Flow Capital Corp.

Consolidated Financial Statements

For the three and six-month period ended June 30, 2023

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Flow Capital Corp.

Flow Capital Corp.
Consolidated Statements of Financial Position

(Canadian dollars - Unaudited)

	Note		June 30, 2023		December 31, 2022
Assets					
Current Assets					
Cash and cash equivalents	7	$	7,744,161	$	9,560,610
Investments – current portion	9		16,855,703		17,066,876
Prepaid expenses and other receivables	8		313,494		344,695
Total Current Assets			**24,913,358**		**26,972,181**
Non-Current Assets					
Property and equipment	10		9,542		26,324
Deferred Tax Asset			7,828,309		7,941,393
Investments – non-current portion	9		26,146,862		23,742,524
Total Non-Current Assets			**33,984,713**		**31,710,241**
Total Assets		**$**	**58,898,071**	**$**	**58,682,422**
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable and accrued liabilities	11	$	1,297,803	$	1,013,730
Prepaid loan interest			59,323		-
Income tax liability			52,500		568,944
Lease liability – current portion	12		10,452		22,554
Redeemable debt – current portion	14		11,431,393		11,619,428
Total Current Liabilities			**12,851,471**		**13,224,656**
Non-Current Liabilities					
Preferred shares	15		1,220,001		1,220,001
Redeemable debt – non-current portion	14		5,987,483		6,097,338
Total Non-Current Liabilities			**7,207,484**		**7,317,339**
Total Liabilities		**$**	**20,058,955**	**$**	**20,541,995**
Shareholders' Equity (Note 15)					
Common shares		$	53,287,672	$	52,164,711
Warrants			-		477,496
Contributed surplus			281,008		798,504
Accumulated other comprehensive income (loss)			(249,772)		(225,030)
Accumulated deficit			(14,479,792)		(15,075,254)
Total Shareholders' Equity			**38,839,116**		**38,140,427**
Total Liabilities and Shareholders' Equity		**$**	**58,898,071**	**$**	**58,682,422**

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors on August 28, 2023:

"Vernon Lobo"
Vernon Lobo, Director

"Alan Torrie"
Alan Torrie, Director

Flow Capital Corp.
Consolidated Statements of Comprehensive Income

(Canadian dollars - Unaudited)

	Note	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenues					
Income from financial assets					
Royalty and loan interest income	16	$ 1,843,406	$ 2,089,569	$ 3,534,887	$ 3,854,943
Income from changes in values of financial assets	16	427,668	1,197,569	408,579	3,298,374
Total income from financial assets		2,271,074	3,287,138	3,943,466	7,153,317
Other interest, fee income and gains	16	9,456	104,653	84,190	106,760
Total Revenues		**2,280,530**	**3,391,791**	**4,027,656**	**7,260,077**
Operating Expenses					
Salaries, benefits and staffing costs	18	$ 411,828	$ 365,280	$ 788,434	$ 727,503
Restructuring costs	18	-	(24,500)	-	(24,500)
Share-based compensation	19	52,191	53,122	85,022	107,691
Depreciation		8,009	9,227	16,782	18,454
Professional fees		276,601	155,346	490,253	303,286
Office and general administrative		187,408	163,480	362,619	349,810
Total Operating Expenses		**936,037**	**721,955**	**1,743,110**	**1,482,244**
Operating Income		**$ 1,344,493**	**$ 2,669,836**	**$ 2,284,546**	**$ 5,777,833**
Financing expense	20	(443,472)	(434,048)	(888,684)	(864,011)
Foreign exchange gains and (losses)	17	(545,021)	489,220	(538,056)	204,176
Income before income taxes		**356,000**	**2,725,008**	**857,806**	**5,117,998**
Income tax expense	13	$ (267,890)	$ (156,225)	$ (424,246)	$ (199,273)
Net Income		**$ 88,110**	**$ 2,568,783**	**$ 433,560**	**$ 4,918,725**
Other comprehensive income that may be subsequently reclassified to profit or loss					
Foreign currency translation		(22,392)	215,809	(24,742)	190,970
Comprehensive Income		**$ 65,718**	**$ 2,784,592**	**$ 408,818**	**$ 5,109,695**
Earnings per share (Note 21)					
Earnings per share					
Basic earnings per share		$ 0.0028	$ 0.0822	$ 0.0139	$ 0.1574
Diluted earnings per share		$ 0.0028	$ 0.0800	$ 0.0139	$ 0.1538

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, 2022	**31,240,077**		**$ 52,144,024**	**$ (384,277)**	**$ 486,624**	**$ 713,964**	**$(29,613,333)**	**$ 23,347,002**
Share-based compensation	-	19	-	-	-	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**
Balance, January 1, 2023	**31,290,610**		**$ 52,164,711**	**$ (225,030)**	**$ 477,496**	**$ 798,504**	**$ (15,075,254)**	**$ 38,140,427**
Treasury shares cancelled	(898,500)		(508,714)	-	-	-	-	(508,714)
Share cancellation cost	-		(4,493)	-	-	-	-	(4,493)
Share-based compensation	-	19	-	-	-	85,022	-	85,022
Issued – Options exercised	929,308		602,518	-		(602,518)	-	
Issued – Warrants exercised	1,631,945		1,033,650	-	(315,594)	-	-	718,056
Warrants expired	-		-	-	(161,902)	-	161,902	-
Foreign currency translation	-		-	(24,742)	-	-	-	(24,742)
Net income for the period	-		-	-	-	-	433,560	433,560
Balance, June 30, 2023	**32,953,363**		**$ 53,287,672**	**$ (249,772)**	**$ -**	**$ 281,008**	**$ (14,479,792)**	**$ 38,839,116**

See accompanying notes to consolidated financial statements.

Flow Capital Corp.

Consolidated Statements of Cash Flows

(Canadian dollars- Unaudited)

	Note	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash flows from operating activities					
Net income		$ 88,110	$ 2,568,783	$ 433,560	$ 4,918,725
Adjustments for non-cash items					
Share-based compensation		52,191	53,122	85,022	107,691
Depreciation		8,009	9,227	16,782	18,454
Adjustments relating to investments at carrying value					
Unrealized foreign exchange loss (gain)		596,679	(723,460)	623,260	(446,683)
Adjustments to fair value and expected credit losses		(427,668)	1,066,226	(408,579)	(1,299,536)
Realized (gain) on sale of equity securities		-	(2,263,795)	-	(1,998,838)
New investments and loan advances		(4,186,250)	(3,864,600)	(4,186,250)	(4,545,368)
Loan amortization income		(235,357)	(162,914)	(417,401)	(283,005)
Royalty and loan interest earned in excess of cash received		(3,192)	(30,381)	(33,553)	(95,796)
Proceeds received on sale of shares, royalty buyouts and loan repayments		2,022,481	6,820,964	2,024,130	6,888171
Other Adjustments					
Financing expense		443,472	434,048	888,684	864,011
Income tax expense		267,890	156,255	424,246	199,273
Income tax paid		(787,299)	39,848	(829,222)	(424,882)
Prepaid interest income		59,323	-	59,323	-
Changes in working capital items	23	73,255	(398,715)	178,170	(21,283)
Net Cash Flows from Operating Activities		**(2,028,356)**	**3,704,578**	**(1,141,827)**	**3,880,934**
Cash flows from financing activities					
Common shares repurchased for treasury		$ (408,828)	$ -	$ (513,207)	$ -
Lease liability payments		(6,142)	(5,076)	(12,102)	(10,366)
Interest and dividends paid		(446,193)	(435,886)	(751,580)	(719,684)
Advance from redeemable debt		-	1,322,865	-	1,931,579
Redemption of redeemable debt		-	(1,654,690)	-	(1,654,690)
Common shares issued		696,056	-	718,056	-
Preferred shares issued		-	1,220,001	-	1,220,001
Net Cash flows from (used in) Financing Activities		**(165,107)**	**447,214**	**(558,833)**	**766,840**
Foreign exchange impact on cash		**(107,758)**	**-**	**(115,789)**	**-**
Net increase in cash during the period		**(2,301,220)**	**4,151,792**	**(1,816,449)**	**4,647,774**
Cash and cash equivalents, beginning		10,045,381	4,640,653	9,560,610	4,144,671
Cash and cash equivalents, ending	**7**	**$ 7,744,161**	**$ 8,792,445**	**$ 7,744,161**	**$ 8,792,445**

See accompanying notes to the consolidated financial statements.

In Canadian dollars, for the three and six months ended June 30, 2023

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 head office of the Company is Suite 3002, 1 Adelaide Street East, Toronto, Ontario, M5C 2V9.

The following is a summary of the list of material subsidiaries:

Legal name	Legal status	Ownership interest %
Flow Capital US Corp.	Subsidiary of Flow Capital, US	100
Flow Investment Services Corp. (formerly LOGiQ Asset Management Ltd.)	Subsidiary of Flow Capital, Canada	100
Flow Investment Holdings Corp. (formerly 2705535 Ontario Inc.)	Subsidiary of Flow Capital, Canada	100
LOGiQ Capital 2016	Subsidiary of Flow Capital, Canada	100
Flow Priority Return Fund II LP	Controlled by Flow through contractual arrangements, Canada	20
Tuscarora Capital Inc.	Subsidiary of Flow Capital, Canada	100
Flow Capital Partnership Holding Corp. (formerly 2535706 Ontario Inc.)	Subsidiary of Flow Capital, Canada	100

On September 30, 2020, Flow Capital formed Flow Priority Return Fund II LP (the "Priority Return Fund II" or "PRF II") and under the limited partnership agreement, Flow Investment Services Corp. the Company's wholly owned subsidiary was appointed as the general partner. The Company has assessed that based on the terms of the limited partnership agreement, the Company has a substantial interest in the variable returns and has the current ability to direct the activities that most significantly affect these returns. Based upon this assessment, the Company has determined that the Priority Return Fund II is controlled by the Company and must be consolidated in the financial statements of Flow Capital.

2. Basis of presentation

The financial statements have been prepared on a historical cost basis, except for cash and cash equivalents, investments at fair value and redeemable debt that have been measured at fair value. The presentation currency for these financial statements is the Canadian dollar which is also the functional currency of the Company. The functional currency of the Company's subsidiary Flow Capital US Corp. is United States dollar and the financial statements of the subsidiary are translated from its functional currency to Canadian dollars. Amounts are stated in and recorded to the nearest Canadian dollar except where otherwise indicated.

Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared based on the principles of International Financial Reporting Standards (IFRS) and International Accounting Standard 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB), London, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and follows the same accounting policies and methods of application as the Company's most recent annual financial statements. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's 2022 audited annual consolidated financial statements and accompanying notes.

The financial statements were approved and authorized by the Board of Directors on August 28, 2023.

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 after 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 several 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 5.

Fair value of stock options, warrants and PSUs

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.

Determining the fair value of PSUs requires judgement related to the choice of model to estimate the value of the market-based condition, the estimation of the expected period to meet performance targets, the estimation of stock price volatility, and the expected forfeiture rate.

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 5.

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.

Deferred income taxes

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled and the value of tax losses carried forward. The deferred tax asset is supported by the expected future utilization of tax attributes based upon future cashflows derived from the Company's updated forecasts. The recognition of deferred tax assets is based on the significant assumptions and estimations regarding future revenues and expenses and the probability that the deductible temporary differences will reverse in the foreseeable future, and the accumulated tax losses will be utilized. The key assumptions developed by management used to determine the recoverability of the deferred tax assets included expected rates of capital deployment and funds raised, the spreads between the pricing of capital deployed and the cost of funds raised, operating expenses, and corporate general and administrative expenses. Changes in the tax rates or assumptions and estimates used in the recognition of deferred taxes may result in material adjustment to the amount recognized.

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.

IAS 1, Presentation of Financial Statements

The IASB issued an amendment to IAS 1, Presentation of Financial Statements, to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically for the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. This amendment includes:

- Specifying that an entity's right to defer settlement must exist at the end of the reporting period;

-Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;

- Clarifying how lending conditions affect classification; and

- Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity investments.

The amendment is effective for annual periods beginning on or after January 31, 2024. The Company expects no impact to the financial statements as a result of this amendment.

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

In Canadian dollars, for the three and six months ended June 30, 2023

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.

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, 2023				
Cash and cash equivalents	$ 7,744,161	$ -	$ -	$ 7,744,161
Royalty agreements acquired	-	-	3,943,009	3,943,009
Equity securities in investee companies	319,096	-	5,319,491	5,638,587
	$ 8,063,257	**$**	**$ 9,262,500**	**$ 17,325,757**

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Cash and cash equivalents	$ 9,560,610	$ -	$ -	$ 9,560,610
Royalty agreements acquired	-	-	4,023,033	4,023,033
Equity securities in investee companies	337,143	-	4,735,354	5,072,497
	$ 9,897,753	**$**	**$ 8,758,387**	**$ 18,656,140**

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, 2022	Total gains and (losses) recognized in profit or loss	Investments	Buyouts and Redemptions	Balance at June 30, 2023
Royalty agreements acquired	$ 4,023,033	$ (105,986)	$ 29,742	$ (3,780)	$ 3,943,009
Equity securities in investee companies	4,735,354	493,222	90,916	-	5,319,491
Total	**$ 8,758,387**	**$ 387,236**	**$ 120,658**	**$ (3,780)**	**$ 9,262,500**

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 15.0%-24.3%), growth rate of the revenues of the investee (range is between no growth and 3%). 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.

In Canadian dollars, for the three and six months ended June 30, 2023

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 the royalty agreements as at June 30, 2023 as follows:

June 30, 2023		June 30, 2023	
Revenue growth rate -1%	Revenue growth rate +1%	Discount rate -1%	Discount rate +1%
$ (16,648)	$ 18,303	$ 49,139	$(45,823)

For one of its royalty investments, the Company is awaiting court determination of the royalty buyout amount. The fair value of this investment is determined using a probability-weighted average of the three likely outcomes.

The listed equity instruments included in equity securities in investee companies are included in Level 1. The valuation technique used for listed equity instruments is the last quoted price on an actively traded market.

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, 2023, a 10% variance in the market price per share for listed equity securities and the unobservable inputs for unlisted equity securities would have the following impact on the unlisted equity securities in Level 3.

June 30, 2023		June 30, 2023	
Share price 10% lower	Share price 10% higher	Volatility 10% lower	Volatility 10% higher
$ (746,941)	$ 526,767	$ (311,905)	$ 250,017

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, 2023 and December 31, 2022 are $33,420,970 and $31,713,869, respectively, and approximate the fair value.

The following table summarizes loans receivable assessed at each stage of impairment (refer note 6) and the expected credit loss allowance, at June 30, 2023.

June 30, 2023	Stage 1	Stage 2	Stage 3	Total
Loans receivable at amortized cost	$ 32,905,745	$ -	$ 1,095,966	$ 34,001,711
Allowance for expected credit losses	(435,599)	-	(145,142)	(580,741)
	$ 32,469,594	**$ -**	**$ 950,824**	**$ 33,420,970**

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, 2023	Fair Value June 30, 2023	Carrying Amount December 31, 2022	Fair Value December 31, 2022
Financial liabilities				
Accounts payable and accrued liabilities	$ 1,297,803	$ 1,297,803	$ 1,013,730	$ 1,013,730
Priority Return Fund II LP	17,418,876	17,418,876	17,716,766	17,716,766
Series I Preferred Shares	1,220,001	1,220,001	1,220,001	1,220,001
Total	**$ 19,936,680**	**$ 19,936,680**	**$ 19,950,497**	**$ 19,950,497**

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 pay a dividend rate at the market rates of interest.

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 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 eighteen 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., and Exigo Holdings LP, 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., Kovo HealthTech Corp., Prolifiq Software Inc., and Wrisk Limited, 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, 2023 was $5,638,587 (December 31, 2022: $5,072,497). Refer to Note 5 for sensitivity analysis on equity price risk exposure at June 30, 2023.

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 Canadian Dollar equivalent amount of the foreign exchange exposure to US Dollar denominated net assets at June 30, 2023 was $21,998,495 (December 31, 2022: $28,019,593) and a 1% movement in the exchange rate has an impact of $219,985 (December 31, 2022: $280,196) 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, 2023 was $45,291,105.13 (December 31, 2022 was $45,329,955). 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.

In Canadian dollars, for the three and six months ended June 30, 2023

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, the loans to one investee company are assessed as having a significant increase in credit risk and recorded in Stage 3, the company has booked an allowance of $145,142 (December 31, 2022: $Nil) based on its assessment of expected credit losses over the next 12 months. At June 30, 2023, all the other loans receivable held were assessed to be at Stage 1 and the Company has booked an allowance of $435,599 (December 31, 2022: $454,834) 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, 2023, 3 investments each represented over 10% of the total carried value of the investment portfolio, at 18.3%, 15.2% and 13.1%, 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 maturity of all financial liabilities as at June 30, 2023, and December 31, 2022 respectively:

Contractual obligations at June 30, 2023	**< 1 year**	**1-2 years**	**3-6 years**	**Expected more than 1 year**	**Total**
Accounts payable and accrued liabilities	$ 1,297,803	$ -	$ -	$ -	$ 1,297,803
Lease Liability	10,452	-	-	-	10,452
Priority Return Fund II LP	11,431,393	-	5,987,483	-	17,418,876
Series I Preferred Shares	-	-	1,220,001	-	1,220,001
Total	**$ 12,739,648**	**$ -**	**$ 7,207,484**	**$ -**	**$ 19,947,132**

Contractual obligations at December 31, 2022	**< 1 year**	**1-2 years**	**3-6 years**	**Expected more than 1 year**	**Total**
Accounts payable and accrued liabilities	$ 1,013,730	$ -	$ -	$ -	$ 1,013,730
Lease Liability	22,554	-	-	-	22,554
Priority Return Fund II LP	11,619,428	-	6,097,338	-	17,716,766
Series I Preferred Shares	-	-	1,220,001	-	1,220,001
Total	**$ 12,655,712**	**$ -**	**$ 7,317,339**	**$ -**	**$ 19,973,051**

Capital management

The Company's primary capital management objective is to make long term investments that generate recurring cash flow and capital appreciation, while safeguarding the capital invested and providing sufficient working capital to sustain day-to-day operations, to deliver long term shareholder equity growth.

The Company is subject to certain restrictions on cash flows from its assets securitised to PRF II, as described in Note 14. The Company's share capital is not subject to external restrictions. The capital of the Company comprises shareholders' equity, the Priority Return Fund II LP units and the Series I Class A Preferred Shares. Loan interest and royalty payments, realized gains on contract buyouts and fee income will continue to be an important source of capital for the Company.

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, 2023	**December 31, 2022**
Cash held in bank accounts	$ 7,044,161	$ 8,860,610
Guaranteed investment certificates cashable at any time	700,000	700,000
	$ 7,744,161	**$ 9,560,610**

In Canadian dollars, for the three and six months ended June 30, 2023

8. Prepaid expenses and other receivables

	June 30, 2023	December 31, 2022
Prepaid insurance, rent deposit and other prepaid expenses	$ 140,238	$ 312,252
Staff loans receivable	149,322	26,559
Accrued interest on guaranteed investment certificates	23,934	5,884
	$313,494	**$ 344,695**

9. Investments

a) Carrying value of investments

Royalty agreements acquired (at FVTPL)	**June 30, 2023**	**December 31, 2022**
Expected within 1 year	$ 3,051,027	$ 3,057,271
Expected after more than 1 year	891,982	965,762
Total	**$ 3,943,009**	**$ 4,023,033**

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, 2023**	**December 31, 2022**
Due within 1 year	$ 13,804,677	$ 14,009,605
Due after more than 1 year	19,616,293	17,704,264
Total	**$ 33,420,970**	**$ 31,713,869**

At June 30, 2023, the portfolio of loans receivable have interest rates of 15% to 20% (2022: 15% to 22%) and mature in 1 to 3 years. The Company also holds a note payable, acquired through an RTO transaction in 2018, which has a 8-year term left, and earns an interest of 10%.

Equity securities in investee companies (at FVTPL)	**June 30, 2023**	**December 31, 2022**
Expected exit within 1 year	$ -	$ -
Expected exit after more than 1 year	5,638,587	5,072,497
Total	**$ 5,638,587**	**$ 5,072,497**
Total carrying amount of investments	**$ 43,002,566**	**$ 40,809,400**

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, 2023	**December 31, 2022**
Royalty agreements	$ 808,083	$ 832,645
Promissory notes receivable	32,771,262	31,068,361
	$ 33,579,345	**$ 31,901,007**

b) Equity securities in investee companies

	Fair Value Hierarchy	**Cost June 30, 2023**	**Carrying amount June 30, 2023**	**Cost December 31, 2022**	**Carrying amount December 31, 2022**
Common shares (publicly traded)	Level 1	$ 1,350,389	$ 319,096	$ 1,350,390	$ 337,143
Common shares (not publicly traded)	Level 3	354,448	257,900	354,448	263,822
Warrants (not publicly traded)	Level 3	2,796,475	5,061,591	2,705,558	4,471,532
Total		**$ 4,501,312**	**$ 5,638,587**	**$ 4,410,396**	**$ 5,072,497**

In Canadian dollars, for the three and six months ended June 30, 2023

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, 2023			
	Royalty agreements acquired	**Equity securities in investee companies**	**Loans receivable**	**Total**
Balance as at December 31, 2022	**$ 4,023,033**	**$ 5,072,497**	**$ 31,713,869**	**$ 40,809,400**
Proceeds from exits	(3,780)	-	(2,020,350)	(2,024,130)
Royalty earned and payments received- net	29,742	-	3,811	33,553
New investments	-	90,916	4,095,334	4,186,250
Foreign exchange impact on the investment portfolio	(54,980)	(110,319)	(663,188)	(828,486)
Loan amortization income	-	-	417,401	417,401
Adjustment to fair value / expected credit losses	(51,006)	585,493	(125,907)	408,579
Balance as at June 30, 2023	**$ 3,943,009**	**$ 5,638,587**	**$ 33,420,970**	**$ 43,002,566**

10. Property and equipment

	Right-of-use asset	**Office equipment & furniture**	**Leasehold improvements**	**Total**
Cost				
Balance at December 31 2022	112,201	192,631	220,339	525,171
Additions	-	-	-	-
Balance at June 30, 2023	**$ 112,201**	**$ 192,631**	**$ 220,339**	**$ 525,171**
Accumulated depreciation				
Balance at December 31 2022	95,523	182,985	220,339	498,847
Charge in period	9,097	7,685	-	16,782
Balance at June 30, 2023	**$ 104,620**	**$ 190,670**	**$ 220,339**	**$ 515,629**
Carrying amount				
At December 31, 2022	**$ 16,678**	**$ 9,646**	**$ -**	**$ 26,324**
At June 30, 2023	**$ 7,581**	**$ 1,961**	**$ -**	**$ 9,542**

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, 2023	**December 31, 2022**
Accounts payable	$ 180,998	$ 360,972
Accrued expenditures	589,274	259,273
Financing cost payable to holders of the PRF II Units	137,411	-
Financing cost payable to holders of the Preferred Shares	27,983	28,291
Other liabilities	362,137	365,194
Total	**$ 1,297,803**	**$ 1,013,730**

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, 2022	**$ 22,554**
Lease payments received / paid	(13,038)
Interest recognized	936
Balance as at June 30, 2023	**$ 10,452**

In Canadian dollars, for the three and six months ended June 30, 2023

13. Income taxes

Income tax expense for the period comprises:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Adjustment to prior year income tax provision	256,506	-	256,506	-
Current income tax expense	(12,456)	156,225	54,656	199,273
Deferred Income tax expense	23,840	-	113,084	-
Total income tax expense	**$ 267,890**	**$ 156,225**	**$ 424,246**	**$ 199,273**

The current income tax expense is accrued on income from investments held by Flow Capital US Corp. As the Company is consolidating all its investments into Flow Capital Corp., there should be no material income tax expense at Flow Capital US Corp., going forward.

The deferred income tax expense is accrued on investments held by Flow Capital Corp. and is offset by a corresponding reduction in the deferred tax asset.

14. Redeemable debt

The redeemable debt of the Company comprises three 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 and loan interest 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, 2022	**-**	**-**	**4,445,000**	$ **4,445,000**	**9,799,000**	**$ 13,271,766**	**$ 17,716,766**
FX impact	-	-	-	-	-	(297,800)	(297,800)
Balance at	**-**	**-**	**4,445,000**	$ **4,445,000**	**9,799,000**	**$ 12,973,876**	**$ 17,418,876**

In Canadian dollars, for the three and six months ended June 30, 2023

	Class A and B		**Class F**		**Class G**		**Total**
	Number of units	Amount	Number of units	Amount	Number of units	Amount	**Amount**
June 30, 2023							
Current				2,917,096		8,514,297	11,431,393
Non-current				$ 1,527,904		$ 4,459,580	$ 5,987,483

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 were made up as follows:

	Three months ended June 30, 2023	**Three months ended June 30, 2022**	**Six months ended June 30, 2023**	**Six months ended June 30, 2022**
Interest expense on PRF II Class F units	111,125	144,331	222,250	308,081
Interest expense on PRF II Class G units	304,364	289,717	610,775	555,930
Total	**$ 415,489**	**$ 434,048**	**$ 833,025**	**$ 864,011**

Subsequent to the reporting period, on August 1, 2023, the Company redeemed all the outstanding Class F and Class G units of the PRF II in the total amount of C$17.4 million. Subsequently on August 15, 2023, all the outstanding Class S units of PRF II were redeemed and the capital contributions of Flow Capital and FISC were repaid on the winding up of PRF II.

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. For the three and six-months period ended June 30, 2023, $27,676 and $55,659 was recorded as dividend (2022- Nil) (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 a first tranche of 406,667 Series I Class A preferred shares priced at $3 per share to raise $1,220,001.

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, 2023 were 406,667 (December 31, 2022 – 406,667). The Series I Class A preferred shares are redeemable and accrue a cumulative interest and are classified as a financial liability. For the three and six-month periods ended June 30, 2023, $27,676 and $55,659 was recorded as dividend (2022- Nil).

Common shares

The issued and outstanding common shares at June 30, 2023 were 32,953,363 (December 31, 2022 – 31,290,610).

The Company initiated a Normal Course Issuer Bid (**"NCIB"**) on October 13, 2022. The NCIB will terminate upon the earliest of (i) the Company purchasing 2,598,100 common shares, (ii) the Company providing notice of termination of the NCIB, and (iii) October 12, 2023.The Company has engaged Canaccord Genuity Corp. to act as its broker for the NCIB. The NCIB will be made through the facilities of the TSXV and the purchase and payment for the common shares will be made from the Company's existing working capital at the market price of the applicable securities at the time of acquisition, plus brokerage fees, if any, charged by the Broker. All common shares purchased by the Company under the NCIB will be cancelled. In the six-month period ended June 30, 2023, 898,500 shares were purchased under the NCIB at a weighted-average price per share of $0.5662 for a total cost of $508,714 (2022 - Nil), and subsequently returned to treasury for cancellation.

In Canadian dollars, for the three and six months ended June 30, 2023

In the six-month period ended June 30, 2023, the Company issued 929,308 common shares on the net exercise of 2,450,000 options at a weighted-average exercise price of $0.36 per share and a market price of $0.58 per share, and $602,518 was reallocated from contributed surplus to share capital.

In the six-month period ended June 30, 2023, the Company issued 1,631,945 common shares on exercise of warrants, and $315,594 was reallocated from the warrant reserve to share capital.

Share warrants

837,200 warrants expired unexercised and $161,902 was reallocated from the warrant reserve to retained earnings.

Share based payments

On December 31, 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 October 4, 2022.

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.

On June 9, 2023, the Company issued 929,308 common shares on the net exercise of stock options by directors.

On June 13, 2023, the Company awarded 1,672,759 stock options to directors.

The following options were outstanding under the plan, on June 30, 2023:

Original Issue Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Remaining contractual life (years)
May 1, 2020	500,000	300,000	$0.36	April 30, 2027	3.84
May 27, 2020	100,000	60,000	$0.36	May 26, 2027	3.91
January 10, 2023	75,000	7,500	$0.60	January 9, 2030	6.53
June 13, 2023	1,672,759	-	$0.58	June 12, 2028	4.96
Total	**2,347,759**	**401,250**			
Weighted average exercise price	**$0.5244**	**$0.3667**		Weighted average remaining contractual life	**4.72**

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”)

The Company did not award any PSUs in the three-month period ended June 30, 2023 (2022: 86,000). All PSUs are 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 (Vested in 2022)	$2,000,000
1/6th	$2.00	1/6th	$5,000,000
1/6th	$3.00	1/6th	$8,000,000

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

In Canadian dollars, for the three and six months ended June 30, 2023

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 $17,561 and $34,929 was expensed towards share based compensation on account of PSUs, in the three and six-month periods ended June 30, 2023 (2022-$38,943 and $76,486). A total of 939,167 PSUs are outstanding as on June 30, 2023.

16. Revenues

i) Income from investments at fair value

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Royalty and loan payment income				
Royalty payment income	$ 220,006	$ 351,988	$ 506,561	$ 728,799
Loan interest income	1,623,400	1,737,581	3,028,326	3,126,144
Total	**$ 1,843,406**	**$ 2,089,569**	**$ 3,534,887**	**$ 3,854,943**
Realized gains (losses) from sale of investment				
Royalty and loan agreements acquired	$ -	$ 367,958	$ -	$ 103,001
Equity securities in investee companies				
Realized gain on sale of equity investments	-	1,823,653	-	1,823,653
Transfer of fair value adjustment upon sale of shares	-	72,184	-	72,184
Total	**$ -**	**$ 2,263,795**	**$ -**	**$ 1,998,838**
Adjustments to fair value				
Royalty agreements	$ (64,883)	$(376,746)	$ (51,006)	$ 52,984
Equity securities in investee companies	552,182	(708,927)	585,493	1,229,219
Total	**$ 487,299**	**$(1,085,673)**	**$ 534,487**	**$ 1,282,203**
ii) Change in expected credit losses				
Movement in expected credit losses	$ (59,631)	$ 19,446	$ (125,907)	$ 17,334
Total	**$ (59,631)**	**$ 19,446**	**$ (125,907)**	**$ 17,334**
iii) Other income				
Other investment income and gains				
Interest income on invested cash and cash equivalents and other fee income	$ 9,456	$ 104,653	$ 84,190	$ 106,760
Total	**$ 9,456**	**$ 104,653**	**$ 84,190**	**$ 106,760**

Loan interest income for the six-month period ended June 30, 2023, includes $161,844 in prepayment fees (2022 - $312,543) and $417,401 in loan amortization income (2022 - $120,092) (also refer Note 9). Loan amortization income and prepayment fees are collected in cash on repayment / early repayment of the loans.

17. Foreign exchange gains (losses)

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Foreign exchange gains (losses)				
Unrealized foreign exchange gain (loss)	$ (698,149)	$ 489,220	$ (691,184)	$ 204,176
Realized foreign exchange gain (loss)	153,128	-	153,128	-
Total	**$ (545,021)**	**$ 489,220**	**$ (538,056)**	**$ 204,176**

In Canadian dollars, for the three and six months ended June 30, 2023

18. Employee benefit expense

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Wages and salaries	$ 352,042	$ 322,719	$ 681,994	$ 645,549
Restructuring costs	-	(24,500)	-	(24,500)
Other benefits	28,022	12,082	41,518	24,658
Employer related costs for insurance, health tax	31,764	8,005	64,922	34,822
Salaries, benefits and other staffing costs	**411,828**	**318,306**	**788,434**	**680,529**
Share-based compensation **(Note 19)**	52,191	53,122	85,022	107,691
Total	**$ 464,019**	**$ 371,428**	**$ 873,456**	**$ 788,220**

19. Share-based compensation

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

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Expense recognized based on vesting conditions of stock options	$ 34,630	$ 14,179	$ 50,093	$ 31,205
Expense recognized based on vesting conditions of PSUs	17,561	38,943	34,929	76,486
	$ 52,191	**$ 53,122**	**$ 85,022**	**$ 107,691**

20. Financing expense

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Priority Return Fund II interest	$ 415,489	$ 434,048	$ 833,025	$ 864,011
Series I Class A preferred shares dividend	27,983	-	55,659	-
Total	**$ 443,472**	**$ 434,048**	**$ 888,684**	**$ 864,011**

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, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Profit attributable to ordinary equity holders for basic earnings / per share	$ 88,110	$ 2,591,257	$ 433,560	$ 4,941,199
Basic weighted average number of shares outstanding	31,055,434	31,240,077	31,086,174	31,240,077
Dilutive effect of options and warrants	201,014	866,715	198,651	746,968
Diluted weighted average number of shares outstanding	31,256,448	32,106,792	31,284,824	31,987,045
Basic earnings per share	$ 0.0028	$ 0.0829	$ 0.0139	$ 0.1582
Diluted earnings per share	$ 0.0028	$ 0.0807	$ 0.0139	$ 0.1545

The potential dilutive impact of the holders right to receive shares on the redemption of the Class I Series A Preferred Shares has been excluded as it would be anti-dilutive.

In Canadian dollars, for the three and six months ended June 30, 2023

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, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Canada	$ 197,768	$ 75,312	$ 384,271	$ 3,03,752
United States	1,732,580	3,071,244	2,961,026	6,556,272
United Kingdom	350,183	245,235	682,359	400,053
Total	**$ 2,280,531**	**$ 3,391,791**	**$ 4,027,656**	**$ 7,260,077**

For the six-month ended June 30, 2023, the royalty and loan payment income and the interest income on promissory notes received for 5 (2022: 6) investees was over 10% of the total royalty and loan payment income, at 18.8%, 15.8%, 14.2%, 11.2% and 10.8% of the total, respectively.

23. Changes in working capital items

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Prepaid expenses and other receivables	(34,078)	(258,923)	31,201	(166,339)
Accounts payable and accrued liabilities	107,333	(139,792)	146,969	485,256
Lease termination fee	-	-		(340,200)
Total	**$ 73,255**	**$ (398,715)**	**$ 178,170**	**$ (21,283)**

24. Related party disclosures

Key management personnel

The number of key management personnel as at June 30, 2023 was 6 (December 31, 2022: 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, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Short term employee benefits	$ 214,369	$ 204,133	$ 432,646	$ 418,013
Share-based compensation	49,452	49,877	71,788	102,119
Total	**$ 263,821**	**$ 254,010**	**$ 504,434**	**$ 520,132**

ii) Other transactions

On September 30, 2020, the Company launched Priority Return Fund II LP. As at June 30, 2023, $1,744,844(December 31, 2022 $1,853,678) of the redeemable debt was held by key management personnel and a company with common directors, and interest of $44,126 and $87,138 was accrued and expensed on that redeemable debt during the three and six-month periods ended June 30, 2023 (2022: $46,126 and $91,095).

On June 28, 2022, Company issued the first tranche of its Series I Class A preferred shares. At June 30, 2023, 166,667 preferred shares with a face value of $500,001 (December 31, 2022 $500,001) were held by a director's family, and dividend of $11,469 and $22,811 was accrued and expensed on these preferred shares during the three and six-month periods ended June 30, 2023 (2022: $nil).

On August 31, 2022, the Company advanced loans to two Directors in the total amount of $26,559. On June 28, 2023, the Company advanced an additional $120,758 as loans to the two Directors. These loans in the total amount of $147,317 remain outstanding on June 30, 2023. For the three and six-month period ended June 30, 2023, the Company earned interest income on these loans in the amount of $381 and $643 (2022 - $nil) at the CRA prescribed rate.

25. Subsequent Events

Between July 1, 2023, and August 28, 2023, the Company purchased 583,500 shares at an average price of $0.5625. All common shares purchased by the Company under the NCIB are returned to treasury and cancelled.

On August 1, 2023, the Company entered into a loan transaction with certain third-party lenders pursuant to which the lenders advanced an aggregate amount of C$17.9 million to the Company (the "Loans"). The Loans are evidenced by unsecured, non-convertible debentures (the "Debentures") issued by the Company to the Lenders pursuant to the terms of a debenture indenture entered into between the Company and Olympia Trust Company, as debenture trustee.

The Debentures were issued in multiple series bearing interest at varying floating rates, with a minimum rate of 7% and a maximum rate of 12.5% based on the applicable series of Debentures and will mature on August 1, 2043 (the "Maturity Date"), subject to earlier redemption or retraction in certain circumstances. The Debentures are unsecured, non-convertible, non-voting and no portion of the principal or interest outstanding under the Debentures may be repaid in securities of the Company.

Concurrently, on August 1, 2023, the Company redeemed all the outstanding Class F and Class G units of the PRF II in the total amount of C$17.4 million. Subsequently on August 15, 2023, all the outstanding Class S units of PRF II were redeemed and the capital contributions of Flow Capital and FISC were repaid on the winding up of PRF II.

On August 15, 2023, the Company closed a C$1,700,000 investment in Bearaby Inc. (**"Bearaby"**), a VC backed, woman led, B2C company in the sleep wellness space. Under the terms of the investment, Flow Capital will earn a fixed interest on its investment and will earn a success fee in the event of a change-of control transaction at Bearaby.