

**Flow Capital Corp.**

Consolidated Financial Statements

**For the three and nine-month period ended September 30, 2024**

**(Unaudited)**

## **Flow Capital Corp.**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

## Flow Capital Corp.

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**Flow Capital Corp.**  
**Consolidated Statements of Financial Position**

(Canadian dollars - Unaudited)

	Note	September 30, 2024	December 31, 2023
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	\$ 2,305,917	\$ 5,222,829
Investments – current portion	9	14,336,190	22,394,870
Prepaid expenses and other receivables	8	388,589	370,272
<b>Total Current Assets</b>		<b>17,030,696</b>	<b>27,987,971</b>
<b>Non-Current Assets</b>			
Property and equipment	10	715	1,217
Other assets		286,481	-
Deferred Tax Asset		7,721,105	8,075,153
Investments – non-current portion	9	46,364,641	27,528,192
<b>Total Non-Current Assets</b>		<b>54,372,942</b>	<b>35,604,562</b>
<b>Total Assets</b>		<b>\$ 71,403,638</b>	<b>\$ 63,592,533</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	11	\$ 1,685,983	\$ 2,714,286
Preferred Shares – current	14	366,667	-
Income tax liability		63,143	151,091
<b>Total Current Liabilities</b>		<b>2,115,793</b>	<b>2,865,377</b>
<b>Non-Current Liabilities</b>			
Preferred shares – non-current portion	14	733,334	1,100,001
Revolving loan facility	13	4,049,700	-
Redeemable debt – non-current portion	13	26,818,523	21,972,324
<b>Total Non-Current Liabilities</b>		<b>31,601,557</b>	<b>23,072,325</b>
<b>Total Liabilities</b>		<b>33,717,350</b>	<b>\$ 25,937,702</b>
<b>Shareholders' Equity (Note 14)</b>			
Common shares		\$ 52,114,855	\$ 52,567,360
Contributed surplus		928,238	620,369
Accumulated other comprehensive loss		(232,063)	(250,069)
Accumulated deficit		(15,124,742)	(15,282,829)
<b>Total Shareholders' Equity</b>		<b>37,686,288</b>	<b>37,654,831</b>
<b>Total Liability and Shareholders' Equity</b>		<b>\$ 71,403,638</b>	<b>\$ 63,592,533</b>

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors on November 19, 2024:

“Vernon Lobo”  
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 Vernon Lobo, Director

“Alan Torrie”  
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 Alan Torrie, Director

**Flow Capital Corp.**

**Consolidated Statements of Comprehensive Income (Loss)**

(Canadian dollars - Unaudited)

	Note	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
<b>Revenues</b>					
<b>Income from financial assets</b>					
Loan interest and royalty income	15	\$ 2,484,110	\$ 1,697,147	\$ 6,602,581	\$ 5,232,034
Income (Loss) from changes in values of financial assets	15	(1,351,483)	(722,558)	(1,961,204)	(313,979)
<b>Total income from financial assets</b>		<b>1,132,627</b>	<b>974,589</b>	<b>4,641,377</b>	<b>4,918,055</b>
Other interest, fee income and gains	15	115,778	28,888	356,893	113,078
<b>Total Revenues</b>		<b>1,248,405</b>	<b>1,003,477</b>	<b>4,998,270</b>	<b>5,031,133</b>
<b>Operating Expenses</b>					
Salaries, benefits and staffing costs	17	\$ 510,126	\$ 426,714	\$ 1,447,639	\$ 1,215,148
Share-based compensation	18	34,934	127,868	391,001	212,890
Depreciation		167	4,921	502	21,703
Professional fees		132,015	132,767	419,566	623,020
Office and general administrative		146,295	180,284	510,928	542,903
<b>Total Operating Expenses</b>		<b>823,537</b>	<b>872,554</b>	<b>2,769,636</b>	<b>2,615,664</b>
<b>Operating Income</b>		<b>\$ 424,868</b>	<b>\$ 130,923</b>	<b>\$ 2,228,634</b>	<b>\$ 2,415,469</b>
Financing expense	19	(811,800)	(525,387)	(2,138,963)	(1,414,071)
Foreign exchange gains and (losses)	16	(475,480)	567,064	347,623	29,008
<b>Income before income taxes</b>		<b>(862,412)</b>	<b>172,600</b>	<b>437,294</b>	<b>1,030,406</b>
<b>Income Taxes</b>					
Current income tax (expense) recovery	12	\$ 139,910	\$ (152,371)	\$ 74,841	\$ (576,617)
Deferred tax (expense) recovery	12	(29,619)	-	(354,048)	-
<b>Total Income Tax</b>		<b>\$ 110,291</b>	<b>\$ (152,371)</b>	<b>\$ (279,207)</b>	<b>\$ (576,617)</b>
<b>Net Income (Loss)</b>		<b>\$ (752,121)</b>	<b>\$ 20,229</b>	<b>\$ 158,087</b>	<b>\$ 453,789</b>
<b>Other comprehensive income that may be subsequently reclassified to profit or loss</b>					
Foreign currency translation		2,007	11,480	18,006	(13,262)
<b>Comprehensive Income (Loss)</b>		<b>\$ (750,114)</b>	<b>\$ 31,709</b>	<b>\$ 176,093</b>	<b>\$ 440,527</b>
<b>Earnings per share (Note 20)</b>					
<i>Earnings per share</i>					
Basic earnings per share		\$ (0.0246)	\$ 0.0006	\$ 0.00511	\$ 0.0144
Diluted earnings per share		\$ (0.0246)	\$ 0.0006	\$ 0.00510	\$ 0.0143

See accompanying notes to the consolidated financial statements.

**Flow Capital Corp.**

**Consolidated Statements of Changes in Equity**

(Canadian dollars- Unaudited)

	Note	Number of common shares	Common share capital	Accumulated other comprehensive loss	Warrants	Contributed surplus	Accumulated deficit	Total
<b>Balance, January 1, 2023</b>		<b>31,290,610</b>	<b>\$ 52,164,711</b>	<b>\$ (225,030)</b>	<b>\$ 477,496</b>	<b>\$ 798,504</b>	<b>\$(15,075,254)</b>	<b>\$ 38,140,427</b>
Treasury shares cancelled		(1,675,500)	(942,272)	-	-	-	-	(942,272)
Share cancellation cost		-	(8,378)	-	-	-	-	(8,378)
Share-based compensation	14	-	-	-	-	212,890	-	212,890
Issued – Options exercised		929,308	602,518	-	-	(602,518)	-	-
Issued – Warrants exercised		1,631,945	1,033,650	-	(315,594)	-	-	718,056
Warrants expired		-	-	-	(161,902)	-	(161,902)	-
Foreign currency translation		-	-	(13,262)	-	-	-	(13,262)
Net income for the period		-	-	-	-	-	453,789	453,789
<b>Balance, September 30, 2023</b>		<b>32,176,363</b>	<b>\$ 52,850,230</b>	<b>\$ (238,292)</b>	<b>\$ -</b>	<b>\$408,876</b>	<b>\$(14,459,563)</b>	<b>\$ 38,561,251</b>
<b>Balance, January 1, 2024</b>		<b>31,618,363</b>	<b>\$ 52,567,360</b>	<b>\$ (250,069)</b>	<b>\$ -</b>	<b>\$ 620,369</b>	<b>\$ (15,282,829)</b>	<b>\$ 37,654,831</b>
Treasury shares cancelled		(1,045,500)	(534,909)	-	-	-	-	(534,909)
Share cancellation cost		-	(5,228)	-	-	-	-	(5,228)
Share-based compensation	14	-	-	-	-	391,000	-	391,000
Issued – Options exercised		189,500	87,631	-	-	(83,131)	-	4,500
Foreign currency translation		-	-	18,006	-	-	-	18,006
Net income for the period		-	-	-	-	-	158,087	158,087
<b>Balance, September 30, 2024</b>		<b>30,762,363</b>	<b>\$ 52,114,855</b>	<b>\$ (232,063)</b>	<b>\$ -</b>	<b>\$928,238</b>	<b>\$(15,124,742)</b>	<b>\$ 37,686,288</b>

See accompanying notes to consolidated financial statements.

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

	Note	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
<b>Cash flows from operating activities</b>					
Net income (loss)		\$ (752,121)	\$ 20,229	\$ 158,087	\$ 453,789
<i>Adjustments for non-cash items</i>					
Share-based compensation		34,934	127,868	391,001	212,890
Depreciation		167	4,921	502	21,703
<i>Adjustments relating to investments at carrying value</i>					
Unrealized foreign exchange loss(gain)		493,933	(563,912)	(192,045)	59,364
Adjustments to fair value and expected credit losses		1,351,483	722,557	1,812,159	313,978
Realized loss on investments written off		-	-	97,354	-
New investments and loan advances		(10,284,689)	(1,691,500)	(25,495,433)	(5,877,750)
Loan amortization income		(246,358)	(195,054)	(749,082)	(612,455)
Royalty and loan interest earned in excess of cash received		(92,746)	(53,050)	(202,412)	(86,603)
Realized (gain)/ loss on loan modification		-	-	51,691	-
Proceeds received on sale of shares, royalty buyouts and loan repayments		24,716	6,885	14,197,387	2,031,015
<i>Other Adjustments</i>					
Financing expense		811,800	525,387	2,138,963	1,414,071
Income tax expense (recovery)		(110,291)	152,371	279,207	576,617
Income tax paid		(134,353)	(66,418)	(140,025)	(895,640)
Prepaid Interest income		-	(59,323)	-	-
Changes in working capital items	22	(626,152)	(165,905)	(1,100,238)	12,265
<b>Net Cash Flows from (used in) Operating Activities</b>		<b>(9,529,676)</b>	<b>(1,234,928)</b>	<b>(8,752,974)</b>	<b>(2,376,756)</b>
<b>Cash flows from financing activities</b>					
Common shares repurchased for treasury		\$ (33,436)	\$ (437,443)	\$ (540,137)	\$ (950,649)
Redemption of Debentures		-	(280,280)	-	(280,280)
Lease liability payments		-	(6,327)	-	(18,429)
Interest paid		(771,596)	(467,629)	(2,085,255)	(1,219,209)
Loan advanced		3,772,219	-	3,772,219	-
Redemption of redeemable debt		(3,675,455)	(17,357,142)	(6,563,455)	(17,357,142)
Common Shares issued		4,500	-	4,500	718,056
Debentures issued		6,859,929	21,258,342	11,151,755	21,258,342
<b>Net Cash flows from (used in) Financing Activities</b>		<b>6,156,160</b>	<b>2,709,521</b>	<b>5,739,627</b>	<b>2,150,688</b>
<b>Foreign exchange impact on cash</b>		<b>(44,551)</b>	<b>122,329</b>	<b>96,435</b>	<b>6,540</b>
<b>Net increase (decrease) in cash during the period</b>		<b>(3,418,067)</b>	<b>1,596,922</b>	<b>(2,916,912)</b>	<b>(219,528)</b>
Cash and cash equivalents, beginning		5,723,984	7,744,160	5,222,829	9,560,610
<b>Cash and cash equivalents, ending</b>	<b>7</b>	<b>\$ 2,305,917</b>	<b>\$ 9,341,082</b>	<b>\$ 2,305,917</b>	<b>\$ 9,341,082</b>

See accompanying notes to the consolidated financial statements.

## Flow Capital Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements

In Canadian dollars, for the three and nine-months ended September 30, 2024

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#### 1. Corporate information and reporting entity

Flow Capital Corp. ("Flow Capital", or "the Company") is a company under the jurisdiction of the laws of the Province of British Columbia, Canada, and is domiciled in Canada. The common shares of the Company are traded on the TSX Venture Exchange ("TSXV") under the symbol FW. The registered and records office of the Company is Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3. The head office of the Company is Suite 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 Capital US Corp.	Subsidiary of Flow Capital, US	100
Flow Investment Services Corp. (formerly LOGiQ Asset Management Ltd.)	Subsidiary of Flow Capital, Canada	100
Flow Investment Holdings Corp. (formerly 2705535 Ontario Inc.)	Subsidiary of Flow Capital, Canada	100
LOGiQ Capital 2016	Subsidiary of Flow Capital, Canada	100
Tuscarora Capital Inc.	Subsidiary of Flow Capital, Canada	100
Flow Capital Partnership Holding Corp. (formerly 2535706 Ontario Inc.)	Subsidiary of Flow Capital, Canada	100

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 cash equivalents 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. The functional currency of the Company's subsidiary Flow Capital US Corp. is United States dollar and the financial statements of the subsidiary are translated from its functional currency to Canadian dollars. Amounts are stated in and recorded to the nearest Canadian dollar except where otherwise indicated.

#### Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared based on the principles of International Financial Reporting Standards (IFRS) and International Accounting Standard 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB), London, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and follows the same accounting policies and methods of application as the Company's most recent annual financial statements. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's 2023 audited annual consolidated financial statements and accompanying notes.

The financial statements were approved and authorized by the Board of Directors on November 19, 2024.

#### 3. 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 equity securities and royalty agreements. Fair values are categorized into different levels of a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Further information about the assumptions made in measuring fair values for financial instruments are included in Note 5.

##### 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.

## Flow Capital Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2024

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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.

#### Fair value of stock options, warrants and PSUs

Determining the fair value of stock options and warrants requires judgement related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments.

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

#### Fair value of unquoted equity instruments

The fair value of unquoted instruments included in equity securities in investee companies that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on transaction and market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 5.

#### Assessing credit risk in loan investments

The Company has to continuously assesses the credit risk in its loan investments. This requires an assessment of the risk of various counterparties to financial instruments failing to meet their contractual obligations and to estimate a reasonable amount to be maintained as an allowance for expected credit losses ("ECL") or, to assess if the collateral offered by the security position held by the Company is sufficient and if needed, record an impairment. Factors considered include timely servicing of loan payments and other contractual obligations (e.g., maintaining any other financial covenants such as a minimum cash balance, and meeting reporting requirements), as well as industry and macroeconomic developments. Inputs are gathered directly from the investee company management teams, and reinforced / validated through independent industry research.

#### Deferred income taxes

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

## 4. 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.

## 5. Fair values

### a) Valuation Technique

The Company uses valuation techniques with the objective of determining a fair value measurement that reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of the royalty agreements acquired by the Company are determined using discounted cash flow models with fair value estimated by applying a discount rate based on a weighted average cost of capital using variables from the industry in which each investee company operates as well as company specific variables. Future cash flows are weighted by the Company using a combination of a probability approach and a terminal value approach, as applicable, and the fair value for each investment is individually calculated.

## Flow Capital Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2024

Some or all the inputs used in the cash flow model may not be observable in the market and are generally derived from published sources that are commonly used by market participants.

The fair value of equity securities in investee companies that are classified as Level 1 in the fair value hierarchy are determined using the closing share price on the last business day of the reporting period provided that such securities have actively been traded.

As a result of the significant use of unobservable inputs, a high degree of management judgement and estimation is required. Management judgement is required for the determination of the expected future cash flows on the financial instrument being measured, determination of the probability of the outcomes, adjustments to the discount rate for liquidity risk, model uncertainties and investee-specific risk factors. The extent of the adjustments to the discount rate is based on management's assessment that a third-party market participant would take them into account in pricing the transaction.

#### b) Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

	Level 1	Level 2	Level 3	Total
<b>September 30, 2024</b>				
Cash and cash equivalents	\$ 2,305,917	\$ -	\$ -	\$ 2,305,917
Royalty agreements	-	-	3,755,895	3,755,895
Equity securities in investee companies	209,723	-	6,020,522	6,230,245
	<b>\$ 2,515,640</b>	<b>\$ -</b>	<b>\$ 9,776,417</b>	<b>\$ 12,292,057</b>
<b>December 31, 2023</b>				
Cash and cash equivalents	\$ 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
	<b>\$ 5,613,782</b>	<b>\$ -</b>	<b>\$ 8,089,695</b>	<b>\$ 13,703,477</b>

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 gains recognized in profit or loss	Investments	Buyouts and Redemptions	Balance at September 30, 2024
Royalty agreements	\$ 3,624,082	\$ 55,393	\$ 120,106	\$ (43,687)	\$ 3,755,895
Equity securities in investee companies	4,465,613	(877,664)	2,432,573	-	6,020,522
<b>Total</b>	<b>\$ 8,089,695</b>	<b>\$ (822,271)</b>	<b>\$ 2,552,680</b>	<b>\$ (43,687)</b>	<b>\$ 9,776,417</b>

The valuation technique used to determine the fair value of the royalty agreements acquired is a discounted cash flow model. The most significant unobservable inputs used in the valuation are the discount rate (range is between 15.0%-24.3%), growth rate of the revenues of the investee (range is between no growth and 3%). The low and high input values represent the actual highest and lowest level of values used over the portfolio and represent the range on an individual investment basis. The input ranges will therefore vary from period to period based on the characteristic of the underlying investment at each statement of financial position date.

For fair value measurements of the royalty agreements acquired in Level 3, changing the most significant unobservable inputs by 1% would have the following impact on the fair value of the royalty agreements as at September 30, 2024 as follows:

September 30, 2024		September 30, 2024	
Revenue growth rate	Revenue growth rate	Discount rate	Discount rate
-1%	+1%	-1%	+1%
\$ (40,741)	\$ 45,142	\$ 41,143	\$(37,201)

## Flow Capital Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2024

For one of its royalty investments, subsequent to September 30, 2024, the Company successfully recovered \$1,483,688 after the positive court judgement, which was used as the basis to estimate the investment's fair value.

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

The unlisted equity instruments included in equity securities in investee companies are included in Level 3. The valuation technique used for unlisted equity instruments in general is the market approach ("Market Approach"). The Market Approach uses transaction prices paid for an identical or similar instrument of the investee or comparable company valuation multiples. The unobservable inputs used are prices used in recent transactions involving the investee and company valuation multiples using such measures as EBITDA, revenues, enterprise value and multiples taken from information available on similar types of companies.

For September 30, 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.

September 30, 2024		September 30, 2024	
Share price 10% lower	Share price 10% higher	Volatility 10% lower	Volatility 10% higher
\$ (408,202)	\$ 433,591	\$ (391,036)	\$ 391,736

#### c) Loans receivable measured at amortized cost

Promissory notes and loans receivable are recorded at amortized cost net of expected credit losses. The carrying amounts at September 30, 2024 and December 31, 2023 are \$50,714,691 and \$41,442,414 respectively, and approximate the fair value.

The following table summarizes loans receivable assessed at each stage of impairment (refer note 6) and the expected credit loss allowance, at September 30, 2024.

September 30, 2024	Stage 1	Stage 2	Stage 3	Total
Loans receivable at amortized cost	\$ 48,663,352	\$ 3,364,754	\$ -	\$ 52,028,106
Allowance for expected credit losses	(313,318)	(1,000,097)	-	(1,313,415)
	\$ 48,350,034	\$ 2,364,657	\$ -	\$ 50,714,691

#### d) Financial liabilities not measured at fair value

The below noted financial liabilities are measured at amortized cost. The table below is a comparison of the carrying amount and the fair value of the financial liabilities that are recognized in the statements of financial position:

	Carrying Amount September 30, 2024	Fair Value September 30, 2024	Carrying Amount December 31, 2023	Fair Value December 31, 2023
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,685,983	\$ 1,685,983	\$ 2,714,286	\$ 2,714,286
Debentures	26,818,523	26,818,523	21,972,324	21,972,324
Revolving loan facility	4,049,700	4,049,700	-	-
Series I Preferred Shares	1,100,001	1,100,001	1,100,001	1,100,001
<b>Total</b>	\$ 33,654,207	\$ 33,654,207	\$ 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 a dividend rate at the market rates of interest.

## 6. Financial risk management objectives and policies

The Company's primary risk management objective is to protect the Company's assets and cash flow. The Company is exposed to market risks including interest rate, equity price risk, credit, foreign exchange and liquidity risks. The Company's management team oversees the management of these risks. It is the Company's policy that no trading for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees to policies for managing each of these risks, which are summarized below:

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise several types of risk: interest rate risk, currency risk, commodity price risk, and other price risk, such as equity risk. The Company is not directly subject to commodity price risk and has exposure to equity price risk on the equity securities held in investee companies.

## Flow Capital Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2024

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#### Interest rate risk

The Company invests surplus cash in bank deposits which, due to their short-term nature, do not expose the Company to any material interest rate risks. For royalty agreements acquired, the income can vary on a monthly basis and is not a function of an underlying interest rate. The Company's loan receivable investments earn interest at fixed rates.

#### Equity price risk

The Company held significant equity security interests in twenty investees, of which two are actively traded as the securities are listed on a recognized exchange. The fair value of the listed equity securities, similar to any other Level 1 asset, were measured using the quoted price of the shares by the numbers of shares held. The common shares in Crimson Energy Ltd., Exigo Holdings LP, and Jobget Inc, and the warrants in Boardwalktech Software Corp., Stability Healthcare Inc., Spiridon Technologies Ltd., Echobox Ltd., Wedge Networks, the Pyure Co., Miniluxe Inc., Jorsek Inc., Everwash Inc., Vet24Seven Inc., Kovo HealthTech Corp., Prolifiq Software Inc., Wrisk Limited, Judi, Gettattle Inc., T Vision and Padsplit are not actively traded and were classified as Level 3 assets. For one of its investments, the Company is also entitled to success fees of 2% of the value of a change of control or business sale transaction. These Level 3 investments were measured using commonly used valuation models. The equity price risk exposure at September 30, 2024 was \$6,230,245 (December 31, 2023: \$4,856,566). Refer to Note 5 for sensitivity analysis on equity price risk exposure at September 30, 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 receivables in United States dollars. The Company continually monitors its transaction and translation exposure and its related impact on reported results. The foreign exchange exposure at September 30, 2024 was \$25,718,327 (December 31, 2023: \$21,072,434) and a 1% movement in the exchange rate has an impact of \$257,183 (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. This can take the form of a royalty or loan receivable, without limitation. The carrying amount of cash and cash equivalents, accounts receivable and accrued income, investments at fair value and amortized cost, excluding equity securities in investee companies, represents the maximum exposure to credit risk.

The maximum exposure at September 30, 2024 was \$56,936,468 (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 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

## Flow Capital Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2024

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, there are no loans in Stage 3. One of the loans is assessed as having a significant increase in credit risk and recorded in stage 2. At September 30, 2024, all the other loans receivable held were assessed to be at Stage 1 and the Company has booked an allowance of \$1,313,415 (December 31, 2023: \$1,144,840) based on its assessment of expected credit losses over the next 12 months.

#### Concentration risk

Concentration risk is the risk that a small number of investments represent a disproportionate share of the total investment portfolio, and the impairment of one or more investment with a higher weightage would present a disproportionately higher risk. The Company's approach to managing concentration risk is to ensure, as far as possible, that capital allocation is balanced across investments and sectors such that no single investment / sector represents over 20% of the investment portfolio. The Company manages this risk by reviewing its investment portfolio, upcoming maturities, and pipeline qualification criteria to maintain this balance. At September 30, 2024, 1 investment represented over 10% of the total carried value of the investment portfolio, at 11.3%.

#### Liquidity risk

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

The following table summarizes the amount of contractual future cash flow requirements including all financial instruments as at September 30, 2024:

Contractual obligations at September 30, 2024	< 1 year	1-2 years	3-6 years	Expected more than 6 year	Total
Accounts payable and accrued liabilities	\$ 1,685,983	\$ -	\$ -	\$ -	\$ 1,685,983
Debentures	-	-	-	26,818,523	26,818,523
Interest on Redeemable debentures	764,224	6,113,790	9,170,684	15,284,474	31,333,171
Revolving loan facility	-	-	4,049,700	-	4,049,700
Interest on Revolving loan	399,298	399,298	399,298	-	1,197,894
Series I Preferred Shares	366,667	-	733,334	-	1,100,001
Interest on Preferred Shares	25,508	202,400	150,552	-	378,461
<b>Total</b>	<b>\$ 3,241,680</b>	<b>\$ 6,715,488</b>	<b>\$ 14,503,568</b>	<b>\$ 42,102,997</b>	<b>\$ 66,563,733</b>

#### Capital management

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

The Company's share capital is not subject to external restrictions. The capital of the Company comprises shareholders' equity, the revolving line of credit, the Series I Class A Preferred Shares and the Debentures. Loan interest and royalty payments, realized gains on contract buyouts and fee income will continue to be an important source of capital for the Company.

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

## 7. Cash and cash equivalents

	September 30, 2024	December 31, 2023
Cash held in bank accounts	\$ 2,305,917	\$ 5,222,829
	<b>\$ 2,305,917</b>	<b>\$ 5,222,829</b>

## 8. Prepaid expenses and other receivables

	September 30, 2024	December 31, 2023
Prepaid insurance, rent deposit and other prepaid expenses	\$ 109,978	\$ 218,170
Refund receivable from IRS	120,245	-
Staff loans receivable	158,365	152,101
	<b>\$ 388,589</b>	<b>\$ 370,272</b>

## Flow Capital Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2024

#### 9. Investments

##### a) Carrying value of investments

Royalty agreements acquired (at FVTPL)	September 30, 2024	December 31, 2023
Expected within 1 year	\$ 2,633,597	\$ 2,493,016
Expected after more than 1 year	1,122,298	1,131,066
<b>Total</b>	<b>\$ 3,755,895</b>	<b>\$ 3,624,082</b>

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

Loans receivable (at Amortized Cost)	September 30, 2024	December 31, 2023
Due within 1 year	\$ 11,702,592	\$ 19,901,854
Due after more than 1 year	39,012,099	21,540,560
<b>Total</b>	<b>\$ 50,714,691</b>	<b>\$ 41,442,414</b>

At September 30, 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 an 8-year term and earns an interest of 10%.

Equity securities in investee companies (at FVTPL)	September 30, 2024	December 31, 2023
Expected exit within 1 year	\$ -	\$ -
Expected exit after more than 1 year	6,230,245	4,856,566
<b>Total</b>	<b>\$ 6,230,245</b>	<b>\$ 4,856,566</b>
<b>Total carrying amount of investments</b>	<b>\$ 60,700,831</b>	<b>\$ 49,923,062</b>

For particular investments, the Company has in place a charge on the assets of the investees under General Security Agreements. The carrying value of these investments with such security in place was as follows:

	September 30, 2024	December 31, 2023
Royalty agreements	\$ 310,259	\$ 303,984
Promissory notes receivable	49,999,794	40,723,198
	<b>\$ 50,310,053</b>	<b>\$ 41,027,182</b>

##### b) Equity securities in investee companies

	Fair Value Hierarchy	Cost September 30, 2024	Carrying amount September 30, 2024	Cost December 31, 2023	Carrying amount December 31, 2023
Common shares (publicly traded)	Level 1	\$ 1,350,389	\$ 209,723	\$ 1,350,389	\$ 390,953
Common shares (not publicly traded)	Level 3	1,099,401	735,418	354,448	-
Warrants (not publicly traded)	Level 3	4,997,079	5,285,104	3,154,279	4,465,613
<b>Total</b>		<b>\$ 7,446,868</b>	<b>\$ 6,230,245</b>	<b>\$ 4,859,116</b>	<b>\$ 4,856,566</b>

##### c) Movement during the period

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

#### Nine months ended September 30, 2024

	Royalty agreements acquired	Equity securities in investee companies	Loans receivable	Total
<b>Balance as at December 31, 2023</b>	<b>\$ 3,624,082</b>	<b>\$ 4,856,566</b>	<b>\$ 41,442,414</b>	<b>\$ 49,923,062</b>
Proceeds from exits	(43,687)	-	(14,153,700)	(14,197,387)
New investments	-	2,432,573	23,827,922	26,260,495
Royalty earned and payments received- net	120,106	-	60,596	180,702
Foreign exchange impact on the investment portfolio	39,198	66,167	(508,330)	(402,964)

## Flow Capital Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2024

Loan amortization income	-	-	749,082	749,082
Adjustment to fair value / expected credit losses	16,195	(1,125,062)	(703,292)	(1,812,159)
<b>Balance as at September 30, 2024</b>	<b>\$ 3,755,895</b>	<b>\$ 6,230,245</b>	<b>\$ 50,714,691</b>	<b>\$ 60,700,830</b>

## 10. Property and equipment

	Office equipment & furniture	Leasehold improvements	Total
<b>Cost</b>			
Balance at December 31 2023	192,631	220,339	525,171
Additions	-	-	-
<b>Balance at September 30, 2024</b>	<b>\$ 192,631</b>	<b>\$ 220,339</b>	<b>\$ 525,171</b>
<b>Accumulated depreciation</b>			
Balance at December 31 2023	191,414	220,339	523,954
Charge in period	502	-	502
<b>Balance at September 30, 2024</b>	<b>\$ 191,916</b>	<b>\$ 220,339</b>	<b>\$ 524,456</b>
<b>Carrying amount</b>			
At December 31, 2023	\$ 1,217	\$ -	\$ 1,217
At September 30, 2024	\$ 715	\$ -	\$ 715

## 11. Accounts payable and accrued liabilities

	September 30, 2024	December 31, 2023
Accounts payable	\$ 136,309	\$ 227,152
Accrued expenditures	628,958	971,457
Financing cost payable to holders of the Debentures	254,275	200,567
Financing cost payable to holders of the Preferred Shares	25,508	25,508
Financing cost payable on revolving loan facility	43,759	
Other liabilities	597,174	1,289,602
<b>Total</b>	<b>\$ 1,685,983</b>	<b>\$ 2,714,286</b>

Other liabilities include \$723,750 (\$1,257,654 – December 31, 2023) that has been loaned to one investee but held by Flow and that will be paid to that investee upon demand.

## 12. Income taxes

Income tax expense for the period comprises:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Adjustment to prior year income tax provision	\$ -	\$ -	\$ -	\$ 256,506
Current income tax (expense) recovery	139,910	(5,362)	74,841	49,294
Deferred Income tax (expense) recovery	(29,619)	157,733	(354,048)	270,817
<b>Total income tax expense</b>	<b>\$ 110,291</b>	<b>\$ 152,371</b>	<b>\$ (279,207)</b>	<b>\$ 576,617</b>

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

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

## Flow Capital Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2024

#### 13. Redeemable debt

The redeemable debt of the Company comprises two components:

##### 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.

	Series F		Series F +		Series UF		Series UF +		Class A		Total
	# of units	Amount	# of units	Amount	# of units	Amount	# of units	Amount	# of units	Amount	
<b>Balance at December 31, 2023</b>	5,202	\$5,202,000	3,420	\$3,420,000	7,889	\$10,433,991	2,205	\$2,916,333	-	-	\$21,972,324
Issued	1,801	1,800,964	7,758	7,758,000	213	290,057	860	1,183,224	125	125,000	11,157,245
Redeemed	(2,463)	(2,463,000)	(2,420)	(2,420,000)	(534)	(722,026)	(710)	(958,429)	-	-	(6,563,455)
FX impact	-	-	-	-	-	214,524	-	37,887	-	-	252,410
<b>Balance at September 30, 2024</b>	<b>4,540</b>	<b>\$4,539,964</b>	<b>8,758</b>	<b>\$8,758,000</b>	<b>7,568</b>	<b>\$10,216,545</b>	<b>2,355</b>	<b>\$3,179,015</b>	<b>125</b>	<b>\$125,000</b>	<b>\$26,818,523</b>

For the nine-month period ended September 30, 2024 \$2,019,083 was recorded as Interest (2023- \$360,228).

## Flow Capital Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2024

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#### 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 their investments for \$120,000 on October 10, 2023. For the three and nine-months period ended September 30, 2024, \$25,508 and \$75,969 was recorded as dividend (2023 - \$28,291 and \$83,949) (also refer to **Note 14**).

#### Revolving Credit Facility

On August 22, 2024 the Company entered into a loan agreement with TBK Bank, 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 \$5,000,000, subject to the lender credit approvals.

The Triumph 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 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.

## 14. Share capital and other components of equity

The authorized share capital of the Company consists of an unlimited number of voting common shares without par value, and 1,811,666 Series I Class A preferred shares with a face value of \$3 per share.

#### Series I Class A preferred shares

On December 12, 2021, the Company received approval from the TSXV to create a new class of Series I Class A preferred shares, pursuant to the shareholder approval obtained at a meeting of the shareholders held on May 26, 2020. Subsequently, pursuant to the board approvals for amendments obtained via consent resolutions dated November 16, 2021 and June 3, 2022, on June 28, 2022, the Company issued a first tranche of 406,667 Series I Class A preferred shares priced at \$3 per share to raise \$1,220,001.

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

The issued and outstanding preferred shares at September 30, 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 three and nine-months period ended September 30, 2024, 25,508 and \$75,969 was recorded as dividend (2023 - \$28,291 and \$83,949).

#### Common shares

The issued and outstanding common shares at September 30, 2024 were 30,762,363 (December 31, 2023 – 31,618,363).

The Company initiated a Normal Course Issuer Bid ("**NCIB**") on October 13, 2022. The NCIB will terminate upon the earliest of (i) the Company purchasing 2,598,100 common shares, (ii) the Company providing notice of termination of the NCIB, and (iii) October 12, 2023. The Company has engaged Canaccord Genuity Corp. to act as its broker for the NCIB. The NCIB will be made through the facilities of the TSXV and the purchase and payment for the common shares will be made from the Company's existing working capital at the market price of the applicable securities at the time of acquisition, plus brokerage fees, if any, charged by the Broker. All common shares purchased by the Company under the NCIB will be cancelled. In the nine-month period ended September 30, 2024, 1,045,500 shares were purchased under the NCIB at a weighted-average price per share of \$0.5116 for a total cost of \$534,909 (2023 – 1,675,500 shares for a total cost of \$942,272), and subsequently returned to treasury for cancellation.

In the nine-month period ended September 30, 2024, the Company issued a total of 189,500 common shares, out of which 182,000 shares were issued on the net exercise of 350,000 options at a weighted-average exercise price of \$0.36 per share and a market price of

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### Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2024

\$0.75 per share, and 7,500 common shares were issued on the gross exercise of options at a weighted average exercise price of \$0.60. \$83,131 was reallocated from contributed surplus to share capital.

#### Share-Based Payments

On December 30, 2021, the Board approved the replacement of the Corporation's stock option plan with a new omnibus equity incentive plan (the "Omnibus Plan") to give the Board greater flexibility in the types of incentive awards that can be granted to directors, officers, employees and consultants of the Corporation and its subsidiaries. The Omnibus Plan subsequently received shareholder approval at the Annual General Meeting held on October 4, 2022.

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

#### Stock Options

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

The following options were outstanding under the plan, on September 30, 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	90,000	\$0.36	May 26, 2027	2.65
January 10, 2023	75,000	17,500	\$0.60	January 9, 2030	5.28
June 13, 2023	1,672,759	1,672,759	\$0.58	June 12, 2028	3.70
October 25, 2023	560,000	112,000	\$0.54	October 24, 2028	4.07
<b>Total</b>	<b>2,382,759</b>	<b>1,892,259</b>			
Weighted average exercise price	<b>\$0.5618</b>	<b>\$0.5674</b>		Weighted average remaining contractual life	<b>3.78</b>

The Company uses the Black-Scholes option pricing model to calculate the fair value of any options granted. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

#### Performance Stock Units ("PSUs")

The Company did not award any PSUs in the three-month period ended September 30, 2024 (2023: Nil). All PSUs are subject to the following performance vesting criteria established by the Board:

Metric: Share Price		Metric: Recurring Free Cash Flow	
Vesting Portion	Threshold	Vesting Portion	Threshold
1/6 <sup>th</sup>	\$1.00	1/6 <sup>th</sup>	\$2,000,000
1/6 <sup>th</sup>	\$2.00	1/6 <sup>th</sup>	\$5,000,000
1/6 <sup>th</sup>	\$3.00	1/6 <sup>th</sup>	\$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.

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A total of \$15,999 and \$49,212 was expensed towards share based compensation on account of PSUs, in the three and nine-month periods ended September 30, 2024 (2023 - \$2,129 and \$37,058). A total of 1,025,834 PSUs are outstanding as on September 30, 2024.

## 15. Revenues

### i) Income from investments at fair value

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
<b>Royalty and loan payment income</b>				
Royalty payment income	137,477	151,020	436,961	657,581
Loan interest income	2,346,633	1,546,127	6,165,620	4,574,453
<b>Total</b>	<b>\$ 2,484,110</b>	<b>\$ 1,697,147</b>	<b>\$ 6,602,581</b>	<b>\$ 5,232,034</b>

### Adjustments to fair value

Royalty agreements acquired	\$ 38,944	\$ (490,449)	\$ 16,195	\$ (541,455)
Equity securities in investee companies	(696,145)	(140,551)	(1,274,107)	444,941
<b>Total</b>	<b>\$ (657,201)</b>	<b>\$ (631,000)</b>	<b>\$ (1,257,912)</b>	<b>\$ (96,514)</b>

### ii) Change in expected credit losses

Movement in expected credit losses	\$ (694,282)	\$ (91,558)	\$ (703,292)	\$ (217,465)
<b>Total</b>	<b>\$ (694,282)</b>	<b>\$ (91,558)</b>	<b>\$ (703,292)</b>	<b>\$ (217,465)</b>

### iii) Other income

#### Other investment income and gains

Management fee	\$ 39,641	\$ -	\$ 170,472	\$ -
Interest income on invested cash and cash equivalents and other fee income	76,137	28,888	186,421	113,078
<b>Total</b>	<b>\$ 115,778</b>	<b>\$ 28,888</b>	<b>\$ 356,893</b>	<b>\$ 113,078</b>

## 16. Foreign exchange gains (losses)

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
<b>Foreign exchange gains (losses)</b>				
Unrealized foreign exchange (loss) gain	\$ (475,480)	\$ 1,293,827	\$ 174,973	\$ 602,643
Realized foreign exchange (loss) gain	-	(726,763)	172,650	(573,635)
<b>Total</b>	<b>\$ (475,480)</b>	<b>\$ 567,064</b>	<b>\$ 347,623</b>	<b>\$ 29,008</b>

## 17. Employee benefit expense

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Wages and salaries	\$ 453,218	\$ 366,201	\$ 1,238,389	\$ 1,048,195
Restructuring costs	-	-	-	-
Other benefits	26,843	39,918	99,879	81,436
Employer related costs for insurance, health tax	30,066	20,595	109,371	85,517
<b>Salaries, benefits and other staffing costs</b>	<b>510,127</b>	<b>426,714</b>	<b>1,447,639</b>	<b>1,215,148</b>
Share-based compensation (Note 18)	34,934	127,868	391,001	212,890
<b>Total</b>	<b>\$ 545,061</b>	<b>\$ 554,582</b>	<b>\$ 1,838,640</b>	<b>\$ 1,428,038</b>

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### Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2024

#### 18. Share-based compensation

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

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Expense recognized based on vesting conditions of stock options	\$ 18,935	\$ 125,739	\$ 341,789	\$ 175,832
Expense recognized based on vesting conditions of PSUs	15,999	2,129	49,212	37,058
<b>Total</b>	<b>\$ 34,934</b>	<b>\$ 127,868</b>	<b>\$ 391,001</b>	<b>\$ 212,890</b>

#### 19. Financing expense

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Priority Return Fund II	\$ -	\$ 136,867	\$ -	\$ 969,893
Series I Class A preferred shares	25,508	28,291	75,969	83,949
Revolving Credit Interest	43,911	-	43,911	-
Debenture Interest	742,381	360,228	2,019,083	360,228
<b>Total</b>	<b>\$ 811,800</b>	<b>\$ 525,387</b>	<b>\$ 2,138,963</b>	<b>\$ 1,414,071</b>

#### 20. Earnings per share

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

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Profit attributable to ordinary equity holders for basic earnings / per share	\$ (591,120)	\$20,229	\$ 319,088	\$ 453,789
Basic weighted average number of shares outstanding	30,606,053	32,462,803	30,965,712	31,578,765
Dilutive effect of options and warrants	-	145,427	28,767	147,801
Diluted weighted average number of shares outstanding	30,606,053	32,608,230	30,994,478	31,726,566
Basic earnings per share	\$ 0.0246	\$ 0.0006	\$ 0.00511	\$ 0.0144
Diluted earnings per share	\$ 0.0246	\$ 0.0006	\$ 0.00510	\$ 0.0143

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.

#### 21. Operating segment information

Flow Capital operates as an investment firm providing growth capital to emerging growth businesses comprising one operating segment. All of the Company's reported revenue is from external customers. The breakdown of the recognized revenue by country was:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Canada	\$ 184,264	\$ 117,334	\$ 411,442	\$ 362,779
United States	719,936	610,548	3,140,834	3,710,400
United Kingdom	344,205	275,595	1,445,994	957,954
<b>Total</b>	<b>\$ 1,248,405</b>	<b>\$ 1,003,477</b>	<b>\$ 4,998,270</b>	<b>\$ 5,031,133</b>

<sup>1</sup> The UK based investment denominated in US\$ and was previously included with US based investments. As this has been split out to provide further granularity, the previous year comparative split has been re-stated.

## Flow Capital Corp.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements In Canadian dollars, for the three and nine-months ended September 30, 2024

For the nine months ended September 30, 2024, the royalty and loan payment income and the interest income on promissory notes received for 3 (2023: 5) investees was over 10% of the total royalty and loan payment income, at 13.1%, 11.86% and 10.35% of the total, respectively.

#### 22. Changes in working capital items

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Prepaid expenses and other receivables	(117,022)	(223,956)	(18,317)	(192,755)
Accounts payable and accrued liabilities	(509,141)	58,051	(1,082,011)	205,020
Lease termination fee	-	-	-	-
<b>Total</b>	<b>\$ (626,163)</b>	<b>\$ (165,905)</b>	<b>\$ (1,100,328)</b>	<b>\$ 12,265</b>

#### 23. Related party disclosures

##### Key management personnel

The number of key management personnel as at September 30, 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

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Short term employee benefits	\$ 203,887	\$ 231,801	\$ 620,445	\$ 659,603
Share-based compensation	29,621	173,441	375,305	245,229
<b>Total</b>	<b>\$233,508</b>	<b>\$ 405,242</b>	<b>\$ 995,750</b>	<b>\$ 904,832</b>

##### ii) Other transactions

On September 30, 2020, the Company launched Priority Return Fund II LP. As at September 30, 2023, \$nil (December 31, 2023: \$Nil) of the redeemable debt was held by key management personnel and a company with common directors, and interest of \$Nil was accrued and expensed on that redeemable debt, during the three and nine-month periods ended September 30, 2024 (2023: \$3,833 and \$90,680).

On June 28, 2022, Company issued the first tranche of its Series I Class A preferred shares. At June 30, 2024, 166,667 preferred shares with a face value of \$500,001 (December 31, 2023: \$500,001) were held by a director's family, and dividend of \$11,595 and \$34,531 was accrued and expensed on these preferred shares during the three and nine-month periods ended September 30, 2024 (2023: \$11,595 and \$34,406).

On August 31, 2022, the Company advanced loans to two Directors in the total amount of \$26,559. On June 28, 2023, the Company advanced an additional \$120,758 as loans to the two Directors. These loans in the total amount of \$147,317 remain outstanding on September 30, 2024. For the three and nine-month period ended September 30, 2024, the Company earned interest income on these loans in the amount of \$1,857 and \$6,264 (2023 - \$1,857 and \$2,499) at the CRA prescribed rate.

On August 1, 2023, the Company issued first tranche of its Debentures of multiple class. As at September 30, 2024, \$4,408,201 (December 31, 2023: \$1,820,955) of the debentures was held by key management personnel and a company with common directors, and interest of \$153,760 and \$256,457 was accrued and expensed on the debentures, during the three and nine-month periods ended September 30, 2024 (2023: \$33,050 and 33,050).

#### 24. Subsequent Events

Between October 1, 2024, and November 19, 2024, the Company purchased 62,000 shares at an average price of \$0.7337. All common shares purchased by the Company under the NCIB are returned to treasury and cancelled.

Subsequent to September 30, 2024, the Company has issued 50 Series F Debentures to raise \$50,000.