

Flow Capital Corp.

Consolidated Financial Statements

For the three and nine-month period ended September 30, 2023

(Unaudited)

Flow Capital Corp.

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.

Consolidated Statements of Financial Position	4
Consolidated Statements of Comprehensive Income (Loss).....	5
Consolidated Statements of Changes in Equity.....	6
Consolidated Statements of Cash Flows.....	7
1. <i>Corporate information and reporting entity.....</i>	8
2. <i>Basis of presentation</i>	8
3. <i>Significant accounting judgements, estimates, and assumptions.....</i>	8
4. <i>Standards issued but not yet effective.....</i>	9
5. <i>Fair values</i>	9
6. <i>Financial risk management objectives and policies</i>	12
7. <i>Cash and cash equivalents.....</i>	14
8. <i>Prepaid expenses and other receivables.....</i>	14
9. <i>Investments</i>	14
10. <i>Property and equipment.....</i>	15
11. <i>Accounts payable and accrued liabilities</i>	15
12. <i>Finance lease liability.....</i>	15
13. <i>Income taxes</i>	16
14. <i>Redeemable debt.....</i>	16
15. <i>Share capital and other components of equity</i>	18
16. <i>Revenues</i>	20
17. <i>Foreign exchange gains (losses)</i>	20
18. <i>Employee benefit expense</i>	20
19. <i>Share-based compensation</i>	20
20. <i>Financing expense</i>	20
21. <i>Earnings per share.....</i>	20
22. <i>Operating segment information</i>	21
23. <i>Changes in working capital items</i>	21
24. <i>Related party disclosures.....</i>	21
25. <i>Subsequent Events.....</i>	22

Flow Capital Corp.
Consolidated Statements of Financial Position
(Canadian dollars - Unaudited)

	Note	September 30, 2023	December 31, 2022
Assets			
Current Assets			
Cash and cash equivalents	7	\$ 9,341,082	\$ 9,560,610
Investments – current portion	9	17,283,712	17,066,876
Prepaid expenses and other receivables	8	537,450	344,695
Total Current Assets		27,162,244	26,972,181
Non-Current Assets			
Property and equipment	10	4,621	26,324
Deferred Tax Asset		7,670,576	7,941,393
Investments – non-current portion	9	27,691,359	23,742,524
Total Non-Current Assets		35,366,556	31,710,241
Total Assets		\$ 62,528,800	\$ 58,682,422
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	11	\$ 1,413,612	\$ 1,013,730
Income tax liability		723	568,944
Lease liability – current portion	12	4,125	22,554
Preferred Shares – current portion	15	120,000	-
Redeemable debt – current portion	14	-	11,619,428
Total Current Liabilities		1,538,460	13,224,656
Non-Current Liabilities			
Preferred shares	15	1,100,001	1,220,001
Debentures	14	21,329,088	-
Redeemable debt – non-current portion	14	-	6,097,338
Total Non-Current Liabilities		22,429,089	7,317,339
Total Liabilities		23,967,549	20,541,995
Shareholders' Equity (Note 15)			
Common shares		\$ 52,850,230	\$ 52,164,711
Warrants		-	477,496
Contributed surplus		408,876	798,504
Accumulated other comprehensive loss		(238,292)	(225,030)
Accumulated deficit		(14,459,563)	(15,075,254)
Total Shareholders' Equity		38,561,251	38,140,427
Total Liability and Shareholders' Equity		\$ 62,528,800	\$ 58,682,422

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors on November 21, 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 September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Revenues					
Income from financial assets					
Royalty and loan interest income	16	\$ 1,697,147	\$ 1,676,567	\$ 5,232,034	\$ 5,531,510
Income from changes in values of financial assets	16	(722,558)	(1,006,139)	(313,979)	2,292,235
Total income from financial assets		974,589	670,428	4,918,055	7,823,745
Other interest, fee income and gains	16	28,888	(91)	113,078	106,669
Total Revenues		1,003,477	670,337	5,031,133	7,930,414
Operating Expenses					
Salaries, benefits and staffing costs	18	\$ 426,714	\$ 360,812	\$ 1,215,148	\$ 1,088,315
Restructuring costs	18	-	-	-	(24,500)
Share-based compensation	19	127,868	62,291	212,890	169,982
Depreciation		4,921	9,228	21,703	27,682
Professional fees		132,767	253,091	623,020	556,377
Office and general administrative		180,284	196,216	542,903	546,026
Total Operating Expenses		872,554	881,638	2,615,664	2,363,882
Operating Income		\$ 130,923	\$ (211,301)	\$ 2,415,469	\$ 5,566,532
Financing expense	20	(525,387)	(466,481)	(1,414,071)	(1,330,492)
Foreign exchange gains and (losses)	17	567,064	1,216,354	29,008	1,420,530
Income before income taxes		172,600	538,572	1,030,406	5,656,570
Income Taxes					
Current income tax expense	13	\$ (152,371)	\$ (35,909)	\$ (576,617)	\$ (235,182)
Deferred tax expense (recovery)	13	-	-	-	-
Total Income Tax		\$ (152,371)	\$ 35,909	\$ (576,617)	\$ 235,182
Net Income		\$ 20,229	\$ 502,663	\$ 453,789	\$ 5,421,388
Other comprehensive income that may be subsequently reclassified to profit or loss					
Foreign currency translation		11,480	781,745	(13,262)	972,715
Comprehensive Income		\$ 31,709	\$ 1,248,408	\$ 440,527	\$ 6,394,103
Earnings per share (Note 21)					
<i>Earnings per share</i>					
Basic earnings per share		\$ 0.0006	\$ 0.0160	\$ 0.0144	\$ 0.1734
Diluted earnings per share		\$ 0.0006	\$ 0.0158	\$ 0.0143	\$ 0.1694

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, 2022		31,240,077	\$ 52,144,024	\$ (384,277)	\$ 486,624	\$ 713,964	\$(29,613,333)	\$ 23,347,002
Share-based compensation	15	-	-	-	-	169,982	-	169,982
Shares issued		187,833	84,525	-	-	(84,525)	-	-
Foreign currency translation		-	-	972,715	-	-	-	972,715
Net income for the period		-	-	-	-	-	5,421,388	5,421,388
Balance, September 30, 2022		31,427,910	\$ 52,228,549	\$ 588,438	\$ 486,624	\$ 799,421	\$(24,191,945)	\$ 29,911,087
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		(1,675,500)	(942,272)	-	-	-	-	(942,272)
Share cancellation cost		-	(8,378)	-	-	-	-	(8,378)
Share-based compensation	15	-	-	-	-	212,890	-	212,890
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		-	-	(13,262)	-	-	-	(13,262)
Net income for the period		-	-	-	-	-	453,789	453,789
Balance, September 30, 2023		32,176,363	\$ 52,850,230	\$ (238,292)	\$ -	\$408,876	\$(14,459,563)	\$ 38,561,251

See accompanying notes to consolidated financial statements.

Flow Capital Corp.
Consolidated Statements of Cash Flows

(Canadian dollars- Unaudited)

	Note	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash flows from operating activities					
Net income		\$ 20,229	\$ 502,663	\$ 453,789	\$ 5,421,388
<i>Adjustments for non-cash items</i>					
Share-based compensation		127,868	62,291	212,890	169,982
Depreciation		4,921	9,228	21,703	27,682
<i>Adjustments relating to investments at carrying value</i>					
Unrealized foreign exchange loss(gain)		(563,912)	(626,458)	59,364	(1,073,141)
Adjustments to fair value and expected credit losses		722,557	1,169,929	313,978	(129,607)
Realized (gain) on sale of equity securities		-	(163,790)	-	(2,162,628)
New investments and loan advances		(1,691,500)	-	(5,877,750)	(4,545,368)
Loan amortization income		(195,054)	(146,545)	(612,455)	(429,550)
Royalty and loan interest earned in excess of cash received		(53,050)	(67,071)	(86,603)	(162,868)
Proceeds received on sale of shares, royalty buyouts and loan repayments		6,885	171,865	2,031,015	7,060,036
<i>Other Adjustments</i>					
Financing expense		525,387	466,481	1,414,071	1,330,492
Income tax expense (recovery)		152,371	35,909	576,617	235,182
Income tax paid		(66,418)	(59,041)	(895,640)	(483,923)
Prepaid Interest income		(59,323)	-	-	-
Changes in working capital items	23	(165,905)	(239,719)	12,265	(261,002)
Net Cash Flows from (used in) Operating Activities		(1,234,928)	1,115,743	(2,376,756)	4,996,678
Cash flows from financing activities					
Common shares repurchased for treasury		\$ (437,443)	\$ -	\$ (950,649)	\$ -
Redemption of Debentures		(280,280)	-	(280,280)	-
Lease liability payments		(6,327)	(5,615)	(18,429)	(15,981)
Interest paid		(467,629)	(433,813)	(1,219,209)	(1,153,497)
Advance from redeemable debt		-	-	-	1,931,579
Redemption of redeemable debt		(17,357,142)	-	(17,357,142)	(1,654,690)
Common Shares issued		-	-	718,056	-
Debentures issued		21,258,342	-	21,258,342	-
Net Cash flows from (used in) Financing Activities		2,709,521	(439,428)	2,150,688	327,411
Foreign exchange impact on cash					
		122,329	-	6,540	-
Net increase (decrease) in cash during the period		1,596,922	676,315	(219,528)	5,324,089
Cash and cash equivalents, beginning		7,744,160	8,792,445	9,560,610	4,144,671
Cash and cash equivalents, ending	7	\$ 9,341,082	9,468,760	\$ 9,341,082	\$ 9,468,760

See accompanying notes to the consolidated financial statements.

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

In Canadian dollars, for the three and nine-months ended September 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
1000330141 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 November 21, 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 subsequent to a contract buyout event. As a result, uncertainties exist as to how long the agreements will exist and the royalty payment income that will be received. The Company is primarily focused on building a portfolio of investments in companies that have carried on business for a number of years and have a demonstrable history of revenues. This enables the Company to use historical revenues as the starting base for estimating expected cash flows from an investment. Those royalty agreements that contain a provision requiring an investee company to make a minimum monthly royalty payment provide the Company with a strong indication of what expected cash flows under the royalty agreement should be over time. In addition to historical revenues of investee companies, the Company also considers other factors, such as external market factors, future performance and industry performance, in estimating expected cash flows from an investment.

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2023

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, 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.

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2023

The amendment is effective for annual periods beginning on or after January 1, 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.

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
September 30, 2023				
Cash and cash equivalents	\$ 9,341,082	\$ -	\$ -	\$ 9,341,082
Royalty agreements acquired	-	-	3,549,394	3,549,394
Equity securities in investee companies	316,088	-	5,291,543	5,607,631
	\$ 9,657,170	\$ -	\$ 8,840,937	\$ 18,498,107
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 recognized in profit or loss	Investments	Buyouts and Redemptions	Balance at September 30, 2023
Royalty agreements acquired	\$ 4,023,033	\$ (546,184)	\$ 83,210	\$ (10,665)	\$ 3,549,394
Equity securities in investee companies	4,735,354	465,273	90,916	-	5,291,543

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2023

Total	\$ 8,758,387	\$ (80,911)	\$ 174,126	\$ (10,665)	\$ 8,840,937
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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.

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 September 30, 2023 as follows:

September 30, 2023		September 30, 2023	
Revenue growth rate	Revenue growth rate	Discount rate	Discount rate
-1%	+1%	-1%	+1%
\$ (17,181)	\$ 18,869	\$ 57,035	\$(39,695)

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 September 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.

September 30, 2023		September 30, 2023	
Share price 10% lower	Share price 10% higher	Volatility 10% lower	Volatility 10% higher
\$ (669,385)	\$ 612,972	\$ (194,480)	\$ 126,265

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 September 30, 2023 and December 31, 2022 are \$35,818,047 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 September 30, 2023.

September 30, 2023	Stage 1	Stage 2	Stage 3	Total
Loans receivable at amortized cost	\$ 35,317,514	\$ -	\$ 1,172,830	\$ 36,490,344
Allowance for expected credit losses	(450,291)	-	(222,007)	(672,298)
	\$ 34,867,223	\$ -	\$ 950,824	\$ 35,818,047

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 September 30, 2023	Fair Value September 30, 2023	Carrying Amount December 31, 2022	Fair Value December 31, 2022
Financial liabilities				
Accounts payable and accrued liabilities	\$ 1,413,611	\$ 1,413,611	\$ 1,013,730	\$ 1,013,730
Priority Return Fund II LP	-	-	17,716,766	17,716,766
Debentures	21,329,088	21,329,088	-	-
Series I Preferred Shares	1,220,001	1,220,001	1,220,001	1,220,001
Total	\$ 23,962,700	\$ 23,962,700	\$ 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.

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2023

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 Debentures approximate fair value, as they were issued for cash immediately prior to the end of the reporting period. 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 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., Kovo HealthTech Corp. Prolifiq and Wrisk 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 September 30, 2023 was \$5,607,631 (December 31, 2022: \$5,072,497). Refer to Note 5 for sensitivity analysis on equity price risk exposure at September 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 foreign exchange exposure at September 30, 2023 was \$22,870,693 (December 31, 2022: \$28,019,593) and a 1% movement in the exchange rate has an impact of \$228,707 (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 September 30, 2023 was \$49,422,201 (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

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2023

- 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, 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 \$222,007 (December 31, 2022: \$Nil) based on its assessment of expected credit losses over the lifetime. At September 30, 2023, all the other loans receivable held were assessed to be at Stage 1 and the Company has booked an allowance of \$450,291 (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 as 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 September 30, 2023, 3 investments each represented over 10% of the total carried value of the investment portfolio, at 17.71%, 14.73%, and 12.74%, respectively.

Liquidity risk

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

The following table summarizes the amount of contractual future cash flow requirements including all financial instruments as at September 30, 2023 and December 31, 2022 respectively:

Contractual obligations at September 30, 2023	< 1 year	1-2 years	3-6 years	Expected more than 6 year	Total
Accounts payable and accrued liabilities	\$ 1,413,611	\$ -	\$ -	\$ -	\$ 1,413,611
Lease Liability	4,125	-	-	-	4,125
Debentures	-	-	21,329,088	-	21,329,088
Series I Preferred Shares	120,000	-	1,100,001	-	1,220,001
Total	\$ 1,537,736	\$ -	\$ 22,429,089	\$ -	\$ 23,966,825

Contractual obligations at December 31, 2022	< 1 year	1-2 years	3-6 years	Expected more than 6 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.

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2023

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, the Series I Class A Preferred Shares and the Debentures. 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

	September 30, 2023	December 31, 2022
Cash held in bank accounts	\$ 8,641,082	\$ 8,860,610
Guaranteed investment certificates cashable at any time	700,000	700,000
	\$ 9,341,082	\$ 9,560,610

8. Prepaid expenses and other receivables

	September 30, 2023	December 31, 2022
Prepaid insurance, rent deposit and other prepaid expenses	\$ 354,525	\$ 312,252
Staff loans receivable	149,816	26,559
Accrued interest on guaranteed investment certificates	33,109	5,884
	\$ 537,450	\$ 344,695

9. Investments

a) Carrying value of investments

	September 30, 2023	December 31, 2022
Royalty agreements acquired (at FVTPL)		
Expected within 1 year	\$ 3,137,639	\$ 3,057,271
Expected after more than 1 year	411,755	965,762
Total	\$ 3,549,394	\$ 4,023,033

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

	September 30, 2023	December 31, 2022
Loans receivable (at Amortized Cost)		
Due within 1 year	\$ 14,146,073	\$ 14,009,605
Due after more than 1 year	21,671,973	17,704,264
Total	\$ 35,818,046	\$ 31,713,869

At September 30, 2023, the portfolio of loans receivable have interest rates of 15% to 22% (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 10-year term and earns an interest of 10%.

	September 30, 2023	December 31, 2022
Equity securities in investee companies (at FVTPL)		
Expected exit within 1 year	\$ -	\$ -
Expected exit after more than 1 year	5,607,631	5,072,497
Total	\$ 5,607,631	\$ 5,072,497
Total carrying amount of investments	\$ 44,975,071	\$ 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:

	September 30, 2023	December 31, 2022
Royalty agreements	\$ 310,742	\$ 832,645
Promissory notes receivable	33,480,229	31,068,361
	\$ 33,790,970	\$ 31,901,007

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2023

b) Equity securities in investee companies

	Fair Value Hierarchy	Cost September 30, 2023	Carrying amount September 30, 2023	Cost December 31, 2022	Carrying amount December 31, 2022
Common shares (publicly traded)	Level 1	\$ 1,350,389	\$ 316,088	\$ 1,350,390	\$ 337,143
Common shares (not publicly traded)	Level 3	354,448	263,355	354,448	263,822
Warrants (not publicly traded)	Level 3	2,796,475	5,028,189	2,705,558	4,471,532
Total		\$ 4,501,312	\$ 5,607,631	\$ 4,410,396	\$ 5,072,497

c) Movement during the period

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

Nine months ended September 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	(10,665)	-	(2,020,350)	(2,031,015)
New investments	-	90,916	5,786,834	5,877,750
Royalty earned and payments received- net	83,210	-	3,394	86,604
Foreign exchange impact on the investment portfolio	(4,729)	(723)	(60,692)	(66,144)
Loan amortization income	-	-	612,455	612,455
Adjustment to fair value / expected credit losses	(541,455)	444,941	(217,465)	(313,979)
Balance as at September 30, 2023	\$ 3,549,394	\$ 5,607,631	\$ 35,818,046	\$ 44,975,071

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 September 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	13,646	8,057	-	21,703
Balance at September 30, 2023	\$ 109,169	\$ 191,042	\$ 220,339	\$ 520,550
Carrying amount				
At December 31, 2022	\$ 16,678	\$ 9,646	\$ -	\$ 26,324
At September 30, 2023	\$ 3,032	\$ 1,589	\$ -	\$ 4,621

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

	September 30, 2023	December 31, 2022
Accounts payable	\$ 179,981	\$ 360,972
Accrued expenditures	618,324	259,273
Financing cost payable to holders of the Debentures	194,862	-
Financing cost payable to holders of the Preferred Shares	28,291	28,291
Other liabilities	392,154	365,194
Total	\$ 1,413,612	\$ 1,013,730

12. Finance lease liability

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

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2023

	Lease liability
Balance as at December 31, 2022	\$ 22,554
Lease payments received / paid	(19,557)
Interest recognized	1,128
Balance as at September 30, 2023	\$ 4,125

13. Income taxes

Income tax expense for the period comprises:

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Adjustment to prior year income tax provision	-	-	256,506	-
Current income tax expense	(5,362)	35,909	49,294	235,182
Deferred Income tax expense	157,733	-	270,817	-
Total income tax expense	\$ 152,371	\$ 35,909	\$ 576,617	\$ 235,182

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 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, F and G units, the Company will redeem, at every quarterly period thereafter, such number of senior A and F units as is equal to 20% of the Adjusted Net Royalty Payments divided by the applicable unit redemption price, until such time as there have been 50% in redemptions of senior A, B, F and G units.

The Priority Return Fund II does not have any additional obligation or liability to the Limited Partners beyond the payments under the Class A, Class B, Class F and Class G units detailed above and as a result, the Class A, Class B, Class F and Class G units are subject to asset-specific performance risk.

Flow Priority Return Fund II

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2023

	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
Redeemed			(4,445,000)	(4,445,000)	(9,799,000)	(12,912,142)	(17,357,142)
FX impact	-	-	-	-	-	(359,623)	(359,623)
Balance at September 30, 2023	-	-	-	-	-	-	-

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 September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Interest expense on PRF II Class F units	37,041	129,675	259,292	437,756
Interest expense on PRF II Class G units	99,826	307,593	710,601	863,523
Total	\$ 136,867	\$ 437,268	\$ 969,893	\$ 1,301,279

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

Debentures

Pursuant to the terms of a debenture indenture dated August 1, 2023 (the "Indenture"), the Company will issue debentures (the "Debentures") in multiple series in Canadian or U.S. dollars bearing interest at varying floating rates.

The Series A CDN Debentures shall bear interest from the date of issue at a rate per annum equal to the Bank of Canada Overnight Rate in effect from time to time plus 4.5%, subject to a minimum interest rate of 7% and a maximum interest rate of 11%, payable in Canadian dollars.

The Series A+ CDN Debentures shall bear interest from the date of issue at a rate per annum equal to the Bank of Canada Overnight Rate in effect from time to time plus 5%, subject to a minimum interest rate of 7.5% and a maximum interest rate of 11.5%, payable in Canadian dollars.

The Series F CDN Debentures shall bear interest from the date of issue at a rate per annum equal to the Bank of Canada Overnight Rate in effect from time to time plus 5.5%, subject to a minimum interest rate of 8% and a maximum interest rate of 12%, payable in Canadian dollars.

The Series F+ CDN Debentures shall bear interest from the date of issue at a rate per annum equal to the Bank of Canada Overnight Rate in effect from time to time plus 6%, subject to a minimum interest rate of 8.5% and a maximum interest rate of 12.5%, payable in Canadian dollars.

The Series UA USD Debentures shall bear interest from the date of issue at a rate per annum equal to the U.S. Federal Funds Rate in effect from time to time plus 4.5%, subject to a minimum interest rate of 7% and a maximum interest rate of 11%, payable in United States dollars.

The Series UA+ USD Debentures shall bear interest from the date of issue at a rate per annum equal to the U.S. Federal Funds Rate in effect from time to time plus 5%, subject to a minimum interest rate of 7.5% and a maximum interest rate of 11.5%, payable in United States dollars.

The Series UF USD Debentures shall bear interest from the date of issue at a rate per annum equal to the U.S. Federal Funds Rate in effect from time to time plus 5.5%, subject to a minimum interest rate of 8% and a maximum interest rate of 12%, payable in United States dollars.

The Series UF+ USD Debentures shall bear interest from the date of issue at a rate per annum equal to the U.S. Federal Funds Rate in effect from time to time plus 6%, subject to a minimum interest rate of 8.5% and a maximum interest rate of 12.5%, payable in United States dollars.

The Debentures will mature on August 1, 2043, subject to earlier redemption by the Company or retraction by the Debenture holders. The Debentures may be retracted by Debenture holders subject to a 90-day notice period and the Company maintaining the discretion to limit the monthly retraction amounts to 1% of the value of the Debentures then outstanding. The Indenture also provides the Company with the ability to defer the retraction date by 12 months if repayment of the retraction price would impair, or reasonably be expected to impair, the

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2023

business, operations, financial condition, financial performance, profitability, debt or equity funding prospects, or investment capabilities of the Company. The Debentures are unsecured, non-convertible, non-voting and carry no right to participate in the earnings of the company. No portion of the principal or interest outstanding under the Debentures may be repaid in securities of the Company.

On August 1, 2023 and September 7, 2023, the Company issued Debentures for proceeds of \$17.9 million and \$3.015 million, respectively.

	Class F		Class F Plus		Class UF		Class UF Plus		Total
	Number of units	Amount	Number of units	Amount	Number of units	Amount	Number of units	Amount	Amount
First tranche Aug 1, 2023	3,038	\$3,038,000	1,420	\$1,420,000	8,029	\$10,579,813	2,205	\$2,905,529	\$17,943,342
Second tranche Sep23	1,315	1,315,000	2,000	2,000,000	-	-	-	-	3,315,000
Redeemed	(91)	(91,000)	-	-	(140)	(189,280)	-	-	(280,280)
FX impact	-	-	-	-	-	275,395	-	75,632	351,026
Balance at Sep 30, 2023	4,262	4,262,000	3,420	3,420,000	7,889	10,665,928	2,205	2,981,160	21,329,088
Non-current		\$4,262,000		\$3,420,000		\$10,665,928		\$2,981,160	\$21,329,088

For the three and nine-months period ended September 30, 2023, \$360,228 and \$360,228 was recorded as Interest (2022- \$Nil and \$Nil).

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 nine-months period ended September 30, 2023, \$28,291 and \$83,949 was recorded as dividend (2022- \$29,213) (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 September 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 nine-months period ended September 30, 2023, \$28,291 and \$83,949 was recorded as dividend (2022- \$29,213 and \$29,213).

Common shares

The issued and outstanding common shares at September 30, 2023 were 32,176,363 (December 31, 2022 – 31,290,610).

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2023

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 nine-month period ended September 30, 2023, 1,675,500 shares were purchased under the NCIB at a weighted-average price per share of \$0.5624 for a total cost of \$942,272 (2022 - Nil), and subsequently returned to treasury for cancellation.

In the nine-month period ended September 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 nine-month period ended September 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 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 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 September 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	325,000	\$0.36	April 30, 2027	3.58
May 27, 2020	100,000	70,000	\$0.36	May 26, 2027	3.65
January 10, 2023	75,000	15,000	\$0.60	January 9, 2030	6.28
June 13, 2023	1,672,759	-	\$0.58	June 12, 2028	4.70
Total	2,347,759	410,000			
Weighted average exercise price	\$0.5244	\$0.3688		Weighted average remaining contractual life	4.47

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”)

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2023

The Company did not award any PSUs in the three-month period ended September 30, 2023 (2022: Nil). 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
1/6 th	\$1.00	1/6 th	\$2,000,000
1/6 th	\$2.00	1/6 th	\$5,000,000
1/6 th	\$3.00	1/6 th	\$8,000,000

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 \$2,129 and \$37,058 was expensed towards share based compensation on account of PSUs, in the three and nine-month periods ended September 30, 2023 (2022-\$50,618 and \$127,104). A total of 730,834 PSUs are outstanding as on September 30, 2023.

16. Revenues

i) Income from investments at fair value

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Royalty and loan payment income				
Royalty payment income	\$ 151,020	\$ 269,967	\$ 657,581	\$ 998,766
Loan interest income	1,546,127	1,406,600	4,574,453	4,532,744
Total	\$ 1,697,147	\$ 1,676,567	\$ 5,232,034	\$ 5,531,510
Realized gains (losses) from sale of investment				
Royalty and loan agreements acquired	\$ -	\$ -	\$ -	\$ 103,001
Equity securities in investee companies				
Realized gain on sale of equity investments	-	163,790	\$ -	1,987,443
Transfer of fair value adjustment upon sale of shares	-	-	-	72,184
Total	\$ -	\$ 163,790	\$ -	\$ 2,162,628
Adjustments to fair value				
Royalty agreements acquired	\$ (490,449)	\$(124,149)	\$ (541,455)	\$ (71,166)
Equity securities in investee companies	(140,551)	(344,947)	444,941	884,272
Total	\$ (631,000)	\$(469,096)	\$ (96,514)	\$ 813,106
ii) Change in expected credit losses				
Movement in expected credit losses	\$ (91,558)	\$ (700,832)	\$ (217,465)	\$ (683,499)
Total	\$ (91,558)	\$ (700,832)	\$ (217,465)	\$ (683,499)
iii) Other income				
Other investment income and gains				
Interest income on invested cash and cash equivalents and other fee income	\$ 28,888	\$ (91)	\$ 113,078	\$ 106,669
Total	\$ 28,888	\$ (91)	\$ 113,078	\$ 106,669

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2023

17. Foreign exchange gains (losses)

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Foreign exchange gains (losses)				
Unrealized foreign exchange (loss) gain	\$ (1,293,827)	\$ 1,386,812	\$ (602,643)	\$ 1,590,988
Realized foreign exchange (loss) gain	726,763	(170,457)	573,635	(170,457)
Total	\$ 567,064	\$ 1,216,355	\$ 29,008	\$ 1,420,350

18. Employee benefit expense

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Wages and salaries	\$ 366,201	\$ 329,409	\$ 1,048,195	\$ 997,432
Restructuring costs	-	-	-	(24,500)
Other benefits	39,918	9,543	81,436	34,201
Employer related costs for insurance, health tax	20,595	21,860	85,517	56,683
Salaries, benefits and other staffing costs	426,714	360,812	1,215,148	1,063,815
Share-based compensation (Note 19)	127,868	62,291	212,890	169,982
Total	\$ 554,582	\$ 423,103	\$ 1,428,038	\$ 1,233,797

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 September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Expense recognized based on vesting conditions of stock options	\$ 125,739	\$ 11,673	\$ 175,832	\$ 42,878
Expense recognized based on vesting conditions of PSUs	2,129	50,618	37,058	127,104
Total	\$ 127,868	\$ 62,291	\$ 212,890	\$ 169,982

20. Financing expense

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Priority Return Fund II	\$ 136,867	\$ 437,268	\$ 969,893	\$ 1,301,279
Series I Class A preferred shares	28,291	29,213	83,949	29,213
Debenture	360,228	-	360,228	-
Total	\$ 525,387	\$ 466,481	\$ 1,414,071	\$ 1,330,492

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 September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Profit attributable to ordinary equity holders for basic earnings / per share	\$ 20,229	\$ 502,663	\$ 453,789	\$ 5,421,388
Basic weighted average number of shares outstanding	32,462,803	31,333,994	31,578,765	31,271,727

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2023

Dilutive effect of options and warrants	145,427	580,620	147,801	740,232
Diluted weighted average number of shares outstanding	32,608,230	31,914,613	31,726,566	32,011,959
Basic earnings per share	\$ 0.0006	\$ 0.0160	\$ 0.0144	\$ 0.1734
Diluted earnings per share	\$ 0.0006	\$ 0.0158	\$ 0.0143	\$ 0.1694

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.

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 September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Canada	\$ 117,334	\$ 105,285	\$ 362,779	\$ 409,037
United States	610,548	246,334	3,710,400	6,802,606
United Kingdom	275,595	318,718	957,954	718,771
Total	\$ 1,003,477	\$ 670,336	\$ 5,031,133	\$ 7,930,414

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.

For the nine months ended September 30, 2023, the royalty and loan payment income and the interest income on promissory notes received for 3 (2022: 6) investees was over 10% of the total royalty and loan payment income, at 19%, 16% and 14.35% of the total, respectively.

23. Changes in working capital items

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Prepaid expenses and other receivables	(223,956)	105,457	(192,755)	(60,882)
Accounts payable and accrued liabilities	58,051	(345,175)	205,020	140,081
Lease termination fee	-	-	-	(340,200)
Total	\$ (165,905)	\$ (239,718)	\$ 12,265	\$ (261,001)

24. Related party disclosures

Key management personnel

The number of key management personnel as at September 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 September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Short term employee benefits	\$ 231,801	\$ 202,637	\$ 659,603	\$ 620,650
Share-based compensation	173,441	53,282	245,229	155,401
Total	\$ 405,242	\$ 255,919	\$ 904,832	\$ 776,051

ii) Other transactions

On September 30, 2020, the Company launched Priority Return Fund II LP. As at September 30, 2023, \$nil (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 \$3,833 and \$90,680 was accrued and expensed on that redeemable debt, during the three and nine-month periods ended September 30, 2023 (2022: \$44,678 and \$135,773), respectively.

Flow Capital Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2023

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 \$11,595 and \$34,406 was accrued and expensed on these preferred shares during the three and nine-month periods ended September 30, 2023 (2022: \$11,973).

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 September 30, 2023. For the three and nine-month period ended September 30, 2023, the Company earned interest income on these loans in the amount of \$1,857 and \$2,499 (2022 - \$nil) at the CRA prescribed rate.

On August 01, 2023, the Company issued first tranche of its Debentures of multiple class. As at September 30, 2023, \$1,846,208 (December 31, 2022:nil) of the debentures was held by key management personnel and a company with common directors, and interest of \$33,050 and \$33,050 was accrued and expensed on the debentures, during the three and nine-month periods ended September 30, 2023 (2022: \$ nil and \$ nil), respectively.

25. Subsequent Events

Between October 1, 2023, and November 21, 2023, the Company purchased 86,500 shares at an average price of \$0.5490. All common shares purchased by the Company under the NCIB are returned to treasury and cancelled.