# Flow Capital Corp.
# Management's Discussion and Analysis
# For the Quarter Ended March 31, 2024

This management's discussion and analysis ("MD&A") of the financial condition and results of operation of Flow Capital Corp. ("Flow", "Flow Capital", or the "Company") should be read in conjunction with Flow's audited consolidated financial statements and notes thereto as at and for the quarter ended March 31, 2024.

Except as otherwise indicated (see "Use of Non-IFRS Financial Measures" elsewhere in this MD&A), all financial data in this MD&A has been prepared, in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

All dollar amounts in this MD&A are reported in Canadian dollars.

Some of the risks, uncertainties and other factors which could cause results to differ materially from those expressed in this MD&A include, but are not limited to: the nature of the Company's investments; the concentration of its investments in certain industries and sectors; the Company's dependence on its management team; risks affecting the Company's investments; Global, political and economic conditions; issuer-specific events that affect a company's market value; and other risks and factors discussed elsewhere in this MD&A under the heading "Risk Factors". These risk factors are unpredictable and outside the Company's control and may affect the future value of the Company's investment portfolio as well as the prices at which investments may be disposed of. Adverse changes in these conditions would negatively impact the Company's ability to remain in compliance with its contractual obligations and generate working capital to fund its ongoing requirements.

## 1. About Flow Capital

Flow Capital is a venture debt lender. Venture debt is a form of capital provided to high growth companies, that enables them to finance their growth and avoid the dilutive effect of an equity issue or the personal guarantees, restrictive covenants, and need for amortization payments usually associated with traditional lenders, such as banks. Generally, companies that use venture debt are private and have venture capital backers. They may be profitable or near profitable but choose to delay substantial near-term profitability in order maximize growth and thus long-term profitability.

Venture debt is an established asset class that is widely used by high-growth borrowers and has seen increasing adoption by retail and institutional investors seeking to diversify their portfolios with a high yielding asset class that is not correlated with the public bond and equity markets.

Flow Capital specializes in Growth Venture Debt as opposed to Traditional Venture Debt. Growth Venture Debt loans are structured with warrants, options, and success fees in addition to interest payments. This contrasts with Traditional Venture Debt where lenders receive only interest payments on a loan.

Flow finances companies in Canada, the U.S., and the U.K. Flow Capital's typical borrower is a profitable or near-profitable technology, or technology enabled company, experiencing rapid expansion, and requiring immediate capital to continue its growth.

Flow provides borrowers with funding of $2 to $5 million. Flow will invest up to $7 million in a borrower but prefers to do it in a series of tranches, than as a single loan, with subsequent tranches subject to additional due diligence and strong borrower performance.

Each loan Flow makes will be structured differently and have conditions particular to the borrower and Flow Capital's assessment of the risk associated with the borrower. However, the general terms of Flow Capital's loans are: senior secured/first lien, a three-year term, interest only, cash interest payments in the mid teens, and including warrants, options, or a success fee upon the successful sale or IPO of the business

Warrants or options issued with a loan usually represent 1% to 3% of the equity value of the borrower.

Flow's loans generate immediate stable and predictable returns, since they pay immediate cash interest at a set rate which exceeds Flow's cost of capital. This creates stable and predictable positive free cash flow for Flow after operating expenses and interest payments on debentures and other debt. This positive free cash flow can be invested in additional loans or used toward other corporate initiatives which build shareholder value.

Flow's loans also generate long term returns via the warrants, options, and success fees associated with each loan. However, unlike cash interest, the conversion of these elements into cash is long term and unpredictable. Therefore, Flow manages its business based on the recurring revenue it earns from the immediate cash interest payments on its loan portfolio. Flow does not engage in any activities or initiatives whose execution is dependent on the unrealized returns on its warrant, option, and success fee portfolio. Although these returns can be substantial, the unpredictable nature of their realization demands that they be managed in a conservative manner.

Flow's long-term strategy for growing its business is to increase its book value per share by reinvesting the cash it earns into new venture debt loans. Given the attractive interest rate the Company can charge on its loans plus the potential returns from warrants, options and success fees, the Company expects that its book value per share will continue to grow. As with any portfolio of investments in a high return asset class, there is expected to be low returns or losses in individual loans. However, it is the Company's expectation that loan losses or low returns on certain loans will be offset by the gains in warrant, options, and success fees on other loans in the portfolio such that Flow will deliver a superior overall portfolio return in the long run.

In addition, management believes that as the business grows operating expenses as a percentage of assets under management will decline and the Company it will achieve a lower cost of debt and equity, both trends increasing the profitability of its operations which reinforce the expansion of book value per share.

## 2. Overall Performance

Flow's objective is to maximize shareholder value by growing Book Value Per Share ("BVPS").

*Q1 2024 Highlights*

- A record $1.8 million in recurring loan interest income[1] up 6.7% from Q4 2023 and 16.4% from Q1 2023.
- A 16% cash yield on our current loan book of $43.7
- $1.23 book value per share up 2.9% over the prior quarter and up 49% over the past two years.
- $0.4 million in recurring free cash flow[2] in Q1 2024; and $1.1 million over the past 4 quarters.
- $65.4 million in total assets up 2.9% from Q4 2023 and 10.6% over Q1 2023.
- $28.1 million in new capital deployments over the past 12 months, a new record for the Company.

## 3. Results of Operations

| | Three-months ended March 31, 2024 | Three-months ended March 31, 2023 |
|---|---|---|
| Recurring Loan Interest and Royalty Income (1) | $ 1,757,553 | $ 1,509,437 |
| Loan Interest and Royalty Income | 2,005,586 | 1,691,481 |
| Total Revenues per IFRS | 1,914,445 | 1,747,126 |
| Net income/(loss) | 720,237 | 345,450 |
| Adjusted Recurring Free Cash Flow (2) | 415,851 | 298,756 |
| Basic Earnings per share | 0.0229 | 0.0111 |
| Diluted Earnings per share | 0.0228 | 0.0105 |
| Book Value per outstanding share(3) | 1.226 | 1.2335 |
| Weighted basic average number of shares outstanding | 31,442,753 | 31,204,227 |
| Weighted diluted average number of shares outstanding | 31,540,741 | 32,766,042 |

(1) Recurring Loan Interest and Royalty Income is an internally defined, non-IFRS measure calculated as Loan Interest and Royalty Income less Loan Amortization Income and one-time payments (e.g. prepayment fees). See the section "Use of Non-IFRS Financial Measures".

(2) Recurring Free Cash Flow is an internally defined, non-IFRS measure calculated as Recurring Loan Interest and Royalty Income less Salaries, Professional fees, Office and general administrative and Financing expenses. See the section "Use of Non-IFRS Financial Measures".

(3) Calculated by taking Total Shareholders' Equity as reported on the Statements of Financial Position over the number of outstanding shares. See the section "Use of Non-IFRS Financial Measures".

## *Revenue Analysis – Three-months ended March 31, 2024*

| | **Three-months ended December 31, 2024** | **Three-months ended December 31, 2023** | **Growth %** |
|---|---|---|---|
| Loan interest and royalty income | $ 2,005,586 | $ 1,691,481 | 18.57 |

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(1) Recurring Loan Interest Income is an internally defined, non-IFRS measure calculated as Loan Interest Income less Loan Amortization Income and one-time payments (e.g. prepayment fees). Reconciliations of non-IFRS measures to the nearest IFRS measure can be found in this press release under "Reconciliation of Non-IFRS Measures".

(2) Recurring Free Cash Flow is an internally defined, non-IFRS measure calculated as Recurring Loan Interest Income less Salaries, Professional fees, Office and general administrative and Financing expenses. Reconciliations of non-IFRS measures to the nearest IFRS measure can be found in this press release under "Reconciliation of Non-IFRS Measures".

| | | | |
|---|---|---|---|
| Income from changes in value of financial assets | (159,736) | (19,089) | |
| Other income (including other interest income) | 68,595 | 74,734 | (8.21) |
| **Total revenue** | **$ 1,914,445** | **$ 1,747,126** | 9.58 |

Total revenue for the three-month period ended March 31, 2024, was $1,914,445 compared to $1,747,126 in the three-month period ended March 31, 2023. Loan interest and royalty income for the three-month period ended March 31, 2024, was $2,005,586 representing a 18.57 % increase from the $1,691,481, earned in the three-month period ended March 31, 2023.

Of the $2,005,586 loan interest and royalty income earned during the three-month period ended March 31, 2024,$688,367 was contributed by interest earned from new investments acquired in the last twelve months $1,069,964 from loan interest and royalty income from the existing portfolio and $231,173 on account of loan amortization adjustments.

In accordance with *IFRS 9 Financial Instruments,* all components, some of which are non-cash items, that impact the value of the financial asset must be included in revenue. Income from changes in value of financial assets for the three-month period ended March 31, 2024 was $(159,736) compared to $(19,089) for the three-month period ended March 31, 2023.

The amount of $(159,736) included $(128,490) in adjustments to fair value and $(31,246) in allowance for expected credit losses on loans receivable. Adjustments to fair value comprised $(5,927) from movements in the carried value of royalty investments and $(122,563) from the change in the carried values of equity and warrant positions.

### *Operating expense analysis*

Total operating expenses for the three-month period ended March 31, 2024, were $890,236 (2023 - $807,073).

Salaries, benefits, and other staffing costs for the three-month period ended March 31, 2024, were $427,280 (2023 - $376,606).

Share-based compensation for the three-month period ended March 31, 2024 was $192,487 (2023 - $32,831). This represents the expense impact of the vesting schedule for the outstanding options and PSUs. In the three-month period ended March 31, 2024, the Company granted 100,000 PSU's to employees.

Depreciation expense for the three-month period ended March 31, 2024, was $ 167 (2023 - $ 8,773).

Professional fees for the three-month period ended March 31, 2024, were $99,100 (2023 - $213,652). Professional fees for the year primarily comprised legal fees in the amount of $39,000 and accounting related expenses of $36,000.

Office and general administrative expenses for the three-month period ended March 31, 2024, were $171,202 (2023 - $175,211).

Profit after taxes for the three-month period ended March 31, 2023, were $ 720,237 (2022 - $345,450). The movements in the profit after taxes was primarily on account of stable loan interest and royalty payment income and favourable foreign exchange impac ts.

### *Analysis for further items included in the Results of Operations*

Financing expense for the three-month period ended March 31, 2024, was $ 644,120 (2023 - $445,212) The increase in financing expenses compared to the corresponding period of the previous year was due to the net increase in redeemable debt during the year.

Income tax expense for the three-month period ended March 31, 2024, was $284,274 (2023 - $156,356). The income tax expense is accrued on royalty income from investments held by Flow Capital Corp. The income tax expense for Flow Capital Corp., is offset by a corresponding reduction in the deferred tax asset.

## 4. **Portfolio Update**

| | **Three-months ended March 31, 2024** | **Three-months ended March 31, 2023** |
|---|---|---|
| Number of active company investments | 18 | 15 |
| Number of new company investments in period | 02 | - |
| Total capital deployed during the period | $ 6,750,000 | $ - |
| Carrying value of investments, at the end of period | $ 49,472,511 | $ 40,968,160 |

### *Value of Underlying Financial Assets*

Flow's financial assets are measured at fair value (see Note 6 of the financial statements for details). The total estimated fair value of Flow Capital's non-cash financial assets as at March 31, 2024 was $49,472,511 compared to $40,968,160 on March 31, 2023.

| | Loans receivable | Royalty agreements | Equity and equity related securities | Total |
|---|---|---|---|---|
| **Balance as at December 31, 2023** | **$ 41,442,414** | **$ 3,624,082** | **$ 4,856,566** | **$ 49,923,062** |
| Proceeds from exits | (7,989,600) | (18,971) | | (8,008,571) |
| New investments | 5,643,819 | - | 971,181 | 6,615,000 |
| Royalty earned and payments received- net | (87,662) | 106,809 | - | 19,147 |
| Foreign exchange impact on the investment portfolio | 690,730 | 45,695 | 99,151 | 835,576 |
| Loan amortization income | 248,033 | - | - | 248,033 |
| Adjustment to fair value / expected credit losses | (31,246) | (5,927) | (122,563) | (159,736) |
| **Balance as at March 31, 2024** | **$ 39,916,488** | **3,751,688** | **$ 5,804,335** | **$ 49,472,511** |

The changes in the carrying amount in investments at fair value during the reporting period were primarily driven by new investments, repayments and redemptions of invested capital, sale of equity investments and unrealized gains (losses) from fair value adjustments and the impact of foreign exchange movements.

Adjustments to fair value are unrealized by their nature and in a portfolio as diverse as Flow Capital's, there will be movements up and down from reporting period to reporting period.

At March 31, 2024, Flow Capital has approximately 62 % of its portfolio in USD denominated investments, and there will be foreign exchange related movements from reporting period to reporting period.

The Company earns warrants, options, or success fees for each loan that it makes. These assets may be converted into equity securities from time to time which the company may hold in order to maximize its returns. The equity and equity-related securities in the portfolio as of March 31, 2024 was:

| | Cost March 31, 2024 | Carrying amount March 31, 2024 |
|---|---|---|
| Common shares (publicly traded) | $ 1,350,389 | $ 358,032 |
| Common shares (not publicly traded) | 354,448 | - |
| Warrants (not publicly traded) | 4,125,460 | 5,446,303 |
| **Total** | $ 5,830,297 | $ 5,804,335 |

*Portfolio Activity*

As of March 31, 2024, a summary of the investment portfolio was as follows:

| | March 31, 2024 Number | March 31, 2023 Number |
|---|---|---|
| Investments - fully paying | 16 | 10 |
| Investment – past due | 1 | 4 |
| Investment – delinquent/distressed/in legal process | 4 | 3 |
| **Total** | **21** | **17** |

The portfolio comprised 15 loan and 1 royalty investments at March 31, 2024, compared to 9 and 3, respectively as at March 31, 2023.

### New loan Investments

On January 26, 2024, the Company closed a C$5,250,000 investment in Crowd Property Limited (**"Crowd Property"**), a peer-to-peer lending software platform acting as an intermediary connecting institutional and retail capital providers (i.e. lenders) with SME residential real estate developers (i.e. borrowers). The "eBay" of real estate development finance.

On March 08, 2024, the Company closed a C$1,500,000 investment in Lendified Technologies Inc. dba Judi.ai (**"Judi"**).
Judi is an AI-driven lending analytics software-as-a-service (SaaS) platform for automated loan adjudication, credit risk analysis, cash flow performance monitoring, portfolio reporting, and loan application workflow.

Past due for payments outstanding on investments

The following table shows the outstanding payments past due at the end of each period:

| Past Due | March 31, 2024 | December 31, 2023 | September 30, 2023 | June 30, 2023 | March 31, 2023 |
|---|---|---|---|---|---|
| - 30 days or less | $ 81,851 | $ 102,486 | $ 20,614 | $ 20,692 | $ 23,594 |
| - 31 to 60 days | 39,782 | 40 | 17,261 | 16,881 | 47,366 |
| - 61 days or more | 40 | | 89,360 | 36,612 | |
| **Total** | **$ 121,673** | **$ 102,526** | **$ 127,235** | **$ 74,185** | **$ 70,960** |

The Company is actively pursuing legal proceedings against investees who are in default under the terms of the investment. Legal proceedings include commencing actions, obtaining defaults judgements and, where necessary, appointing a receiver. The Company expects that the legal proceedings against all investees will continue for some time until a satisfactory outcome is reached. The Company will report when there is a significant development in the legal proceeding such as a recovery.

Following is an update on material developments in legal proceedings, for the quarter ended March 31, 2024;

In July 2020, the Company received notification of a potential buyout for a royalty investment. Under the terms of the agreement, the buyout value is to be determined based on the higher of 5% of the net equity value of the investee company, or $1,500,000. In accordance with the contract, the Company and the investee company jointly appointed KPMG to determine an arms-length estimate of the equity value of the investee and a final report is pending inputs from the investee. The investee has subsequently disputed the terms of the buyout value. In February 2022, the Ontario Superior Court of Justice ruled in the Company's favour and granted the relief sought by Flow. In November 2022, the Court of Appeal for Ontario reversed the ruling of the Ontario Superior Court of Justice. The Court instructed that the determination of the amount owing to Flow is to be performed by the Superior Court. This matter was settled by a judgement of the Ontario Superior Court of Justice on February 27, 2023 and Flow expects to receive approximately $1,501,066 in accordance with the court's final decision.

In November 2021, Flow informed one of its royalty investments it was in default under the Royalty Purchase Agreement. Flow gave the company a formal forbearance agreement in which it pledged additional security. The company is in violation of the forbearance agreement, and on January 9, 2024 Flow seized security that had been pledged and the company is seeking to sell assets to repay Flow the amounts outstanding.

## 5. Selected Annual Information

The following table provides financial data derived from the Company's audited financial statements since the year ended December 31, 2021:

| | Year ended December 31, 2023 | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|---|
| Revenues | $ 5,844,900 | $ 10,296,116 | $ 10,612,393 |
| Total profit/(loss) attributable to shareholders | (369,477) | 14,510,720 | 5,597,275 |
| Basic earnings/(loss) per share | (0.0116) | 0.4640 | 0.1782 |
| Diluted earnings/(loss) per share | (0.0116) | 0.4490 | 0.1734 |
| Total assets | 63,592,533 | 58,682,422 | 44,018,033 |
| Total non-curent financial liabilities | 23,072,325 | 7,317,339 | 16,376,904 |

## 6. Summary of Quarterly Results

The following table provides selected unaudited financial information for the past 8 quarters.

| | Three-months ended Mar. 31, 2024 | Three-months ended Dec. 31, 2023 | Three-months ended Sept. 30, 2023 | Three-months ended Jun. 30, 2023 | Three-months ended Mar. 31, 2023 | Three-months ended Dec. 31, 2022 | Three-months ended Sept. 30, 2022 | Three-months ended June 30, 2022 |
|---|---|---|---|---|---|---|---|---|
| Loan interest and royalty income | $2,005,586 | $1,882,908 | $ 1,697,147 | $ 1,843,406 | $ 1,691,481 | $ 2,263,790 | $ 1,676,567 | $ 2,089,569 |
| Income from changes in values of financial assets | (159,736) | (1,114,885) | (722,558) | 427,668 | (19,089) | 75,689 | (1,006,139) | 1,197,569 |
| Other income | 68,595 | 45,744 | 28,888 | 9,456 | 74,734 | 26,223 | (91) | 104,653 |
| **Total revenue** | **1,914,445** | **813,767** | **1,003,477** | **2,280,530** | **1,747,126** | **2,365,702** | **670,337** | **3,391,791** |
| Total profit (loss) for the period attributable to shareholders | 720,237 | (823,266) | 20,229 | 88,110 | 345,450 | 9,089,332 | 502,663 | 2,568,783 |

| | Three-months ended Mar. 31, 2024 | Three-months ended Dec. 31, 2023 | Three-months ended Sept. 30, 2023 | Three-months ended Jun. 30, 2023 | Three-months ended Mar. 31, 2023 | Three-months ended Dec. 31, 2022 | Three-months ended Sept. 30, 2022 | Three-months ended June 30, 2022 |
|---|---|---|---|---|---|---|---|---|
| Basic earnings / (loss) per share[1] | 0.0229 | (0.0257) | 0.0006 | 0.0028 | 0.0111 | 0.2905 | 0.0160 | 0.0822 |
| Diluted earnings /(loss) per share[1] | 0.0228 | (0.0257) | 0.0006 | 0.0028 | 0.0105 | 0.2765 | 0.0158 | 0.0800 |

The decline loan interest and royalty income in the quarters ended September 30, 2023, March 31, 2023, and September 30, 2022 versus the associated previous quarter was primarily on account of a timing difference between loan repayments at the end of the previous quarter and a delay in deploying the returned capital into a new investment during the quarter, which led to a drop in revenue during the quarter. This recovered as more capital was deployed in the subsequent quarters.

## 7. Liquidity and Capital Resources

At March 31, 2024, the Company's capital resources were $38,460,983, made up as follows:

| **Consolidated Statement of Financial Position Highlights** | March 31, 2024 | March 31, 2023 |
|---|---|---|
| Cash and cash equivalents | $ 7,832,068 | $ 10,045,381 |
| Investments at fair value | 49,472,511 | 40,968,160 |
| Total assets | 65,443,680 | 59,162,658 |
| Total liabilities | 26,982,697 | 20,728,679 |
| Share capital (31,374,363 common shares) | 52,448,703 | 52,092,001 |
| Warrants | - | 467,827 |
| Contributed surplus | 812,856 | 831,335 |
| Accumulated other comprehensive income | (237,984) | (227,380) |
| Accumulated Deficit | (14,562,592) | (14,729,804) |
| Total Equity | 38,460,983 | 38,433,979 |
| Book value per share | $ 1.226 | $ 1.2335 |

### *Working Capital*

Flow Capital's working capital at March 31, 2024 and December 31, 2023 was made up as follows:

| | **March 31, 2024** | **December 31, 2023** |
|---|---|---|
| Cash and cash equivalents | $ 7,832,068 | $ 5,222,829 |
| Investments at fair value – current portion | 14,902,235 | 22,394,870 |
| Prepaid expense and other receivable | 310,669 | 370,272 |
| Accounts payable and accrued expenses | (2,027,176) | (2,714,286) |
| Income tax payable | (189,727) | (151,091) |
| **Total** | **$ 20,828,069** | **$ 25,122,594** |

The Company's cash position at May 20, 2024 is approximately $5.8 million, and the Company is satisfied that it has sufficient cash resources to meet all current obligations and provide capital for the future growth of the business.

A summary of the contractual and other obligations as at March 31, 2024 were:

| **Contractual obligation** | **Total** | **Less than 1 year** | **1-6 years** | **Expected more than 6 year** |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 2,027,176 | $ 2,027,176 | $ - | $ - |
| Series I Preferred Shares | 1,100,001 | - | 1,100,001 | - |
| Dividend Series I Preferred Shares | 587,877 | 84,180 | 503,696 | - |
| Redeemable Debentures | 23,665,793 | **-** | - | 23,665,793 |
| Interest on Redeemable Debentures | 27,321,586 | 1,906,157 | 12,707,715 | 12,707,714 |
| **Total** | **$ 54,702,433** | **$ 4,017,513** | **$ 32,669,639** | **$ 36,373,507** |

## 8. Issuance of Debentures and Redemption of Priority Return Fund LP II

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

The Debentures will be 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 carry no right to participate in the earnings of the. No portion of the principal or interest outstanding under the Debentures may be repaid in securities of the Company.

On August 1, 2023, the Company redeemed all the outstanding Class F and Class G units of the PRF II at C$1 and US$1 each, respectively. Subsequently, on August 15, 2023, all the outstanding Class S units were redeemed and the capital contributions of Flow Capital and FISC were repaid on the winding up of PRF II.

## 9. Commitments, Contingencies, and Off-balance Share Arrangements

As at March31, 2024, Flow Capital had no commitments for material capital expenditures and no off-balance sheet arrangements. As at March 31, 2024, the only material contractual obligation was the redeemable debt (see Liquidity and Capital Resources).

## 10. Related Parties

### *Compensation*

**i)**

| | Three-months ended March 31, 2024 | Three-months ended March 31, 2023 |
|---|---|---|
| Short term employee benefits | $ 208,229 | $ 218,277 |
| Share-based compensation | 190,571 | 22,336 |
| **Total** | **$ 398,800** | **$ 240,613** |

*Other Transactions*

On September 30, 2020, the Company launched Priority Return Fund II LP. As at March 31, 2024, $nil (December 31, 2023 $nil) of the redeemable debt was held by key management personnel and a company with common directors, and interest of $nil was accrued and expensed on that redeemable debt during the three-month period ended March 31, 2024 (2023: $43,012).

On June 28, 2022, Company issued the first tranche of its Series I Class A preferred shares. As at March 31, 2024, 166,667 preferred shares with a face value of $500,001 (December 31, 2023 $500,001) were held by a director, and dividend of $11,469 was accrued and expensed on these preferred shares during the three-month period ended March 31, 2023 (2023: $11,342).

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 March 31, 2024. For the three month ended March 31, 2024, the Company earned interest income on these loans in the amount of $2,204 (March 31, 2023 - $262) at the CRA prescribed rate.

On August 1, 2023, the Company issued first tranche of its Debentures of multiple class. As at March 31, 2024, $1,974,295 (December 31, 2023- $1,820,955) of the debentures was held by key management personnel and a company with common directors, and interest of $49,686 was accrued and expensed on the debentures held by related parties, during the three month ended March 31, 2024 (2023 - $nil).

## 11. Internal Controls over Financial Reporting

The Company’s management, including the Chief Executive Officer and the Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## 12. Critical Accounting Estimates and Policies

***Financial Instruments***

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. In accordance with IFRS 9, the Company has classified and measured all financial assets, other than receivables and promissory notes, at fair value through profit and loss. Promissory notes, and financial liabilities such as accounts payable are classified and measured at amortized cost.

As at March 31, 2024, the maximum credit exposure for all financial assets excluding cash and cash equivalents and equity securities in investee companies was $51,634,438 (December 31, 2023: $50,441,427). The Company has foreign currency exposures to United States dollars. The transaction exposure will be minimized by converting all foreign currency to Canadian dollars or using the funds for investments made in the United States. The Company is aware that a translation exposure exists and will continue to monitor the impact on its reported results and take the required hedging action when management considers it necessary. The Canadian Dollar equivalent amount of the foreign exchange exposure to US Dollar denominated net assets at March 31, 2024 was $14,470,638 (December 31, 2023: $21,072,434).

During the three-month period ended March 31, 2024,the change in measurements of the royalty agreements acquired and promissory notes receivable, recognized in the total comprehensive income (loss), were $(5,927) from adjustments to fair value of royalty investments, $(31,246) in provisions for losses on loan investments.

The Company holds equity investments in listed and unlisted entities. The equity investments include both common shares and warrants. For shares and warrants listed on a recognized stock exchange and traded actively, the fair value of the shares held was determined by reference to the closing share price. For unquoted equity investments, the fair value was determined using the valuation technique referred to as the market approach which uses transaction prices paid for an identical or similar instrument or comparable company valuation multiples. During the three-month period ended March 31, 2024, the impact from adjustments to fair value of equity investments recognized in the total comprehensive income (loss) was $(122,563).

Cash and cash equivalents are classified as subsequently measured at fair value through profit or loss. All cash and cash equivalents were invested in short-term high-quality liquid investments. In the opinion of management these measures ensure that the Company is not exposed to material credit or liquidity risks on these cash and cash equivalent balances.

All financial liabilities are measured using amortized cost.

Other than investments in share purchase warrants, at March 31, 2024 the Company does not hold any other financial derivatives either for hedging or speculative purposes.

An allowance for expected credit losses ("ECL") on loans recorded at amortized cost, is maintained based on 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 or, to assess if the collateral offered by the security position held by the Company is sufficient and if needed, record an impairment. Changes to the ECL are recorded in revenue from financial assets. Any changes in the estimates or inputs utilized to determine the ECL allowance could result in a significant impact on the Company's future operating results or on other components of book value.

## 13. Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares, without nominal or par value, and 2,252,252 Series I Class A preferred shares with a face value of $3 per share. and no other classes of shares.

As of May 21, 2024, there were issued and outstanding: (a) 30,752,863 Common Shares; (b) 366,667 Series I Class A Preferred Shares; (c) 2,757,759 options under the company's stock option plan to acquire common shares, at a weighted average exercise price of $0.54; (d) 1,040,834 Performance Stock Units tied to certain performance and market-based metrics for vesting.

### *Normal Course Issuer Bid*

The Normal Course Issuer Bid ("NCIB") Initiated by the Company on October 13, 2022 expired/terminated on October 12, 2023. Between October 13, 2022, and October 12, 2023, the Company purchased 1,946,500 shares at an average price of $0.5562, under the NCIB.

The Company initiated a NCIB on November 23, 2023. The NCIB will terminate upon the earliest of (i) the Company purchasing 2,440,774 common shares, (ii) the Company providing notice of termination of the NCIB, and (iii) November 24, 2024. 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 three-monh ended March 31, 2024, 244,000 shares were purchased under the NCIB at a weighted-average price per share of $0.4813 for a total cost of $117,437 (2023 – 182,000 common shares repurchased at a weighted-average price per share of $0.5685 for a total cost of $103,467), Between April 1, 2024, and May 21, 2024, the Company purchased 621,500 shares at an average price of $0.5043. All common shares purchased by the Company under the NCIB are returned to treasury and cancelled.

## 14. Risk Factors

An investment in the Company's securities should only be considered by those investors who can afford a total loss of their investment. The risks presented below should not be considered as exhaustive and may not represent all the risks that the Company may face. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the Company's business operations. If any of the risks described below or in the Company's other public filings occur (including the risks discussed in the management information circular of the Company) the Company's business, financial condition, results of operation or prospects could be materially adversely affected and the Company's ability to satisfy its obligations, pay dividends or continue as a going concern could be threatened.

### Dependence on the Performance of Investee Companies

The Company will be dependent on the operations, assets and financial health of the companies to which loans are advanced. The ability to meet operating expenses in the long-term will be largely dependent on the loan interest received from investee companies and realized gains on exits which will be the primary sources of cash flow. Loan interest payments will generally be based as a percentage of the principal amount advanced. The failure of any investee company to fulfill its loan interest obligations could adversely affect the Company's results of operations, prospects or cash flow and could threaten the Company's business, financial condition, ability to satisfy its obligations, pay dividends, or continue as a going concern. The Company conducts due diligence on each of its investee companies prior to entering into agreements with them and monitors investee company activities by receiving and reviewing regular financial reports. Nonetheless, there is a risk that there may be some liabilities or other matters that are not identified through the due diligence or ongoing monitoring that may have an adverse effect on an investee company's business, and this could have a material adverse impact on the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern.

### Limited Number of Investee Companies and Concentration Risk

The Company has advanced funds against promissory notes and loan agreements from a small number of investee companies to date. While the intention is to make promissory notes investments in numerous companies in different technology and technology related industry sectors, it will take time to attain such diversification, if such diversification can be achieved at all. Until further diversification is achieved, the Company may have a significant portion of its assets dedicated to a single business sector or industry. In the event that any such business or industry is unsuccessful or experiences a downturn, this could have a material adverse effect on the Company's business, financial condition, and results of operations or prospects and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern.

### Limited Control Over Investee Company Management

Although loans do contain convenants and security provisions in the Company's favour, the Company does not have significant influence or control over any of the investee companies or their operations as the Company does not mandate board representation as a condition to investment. Interest payments received from the investee companies therefore depend upon several factors that may be outside of the Company's control.

### Risk of Payment Defaults under Promissory Notes

While the Company believes that the Company has structured, and will continue to structure promissory notes in such a way as to encourage payment of interest and discourage default, there is no guarantee that investee companies will not default on their interest payment obligations as a result of business failure, obligations to shareholders, obligations to lenders or to other investors or stakeholders, or that on the occurrence of a default by an investee company the Company will be able to recover all or any of the investment. Such failure could have a material adverse effect on the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations or pay dividends.

### Equity Risk

Equity risk is the potential for financial loss on shares held by the Company from declines or volatility in equity market prices. The Company's equity risk relates to all the shareholdings held by the Company. Accordingly, the Company has further exposure to equity risk as adverse fluctuations in the market value of such assets will result in corresponding adverse impacts on our revenue and profits.

### Volatility of Share Price

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility. A publicly traded company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Company's listed securities will trade cannot be predicted. The market price of the Company's listed securities could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Company makes, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the Company's listed securities. If as the Company expects, the Company is required to access capital markets to carry out its development objectives, the state of domestic and international capital markets and other financial systems could affect the Company's access to, and cost of, capital. Such capital may not be available on terms acceptable to the Company or at all, and this could have a material adverse impact on the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern.

### Financing Risks

The Company has some history of earnings from operations. Due to the nature of the Company's business, there can be no assurance that the Company will always be profitable. While the Company may generate additional working capital through equity or debt offerings or through the receipt of interest payments from the Company's investee companies, there is no assurance that such funds will be sufficient to facilitate the development of the Company's business as currently planned or, in the case of equity financings, whether such funds will be available on terms acceptable to us or at all.

### Outstanding Debt

Certain features of the Company's outstanding debt could adversely affect the Company's ability to raise additional capital, fund operations or pay dividends, could expose the Company to interest rate risks or limit the Company's ability to react to changes in the economy and its industry, or could prevent the Company from meeting certain of its business objectives.

### Dilution

The Company may be required to conduct additional equity financings to finance additional loan investments and develop the Company's business as currently planned, if suitable credit facilities are not available. Any further issuance of equity shares pursuant to such equity financings will dilute the interests of existing shareholders, and existing shareholders will have no pre-emptive rights in connection with any such future issuances.

### Ability to Negotiate Additional Promissory Notes

A key element of the Company's growth strategy involves writing promissory notes to new investee companies. The Company's ability to identify investee companies and acquire additional promissory notes is not guaranteed. Achieving the benefits of future investments will depend in part on successfully identifying and capturing such opportunities in a timely and efficient manner and in structuring such arrangements to ensure a stable and growing stream of revenues.

### Ability to Manage Future Growth

The ability to achieve desired growth will depend on the Company's ability to identify, evaluate and successfully negotiate new promissory notes from investee companies. Achieving this objective in a cost-effective manner will be a product of the Company's sourcing capabilities, the management of the investment process, the ability to provide capital on terms that are attractive to potential investee companies and the Company's access to financing on acceptable terms. As the Company grows, the Company will also be required to hire, train, supervise and manage new employees. Failure to effectively manage any future growth or to successfully negotiate suitable new promissory notes could have a material adverse effect on the Company's business, financial condition, and results of operations or prospects and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern.

### Exercise of Prepayment Option on Loans

Most loan agreements with investee companies contain or will contain prepayment options which allow investee companies to prepay the loan by paying an interest penalty.

While the prepayment provisions are designed to produce enhanced returns, if the Company has miscalculated the value of a buyout relative to the ongoing value of a lost loan interest stream, the return on an investment may be lower than expected, which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations or pay dividends. In addition, if the lost loan interest stream is not replaced with a new loan interest stream on a timely basis, there will be a reduction in the Company's revenues in the financial periods following the exercise of the prepayment which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations or pay dividends.

### Risks Facing Investee Companies

As previously noted, the financial condition and results of operations will be affected by the performance of the companies in which the Company invests capital through loan investments. Each investee company will also be subject to risks which will affect their financial condition. Given that the Company is not privy to all aspects of the businesses in which we will make future investments, it is impossible to predict exactly what risks investee companies will face. Nonetheless, the Company expects that typical risks which companies might face include the following:

- Investee companies may need to raise capital through equity or debt financing. Such equity or debt may impair the ability of the investee companies to finance their future operations and capital needs. Flexibility to respond to changing business and economic conditions and to business opportunities may thereby be limited.
- The success of the Company's investee companies may depend on the management talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on an investee company.
- Investee companies may require additional working capital to carry out their business activities and to expand their businesses. If such working capital is not available, the financial performance and development of the businesses of the investee companies may be adversely affected.
- Damage to the reputation of the brands of the investee companies could negatively impact consumer opinion of those companies or their related products and services, which could have an adverse effect on their businesses.
- Investee companies may face intense competition, including competition from companies with greater financial and other resources, more extensive development, manufacturing, marketing, and other capabilities. There can be no assurance that the investee companies will be able to successfully compete against their competitors or that such competition will not have a material adverse effect on their businesses.

- Investee companies may experience reduced revenues with the loss of a customer representing a high percentage of their monthly revenues.
- Investee companies may experience reduced revenues due to an inability to meet regulatory requirements or may experience losses of revenues due to unforeseeable changes in regulations imposed by various levels of government.
- Investee companies may rely on government or other subsidy programs for revenue or profit generation. Changes or elimination of such programs may have an adverse effect on the company.
- Investee companies may derive some of their revenues from non-domestic sources and may experience negative financial results based on foreign exchange losses.

### Impact of Regulation and Regulatory Changes

The Company and investees are subject to a variety of laws, regulations, and guidelines in the jurisdictions in which the Company and investees operate and may become subject to additional laws, regulations and guidelines in the future in such jurisdictions. The financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have a material adverse effect on the business, resources, financial condition, results of operations and cash flow of the Company and the investee companies and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern. Such laws and regulations are also subject to change, and it is impossible for us to predict the cost or impact of changes to such laws and regulations on its future operations.

### Foreign Account Tax Compliance

The *Foreign Account Tax Compliance Act* ("**FATCA**") is U.S. tax legislation that came into effect on July 1, 2014. FATCA generally imposes certain U.S. reporting and information gathering requirements, as well as a 30 percent withholding tax applied to certain payments received by a "foreign financial institution". Specifically, with respect to a Canadian entity, FATCA (as modified by the intergovernmental agreement between Canada and the United States, the "**IGA**", and the *Income Tax Act* (Canada) and the regulations thereunder (the "**Tax Act**")) requires a "reporting Canadian financial institution" to, amongst other things: (a) report to the Canada Revenue Agency (the "**CRA**") certain information regarding its U.S. holders and certain U.S. persons that indirectly hold interests in such reporting Canadian financial institution (other than equity and debt interests that are regularly traded on an established securities market); and (b) comply with certain reporting, verification, due diligence and other procedures established by the U.S. Internal Revenue Service (the "**IRS**") and/or the CRA.

Further, unless a reporting Canadian financial institution complies with the FATCA reporting requirements (as modified by the IGA), it may be subject to 30 percent tax on certain payments it receives from U.S. withholding agents.

A Canadian entity that is not a financial institution generally will be a non-financial foreign entity ("**NFFE**"). An NFFE does not have registration requirements on the IRS portal but may face a similar 30 percent FATCA withholding on certain payments unless it provides certain documentation to applicable withholding agents.

Pursuant to the IGA, the Tax Act and published CRA guidance, we may be a reporting Canadian financial institution. We will continuously monitor any future guidance from the IRS and/or the CRA and will comply with any future changes in guidance as they relate to us to ensure that we are fully compliant with any differing or additional requirements that such guidance may dictate.

### Tax Matters

The validity and measurement of tax benefits associated with various tax positions taken or expected to be taken in our tax filings are a matter of tax law and are subject to interpretation. Tax laws are complex, and their interpretation requires significant judgement. The provision for income taxes reflects management's interpretation of the relevant tax laws and its best estimate of income tax implications of the transactions and events during the period. There can be a risk that tax authorities could differ in their interpretation of the relevant laws and could assert that tax positions taken by the Company give rise to a need for reassessment, including reassessment under specific or general anti-avoidance rules.

The assessment of additional taxes, interest and penalties or damage to the Company's reputation could be materially adverse to our future results of operations or financial position.

Under the liability method of accounting for income taxes, deferred tax assets are recognized for the carry forward of unused tax losses and tax credits, as well as amounts that have already been recorded in the financial statements but will not result in deductible amounts in determining taxable income until future periods. Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the future tax deductions and unused tax losses can be utilized.

At the end of each reporting period, we must assess the value of our deferred tax assets. The determination of our deferred tax assets is dependent upon projections of future taxable profits. Our projections require significant judgements and estimates about future events, including global economic conditions and the future profitability of the business. If the profitability of our business is lower than our projections or if our outlook diminishes significantly, we may be required to reduce the value of our deferred tax assets. Any change to our deferred tax assets could have a material adverse impact on our future results of operations or financial position.

From time to time, there are changes to statutory corporate income tax rates. These changes require the Company to review and re-measure our deferred tax assets and liabilities as of the date of substantive enactment. Any future tax rate decreases could result in a reduction in the carrying value of the deferred tax asset and a corresponding income tax expense at the time of substantive enactment of a rate reduction.

### COVID-19 Variants Impact

It is not possible to reliably estimate the length and severity of the developments related to COVID-19 variants and future outbreaks and the ultimate impact on the financial results and condition of the Company in future period.

### PFIC Status for U.S. Investors

Generally, unfavourable rules may apply to U.S. investors who own and dispose of securities of a PFIC for any year during which the U.S. investor holds such securities (regardless of whether the company continues to be a PFIC), including, without limitation, increased tax liabilities under U.S. tax laws and regulations and additional reporting requirements. Specifically, if a non-U.S. entity is classified as a PFIC, any gain on disposition of securities of a PFIC and any "excess distribution" received by a U.S. holder would be: (i) deemed to have been earned rateably over the period such holder owns such securities: (ii) taxed at ordinary income tax rates; and (iii) subject to an interest charge for the deemed deferral in payment of the tax.

A non-U.S. entity will be a PFIC for any taxable year in which either (i) at least 75% of its gross income is passive income, or (ii) at least 50% of the value (determined on the basis of a quarterly average) of its assets is attributable to assets that produce or are held for the production of passive income.

The Company has not made, and does not expect to make, a determination as to whether it is or has ever been a PFIC. Consequently, there can be no assurance that the Company has never been a PFIC or will not become a PFIC for any tax year during which U.S. investors hold securities of the Company.

U.S. investors are urged to consult their own tax advisors regarding the possible application of the PFIC rules and the consequences of holding securities of the Company if the Company is treated as a PFIC for any taxable year in which a U.S. investor holds its securities.

### Competition from Other Investment Companies

The Company competes with a number of venture debt funds, mezzanine funds, commercial banks, and venture capital funds, and other sources of financing, including the public capital markets. Some of the Company's competitors are substantially larger and have considerably greater financial resources than the Company does. Competitors may have a lower cost of funds and many have access to funding sources and unique structures that are not available to the Company. In addition, some of the competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments than the Company. Pressure from the Company's competitors may have a material adverse effect on the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern**.**

### Impact of Quarterly and Annual Financial Reporting

There can be no assurance that the Company will be profitable on a quarterly or annual basis. The business strategies may not be successful. As a reporting company, the Company will be required to report financial results on an annual and quarterly basis. If the Company's business is not profitable, the market price of the Company's shares may decline.

### Payment of Dividends

There is uncertainty with respect to future dividend payments by the Company and the level thereof. Holders of the Company's common shares do not have a right to dividends on such shares unless declared by the Board of Directors of the Company. The declaration of dividends is at the discretion of the Board of Directors of the Company, even if the Company has sufficient funds, net of its liabilities, to pay such dividends, and the declaration of any dividend will depend on the Company's financial results, cash requirements, future prospects and other factors deemed relevant by the Board of Directors of the Company.

### Currency Fluctuations

Certain of the Company's interest payments may be paid and received in United States dollars and potentially other foreign currencies. The Canadian dollar relative to the United States dollar or other foreign currencies is subject to fluctuations. Failure to adequately manage foreign exchange risk could therefore adversely affect the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability satisfy its obligations or pay dividends.

### Reliance on Key Personnel

The Company's success will depend on the abilities, experience, efforts and industry knowledge of the Company's senior management and other key employees. The long-term loss of the services of any key personnel for any reason could have a material adverse effect on business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern. In addition, the growth plans may require additional employees, increase the demand on management and produce risks in both productivity and retention levels. The Company may not be able to attract and retain additional qualified management and employees as needed in the future. There can be no assurance that the Company will be able to effectively manage growth, and any failure to do so could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

### Conflicts of Interest

Certain of the Company's directors and officers will also serve as directors and/or officers of other companies. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such director may have a conflict of interest in accordance with the procedures set forth in applicable corporate legislation and under other applicable laws and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern.

### Effect of General Economic and Political Conditions

The Company's business, and the business of each of its investee companies, is subject to the impact of changes in national economic conditions including, but not limited to, recessionary or inflationary trends, equity market conditions, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. These economic conditions may be further affected by political events throughout the world that cause disruptions in the financial markets, either directly or indirectly. Adverse economic and political developments could have a material adverse effect on the business, financial condition, results of operations or prospects of the Company and its investee companies and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern.

### Sale of Common Shares by Existing Shareholders

If the Company's shareholders sell substantial amounts of the Company's shares in the public market, the market price of the Company's shares may decline.

### Legal Proceedings

In the normal course of business, the Company may be subject to lawsuits, claims, regulatory proceedings, and litigation for amounts not covered by the Company's liability insurance. Some of these proceedings could result in significant costs, whether or not resolved in the Company's favour.

### Analyst Reports

The trading price of the Company's common shares will be influenced by the research and other reports that industry or securities analysts publish about it, its business, its market or its competitors. If any of the analysts who cover the Company changes his or her recommendation regarding the Company's stock adversely or provides more favourable relative recommendations about the Company's competitors, the Company's stock price would likely decline. If any analyst who covers the Company were to cease such coverage or fail to regularly publish reports on the Company, the Company could lose visibility in the financial markets, which in turn could cause the stock price or trading volume to decline.

### Accounting Policies and Methods

The accounting policies and methods the Company utilizes determine how the Company reports its financial condition and results of operations, and they may require management to make estimates or rely on assumptions about matters that are inherently uncertain. Such estimates and assumptions may require revisions, and these changes may materially adversely affect the Company's business, financial condition, and results of operations or prospects. The Company accounts for its investments in financial assets under IFRS 9. IFRS 9 requires that certain investments be measured at fair value through profit or loss rather than amortized cost. Changes in the fair value of certain investments are recognized in consolidated comprehensive income (loss) reflecting market conditions. The Company may have to amend the valuation of its investment in an investee company if the value of such investee company declines, which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

## 15. Use of Non-IFRS Financial Measures

This MD&A contains references to recurring loan interest and royalty income, recurring free cash flow, and book value per share ("BVPS") as measures of the performance of the Company as a whole. These measures do not have any standardized meaning according to IFRS and do not have directly comparable IFRS measures therefore may not be comparable to similar measures presented by other companies.
These amounts are not performance measures as defined under IFRS and should not be considered either in isolation of, or as a substitute for, net earnings prepared in accordance with IFRS.

### Reconciliation of Non-IFRS Measures

The tables below reconcile loan interest and royalty income to recurring loan interest and royalty income and recurring free cash flow for the periods indicated.

Recurring Loan Interest and Royalty Income is an internally defined, non-IFRS measure calculated as Loan Interest and Royalty Income less Loan Amortization Income and one-time payments (e.g. prepayment fees).

| | Three-months ended March 31, 2024 | Three-months ended December 31, 2023 | Three-months ended September 30, 2023 | Three-months ended June 30, 2023 | Three-months ended March 31, 2023 |
|---|---|---|---|---|---|
| Loan Interest and Royalty Income | $ 2,005,586 | $ 1,882,908 | $ 1,697,147 | $ 1,843,406 | $ 1,691,481 |
| Less: Loan Amortization Income | (248,033) | (236,251) | $ (195,054) | $ (235,357) | $ (182,044) |
| Less: One-time payments | - | - | $ - | $ (161,844) | $ - |
| Total Adjustments | (248,033) | (236,251) | $ (195,054) | $ (397,201) | $ (182,044) |

| | Three-months ended March 31, 2024 | Three-months ended December 31, 2023 | Three-months ended September 30, 2023 | Three-months ended June 30, 2023 | Three-months ended March 31, 2023 |
|---|---|---|---|---|---|
| Recurring Loan Interest and Royalty Income | $ 1,757,553 | $ 1,646,657 | $ 1,502,093 | $ 1,446,205 | $ 1,509,437 |

Recurring Free Cash Flow is an internally defined, non-IFRS measure calculated as Recurring Loan Interest and Royalty Income less Salaries, Professional fees, Office and general administrative and Financing expense.

| | Three-months ended March 31, 2024 | Three-months ended December 31, 2023 | Three-months ended September 30, 2023 | Three-months ended June 30, 2023 | Three-months ended March 31, 2023 |
|---|---|---|---|---|---|
| Recurring Loan Interest and Royalty Income | $ 1,757,553 | $ 1,646,657 | $ 1,502,093 | $ 1,446,205 | $ 1,509,437 |
| Less: Salaries | 427,280 | 463,971 | 426,714 | 411,828 | 376,606 |
| Less: Professional fees | 99,100 | 18,167 | 132,767 | 276,601 | 213,652 |
| Less: One time non cash expense | - | 538,640 | - | - | - |
| Less: Office and general administrative | 171,202 | (336,873) | 180,284 | 187,408 | 175,211 |
| Less: Financing Expense | 644,120 | 624,869 | 525,387 | 443,472 | 445,212 |
| Total Adjustments | 1,341,702 | 1,308,774 | 1,265,152 | 1,319,309 | 1,210,681 |
| Recurring Free Cash Flow | $ 415,851 | $ 337,883 | $ 236,941 | $ 126,896 | $ 298,756 |

## 16. Forward-Looking Information

This MD&A and documents incorporated by reference contain certain “forward-looking information” within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only the Company’s beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company’s control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or may contain statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “will continue”, “will occur” or “will be achieved”. The forward-looking information contained herein may include, but is not limited to, information with respect to: prospective financial performance; including the Company’s opinion regarding the current and future performance of its portfolio, expenses and operations; anticipated cash needs and need for additional financing; anticipated funding sources; future growth plans; loan investments; estimated operating costs; estimated market drivers and demand; business prospects and strategy; anticipated trends and challenges in the Company’s business and the markets in which it operates; the Company’s ability to pay dividends in the future and the amount and timing of those dividends; and the Company’s financial position. By identifying such information and statements in this manner, the Company is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance, or achievements of the Company to be materially different from those expressed or implied by such information and statements.

An investment in securities of the Company is speculative and subject to a number of risks including, without limitation, risks relating to: the need for additional financing; the Company's ability to pay dividends in the future and the timing and amount of those dividends; the relative speculative and illiquid nature of an investment in the Company; the volatility of the Company’s share price; the Company’s limited operating history; the Company's ability to generate sufficient revenues; the Company's ability to manage future growth; the limited diversification in the Company's existing investments and the concentration of a significant amount of the Company's invested capital in a small number of investments; the Company's ability to negotiate additional loan investments from new investee companies; the Company's dependence on the operations, assets and financial health of its investee companies; the Company's limited ability to exercise control or direction over investee companies; potential defaults by investee companies and the unsecured nature of the Company's investments; the Company's ability to enforce on any default by an investee company; competition with other investment entities; tax matters, including the potential impact of the Foreign Account Tax Compliance Act on the Company; the potential impact of the Company being classified as a Passive Foreign Investment Company ("PFIC"); reliance on key personnel; dilution of shareholders’ interest through future financings; changes to the Company's accounting policies and methods; and general economic and political conditions, and the risks discussed herein. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information and forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

In connection with the forward-looking information and forward-looking statements contained in this MD&A, the Company has made certain assumptions. Assumptions about the performance of the Canadian and U.S. economies over the next 24 months and how that will affect the Company's business and its ability to identify and close new opportunities with new investees are material factors that the Company considered when setting its strategic priorities and objectives, and its outlook for its business.

Key assumptions include, but are not limited to: assumptions that the Canadian and U.S. economies relevant to the Company's investment focus, will remain on recession watch over the next 12 months; that while interest rates have increased dramatically in the past few quarters, and may increase further over the next few quarters, the subsequent moves will be more tempered; that the Company's existing investees will continue to make interest payments to the Company as and when required; that the businesses of the Company's investees will not experience material negative results; that the Company will continue to grow its portfolio in a manner similar to what has already been established; that tax rates and tax laws will not change significantly in Canada and the U.S.; that more small to medium private and public companies will continue to require access to alternative sources of capital; and that the Company will have the ability to raise required equity and/or debt financing on acceptable terms. The Company has also assumed that access to the capital markets will remain relatively stable, that the capital markets will perform with normal levels of volatility and that the Canadian dollar will not have a high amount of volatility relative to the U.S. dollar. In determining expectations for economic growth, the Company primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies. Although the Company believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements.

The forward-looking information and forward-looking statements contained in this MD&A are made as of the date of this MD&A, and the Company does not undertake to update any forward-looking information and/or forward-looking statements that are contained or referenced herein, except in accordance with applicable securities laws. All subsequent written and oral forward-looking-information and statements attributable to the Company or persons acting on its behalf is expressly qualified in its entirety by this notice.