Flow Capital Corp.

Consolidated Financial Statements

For the year ended December 31, 2021

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Flow Capital Corp.

Opinion

We have audited the consolidated financial statements of Flow Capital Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

DMCL

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

March 31, 2022

Flow Capital Corp.

Flow Capital Corp.
Consolidated Statements of Financial Position

(Canadian dollars)

	Note		December 31, 2021		December 31, 2020
Assets					
Current Assets					
Cash and cash equivalents	8	$	4,144,671	$	7,141,988
Accounts receivable and accrued income	9		-		1,420
Investments – current portion	11		4,765,559		5,925,359
Finance lease receivable	14		-		325,097
Prepaid expenses and other receivables	10		367,401		524,697
Total Current Assets			**9,277,631**		**13,918,561**
Non-Current Assets					
Property and equipment	12		63,233		90,823
Investments – non-current portion	11		34,677,169		23,847,928
Total Non-Current Assets			**34,740,402**		**23,938,751**
Total Assets		**$**	**44,018,033**	**$**	**37,857,312**
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable and accrued liabilities	13	$	962,708	$	2,458,634
Income tax liability			1,809,171		398,374
Lease liability – current portion	14		21,490		365,694
Redeemable debt – current portion	18		1,500,758		2,620,029
Total Current Liabilities			**4,294,127**		**5,842,731**
Non-Current Liabilities					
Provisions	16		-		375,440
Lease liability – non-current portion	14		22,831		45,315
Deferred tax liability	17		12,537		502,376
Redeemable debt – non-current portion	18		16,341,536		13,119,971
Total Non-Current Liabilities			**16,376,904**		**14,043,102**
Shareholders' Equity (Note 19)					
Share capital		$	52,144,024	$	52,538,126
Warrants			486,624		486,624
Contributed surplus			713,964		656,612
Accumulated other comprehensive loss			(384,277)		(437,143)
Accumulated deficit			(29,613,333)		(35,272,740)
Total Shareholders' Equity			**23,347,002**		**17,971,479**
Total Liability and Shareholders' Equity		**$**	**44,018,033**	**$**	**37,857,312**

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors on March 31, 2022:

"Vern Lobo"
Vernon Lobo, Director

"Alan Torrie"
Alan Torrie, Director

Flow Capital Corp.
Consolidated Statements of Comprehensive Income

(Canadian dollars)

	Note		Year ended December 31, 2021		Year ended December 31, 2020
Revenues					
Income from investments at fair value					
Royalty payment and loan interest income	20	$	6,091,103	$	5,373,630
Foreign exchange loss	20		(185,446)		(276,665)
Realized gain from sale of investments	20		8,704,123		918,379
Realized loss on investments written-off	20		(3,106,800)		-
Adjustments to fair value	20		(1,276,209)		3,937,929
Income from investments at fair value			10,226,771		9,953,273
Other income					
Other interest, fee income and gains	20		200,176		425,914
Total Revenues			**10,426,947**		**10,379,187**
Operating Expenses					
Salaries, benefits and staffing costs	21	$	1,402,539	$	1,687,491
Restructuring costs	21		65,579		517,770
Share-based compensation	22		119,484		403,990
Depreciation			35,883		115,089
Professional fees			748,018		925,888
Office and general administrative			713,035		235,861
Total Operating Expenses			**3,084,538**		**3,886,089**
Operating Income		**$**	**7,342,409**	**$**	**6,493,098**
Financing expense	17,18		1,579,447		3,483,146
Other expense (recovery)	13,16		(767,722)		-
Income before income taxes			**6,530,684**		**3,009,952**
Income Taxes					
Current income tax expense	15	$	1,425,634	$	398,374
Deferred tax expense	15		(492,225)		489,839
Total Income Tax		**$**	**933,409**	**$**	**888,213**
Net Income		**$**	**5,597,275**	**$**	**2,121,739**
Other comprehensive income that may be subsequently reclassified to profit or loss					
Foreign currency translation			52,866		(412,669)
Total Comprehensive Income		**$**	**5,650,141**	**$**	**1,709,070**
Earnings per share (Note 24)					
Earnings per share					
Basic earnings per share		$	0.1782	$	0.0600
Diluted earnings per share		$	0.1734	$	0.0600

See accompanying notes to the consolidated financial statements.

Flow Capital Corp.
Consolidated Statements of Changes in Equity

(Canadian dollars)

	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	-	**22**	-	-	-	(730,116)	1,134,106	403,990
Treasury shares cancelled	(6,692,260)	**19**	(1,722,099)	-	-	-	-	(1,722,099)
Share cancellation cost	-		(21,464)	-	-	-	-	(21,464)
Foreign currency translation	-		-	(412,669)	-	-	-	(412,669)
Net income for the year	-		-	-	-	-	2,121,739	2,121,739
Balance, December 31, 2020	**32,155,077**		**$ 52,538,126**	**$ (437,143)**	**$ 486,624**	**$ 656,612**	**$(35,272,740)**	**$ 17,971,479**
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	-	**22**	-	-	-	57,352	62,132	119,484
Treasury shares cancelled	(915,000)	**19**	(391,652)	-	-	-	-	(391,652)
Share cancellation cost	-		(2,450)	-	-	-	-	(2,450)
Foreign currency translation	-		-	52,866	-	-	-	52,866
Net income for the year	-		-	-	-	-	5,597,275	5,597,275
Balance, December 31, 2021	**31,240,077**		**$ 52,144,024**	**$ (384,277)**	**$ 486,624**	**$ 713,964**	**$(29,613,333)**	**$ 23,347,002**

See accompanying notes to consolidated financial statements.

Flow Capital Corp.

Consolidated Statements of Cash Flows

(Canadian dollars)

	Note	Year ended December 31, 2021	Year ended December 31, 2020
Cash flows from operating activities			
Net income		$ 5,597,275	$ 2,121,739
Adjustments for non-cash items			
Share-based compensation		119,484	403,990
Depreciation		35,883	115,089
Reversal of provision		(375,440)	-
Adjustments relating to investments at carrying value			
Unrealized foreign exchange loss (gain)		641,901	276,665
Adjustments to fair value		1,276,209	(3,807,220)
Impairment		-	151,642
Realized loss on investments written-off		3,106,800	-
Realized gain on sale of investment		(8,704,123)	(918,379)
New investments and loan advances		(23,061,352)	(9,592,861)
Loan amortization income		(226,273)	-
Royalty earned in excess of cash received		(221,065)	-
Gain on amendment to promissory note agreement		-	(282,351)
Repayment of promissory note		-	1,500,000
Proceeds received on sale of shares		5,497,039	245,868
Buyout and redemption of investments		12,324,579	4,170,729
Realized gain on equity investments received on buyout		39,500	162,500
Other Adjustments			
Financing expense		1,579,447	3,483,146
Income tax expense		933,409	888,213
Changes in working capital items	26	(865,844)	(80,501)
Net Cash Flows used in Operating Activities		**(2,302,570)**	**(1,161,731)**
Cash flows from financing activities			
Other (receivables) payables		$ -	$ 193,568
Common shares repurchased for treasury		(394,102)	(1,743,563)
Convertible debentures redeemed		-	(5,376,997)
Lease liability payments		(706,888)	(733,994)
Interest paid		(1,710,614)	(1,403,236)
Advance from redeemable debt		11,084,199	15,740,000
Redemption of redeemable debt		(9,284,146)	(9,082,614)
Net Cash flows used in Financing Activities		**(1,011,550)**	**(2,406,836)**
Cash flows from investing activity			
Purchase of property and equipment		$ (8,293)	$ (1,048)
Finance lease receivable payments		325,097	386,909
Net Cash flows from Investing Activities		**316,804**	**385,861**
Net increase in cash during the period		**(2,997,317)**	**(3,182,706)**
Cash and cash equivalents, beginning		7,141,988	10,324,694
Cash and cash equivalents, ending	**8**	**$ 4,144,671**	**$ 7,141,988**

See accompanying notes to the consolidated financial statements.

In Canadian dollars, for the year ended December 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 ("TSXV") 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 consolidated financial statements have been prepared based on the principles of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations by the IFRS Interpretations Committee.

The financial statements were approved and authorized by the Board of Directors on March 31, 2022.

3. Summary of significant accounting policies

(A) Basis of consolidation

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

(B) Foreign currency translation

Transactions and balances

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

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

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

Translation to the Presentation Currency

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

(C) Revenue recognition

Income from investments at fair value

i) Royalty payment and loan interest income

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

ii) Adjustments to fair value

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

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

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

iv) Foreign exchange (loss) gain

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

Other interest, fee income and gains

Other interest income includes interest income earned on short term money market investments. Other interest income, one-time fee income and gains is accrued in the statement of comprehensive income when earned and is presented in Other interest, fee income and gains.

(D) Taxes

Current income tax

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

Deferred tax

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

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

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

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

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

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

(E) Financial instruments

(i) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Financial assets measured at amortized cost

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

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

Accounts receivable and loans receivable are classified as measured at amortized cost at initial recognition and tested for impairment at the end of each reporting period (see note 7).

(ii) Derecognition

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

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

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. The Company determines the classification of its financial liabilities at initial recognition. The Company’s financial liabilities are accounts payable and accrued liabilities, which are recognized on an amortized cost basis, and redeemable debt, which is accounted for at amortized cost.

(iv) Offsetting of financial instruments

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

(v) Fair value of financial instruments

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. Typically, fair value is determined by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs. When observable valuation inputs are not available, significant judgement is required through determining the valuation technique to apply, the valuation techniques such as discounted cash flow analysis and selecting inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value. A description of the fair value methodologies and assumptions by type of asset is included in Note 6.

(vi) Transaction costs

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

(vii) Embedded Derivatives

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

(F) Cash and cash equivalents

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

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

(G) Provisions

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

(H) Earnings per share

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

(I) Share-based compensation

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

(J) Property and equipment

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

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

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

(K) Leases

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

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

(L) Share warrants

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

4. Significant accounting judgements, estimates, and assumptions

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

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

Royalty agreements acquired

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

For the royalty agreements acquired, the term of the agreement is normally perpetual, and the royalty amount received can be dependent on the revenues of the investee. The term of the royalty agreement can also be influenced by the termination of the royalty agreement subsequent to a contract buyout event. As a result, uncertainties exist as to how long the agreements will exist and the royalty payment income that will be received. The Company is primarily focused on building a portfolio of investments in companies that have carried on business for a number of years and have a demonstrable history of revenues. This enables the Company to use historical revenues as the starting base for estimating expected cash flows from an investment. Those royalty agreements that contain a provision requiring an investee company to make a minimum monthly royalty payment provide the Company with a strong indication of what expected cash flows under the royalty agreement should be over time. In addition to historical revenues of investee companies, the Company also considers other factors, such as external market factors, future performance and industry performance, in estimating expected cash flows from an investment.

Royalty agreements acquired and measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities. The Company has established a control framework with respect to the measurement of fair values. This includes that all significant fair value measurements have been reviewed and approved by the Investment Committee of the Company. The Investment Committee reviews on a quarterly basis, significant unobservable inputs and valuation adjustments used in the fair value measurement of royalty agreements acquired and promissory notes. Fair values are categorized into different levels of a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Further information about the assumptions made in measuring fair values for financial instruments are included in Note 6.

Fair value of stock options and warrants

Determining the fair value of stock options and warrants requires judgement related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments.

Fair value of unquoted equity instruments

The fair value of unquoted instruments included in equity securities in investee companies that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on transaction and market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 6.

Assessing credit risk in loan investments

The Company has to continuously assesses the credit risk in its loan investments. This requires an assessment of the risk of various counterparties to financial instruments failing to meet their contractual obligations and to estimate a reasonable amount to be maintained as an allowance for expected credit losses ("ECL") or, to assess if the collateral offered by the security position held by the Company is suffcicient and if needed, record an impairment. Factors considered include timely servicing of loan payments and other contractual obligations (e.g. maintaining any other financial covenants such as a minimum cash balance, and meeting reporting requirements), as well as industry and macroeconomic developments. Inputs are gathered directly from the investee company management teams, and reinforced / validated through independent industry research.

COVID-19 impact on fair values

The impact of the COVID-19 coronavirus pandemic requires significant judgements about the fair value of the royalty and loan investments. It is not possible to reliably estimate the length and severity of these developments and the ultimate impact on the financial results and condition of the Company in future period. The Company will continue to review the impact of COVID-19 in reporting periods.

5. Standards issued but not yet effective

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

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

In Canadian dollars, for the year ended December 31, 2021

6. Fair values

a) Valuation Technique

The Company uses valuation techniques with the objective of determining a fair value measurement that reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of the royalty agreements acquired 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.

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
December 31, 2021				
Cash and cash equivalents	$ 4,144,671	$ -	$ -	$ 4,144,671
Royalty agreements acquired	-	-	5,728,319	5,728,319
Equity securities in investee companies	558,537	-	2,186,973	2,745,510
	$ 4,703,208	**$ -**	**$ 7,915,292**	**$ 12,618,500**

	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**

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 December 31, 2021
Royalty agreements acquired	$17,109,057	$931,182	-	$(12,310,727)	$5,729,512
Equity securities in investee companies	691,428	689,673	805,872	-	2,186,973
Total	**$17,800,485**	**$1,620,855**	**$805,872**	**$(12,310,727)**	**$7,916,485**

In Canadian dollars, for the year ended December 31, 2021

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 15.4%-26.5%), growth rate of the revenues of the investee (range is between no growth and 10%). The low and high input values represent the actual highest and lowest level of values used over the portfolio and represent the range on an individual investment basis. The input ranges will therefore vary from period to period based on the characteristic of the underlying investment at each statement of financial position date.

For fair value measurements of the royalty agreements acquired in Level 3, changing the most significant unobservable inputs by 1% would have the following impact on the fair value of these assets as at December 31, 2021 and December 31, 2020 as follows:

December 31, 2021		December 31, 2020	
Discount rate	Revenue growth rate	Discount rate	Revenue growth rate
$ 49,156	$ 44,801	$ 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 December 31, 2021, any variances in the unobservable inputs were not material.

c) Loans receivable measured at amortized cost

Promissory notes and loans receivable are recorded at amortized cost net of expected credit losses. The carrying amounts at December 31, 2021 and December 31, 2020 are $ 30,968,899 and $8,335,531, respectively, and approximate the fair value.

The following table summarizes loans receivable assessed at each stage of impairment (refer note 7) and the expected credit loss allowance, at December 31, 2021.

	Stage 1	Stage 2	Stage 3	Total
Loans receivable at amortized cost	$ 31,277,930	$ -	$ -	$ 31,277,930
Allowance for expected credit losses	(309,031)	-	-	(309,031)
	$ 30,968,899	**$ -**	**$ -**	**$ 30,968,899**

d) Financial liabilities not measured at fair value

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

	Carrying Amount December 31, 2021	Fair Value December 31, 2021	Carrying Amount December 31, 2020	Fair Value December 31, 2020
Financial liabilities				
Accounts payable and accrued liabilities	$ 962,708	$ 962,708	$ 2,458,634	$ 2,458,634
Redeemable debt	17,842,294	17,842,294	15,740,000	15,740,000
Total	**$ 18,805,002**	**$ 18,805,002**	**$ 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.

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.

7. Financial risk management objectives and policies

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

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

Market risk

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

Interest rate risk

The Company invests surplus cash in bank deposits which, due to their short-term nature, do not expose the Company to any material interest rate risks. For royalty agreements acquired, the income can vary on a monthly basis and is not a function of an underlying interest rate. The Company's loans loan receivable investments earn interest at fixed rates.

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 fifteen investees, of which three 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 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., Jorsek Inc., and Everwash Inc., are not actively traded and were classified as Level 3 assets. These Level 3 investments were measured using commonly used valuation models. The equity price risk exposure at December 31, 2021 was $2,745,510 (December 31, 2020: $4,328,699) and a 1% change in the share price has an impact of $27,455 (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. The Company has foreign currency exposures to receivables in United States dollars. The Company continually monitors its transaction and translation exposure and its related impact on reported results. The foreign exchange exposure at December 31, 2021 was $26,509,355 (December 31, 2020: $21,109,459) United States dollars and a 1% movement in the exchange rate has an impact of $265,094 (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 and loan agreements where the return is in the form of interest payments. 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 December 31, 2021 was $40,843,218 (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.

The Company has adopted the 'three-stage' model for testing its loan investments for impairment based on changes in credit quality since initial recognition, as outlined under IFRS 9. This is summarized below:

A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company. 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.

If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. An investment moved to 'Stage 2' if one or more of the following criteria are evidenced, and there is no reasonable explanation from the investee company:

- The investee is more than 30 days but less than 90 days in arrears on its contractual payment obligations;
- Company management believes the cash resources available to the investee may not be sufficient to meet ongoing needs; or
- The investee has significantly underperformed the previously provided business plans / investment thesis.

A financial instrument is considered credit-impaired and is then moved to 'Stage 3' if:

- The investee is 90 days past due on contractual payments;
- The investee is in material breach of financial covenants.
- The investee is in long term forbearance; or
- The investee's assets and / or estimated equity value (subject to the Company's security position) is insufficient to cover the investment or if the investee is insolvent

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

The Company assigns each loan in the portfolio to a credit quality stage (Stage 1, Stage 2 or Stage 3). This credit quality staging is then used to calculate the lifetime ECL as the maximum loss in default adjusted for the probability of loss. The ECL is reviewed for each loan at each reporting period, to incorporate changes in macroeconomic and industry factors, and company specific information. The ECL is recorded as an allowance through the statement of comprehensive income and reported on the statement of financial position as a net amount of loans receivable

In Canadian dollars, for the year ended December 31, 2021

The loans receivable are typically secured with a senior charge on the assets of the borrower, trademarks and any other intellectual property, and in some cases, with a pledge of the promoters shareholding in the venture. Currently, none of the loan investments are assessed as having a significant increase in credit risk. At December 31, 2021, all the loans receivable held were assessed to be at Stage 1 and the Company has booked an allowance of $309,031, based on its assessment of expected credit losses over the next 12 months.

Concentration risk

Concentration risk is the risk that a small number of investments represent a disproportionate share of the total investment portfolio, and the impairment of one or more investment with a higher weightage would present a disproportionately higher risk. The Company's approach to managing concentration risk is to ensure, as far possible, that capital allocation is balanced across investments and sectors such that no single investment / sector represents over 20% of the investment portfolio. The Company manages this risk by reviewing its investment portfolio, upcoming maturities and pipeline qualification criteria to maintain this balance. At December 31, 2021, 5 investments each represented over 10% of the total carried value of the loan portfolio, at 19.9%, 17.9%, 12.2% ,12.1%, and 11.6%, respectively.

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 December 31, 2021 and December 31, 2020 respectively:

Contractual obligations at December 31, 2021	< 1 year	1-2 years	3-5 years	Expected more than 1 year	Total
Accounts payable and accrued liabilities	$ 962,708	$ -	$ -	$ -	$ 962,708
Lease Liability	21,490	20,680	2,151	-	44,321
Redeemable debt	1,500,758	-	16,341,536	-	17,842,294
Total	**$ 2,484,956**	**$ 20,680**	**$ 16,343,687**	**$ -**	**$ 18,849,323**

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**

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 May 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 December 31, 2021, the Company has $17,842,294 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 or loans receivable, the Company is able to manage the balance sheet obligations. This type of financing is expected to remain an important source of capital for the Company as investments in the portfolio mature.

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

8. Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash held in bank accounts	$ 3,429,671	$ 6,263,740
Guaranteed investment certificates cashable at any time	715,000	878,248
	$ 4,144,671	**$ 7,141,988**

In Canadian dollars, for the year ended December 31, 2021

9. Accounts receivable and accrued income

	December 31, 2021	December 31, 2020
Accounts receivable	-	1,420
	$ -	**$ 1,420**

10. Prepaid expenses and other receivables

	December 31, 2021	December 31, 2020
Prepaid insurance, rent deposit and other prepaid expenses	$ 366,073	$ 473,180
Other receivables	-	50,000
Accrued interest on guaranteed investment certificates	1,328	1,517
	$ 367,401	**$ 524,697**

11. Investments

a) Carrying value of investments

Royalty agreements acquired (at FVTPL)	December 31, 2021	December 31, 2020
Expected within 1 year	$ 4,700,976	$ 5,448,105
Expected after more than 1 year	1,027,343	11,660,952
Total	**$ 5,728,319**	**$ 17,109,057**

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

Loans receivable (at Amortized Cost)	December 31, 2021	December 31, 2020
Due within 1 year	$ 64,583	$ 63,742
Due after more than 1 year	30,904,316	8,271,789
Total	**$ 30,968,899**	**$ 8,335,531**

At December 31, 2021, the portfolio of loans receivable have interest rates of 15% to 22% (2020: 15% to 22%) and mature in 2 to 3 years. The Company also holds a note payable, acquired through an RTO transaction in 2018, which has a 10-year term and earns an interest of 10%.

	December 31, 2021	December 31, 2020
Equity securities in investee companies (at FVTPL)	**$ 2,745,510**	**$ 4,328,699**
Total carrying amount of investments	**$ 39,442,728**	**$ 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:

	December 31, 2021	December 31, 2020
Royalty agreements	$ 203,406	$ 4,659,904
Promissory notes receivable	30,862,880	8,271,791
	$ 31,066,286	**$ 12,931,695**

In Canadian dollars, for the year ended December 31, 2021

b) Equity securities in investee companies

	Fair Value Hierarchy	Cost December 31, 2021	Carrying amount December 31, 2021	Cost December 31, 2020	Carrying amount December 31, 2020
Common shares (publicly traded)					
Inner Spirit Holdings Ltd.	Level 1	$ -	$ -	$ 953,656	$ 1,922,130
Boardwalktech Software Corp.	Level 1	-	-	152,841	43,117
mCloud Technologies Corp.	Level 1	197,492	103,163	237,000	111,000
Pulse Oil Corp.	Level 1	27,071	27,071	27,071	9,024
Leveljump Healthcare Corp.	Level 1	1,323,319	428,303	1,495,403	1,552,000
Common shares (not publicly traded)					
Crimson Energy Ltd.	Level 3	299,528	-	299,528	-
Warrants (not publicly traded)					
Boardwalktech Software Corp.	Level 3	1,365,572	74,838	1,365,572	72,476
Stability Healthcare Inc.	Level 3	90,395	698,188	90,395	149,986
DirecTech Labs Inc.	Level 3	-	-	-	-
Wedge Networks Inc.	Level 3	-	13,384	-	-
Spiridon Technologies Ltd.	Level 3	-	-	-	-
Echobox Ltd.	Level 3	128,416	293,837	108,954	228,603
Wirkn Inc.	Level 3	218,866	-	205,014	106,977
The Pyure Co.	Level 3	203,822	331,215	157,325	133,386
Miniluxe Inc.	Level 3	234,300	274,205	-	-
Jorsek Inc.	Level 3	216,703	223,425	-	-
Everwash Inc.	Level 3	127,560	126,780	-	-
AskVet Inc.	Level 3	92,625	95,085	-	-
Kovo Healthtech Corp.	Level 3	56,016	56,016	-	-
Total		**$ 4,581,693**	**$ 2,745,510**	**$ 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:

Year ended December 31, 2021

	Royalty agreements 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	-	(5,497,039)	-	(5,497,039)
Gain recognized on sale of shares and royalty buyouts	4,856,487	4,337,636	(490,000)	8,704,123
Losses from investments written off	(3,106,800)	-	-	(3,106,800)
Redemptions and contract buydowns	(12,310,727)	-	(13,852)	(12,324,579)
New investments	-	805,872	22,255,480	23,061,352
Royalty earned and payments received- net	219,872	-	1,193	221,065
Foreign exchange movements	(465,570)	3,520	123,305	(338,745)
Loan amortization income	-	-	226,273	226,273
Adjustment to fair value / expected credit losses	(574,000)	(1,233,178)	530,969	(1,276,209)
Balance as at December 31, 2021	**$ 5,728,319**	**$ 2,745,510**	**$ 30,968,899**	**$ 39,442,728**

Year ended December 31, 2020

In Canadian dollars, for the year ended December 31, 2021

	Royalty agreement acquired	Equity securities in investee companies	Loans receivable	Total
Balance as at December 31, 2019	**$ 16,414,085**	**$ 2,494,443**	**$ 3,530,882**	**$ 22,439,410**
New investments during the period	1,399,460	2,043,409	6,149,992	9,592,861
Repayment of promissory note	-	-	(1,500,000)	(1,500,000)
Proceeds received on sale of shares	-	(245,868)	-	(245,868)
Gain recognized on sale of shares – net	-	237,150	-	237,150
Redemptions and contract buydowns	(4,170,729)	-	-	(4,170,729)
Royalty earned and payments received- net	253,235	-	-	253,235
Foreign exchange movements	(486,493)	(308,156)	23,948	(770,701)
Gain on amendment to promissory note agreement			282,351	282,351
Adjustment to fair value / expected credit losses	3,699,499	107,721	(151,642)	3,655,578
Balance as at December 31, 2020	**$ 17,109,057**	**$ 4,328,699**	**$ 8,335,531**	**$ 29,773,287**

12. Property and equipment

	Right-of-use asset	Office equipment & furniture	Leasehold improvements	Total
Cost				
Balance at December 31 2020	112,201	184,339	220,339	516,879
Additions	-	8,293	-	8,293
Balance at December 31 2021	**$ 112,201**	**$ 192,631**	**$ 220,339**	**$ 525,172**
Accumulated depreciation				
Balance at December 31 2020	59,134	146,583	220,339	426,056
Charge in year	18,194	17,689	-	35,883
Balance at December 31 2021	**$ 77,328**	**$ 164,272**	**$ 220,339**	**$ 461,939**
Carrying amount				
At December 31, 2020	**$ 53,067**	**$ 37,756**	**$ -**	**$ 90,823**
At December 31, 2021	**$ 34,873**	**$ 28,359**	**$ -**	**$ 63,233**

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

13. Accounts payable and accrued liabilities

	December 31, 2021	December 31, 2020
Accounts payable	$ 172,641	$ 1,127,071
Accrued expenditures	272,260	236,001
Payroll taxes and HST payable	7,490	368,223
Financing cost payable to Class F unitholders of Priority Return Fund II	-	131,167
Other liabilities, tenant deposits and prepaid rents	510,317	596,172
Total	**$ 962,708**	**$ 2,458,634**

In the year ended December 31, 2021, the Company recorded an expense recovery of $392,281 on account of a reversal of accruals where the limitation period has lapsed.

14. Finance lease receivable and lease liability

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

	Finance lease receivable	Lease liability
Balance as at December 31, 2020	**$ 325,097**	**$ 411,009**
Adjustment to lease payments	990	(798)
Lease payments received / paid	(342,608)	(389,653)
Interest recognized	16,521	23,762
Balance as at December 31, 2021	**$ -**	**$ 44,321**

In addition, during the year ended December 31, 2021, the Company paid $340,000 as a fee towards the early termination of a lease. This amount was included in accounts payable and accrued liabilities at December 31, 2020.

In Canadian dollars, for the year ended December 31, 2021

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

	December 31, 2021	December 31, 2020
Carrying amount – finance lease assets	**$ -**	**$ 325,097**
Total lease liability	**$ 44,321**	**$ 411,009**
Current	21,490	365,694
Non-current	22,831	45,315

15. Income taxes

The Company has Canadian tax losses available for carryforward of approximately $37,967,233. The deferred tax on loss carryforwards and deductible temporary differences have not been recognized because the Company can only recognize such assets if there is convincing evidence that it is probable that there will be future taxable profits against which the unused tax losses or deductible temporary differences can be utilized. In line the Company's accounting policy, the Company will recognize a related deferred tax asset when convincing evidence becomes available that future taxable profits are probable.

(a) Amounts recognized in statements of comprehensive income

	Year ended December 31, 2021	Year ended December 31, 2020
Income tax expense – current year	$ 1,433,140	$ 398,374
Income tax expense (recovery) – prior year	(7,506)	-
Total current income tax expense (recovery)	**1,425,634**	**398,374**
Deferred tax expense (recovery)		
Origination and reversal of temporary differences – current year	(492,225)	508,347
Adjustment in respect of a prior year	-	(18,508)
Total deferred income tax expense (recovery)	**(492,225)**	**489,839**
Total income tax expense (recovery)	**$ 933,409**	**$ 888,213**

(b) Reconciliation of effective tax rate

	Year ended December 31, 2021	Year ended December 31, 2020
Net Income (Loss) before tax for continuing and discontinuing operations	**$ 6,530,685**	**$ 3,009,952**
Tax at the combined Canadian federal and provincial statutory tax rate of 26.5%	1,730,632	797,637
Income and deferred tax recovery – prior year	(7,506)	-
Recognition of deferred tax not previously recognized	(1,181,300)	-
Changes in deductible temporary differences where the tax benefit is not recognized	324,275	(347,548)
Tax cost (benefit) of non-deductible expenses and non-taxable income	67,308	438,124
Income tax expense	**$ 933,409**	**$ 888,213**

(c) Deferred tax liability

Balance at December 31, 2019	$ 12,537
Deferred tax expense	489,839
Balance at December 31, 2020	502,376
Deferred tax expense	(492,225)
Foreign exchange	2,386
Balance at December 31, 2021	$ 12,537

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

(d) Unrecognized deferred tax asset

At December 31, 2021, the Company has Canadian non-capital losses of $37,967,233 (2020: 38,674,969). At December 31, 2021, the Company's US subsidiary has a deductible temporary difference of $1,258,576 (2020: $Nil). No deferred tax asset has been recognized in relation to these losses and deductible temporary differences as the Company does not currently have sufficient evidence that future taxable profit will be available against which the Company can use the benefits.

At December 31, 2021, there was a deferred tax liability of approximately $540,000 (2020: $455,000) for taxable temporary differences on the Company's investment in its US subsidiary. However, the liability was not recognized because the Company controls the dividend policy of its subsidiary and management is satisfied that this taxable temporary difference will not reverse in the foreseeable future.

(e) Tax losses carried forward – December 2021

In Canadian dollars, for the year ended December 31, 2021

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

2037	$	328,026
2038		29,194,325
2039		6,716,723
2040		1,671,455
2041		56,704
Total	**$**	**37,967,233**

16. Provisions

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

Retail funds indemnity

The public company assumed an indemnity to the buyer related to certain representations and warranties as part of a transaction prior to the reverse take-over by the Company 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 since the transaction and current management considers it unlikely that any future payments will be required. Therefore, the provision has been reversed as an expense recovery.

17. Convertible debentures

On June 7, 2018, upon closing of the Arrangement Agreement pertaining to a reverse take-over transaction, the Company assumed 7% senior unsecured convertible debentures ("Series B debentures") with a maturity date of June 30, 2021 with the outstanding balance of $5,213,590. On December 6, 2020, the Company redeemed all outstanding Series B debentures by payment of a redemption amount of $1,050 for each $1,000 principal amount of the Series B debentures plus all accrued and unpaid interest thereon.

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

		Year ended December 31, 2021		Year ended December 31, 2020
Interest expense on convertible debentures				
Series B	$	-	$	333,906
		-		333,906
Accretion of finance expense for the period				
Series B		-		1,159,358
		-		1,159,358
Total	**$**	**-**	**$**	**1,493,264**

18. Redeemable debt

On July 19, 2019, the Company closed a $10,000,000 financing through a limited partnership called Priority Return Fund, which was considered a subsidiary of Flow Capital for the purposes of consolidation. A collection of institutional and high net worth investors (the "Limited Partners") invested $10 million into the Priority Return Fund. Under the limited partnership agreement dated July 19, 2019 (the "LPA"), in exchange for the $10,000,000 investment, the Limited Partners were granted 10,000,000 of Class A units redeemable at $1 per unit and 10,000,000 of Class D units redeemable at $0.10 per unit. The initial fair value of the Class A and Class D units was recognized as $10,000,000. On October 4, 2019, 1,982,550 Class A units were redeemed at $1 per unit, on February 28, 2020, 1,000,000 Class A units were redeemed at $1 per unit and on July 27, 2020, 500,000 Class A units were redeemed at $1 per unit. On September 30, 2020, the Company redeemed the outstanding Class A and Class D units for $1 per unit. These amounts were paid out to unitholders on October 1, 2020.

In Canadian dollars, for the year ended December 31, 2021

Flow Priority Return Fund

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

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 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. 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.

Flow Priority Return Fund II

	Class A and B		Class F		Class G		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	-	-	-	-	8,983,000	11,084,199	11,084,199
Redeemed	-	-	(9,190,000)	(9,190,000)	(76,000)	(94,146)	(9,284,146)
FX impact	-	-	-	-	-	302,241	302,241
Balance at December 31, 2021	**-**	**-**	**6,550,000**	**6,550,000**	**8,907,000**	**11,292,294**	**17,842,294**
Current				550,936		949,822	1,500,758
Non-current				5,999,064		10,342,472	16,341,536

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 year ended December 31, 2021

	Year ended December 31, 2021	Year ended December 31, 2020
Interest expense on PRF I Class A units	$ -	$ 640,074
Interest expense on PRF II Class F units	1,116,586	349,808
Interest expense on PRF II Class G units	462,861	-
Total	**$ 1,579,447**	**$ 989,882**

19. Share capital and other components of equity

The authorized share capital of the Company consists of an unlimited number of voting common shares without par value, and 2,252,252 Series I Class A preferred shares with a face value of $3 per share.

Series I Class A preferred shares

On December 13, 2021, the Company received approval from the TSXV to create a new class of Series I Class A preferred shares pursuant to the shareholder approval obtained at a meeting of the shareholders held on May 26, 2020 for the amendments more particularly described in the Company's management information circular dated April 20, 2021 and board approval for the amendments to create the Series I Class A Preferred Shares obtained via consent resolutions dated November 16, 2021.

The issued and outstanding preferred shares at December 31, 2021 were Nil (December 31, 2020 – Nil).

Common shares

The issued and outstanding common shares at December 31, 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 December 29, 2021, 915,000 common shares were repurchased at a weighted-average price per share of $0.4280 for a total cost of $391,652.

On June 8, 2020, the Company effected a share alteration whereby all the issued and outstanding common shares of the Company were consolidated at a ratio of 25,000 pre-consolidation shares for every 1 post consolidation common share. Any holder of less that 1 post-consolidation share ceased to hold shares and was paid cash consideration of $0.12 per common share. The post-consolidation common shares were further subdivided on the basis of 12,500 post-subdivision common shares for each 1 pre-subdivision common share. As a result, 5,144,010 shares were repurchased at a weighted-average price per share of $0.2484 for a total cost of $1,277,893. Due to the share alteration, certain prior period numbers for share capital and earnings per share have been restated to reflect the post-consolidation outstanding common shares.

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

The Company announced on December 16, 2019, a normal course issuer bid ("Second Common Share NCIB") through the facilities of the TSXV, permitting the Company to repurchase, for cancellation up to 6,000,000 (pre-consolidation) common shares of the Company, representing approximately 7.72% of the Company's pre-consolidation issued and outstanding common shares. The Second Common Share NCIB started on December 23, 2019 and finished on December 22, 2020. Between December 23, 2019 and December 22, 2020, the equivalent of 1,548,250 post-consolidation common shares were repurchased at a weighted-average price per share of $0.2869 for a total cost of $444,206.

Share warrants

The details of the share warrants outstanding at December 31, 2021 and 2020 were:

Number of Warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
2,516,345	$0.44	June 26, 2023	1.50

Share Based Payments

On September 30, 2021, the Board approved the replacement of the Corporation's stock option plan with a new omnibus equity incentive plan (the "Omnibus Plan") to give the Board greater flexibility in the types of incentive awards that can be granted to directors, officers, employees and consultants of the Corporation and its subsidiaries. The Omnibus Plan subsequently received shareholder approval at the Annual General Meeting held on November 15, 2021.

Pursuant to the terms of the Omnibus Plan, the Company has awarded Stock Options and Performance Stock Units ("PSUs").

In Canadian dollars, for the year ended December 31, 2021

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.

The following options were outstanding under the plan, at December 31, 2021:

Original Issue Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Remaining contractual life (years)
June 13, 2018	1,550,000	1,162,500	$0.36	June 13, 2023	1.45
December 4, 2018	1,000,000	650,000	$0.36	December 4, 2023	1.93
May 1, 2020	500,000	175,000	$0.36	April 30, 2027	5.33
May 27, 2020	100,000	35,000	$0.36	May 26, 2027	5.40
Total	**3,150,000**	**2,022,500**			
Weighted average exercise price	**$0.36**	**$0.36**		Weighted average remaining contractual life	**2.34**

During the year ended December 31, 2021, no new options were granted, 125,000 options with an exercise price of $0.36 were forfeited, 186,484 options with a weighted-average exercise price of $1.02 were cancelled, and 52,083 options with an exercise price of $0.63 expired unexercised.

During the year ended December 31, 2020, 725,000 options were granted at an exercise price of $0.36. For the same period, 226,016 options with a weighted-average exercise price of $1.16 were forfeited and 79,427 options with an exercise price of $3.38 expired.

The Company uses the Black-Scholes option pricing model to calculate the fair value of any options granted. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. The following weighted average assumptions were used to estimate the weighted average grant date fair value of the outstanding options granted during the year ended December 31, 2020:

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

Performance Stock Units (“PSUs”)

Upon receipt of disinterested shareholder approval for the Omnibus Plan, the Company granted 1,050,000 PSUs to certain Directors and Officers, with all PSUs being subject to the following performance vesting criteria established by the Board:

Metric: Share Price		**Metric: Recurring Free Cash Flow**	
Vesting Portion	Threshold	Vesting Portion	Threshold
1/6th	$1.00	1/6th	$2,000,000
1/6th	$2.00	1/6th	$5,000,000
1/6th	$3.00	1/6th	$8,000,000

The fair value of the performance stock units awarded is determined as follows:

For the share price-based components of the PSUs, the ‘market condition’ (share price) thresholds were incorporated into the estimate of the fair value, using a Monte Carlo simulation, and was estimated to have a nominal value. The fair value of this component is expensed over the vesting period and not adjusted for performance.

For the performance condition (recurring free cash flow) based components of the PSUs, the fair value per share equals the stock price on grant date. The fair value expensed over the vesting period is adjusted based on the number of shares that vest.

Based on the above, the fair value of the PSUs granted in the year ended December 31, 2021, is estimated to be $236,250 and $17,800 was expensed in the current year.

In Canadian dollars, for the year ended December 31, 2021

20. Revenues

i) Income from investments at fair value

	Year ended December 31, 2021	Year ended December 31, 2020
Royalty and loan payment income		
Royalty payment income	$ 3,136,269	$ 4,833,547
Loan interest income	2,954,834	503,199
Promissory notes receivable income	-	36,884
Total	**$ 6,091,103**	**$ 5,373,630**
Foreign exchange gains (losses)		
Unrealized foreign exchange (loss) gain	$ (185,053)	$ (264,365)
Realized foreign exchange (loss) gain	(393)	(12,300)
Total	**$ (185,446)**	**$ (276,665)**
Realized gains (losses) from sale of investment		
Royalty and loan agreements acquired	$ 4,366,487	$ 681,229
Equity securities in investee companies		
- gain recognized on sale	4,397,389	237,150
- loss recognized on sale	(59,753)	-
Total	**$ 8,704,123**	**$ 918,379**
Realized gain on sale of equity investments	$ 4,357,881	$ 74,650
Transfer of fair value adjustment upon sale of shares	39,508	162,500
Total	**$ 4,397,389**	**$ 237,150**
Realized loss on investments written-off		
Royalty agreements acquired	$ (3,106,800)	$ -
Total	**$ (3,106,800)**	**$ -**
Adjustments to fair value		
Royalty agreements acquired	$ (305,107)	$ 3,699,499
Promissory notes receivable	530,969	(151,642)
Gain on amendment to promissory note agreement	-	282,351
Equity securities in investee companies	(1,502,071)	107,721
Total	**$ (1,276,209)**	**$ 3,937,929**

ii) Other income

	Year ended December 31, 2021	Year ended December 31, 2020
Other investment income and gains		
Interest income on invested cash and cash equivalents and other fee income	$ 200,176	$ 381,210
COVID19 wage subsidy	-	44,044
Gain on repurchase of convertible debentures	-	660
Total	**$ 200,176**	**$ 425,914**

In Canadian dollars, for the year ended December 31, 2021

21. Employee benefit expense

	Year ended December 31, 2021	Year ended December 31, 2021
Wages and salaries	$ 1,291,876	$ 1,569,296
Restructuring costs	65,579	517,770
Other benefits	34,212	49,928
Employer related costs for insurance, health tax	76,451	68,267
Salaries, benefits and other staffing costs	**1,468,118**	**2,205,261**
Share-based compensation **(Note 22)**	119,484	403,990
Total	**$ 1,587,602**	**$ 2,609,251**

22. Share-based compensation

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

	Year ended December 31, 2021	Year ended December 31, 2020
Expense recognized for services provided based on vesting conditions of stock options and PSUs	**$ 119,484**	**$ 403,990**

23. Financing expense

	Year ended December 31, 2021	Year ended December 31, 2020
Convertible debentures **(Note 17)**	$ -	$ 1,493,264
Redeemable debt **(Note 18)**	1,579,447	989,882
Redemption of Class D units in PRF I **(Note 18)**	-	1,000,000
Total	**$ 1,579,447**	**$ 3,483,146**

24. Earnings per share

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

	Year ended December 31, 2021	Year ended December 31, 2020
Profit attributable to ordinary equity holders for basic earnings / per share	$ 5,597,275	$ 2,121,739
Basic weighted average number of shares outstanding	31,407,914	35,391,244
Dilutive effect of warrants	$ 874,595	$ -
Diluted weighted average number of shares outstanding	32,282,509	35,391,244
Basic earnings per share	0.1782	0.0600
Diluted earnings per share	0.1734	0.0600

Due to the anti-dilutive impact of the dilutive instruments, the same weighted average number of common shares have been used for both the basic and diluted earnings calculations for the year ended December 31, 2020.

25. Operating segment information

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

	Year ended December 31, 2021	Year ended December 31, 2020[1]
Canada	$ 5,262,452	$ 1,293,446
United States	4,557,376	8,823,260
United Kingdom	607,119	262,481
Total	**$ 10,426,947**	**$ 10,379,187**

[1] The UK based investment denominated in US$ and was previously included with US based investments. As this has been split out to provide further granularity, the previous year comparative split has been re-stated. The total for the previous year remains unchanged.

For the year ended December 31, 2021, the royalty and loan payment income and the interest income on promissory notes received for 4 (2020: 2) investees was over 10% of the total royalty and loan payment income, at 12.1%, 12.1%, 10.3% and 10.0% of the total, respectively.

26. Changes in working capital items

	Year ended December 31, 2021	Year ended December 31, 2020
Royalty agreements acquired – current portion	$ -	$ 40,119
Accounts receivable and accrued income	1,420	4,137
Prepaid royalty	-	(271,820)
Prepaid expenses and other receivables	157,296	160,132
Accounts payable and accrued liabilities	(1,024,559)	(13,069)
Total	**$ (865,844)**	**$ (80,501)**

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. This amount has been included in the statement of cash flows as a financing activity.

27. Events after the reporting period

On February 1, 2022, the Company announced that it had closed a follow-on investment of US$1,500,000 in Jorsek, Inc. ("Jorsek") bringing its total invested amount to US$3,500,000. The follow-on investment amount of US$1,500,000 was split into two tranches, of which the first tranche of US$ 1,000,000 was invested in December 2021 and the second tranche of US$500,000 was invested in January 2022.

On March 1, 2022, the Company raised US$ 479,000 from the issuance of G units in the Flow Priority Return Fund II LP.

28. Contingencies

LOGiQ Capital 2016 was one of several defendants in a legal proceeding commenced by Performance Diversified Fund ("PDF") for breach of fiduciary duty and negligence, and punitive damages. LOGiQ Capital 2016 had denied the allegations. In 2021, the proceeding was dismissed on consent and Flow Capital has no further obligations in respect of this matter.

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 and the Company had agreed to offset the amounts of these claims against other payments due from Brant. In November 2021, the Company consented to the restructuring of the dues from Brant as a part of the sale of Brant to Worldsource Securities Inc. ("Worldsource") and Riley Investment Services ("Riley"). The Company's liability to indemnify Brant was settled, without any payment, as a part of the restructuring.

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. The Company settled the claim for a nominal amount in March 2021.

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 December 31, 2021, the Company has paid $293,750 and is in discussions to settle the final contract payment amount.

In Canadian dollars, for the year ended December 31, 2021

29. Related party disclosures

Key management personnel

The number of key management personnel as at December 31, 2021 was 6 (2020: 7) and are identified as the members of the board of directors and the officers of the Company.

i) Compensation

	Year ended December 31, 2021	Year ended December 31, 2020
Short term employee benefits	$ 834,294	$ 968,564
Share-based compensation	124,662	394,092
Contract payment provision	-	118,222
Total	**$ 958,956**	**$ 1,480,878**

ii) Other transactions

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

On September 30, 2020, the Company launched Priority Return Fund II LP. As at December 31, 2021, $1,936,444 (December 31, 2020 $1,775,000) of the redeemable debt was held by key management personnel and a company with common directors, and interest of $198,490 (December 31, 2020 $44,291) was accrued and expensed on that redeemable debt, during the year.

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.