

Flow Capital Corp.

Consolidated Financial Statements

For the three-month period ended March 31, 2022

(Unaudited)

Flow Capital Corp.

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Flow Capital Corp.
Consolidated Statements of Financial Position

(Canadian dollars - Unaudited)

	Note	March 31, 2022	December 31, 2021
Assets			
Current Assets			
Cash and cash equivalents	7	\$ 4,640,653	\$ 4,144,671
Investments – current portion	9	11,011,307	4,765,559
Prepaid expenses and other receivables	8	274,817	367,401
Total Current Assets		15,926,777	9,277,631
Non-Current Assets			
Property and equipment	10	54,006	63,233
Investments – non-current portion	9	30,857,415	34,677,169
Total Non-Current Assets		30,911,421	34,740,402
Total Assets		\$ 46,838,198	\$ 44,018,033
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	11	\$ 1,393,721	\$ 962,708
Income tax liability		1,387,489	1,809,171
Lease liability – current portion	12	22,812	21,490
Redeemable debt – current portion	14	5,198,724	1,500,758
Total Current Liabilities		8,002,746	4,294,127
Non-Current Liabilities			
Lease liability – non-current portion	12	16,219	22,831
Deferred tax liability		12,537	12,537
Redeemable debt – non-current portion	14	13,080,022	16,341,536
Total Non-Current Liabilities		13,108,778	16,376,904
Shareholders' Equity (Note 15)			
Share capital		\$ 52,144,024	\$ 52,144,024
Warrants		486,624	486,624
Contributed surplus		768,533	713,964
Accumulated other comprehensive loss		(409,116)	(384,277)
Accumulated deficit		(27,263,391)	(29,613,333)
Total Shareholders' Equity		25,726,674	23,347,002
Total Liability and Shareholders' Equity		\$ 46,838,198	\$ 44,018,033

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors on May 30, 2022:

“Vern Lobo”

 Vernon Lobo, Director

“Alan Torrie”

 Alan Torrie, Director

Flow Capital Corp.
Consolidated Statements of Comprehensive Income
(Canadian dollars - Unaudited)

	Note	Three months ended March 31, 2022	Three months ended March 31, 2021 (Re-presented)
Revenues			
Income from financial assets			
Royalty and loan interest income	16	\$ 1,765,374	\$ 1,610,068
Income from changes in values of financial assets	16	2,100,805	870,112
Total income from financial assets		3,866,179	2,480,180
Other interest, fee income and gains	16	2,107	4,314
Total Revenues		3,868,286	2,484,494
Operating Expenses			
Salaries, benefits and staffing costs	18	\$ 362,223	\$ 367,913
Restructuring costs	18	-	23,079
Share-based compensation	19	54,569	27,780
Depreciation		9,227	8,401
Professional fees		147,940	78,365
Office and general administrative		186,330	151,783
Total Operating Expenses		760,289	657,321
Operating Income		\$ 3,107,997	\$ 1,827,173
Financing expense	20	429,963	393,500
Foreign exchange (gains) and losses	17	285,044	143,924
Income before income taxes		2,392,990	1,289,749
Income Taxes			
Current income tax expense	13	\$ 43,048	\$ 106,108
Deferred tax expense (recovery)	13	-	(124,315)
Total Income Tax		\$ 43,048	\$ (18,207)
Net Income		\$ 2,349,942	\$ 1,307,956
Other comprehensive income that may be subsequently reclassified to profit or loss			
Foreign currency translation		(24,839)	(112,958)
Comprehensive Income		\$ 2,325,103	\$ 1,194,998
Earnings per share (Note 21)			
<i>Earnings per share</i>			
Basic earnings per share		\$ 0.0752	\$ 0.0411
Diluted earnings per share		\$ 0.0744	\$ 0.0408

See accompanying notes to the consolidated financial statements.

Flow Capital Corp.
Consolidated Statements of Changes in Equity
(Canadian dollars- Unaudited)

	Number of shares	Note	Share capital	Accumulated other comprehensive loss	Warrants	Contributed surplus	Accumulated deficit	Total
Balance, January 1, 2021	32,155,077		\$ 52,538,126	\$ (437,143)	\$ 486,624	\$ 656,612	\$(35,272,740)	\$ 17,971,479
Share-based compensation	-	15	-	-	-	(26,197)	53,977	27,780
Treasury shares cancelled	(543,500)		(224,915)	-	-	-	-	(224,915)
Share cancellation cost	-		(1,406)	-	-	-	-	(1,406)
Foreign currency translation	-		-	(112,958)	-	-	-	(112,958)
Net income for the period	-		-	-	-	-	1,307,956	1,307,956
Balance, March 31, 2021	31,611,577		\$ 52,311,805	\$ (550,101)	\$ 486,624	\$ 630,415	\$(33,910,807)	\$ 18,967,936
Balance, January 1, 2022	31,240,077		\$ 52,144,024	\$ (384,277)	\$ 486,624	\$ 713,964	\$(29,613,333)	\$ 23,347,002
Share-based compensation	-	15	-	-	-	54,569	-	54,569
Foreign currency translation	-		-	(24,839)	-	-	-	(24,839)
Net income for the period	-		-	-	-	-	2,349,942	2,349,942
Balance, March 31, 2022	31,240,077		\$ 52,144,024	\$ (409,116)	\$ 486,624	\$ 768,533	\$(27,263,391)	\$ 25,726,674

See accompanying notes to consolidated financial statements.

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

	Note	Three months ended March 31, 2022	Three months ended March 31, 2021
Cash flows from operating activities			
Net income		\$ 2,349,942	\$ 1,307,956
<i>Adjustments for non-cash items</i>			
Share-based compensation		54,569	27,780
Depreciation		9,227	8,401
<i>Adjustments relating to investments at carrying value</i>			
Unrealized foreign exchange loss		276,777	143,924
Adjustments to fair value and expected credit losses		(2,365,762)	(565,250)
Realized loss on sale of equity securities		-	9,510
Realized loss on sale of investment		264,957	(344,362)
New investments and loan advances		(680,768)	-
Loan amortization income		(120,092)	-
Royalty and loan interest earned in excess of cash received		(65,415)	-
Proceeds received on sale of shares, royalty buyouts and loan repayments		67,207	578,874
Realized gain on equity investments received on buyout		-	39,500
<i>Other Adjustments</i>			
Financing expense		429,963	393,500
Income tax expense (recovery)		43,048	(18,207)
Income tax paid		(464,730)	-
Changes in working capital items	23	377,432	(492,697)
Net Cash Flows from (used in) Operating Activities		176,356	(1,088,929)
Cash flows from financing activities			
Common shares repurchased for treasury		\$ -	\$ (226,321)
Lease liability payments		(5,290)	(457,811)
Interest paid		(283,798)	(393,500)
Advance from redeemable debt		608,714	-
Net Cash flows from (used in) Financing Activities		319,626	(1,077,632)
Cash flows from investing activity			
Finance lease receivable payments		\$ -	\$ 105,468
Net Cash flows from Investing Activities		-	105,468
Net increase in cash during the period		495,982	116,765
Cash and cash equivalents, beginning		4,144,671	7,141,988
Cash and cash equivalents, ending	7	\$ 4,640,653	\$ 7,258,753

See accompanying notes to the consolidated financial statements.

Flow Capital Corp.
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
In Canadian dollars, for the three months ended March 31, 2022

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.

Effective January 1, 2022, the Company has revised the presentation of its income statement to exclude foreign exchange gain and losses from revenue and reclassified them as a non-operating expense item. The previously reported comparative figures have been updated accordingly. For the three-month period ended March 31, 2021, after reclassifying the foreign exchange loss of \$143,924, total revenue for the period is restated as \$2,484,494 compared to \$2,340,570, reported previously. There is no change to the net income.

Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared based on the principles of International Financial Reporting Standards (IFRS) and International Accounting Standard 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (IASB), London, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and follows the same accounting policies and methods of application as the Company’s most recent annual financial statements. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s 2021 audited annual consolidated financial statements and accompanying notes.

The financial statements were approved and authorized by the Board of Directors on May 30, 2022.

3. Significant accounting judgements, estimates, and assumptions

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.

Flow Capital Corp.
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In Canadian dollars, for the three months ended March 31, 2022

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 sufficient 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.

4. Standards issued but not yet effective

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

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

5. Fair values

a) Valuation Technique

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

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

The fair value of equity securities in investee companies that are classified as Level 1 in the fair value hierarchy are determined using the closing share price on the last business day of the reporting period provided that such securities have actively been traded.

As a result of the significant use of unobservable inputs, a high degree of management judgement and estimation is required. Management judgement is required for the determination of the expected future cash flows on the financial instrument being measured,

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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
March 31, 2022				
Cash and cash equivalents	\$ 4,640,653	\$ -	\$ -	\$ 4,640,653
Royalty agreements acquired	-	-	5,891,509	5,891,509
Equity securities in investee companies	708,800	1,781,455	2,238,390	4,728,645
	\$ 5,349,453	\$ 1,781,455	\$ 8,129,899	\$ 15,260,807

	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

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, 2021	Total gains and (losses) recognized in profit or loss	Investments	Buyouts and Redemptions	Balance at March 31, 2022
Royalty agreements acquired	\$ 5,728,319	\$ 495,354	\$ -	\$ (332,164)	\$ 5,891,509
Equity securities in investee companies	2,186,973	(30,891)	82,308	-	2,238,390
Total	\$ 7,915,292	\$ 464,463	\$ 82,308	\$ (332,164)	\$ 8,129,899

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 March 31, 2022 and December 31, 2021 as follows:

March 31, 2022		December 31, 2021	
Discount rate	Revenue growth rate	Discount rate	Revenue growth rate
\$ 22,366	\$ 26,383	\$ 49,156	\$ 44,801

The unlisted equity instruments included in equity securities in investee companies are included in Level 3. The valuation technique used for unlisted equity instruments in general is the market approach ("Market Approach"). The Market Approach uses transaction prices paid for an identical or similar instrument of the investee or comparable company valuation multiples. The unobservable inputs used are prices used in recent transactions involving the investee and company valuation multiples using such measures as EBITDA, revenues, enterprise value and multiples taken from information available on similar types of companies. For March 31, 2022, any variances in the unobservable inputs were not material.

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three months ended March 31, 2022

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 March 31, 2022 and December 31, 2021 are \$31,247,824 and \$30,968,899, 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 March 31, 2022 and December 31, 2021.

March 31, 2022	Stage 1	Stage 2	Stage 3	Total
Loans receivable at amortized cost	\$ 31,558,968	\$ -	\$ -	\$ 31,558,968
Allowance for expected credit losses	(311,144)	-	-	(311,144)
	\$ 31,247,824	\$ -	\$ -	\$ 31,247,824

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 March 31, 2022	Fair Value March 31, 2022	Carrying Amount December 31, 2021	Fair Value December 31, 2021
Financial liabilities				
Accounts payable and accrued liabilities	\$ 1,393,721	\$ 1,393,721	\$ 962,708	\$ 962,708
Redeemable debt	18,278,746	18,278,746	17,842,294	17,842,294
Total	\$ 19,672,467	\$ 19,672,467	\$ 18,805,002	\$ 18,805,002

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.

6. Financial risk management objectives and policies

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

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

Market risk

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

Interest rate risk

The Company invests surplus cash in bank deposits which, due to their short-term nature, do not expose the Company to any material interest rate risks. For royalty agreements acquired, the income can vary on a monthly basis and is not a function of an underlying interest rate. The Company's loans 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 eighteen 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 common shares in Crimson Energy Ltd., the preferred shares in DirectScale Inc., and the warrants in Boardwalktech Software Corp., Stability Healthcare Inc., Spiridon Technologies Ltd., Echobox Ltd., Wirkn Inc., Wedge Networks, the Pyure Co., Miniluxe Inc., Jorsek Inc., Everwash Inc., Vet24Seven Inc. and Kovo HealthTech Corp., are not actively traded and were classified as Level 3 assets. For two of its investments, the Company is also entitled to success fees of 2% and 1.25%, respectively, of the value of a change of control or business sale transaction, for those assets. One of these transactions was closed in April 2022. As these values are derived from the equity value of the assets, the estimated fair value was included in the equity investment

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In Canadian dollars, for the three months ended March 31, 2022

portfolio and the estimated equity price risk as a Level 2 investment. These Level 2 and Level 3 investments were measured using commonly used valuation models. The equity price risk exposure at March 31, 2022 was \$4,728,644 (December 31, 2021: \$2,745,510) and a 1% change in the share price has an impact of \$47,286 (December 31, 2021: \$27,455) 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 March 31, 2022 was \$28,034,104 (December 31, 2021: \$26,509,355) United States dollars and a 1% movement in the exchange rate has an impact of \$280,341 (December 31, 2021: \$265,094) 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 March 31, 2022 was \$41,784,110 (December 31, 2021 was \$40,843,218). 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

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 March 31, 2022, all the loans receivable held were assessed to be at Stage 1 and the Company has booked an allowance of \$311,144 (December 31, 2021: \$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

Flow Capital Corp.

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investment portfolio, upcoming maturities and pipeline qualification criteria to maintain this balance. At March 31, 2022, 3 investments each represented over 10% of the total carried value of the loan portfolio, at 14.4%, 13.1%, and 13.0%, 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 March 31, 2022 and December 31, 2021 respectively:

Contractual obligations at March 31, 2022	< 1 year	1-2 years	3-5 years	Expected more than 1 year	Total
Accounts payable and accrued liabilities	\$ 1,393,721	\$ -	\$ -	\$ -	\$ 1,393,721
Lease Liability	22,812	16,219	-	-	39,031
Redeemable debt	5,198,724	-	13,080,022	-	18,278,746
Total	\$ 6,615,257	\$ 16,219	\$ 13,080,022	\$ -	\$ 19,711,498

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

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 March 31, 2022, the Company has \$18,278,746 outstanding on the F and G units issued (December 31, 2021 was \$17,842,294). 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 March 31, 2022, FISC is in compliance with all externally imposed restrictions on capital.

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

7. Cash and cash equivalents

	March 31, 2022	December 31, 2021
Cash held in bank accounts	\$ 3,940,653	\$ 3,429,671
Guaranteed investment certificates cashable at any time	700,000	715,000
	\$ 4,640,653	\$ 4,144,671

8. Prepaid expenses and other receivables

	March 31, 2022	December 31, 2021
Prepaid insurance, rent deposit and other prepaid expenses	\$ 271,438	\$ 366,073
Accrued interest on guaranteed investment certificates	3,378	1,328
	\$ 274,817	\$ 367,401

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9. Investments

a) Carrying value of investments

Royalty agreements acquired (at FVTPL)	March 31, 2022	December 31, 2021
Expected within 1 year	\$ 5,440,869	\$ 4,700,976
Expected after more than 1 year	450,640	1,027,343
Total	\$ 5,891,509	\$ 5,728,319

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

Loans receivable (at Amortized Cost)	March 31, 2022	December 31, 2021
Due within 1 year	\$ 3,756,229	\$ 64,583
Due after more than 1 year	27,492,341	30,904,316
Total	\$ 31,248,570	\$ 30,968,899

At March 31, 2022, the portfolio of loans receivable have interest rates of 15% to 22% (2021: 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%.

Equity securities in investee companies (at FVTPL)	March 31, 2022	December 31, 2021
Expected exit within 1 year	\$ 1,781,455	\$ -
Expected exit after more than 1 year	2,947,189	2,745,510
Total	\$ 4,728,644	\$ 2,745,510
Total carrying amount of investments	\$ 41,868,723	\$ 39,442,728

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

	March 31, 2022	December 31, 2021
Royalty agreements	\$ 845,196	\$ 203,406
Promissory notes receivable	31,138,885	30,862,880
	\$ 31,984,081	\$ 31,066,286

b) Equity securities in investee companies

	Fair Value Hierarchy	Cost March 31, 2022	Carrying amount March 31, 2022	Cost December 31, 2021	Carrying amount December 31, 2021
Common shares (publicly traded)	Level 1	\$ 1,547,882	\$ 708,799	\$ 1,547,882	\$ 558,537
Common and preferred shares (not publicly traded)	Level 3	349,996	49,984	299,528	-
Warrants (not publicly traded)	Level 3	2,734,275	2,188,406	2,734,275	2,186,973
Success fee (equity-linked, not publicly traded)	Level 2	-	1,781,455	-	-
Total		\$ 4,632,153	\$ 4,728,644	\$ 4,581,685	\$ 2,745,510

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c) Movement during the period

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

Three months ended March 31, 2022

	Royalty agreements acquired	Equity securities in investee companies	Loans receivable	Total
Balance as at December 31, 2021	\$ 5,728,319	\$ 2,745,510	\$ 30,968,899	\$ 39,442,728
Redemptions and contract buydowns	(332,164)	-	-	(332,164)
New investments	-	82,308	598,460	680,768
Royalty earned and payments received- net	65,862	-	(447)	65,415
Foreign exchange movements	(237)	(37,320)	(436,321)	(473,878)
Loan amortization income	-	-	120,092	120,092
Adjustment to fair value / expected credit losses	429,729	1,938,146	(2,113)	2,365,762
Balance as at March 31, 2022	\$ 5,891,509	\$ 4,728,644	\$31,248,570	\$ 41,868,723

10. Property and equipment

	Right-of-use asset	Office equipment & furniture	Leasehold improvements	Total
Cost				
Balance at December 31 2021	112,201	192,631	220,339	525,172
Additions	-	-	-	-
Balance at March 31 2022	\$ 112,201	\$ 192,631	\$ 220,339	\$ 525,172
Accumulated depreciation				
Balance at December 31 2021	77,328	164,272	220,339	461,939
Charge in period	4,549	4,678	-	9,227
Balance at March 31 2022	\$ 81,877	\$ 168,950	\$ 220,339	\$ 471,166
Carrying amount				
At December 31, 2021	\$ 34,873	\$ 28,359	\$ -	\$ 63,233
At March 31, 2022	\$ 30,324	\$ 23,681	\$ -	\$ 54,006

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

11. Accounts payable and accrued liabilities

	March 31, 2022	December 31, 2021
Accounts payable	\$ 237,249	\$ 172,641
Accrued expenditures	221,652	272,260
Payroll taxes and HST payable	7,462	7,490
Financing cost payable to unitholders of Priority Return Fund II	146,165	-
Other liabilities, tenant deposits and prepaid rents	781,193	510,317
Total	\$ 1,393,721	\$ 962,708

12. Finance lease liability

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

	Lease liability
Balance as at December 31, 2021	\$ 44,321
Adjustment to lease payments	53
Lease payments received / paid	(6,519)
Interest recognized	1,176
Balance as at March 31, 2022	\$ 39,031

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

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	March 31, 2022	December 31, 2021
Lease liability	\$ 44,321	\$ 44,321
Current	22,812	21,490
Non-current	16,219	22,831

13. Income taxes

The Company has Canadian tax losses available for carryforward of approximately \$37,522,819. 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.

14. Redeemable debt

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, F and 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, 2021	-	-	6,550,000	6,550,000	8,907,000	11,292,295	17,842,294
Issued	-	-	-	-	479,000	608,713	608,714
Redeemed	-	-	-	-	-	-	-
FX impact	-	-	-	-	-	(172,262)	(172,262)
Balance at March 31, 2022	-	-	6,550,000	6,550,000	9,386,000	11,728,746	18,278,746
Current				1,862,909		3,335,815	5,198,724
Non-current				4,687,091		8,392,931	13,080,022

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
Interest expense on PRF II Class F units	163,750	393,500
Interest expense on PRF II Class G units	266,213	-
Total	\$ 429,963	\$ 393,500

15. 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 March 31, 2022 were Nil (December 31, 2021 – Nil).

Common shares

The issued and outstanding common shares at March 31, 2022 were 31,240,077 (December 31, 2021 – 31,240,077).

Share warrants

The details of the share warrants outstanding at March 31, 2022 and December 31, 2021:

Number of Warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
2,516,345	\$0.44	June 26, 2023	1.25

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").

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 March 31, 2022:

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	1,240,000	\$0.36	June 13, 2023	1.20
December 4, 2018	1,000,000	700,000	\$0.36	December 4, 2023	1.68
May 1, 2020	500,000	200,000	\$0.36	April 30, 2027	5.08
May 27, 2020	100,000	40,000	\$0.36	May 26, 2027	5.16
Total	3,150,000	2,180,000			
Weighted average exercise price	\$0.36	\$0.36		Weighted average remaining contractual life	2.10

During the three months ended March 31, 2022, no new options were granted, exercised or expired.

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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.

Performance Stock Units (“PSUs”)

During the three months ended March 31, 2022, the Company granted 86,000 PSUs (2021: nil) to certain employees, 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
1/6 th	\$1.00	1/6 th	\$2,000,000
1/6 th	\$2.00	1/6 th	\$5,000,000
1/6 th	\$3.00	1/6 th	\$8,000,000

A total of 1,136,000 PSUs have been awarded and are outstanding as on March 31, 2022.

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 three months ended March 31, 2022, is estimated to be \$19,350. At total of \$37, 543 including the allocated cost of previously issued PSUs, was expensed in the current period.

16. Revenues

i) Income from investments at fair value

	Three months ended March 31, 2022	Three months ended March 31, 2021
Royalty and loan payment income		
Royalty payment income	\$ 376,811	\$ 1,256,494
Loan interest income	1,388,563	353,574
Total	\$ 1,765,374	\$ 1,610,068
Realized gains (losses) from sale of investment		
Royalty and loan agreements acquired	\$ (264,957)	\$ -
Equity securities in investee companies		
- gain recognized on sale	-	353,872
- loss recognized on sale	-	(9,510)
Total	\$ (264,957)	\$ 344,362
Realized gain on sale of equity investments	\$ -	\$ 304,862
Transfer of fair value adjustment upon sale of shares	-	39,500
Total	\$ -	\$ 344,362
Adjustments to fair value		
Royalty agreements acquired	\$ 429,729	\$ (675,688)
Equity securities in investee companies	1,938,146	1,201,438
Total	\$ 2,367,875	\$ 525,750
ii) Change in expected credit losses		
Movement in expected credit losses	\$ (2,113)	\$ -
Total	\$ (2,113)	\$ -

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iii) Other income

Other investment income and gains

Interest income on invested cash and cash equivalents
and other fee income

\$	2,107	\$	4,314
\$	2,107	\$	4,314

Total

17. Foreign exchange gains (losses)

Foreign exchange gains (losses)

Unrealized foreign exchange (loss) gain
Realized foreign exchange (loss) gain

\$	(276,777)	\$	(147,161)
	(8,267)		3,237

Total

\$	(285,044)	\$	(143,924)
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18. Employee benefit expense

Wages and salaries
Restructuring costs
Other benefits
Employer related costs for insurance, health tax
Salaries, benefits and other staffing costs
Share-based compensation (Note 19)

	Three months ended March 31, 2022	Three months ended March 31, 2021
\$	322,829	\$ 332,836
	-	23,079
	12,576	11,732
	26,818	23,345
	362,223	390,992
	54,569	27,780
\$	416,792	\$ 418,772

Total

19. Share-based compensation

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

Expense recognized for services provided based on
vesting conditions of stock options and PSUs

	Three months ended March 31, 2022	Three months ended March 31, 2021
\$	54,569	\$ 27,780

20. Financing expense

Redeemable debt (Note 14)

Total

	Three months ended March 31, 2022	Three months ended March 31, 2021
	429,963	393,500
\$	429,963	\$ 393,500

21. Earnings per share

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

Profit attributable to ordinary equity holders for basic
earnings / per share

Basic weighted average number of shares outstanding

Dilutive effect of options and warrants

Diluted weighted average number of shares outstanding

	Three months ended March 31, 2022	Three months ended March 31, 2021
\$	2,349,942	\$ 1,307,956
	31,240,077	31,858,744
\$	362,255	-
	31,602,332	32,095,596

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Basic earnings per share	0.0752	0.0411
Diluted earnings per share	0.0744	0.0408

22. 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:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Canada	\$ 228,440	\$ 1,626,312
United States	3,485,028	705,589
United Kingdom	154,818	152,593
Total	\$ 3,868,286	\$ 2,484,494

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 three months ended March 31, 2022, the royalty and loan payment income and the interest income on promissory notes received for 4 (2021: 3) investees was over 10% of the total royalty and loan payment income, at 14.6%, 13.1%, 12.6% and 11.5% of the total, respectively.

23. Changes in working capital items

	Three months ended March 31, 2022	Three months ended March 31, 2021
Royalty agreements acquired – current portion	\$ -	\$ 3,625
Accounts receivable and accrued income	-	(62)
Prepaid expenses and other receivables	92,584	60,492
Accounts payable and accrued liabilities	284,848	(896,952)
Lease termination fee	-	340,200
Total	\$ 377,432	\$ (492,697)

Included in the changes in working capital for the three months ended March 31, 2021, was an amount of \$340,200 payable as a fee towards the early termination of a lease obligation. This amount was included in the statement of cash flows as a financing activity.

24. Events after the reporting period

On May 2, 2022, the Company announced the early repayment of a loan investment in a US-based software company. Including a success-based exit fee and an early repayment fee, the Company recorded a net gain of approximately US\$1,700,000 (C\$ 2,200,000) from this investment.

On May 9, 2022, the Company closed a follow-on US\$3,000,000 senior secured note investment in Echobox Ltd. ("Echobox"). With this investment, Flow Capital has invested a total of US\$6,000,000 in Echobox.

On May 12, 2022, the Company announced the buyout of its royalty investment in Medworx Inc., (a 100% subsidiary of Kovo Healthtech Corp.), for approximately US\$585,000.

25. Contingencies

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 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.

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26. Related party disclosures

Key management personnel

The number of key management personnel as at March 31, 2022 was 6 (December 31, 2021: 6) and are identified as the members of the board of directors and the officers of the Company.

j) Compensation

	Three months ended March 31, 2022	Three months ended March 31, 2021
Short term employee benefits	\$ 213,880	\$ 210,185
Share-based compensation	52,242	27,780
Total	\$ 266,122	\$ 237,965

ii) Other transactions

On September 30, 2020, the Company launched Priority Return Fund II LP. As at March 31, 2022, \$1,918,608 (December 31, 2021 \$1,936,444) of the redeemable debt was held by key management personnel and a company with common directors, and interest of \$46,126 was accrued and expensed on that redeemable debt, during the three month period ended March 31, 2022 (2021: \$44,291).