Flow Capital Corp.

Interim Condensed Consolidated Financial Statements

For the three and six-months ended June 30, 2021

(Unaudited)

Flow Capital Corp.

Consolidated Statements of Financial Position

(Canadian dollars - Unaudited)

	Note		June 30, 2021		December 31, 2020
Assets					
Current Assets					
Cash and cash equivalents	7	$	10,946,194	$	7,141,988
Accounts receivable and accrued income			1,482		1,420
Investments – current portion	9		4,034,492		5,925,359
Finance lease asset – current portion	10		110,966		325,097
Prepaid expenses and other receivables	8		658,685		524,697
Total Current Assets			**15,751,819**		**13,918,561**
Non-Current Assets					
Property and equipment			74,022		90,823
Deferred tax asset			121,762		-
Investments – non-current portion	9		27,884,990		23,847,928
Total Non-Current Assets			**28,080,774**		**23,938,751**
Total Assets		**$**	**43,832,593**	**$**	**37,857,312**
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable and accrued liabilities		$	5,085,679	$	2,458,634
Income tax liability			1,622,049		398,374
Lease liability – current portion	10		139,666		365,694
Redeemable debt – current portion	13		1,736,964		2,620,029
Total Current Liabilities			**8,584,358**		**5,842,731**
Non-Current Liabilities					
Provisions – non-current portion	12		375,440		375,440
Deferred tax liability			-		502,376
Lease liability – non-current portion	10		33,581		45,315
Redeemable debt – non-current portion	13		13,065,905		13,119,971
Total Non-Current Liabilities			**13,474,926**		**14,043,102**
Shareholders' Equity (Note 14)					
Share capital		$	52,144,024	$	52,538,126
Warrants			486,624		486,624
Contributed surplus			658,935		656,612
Accumulated other comprehensive loss			(671,359)		(437,143)
Accumulated deficit			(30,844,915)		(35,272,740)
Total Shareholders' Equity			**21,773,309**		**17,971,479**
Total Liability and Shareholders' Equity		**$**	**43,832,593**	**$**	**37,857,312**

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on August 19, 2021:

"Vernon Lobo"	"Alan Torrie"
Vernon Lobo, Director	Alan Torrie, Director

Flow Capital Corp.

Consolidated Statements of Comprehensive Income/(Loss)

(Canadian dollars – Unaudited)

	Note	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenues					
Income from investments at fair value					
Royalty and loan payment income	15	$ 1,692,189	$ 1,295,928	$ 3,302,257	$ 2,226,262
Foreign exchange (loss) gain	15	(219,200)	(401,891)	(363,124)	444,310
Realized gain (loss) from sale of investments	15	4,011,935	-	4,356,297	225,970
Adjustments to fair value	15	(659,635)	724,113	(133,885)	(246,679)
Income (loss) from investments at fair value		4,825,289	1,618,150	7,161,545	2,649,863
Other income					
Fee and other income	15		-		-
Other interest income and gains	15	97,216	216,795	101,530	278,019
Total Revenues		**4,922,505**	**1,834,945**	**7,263,075**	**2,927,882**
Operating Expenses					
Salaries, benefits and staffing costs	16	$ 292,095	$ 346,142	$ 660,008	$ 760,047
Restructuring costs		42,500	447,770	65,579	447,770
Share-based compensation	17	28,519	137,108	56,299	171,112
Depreciation		8,401	17,905	16,801	59,912
Professional fees		323,142	239,184	401,508	580,371
Office and general administrative		130,322	139,647	282,105	287,646
Total Operating Expenses		**824,979**	**1,327,756**	**1,482,300**	**2,306,858**
Operating Profit		**$ 4,097,526**	**$ 507,189**	**$ 5,780,775**	**$ 621,024**
Financing expense	18	398,815	479,294	792,315	962,664
Profit (loss) before income taxes		**3,698,711**	**27,895**	**4,988,460**	**(341,640)**
Income Taxes					
Current income tax expense (recovery)		$ 1,111,008	$ -	$ 1,217,116	$ -
Deferred tax expense (recovery)		(478,190)	-	(602,505)	-
Total Income Tax		**$ 632,818**	**$ -**	**$ 614,611**	**$ -**
Net Profit (Loss)		**$ 3,065,893**	**$ 27,895**	**$ 4,373,849**	**$ (341,640)**
Other comprehensive income					
Foreign currency translation		(121,258)	(224,609)	(234,216)	232,900
Total Comprehensive Income		**$ 2,944,635**	**$ (196,714)**	**$ 4,139,633**	**$ (108,740)**
Earnings (loss) per share (Note 19)					
Earnings (loss) per share					
Basic earnings (loss) per share		$ 0.0979	$ 0.0007	$ 0.1385	$ (0.0090)
Diluted earnings (loss) per share		$ 0.0948	$ 0.0007	$ 0.1355	$ (0.0090)

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 (loss)	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**	-	-	-	(962,994)	1,134,106	171,112
Treasury shares	(5,913,260)	**14**	(1,476,760)	-	-	-	-	(1,476,760)
Share cancellation cost	-	**14**	(11,253)	-	-	-	-	(11,253)
Foreign currency translation	-		-	232,900	-	-	-	232,900
Net loss for the period	-		-	-	-	-	(341,640)	(341,640)
Balance, June 30, 2020	**32,934,077**		**$ 52,793,676**	**$ 208,426**	**$ 486,624**	**$ 423,734**	**$(37,736,119)**	**$ 16,176,341**
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**	-	-	-	2,323	53,976	56,299
Treasury shares	(915,000)	**14**	(391,652)	-	-	-	-	(391,652)
Share cancellation cost	-	**14**	(2,450)	-	-	-	-	(2,450)
Foreign currency translation	-		-	(234,216)	-	-	-	(234,216)
Net profit for the period	-		-	-	-	-	4,373,849	4,373,849
Balance, June 30, 2021	**31,240,077**		**52,144,024**	**$ (671,359)**	**$ 486,624**	**658,935**	**$ (30,844,915)**	**$ 21,773,309**

See accompanying notes to financial statements.

Flow Capital Corp.

Consolidated Statements of Cash Flows

(Canadian dollars -Unaudited)

	Note	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash flows from operating activities					
Net profit (loss)		$ 3,065,893	$ 27,895	$ 4,373,849	$ (341,640)
Adjustments for non-cash items					
Share-based compensation		28,519	137,108	56,299	171,112
Depreciation		8,401	17,905	16,801	59,912
Adjustments relating to investments at fair value					
Unrealized foreign exchange loss (gain)		(68,976)	401,891	74,948	(444,310)
Adjustments to fair value		659,635	(724,113)	94,385	246,679
Realized (gain) on sale of equity securities and royalty buyouts		(4,021,444)	-	(4,356,297)	(225,970)
New investments and loan advances		(9,185,400)	(1,470,395)	(9,185,400)	(1,470,395)
Repayment of promissory note		-	-	-	1,500,000
Proceeds received on sale of shares		250,840	-	829,714	225,970
Buyout and redemption of investments		10,171,782	70,935	10,171,782	70,935
Gain on equity investments received on buyout		-	-	39,500	162,500
Other Adjustments					
Financing expense		398,815	479,294	792,315	962,664
Income tax expense		632,818	-	614,611	1,891
Changes in working capital items	21	774,962	(207,755)	282,268	(256,102)
Net Cash Flows generated from (used in) Operating Activities		**2,715,845**	**(1,267,236)**	**3,804,775**	**663,246**
Cash flows from financing activities					
Other receivables		$ -	$ 193,568	$ -	$ 193,568
Common shares repurchased for treasury		(167,781)	(1,277,888)	(394,102)	(1,488,013)
Convertible debentures redeemed		-	(4,000)	-	(4,000)
Lease liability payments		(120,151)	(38,998)	(577,962)	(361,142)
Interest paid		(390,787)	(389,804)	(784,287)	(629,637)
Increase in redeemable debt		2,801,093	-	2,801,093	-
Redemption of redeemable debt		(1,259,443)	-	(1,259,443)	(1,000,000)
Net Cash flows from (used in) Financing Activities		**862,931**	**(1,517,122)**	**(214,701)**	**(3,289,224)**
Cash flows from investing activities					
Purchase of property and equipment		$ -	$ -	$ -	$ (1,048)
Finance lease asset payments		108,665	(48,316)	214,132	142,740
Net Cash Flows from (used in) Investing Activities		**108,665**	**(48,316)**	**214,132**	**141,692**
Net increase (decrease) in cash during the period		**3,687,441**	**(2,832,674)**	**3,804,206**	**(2,484,286)**
Cash and cash equivalents, beginning of period		7,258,753	10,673,082	7,141,988	10,324,694
Cash and cash equivalents, end of period	**7**	**$ 10,946,194**	**$ 7,840,408**	**$ 10,946,194**	**$ 7,840,408**

See accompanying notes to financial statements.

In Canadian dollars, for the three and six-months ended June 30, 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 August 19, 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 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 9 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.

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.

In Canadian dollars, for the three and six-months ended June 30, 2021

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.

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
June 30, 2021				
Cash and cash equivalents	$ 10,946,194	$ -	$ -	$ 10,946,194
Royalty agreements acquired	-	-	7,543,419	7,543,419
Equity securities in investee companies	5,975,942	-	1,177,787	7,153,729
	$ 16,922,136	**$ -**	**$ 8,721,206**	**$ 25,643,342**

	Level 1	Level 2	Level 3	Total
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 and loans receivable are recorded at amortized cost. The carrying amounts at June 30, 2021 and December 31, 2020 are $17,158,559 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	Investments	Buyouts and Redemptions	Balance at June 30, 2021
Royalty agreements acquired	$ 17,109,057	$ (2,886,272)	-	$ (6,699,366)	$ 7,543,419
Equity securities in investee companies	691,428	102,233	384,126	-	1,177,787
Total	**$ 17,800,485**	**$ (2,764,039)**	**$ 384,126**	**$ (6,699,366)**	**$ 8,721,206**

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 June 30, 2021 and December 31, 2020 as follows:

June 30, 2021		December 31, 2020	
Discount rate	Revenue growth rate	Discount rate	Revenue growth rate
$ 129,165	$ 116,317	$ 455,537	$ 325,935

The unlisted equity instruments included in equity securities in investee companies are included in Level 3. The valuation technique used for unlisted equity instruments in general is the market approach (“Market Approach”). The Market Approach uses transaction prices paid for an identical or similar instrument of the investee or comparable company valuation multiples. The unobservable inputs used are prices used in recent transactions involving the investee and company valuation multiples using such measures as EBITDA, revenues, enterprise value and multiples taken from information available on similar types of companies. For June 30, 2021, any variances in the unobservable inputs were not material.

c) Financial liabilities not measured at fair value

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

	Carrying Amount June 30, 2021	Fair Value June 30, 2021	Carrying Amount December 31, 2020	Fair Value December 31, 2020
Financial liabilities				
Accounts payable and accrued liabilities	$ 5,085,679	$ 5,085,679	$ 2,458,634	$ 2,458,634
Redeemable debt	14,802,869	$14,802,869	15,740,000	15,740,000
Total	**$ 19,888,548**	**$ 19,888,548**	**$ 18,198,634**	**$ 18,198,634**

Accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. At June 30, 2021, the balance for accounts payable includes $2,714,978 of interest and redemption amounts due to investors in PRF II, which was settled, as scheduled, after the reporting period.

The carrying value of the PRF II redeemable approximate 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 PRF II.

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 loans 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 sixteen 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, the Pyure Co., Miniluxe Inc., and Jorsek Inc., and are not actively traded and were classified as Level 3 assets. These Level 3 investments were measured using commonly used valuation models. The equity price risk exposure at June 30, 2021 was $7,153,729 (December 31, 2020: $4,328,699) and a 1% change in the share price has an impact of $71,537 (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 June 30, 2021 was $22,490,655 (December 31, 2020: $21,109,459) United States dollars and a 1% movement in the exchange rate has an impact of $224,901 (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 loan receivable, 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 June 30, 2021 was $35,464,433 (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 Canadian dollars, for the three and six-months ended June 30, 2021

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 June 30, 2021 and December 31, 2020 respectively:

Contractual obligations at June 30, 2021	< 1 year	1-2 years	3-5 years	Expected more than 1 year	Total
Accounts payable and accrued liabilities	$ 5,085,679	$ -	$ -	$ -	$ 5,085,679
Lease Liability	139,666	25,102	8,479	-	173,247
Redeemable debt	1,736,964	-	-	13,065,905	14,802,869
Total	**$ 6,962,309**	**$ 25,102**	**$ 8,479**	**$ 13,065,905**	**$ 20,061,795**

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 $13,065,905.

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. In June 2021, the Priority Return Fund II LP added class B and class G units to have the flexibility to raise funds in US$. As at June 30, 2021, the Company has $14,802,869 outstanding on the F and G units issued (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 June 30, 2021, 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

	June 30, 2021	December 31, 2020
Cash held in bank accounts	$ 10,231,194	$ 6,263,740
Guaranteed investment certificates cashable at any time	715,000	878,248
	$ 10,946,194	**$ 7,141,988**

In Canadian dollars, for the three and six-months ended June 30, 2021

8. Prepaid expenses and other receivables

	June 30, 2021	December 31, 2020
Prepaid insurance, rent deposit and other prepaid expenses	$ 625,181	$ 473,180
Other receivables	30,723	50,000
Accrued interest on guaranteed investment certificates	2,781	1,517
	$ 658,685	**$ 524,697**

9. Investments

a) Carrying value of investments

Royalty agreements acquired (at FVTPL)	**June 30, 2021**	**December 31, 2020**
Expected within 1 year	$ 3,970,717	$ 5,448,105
Expected after more than 1 year	3,572,702	11,660,952
Total	**$ 7,543,419**	**$ 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 (at amortised cost)	**June 30, 2021**	**December 31, 2020**
Due within 1 year	$ 63,775	$ 63,742
Due after more than 1 year	17,158,559	8,271,789
Total	**$ 17,222,334**	**$ 8,335,531**

Equity securities in investee companies (at FVTPL)	**June 30, 2021**	**December 31, 2020**
Fair value of equity securities	**$ 7,153,729**	**$ 4,328,699**
Total carrying amount of investments	**$ 31,919,482**	**$ 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:

	June 30, 2021	December 31, 2020
Royalty agreements	$ 1,028,872	$ 4,659,904
Loans receivable	17,158,559	8,271,791
	$ 18,187,431	**$ 12,931,695**

b) Equity securities in investee companies

	Fair Value Hierarchy	Cost June 30, 2021	Carrying amount June 30, 2021	Cost December 31, 2020	Carrying amount December 31, 2020
Common shares (publicly traded)					
Inner Spirit Holdings Ltd.	Level 1	$ 839,082	$ 4,530,000	$ 953,656	$ 1,922,130
Boardwalktech Software Corp.	Level 1	-	-	152,841	43,117
mCloud Technologies Corp.	Level 1	197,500	86,000	237,000	111,000
Pulse Oil Corp.	Level 1	27,071	36,094	27,071	9,024
Leveljump Healthcare Corp.	Level 1	1,323,319	1,323,847	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	118,446	1,365,572	72,476
Stability Healthcare Inc.	Level 3	90,395	143,943	90,395	149,986
First Crypto Inc.	Level 3	-	-	-	-

In Canadian dollars, for the three and six-months ended June 30, 2021

	Fair Value Hierarchy	Cost June 30, 2021	Carrying amount June 30, 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	108,954	219,392	108,954	228,603
Wirkn Inc.	Level 3	205,014	106,977	205,014	106,977
The Pyure Co.	Level 3	157,325	164,167	157,325	133,386
Miniluxe Inc.	Level 3	234,300	229,106	-	-
Jorsek Inc.	Level 3	149,826	151,375	-	-
Total		**$ 4,997,886**	**$ 7,153,729**	**$ 5,092,759**	**$ 4,328,699**

c) Movement during the period

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

	Six months ended June 30, 2021			
	Royalty agreement acquired	**Equity securities in investee companies**	**Loans 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	-	(829,714)	-	(829,714)
Gain recognized on sale of shares and royalty buyouts	3,837,628	518,669	-	4,356,297
Redemptions and contract buydowns	(10,171,782)	-	-	(10,171,782)
New investments	-	384,126	8,801,274	9,185,400
Royalty earned and payments received- net	(205,340)	-	-	(205,340)
Foreign exchange movements	(116,618)	(23,692)	(86,925)	(227,235)
Loan amortization income	-	-	172,454	172,454
Adjustment to fair value	(2,909,526)	2,775,641	-	(133,885)
Balance as at June 30, 2021	**$ 7,543,419**	**$ 7,153,729**	**$ 17,222,334**	**$ 31,919,482**

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	-	(5,467)
Lease payments received / paid	(228,405)	(255,422)
Interest recognized	14,274	23,127
Balance as at June 30, 2021	**$ 110,966**	**$ 173,247**

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 $41,117,769 and based on a long-term financial plan prepared by management, the Company forecasts that the tax losses can be utilized before their expiry date. The derecognition of the deferred tax on loss carryforwards and deductible temporary differences reflects guidance from IFRS that because of recent tax losses, the Company can only recognize such assets if there is convincing evidence that it is probable that there will be future taxable profits against which the unused tax losses or deductible temporary differences can be utilized. In line the Company's accounting policy, the Company will recognize a related deferred tax asset when convincing evidence becomes available that future taxable profits are probable.

In Canadian dollars, for the three and six-months ended June 30, 2021

12. Provisions

	Retail funds indemnity	Other	Total
Balance at December 31, 2020	$ 333,000	$ 42,440	$ 375,440
Balance at June 30, 2021	**$ 333,000**	**$ 42,440**	**$ 375,440**

Retail funds indemnity

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

13. Redeemable debt

At fair value through profit and loss

	Class A and B		Class F		Class G[1]		Total
	Number of units	Amount	Number of units	Amount	Number of units	Amount	**Amount**
Balance at December 31, 2020	**-**	**$ -**	**15,740,000**	**$ 15,740,000**	**-**	**$ -**	**$ 15,740,000**
Issued	-	-	-	-	5,954,000	7,379,388	7,275,193
Redeemed	-	-	(8,231,000)	(8,231,000)	(69,000)	(85,519)	(8,316,519)
Balance at June 30, 2021	**-**	**-**	**7,509,000**	**7,509,000**	**5,885,000**	**7,293,869**	**14,802,869**
Current				887,277		849,687	**1,736,964**
Non-current				6,621,723		6,444,182	**13,065,905**

[1] Class G Units were issued in US$ and are represented in C$ at the USDCAD rate of 1.2394.

On September 30, 2020, the Company launched Priority Return Fund II LP to raise capital up to $25,000,000 against the issuance of A, F and S Units. In June 2021, PRF II introduced Class B and Class G units to allow the Company the flexibility to raise US$ denominated funds and better match currency exposure in its assets and liabilities. 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. 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.

The purpose of the Priority Return Fund II is 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, B, F and G units) issued in each tranche of funds raised, giving rise to a maximum raise of $20,000,000, excluding S units. In exchange for the investment amount raised, Flow Capital grants a royalty to the Priority Return Fund II. 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.

Under the LPA, A, B, F and G 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"), 8.25% per year, payable monthly, of the outstanding Investment Amount (the "Class B Return"), 10% per year, payable monthly, of the outstanding Investment Amount (the "Class F Return") and 9.25% per year, payable monthly, of the outstanding Investment Amount (the "Class G Return") or (ii) royalty payments received by Flow Capital from the underlying royalty investments and promissory notes receivable. To date, the interest paid on the Class F and G units has been at the maximum rate of 10% and 9.25% per annum, respectively. The A, B, F and G 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, B, F and G 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, B, Fand G 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,B, F and G 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, Class B, Class F and Class G units detailed above and as a result, the Class A, Class B, Class F and Class G units are subject to asset-specific performance risk.

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:

In Canadian dollars, for the three and six-months ended June 30, 2021

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Interest expense on PRF I Class A units	$ -	$ 210,522	$ -	$ 440,357
Interest expense on PRF II Class F units	366,812	-	760,312	-
Interest expense on PRF II Class G units	32,003	-	32,003	-
Total	**$ 398,815**	**$ 210,522**	**$ 792,315**	**$ 440,357**

Included in the accounts payable was an amount of $2,714,978 comprising interest and redemption amounts payable to investors in PRF II, which was settled, as scheduled, after the reporting period. This amount has been included in the statement of cash flows as a financing activity.

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 June 30, 2021 were 31,240,077.

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 June 30, 2021, 915,000 common shares were repurchased at a weighted-average price per share of $0.4280 for a total cost of $391,652.

Share warrants

The details of the share warrants outstanding at June 30, 2021 were:

Number of Warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
2,516,345	$0.44	June 26, 2023	1.99

Stock Options

The Company maintains a 10% “rolling” stock option plain 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	0.39
June 13, 2018	1,550,000	1,007,500	$0.36	June 13, 2023	1.95
December 4, 2018	1,000,000	550,000	$0.36	December 4, 2023	2.43
May 1, 2020	500,000	125,000	$0.36	April 30, 2027	5.84
May 27, 2020	100,000	25,000	$0.36	May 26, 2027	5.91
Total	**3,202,083**	**1,759,583**			
Weighted average exercise price	**$0.3645**	**$0.3681**		Weighted average remaining contractual life	**2.81**

During the six months ended June 30, 2021, 125,000 options were forfeited, and 186,484 options were cancelled.

In Canadian dollars, for the three and six-months ended June 30, 2021

15. Revenues

i) Income from investments at fair value

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Royalty and loan payment income				
Royalty payment income	$ 1,083,141	$ 1,211,906	$ 2,339,635	$ 2,025,792
Loan interest income	609,048	84,022	962,622	163,585
Promissory notes receivable income	-	-	-	36,885
Total	**$ 1,692,189**	**$ 1,295,928**	**$ 3,302,257**	**$ 2,226,262**
Foreign exchange gains (losses)				
Royalty agreements acquired and loans receivable	$ (208,078)	$ (401,891)	$ (332,009)	$ 444,310
Other foreign exchange movements	(11,122)	-	(31,115)	-
Total	**$ (219,200)**	**$ (401,891)**	**$ (363,124)**	**$ 444,310**
Unrealized foreign exchange (loss) gain	$ (223,375)	$ (399,915)	$ 370,536	$ 446,323
Realized foreign exchange (loss) gain	4,175	(1,976)	(7,412)	(2,013)
Total	**$ (219,200)**	**$ (401,891)**	**$ (363,124)**	**$ 444,310**
Realized gains (losses) from sale of investment				
Royalty agreements acquired	$ 3,837,628	$ -	$ 3,837,628	$ -
Equity securities in investee companies				
- gain recognized on sale	174,307	-	528,179	225,970
- loss recognized on sale	-	-	(9,510)	-
Total	**$ 4,011,935**	**$ -**	**$ 4,356,297**	**$ 225,970**
Realized gain on sale of equity investments	$ 174,307	$ -	$ 479,169	$ 63,470
Transfer of fair value adjustment upon sale of shares	-	-	39,500	162,500
Total	**$ 174,307**	**$ -**	**$ 518,669**	**$ 225,970**
Adjustments to fair value				
Royalty agreements acquired	$ (2,233,838)	$ 77,853	$ (2,909,526)	$ (495,135)
Loans receivable	-	-	-	-
Equity securities in investee companies	1,574,203	646,260	2,775,641	248,456
Total	**$ (659,635)**	**$ 724,113**	**$ (133,885)**	**$ (246,679)**

ii) Other income

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Other investment income and gains				
Interest income on invested cash and cash equivalents	$ 97,216	$ 172,376	$ 101,530	$ 233,600
COVID19 wage subsidy	-	44,044	-	44,044
Gain on repurchase of convertible debentures	-	375	-	375
Total	**$ 97,216**	**$ 216,795**	**$ 101,530**	**$ 278,019**

In Canadian dollars, for the three and six-months ended June 30, 2021

16. Employee benefit expense

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Wages and salaries	271,446	$ 323,379	$ 604,283	$ 684,046
Other benefits	5,344	12,805	17,075	27,176
Employer related costs for insurance, health tax	15,305	9,958	38,650	48,825
Salaries, benefits and other staffing costs	**292,095**	**346,142**	**660,008**	**760,047**
Restructuring costs	42,500	447,770	65,579	447,770
Share-based compensation **(Note 17)**	28,519	137,108	56,299	171,112
Total	$ 363,114	$ 931,020	$ 781,886	$ 1,378,929

17. Share-based compensation

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Expense recognized for services provided based on vesting conditions of stock options	**$ 28,519**	**$ 137,108**	**$ 56,299**	**$ 171,112**

18. Financing expense

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Convertible debentures	$ -	$ 268,772	$ -	$ 522,307
Redeemable debt **(Note 13)**	398,815	210,522	792,315	440,357
Total	**$** 398,815	**$ 479,294**	**$ 792,315**	**$ 962,664**

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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Profit/(loss) attributable to ordinary equity holders for diluted earnings /(loss) per share	3,065,893	27,895	4,373,849	(341,640)
Basic weighted average number of shares outstanding	31,301,401	38,245,539	31,578,533	38,161,813
Diluted weighted average number of shares outstanding	32,349,186	38,245,539	32,286,978	38,161,813

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 three and six-month periods ended June 30, 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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Canada	$ 2,487,856	$ 147,038	$ 4,268,141	$ (26,895)
United States	2,434,649	1,678,901	2,994,933	2,954,777
Total	**$ 4,922,505**	**$ 1,825,939**	**$ 7,263,074**	**$ 2,927,882**

For the six months ended June 30, 2021, the royalty and loan payment income and the interest income on loans received for 4 (2020: 3) investees are greater than 10% of the total.

In Canadian dollars, for the three and six-months ended June 30, 2021

21. Changes in working capital items

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Royalty an loan payments receivable	$ 29,260	$ (570,798)	$ 32,885	$ (393,798)
Accounts receivable and accrued income	-	(16)	(62)	2,891
Prepaid royalty	-	(78,000)	-	(156,000)
Prepaid expenses and other receivables	(194,480)	(81,322)	(133,988)	(66,138)
Accounts payable and accrued liabilities	940,184	522,381	43,233	356,943
Lease termination fee	-		340,200	-
Total	**$ 774,964**	**$ (207,755)**	**$ 282,268**	**$ (256,102)**

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. Events after the reporting period

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

- On July 30, 2021, the Company completed a US$1,500,000 follow-on investment in the Pyure Co.
- On August 6, 2021, the Company announced that it had completed a redemption of C$3.6 million and raised an additional US$2.8 million against the issuance of Class G Units, in its Flow Priority Return Fund II LP. The redemption amount includes $2,575,784 that was included in accounts payable at June 30, 2020.

23. 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 has settled 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 had not been finalized and the Company had recorded a payable of $293,750 on December 31, 2019. As of June 30, 2021, the Company has paid $293,750 and is in discussions to settle the final contract payment amount.

24. Related party disclosures

Key management personnel

The number of key management personnel as at June 30, 2021 was 7 (2020: 7) and are identified as the members of the board of directors and the officers of the Company.

i) Compensation

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Short term employee benefits	$ 208,594	$ 138,226	$ 418,779	$ 361,451
Share-based compensation	28,519	137,108	61,477	171,112
Consultancy fees	-	35,618	-	118,222
Total	**$ 237,113**	**$ 310,952**	**$ 480,256**	**$ 650,785**

ii) Other transactions

On September 30, 2020, the Company launched Priority Return Fund II LP to raise capital up to $25,000,000. As at December 31, 2020, $1,775,000 of redeemable debt was held by key management personnel. As at June 30, 2021, $1,849,638 of redeemable debt was held by key management personnel. The interest accrued and expensed on the redeemable debt held by the key management personnel for the three and six-month period ended June 30, 2021 was $44,800 and $89,175, respectively.

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. This investment was bought out in April 2021.