

FLOW CAPITAL CORP.

FORM 51-102F3

MATERIAL CHANGE REPORT

1. Name and Address of Company

Flow Capital Corp. (the "Company")
1 Adelaide Street East, Suite 3002, PO Box 171
Toronto, Ontario M5C 2V9

2. Date of Material Change

October 15, 2020

3. News Release

A news release was issued and disseminated by the Company on October 15, 2020 and filed on SEDAR.

4. Summary of Material Change

The Company announced that it had completed its first close of \$17 million, of up to \$25 million (the "Investment Amount"), through its Flow Priority Return Fund II LP ("LP II" or "Fund II"), against the grant of a royalty interest in certain of its existing investments to Fund II (the "Transaction"). This follows the successful redemption of its \$10 million Flow Priority Return Fund LP ("LP I" or "Fund I").

Under the Transaction, a collection of institutional and high net worth investors have subscribed for senior A or F units of the newly-created Fund II. A majority of the LP I investors have invested in LP II. Fund II may also, at its option, issue such further senior A, F or H units on a subsequent close, with the return attached to the senior H units being determined by the general partner of Fund II. Pursuant to the terms of Fund II, the Company is subscribing for such number of subordinated units as is equal to 25% of the capital raised in senior units issued in Fund II.

5. 5.1 - Full Description of Material Change

In exchange for the Investment Amount, the Company has granted to Fund II a royalty interest in 8 of the Company's existing investments (the "Underlying Royalty Contracts").

Under the terms of the Transaction:

- (a) an amount equal to the lesser of the (i) sum of 9% per month of the outstanding Investment Amount (the "Class A Return") and 10% per month of the outstanding Investment Amount (the "Class F Return") or (ii) royalty payments received by the Company from the Underlying Royalty Contracts will be paid to investors (collectively, the "Preferred Return");

- (b) any cash buyout payments received by the Company from the Underlying Royalty Contracts will be used to redeem senior A and F units of Fund II held by investors in priority to subordinated units as and when such buyout payments are received by the Company, until the preferred units are fully redeemed;
- (c) if by the fifth anniversary of the establishment of Fund 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; and
- (d) the Company will have no obligation to make any payments to Fund II unless and until it receives corresponding royalty and buyout payments under the Underlying Royalty Contracts.

Certain officers and all directors of the Company (the “Related Parties”) participated in the Transaction and, as such, the Transaction may constitute a related party transaction under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”), but is otherwise exempt from the formal valuation requirements of Section 5.4 of MI 61-101 by virtue of Section 5.5(b) of MI 61-101, and the minority shareholder approval requirements of Section 5.6 of MI 61-101 by virtue of Section 5.7(1)(f) of MI 61-101, in each case, on the basis that (i) no securities of the Company are listed or quoted on specified markets, and (ii) the Transaction is a loan that was obtained by the Company from the Related Parties on reasonable commercial terms that are not less advantageous to the Company than if the loan were obtained from a person dealing at arm’s length, and the loan is not convertible into nor repayable in any securities of Company or any subsidiary thereof, respectively.

No special committee was established in connection with the Transaction or the participation of the Related Parties in the Transaction, and no materially contrary view or abstention was expressed or made by any director of the Company in relation thereto. The capital raised from the LP II will bring the cash balance of the Company to approximately \$14.3 million and will help the Company to continue to grow its portfolio of revenue-linked royalty and venture debt investments in high-growth companies. The Transaction will not have an effect on the percentage of securities of the Company beneficially owned or controlled by the Related Parties. The Company did not file the material change report more than 21 days prior to the closing of the Transaction as the details of the Transaction and the total amount to be invested by the applicable officers and directors were not settled until shortly prior to the closing of the Transaction, and the Company wished to complete the Transaction on an expedited basis for sound business reasons.

5.2 Disclosure for Restructuring Transactions

Not applicable.

6. Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable.

7. Omitted Information

No significant facts remain confidential in, and no information has been omitted from, this report.

8. Executive Officer

For further information, please contact Gaurav Singh, Chief Financial Officer, at Gaurav@flowcap.com .

9. Date of Report

October 15, 2020