Flow Capital Corp.

Consolidated Financial Statements

For the three and six-month period ended June 30, 2022

(Unaudited)

Flow Capital Corp.

Flow Capital Corp.
Consolidated Statements of Financial Position

(Canadian dollars - Unaudited)

	Note		June 30, 2022		December 31, 2021
Assets					
Current Assets					
Cash and cash equivalents	7	$	8,792,445	$	4,144,671
Investments – current portion	9		5,038,351		4,765,559
Prepaid expenses and other receivables	8		533,740		367,401
Total Current Assets			**14,364,536**		**9,277,631**
Non-Current Assets					
Property and equipment	10		44,778		63,233
Investments – non-current portion	9		36,567,322		34,677,169
Total Non-Current Assets			**36,612,100**		**34,740,402**
Total Assets		**$**	**50,976,636**	**$**	**44,018,033**
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable and accrued liabilities	11	$	1,252,091	$	962,708
Income tax liability			1,583,562		1,809,171
Lease liability – current portion	12		23,503		21,490
Redeemable debt – current portion	14		1,525,380		1,500,758
Total Current Liabilities			**4,384,536**		**4,294,127**
Non-Current Liabilities					
Lease liability – non-current portion	12		10,452		22,831
Deferred tax liability			12,537		12,537
Preferred shares	14,15		1,220,001		-
Redeemable debt – non-current portion	14		16,784,722		16,341,536
Total Non-Current Liabilities			**18,027,712**		**16,376,904**
Shareholders' Equity (Note 15)					
Common shares		$	52,144,024	$	52,144,024
Warrants			486,624		486,624
Contributed surplus			821,655		713,964
Accumulated other comprehensive loss			(193,307)		(384,277)
Accumulated deficit			(24,694,608)		(29,613,333)
Total Shareholders' Equity			**28,564,388**		**23,347,002**
Total Liability and Shareholders' Equity		**$**	**50,976,636**	**$**	**44,018,033**

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors on August 16, 2022:

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

Flow Capital Corp.
Consolidated Statements of Comprehensive Income

(Canadian dollars - Unaudited)

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021 (Re-presented)	Six months ended June 30, 2022	Six months ended June 30, 2021 (Re-presented)
Revenues					
Income from financial assets					
Royalty and loan interest income	16	$ 2,089,569	$ 1,692,189	$ 3,854,943	$ 3,302,257
Income from changes in values of financial assets	16	1,197,569	3,352,300	3,298,374	4,222,411
Total income from financial assets		3,287,138	5,044,489	7,153,317	7,524,668
Other interest, fee income and gains	16	104,653	97,216	106,760	101,530
Total Revenues		**3,391,791**	**5,141,705**	**7,260,077**	**7,626,198**
Operating Expenses					
Salaries, benefits and staffing costs	18	$ 365,280	$ 292,095	$ 727,503	$ 660,008
Restructuring costs	18	(24,500)	42,500	(24,500)	65,579
Share-based compensation	19	53,122	28,519	107,691	56,299
Depreciation		9,227	8,401	18,454	16,801
Professional fees		155,346	323,142	303,286	401,508
Office and general administrative		163,480	130,332	349,810	282,105
Total Operating Expenses		**721,955**	**824,979**	**1,482,244**	**1,482,300**
Operating Income		**$ 2,692,310**	**$ 4,316,726**	**$ 5,800,307**	**$ 6,143,898**
Financing expense	20	434,048	398,815	864,011	792,315
Foreign exchange (gains) and losses	17	(489,220)	219,200	(204,176)	363,123
Income before income taxes		**2,725,008**	**3,698,711**	**5,117,998**	**4,988,460**
Income Taxes					
Current income tax expense	13	$ 156,225	$ 1,111,008	$ 199,273	$ 1,217,116
Deferred tax expense (recovery)	13	-	(478,190)	-	(602,505)
Total Income Tax		**$ 156,225**	**$ 632,818**	**$ 199,273**	**$ 614,611**
Net Income		**$ 2,568,783**	**$ 3,065,893**	**$ 4,918,725**	**$ 4,373,849**
Other comprehensive income that may be subsequently reclassified to profit or loss					
Foreign currency translation		215,809	(121,258)	190,970	(234,216)
Comprehensive Income		**$ 2,807,066**	**$ 2,944,635**	**$ 5,132,169**	**$ 4,139,633**
Earnings per share (Note 21)					
Earnings per share					
Basic earnings per share		$ 0.0822	$ 0.0979	$ 0.1574	$ 0.1385
Diluted earnings per share		$ 0.0800	$ 0.0948	$ 0.1538	$ 0.1355

See accompanying notes to the consolidated financial statements.

Flow Capital Corp.
Consolidated Statements of Changes in Equity

(Canadian dollars- Unaudited)

	Note	Number of common shares	Common 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	-	-	-	-	2,323	53,976	56,299
Treasury shares cancelled		(915,000)	(391,652)	-	-	-	-	(391,652)
Share cancellation cost		-	(2,450)	-	-	-	-	(2,450)
Foreign currency translation		-	-	(234,216)	-	-	-	(234,216)
Net income for the period		-	-	-	-	-	4,373,849	4,373,849
Balance, June 30, 2021		**31,240,077**	**$ 52,144,024**	**$ (671,359)**	**$ 486,624**	**$ 659,935**	**$(30,844,915)**	**$ 21,773,309**
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	-	-	-	-	107,691	-	107,691
Foreign currency translation		-	-	190,970	-	-	-	190,970
Net income for the period		-	-	-	-	-	4,918,725	4,918,725
Balance, June 30, 2022		**31,240,077**	**$ 52,144,024**	**$ (193,307)**	**$ 486,624**	**$ 821,655**	**$(24,694,608)**	**$ 28,564,388**

See accompanying notes to consolidated financial statements.

Flow Capital Corp.

Consolidated Statements of Cash Flows

(Canadian dollars- Unaudited)

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash flows from operating activities					
Net income		2,568,783	$3,065,893	$ 4,918,725	$ 4,373,849
Adjustments for non-cash items					
Share-based compensation		53,122	28,519	107,691	56,299
Depreciation		9,227	8,401	18,454	16,801
Adjustments relating to investments at carrying value					
Unrealized foreign exchange loss		(723,460)	(68,976)	(446,683)	74,948
Adjustments to fair value and expected credit losses		1,066,226	659,635	(1,299,536)	94,385
Realized (gain) on sale of equity securities		(2,263,795)	(4,021,444)	(1,998,838)	(4,356,297)
New investments and loan advances		(3,864,600)	(9,185,400)	(4,545,368)	(9,185,400)
Loan amortization income		(162,914)	-	(283,005)	-
Royalty and loan interest earned in excess of cash received		(30,381)	-	(95,796)	-
Proceeds received on sale of shares, royalty buyouts and loan repayments		6,820,964	10,422,622	6,888,171	11,001,496
Realized gain on equity investments received on buyout		-	-	-	39,500
Other Adjustments					
Financing expense		434,048	398,815	864,011	792,315
Income tax expense (recovery)		156,255	632,818	199,273	614,611
Income tax paid		39,848	-	(424,882)	-
Changes in working capital items	23	(398,715)	774,962	(21,283)	282,268
Net Cash Flows from Operating Activities		**3,704,578**	**2,715,845**	**3,880,934**	**3,804,775**
Cash flows from financing activities					
Common shares repurchased for treasury		$ -	$ (167,781)	$ -	$ (394,102)
Lease liability payments		(5,076)	(120,151)	(10,366)	(577,962)
Interest paid		(435,886)	(390,787)	(719,684)	(784,287)
Advance from redeemable debt		1,322,865	2,801,093	1,931,579	2,801,093
Redemption of redeemable debt		(1,654,690)	(1,259,443)	(1,654,690)	(1,259,443)
Preferred shares issued		1,220,001	-	1,220,001	-
Net Cash flows from (used in) Financing Activities		**447,214**	**862,931**	**766,840**	**(214,701)**
Cash flows from investing activity					
Finance lease receivable payments		$ -	$ 108,665	$ -	$ 214,132
Net Cash flows from Investing Activities		**-**	**108,665**	**-**	**214,132**
Net increase in cash during the period		**4,151,792**	**3,687,411**	**4,647,774**	**3,804,206**
Cash and cash equivalents, beginning		4,640,653	7,258,753	4,144,671	7,141,988
Cash and cash equivalents, ending	**7**	**$ 8,792,445**	**$10,946,194**	**$ 8,792,445**	**$ 10,946,194**

See accompanying notes to the consolidated financial statements.

In Canadian dollars, for the three and six months ended June 30, 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 six-month period ended June 30, 2021, after reclassifying the foreign exchange loss of $363,123, total revenue for the period is restated as $7,626,198 compared to $7,263,075, 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 August 16, 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.

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, determination of the probability of the outcomes, adjustments to the discount rate for liquidity risk, model uncertainties and investee-specific risk factors. The extent of the adjustments to the discount rate is based on management's assessment that a third-party market participant would take them into account in pricing the transaction.

In Canadian dollars, for the three and six months ended June 30, 2022

b) Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Cash and cash equivalents, royalty agreements acquired, and equity securities in investee companies are measured at fair value. The financial assets measured at fair value by hierarchy are shown in the table below. The amounts shown are based on the amounts recognized in the statements of financial position. These financial assets are measured at fair value through profit and loss.

	Level 1	Level 2	Level 3	Total
June 30, 2022				
Cash and cash equivalents	$ 8,792,445	$ -	$ -	$ 8,792,445
Royalty agreements acquired	-	-	5,194,926	5,194,926
Equity securities in investee companies	452,366	-	3,723,303	4,175,669
	$ 9,244,811	**$**	**$ 8,918,229**	**$ 18,163,040**

	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 recognized in profit or loss	Investments	Buyouts and Redemptions	Balance at June 30, 2022
Royalty agreements acquired	$ 5,728,319	$ 89,888	$ 111,849	$ (735,130)	$5,194,926
Equity securities in investee companies	2,186,973	1,332,674	203,656	-	3,723,303
Total	**$ 7,915,292**	**$ 1,422,562**	**$ 315,505**	**$ (735,130)**	**$ 8,918,229**

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 June 30, 2022 and December 31, 2021 as follows:

June 30, 2022		December 31, 2021	
Discount rate	Revenue growth rate	Discount rate	Revenue growth rate
$ 15,908	$ 18,544	$ 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 June 30, 2022, any variances in the unobservable inputs were not material.

In Canadian dollars, for the three and six months ended June 30, 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 June 30, 2022 and December 31, 2021 are $32,235,078 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 June 30, 2022 and December 31, 2021.

June 30, 2022	Stage 1	Stage 2	Stage 3	Total
Loans receivable at amortized cost	$ 32,533,122	$ -	$ -	$ 32,533,122
Allowance for expected credit losses	(298,044)	-	-	(298,044)
	$ 32,235,078	**$ -**	**$ -**	**$ 32,235,078**

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 June 30, 2022	Fair Value June 30, 2022	Carrying Amount December 31, 2021	Fair Value December 31, 2021
Financial liabilities				
Accounts payable and accrued liabilities	$ 1,252,091	$ 1,252,091	$ 962,708	$ 962,708
Priority Return Fund II LP	18,310,102	18,310,102	17,842,294	17,842,294
Series I Preferred Shares	1,220,001	1,220,001	-	-
Total	**$ 20,782,194**	**$ 20,782,194**	**$ 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 units 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. The carrying value of the Series I Preferred Shares approximate fair value, as they were issued for cash immediately prior to the end of the reporting period.

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 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 sixteen investees, of which two 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 one of its investments, the Company is also entitled to success fees of 2% of the value of a change of control or business sale transaction. These Level 3 investments were measured using commonly used valuation models. The equity price risk exposure at June 30, 2022 was $4,175,669 (December 31, 2021: $2,745,510) and a 1% change in the share price has an impact of $41,757 (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 June 30, 2022 was $20,591,922 (December 31, 2021: $17,602,355) United States dollars and a 1% movement in the exchange rate has an impact of $205,919 (December 31, 2021: $176,024) 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 June 30, 2022 was $46,226,962 (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 June 30, 2022, all the loans receivable held were assessed to be at Stage 1 and the Company has booked an allowance of $298,044 (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 investment portfolio, upcoming maturities and pipeline qualification criteria to maintain this balance. At June 30, 2022, 4 investments each represented over 10% of the total carried value of the investment portfolio, at 18.1%, 15.0%, 13.5%, and 10.3%, respectively.

In Canadian dollars, for the three and six months ended June 30, 2022

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis and by continuously reviewing both actual and forecasted cash flows to ensure that the Company has appropriate capital capacity and liquidity.

The following table summarizes the amount of contractual future cash flow requirements including all financial instruments as at June 30, 2022 and December 31, 2021 respectively:

Contractual obligations at June 30, 2022	**< 1 year**	**1-2 years**	**3-6 years**	**Expected more than 1 year**	**Total**
Accounts payable and accrued liabilities	$ 1,252,091	$ -	$ -	$ -	$ 1,252,091
Lease Liability	23,503	10,452	-	-	33,955
Priority Return Fund II LP	1,525,380	-	16,784,722	-	18,310,102
Series I Preferred Shares	-	-	1,220,001	-	1,220,001
Total	**$2,800,974**	**$ 10,452**	**$** 18,004,723	**$ -**	**$ 20,816,149**

Contractual obligations at December 31, 2021	**< 1 year**	**1-2 years**	**3-6 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
Priority Return Fund II LP	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.

The debt of the Company comprises the Priority Return Fund II LP and the Series I Class A Preferred Shares:

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

7. Cash and cash equivalents

	June 30, 2022	**December 31, 2021**
Cash held in bank accounts	$ 8,092,445	$ 3,429,671
Guaranteed investment certificates cashable at any time	700,000	715,000
	$ 8,792,445	**$ 4,144,671**

8. Prepaid expenses and other receivables

	June 30, 2022	**December 31, 2021**
Prepaid insurance, rent deposit and other prepaid expenses	$ 529,227	$ 366,073
Accrued interest on guaranteed investment certificates	4,513	1,328
	$ 533,740	**$ 367,401**

9. Investments

a) Carrying value of investments

Royalty agreements acquired (at FVTPL)	**June 30, 2022**	**December 31, 2021**
Expected within 1 year	$ 4,838,878	$ 4,700,976
Expected after more than 1 year	356,048	1,027,343
Total	**$ 5,194,926**	**$ 5,728,319**

In Canadian dollars, for the three and six months ended June 30, 2022

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

Loans receivable (at Amortized Cost)		**June 30, 2022**		**December 31, 2021**
Due within 1 year	$	55,838	$	64,583
Due after more than 1 year		32,179,240		30,904,316
Total	**$**	**32,235,078**	**$**	**30,968,899**

At June 30, 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)		**June 30, 2022**		**December 31, 2021**
Expected exit within 1 year	$	143,635	$	-
Expected exit after more than 1 year		4,032,034		2,745,510
Total	**$**	**4,175,669**	**$**	**2,745,510**
Total carrying amount of investments	**$**	**41,605,673**	**$**	**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:

		June 30, 2022		**December 31, 2021**
Royalty agreements	$	150,945	$	203,406
Promissory notes receivable		32,125,004		30,862,880
	$	**32,275,949**	**$**	**31,066,286**

b) Equity securities in investee companies

	Fair Value Hierarchy		**Cost June 30, 2022**		**Carrying amount June 30, 2022**		**Cost December 31, 2021**		**Carrying amount December 31, 2021**
Common shares (publicly traded)	Level 1	$	1,350,389	$	452,366	$	1,547,882	$	558,537
Common and preferred shares (not publicly traded)	Level 3		349,996		51,544		299,528		-
Warrants (not publicly traded)	Level 3		2,887,463		3,671,759		2,734,275		2,186,973
Success fee (equity-linked, not publicly traded)	Level 2		-		-		-		-
Total		**$**	**4,587,848**	**$**	**4,175,669**	**$**	**4,581,685**	**$**	**2,745,510**

c) Movement during the period

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

Six months ended June 30, 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		(735,130)		(437,751)		(3,716,451)		(4,889,332)
New investments		-		203,656		4,341,712		4,545,368
Royalty earned and payments received- net		111,849		-		(16,053)		95,796
Foreign exchange movements		36,904		435,035		356,633		828,572
Loan amortization income		-		-		283,005		283,005
Adjustment to fair value / expected credit losses		52,984		1,229,219		17,334		1,299,536
Balance as at June 30, 2022	**$**	**5,194,926**	**$**	**4,175,669**	**$**	**32,235,078**	**$**	**41,605,673**

In Canadian dollars, for the three and six months ended June 30, 2022

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	525,171
Additions	-	-	-	-
Balance at June 30, 2022	**$ 112,201**	**$ 192,631**	**$ 220,339**	**$ 525,171**
Accumulated depreciation				
Balance at December 31 2021	77,328	164,272	220,339	461,939
Charge in period	9,097	9,357	-	18,454
Balance at June 30, 2022	**$ 86,425**	**$ 173,629**	**$ 220,339**	**$ 480,393**
Carrying amount				
At December 31, 2021	**$ 34,873**	**$ 28,359**	**$ -**	**$ 63,233**
At June 30, 2022	**$ 25,776**	**$ 19,003**	**$ -**	**$ 44,778**

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

	June 30, 2022	December 31, 2021
Accounts payable	$ 530,018	$ 172,641
Accrued expenditures	133,169	272,260
Payroll taxes and HST payable	(18,727)	7,490
Financing cost payable to unitholders of Priority Return Fund II	144,327	-
Other liabilities, tenant deposits and prepaid rents	463,304	510,317
Total	**$ 1,252,091**	**$ 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	482
Lease payments received / paid	(13,038)
Interest recognized	2,191
Balance as at June 30, 2022	**$ 33,955**

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

	June 30, 2022	December 31, 2021
Lease liability	**$ 33,955**	**$ 44,321**
Current	23,503	21,490
Non-current	10,452	22,831

13. Income taxes

The Company has Canadian tax losses available for carryforward of approximately $37,593,488. 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.

In Canadian dollars, for the three and six months ended June 30, 2022

14. Redeemable debt

The redeemable debt of the Company comprises two components:

Priority Return Fund II LP

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, 2021	**-**	**-**	**6,550,000**	**6,550,000**	**8,907,000**	**11,292,295**	**17,842,294**
Issued	-	-	-	-	1,502,000	1,931,579	1,931,579
Redeemed	-	-	(1,363,000)	(1,363,000)	(225,000)	(291,690)	(1,654,690)
FX impact	-	-	-	-	-	190,918	190,918
Balance at June 30, 2022	**-**	**-**	**5,187,000**	**5,187,000**	**10,184,000**	**13,123,102**	**18,310,102**
Current				432,119		1,093,261	1,525,380
Non-current				4,754,881		12,029,841	16,784,722

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 June 30, 2022	**Three months ended June 30, 2021**	**Six months ended June 30, 2022**	**Six months ended June 30, 2021**
Interest expense on PRF II Class F units	144,331	366,812	308,081	760,312
Interest expense on PRF II Class G units	289,717	32,003	555,930	32,003
Total	**$ 434,048**	**$ 398,815**	**$ 864,011**	**$ 792,315**

In Canadian dollars, for the three and six months ended June 30, 2022

Series I Class A preferred shares

On June 28, 2022 the Company issued 406,667 Series I Class A preferred shares priced at $3 per share to raise $1,220,001. No interest was accrued for the stub period ended June 30, 2022 (also refer **Note 15**).

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 1,811,666 Series I Class A preferred shares with a face value of $3 per share.

Series I Class A preferred shares

On December 12, 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. Subsequently, pursuant to the board approvals for amendments obtained via consent resolutions dated November 16, 2021 and June 3, 2022, on June 28, 2022, the Company issued the first tranche of 406,667 Series I Class A preferred shares priced at $3 per share to raise $1,220,001 shares, during the three-month period ended June 30, 2022.

From the date of issuance, the Series 1 Class A Preferred Shares shall accrue dividends at the rate of 9.2%, payable quarterly when declared by the board. The preferred shares have a mandatory redemption at the end of a maximum term of 6 years from initial issuance. On each of the third, fourth and fifth anniversaries, respectively, of the initial issuance, a holder may request that the Company redeem up to one-third (1/3rd) of the Series I Class A Preferred Shares originally acquired by the holder. At any time or times after the 1-year anniversary of the initial issuance, the Company shall be entitled, at its option, to repurchase all or any portion of the Series 1 Class A Preferred Shares. The Company may exercise such repurchase pro rata in respect of all or any lesser number (as determined by the Company in its sole discretion) of the Series 1 Class A Preferred Shares held by each holder of Series 1 Class A Preferred Shares. Upon exercise of the repurchase, each Holder shall have the option to receive either: (i) validly issued, fully paid and non-assessable Common Shares in exchange for such Holder's Series 1 Class A Preferred Shares at the Exchange Rate; or (ii) a cash payment in an amount per Series I Class A Preferred Share equal to the Redemption Price, at the choice of the holder.

The issued and outstanding preferred shares at June 30, 2022 were 406,667 (December 31, 2021 – Nil). The Series I Class A preferred shares are redeemable and accrue a cumulative interest and are classified as a financial liability.

Common shares

The issued and outstanding common shares at June 30, 2022 were 31,240,077 (December 31, 2021 – 31,240,077).

Share warrants

The details of the share warrants outstanding at June 30, 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	0.99

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 June 30, 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	1,317,500	$0.36	June 13, 2023	0.95
December 4, 2018	1,000,000	750,000	$0.36	December 4, 2023	1.43
May 1, 2020	500,000	225,000	$0.36	April 30, 2027	4.84

In Canadian dollars, for the three and six months ended June 30, 2022

Original Issue Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Remaining contractual life (years)
May 27, 2020	100,000	45,000	$0.36	May 26, 2027	4.91
Total	**3,150,000**	**2,337,500**			
Weighted average exercise price	**$0.36**	**$0.36**		Weighted average remaining contractual life	**1.85**

During the six months ended June 30, 2022, no new options were granted, exercised or 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.

Performance Stock Units ("PSUs")

During the three and six-months ended June 30, 2022, the Company granted nil (2021: nil) and 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
1/6th	$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

9,000 PSUs were forfeited in the three-months ended June 30, 2022. A total of 1,127,000 PSUs are outstanding as on June 30, 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.

A total of $38,943 and $76,486 was expensed towards share based compensation on account of PSUs, in the three and six-month periods ended June 30, 2022, respectively.

16. Revenues

i) Income from investments at fair value

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Royalty and loan payment income				
Royalty payment income	$ 351,988	$ 1,083,141	$ 728,799	$ 2,339,635
Loan interest income	1,737,581	609,048	3,126,144	962,622
Total	**$ 2,089,569**	**$ 1,692,189**	**$ 3,854,943**	**$ 3,302,257**
Realized gains (losses) from sale of investment				
Royalty and loan agreements acquired	$ 367,958	$ 3,837,628	$ 103,001	$ 3,837,628
Equity securities in investee companies				
Realized gain on sale of equity investments	$ 1,823,653	$ 174,307	$ 1,823,653	$ 479,169
Transfer of fair value adjustment upon sale of shares	72,184	-	72,184	39,500
Total	**$ 2,263,795**	**$ 4,011,935**	**$ 1,998,838**	**$ 4,356,297**

In Canadian dollars, for the three and six months ended June 30, 2022

Adjustments to fair value				
Royalty agreements acquired	$ (376,746)	$(2,233,838)	$ 52,984	$ (2,909,526)
Equity securities in investee companies	(708,927)	1,574,203	1,229,219	2,775,641
Total	**$ (1,085,673)**	**$ (659,635)**	**$ 1,282,203**	**$ (133,885)**
ii) Change in expected credit losses				
Movement in expected credit losses	$ 19,446	$ -	$ 17,334	$ -
Total	**$ 19,446**	**$ -**	**$ 17,334**	**$ -**
iii) Other income				
Other investment income and gains				
Interest income on invested cash and cash equivalents and other fee income	$ 104,653	$ 97,216	$ 106,760	$ 101,530
Total	**$ 104,653**	**$** 97,216	**$ 106,760**	**$ 101,530**

17. Foreign exchange gains (losses)

	Three months ended June 30, 2022	**Three months ended June 30, 2021**	**Six months ended June 30, 2022**	**Six months ended June 30, 2021**
Foreign exchange gains (losses)				
Unrealized foreign exchange (loss) gain	$ 489,220	$ (223,375)	$ 204,176	$ 370,536
Realized foreign exchange (loss) gain	-	4,175	-	(7,412)
Total	**$ 489,220**	**$ (219,200)**	**$ 204,176**	**$ (363,124)**

18. Employee benefit expense

	Three months ended June 30, 2022	**Three months ended June 30, 2021**	**Six months ended June 30, 2022**	**Six months ended June 30, 2021**
Wages and salaries	$ 322,719	$ 271,446	$ 645,549	$ 604,283
Restructuring costs	(24,500)	42,500	(24,500)	65,579
Other benefits	12,082	5,344	24,658	17,075
Employer related costs for insurance, health tax	8,005	15,305	34,822	38,650
Salaries, benefits and other staffing costs	**318,306**	**334,595**	**680,529**	**725,587**
Share-based compensation **(Note 19)**	53,122	28,519	107,691	56,299
Total	**$ 371,428**	**$ 363,114**	**$ 788,220**	**$ 781,886**

19. Share-based compensation

The amounts recognized for share-based compensation in the statement of comprehensive income (loss) were made up as follows:

	Three months ended June 30, 2022	**Three months ended June 30, 2021**	**Six months ended June 30, 2022**	**Six months ended June 30, 2021**
Expense recognized based on vesting conditions of stock options	$ 14,179	$ 28,519	$ 31,205	$ 56,299
Expense recognized based on vesting conditions of PSUs	38,943	**-**	76,486	**-**
	$ 53,122	**$ 28,519**	**$ 107,691**	**$ 56,299**

20. Financing expense

	Three months ended June 30, 2022	**Three months ended June 30, 2021**	**Six months ended June 30, 2022**	**Six months ended June 30, 2021**
Redeemable debt **(Note 14)**	434,048	398,815	864,011	792,315
Total	**$ 434,048**	**$ 398,815**	**$ 864,011**	**$ 792,315**

21. Earnings per share

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

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Profit attributable to ordinary equity holders for basic earnings / per share	$ 2,591,257	$ 3,065,893	$ 4,941,199	$ 4,373,849
Basic weighted average number of shares outstanding	31,240,077	31,301,401	31,240,077	31,578,533
Dilutive effect of options and warrants	866,715	-	746,968	-
Diluted weighted average number of shares outstanding	32,106,792	32,349,186	31,987,045	32,286,978
Basic earnings per share	$ 0.0829	$ 0.0979	$ 0.1582	$ 0.1385
Diluted earnings per share	$ 0.0807	$ 0.0948	$ 0.1545	0.1355

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 June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Canada	$ 75,312	$ 2,281,051	$ 303,752	$ 3,907,363
United States	3,071,244	2,712,763	6,556,272	3,418,352
United Kingdom	245,235	147,890	400,053	300,483
Total	**$ 3,391,791**	**$ 5,141,704**	**$ 7,260,077**	**$ 7,626,198**

[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 six months ended June 30, 2022, the royalty and loan payment income and the interest income on promissory notes received for 6 (2021: 4) investees was over 10% of the total royalty and loan payment income, at 14.4%, 13.5%, 12.1%, 10.9%, 10.7% and 10.4% of the total, respectively.

23. Changes in working capital items

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Royalty agreements acquired – current portion	$ -	$ 29,260	$ -	$ 32,885
Accounts receivable and accrued income	-	-	-	(62)
Prepaid expenses and other receivables	(258,923)	(194,480)	(166,339)	(133,988)
Accounts payable and accrued liabilities	(139,792)	940,184	485,256	43,233
Lease termination fee	-	-	(340,200)	340,200
Total	**$ (398,715)**	**$ 774,964**	**$ (21,283)**	**$ 282,268**

Included in the changes in working capital for the six months ended June 30, 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

Nil

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 had paid $293,750 and is in discussions to settle the final contract payment amount.

In Canadian dollars, for the three and six months ended June 30, 2022

26. Related party disclosures

Key management personnel

The number of key management personnel as at June 30, 2022 was 6 (December 31, 2021: 6) and are identified as the members of the board of directors and the officers of the Company.

i) Compensation

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Short term employee benefits	$ 204,133	$ 208,594	$ 418,013	$ 418,779
Share-based compensation	49,877	28,519	102,119	61,477
Total	**$ 254,010**	**$ 237,113**	**$ 520,132**	**$ 480,256**

ii) Other transactions

On September 30, 2020, the Company launched Priority Return Fund II LP. As at June 30, 2022, $1,869,526 (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 $44,969 and $91,095 was accrued and expensed on that redeemable debt, during the three and six-month periods ended June 30, 2022 (2021: $44,291 and $89,175), respectively.