$2,500,000 investment in the socially-responsible beauty services platform, MiniLuxe Inc.
- On May 5, 2021, Sundial Growers Inc. (NASDAQ: SNDL) ("Sundial") and Inner Spirit Holdings Ltd. (CSE: ISH) (OTCQB: INSHF) ("Inner Spirit") announced that they have entered into an arrangement agreement pursuant to which Sundial will acquire all of the issued and outstanding common shares of Inner Spirit for total consideration of approximately \$131 million. Flow Capital owns approximately 12.6 million common shares of Inner Spirit.

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- On May 24, 2021 the Company completed a buyout its royalty investment in Interiormark LLC., for US\$1,925,000 in cash proceeds.

24. Contingencies

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.

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. On March 18, 2021, the Company agreed to settle the claim 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 March 31, 2021, the Company has paid \$235,000 and a further \$58,750 is payable in 2021.

25. Related party disclosures

Key management personnel

The number of key management personnel as at March 31, 2021 was 7 (2020: 8) and are identified as the members of the board of directors and the officers of the Company.

i) Compensation

	Three months ended March 31, 2021	Three months ended March 31, 2020
Short term employee benefits	\$ 210,185	\$ 223,225
Share-based compensation	27,780	34,005
Consultancy fees	-	82,604
Total	\$ 237,965	\$ 339,834

ii) Other transactions

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 \$44,375 was accrued and expensed on the redeemable debt held by the key management personnel. As at March 31, 2021, \$1,775,000 of redeemable debt was held by key management personnel.

In 2019, the Company had made a royalty investment of US\$500,000 in a company effectively jointly controlled by a member of the key management personnel. The terms of the investment were based on similar terms offered on other investments and other investees. The amounts payable under the investment are in accordance with normal payment terms. This investment was bought out in April 2021.