

Flow Capital Corp.

Consolidated Financial Statements

For the year ended December 31, 2024



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Flow Capital Corp.

Opinion

We have audited the consolidated financial statements of Flow Capital Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information. (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be key audit matters to be communicated in our report.

Vancouver

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Vancouver, BC V6E 4G1
604.687.4747

Surrey

200 – 1688 152 St.
Surrey, BC V4A 4N2
604.531.1154

Tri-Cities

700 – 2755 Lougheed Hwy
Port Coquitlam, BC V3B 5Y9
604.941.8266

Victoria

320 – 730 View St.
Victoria, BC V8W 3Y7
250.800.4694

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Allowance for expected credit losses on loans receivable We draw attention to Notes 7 and 11 to the financial statements. As at December 31, 2024, the Company has recognized an expected credit loss allowance of \$4,186,002 relating to its loan receivable balance of \$57,086,396. The Company recognizes an allowance for expected credit losses based on an assessment of the risk of various counterparties to financial instruments failing to meet their contractual obligations and the expected loss given an event of default. We considered this a key audit matter due to: - the significant potential impact that the allowance for expected credit losses could have on the Company's total assets and net loss; and - the significant management estimates and judgments required to determine the inputs used in the Company's expected credit loss model and that these estimates and judgments are subjective. Auditing these estimates requires a high degree of judgment and subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of valuation specialists.	Our approach to addressing the matter included the following procedures, among others: - Evaluated the reasonableness of the probability of default and management's classification of its loans receivables and whether there had been a significant increase in credit risk by testing that the borrowers were current with their loan payments during the reporting period and assessed the borrowers' recent performance and financial condition; - Inspected the loan agreements and confirmed with borrowers to verify the types of security positions held by the Company; - Assessed the potential value of collateral offered by the security position held by the Company and the extent to which it would reduce the quantum of the loss in the event of default; - Based on third-party publicly available information, assessed the reasonableness of managements assessment of the allowance for expected credit losses on both individual loan receivables and the loan receivable portfolio as a whole; - With the assistance of a valuation specialists, evaluated the reasonableness of inputs used by management in the determination of the allowance for expected credit losses; and - Assessed the adequacy of the Company's financial statement disclosures relating to this matter.
Value of investments classified as fair value through profit or loss We draw attention to Notes 7 and 11 to the financial statements. As at December 31, 2024, the Company holds \$7,243,342 of investments that are classified at fair value through profit or loss. These investments consist of royalty investments, common shares that are publicly traded, common shares that are not publicly traded, and share purchase warrants. The common shares that are publicly traded are measured based on a quoted share price. The other investments classified at fair value through profit or loss are measured using various valuation models and techniques, including: Discounted cash flows models;	Our approach to addressing the matter included the following procedures, among others: - With the assistance of valuation specialists, - Evaluated the reasonableness of the valuation models and techniques selected by management; and - Assessed the reasonableness of the inputs used by management in estimating the fair value of its investments, including by: - developing a range of independent estimates for various inputs, such as discount rates and share price

- Black-Scholes Option Pricing Models;
- Revenue multiples; and
- Implied prices from historical transactions, adjusted where applicable.

We considered this a key audit matter due to:

- the significant carrying value of the Company's investments classified at fair value through profit or loss and the sensitivity a change in an input used in the applicable valuation model could have on the Company's total assets and net income; and
- the significant management estimates and judgments required to determine the inputs used in the valuation models and that these estimates and judgments are subjective.

Auditing these estimates requires a high degree of judgment and subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of valuation specialists.

- volatilities, revenue multiples and comparing those ranges to the inputs selected by management,
- testing the reasonableness of growth rates and other unobservable inputs by comparing these inputs to historical information and other applicable data, and
- testing the accuracy of observable inputs used by agreeing to the applicable source of the data;
- Performed sensitivity analysis;
- Performed recalculation of certain inputs in the valuation models for mathematical accuracy; and
- Assessed the adequacy of the Company's financial statement disclosures relating to this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Heather McGhie.

Dmcl.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 30, 2025

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

	Note	December 31, 2024	December 31, 2023
Assets			
Current Assets			
Cash	9	\$ 2,365,287	\$ 5,222,829
Accounts receivable & accrued income		146,883	-
Investments – current portion	11	11,295,905	22,394,870
Prepaid expenses and other receivables	10	430,345	370,272
Total Current Assets		14,238,420	27,987,971
Non-Current Assets			
Property and equipment	12	547	1,217
Transaction cost	16	399,439	-
Deferred tax asset	14	8,537,463	8,075,153
Investments – non-current portion	11	48,847,831	27,528,192
Total Non-Current Assets		57,785,280	35,604,562
Total Assets		\$ 72,023,700	\$ 63,592,533
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	13	\$ 1,922,966	\$ 2,714,286
Income tax liability		13,603	151,091
Preferred shares – current portion	15	366,667	-
Total Current Liabilities		2,303,236	2,865,377
Non-Current Liabilities			
Preferred shares – non current portion	15	733,334	1,100,001
Revolving credit facility	16	4,316,700	-
Redeemable debt – non-current portion	15	27,773,954	21,972,324
Total Non-Current Liabilities		32,823,988	23,072,325
Total Liabilities		\$ 35,127,224	\$ 25,937,702
Shareholders' Equity (Note 17)			
Common shares		\$ 52,069,055	\$ 52,567,360
Contributed surplus		962,787	620,369
Accumulated other comprehensive loss		-	(250,069)
Accumulated deficit		(16,135,366)	(15,282,829)
Total Shareholders' Equity		36,896,476	37,654,831
Total Liabilities and Shareholders' Equity		\$ 72,023,700	\$ 63,592,533

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors on April 30, 2025:

“Vernon Lobo”
Vernon Lobo, Director

“Alan Torrie”
Alan Torrie, Director

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

		Year ended December 31, 2024	Year ended December 31, 2023
	Note		
Revenues			
Income from financial assets			
Loan interest and royalty revenue	18	\$ 9,305,658	\$ 7,114,942
Income from changes in values of financial assets	18	(6,110,894)	(1,428,862)
Total income from financial assets		3,194,764	5,686,080
Other interest, fee income and gains	18	491,306	158,820
Total Revenues		3,686,070	5,844,900
Operating Expenses			
Salaries, benefits and staffing costs	20	\$ 2,028,679	\$ 1,679,119
Restructuring costs	20	70,000	293,750
Share-based compensation	21	425,550	424,383
Depreciation		670	25,107
Professional fees		680,670	641,187
Office and general administrative		735,629	206,030
Total Operating Expenses		3,941,198	3,269,576
Operating Loss		\$ (255,128)	\$ 2,575,324
Financing expense	22	(3,008,130)	(2,038,940)
Foreign exchange gains and (losses)	19	1,864,727	(583,438)
Loss before income taxes		(1,398,531)	(47,054)
Income Taxes			
Current income tax (expense) recovery	14	\$ 83,684	\$ (456,183)
Deferred tax (expense) recovery	14	462,310	133,760
Total Income Tax		\$ 545,994	\$ (322,423)
Net Loss		\$ (852,537)	\$ (369,477)
Other comprehensive loss that may be subsequently reclassified to profit or loss			
Foreign currency translation		-	(25,039)
Comprehensive Loss		\$ (852,537)	\$ (394,516)
Loss per share (Note 23)			
<i>Loss per share</i>			
Basic loss per share		\$ (0.028)	\$ (0.012)
Diluted loss per share		\$ (0.028)	\$ (0.012)

See accompanying notes to the consolidated financial statements.

Flow Capital Corp.
Consolidated Statements of Changes in Shareholders' Equity
(Canadian dollars)

	Note	Number of common shares	Common share capital	Accumulated other comprehensive loss	Warrants	Contributed surplus	Accumulated deficit	Total
Balance, January 1, 2023		31,290,610	\$ 52,164,711	\$ (225,030)	\$ 477,496	\$ 798,504	\$ (15,075,254)	\$ 38,140,427
Shares issued								
Options exercised		929,308	602,518	-	-	(602,518)	-	-
Warrants exercised		1,631,945	1,033,650	-	(315,594)	-	-	718,056
Warrants expired	17	-	-	-	(161,902)	-	161,902	-
Share-based compensation						424,383		424,383
Treasury shares cancelled	17	(2,233,500)	(1,222,351)	-	-	-	-	(1,222,351)
Share cancellation cost		-	(11,168)	-	-	-	-	(11,168)
Foreign currency translation		-	-	(25,039)	-	-	-	(25,039)
Net income for the year		-	-	-	-	-	(369,477)	(369,477)
Balance, December 31, 2023		31,618,363	\$ 52,567,360	\$ (250,069)	\$ -	\$ 620,369	\$ (15,282,829)	\$ 37,654,831
Balance, January 1, 2024		31,618,363	\$ 52,567,360	\$ (250,069)	\$ -	\$ 620,369	\$ (15,282,829)	\$ 37,654,831
Shares issued								
Options exercised		189,500	87,631	-	-	(83,131)	-	4,500
Share-based compensation	17	-	-	-	-	425,549	-	425,549
Treasury shares cancelled	17	(1,107,500)	(580,398)	-	-	-	-	(580,398)
Share cancellation cost		-	(5,538)	-	-	-	-	(5,538)
Foreign currency translation		-	-	250,069	-	-	-	250,069
Net loss for the year		-	-	-	-	-	(852,537)	(852,537)
Balance, December 31, 2024		30,700,363	\$ 52,069,055	\$ -	\$ -	\$ 962,787	\$ (16,135,366)	\$ 36,896,476

See accompanying notes to consolidated financial statements.

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

	Note	Year ended December 31, 2024	Year ended December 31, 2023
Cash flows from operating activities			
Net loss		\$ (852,537)	\$ (369,477)
<i>Adjustments for non-cash items</i>			
Share-based compensation		425,550	424,383
Depreciation		670	25,107
<i>Adjustments relating to investments at carrying value</i>			
Unrealized foreign exchange loss (gain)		(307,560)	656,295
Adjustments to fair value and expected credit losses		6,180,872	(324,606)
Realized loss on investments written-off		468,506	1,860,000
Realized (gain) on sale of investments		(590,174)	-
Gain on loan modification		51,691	(106,531)
New investments and loan advances		(28,794,014)	(12,587,495)
Loan amortization income		(1,022,796)	(848,706)
Amortization transaction cost		52,240	-
Loan interest and royalty revenue earned in excess of cash received		(290,749)	(61,894)
Proceeds received on sale of shares and loan repayments		15,783,769	2,053,107
<i>Other Adjustments</i>			
Financing expense		3,008,130	2,038,940
Income tax expense		(545,994)	322,423
Income tax paid		(225,831)	(876,164)
Tax refund receivable		(127,589)	-
Dividend receivable		(6,643,398)	-
Dividend received		6,673,389	-
Changes in working capital items	25	(1,025,699)	1,477,195
Net Cash Flows used in Operating Activities		(7,781,524)	(6,317,423)
Cash flows from financing activities			
Common shares repurchased for treasury		(585,936)	\$ (1,233,519)
Lease liability payments		-	(22,554)
Interest paid		(2,941,741)	(1,841,156)
Advance from revolving credit facility, net of transaction costs		3,731,345	-
Redemption of redeemable debt		-	(147,000)
Debentures redeemed		(6,749,332)	(280,280)
Redemption of preference shares		-	(120,000)
Debentures issued		11,368,712	4,988,200
Common shares issued		4,500	718,056
Net Cash flows from Financing Activities		4,827,548	2,061,747
Foreign exchange impact on cash		\$ 96,434	\$ (82,105)
Net decrease in cash during the year		(2,857,542)	(4,337,781)
Cash, beginning		5,222,829	9,560,610
Cash, ending		\$ 2,365,287	\$ 5,222,829

See accompanying notes to the consolidated financial statements.

Flow Capital Corp.
Notes to the Consolidated Financial Statements
In Canadian dollars, for the year ended December 31, 2024

1. Corporate information and nature of business

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 303, 47 Colborne Street, Toronto, Ontario, M5E 1P8.

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

Legal name	Legal status	Ownership interest %
Flow Investment Services Corp. (formerly LOGiQ Asset Management Ltd.)	Subsidiary of Flow Capital, Canada	100

On September 30, 2024, Flow Capital wound up several inactive subsidiaries consisting of Flow Investment Holdings Corp, LogiQ Capital 2016, Tuscaora Capital Inc, Flow Capital Partnership Holding Corp, and Flow Priority Return Fund II LP. The US subsidiary was wound up on October 31, 2024.

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.

2. Basis of presentation

The financial statements have been prepared on a historical cost basis, except for cash, and investments at fair value 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, Flow Investment Services Corp., Flow Investment Holdings Corp., LogiQ Capital 2016, Tuscaora Capital Inc., Flow Capital Partnership Holdings Corp., and Flow Priority Return Fund II. The functional currency of the Company's subsidiary Flow Capital US Corp. is the 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 consolidated financial statements have been prepared based on IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were approved and authorized by the Board of Directors on April 30, 2025.

3. Material accounting policy information

(A) Basis of consolidation

The financial statements of all entities controlled by the Company are included in the consolidated financial statements from the date control commenced. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company's subsidiaries have the same reporting date as the Company. Intra-group balances and transactions are eliminated on consolidation.

(B) Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the foreign currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. All differences are taken to the consolidated statements of comprehensive income and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Flow Capital Corp.
Notes to the Consolidated Financial Statements
In Canadian dollars, for the year ended December 31, 2024

Translation to the Presentation Currency

Prior to wind up financial statements of the US subsidiary were translated from its functional currency to Canadian dollars. Assets and liabilities were translated at the closing exchange rate at the statement of financial position date, and income and expenses translated using the average exchange rates. The accumulated gains or losses arising from translation of functional currencies to the presentation currency, were included as a separate component of Other Comprehensive Income within equity.

(C) Revenue recognition

Income from investments

i) Loan interest and royalty revenue

Loan interest and royalty revenue are recognized in the statement of comprehensive income when earned and collection is probable.

ii) Adjustments to fair value

Adjustments to fair value of the investments measured at fair value through profit and loss is recognized in the statement of comprehensive income under Adjustments to fair value. The change in the fair value consists of gains or losses both realized and unrealized in the fair value of the investment.

iii) Realized gain (loss) from sale of investments and realized loss from investments written-off

Realized gain (loss) from sale of investments is recognized in the statement of comprehensive income when an investee buyout occurs or when gains or losses are incurred on the sale of equity instruments. Realized loss from investments written-off is recognized at the date the investment is written off when there is no expectation of any recovery in the future.

iv) Allowance for expected credit losses

An allowance for expected credit losses ("ECL") 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.

Other interest, fee income and gains (losses)

Other interest income includes interest income earned on short term money market investments. Other interest income, one-time fee income and gains is accrued in the statement of comprehensive income when earned and is presented in Other interest, fee income and gains.

(D) Taxes

Current income tax

Current income tax assets and liabilities for the respective period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of any deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority.

(E) Financial instruments

(i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit or loss. A financial asset is measured at amortised cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, ii) the contractual terms of the financial asset give rise on

Flow Capital Corp.
Notes to the Consolidated Financial Statements
In Canadian dollars, for the year ended December 31, 2024

specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and iii) is not designated as fair value through profit or loss.

For investments at fair value, the Company has determined that these assets must be classified as financial assets measured at fair value through profit or loss as the contractual terms of the agreements do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company also classifies equity-accounted investments and cash as fair value through profit and loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in the statement of comprehensive income and loss. Cash and investments in royalties and equity securities are classified within these categories.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Accounts receivable and loans receivable are classified as measured at amortized cost.

(ii) Derecognition

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities are accounts payable and accrued liabilities, redeemable debt and preferred share liability, which are recognized on an amortized cost basis.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. Typically, fair value is determined by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs. When observable valuation inputs are not available, significant judgement is required through determining the valuation technique to apply, the valuation techniques such as discounted cash flow analysis and selecting inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value. A description of the fair value methodologies and assumptions by type of asset is included in Note 7.

(vi) Transaction costs

Transaction costs for financial instruments classified as fair value through profit and loss are recognized as an expense in professional fees, in the period the cost was incurred. For all financial instruments measured at amortized cost, the transaction costs are included in the initial measurement of the financial asset or financial liability and are amortized using the effective interest rate method over a period that corresponds with the term of the financial instruments.

(vii) Embedded Derivatives

For financial liabilities measured at amortized cost, under certain conditions, an embedded derivative must be separated from its host contract and accounted for as a derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. For financial assets at fair value through profit or loss, any embedded derivatives are not separated from its host contract.

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(F) Cash

Cash in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

The Company uses the indirect method of reporting cash flow from operating activities.

(G) Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in the statement of comprehensive income or loss.

(H) Earnings per share

Basic earnings per share is calculated by dividing the income or loss for the period by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating the dilutive effect of the outstanding stock options and other dilutive securities. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted income or loss per share assumes that the proceeds to be received on the exercise of dilutive share options are used to repurchase common shares at the average market price during the period.

(I) Share-based compensation

The Company has a share-based compensation plan. The Company accounts for share-based compensation options and Performance Stock Units ("PSUs") granted to employees and consultants using the fair value method. Under this method, compensation expense for share-based compensation granted is measured at the fair value at the grant date, using a Black-Scholes Option Pricing Model. In accordance with the fair value method, the Company recognizes estimated compensation expense related to share-based compensation over the vesting period of the options granted, with the related credit being charged to contributed surplus. Consideration paid by employees on the exercise of share-based compensation is recorded as share capital and the related share-based compensation is transferred from contributed surplus to share capital.

4. Significant accounting judgements, estimates, and assumptions

Investments 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 and equity securities. 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 7.

Royalty agreements

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, the term of the agreement is normally perpetual, and the royalty amount received can be dependent on the revenues of the investee. The term of the royalty agreement can also be influenced by the termination of the royalty agreement after a contract buyout event. As a result, uncertainties exist as to how long the agreements will exist and the royalty payment income that will be received. The Company is primarily focused on building a portfolio of investments in companies that have carried on business for several years and have a demonstrable history of revenues. This enables the Company to use historical revenues as the starting base for estimating expected cash flows from an investment. Those royalty agreements that contain a provision requiring an investee company to make a minimum monthly royalty payment provide the Company with a strong indication of what expected cash flows under the royalty agreement should be over time. In addition to historical revenues of investee companies, the Company also considers other factors, such as external market factors, future performance, and industry performance, in estimating expected cash flows from an investment.

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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 7.

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.

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. Refer to note 13 for additional information relating to this estimate.

5. 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.

IFRS 18, Presentation and Disclosure in Financial statements

On 9 April 2024, the IASB issued a new standard – IFRS 18, 'Presentation and Disclosure in Financial Statements' – in response to investors' concerns about the comparability and transparency of entities' performance reporting. The new requirements introduced in IFRS 18 will help to achieve comparability of the financial performance of similar entities, especially related to how 'operating profit or loss' is defined. The new disclosures required for some management-defined performance measures will also enhance transparency.

The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information. The changes in presentation and disclosure required by IFRS 18 will require system and process changes for Flow and we will start preparing now to be ready for adoption.

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6. Accounting Standard Changes

IAS 1, Presentation of Financial Statements

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

- Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
- Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- Clarifying how lending conditions affect classification; and
- Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity investments.

The amendment is effective for annual periods beginning on or after January 1, 2024. There was no impact to the financial statements as a result of this amendment.

7. 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 held 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, royalty agreements, 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
December 31, 2024				
Cash	\$ 2,365,287	\$ -	\$ -	\$ 2,365,287
Royalty agreements	-	-	2,079,296	2,079,296
Equity securities in investee companies	787,040	-	4,377,006	5,164,046
	\$ 3,152,327	\$ -	\$ 6,456,302	\$ 9,608,629
	Level 1	Level 2	Level 3	Total
December 31, 2023				
Cash	\$ 5,222,829	\$ -	\$ -	\$ 5,222,829
Royalty agreements	-	-	3,624,082	3,624,082
Equity securities in investee companies	390,953	-	4,465,613	4,856,566
	\$ 5,613,782	\$ -	\$ 8,089,695	\$ 13,703,477

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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, 2023	Total losses recognized in profit or loss	Investments	Buyouts and Redemptions	Balance at December 31, 2024
Royalty agreements	\$ 3,624,082	\$ (132,156)	\$ 117,439	\$ (1,530,069)	\$ 2,079,296
Equity securities in investee companies	4,465,613	(1,980,421)	1,891,814	-	4,377,006
Total	\$ 8,089,695	\$ (2,112,577)	\$ 2,009,253	\$ (1,530,069)	\$ 6,456,302

	Balance at December 31, 2022	Total losses recognized in profit or loss	Investments	Buyouts and Redemptions	Balance at December 31, 2023
Royalty agreements	\$ 4,023,033	\$ (325,562)	\$ (40,632)	\$ (32,757)	\$ 3,624,082
Equity securities in investee companies	4,735,354	(718,462)	448,721	-	4,465,613
Total	\$ 8,758,387	\$ (1,044,024)	\$ 408,089	\$ (32,757)	\$ 8,089,695

The valuation technique used to determine the fair value of the royalty agreements is a discounted cash flow model. The most significant unobservable inputs used in the valuation are the discount rate (range is between 18.2%-20%), growth rate of the revenues of the investee (range is between -3% 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 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 December 31, 2024 as follows:

December 31, 2024		December 31, 2024	
Revenue growth rate -1%	Revenue growth rate +1%	Discount rate -1%	Discount rate +1%
\$ (8,597)	\$ 8,597	\$ 55,554	\$ (49,196)

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, which includes common shares and warrants to purchase shares 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 December 31, 2024, 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.

December 31, 2024		December 31, 2024	
Share price 10% lower	Share price 10% higher	Volatility 10% lower	Volatility 10% higher
\$ (476,443)	\$ 638,683	\$ (139,223)	\$ 350,415

c) Loans receivable measured at amortized cost

Loans receivable are recorded at amortized cost net of expected credit losses. The carrying amounts at December 31, 2024 and December 31, 2023 are \$52,900,394 and \$41,442,414, respectively, and approximate the fair value.

The following table summarizes loans receivable assessed at each stage of impairment (refer note 8) and the expected credit loss allowance, at December 31, 2024 and December 31, 2023.

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December 31, 2024	Stage 1	Stage 2	Stage 3	Total
Loans receivable at amortized cost	\$ 50,971,071	\$ 2,518,075	\$ 3,597,250	\$ 57,086,396
Allowance for expected credit losses	(579,942)	(777,273)	(2,828,787)	(4,186,002)
	\$ 50,391,129	\$ 1,740,802	\$ 768,463	\$ 52,900,394

December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Loans receivable at amortized cost	\$ 32,001,148	\$ 9,330,842	\$ 1,255,264	\$ 42,587,254
Allowance for expected credit losses	(124,566)	(485,556)	(534,718)	(1,144,840)
	\$ 31,876,582	\$ 8,845,286	\$ 720,546	\$ 41,442,414

A continuity of the allowance for expected credit losses for the years ended December 31, 2024 and 2023 is as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
Beginning of year	\$ 1,144,840	\$ 454,834
Increase in allowance for outstanding loans	3,041,162	690,006
End of year	\$ 4,186,002	\$ 1,144,840

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 December 31, 2024	Fair Value December 31, 2024	Carrying Amount December 31, 2023	Fair Value December 31, 2023
Financial liabilities				
Accounts payable and accrued liabilities	\$ 1,922,966	\$ 1,922,966	\$ 2,714,286	\$ 2,714,286
Revolving credit facility	4,316,700	4,316,700	-	-
Debentures	27,773,954	27,773,954	21,972,324	21,972,324
Series I Preferred Shares	1,100,001	1,100,001	1,100,001	1,100,001
Total	\$ 35,113,621	\$ 35,113,621	\$ 25,786,611	\$ 25,786,611

Accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The carrying value of the Debentures and Series I Preferred Shares approximate fair value, as they pay interest/ dividends at the market rates of interest.

8. 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. Approximately 95% of the Company's loan receivable investments earn interest at fixed rates and 5% earn interest at variable rates. Debentures incur interest at variable rates. The revolving credit facility is exposed to interest rate risk due to its variability based on the secured overnight financing rate plus a commercially reasonable credit spread.

Equity price risk

In certain circumstances, the Company may exchange the loan and royalty investments for equity instruments in the investee company. The Company will also usually acquire share purchase warrants in investee companies when it advances loans. The Company held significant equity security interests in twenty eight investees, of which three are actively traded as the securities are listed on a recognized exchange. The fair value of the listed equity securities, similar to any other Level 1 asset, were measured using the quoted price of the

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shares by the numbers of shares held. The common shares and the warrants held in private companies 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 December 31, 2024 was \$5,164,046 (December 31, 2023: \$4,856,566). Refer to Note 7 for sensitivity analysis on equity price risk exposure at December 31, 2024.

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 cash, receivables and payables 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 December 31, 2024 was \$26,274,850 (December 31, 2023: \$21,072,434) United States dollars and a 1% movement in the exchange rate has an impact of \$262,749 (December 31, 2023: \$210,724) 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 and takes the form of a royalty or loan receivable, without limitation. The carrying amount of cash, 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 December 31, 2024 was \$57,652,246 (December 31, 2023 was \$50,441,427). 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 is moved to 'Stage 2' if one or more of the following criteria are evidenced, and there is no reasonable explanation from the investee company:

- The investee is more than 30 days but less than 90 days in arrears on its contractual payment obligations;
- Company management believes the cash resources available to the investee may not be sufficient to meet ongoing needs; or
- The investee has significantly underperformed the previously provided business plans / investment thesis.

A financial instrument is considered credit-impaired and is then moved to 'Stage 3' if:

- The investee is 90 days past due on contractual payments;
- The investee is in material breach of financial covenants.
- The investee is in long term forbearance; or
- The investee's assets and / or estimated equity value (subject to the Company's security position) is insufficient to cover the investment or if the investee is insolvent

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

The Company assigns each loan in the portfolio to a credit quality stage (Stage 1, Stage 2 or Stage 3). This credit quality staging is then used to calculate the lifetime ECL as the maximum loss in default adjusted for the probability of loss. The ECL is reviewed for each loan at each reporting period, to incorporate changes in macroeconomic and industry factors, and company specific information. The ECL is recorded as an allowance through the statement of comprehensive income and reported on the statement of financial position as a net amount of loans receivable.

The loans receivable are typically secured with a senior charge on the assets of the borrower, trademarks and any other intellectual property, and in some cases, with a pledge of the promoters shareholding in the venture. Currently, two of the loan investments are assessed as having a significant increase in credit risk and a further loan is considered credit impaired. At December 31, 2024, the Company has booked an allowance of \$4,186,002 (December 31, 2023: \$1,144,840).

Concentration risk

Concentration risk is the risk that a small number of investments represent a disproportionate share of the total investment portfolio, and the impairment of one or more investment with a higher weightage would present a disproportionately higher risk. The Company's approach to managing concentration risk is to ensure, as far possible, that capital allocation is balanced across investments and sectors such that no single investment / sector represents over 20% of the investment portfolio. The Company manages this risk by reviewing its

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investment portfolio, upcoming maturities, and pipeline qualification criteria to maintain this balance. At December 31, 2024, 3 investments each represented over 10% of the total carried value of the investment portfolio, at 10.60%, 13.92%, and 14.24%, respectively.

Liquidity risk

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

The following table summarizes the maturity of all financial liabilities as at December 31, 2024 and December 31, 2023 respectively:

Contractual obligations at December 31, 2024	< 1 year	1-2 years	3-6 years	Expected more than 6 year	Total
Accounts payable and accrued liabilities	\$ 1,922,966	\$ -	\$ -	\$ -	\$ 1,922,966
Redeemable debentures	-	-	-	27,773,954	27,773,954
Interest on redeemable debentures	2,678,700	5,357,401	8,036,101	10,714,802	26,787,004
Revolving credit facility	-	4,316,700	-	-	4,316,700
Interest – revolving credit facility	449,640	899,280	-	-	1,348,920
Series I Preferred Shares	366,667	-	733,334	-	1,100,001
Dividend Series I Preferred Shares	101,200	134,933	100,095	-	336,228
Total	\$5,519,173	\$ 10,708,314	\$ 8,869,530	\$ 38,488,756	\$ 63,585,773

Contractual obligations at December 31, 2023	< 1 year	1-2 years	3-6 years	Expected more than 6 year	Total
Accounts payable and accrued liabilities	\$ 2,714,286	\$ -	\$ -	\$ -	\$ 2,714,286
Lease Liability	-	-	-	-	-
Redeemable debentures	-	-	-	21,972,324	21,972,324
Interest on redeemable debentures	2,406,804	4,813,609	7,220,413	12,034,021	26,474,847
Series I Preferred Shares	-	-	1,100,001	-	1,100,001
Dividend Series I Preferred Shares	101,477	202,400	150,553	-	454,430
Total	\$ 5,222,567	\$5,016,009	\$8,470,967	\$34,006,345	\$52,715,888

Capital management

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

The Company's share capital is not subject to external restrictions. The capital of the Company comprises shareholders' equity, Debentures, and the Series I Class A Preferred Shares. Loan interest and royalty revenue, realized gains on equity securities 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. There have been no changes to the Company's approach to capital management during the year.

Disclosure of Externally Imposed Covenants

The Company is subject to externally imposed capital requirements under its revolving credit facility with TBK. These requirements are designed to ensure that the Company maintains an adequate level of capital to meet its obligations and manage risk effectively.

These requirements include maintaining a minimum interest coverage ratio of 1.25:1 and a minimum tangible net worth of C\$50,000,000. These metrics are measured on a quarterly basis and must be met to avoid defaults or restrictions under the terms of the credit facility.

The Company manages its capital requirements by monitoring and adjusting its financial structure to ensure compliance with the externally imposed capital requirements. This includes:

- Maintaining an optimal mix of debt and equity: Ensuring that the Company's financing structure aligns with the capital ratios required by the lenders.
- Managing liquidity and cash flows: Monitoring cash flows to ensure sufficient funds are available to meet obligations and debt service requirements.
- Regularly reviewing forecasts and financial projections: Ensuring that the Company stays within the required financial metrics throughout the year.

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Meeting the Objective of Managing Capital:

The Company's primary objective for managing capital is to ensure that it can continue as a going concern while maximizing shareholder value. This is achieved by:

- Maintaining a solid capital base to support its ongoing operations and strategic initiatives.
- Balancing risk and return by adjusting the capital structure to ensure compliance with covenants and maintain financial stability.
- Prioritizing long-term sustainability: The Company is committed to ensuring that its capital structure is sustainable in the long term, minimizing risks related to excessive debt and maintaining sufficient liquidity.

The Company has complied with all externally imposed capital requirements during the reporting period and has not experienced any breaches of the financial covenants.

9. Cash

	December 31, 2024	December 31, 2023
Cash held in bank accounts	\$ 2,365,287	\$ 5,222,829
	\$ 2,365,287	\$ 5,222,829

10. Prepaid expenses and other receivables

	December 31, 2024	December 31, 2023
Prepaid insurance, rent deposit and other prepaid expenses	\$ 270,123	\$ 218,171
Staff loans receivable	160,222	152,101
	\$ 430,345	\$ 370,272

11. Investments

a) Carrying value of investments

	December 31, 2024	December 31, 2023
Royalty agreements (at FVTPL)		
Expected within 1 year	\$ 1,219,599	\$ 2,493,016
Expected after more than 1 year	859,697	1,131,066
Total	\$ 2,079,296	\$ 3,624,082

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

	December 31, 2024	December 31, 2023
Loans receivable (at Amortized Cost)		
Due within 1 year	\$ 10,076,306	\$ 19,901,854
Due after more than 1 year	42,824,088	21,540,560
Total	\$ 52,900,394	\$ 41,442,414

At December 31, 2024, the portfolio of loans receivable have interest rates of 15% to 22% (2023: 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%.

	December 31, 2024	December 31, 2023
Equity securities in investee companies (at FVTPL)		
Expected exit within 1 year	\$ -	\$ -
Expected exit after more than 1 year	5,164,046	4,856,566
Total	\$ 5,164,046	\$ 4,856,566
Total carrying amount of investments	\$ 60,143,736	\$ 49,923,062

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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:

	December 31, 2024	December 31, 2023
Royalty agreements	\$ -	\$ 303,984
Loans receivable	52,314,320	40,723,198
	\$ 52,314,320	\$ 41,027,182

b) Equity securities in investee companies

	Fair Value Hierarchy	Cost December 31, 2024	Carrying amount December 31, 2024	Cost December 31, 2023	Carrying amount December 31, 2023
Common shares (publicly traded)	Level 1	\$ 1,933,723	\$ 787,040	\$ 1,350,389	\$ 390,953
Common shares (not publicly traded)	Level 3	688,655	536,135	354,448	-
Warrants (not publicly traded)	Level 3	4,709,430	3,840,871	3,154,279	4,465,613
Total		\$ 7,331,808	\$ 5,164,046	\$ 4,859,116	\$ 4,856,566

c) Movement during the period

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

Year ended December 31, 2024				
	Royalty agreements	Equity securities in investee companies	Loans receivable	Total
Balance as at December 31, 2023	\$ 3,624,082	\$ 4,856,566	\$ 41,442,414	\$ 49,923,062
Proceeds from exits	(1,530,069)	-	(14,253,700)	(15,783,769)
Gain /(loss) realized on recognized on exits	590,174	-	-	590,174
Losses from investments written off	-	-	(468,506)	(468,506)
Loss on loan modification	-	-	(51,691)	(51,691)
New investments	-	2,475,148	26,318,866	28,794,014
Royalty earned and payments received- net	117,439	-	25,610	143,049
Foreign exchange impact on the investment portfolio	(687,068)	362,439	2,480,109	2,155,480
Loan amortization income	-	-	1,022,796	1,022,796
Adjustment to fair value / expected credit losses	(35,262)	(2,530,107)	(3,615,504)	(6,180,873)
Balance as at December 31, 2024	\$ 2,079,296	\$ 5,164,046	\$ 52,900,394	\$ 60,143,736

Year ended December 31, 2023				
	Royalty agreements	Equity securities in investee companies	Loans receivable	Total
Balance as at December 31, 2022	\$ 4,023,033	\$ 5,072,497	\$ 31,713,870	\$ 40,809,400
Proceeds from exits	(32,757)	-	(2,020,350)	(2,053,107)
Gain on loan modification	-	-	106,531	106,531
Losses from investments written off	(1,860,000)	-	-	(1,860,000)
New investments	-	448,721	12,138,774	12,587,495
Royalty earned and payments received- net	(40,632)	-	102,526	61,894
Foreign exchange impact on the investment portfolio	(45,627)	(99,200)	(757,637)	(902,464)
Loan amortization income	-	-	848,706	848,706
Adjustment to fair value / expected credit losses	1,580,065	(565,452)	(690,006)	324,606
Balance as at December 31, 2023	\$ 3,624,082	\$ 4,856,566	\$ 41,442,414	\$ 49,923,062

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12. Property and equipment

	Right-of-use asset	Office equipment & furniture	Leasehold improvements	Total
Cost				
Balance at December 31, 2023	\$ 112,201	\$ 192,631	\$ 220,339	\$ 525,171
Additions	-	-	-	-
Balance at December 31, 2024	\$ 112,201	\$ 192,631	\$ 220,339	\$ 525,171
Accumulated depreciation				
Balance at December 31, 2023	112,201	191,414	220,339	523,954
Charge in period	-	670	-	670
Balance at December 31, 2024	\$ 112,201	\$ 192,084	\$ 220,339	\$ 524,624
Carrying amount				
At December 31, 2023	\$ -	\$ 1,217	\$ -	\$ 1,217
At December 31, 2024	\$ -	\$ 547	\$ -	\$ 547

13. Accounts payable and accrued liabilities

	December 31, 2024	December 31, 2023
Accounts payable	\$ 453,436	\$ 227,152
Accrued expenditures	771,427	971,457
Financing cost payable to holders of the Debentures	224,961	200,567
Financing cost payable to holders of the Preferred Shares	25,508	25,508
Financing cost payable to revolving credit line	41,995	-
Other liabilities	405,639	1,289,602
Total	\$ 1,922,966	\$ 2,714,286

During the year ended December 31, 2023, the Company reversed liabilities of \$538,640 as the likelihood that the Company would be required to make any payment to settle these liabilities was assessed as remote. The reversal is included in office and general administrative expenses.

14.

14. Income taxes

(a) Amounts recognized in statements of comprehensive income (loss)

	Year ended December 31, 2024	Year ended December 31, 2023
Income tax expense – current year	\$ (83,684)	\$ 194,608
Income tax expense (recovery) – prior year	-	261,575
Total current income tax expense (recovery)	(83,684)	456,183
Deferred tax expense (recovery)		
Origination and reversal of temporary differences in year	(462,310)	(133,760)
Recognition of deferred tax asset from prior period	-	-
Total deferred income tax expense (recovery)	(462,310)	(133,760)
Total income tax expense (recovery)	\$ 545,994	\$ 322,423

(b) Reconciliation of effective tax rate

	Year ended December 31, 2024	Year ended December 31, 2023
Net Income (Loss) before tax	\$ (1,398,531)	\$ (47,054)
Tax at the combined Canadian federal and provincial statutory tax rate of 26.5%	(370,611)	(12,469)
Adjustments related to prior year	-	261,575
Tax cost (benefit) of non-deductible expenses and non-taxable income	(228,786)	115,539
Tax consequences of undistributed profits of subsidiary	53,403	(42,222)
Incomes tax expense	\$ (545,994)	\$ 322,423

Flow Capital Corp.
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(c) Deferred tax asset (liability)

Balance at December 31, 2022	\$	7,941,393
Deferred tax recovery		133,760
Balance at December 31, 2023	\$	8,075,153
Deferred tax recovery		(462,310)
Balance at December 31, 2024	\$	8,537,463

The Company's recognized deferred tax assets (liabilities) relate to the Company's Canadian parent company and the details are as follows:

	December 31, 2024	December 31, 2023
Canadian non-capital loss carry-forwards	\$ 7,551,917	\$ 8,231,822
Investments	193,053	(659,456)
Property and equipment	469,421	441,240
Other deductible and taxable temporary differences	323,072	61,547
Net deferred tax asset	\$ 8,537,463	\$ 8,075,153

As at December 31, 2024, based on the long-term financial plan prepared by management, the Company forecasts that the non-capital losses and other deductible temporary differences can be utilized before their expiry date. Therefore, the Company has recognized the resulting deferred tax asset.

15. 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 ("PRF 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 PRF II and made a capital contribution of ten dollars for one GP unit. FISC controls all the relevant activities of the Priority Return Fund II through the PRF II LPA. The limited partners of the Priority Return Fund II appointed FISC as General Partner to administer all the activities of PRF II in accordance with the LPA. FISC has no contractual obligation to provide financial or other support to the Priority Return Fund II other than the services detailed in the LPA. FISC does not receive any consideration for the services provided to the Priority Return Fund II.

The purpose of the Priority Return Fund II is to raise capital for Flow Capital. Under the terms of the PRF II Limited Partnership Agreement ("PRF II LPA"), Pursuant to the terms of the PRF II LPA Flow Capital will subscribe for Class S units in the amount of 25% of the senior preferred units (A, B, F and G units) issued in each tranche of funds raised, giving rise to a maximum raise of \$20,000,000, excluding S units. In exchange for the investment amount raised, Flow Capital grants a royalty to the Priority Return Fund II. PRF II is considered a subsidiary of Flow Capital for the purposes of consolidation.

Under the LPA, A, B, F and G Unit investors will receive an amount equal to the lesser of the (i) sum of 9% per year, payable monthly, of the outstanding Investment Amount (the "Class A Return"), 8.25% per year, payable monthly, of the outstanding Investment Amount (the "Class B Return"), 10% per year, payable monthly, of the outstanding Investment Amount (the "Class F Return") and 9.25% per year, payable monthly, of the outstanding Investment Amount (the "Class G Return") or (ii) royalty and loan interest payments received by Flow Capital from the underlying royalty investments and promissory notes receivable. To date, the interest paid on the Class F and G units has been at the maximum rate of 10% and 9.25% per annum, respectively.

The A, B, F and G Units are pari passu senior units ranking in priority over the subordinated S units and any cash buyout payments received by Flow Capital from the Underlying Royalty Contracts will be used to redeem senior A, B, F and G units of PRF II held by investors in priority to subordinated units as and when such buyout payments are received by Flow Capital, until the preferred units are fully redeemed. If by the fifth anniversary of the establishment of PRF II there has been less than 50% in redemptions of senior A, B, 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.

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Flow Priority Return Fund II

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:

	Year ended December 31, 2024	Year ended December 31, 2023
Interest expense on PRF II Class F units	\$ -	\$ 259,292
Interest expense on PRF II Class G units	-	710,601
Total	\$ -	\$ 969,893

On August 1, 2023, the Company redeemed all the outstanding Class F and Class G units of the PRF II. 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 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.

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	Series F		Series F +		Series UF		Series UF +		Class A		
	# of units	Amount	# of units	Amount	# of units	Amount	# of units	Amount	# of units	Amount	Total
Balance at December 31, 2022	-	\$ -	-	\$ -	-	\$ -	-	-	-	\$ -	\$ -
Issued	5,293	5,293,000	3,420	3,420,000	8,029	10,579,813	2,205	2,905,529	-	-	\$22,198,342
Redeemed	(91)	(91,000)	-	-	(140)	(189,280)	-	-	-	-	(280,280)
FX impact	-	-	-	-	-	43,458	-	10,804	-	-	54,262
Balance at December 31, 2023	5,202	\$5,202,000	3,420	\$3,420,000	7,889	\$10,433,991	2,205	\$2,916,333	-	\$ -	\$21,972,324
Issued	1,958	1,957,640	7,762	7,762,164	249	325,657	863	1,193,452	125	125,000	11,363,913
Redeemed	(2,463)	(2,463,000)	(2,420)	(2,420,000)	(634)	(883,266)	(710)	(983,066)	-	-	(6,749,332)
FX impact	-	-	-	-	-	921,279	-	265,770	-	-	1,187,049
Balance at December 31, 2024	4,697	\$4,696,640	8,762	\$8,762,164	7,504	\$10,797,661	2,358	\$3,392,489	125	\$125,000	\$27,773,954

For the year ended December 31, 2024, \$2,701,021 was recorded as Interest (2023- \$958,864).

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. One of the investors redeemed his investments for \$120,000 on October 10, 2023, with \$1,100,001 outstanding as at December 31, 2024. For the year ended December 31, 2024, \$101,477 was recorded as dividend (2023- \$110,183) (also refer **Note 17**).

16. Revolving Credit Facility

On August 22, 2024 the Company entered into a loan agreement, for a revolving committed credit facility in the principal amount of up to US \$15 million. The Company can request an increase in the principal loan amount, the increase may not be less than US \$5,000,000, subject to the lender credit approvals.

The credit facility has a term of 36 months, with monthly interest payments to be made on the outstanding balance of the loan, calculated monthly in arrears, based on Secured overnight financing rate("SOFR") plus a commercially reasonable credit spread. The loan is secured against all present and after-acquired property of the Company. The loan agreement contains standard financial and negative covenants typical for a revolving credit facility.

The Company at any time on or after the closing date, upon not less than thirty (30) days and not more than sixty (60) days prior written notice, repay in full the loan together with unpaid interest accrued thereon in connection with the termination of the financing under this agreement subject to an early termination fees which is 2.00% of the maximum loan amount in the event the termination date occurs after the closing date and on or prior to the first anniversary of the closing date and (ii) 1.00% of the maximum loan amount in the event the termination date occurs after the first anniversary of the closing date and on or prior to the second anniversary of the closing date (the "early termination fee"). No early termination fee will be payable if the termination date occurs for any reason after the second anniversary of the closing date.

The borrowing base is determined by the eligibility criteria which is (a) 75% of the aggregate receivable balance of eligible loan receivables which constitute SaaS loan receivables; plus (b) 55% of the aggregate receivable balance of eligible loan receivables which constitute cash flow loan receivables; minus (c) Reserves, royalty investments shall not form part of the borrowing base.

During the year ended December 31, 2024, the Company incurred transaction costs of \$451,679, of which \$52,240 has been recognized during the year in profit and loss.

Disclosure of Externally Imposed Covenants

As of December 31, 2024, the Company is subject to certain financial covenants under its revolving credit facility agreement, including the requirement to maintain a minimum interest coverage ratio of 1.25:1 and a minimum tangible net worth of C\$50,000,000. These covenants will be tested at the end of each quarter. The company has complied with these covenants as of the reporting date.

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17. 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 December 31, 2024 were 366,667 (December 31, 2023 – 366,667). The Series I Class A preferred shares are redeemable and accrue a cumulative interest and are classified as a financial liability. For the year ended December 31, 2024, \$101,477 was recorded as dividend (2023- \$110,183).

Common shares

The issued and outstanding common shares at December 31, 2024 were 30,700,363 (December 31, 2023 – 31,618,363).

A Normal Course Issuer Bid ("NCIB") initiated by the Company on November 23, 2023 terminated on November 22, 2024 and on November 21, 2024 the Company initiated another NCIB which will terminate upon the earliest of (i) the Company purchasing 2,289,547 common shares, (ii) the Company providing notice of termination of the NCIB, and (iii) November 22, 2025. 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. For the year ended December 31, 2024, 1,107,500 shares were purchased under the NCIB at a weighted-average price per share of \$0.5237 for a total cost of \$580,398 (2023 – 2,233,500 common shares repurchased at a weighted-average price per share of \$0.5473 for a total cost of \$1,222,351), and subsequently returned to treasury for cancellation.

In the year ended December 31, 2024, the Company issued 182,000 common shares on the net cashless exercise of 350,000 options at a weighted-average exercise price of \$0.36 per share and a market price of \$0.75 per share, and \$79,960 was reallocated from contributed surplus to share capital.

In the year ended December 31, 2024, the Company also issued 7,500 common shares on the exercise of 7,500 options at a weighted-average exercise price of \$0.60 per share and a market price of \$0.75 per share, and \$3,171 was reallocated from contributed surplus to share capital.

In the year ended December 31, 2023, the Company issued 929,308 common shares on the net cashless 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 year ended December 31, 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

During the year ended December 31, 2023, 837,200 warrants expired unexercised and \$161,902 was reallocated from the warrant reserve to retained earnings.

Share based payments

On December 31, 2021, the Board approved the replacement of the Corporation's stock option plan with a new omnibus equity incentive plan (the "Omnibus Plan") to give the Board greater flexibility in the types of incentive awards that can be granted to directors, officers, employees and consultants of the Corporation and its subsidiaries. The Omnibus Plan subsequently received shareholder approval at the Annual General Meeting held on October 4, 2022.

Pursuant to the terms of the Omnibus Plan, the Company has awarded Stock Options and Performance Stock Units ("PSUs").

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Stock options

The Company maintains a 10% “rolling” stock option plan to develop the interest of and provide an incentive to eligible employees, directors and consultants of the corporation and its affiliates. The Plan provides for the issuance of a maximum of 10% of the issued and outstanding common shares. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option.

The following options were outstanding under the plan, at December 31, 2024:

Original Issue Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Remaining contractual life (years)
May 27, 2020	100,000	95,000	\$0.36	May 26, 2027	2.40
January 10, 2023	50,000	20,000	\$0.60	Jan 9, 2030	5.03
June 13, 2023	1,672,759	1,672,759	\$0.58	June 12, 2028	3.45
October 25, 2023	560,000	140,000	\$0.54	October 25, 2033	8.82
May 2, 2024	50,000	7,500	\$0.50	May 1, 2034	9.34
Total	2,432,759	1,935,259			
Weighted average exercise price	\$0.5605	\$0.5662		Weighted average remaining contractual life	4.80

Below is the continuity schedule for the options for the years ended December 31, 2024 and 2023:

	Year ended December 31, 2024		Year ended December 31, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	2,757,759	\$ 0.54	3,050,000	\$0.36
Granted	50,000	0.50	2,307,759	0.57
Exercised	(357,500)	0.37	(2,450,000)	0.36
Forfeited	(17,500)	0.60	(150,000)	0.36
Options outstanding, ending	2,432,759	\$ 0.56	2,757,759	\$ 0.54

For the options granted during the year ended December 31, 2024, 50,000 vest on a quarterly basis over five years commencing on the grant date.

The weighted average fair value of the options granted during the year was \$0.3903 per option. The Company uses the Black-Scholes Option Pricing Model to calculate the fair value of any options granted. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

Performance Stock Units (“PSUs”)

During the year ended December 31, 2024, the Company awarded 100,000 PSUs (2023: 210,000). All PSUs are subject to the following performance vesting criteria established by the Board:

Metric: Share Price		Metric: Recurring Free Cash Flow	
Vesting Portion	Threshold	Vesting Portion	Threshold
1/6 th	\$1.00	1/6 th	\$2,000,000
1/6 th	\$2.00	1/6 th	\$5,000,000

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Metric: Share Price		Metric: Recurring Free Cash Flow	
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.

Below is the continuity schedule for the PSUs for the years ended December 31, 2024 and 2023:

	Year ended December 31, 2024	Year ended December 31, 2023
PSUs outstanding, beginning	940,834	939,167
Granted	100,000	210,000
Forfeited	(18,000)	(208,333)
PSUs outstanding, ending	1,022,834	940,834

The weighted average fair value of the PSUs granted during the year was 0.45 per PSU. A total of \$59,287 was expensed towards share based compensation on account of PSUs, for the year ended December 31, 2024 (2023-\$47,608). A total of 1,022,834 PSUs are outstanding as on December 31, 2024.

18. Revenues

i) Revenue from investments at fair value

	Year ended December 31, 2024	Year ended December 31, 2023
Loan interest and royalty revenue		
Loan interest revenue	\$ 8,682,296	\$ 6,446,937
Royalty revenue	623,362	668,005
Total	\$ 9,305,658	\$ 7,114,942
Realized gains from sale of investment		
Realized gain (loss) on loan modification	\$ (51,691)	\$ 106,531
Total	(51,691)	106,531
Realized loss on investments recovered (written-off)		
Royalty agreements recovered (written-off)	590,174	(1,860,000)
Loans receivable written-off	(468,506)	-
Total	121,668	(1,860,000)
Adjustments to fair value		
Royalty agreements	(35,262)	1,580,065
Equity securities in investee companies	(2,530,107)	(565,452)
Total	(2,565,369)	1,014,613
Change in expected credit losses		
Movement in expected credit losses	(3,615,504)	(690,006)
Total	(3,615,504)	(690,006)
Other investment income and gains		

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Interest income on invested cash and other fee income

\$	491,306	\$	158,820
Total	\$ 491,306	\$	158,820

Loan interest revenue for the year-ended December 31, 2024, includes \$nil in prepayment fees (2023 - \$161,628) and \$1,022,796 in loan amortization income (2023 - \$848,706) (also refer Note 11). Loan amortization income and prepayment fees are collected in cash on repayment / early repayment of the loans.

19. Foreign exchange gains (losses)

	Year ended December 31, 2024	Year ended December 31, 2023
Foreign exchange gains (losses)		
Unrealized foreign exchange (loss) gain	\$ 1,442,008	\$ (380,377)
Realized foreign exchange (loss) gain	172,650	(203,061)
Reclassification of foreign currency translation	250,069	-
Total	\$ 1,864,727	\$ (583,438)

20. Employee benefit expense

	Year ended December 31, 2024	Year ended December 31, 2023
Wages and salaries	\$ 1,787,605	\$ 1,440,574
Other benefits	115,500	106,197
Employer related costs for insurance, health tax	125,574	132,348
Salaries, benefits and other staffing costs	2,028,679	1,679,119
Restructuring costs	70,000	293,750
Share-based compensation (Note 21)	425,550	424,383
Total	\$ 2,524,229	\$ 2,397,252

21. Share-based compensation

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

	Year ended December 31, 2024	Year ended December 31, 2023
Expense recognized based on vesting conditions of stock options	\$ 366,263	\$ 376,775
Expense recognized based on vesting conditions of PSUs	59,287	47,608
	\$ 425,550	\$ 424,383

22. Financing expense

	Year ended December 31, 2024	Year ended December 31, 2023
Priority Return Fund II interest	\$ -	\$ 969,893
Series I Class A preferred shares dividend	101,477	110,183
Bank loan	205,632	-
Debenture	2,701,021	958,864
Total	\$ 3,008,130	\$ 2,038,940

23. Earnings per share

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

	Year ended December 31, 2024	Year ended December 31, 2023
Loss attributable to ordinary equity holders for basic loss/ per share	\$ (852,537)	\$ (369,477)

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	Year ended December 31, 2024	Year ended December 31, 2023
Basic weighted average number of shares outstanding	30,880,536	31,729,392
Dilutive effect of options and warrants	-	-
Diluted weighted average number of shares outstanding	30,880,536	31,729,392
Basic earnings (loss) per share	\$ (0.028)	\$ (0.012)
Diluted earnings (loss) per share	\$ (0.028)	\$ (0.012)

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. For the year ended December 31, 2024, diluted loss per share equals basic loss per share as the impact of the dilutive instruments would be anti-dilutive.

24. 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:

	Year ended December 31, 2024	Year ended December 31, 2023
Canada	\$ 1,331,264	\$ 456,757
United States	639,088	3,711,055
United Kingdom	1,715,718	1,677,088
Total	\$ 3,686,070	\$ 5,844,900

For the year ended December 31, 2024, the loan interest and royalty revenue and the interest income on promissory notes received for 3 investees was over 10% of the total loan interest and royalty revenue, Company A at 12.48%, Company B at 10.4%, and Company C at 10.36% of the total, respectively. For the year ended December 31, 2023, the loan interest and royalty revenue and the interest income on promissory notes received for 3 investees was over 10% of the total loan interest and royalty revenue, Company D at 18.74%, Company A at 15.80% and Company E at 14.13%.

25. Changes in working capital items

	Year ended December 31, 2024	Year ended December 31, 2023
Prepaid expenses and other receivables	\$ (60,073)	\$ (25,577)
Accounts payable and accrued liabilities	(965,626)	1,502,772
Total	\$ (1,025,699)	\$ 1,477,195

26. Related party disclosures

Key management personnel

The number of key management personnel as at December 31, 2024 was 6 (December 31, 2023: 6) and are identified as the members of the board of directors and the officers of the Company.

i) Compensation

	Year ended December 31, 2024	Year ended December 31, 2023
Short term employee benefits	\$ 844,207	\$ 855,966
Termination Benefits	-	293,750
Share-based compensation	396,268	393,074
Total	\$ 1,240,475	\$ 1,542,790

ii) Other transactions

On September 30, 2020, the Company launched Priority Return Fund II LP. As at December 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 year ended December 31, 2024 (2023: \$90,971).

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On June 28, 2022, Company issued the first tranche of its Series I Class A preferred shares. As at December 31, 2024, 166,667 preferred shares with a face value of \$500,001 (December 31, 2023 \$500,001) were held by a director, and interest of \$46,126 was accrued and expensed on these preferred shares during the year ended December 31, 2024 (2023: \$46,126).

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 \$160,222 remain outstanding on December 31, 2024. For the year ended December 31, 2024, the Company earned interest income on these loans in the amount of \$8,121 (December 31, 2023 - \$4,356) at the CRA prescribed rate.

On August 1, 2023, the Company issued first tranche of its Debentures of multiple class. As at December 31, 2024, \$4,452,256 (December 31, 2023- \$1,820,955) of the debentures was held by key management personnel and a company with common directors, and interest of \$364,257 was accrued and expensed on the debentures held by related parties, during the year ended December 31, 2024 (2023 - \$82,779).

27. Wind up of Entities

On September 30, 2024, Flow Capital wound up several inactive subsidiaries consisting of Flow Investment Holdings Corp, LogiQ Capital 2016, Tuscaora Capital Inc, Flow Capital Partnership Holding Corp, and Flow Priority Return Fund II. The US entity was wound up on October 31, 2024. The net gain on the windup of all Canadian and US entities is \$63,100 and is being recorded in the other income portion of the Income statement.

28. Subsequent Events

- a. Subsequent to December 31, 2024, the Company purchased 130,000 common shares at an average price of \$0.8233, under the ongoing NCIB, and subsequently returned to treasury for cancellation.
- b. Subsequent to December 31, 2024, the Company issued 40,000 Series F, 1,931,000 Series F plus, 50,000 Series UF, and 1,000,000 Series UF Debentures to raise \$3,480,480. One of the investors retracted 500,000 from Series UF plus debentures.
- c. On March 11, 2025 the Company made a US\$1.7 million follow-on investment in Miniluxe Holding Corp.
- d. On March 28, 2025 the Company made a \$750,000 follow-on investment in a Canadian fintech SaaS company.
- e. On April 8, 2025 the Company received a US\$2.7 million for the full repayment of an outstanding loan.
- f. On April 14, 2025, the Company's promissory note with Askvet has been extended until June 30, 2025. Under the revised terms, Askvet will pay Flow an extension fee of \$50,000 upon final payment and a success fee of 5% on the value of AskVet upon the sale of the business.
- g. On April 30, 2025 Flow issued the third Tranche of US\$ 400,000 to TVisions Insights Inc.