

**Flow Capital Corp.****Management's Discussion and Analysis of Financial Condition and Results of Operations  
For the Three and Six Months Ended June 30, 2025****August 13, 2025**

*This management's discussion and analysis ("MD&A") of the financial condition and results of operation of Flow Capital Corp. ("Flow", "Flow Capital", or the "Company") should be read in conjunction with Flow's audited consolidated financial statements and notes thereto as at and for the three and six months ended June 30, 2025. Except as otherwise indicated (see "Non-IFRS Financial Measures"), all financial data in this MD&A has been prepared, in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). All dollar amounts in this MD&A are reported in Canadian dollars.*

**Cautionary Statement on Forward-looking Information**

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

An investment in securities of the Company is speculative and subject to a number of risks including, without limitation, risks relating to: the need for additional financing; the Company's ability to pay dividends in the future and the timing and amount of those dividends; the relative speculative and illiquid nature of an investment in the Company; the volatility of the Company's share price; the Company's limited operating history; the Company's ability to generate sufficient revenues; the

Company's ability to manage future growth; the limited diversification in the Company's existing investments and the concentration of a significant amount of the Company's invested capital in a small number of investments; the Company's ability to negotiate additional loan investments from new investee companies; the Company's dependence on the operations, assets and financial health of its investee companies; the Company's limited ability to exercise control or direction over investee companies; potential defaults by investee companies and the unsecured nature of the Company's investments; the Company's ability to enforce on any default by an investee company; competition with other investment entities; tax matters, including the potential impact of the Foreign Account Tax Compliance Act on the Company; the potential impact of the Company being classified as a Passive Foreign Investment Company ("PFIC"); reliance on key personnel; dilution of shareholders' interest through future financings; changes to the Company's accounting policies and methods; and general economic and political conditions, and the risks discussed herein. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information and forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

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

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

The forward-looking information and forward-looking statements contained in this MD&A are made as of the date of this MD&A, and the Company does not undertake to update any forward-looking

information and/or forward-looking statements that are contained or referenced herein, except in accordance with applicable securities laws. All subsequent written and oral forward-looking information and statements attributable to the Company or persons acting on its behalf is expressly qualified in its entirety by this notice.

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

### **Non-IFRS Measures and Reconciliation of Non-IFRS Measures**

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as Recurring free cash flow available to shareholders ("rFCF") and book value per share ("BVPS"). Recurring free cash flow available to shareholders refers to Loan interest income less Loan amortization income, Salaries, benefits and staffing costs, Professional fees, Office and general administrative and Financing expenses. We believe that rFCF is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if we do not repay any debts. While we could use the rFCF to pay dividends or repurchase shares, our objective is to use the majority of our rFCF to invest in new investments which meet our hurdle rate and contribute to the continued growth of the business.

rFCF is not a recognized measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Accordingly, readers are cautioned that rFCF should not be construed as an alternative to net cash flows from operating activities. See "Results of Operations — Recurring free cash flow available to shareholders" for a reconciliation of rFCF to loan interest income.

### **Overview of Flow Capital**

Flow Capital provides growth capital primarily to digital businesses with strong management teams, compelling unit economics, rapid growth and high levels of recurring revenue. One of Flow's primary products is venture debt. Venture debt is a form of capital provided to high growth companies, that enables them to finance their growth and avoid the dilutive effect of an equity issue or the personal guarantees, restrictive covenants, and need for amortization payments usually associated with traditional lenders, such as banks. Generally, companies that use venture debt are private and have venture capital backers. They may be profitable or near profitable but choose to delay substantial near-term profitability in order maximize growth and thus long-term profitability.

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

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

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

Flow provides borrowers with funding of \$2 to \$7 million. Flow will invest up to \$10 million in a borrower which can be delivered up front or in a series of tranches, with each tranche subject to additional due diligence and strong borrower performance.

Each investment Flow makes will be structured differently and have conditions particular to the borrower and Flow Capital's assessment of the risk associated with the borrower. However, the general terms of Flow Capital's loans are: senior secured/first lien, a three-year term, non-amortizing, cash interest payments in the mid teens, and including warrants, options, or a success fee upon the successful sale or IPO of the business. Warrants issued with a loan usually represent 1% to 3% of the equity value of the borrower.

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

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

Flow's aims to grow its business each year. Difficult equity markets create an excellent opportunity for Flow to deploy capital. Flow funds its investments through a combination of the sale of debentures to individual and institutional investors and the reinvestment of its Recurring free cash flow available to shareholders (rFCF) into new investments. Given the attractive interest rate the Company can charge on its loans plus the potential returns from warrants and success fees, the Company expects that rFCF per share and book value per share should continue to grow.

As with any portfolio of loans in a high return asset class, there is expected to be occasional credit losses on certain loans. To account for these potential losses Flow Capital adheres to the standards of IFRS 9 and presents its financial assets net of expected credit losses. However, it is the Company's expectation that any loan losses should be more than offset by gains on equity, warrants, and

success fees associated with each loan such that Flow should deliver a superior overall portfolio return in the long run.

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

### **Key Performance Indicators**

Management uses a number of metrics, including Recurring free cash flow available to shareholders (“rFCF”), to measure the Company's performance.

rFCF refers to loan interest income less loan amortization income, salaries, benefits and staffing costs, professional fees, office and general administrative and financing expenses. We believe that rFCF is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if we do not repay any debts. While we could use the rFCF to pay dividends or repurchase shares, our objective is to use the majority of our rFCF to invest in new investments which meet our hurdle rate and contribute to the continued growth of the business.

See “Results of Operations — Recurring free cash flow available to shareholders” for a reconciliation of rFCF to loan interest income.

### **Overall Performance for the Three and Six Months Ended June 30, 2025**

Three Months Ended June 30, 2025, Compared to Three Months Ended June 30, 2024:

- 59% increase in Loan Interest Revenue to \$3.2 million from \$2.0 million
- 212% increase in recurring free cash flow to \$884,129 from \$283,036
- 216% increase in recurring free cash flow per share to \$0.0290 from \$0.0092
- 39% increase in total investments value to \$72.2 million from \$52.0 million
- \$16.3 million in new investments compared to \$9.3 million

Six Months Ended June 30, 2025, Compared to Six Months Ended June 30, 2024

- 52% increase in Loan Interest Revenue to \$5.8 million from \$3.8 million
- 148% increase in recurring free cash flow to \$1.7 million from \$698,887
- 152% increase in recurring free cash flow per share to \$0.0567 from \$0.0224
- 39% increase in total investments value to \$72.2 million from \$52.0 million
- \$19.5 million in new investments compared to \$16.0 million

### **Summary of Factors Affecting our Performance**

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our

business, they also pose important challenges, some of which are discussed below and in the "Risk Factors" section of this MD&A.

#### ***Loan origination and marketing team***

Our ability to achieve significant growth in future revenue will largely depend upon the effectiveness of our loan origination and marketing team efforts and success in identifying new loan clients and pricing those loans properly in partnership with our credit analysis team. We continue to evolve our loan origination and marketing team to widen their reach and to embrace new tools made available from artificial intelligence. The goal is to increase the number of new investments we review and to increase the speed and accuracy of our review of their appropriateness to our lending and investment solutions.

#### ***Credit analysis and loan monitoring team***

Our ability to achieve and maintain significant profitability will largely depend upon the effectiveness of our credit analysis and loan monitoring teams ability to complete accurate due diligence investigation into new loans, appropriately structure them, and to monitor active loans in order to properly price new loans and minimize credit losses. We will continue to evolve our credit analysis and loan monitoring team and embrace new tools made available from artificial intelligence.

#### ***Foreign currency***

Our functional and presentation currency is the Canadian dollar. A significant amount of the Company's revenue is in U.S. dollars and a significant portion of the Company's assets are denominated in U.S. dollars. Our revenues and assets are converted from U.S. dollars to Canadian dollars. As a result, our revenues and assets will be adversely impacted by a decrease in the value of the U.S. dollar relative to the Canadian dollar. See the "Risk Factors" section of this MD&A for a discussion on exchange rate fluctuations and their potential negative effect on our results of operations.

### **Key Components of Results of Operations**

#### ***Revenue***

Flow's operations generate two sources of revenue from its financial assets: (i) loan interest and royalty revenue and (ii) income from changes in the values of financial assets.

Loan interest and royalty revenue consist of interest payments on its loan investments and the royalty payments from a single legacy royalty investment. The revenue from this royalty investment represents approximately 6.0% of total loan interest and royalty revenue. Flow does not intend to make any future royalty investments.

Loan interest and royalty revenue is largely cash revenue that is contracted by the terms of our loans and is therefore recurring and predictable. The non-cash portion of loan interest and royalty revenue consists of amortization of the value of set-up fees, warrants or other equity received as part of the loan, and payment-in-kind interest. In the 3 months ended June 30, 2025 this non-cash element of

loan interest and royalty revenue was approximately 10%. Flow calculates rFCF to present its results on a cash only basis.

Flow's second source of revenue is income from changes in the values of financial assets. This revenue largely consists of non-cash changes in the fair market value of the company's investment portfolio, which are loans and equity investments (largely represented by warrant positions acquired with the issuance of each loan). Income from changes in values of financial assets has two primary components: (i) gains and losses on financial assets measured at Fair Value Through Profit and Loss (FVTPL) and (ii) changes in expected credit losses (ECL).

Under IFRS 9 Flow's holdings of warrants and other related equity securities must be carried at fair value with any changes in fair value, even though they are non-cash, recognized as revenue. This results in the company recording positive or negative revenue as fair value changes occur. Similarly with changes in the Company ECL. An increase in ECLs is recorded as negative revenue, such as when a new loan is issued and its associated ECL is added to the Company's total ECLs. Conversely, when a loan is paid off in full, the loan's associated ECL is removed, and the Company shows an increase in income from changes in the values of financial assets.

Since the majority of the company's equity portfolio is in warrants whose fair value is more volatile than simple equity securities this leads to gains and losses on financial assets measured at FVTPL to be volatile.

When a new loan is recorded, an ECL is recorded as negative revenue. Over the life of the loan, the ECL is adjusted based on management's assessment of the ongoing risk of the loan, with increases recorded as negative revenue and reductions recorded as positive revenue. All these changes are non-cash until such time as the loan matures and an actual credit loss, if any, is recorded and is then reconciled with the ECL carried.

Therefore, Flow's total revenues will exhibit volatility, with loan interest and royalty revenue generally stable, with growth in line with the growth of Flow's loan assets, while income from changes in value of financial assets showing material volatility from quarter to quarter and as non-cash changes in equity values and non-cash adjustments to ECL are made.

### ***Operating Expenses***

Our primary operating expenses are:

- *Salaries, benefits and staffing costs.* These costs are the salaries, cash bonuses, and benefits expenses for our employees and directors. With growth in the Company's revenues and assets, we expect these costs to increase. However, we expect that these costs will decrease as a percentage of revenue and assets.
- *Share-based compensation.* These costs are comprised of the value of stock options and performance share units granted to employees and directors expensed over the vesting period of the options and units.



- *Professional fees.* These fees consist of professional fees, listing and filing fees, AGM expenses, legal fees, and consulting fees. With growth in the Company's revenues and assets, we expect these costs to increase. However, we expect that these costs will decrease as a percentage of revenue and assets.
- *Office and general administrative.* General and administrative expenses are comprised of marketing expenses, membership and subscriptions, business fees and licenses, office expenses and supplies, and rent. With growth in the Company's revenues and assets, we expect these costs to increase. However, we expect that these costs will decrease as a percentage of revenue and assets.

#### **Other Income Statement Items**

- *Financing expense.* This expense is the interest cost of the Company's bank debt and debentures and the dividends on its preferred shares. With growth in the Company's revenues and assets, we these expenses will increase.
- *Foreign exchange gains and losses.* A significant amount of the Company's assets are denominated in U.S. dollars. Therefore, the Company may report material gains and losses in foreign exchange at each reporting period as a result of fluctuation in the U.S. Canadian dollar exchange rate. However, this is largely a non-cash expense. Generally, a foreign exchange gain or loss is only realized upon the sale of a U.S. denominated equity position, upon the repayment of a U.S. denominated loan, or upon the repayment of a U.S. denominated debt obligation.

#### **Results of Operations**

The following table outlines our consolidated statements of income and comprehensive income for the three and six months ended June 30, 2025 and 2024.



	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
<b>Results of Operations (Unaudited)</b>				
Loan interest and royalty revenue	\$ 3,244,233	\$ 2,112,885	\$ 6,148,374	\$ 4,118,471
Income from changes in value of financial assets	(2,299,816)	(449,985)	(2,660,136)	(609,721)
Other income, fee income and gains	447,612	172,520	455,020	241,115
<b>Total Revenues</b>	<b>1,392,029</b>	<b>1,835,420</b>	<b>3,943,258</b>	<b>3,749,865</b>
Operating expenses	(1,104,862)	(1,055,863)	(2,153,441)	(1,946,099)
Financing expense	(903,834)	(683,043)	(1,724,072)	(1,327,163)
Foreign exchange gains and (losses)	(1,518,568)	198,681	(1,607,944)	823,103
<b>Income before income taxes</b>	<b>(2,135,235)</b>	<b>295,195</b>	<b>(1,542,199)</b>	<b>1,299,706</b>
<b>Income taxes</b>	<b>662,695</b>	<b>(105,224)</b>	<b>503,540</b>	<b>(389,498)</b>
<b>Net income</b>	<b>\$ (1,472,540)</b>	<b>\$ 189,971</b>	<b>\$ (1,038,659)</b>	<b>\$ 910,208</b>
<b>Recurring Free Cash Flow</b>	<b>\$ 884,129</b>	<b>\$ 283,036</b>	<b>\$ 1,731,240</b>	<b>\$ 698,887</b>
<b>Weighted average number of shares outstanding</b>				
Basic	30,502,286	30,831,242	30,558,711	31,136,998
Diluted	30,502,286	30,968,301	30,558,711	31,254,621
Shares outstanding period end	30,374,863	30,626,863	30,374,863	30,626,863
<b>Earnings per share</b>				
Basic earnings per share	\$ (0.0483)	\$ 0.0062	\$ (0.0340)	\$ 0.0292
Diluted earnings per share	\$ (0.0483)	\$ 0.0061	\$ (0.0340)	\$ 0.0291
<b>Recurring free cash flow per share</b>				
Basic rFCF per share	\$ 0.0290	\$ 0.0092	\$ 0.0567	\$ 0.0224
Diluted rFCF per share	\$ 0.0290	\$ 0.0091	\$ 0.0567	\$ 0.0224
<b>Loans and Royalty Assets</b>	<b>\$ 66,385,760</b>	<b>\$ 45,451,832</b>	<b>\$ 66,385,760</b>	<b>\$ 45,451,832</b>
<b>Equity Securities</b>	<b>\$ 5,782,267</b>	<b>\$ 6,556,844</b>	<b>\$ 5,782,267</b>	<b>\$ 6,556,844</b>
<b>Total Assets</b>	<b>\$ 85,496,993</b>	<b>\$ 65,755,833</b>	<b>\$ 85,496,993</b>	<b>\$ 65,755,833</b>
<b>Total Liabilities</b>	<b>\$ 49,808,842</b>	<b>\$ 27,325,429</b>	<b>\$ 49,808,842</b>	<b>\$ 27,325,429</b>
<b>Total Shareholders' Equity</b>	<b>\$ 35,688,151</b>	<b>\$ 38,430,404</b>	<b>\$ 35,688,151</b>	<b>\$ 38,430,404</b>

## Review of Operations for Three and Six Month Periods Ended June 30, 2025 and 2024

### Revenue

Revenue Analysis	Three Months Ended June 30th				Six Months Ended June 30th			
	2025	2024	Change \$	Change %	2025	2024	Change \$	Change %
Loan interest revenue	\$ 3,194,899	\$ 2,014,493	\$ 1,180,406	59%	\$ 5,823,398	\$ 3,818,987	\$ 2,004,411	52%
Royalty revenue	49,334	98,392	(49,058)		324,976	299,484	25,492	
Loan interest and royalty revenue	3,244,233	2,112,885	1,131,348	54%	6,148,374	4,118,471	2,029,903	49%
Adjustments to fair value of assets	(1,583,666)	(472,221)	(1,111,445)		(1,985,222)	(600,711)	2,585,933	
Change in expected credit losses	(716,150)	22,236	(738,386)		(674,914)	(9,010)	(665,904)	
Income from changes in value of financial assets	(2,299,816)	(449,985)	(1,849,831)		(2,660,136)	(609,721)	(2,050,415)	
Other income, fee income and gains	447,612	172,520	275,092		455,020	241,115	213,905	
Total revenues	\$ 1,392,029	\$ 1,835,420	\$ (443,391)		\$ 3,943,258	\$ 3,749,865	\$ 193,393	

Loan interest and royalty revenue increased 54% to \$3.2 million from \$2.1 million in the three months ended June 30, 2025, compared to the three months ended June 30, 2024. Similarly, loan interest and royalty revenue increased 49% to \$6.1 million from \$4.1 million for the six months ended June 30, 2025, compared to the six months ended June 30, 2024.

This revenue increase was driven primarily from a 46% increase in Flow's loan and royalty investments to \$66.4 million on June 30, 2025, from \$45.5 million on June 30, 2024.

Three Months Ended	December 31, 2023	March 31, 2024	June 30, 2024	September 30, 2024	December 31, 2024	March 31, 2024	June 30, 2025
Total loan interest and royalty revenue	\$ 1,882,908	\$ 2,005,586	\$ 2,112,885	\$ 2,484,110	\$ 2,703,077	\$ 2,904,141	\$ 3,244,233
Change from previous quarter	10.9%	6.5%	5.4%	17.6%	8.8%	7.4%	11.7%

Over the last seven quarters Flow's loan interest and royalty revenue has grown to \$3.2 million from \$1.9 million, a compound annual growth rate (CAGR) of 36%.

This growth was a result of Flow's loan and royalty assets growing to \$66.4 million on June 30, 2025 from \$45.1 million on December 31, 2023, a CAGR of 26.6%.

Since income from changes in value of financial assets can be volatile from quarter to quarter, management's opinion is that an assessment of quarter-to-quarter changes of this value should be considered in the context of multi-year results. Since most of Flow's warrant positions have a term of five years or longer management believes that a five-year assessment of income from changes in financial assets provides useful information on the Company's ability to generate returns from its equity investments.

Selected Annual Information	Year ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2024	Six months ended June 30, 2025
Income from changes in value of financial assets	\$ 4,856,308	\$ 4,321,114	\$ 2,367,924	\$ (1,428,864)	\$ (6,110,894)	\$ (2,660,136)
Cummulative income	\$ 4,856,308	\$ 9,177,422	\$ 11,545,346	\$ 10,116,482	\$ 4,005,588	\$ 1,345,452

Although loan interest and royalty income continued to grow in the three and six months ended June 30, 2025 compared to the prior period ending June 30, 2025, volatility in Flow's total revenues was driven by income from changes in value of financial assets led to negative revenue of \$2.3 million in the three months ended March 31, 2025 and negative revenue of \$2.7 million in the six months ended June 30, 2025 as Flow adjusted the fair value of its financial assets, mostly equity securities, and increased its expected credit losses on two Stage Three loans.

However, since the year ended December 31, 2020, 2025, Flow has generated total cumulative income from changes in value of financial assets of \$1.3 million, notwithstanding negative revenue of \$2.7 million in the six months ended June 30, 2024. Management believes this long-term review of the performance of its financial assets provides valuable context in which to review quarterly or single-year results.

## Operating Expenses

Operating Expenses	Three Months Ended June 30th				Six Months Ended June 30th			
	2025	2024	Change \$	Change %	2025	2024	Change \$	Change %
Salaries, benefits, and staffing costs	\$ 725,664	\$ 510,233	\$ 215,431	42%	\$ 1,332,063	\$ 937,513	\$ 394,550	42%
Share-based compensation	50,089	163,580	(113,491)	-69%	102,893	356,067	(253,174)	-71%
Depreciation	226	168			452	335		
Professional fees	93,488	188,451	(94,963)	-50%	263,173	287,551	(24,378)	-8%
Office and general administrative	235,395	193,431	41,964	22%	454,860	364,633	90,227	25%
<b>Total Operating Expenses</b>	<b>\$ 1,104,862</b>	<b>\$ 1,055,863</b>	<b>\$ 48,999</b>	<b>5%</b>	<b>\$ 2,153,441</b>	<b>\$ 1,946,099</b>	<b>\$ 207,342</b>	<b>11%</b>

Operating Expenses Analysis	Three months ended	Three months ended	Six months ended	Six months ended
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Total investments	\$ 72,168,027	\$ 52,008,676	\$ 72,168,027	\$ 52,008,676
Percentage increase over prior period	39%		39%	

### Operating Expenses as a Percentage of Investments (annualized)

Salaries, benefits, and staffing costs	4.0%	3.9%	3.7%	3.6%
Share-based compensation	0.3%	1.3%	0.3%	1.4%
Professional fees	0.5%	1.4%	0.7%	0.0%
Office and general administrative	1.3%	1.5%	1.3%	1.1%
<b>Total Operating Expenses</b>	<b>6.1%</b>	<b>8.1%</b>	<b>6.0%</b>	<b>7.5%</b>

Operating expenses for the three months ended June 30, 2025, compared to the three months ended June 30, 2024, increased marginally by 5% to \$1.1 million, similarly for the six months ended June 30, 2025, compared to the six months end June 30, 2024, operating expenses increased 11% to \$2.2 million.

These increases were primarily driven by an increase in salaries, benefits, and staffing costs of \$215,431 in the three months ended June 30, 2025, and \$394,550 in the six months ended June 30, 2025, compared to prior periods. These increases were the result of Flow adding staff and some expenses because of increased business and for the preparation of continued growth.

Nevertheless, the overall increases in operating expenses were substantially less than the Company's growth in investments of 39% to \$72.2 million from \$52.0 million in the prior period.

Overall, as a percentage of Flow's investment portfolio, total operating expenses dropped to 6.1% from 8.1% (annualized) in the three months ended June 30, 2025, compared to the three months ended June 30, 2024. Similarly, for the six months ended June 30, 2025, compared to the six months ended June 30, 2024, total operating expenses as a percentage of investments dropped to 6.0% from 7.5% (annualized).

These declines were driven by management's objective to control operating expenses so that they decline as a percentage of investments as Flow continues to grow its investment portfolio. So, while most operating costs will increase over time, management expects that, as a percentage of investments, operating costs will continue to drop as the Company's investment portfolio grows.

## Financing Expense

Financing Expense	Three Months Ended June 30th				Six Months Ended June 30th			
	2025	2024	Change \$	Change %	2025	2024	Change \$	Change %
Financing Expense	\$ 903,834	\$ 683,043	\$ 220,791	32%	\$ 1,724,072	\$ 1,327,163	\$ 396,909	30%
Preferred shares outstanding	\$ 1,100,001	\$ 1,100,001	\$ -		\$ 1,100,001	\$ 1,100,001	\$ -	
Revolving credit facility outstanding	13,643,000	-	13,643,000		\$ 13,643,000	\$ -	\$ 13,643,000	
Redeemable debt outstanding	32,245,095	23,850,751	8,394,344		\$ 32,245,095	\$ 23,850,751	\$ 8,394,344	
<b>Total obligations</b>	<b>\$ 46,988,096</b>	<b>\$ 24,950,752</b>	<b>\$ 22,037,344</b>	<b>113%</b>	<b>\$ 46,988,096</b>	<b>\$ 24,950,752</b>	<b>\$ 22,037,344</b>	<b>113%</b>

Financing expense for the three months ended June 30, 2025 increased to \$903,834 from \$683,043 in the three months ended June 30, 2024 and in the six months ended June 30, 2025 increased to \$1.7 million from \$1.3 million in the six months ended June 30, 2024. These increases resulted from Flow increasing its total debt obligations from \$25.0 million to \$47.0 million from June 30, 2024 to June 30, 2025.

## Foreign Exchange

	Three Months Ended June 30th			Six Months Ended June 30th		
	2025	2024	Change \$	2025	2024	Change \$
Foreign exchange gains (losses)	\$ (1,518,568)	\$ 198,681	\$ (1,717,249)	\$ (1,607,944)	\$ 823,103	\$ (2,431,047)

Most of Flow's investments are in U.S. denominated loans and equity securities, therefore the company is subject to non-cash foreign exchange gains and losses each reporting period based on the conversion of the carrying value of the Company's U.S. dollar denominated financial assets into Canadian dollars.

Foreign exchange gains and losses were for the three months ended June 30, 2025 negative \$1.5 million from positive \$198,681 in the three months ended June 30, 2024, and in the six months ended June 30, 2025 were negative \$1.6 million compared to positive \$823,103 in the six months ended June 30, 2024.

## Income Taxes

Income tax expense for the three months ended June 30, 2025, was a recovery of \$662,695 compared to an expense of \$105,224 in the three months ended June 30, 2024, and in the six months ended June 30, 2025, was a recovery of \$503,540 compared to an expense of \$389,498 in the six months ended June 30, 2024.

The Company deferred tax asset for the period ended June 30, 2025, is \$9.0 million, which will shelter approximately \$34 million in future profits from cash taxes.

## Net Income and Earnings per Share

Net loss and basic and diluted loss per share for the three months ended June 30, 2025, were \$1.5 million and \$0.0483 respectively, compared to the three months ended June 30, 2024, of net income and basic and diluted earnings per share of \$189,971 and \$0.0062, respectively.

Net loss and loss per share for the six months ended June 30, 2025, were \$1.0 million and \$0.0340, respectively, compared to the six months ended June 30, 2024, of net income and earnings per share of \$910,208 and \$0.0292, respectively.

### ***Recurring Free Cash Flow and Recurring Free Cash Flow per Share***

	Three Months Ended June 30th				Six Months Ended June 30th			
	2025	2024	Change \$	Change %	2025	2024	Change \$	Change %
Recurring Free Cash Flow (rFCF)	\$ 884,129	\$ 283,036	\$ 601,093	212%	\$ 1,731,240	\$ 698,887	\$ 1,032,353	148%
<b>Recurring free cash flow per share</b>								
Basic rFCF per share	\$ 0.0290	\$ 0.0092	\$ 0.0198	216%	\$ 0.0567	\$ 0.0224	\$ 0.0342	152%
Diluted rFCF per share	\$ 0.0290	\$ 0.0091	\$ 0.0198	217%	\$ 0.0567	\$ 0.0224	\$ 0.0343	153%

rFCF and basic and diluted rFCF per share for the three months ended June 30, 2025, were \$884,129 and \$0.0290, respectively, compared to the three months ended June 30, 2024, of rFCF and basic and diluted earnings rFCF per share of \$283,036 and \$0.0091, respectively.

rFCF and basic and diluted rFCF per share for the six months ended June 30, 2025, were \$1.7 million and \$0.0567 respectively, compared to the six months ended June 30, 2024, of rFCF and basic and diluted earnings rFCF per share of \$698,887 and \$0.0224, respectively.

### ***Recurring Free Cash Flow Available to Shareholders Reconciliation***

The following table reconciles rFCF to loan interest and royalty revenue.

<b>Reconciliation of recurring free cash flow to loan interest revenue</b>	<b>Three months ended</b>	<b>Three months ended</b>	<b>Six months ended</b>	<b>Six months ended</b>
	<b>June 30, 2025</b>	<b>June 30, 2024</b>	<b>June 30, 2025</b>	<b>June 30, 2024</b>
Loan interest and royalty revenue	\$ 3,244,233	\$ 2,112,885	\$ 6,148,374	\$ 4,118,471
Loan amortization income	438,206	254,691	717,157	502,724
Salaries, benefits, and staffing costs	725,664	510,233	1,332,063	937,513
Professional fees	93,488	188,451	263,173	287,551
Office and general administrative	235,395	193,431	454,860	364,633
One-time payment	-	-	-	-
Transaction cost amortization	(36,483)	-	(74,191)	-
Financing expense	903,834	683,043	1,724,072	1,327,163
<b>Recurring free cash flow (rFCF)</b>	<b>\$ 884,129</b>	<b>\$ 283,036</b>	<b>\$ 1,731,240</b>	<b>\$ 698,887</b>

## Investment Portfolio Update

Investment Movement During the Period	Six Months Ended June 30, 2025			
	Royalty Agreement	Equity Securities	Loans Receivable	Total
<b>Balance as at December 31, 2024</b>	<b>\$ 2,079,296</b>	<b>\$ 5,164,046</b>	<b>\$ 52,900,394</b>	<b>\$ 60,143,736</b>
Proceeds from exits	-		(3,549,000)	(3,549,000)
Gain (loss) on loan modification		710,546	(677,768)	32,778
Payments received	(89,289)		560,296	471,007
New Investments		2,127,112	17,385,897	19,513,009
Foreign exchange impact	(80,247)	(201,437)	(2,186,063)	(2,467,747)
Loan amortization income			717,157	717,157
Adjustments to fair value/expected credit losses		(2,018,000)	(674,913)	(2,692,913)
<b>Balance as at June 30, 2025</b>	<b>\$ 1,909,760</b>	<b>\$ 5,782,267</b>	<b>\$ 64,476,000</b>	<b>\$ 72,168,027</b>

As of June 30, 2025, Flow's investment portfolio included one legacy royalty with a fair market value of \$1.9 million. Flow does not intend to make future royalty investments.

As of June 30, 2025 the equity securities held by the company had a fair market value of \$5.8 million versus \$5.2 million on December 31, 2024. These securities include, preferred shares, common shares, common share purchase warrants, and success fees earned upon the sale of a business.

The company obtains equity, warrants, options, and contingent success fees with each loan agreement it enters into with a borrower. The company also makes occasional equity investments in companies or venture capital funds where it believes the likely return exceeds its hurdle rate and where the investment will offer strategic advantages. These assets are converted into cash from time to time when the company believes such conversion offers an appropriate return.

During the six months ended June 30, 2025 the company acquired new equity investments with a fair value \$2.1 million, however, this increase was offset by a non-cash decrease in the fair value of assets already held of \$2.0 million and a negative non-cash foreign exchange impact of \$201,437.

Management expects such changes in the fair value of its equity securities each period since equity securities in growth companies area by their nature volatile in fair value.

As of June 30, 2025 Flow's loan portfolio was valued at \$64.5 million an increase of \$11.6 million from \$52.9 million at December 31, 2024, driven primarily by \$17.4 million in new loans, offset by \$3.5 million in loan repayments, a \$2.2 million non-cash foreign exchange adjustment, and \$674,913 in additional expected credit losses.

## Selected Annual Information

Selected Annual Information	Years Ended December 31st			Six months ended June 30, 2025
	2022	2023	2024	
Loan interest and royalty income	\$ 7,795,300	\$ 7,114,942	\$ 9,305,658	\$ 6,148,374
Income from changes in value of financial assets	2,367,924	(1,428,864)	(6,110,894)	(2,660,136)
Other income, fee income, and gains	132,892	158,822	491,306	455,020
Total revenues	\$ 10,296,116	\$ 5,844,900	\$ 3,686,070	\$ 3,943,258
<b>Total profit (loss)</b>	\$ 14,510,720	\$ (369,477)	\$ (852,537)	(1,038,659)
<b>Recurring free cash flow</b>	\$ 2,089,832	\$ 1,000,476	\$ 1,881,994	\$ 1,731,240
<b>Earnings per share</b>				
Basic	\$ 0.4640	\$ (0.0116)	\$ (0.0280)	\$ (0.0340)
Diluted	\$ 0.4490	\$ (0.0116)	\$ (0.0280)	\$ (0.0340)
<b>Recurring cash flow per share</b>				
Basic	\$ 0.0668	\$ 0.0315	\$ 0.0609	\$ 0.0567
Diluted	\$ 0.0647	\$ 0.0315	\$ 0.0609	\$ 0.0567
<b>Total assets</b>	\$ 58,682,422	\$ 63,592,533	\$ 72,023,700	\$ 85,496,994
<b>Total non-current financial liabilities</b>	\$ 7,317,339	\$ 23,072,325	\$ 32,823,988	\$ 46,621,429

## Summary of Quarterly Results

	Three Months Ended							
	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024	September 30, 2024	December 31, 2024	March 31, 2025	June 30, 2025
Loan interest and royalty revenue	\$ 1,697,147	\$ 1,882,908	\$ 2,005,586	\$ 2,112,885	\$ 2,484,110	\$ 2,703,077	\$ 2,904,141	\$ 3,244,233
Income (loss) from changes in values of financial assets	(722,558)	(1,114,885)	(159,736)	(449,985)	(1,351,483)	(4,149,690)	(360,320)	(2,299,816)
Other interest, fee income and gains	28,888	45,744	68,595	172,520	115,778	134,413	7,408	447,612
Total Revenues	1,003,477	813,767	1,914,445	1,835,420	1,248,405	(1,312,200)	2,551,229	1,392,029
Total Operating Expenses	872,554	653,912	890,236	1,055,863	823,537	1,171,562	1,048,579	1,104,862
Operating Income	130,923	159,855	1,024,209	779,557	424,868	(2,483,762)	1,502,650	287,167
Financing expense	(525,387)	(624,869)	(644,120)	(683,043)	(811,800)	(869,167)	(820,238)	(903,834)
Foreign exchange gains (losses)	567,064	(612,446)	624,422	198,681	(475,480)	1,499,098	(89,376)	(1,518,568)
Income before income taxes	172,600	(1,077,460)	1,004,511	295,195	(862,412)	(1,853,831)	593,036	(2,135,235)
Total income tax	(152,371)	254,194	(284,274)	(105,224)	110,291	825,201	(159,155)	662,695
Net income (loss)	\$ 20,229	\$ (823,266)	\$ 720,237	\$ 189,971	\$ (752,121)	\$ (1,028,630)	\$ 433,881	\$ (1,472,540)

From the three months ended September 30, 2023 to the three months ended June 30, 2025 the company's loan interest and royalty revenue has increased each quarter from \$1.7 million to \$3.2 million.



## Liquidity and Capital Resources

	As at June 30, 2025	As at December 31, 2024
Cash	\$ 3,605,214	\$ 2,365,287
Investments at fair value	72,168,027	60,143,736
Debt - bank	13,643,000	4,316,700
Debt - debentures	32,245,095	27,773,954
Cash and investments less debt	\$ 29,885,146	\$ 30,418,369

The Company maintains a \$20.5 million (US\$15 million) senior revolving credit facility, which it uses to meet short-term cash needs associated with closing new investments and meeting debenture retraction obligations. As of June 30, 2025 the senior revolving credit facility was drawn to \$13.6 million. This senior revolving credit facility is with the TBK Bank and is secured against all present and after-acquired property of the Company. This revolving credit facility has a maturity date in August 2027 and has an interest rate based on the Secured Overnight Financing Rate (SOFR) plus a commercially reasonable credit spread.

Beginning in August 2023, the Company has issued floating rate retractable debentures. As at June 30, 2025, the total debentures outstanding had a value of \$32.2 million. The Company intends to continue issuing these debentures to fund the acquisition of new investments.

As of June 30, 2025, the company's cash balance and investment portfolio, at fair value, exceeded the total of its debt by \$29.9 million, compared to \$30.4 million as at December 31, 2024.

## Contractual Obligations

Contractual obligations at June 30, 2025	< 1 year	1- 2 years	3-6 years	Expected more than 6 years	Total
Accounts payable and accrued liabilities	\$ 2,807,143	\$ -	\$ -	\$ -	\$ 2,807,143
Retractable debentures	-	-	-	32,245,095	32,245,095
Interest on retractable debentures	2,389,938	4,779,876	7,169,814	31,069,194	45,408,822
Revolving credit facility	-	13,643,000	-	-	13,643,000
Interest on revolving credit facility	663,353	2,211,175	-	-	2,874,528
Series I Preferred Shares	366,667	-	733,334	-	1,100,001
Dividends on Preferred Shares	101,200	202,400	49,352	-	352,952
<b>Total</b>	<b>\$ 6,328,301</b>	<b>\$ 20,836,451</b>	<b>\$ 7,952,500</b>	<b>\$ 63,314,289</b>	<b>\$ 98,431,541</b>

None of the Company's investments incorporates a commitment to invest additional funds. All investments made by the Company are discretionary and are made subject to the investment meeting or exceeding the Company's hurdle rate and the Company having access to sufficient funds to close the investment.

Flow expects to be able to meet all of its current and non current financial obligations as they become due, by utilizing some or all of the following sources of liquidity available to the Company: (i) cash on hand, (ii) cash flows generated from operations, (iii) loan repayments upon maturity, (iv) current credit facilities under the stipulated terms of the agreement, (v) refinancing or amendments to current credit facilities, (vi) issuance of debentures, and (vii) alternative financing.

Flow monitors forecasted liquidity requirements to ensure it can meet operational needs through sufficient availability of both cash and credit facility capacity, while also ensuring Flow can meet its financial covenants related to debt agreements.

Flow only makes investments in new loans consistent with its ability to meet its ongoing obligations.

### **Off-balance Share Arrangements**

Flow Capital has no commitments for material capital expenditures and no off-balance sheet arrangements.

### **Transactions Between Related Parties**

#### ***Key Management Compensation***

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Short term employee benefits	\$ 217,337	\$ 208,229	\$ 466,505	\$ 416,558
Share-based compensation	30,696	155,112	62,275	345,684
Total	\$ 248,033	\$ 363,341	\$ 528,780	\$ 762,242

In addition to salaries, the Company also provides long-term compensation to employees of its subsidiaries in the form of Options, Performance Stock Units, and bonuses. Key management personnel compensation paid in the three months ended June 30, 2025, was \$248,033 compared to \$363,341 in the three months June 30, 2024. Key management personnel compensation paid in the six months ended June 30, 2025, was \$528,780 compared to \$762,242 in the six months ended June 30, 2024.

#### ***Other Transactions***

On June 28, 2022, Company issued the first tranche of its Series I Class A preferred shares. As at June 30, 2025, 166,667 preferred shares with a face value of \$500,001 (December 31, 2024 \$500,001) were held by a director's family, and dividend of \$11,469 and \$22,811 was accrued and expensed on these preferred shares during the three and six months ended June 30, 2025 (2024: \$11,469 and \$22,937).

On August 31, 2022, the Company advanced loans to two Directors in the total amount of \$26,559. On June 28, 2023, the Company advanced an additional \$120,758 as loans to the two Directors. These loans in the total amount of \$147,317 remain outstanding on June 30, 2025. For the three and six month period ended June 30, 2025, the Company earned interest income on these loans in the amount of \$1,453 and \$2,922 (2024 - \$2,204 and \$4,407) at the CRA prescribed rate.

On August 1, 2023, the Company issued the first tranche of its Debentures of multiple series. As at June 30, 2025, \$4,415,329 (December 31, 2024- \$4,452,256) of the debentures was held by key management personnel and a company with common directors, and interest of \$84,812 and \$185,892 was accrued and expensed on the debentures held by related parties, during the three and six-month periods ended June 30, 2025 (2024 - \$53,010 and \$102,697).

### **Internal Controls over Financial Reporting**

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

### **Critical Accounting Estimates and Policies**

#### ***Financial Instruments***

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

As at June 30, 2025, the maximum credit exposure for all financial assets excluding cash and cash equivalents and equity securities in investee companies was \$69.9 million (December 31, 2024: \$57.7 million).

The Company has foreign currency exposures to United States dollars. The transaction exposure will be minimized by converting all foreign currency to Canadian dollars or using the funds for investments made in the United States. The Company is aware that a translation exposure exists and will continue to monitor the impact on its reported results and take the required hedging action when management considers it necessary. The Canadian Dollar equivalent amount of the foreign exchange exposure to US Dollar denominated net assets at June 30, 2025 was \$36.5 million (December 31, 2024: \$26.3 million) and a 1% movement in the exchange rate has an impact of \$364,744 (December 31, 2024: \$262,749) on the Company's results.

The Company holds equity investments in listed and unlisted entities. The equity investments include both common shares and warrants. For shares and warrants listed on a recognized stock exchange and traded actively, the fair value of the shares held was determined by reference to the closing share price. For unquoted equity investments, the fair value was determined using the valuation technique referred to as the market approach which uses transaction prices paid for an identical or similar instrument or comparable company valuation multiples.

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

All financial liabilities are measured using amortized cost.

Other than investments in share purchase warrants, at June 30, 2025 the Company does not hold any other financial derivatives either for hedging or speculative purposes.

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

### **Outstanding Share Data**

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

As of June 30, 2025, there were issued and outstanding: (a) 30,374,863 Common Shares; (b) 366,667 Series I Class A Preferred Shares; (c) 2,617,759 options under the company's stock option plan to acquire common shares, at a weighted average exercise price of \$0.58; (d) 1,322,834 Performance Stock Units tied to certain performance and market-based metrics for vesting.

## **Risk Factors**

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

### ***Dependence on the Performance of Investee Companies***

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

### ***Limited Number of Investee Companies and Concentration Risk***

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

### ***Limited Control Over Investee Company Management***

Although loans do contain covenants and security provisions in the Company's favour, the Company does not have significant influence or control over any of the investee companies or their operations

as the Company does not mandate board representation as a condition to investment. Interest payments received from the investee companies therefore depend upon several factors that may be outside of the Company's control.

### ***Risk of Payment Defaults under Promissory Notes***

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

### ***Equity Risk***

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

### ***Volatility of Share Price***

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

### ***Financing Risks***

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

the case of equity financings, whether such funds will be available on terms acceptable to us or at all.

### ***Outstanding Debt***

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

### ***Dilution***

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

### ***Ability to Negotiate Additional Promissory Notes***

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

### ***Ability to Manage Future Growth***

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

### ***Exercise of Prepayment Option on Loans***

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

While the prepayment provisions are designed to produce enhanced returns, if the Company has miscalculated the value of a buyout relative to the ongoing value of a lost loan interest stream, the return on an investment may be lower than expected, which could have a material adverse effect on



the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations or pay dividends. In addition, if the lost loan interest stream is not replaced with a new loan interest stream on a timely basis, there will be a reduction in the Company's revenues in the financial periods following the exercise of the prepayment which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations or pay dividends.

### ***Risks Facing Investee Companies***

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

- Investee companies may need to raise capital through equity or debt financing. Such equity or debt may impair the ability of the investee companies to finance their future operations and capital needs. Flexibility to respond to changing business and economic conditions and to business opportunities may thereby be limited.
- The success of the Company's investee companies may depend on the management talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on an investee company.
- Investee companies may require additional working capital to carry out their business activities and to expand their businesses. If such working capital is not available, the financial performance and development of the businesses of the investee companies may be adversely affected.
- Damage to the reputation of the brands of the investee companies could negatively impact consumer opinion of those companies or their related products and services, which could have an adverse effect on their businesses.
- Investee companies may face intense competition, including competition from companies with greater financial and other resources, more extensive development, manufacturing, marketing, and other capabilities. There can be no assurance that the investee companies will be able to successfully compete against their competitors or that such competition will not have a material adverse effect on their businesses.
- Investee companies may experience reduced revenues with the loss of a customer representing a high percentage of their monthly revenues.
- Investee companies may experience reduced revenues due to an inability to meet regulatory requirements or may experience losses of revenues due to unforeseeable changes in regulations imposed by various levels of government.
- Investee companies may rely on government or other subsidy programs for revenue or profit generation. Changes or elimination of such programs may have an adverse effect on the company.
- Investee companies may derive some of their revenues from non-domestic sources and may experience negative financial results based on foreign exchange losses.

**Impact of Regulation and Regulatory Changes**

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

**Foreign Account Tax Compliance**

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

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

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

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

**Tax Matters**

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

the Company give rise to a need for reassessment, including reassessment under specific or general anti-avoidance rules.

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

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

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

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

#### ***PFIC Status for U.S. Investors***

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

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

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

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

***Competition from Other Investment Companies***

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

***Impact of Quarterly and Annual Financial Reporting***

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

***Payment of Dividends***

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

***Currency Fluctuations***

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

***Reliance on Key Personnel***

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

will be able to effectively manage growth, and any failure to do so could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

***Conflicts of Interest***

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

***Effect of General Economic and Political Conditions***

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

***Sale of Common Shares by Existing Shareholders***

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

***Legal Proceedings***

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

***Analyst Reports***

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

***Accounting Policies and Methods***

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