Consolidated Financial Statements
(Expressed in United States dollars)

QUEEN'S
ROAD
CAPITAL

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

For the Years Ended
August 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Queen's Road Capital Investment Ltd.

Opinion

We have audited the consolidated financial statements of Queen's Road Capital Investment Ltd. (the "Entity"), which comprise:

- the consolidated statement of financial position as at August 31, 2021
- the consolidated statements of income and comprehensive income for the year then ended
- the consolidated statement of changes in shareholders' equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at August 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Comparative Information

We draw attention to Note 4 to the financial statements ("Note 4"), which explains that certain comparative information presented:

- for the year ended August 31, 2020 has been restated.
- as at September 1, 2019 has been derived from the financial statements for the year ended August 31, 2019 which have been restated (not presented herein).

Note 4 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

The financial statements for the years ended August 31, 2020 and August 31, 2019 (not presented herein but from which the comparative information as at September 1, 2019 has been derived), excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on December 28, 2020.

As part of our audit of the financial statements for the year ended August 31, 2021, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended August 31, 2020 and as at September 1, 2019. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended August 31, 2020, for the year ended August 31, 2019 (not presented herein) and as at September 1, 2019. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

We obtained the Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors’ report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors’ report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (“IFRS”), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Jonathan Wong.

Vancouver, Canada
November 22, 2021

QUEEN’S ROAD CAPITAL INVESTMENT LTD.

Consolidated Statements of Financial Position
(Expressed in United States dollars)

	Note	August 31, 2021	August 31, 2020	September 1, 2019
Assets				
Current assets:				
Cash and cash equivalents		$ 2,158,142	$ 25,073,826	$ 1,523,197
Prepaids		49,529	25,351	-
Receivables	5	621,458	293,996	3,008
		2,829,129	25,393,173	1,526,205
Non-current assets:				
Investments at fair value	6	146,395,500	54,660,440	-
		$ 149,224,629	$ 80,053,613	$ 1,526,205
Liabilities and Shareholders’ Equity				
Current liabilities:				
Accounts payable and accrued liabilities	7	$ 172,712	$ 475,234	$ 11,846
Shareholders’ equity:				
Share capital		86,218,243	86,218,243	21,587,379
Reserves		12,345,537	9,896,932	1,575,923
Retained earnings (deficit)		50,488,137	(16,536,796)	(21,648,943)
		149,051,917	79,578,379	1,514,359
		$ 149,224,629	$ 80,053,613	$ 1,526,205

Subsequent events 16

The comparative information has been translated to U.S. dollars (note 4).

Approved on behalf of the Board:

“Warren Gilman” “Alex Granger”

Director Director

The accompanying notes are an integral part of these consolidated financial statements.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Consolidated Statements of Income and Comprehensive Income
(Expressed in United States dollars, except share amounts)

	Note	Year ended August 31, 2021	Year ended August 31, 2020
Income from investments:			
Interest income	6	$ 3,015,434	$ 406,921
Establishment fee income	6	750,000	724,376
Realized gain from investments	6	745,459	23,844
Unrealized gain from investments	6	66,880,837	15,987,435
Total income from investments		71,391,730	17,142,576
Operating expenses:			
Consulting		42,522	163,445
Directors' fees	8	79,319	35,000
Foreign exchange (gain) loss		(25,485)	2,150,349
Management fees	8	690,143	423,004
Office and administration		163,066	78,695
Office rent	8	371,188	353,125
Professional fees		357,593	23,568
Regulatory and transfer agent fees		123,198	7,213
Office renovation costs	8	122,154	-
Share-based compensation	9	2,448,605	8,409,357
Transaction costs		-	132,073
Travel		13,750	56,801
Total operating expenses		4,386,053	11,832,630
Other income (expenses):			
Recovery of advance		19,256	78,623
Restructuring costs		-	(276,422)
Total other income (expenses)		19,256	(197,799)
Net income and comprehensive income		$ 67,024,933	$ 5,112,147
Net Income per common share:			
Basic	10	$ 0.24	$ 0.03
Diluted	10	0.23	0.03
Weighted average number of common shares - basic		277,252,651	171,782,252
Weighted average number of common shares - diluted		288,402,651	172,327,950

The comparative information has been translated to U.S. dollars (note 4).

The accompanying notes are an integral part of these consolidated financial statements.

QUEEN’S ROAD CAPITAL INVESTMENT LTD.

Consolidated Statements of Changes in Shareholders’ Equity
(Expressed in United States dollars, except share amounts)

For Years ended August 31, 2021 and 2020

	Number of shares	Share capital	Reserves	Retained earnings (deficit)	Shareholders’ equity
Balance, August 31, 2020	277,252,651	$ 86,218,243	$ 9,896,932	$ (16,536,796)	$ 79,578,379
Share-based compensation (note 9)	-	-	2,448,605	-	2,448,605
Net income	-	-	-	67,024,933	67,024,933
Balance August 31, 2021	277,252,651	$ 86,218,243	$ 12,345,537	$ 50,488,137	$ 149,051,917
Balance, August 31, 2019	40,303,565	$ 21,587,379	$ 1,575,923	$ (21,648,943)	$ 1,514,359
Share issuances	235,949,086	64,442,837	-	-	64,442,837
Exercise of stock options	1,000,000	188,027	(88,349)	-	99,678
Share based payments	-	-	8,409,358	-	8,409,358
Net Income	-	-	-	5,112,147	5,112,147
Balance, August 31, 2020	277,252,651	$ 86,218,243	$ 9,896,932	$ (16,536,796)	$ 79,578,379

The comparative information has been translated to U.S. dollars (note 4).

QUEEN’S ROAD CAPITAL INVESTMENT LTD.

Consolidated Statements of Cash Flows
(Expressed in United States dollars)

	Year ended August 31, 2021	Year ended August 31, 2020
Cash flow provided by (used in):		
Operating activities:		
Net income	$ 67,024,933	$ 5,112,147
Items not affecting cash:		
Interest income on convertible debentures	(3,008,889)	(315,030)
Share-based compensation	2,448,605	8,409,357
Unrealized gain on investments	(66,880,837)	(15,987,435)
Realized gain on investments	(745,459)	(23,844)
Establishment fee income	-	(724,376)
Unrealized currency translation (gains)	(22,050)	-
Changes in working capital items:		
Other receivables	20,423	(20,133)
Prepaid expenses and advances	(24,178)	(25,350)
Accounts payable and accrued liabilities	(302,522)	463,405
Interest received on convertible debentures	2,117,667	29,167
Cash flow provided by (used in) operating activities	627,693	(3,082,092)
Financing activities:		
Common shares issued by private placement	-	64,442,837
Common shares issued by stock option exercise	-	99,678
Cash flow provided by financing activities	-	64,542,515
Investing activities:		
Acquisition of investments	(25,000,000)	(38,176,827)
Proceeds from sale of common shares	1,434,573	89,930
Cash flow used in investing activities	(23,565,427)	(38,086,897)
(Decrease) increase in cash and cash equivalents	(22,937,734)	23,373,526
Cash and cash equivalents, beginning of the year	25,073,826	1,523,197
Effects of currency translation on cash and cash equivalents	22,050	177,103
Cash and cash equivalents, end of the year	$ 2,158,142	$ 25,073,826
Cash and cash equivalents are comprised of:		
Cash	$ 1,841,110	$ 25,073,826
Cash equivalents	317,032	-
	$ 2,158,142	$ 25,073,826

Supplemental disclosure with respect to cash flows (note 14).

The comparative information has been translated to U.S. dollars (note 4).

The accompanying notes are an integral part of these consolidated financial statements.

1. Reporting entity and nature of operations:

Queen's Road Capital Investment Ltd. ("QRC" or the "Company") is a resource focused investment company, making investments in privately held and publicly traded resource companies. The Company acquires and holds securities for long-term capital appreciation, with a focus on convertible debt securities of issuers having resource projects in advanced development or production located in safe jurisdictions.

The Company was incorporated under the laws of the Province of British Columbia, Canada on January 25, 2011. On January 29, 2020 the Company redomiciled from British Columbia, Canada to the Cayman Islands and changed its name from Lithion Energy Corp. to Queen's Road Capital Investment Ltd. The Company's corporate office is located at Suite 2006, 2 Queen's Road Central, Hong Kong. The Company trades under the symbol "QRC" on the TSX Venture Exchange ("TSXV").

Since February 2020, the coronavirus ("COVID-19") has threatened a slowdown in the global economy, as well as, caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy is uncertain, the spread of COVID-19 may have an adverse effect on the Company's investments. The extent to which COVID-19 may impact the Company's business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the U.S., Hong Kong S.A.R and other countries to contain and treat the disease. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact, this could have a significant adverse impact on the Company's financial position and results of operations for future periods.

2. Basis of presentation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") effective as of August 31, 2021.

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on November 22, 2021.

(b) Basis of presentation:

These consolidated financial statements have been prepared on a historical cost convention, except for financial instruments carried at fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. Basis of presentation (continued):

(c) Significant accounting estimates and assumptions:

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that effect the reported amounts of assets, liabilities, and contingent liabilities at the date of the consolidated statements and the reported amounts of revenue and expenses during the reporting period. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurement for financial instruments and share-based compensation and the recoverability and measurement of deferred tax assets.

(d) Significant judgements:

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's consolidated financial statements relate to the accounting of the Company's investments.

(*i*) Valuation of investments:

The Company's investments are measured at fair value in accordance with IFRS 13, *Fair Value Measurement*.

Publicly traded securities are valued at the close price on the recognized stock exchange on which the securities are listed or principally traded, provided the close price is within the bid-ask spread. Securities which are listed on a stock exchange or traded over-the-counter and which are subject to a hold period or other trading restrictions are valued as described above, with an appropriate discount as determined by management.

Convertible debentures issued by publicly traded companies are measured at initial recognition at the transaction price, being the fair value of the consideration given or received. If it is determined that the fair value at initial recognition, as evidenced by a quoted price in an active market for an identical instrument or based on a valuation technique that uses only data from observable markets, differs from the transaction price, the difference between the fair value and the transaction price is recognized as a gain or loss.

2. Basis of presentation (continued):

(d) Significant judgements (continued):

(*i*) Valuation of investments (continued):

In all other cases, the difference between fair value at initial recognition and transaction price is deferred. After initial recognition, the deferred difference is recognized as a gain or loss only to the extent that it arises from a change in a factor, including time, that a market participant would take into consideration when pricing the instrument.

Judgment is required in order to determine the appropriate valuation methodology and, determining the inputs such as volatility rates and discount rates utilized in determining the fair value of convertible debentures. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a consistent manner and there are no known trends, commitments, events, or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in making these estimates in these consolidated financial statements. The Company takes the risk of its counterparties into account in determining the fair value of these financial assets. Management has reviewed its policies concerning valuation of assets and believes that the fair values ascribed to these financial assets in the Company's consolidated financial statements incorporate appropriate levels of credit risk.

Accordingly, actual values realized in future market transactions may differ from the estimates presented in these consolidated financial statements and the differences may be material. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values.

3. Significant accounting policies:

The significant accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, other than as noted below and in note 4.

(a) Consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, QRC Nexgen Investment Ltd. ("QRC Nexgen"), which was incorporated on July 12, 2021. The financial results of QRC Nexgen are included in these consolidated financial statements from the date of incorporation. All transactions and intercompany balances are eliminated on consolidation.

3. Significant accounting policies (continued):

(b) Functional and presentation currency:

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the United States dollar, which is also the presentation currency of the Company and the consolidated financial statements. The functional currency determinations were conducted through an analysis of the consideration factors identified in IFRS.

(c) Foreign currency translation:

Foreign currency transactions are translated into the functional currency using the exchange rate in effect at the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated to their United States dollar equivalents using foreign exchange rates prevailing at the reporting date. Non-monetary assets and liabilities are translated using foreign exchange rates prevailing at the date of the transaction.

Exchange gains or losses arising on the translation of monetary items are recognized in the consolidated statement of income in the period in which they arise.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss shall be recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in net income, any exchange component of that gain or loss shall be recognized in net income.

(d) Financial instruments:

Financial assets:

IFRS 9, *Financial Instruments*, establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVTOCI"). The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the instrument.

(a) Recognition and measurement of financial assets:

A financial asset is measured initially at fair value less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified and measured at amortized cost, FVTOCI or FVTPL. Regular-way purchases and sales of financial assets are recognized on the trade date.

3. Significant accounting policies (continued):

(d) Financial instruments (continued)

(b) Classification of financial assets:

(*i*) Financial assets measured at amortized cost:

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

(*ii*) Financial assets measured at FVTPL:

Financial assets measured at FVTPL are carried in the statement of financial position at fair value with changes in fair value therein, recognized in net income. All financial assets not classified and measured at amortized cost or FVTOCI are measured at FVTPL.

(*iii*) Financial assets measured at FVTOCI:

For financial assets that are equity instruments, the Company can make an irrevocable election at initial recognition to classify the instruments at FVTOCI, with all subsequent changes in fair value being recognized in other comprehensive income ("OCI"). This election is available for each separate investment. Fair value changes are recognized in OCI while dividends are recognized in net income. On disposal of the investment the cumulative change in fair value is not recycled to net income, rather transferred to retained earnings. The Company does not have any financial assets designated as FVTOCI.

For a financial asset that is a debt instrument, it is classified at FVTOCI if it meets both of the following conditions and is not designated at FVTPL:

- The Company's business model for the such financial assets, is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

3. Significant accounting policies (continued):

(d) Financial instruments (continued)

(c) Derecognition of financial assets:

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in net income.

(d) Impairment of financial assets:

The Company recognizes an impairment loss (or gain) for expected credit losses (or reversal of such credit losses) on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to 12-month expected credit losses.

Financial liabilities:

(a) Recognition and measurement of financial liabilities:

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(*i*) Financial liabilities measured at amortized cost:

A financial liability at amortized cost is initially measured at fair value less transaction costs directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

(*ii*) Financial liabilities measured at FVTPL:

A financial liability measured at FVTPL is initially measured at fair value with any associated transaction costs being recognized in net income when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in net income in the reporting period in which it arises.

The Company does not have any liabilities classified as financial liabilities measured at FVTPL.

3. Significant accounting policies (continued):

(e) Derecognition of financial liabilities:

The Company derecognizes a financial liability when the financial liability is discharged, cancelled, or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income.

(f) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(g) Share-based payments:

The Company makes periodic grants of share-based awards to selected directors, officers, employees, and others providing similar service.

The fair value of the equity-settled awards is determined at the date of the grant by using the Black-Scholes Option Pricing Model. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management’s best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the consolidated statement of income with a corresponding entry within equity, against the reserve for equity settled share-based transactions.

(h) Net income per share:

The basic net income per share figure has been calculated using the weighted average number of shares outstanding during the respective period.

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on net income per common share is recognized from the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

(i) Income taxes:

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

3. Significant accounting policies (continued):

(i) Income taxes (continued):

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) New standards, amendments, and interpretations:

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB. The Company anticipates that the application of these standards, amendments, and interpretations in future periods, as listed below, will have no material impact on the results and financial position of the Company, except for additional disclosures:

- Definition of Accounting Estimates (Amendments to IAS 8).
- Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS PS 2).

4. Change in functional and presentation currency:

Effective September 1, 2020 (the "Effective Date"), the Company changed its functional and presentation currency from the Canadian dollar ("CA") to the United States dollar ("U.S."). The functional currency of the Company was reassessed as the Company evaluated financial transactions considering the recent change in business operations. The U.S. dollar was determined to be the functional currency of the primary economic environment in which the Company operates, as the majority of the operational activities will be denominated in or influenced by the U.S. dollar. The change in functional currency was accounted for on a prospective basis, with prior period comparative information as at August 31, 2020 and September 1, 2019 and for the year ended August 31, 2020 translated to the U.S. dollar at the exchange rate of the Effective Date, being $0.766754 U.S. dollars per CA.

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

5. Receivables:

Receivables consist of the following:

	August 31, 2021	August 31, 2020
Interest receivable on convertible debentures	$ 621,458	$ 273,573
Other receivables	-	20,423
	$ 621,458	$ 293,996

6. Investments at fair value:

The Company had the following investments in public entities stated at fair value:

	August 31, 2021	August 31, 2020
Equity investments:		
NexGen Energy Ltd. (a)	$ 54,574,828	$ 22,970,493
Other common shares held for investment purposes (e)	1,396,155	923,846
Convertible debentures:		
NexGen Energy Ltd. (a)	40,060,025	20,481,946
IsoEnergy Ltd. (b)	20,798,244	10,284,155
Adriatic Metals Pty (c)	24,681,627	-
Los Andes Copper Ltd. (d)	4,884,621	-
	$ 146,395,500	$ 54,660,440

The continuity of the Company's investments during the year ended August 31, 2021 is as follows:

	August 31, 2020	Additions	Net proceeds from disposition	Realized gains	Unrealized gains	August 31, 2021
Common shares	$ 23,894,339	$ 543,337	$ (1,434,573)	$ 745,459	$ 32,222,421	$ 55,970,983
Convertible debentures	30,766,101	25,000,000	-	-	34,658,416	90,424,517
	$ 54,660,440	$ 25,543,337	$ (1,434,573)	$ 745,459	$ 66,880,837	$ 146,395,500

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

6. Investments at fair value (continued):

The continuity of the Company's investments during the year ended August 31, 2020 is as follows:

	August 31, 2019	Additions	Net proceeds from disposition	Realized gains	Unrealized gains	August 31, 2020
Common shares	$ -	$ 16,831,406	$ (89,930)	$ 23,844	$ 7,129,029	$ 23,894,339
Convertible debentures	-	21,907,695	-	-	8,858,406	30,766,101
	$ -	$ 38,739,091	$ (89,930)	$ 23,844	$ 15,987,435	$ 54,660,440

The realized gain from financial instruments at FVTPL represents the difference between the carrying amount of the financial instrument at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and the consideration received on disposal. The unrealized gain represents the difference between the carrying amount of a financial instrument at the beginning of the period, or the transaction price if it was purchased in the current reporting period, and its carrying amount at the end of the reporting period.

(a) Investment in NexGen Energy Ltd. ("NexGen") common shares and convertible debentures:

On May 27, 2020, the Company completed the purchase of 11,611,667 common shares of NexGen, a company related by way of one common director, at $1.29 per share for a purchase price of $15,000,000. The fair value of the 11,611,667 NexGen shares at August 31, 2021 is $54,574,828 (2020 - $22,970,493; NexGen 11,611,667 shares). The fair value is calculated using the closing market price of the shares on the relevant date.

On May 27, 2020, the Company completed the purchase of a 5-year term convertible debenture in NexGen (the "NexGen convertible debenture") at a cost of $15,000,000. The NexGen convertible debenture is unsecured and ranks equally in right of payment with all present and future unsecured and unsubordinated indebtedness of NexGen. The NexGen convertible debenture bears interest at a rate of 7.5% per annum, payable semi-annually, of which only 5% is payable in cash and 2.5% is payable in common shares. The Company paid transaction costs in the amount of $125,000, which were expensed when incurred.

The Company is entitled, from time to time before the maturity date of May 27, 2025, to convert some or all of the principal amount of the NexGen convertible debenture into common shares at a price of CA$2.34 per share (the "conversion price"), which is equal to 130% of the issue price of the acquired common shares of NexGen. Further, on or after the third anniversary date of the issuance of the NexGen convertible debenture, NexGen will be entitled to, at any time that the 20-day volume-weighted average trading price of NexGen on the Toronto Stock Exchange exceeds 130% of the conversion price, redeem the debenture at par plus accrued and unpaid interest.

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

6. Investments at fair value (continued):

(a) Investment in NexGen Energy Ltd. ("NexGen") common shares and convertible debentures (continued):

At any time after the completion of a change of control transaction by NexGen, the Company may be required to convert some or all of the principal amount of the NexGen debenture into common shares at the conversion price, provided that: (i) the amount the Company will receive on completion of the change of control transaction per common share exceeds the conversion price; and either (*ii*) such amount is payable in cash; or (*iii*) such amount is payable in property or securities which the Company wishes to receive.

The Company was paid an establishment fee equal to 3% of the principal amount of the convertible debenture, which was paid through the issuance of common shares at a price of $1.29 per share, resulting in the issuance of 348,350 common shares of NexGen, which were recorded at fair value of $487,893.

The fair value of the NexGen convertible debenture at August 31, 2021 is $40,060,025 (2020 - $20,481,946). For the year ended August 31, 2021, the Company recorded $1,125,000 (2020 - $293,750) in interest income. During the year ended August 31, 2021, the Company received interest during the year of $1,125,000, of which $750,000 was paid in cash and $375,000 was paid in 135,963 common shares. As at August 31, 2021, the Company had $253,125 (2020 - $253,125) in receivables related to accrued interest.

The valuation model used to estimate the fair value of the convertible debenture is a system of two coupled Black-Scholes Option Pricing equations and partial differential equations that are solved simultaneously using finite-difference methods, with the following assumptions:

	August 31 2021	August 31 2020
Expected price volatility	50%	60%
Expected life	3.74 years	4.74 years
Risk free interest rate	0.645%	0.386 %
Coupon interest rate	7.5%	7.5%
Expected dividend yield	-%	-%
Credit spread	17.75%	19.5%
Underlying share price of the investee (CA)	$5.93	$2.58
Conversion price (CA)	$2.34	$2.34
Exchange rate (US$:CA$)	0.7926	0.7668

6. Investments at fair value (continued):

(b) Investment in IsoEnergy Ltd. ("IsoEnergy") convertible debentures:

On August 18, 2020, the Company completed the purchase of a 5-year term convertible debenture in IsoEnergy (the "IsoEnergy convertible debenture") at a cost of $6,000,000. IsoEnergy is a company controlled by NexGen. The IsoEnergy convertible debenture is unsecured and ranks equally in right of payment with all present and future unsecured and unsubordinated indebtedness of IsoEnergy. The IsoEnergy convertible debenture bears interest at a rate of 8.5% per annum, payable semi-annually, of which 6% is payable in cash and 2.5% is payable in common shares. On the date on which IsoEnergy files an economically positive preliminary economic assessment compliant with the requirements of National Instrument 43-101 of the Canadian Securities Commission (the "Positive Preliminary Economic Assessment"), the interest rate of the convertible debenture will be reduced to 7.5% per annum, thereby reducing the cash and common shares obligation to 5% and 2.5%, respectively. As of August 31, 2021, IsoEnergy has not filed the Positive Preliminary Economic Assessment.

The Company is entitled, from time to time before the maturity date of August 18, 2025 but not prior to August 18, 2023 except for in the case of a change of control transaction by IsoEnergy, to convert some or all of the principal amount of the IsoEnergy convertible debenture into common shares at a price of CA $0.88 per share (the "conversion price"), provided that the aggregate number of shares issuable upon conversion does not exceed 9,206,311 common shares.

The IsoEnergy convertible debentures provide that on any conversion of any portion of the principal amount of the debentures, if the number of IsoEnergy common shares to be issued on such conversion, taking into account all common shares issued in respect of all prior conversions, would result in the common shares to be issued exceeding the maximum number of shares indicated above on such conversion, the Company shall be entitled to receive a payment (the "Exchange Rate Fee") based on the number of IsoEnergy common shares which were not issued as a result of exceeding such maximum, as defined in the debentures.

Further, on or after the third anniversary date of the issuance of the IsoEnergy convertible debenture, IsoEnergy will be entitled to, at any time that the 20-day volume-weighted average trading price of IsoEnergy on the Toronto Stock Venture Exchange exceeds 130% of the conversion price, redeem the debenture in whole or part at par plus accrued and unpaid interest.

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

6. Investments at fair value (continued):

(b) Investment in IsoEnergy Ltd. convertible debentures (continued):

Upon the announcement of a change of control transaction, IsoEnergy has the right to require the Company to convert some or any part which is $1,000 or a multiple thereof of the principal amount of the convertible debenture into shares at the conversion price (the "early conversion right"). The early conversion right may only be exercised provided that (*i*) the directors of IsoEnergy have approved such change; (*ii*) the amount that the Company will receive upon completion of the change of control transaction on a per share basis on conversion exceeds the conversion price; and (*iii*) either (a) such amount is payable in cash or (b) such amount is payable in whole or in part in property or securities, in the discretion of the Company. The early conversion right is conditional upon completion of the change of control and is void if the change of control does not occur. In the case of a change of control transaction, the Company has the right (the "change of control redemption right") to redeem or IsoEnergy may require the repurchase, on the date which is not later than 30-days of such transaction, the convertible debenture into cash at a price of (a) 130% of the principal amount if the transaction occurs prior to August 18, 2023; (b) 115% of the principal amount plus accrued and unpaid interest if the transaction occurs after August 18, 2023.

The Company was paid an establishment fee equal to 3% of the principal amount of the convertible debenture, which was paid through the issuance of common shares at a price of $0.82 per share, resulting in the issuance of 219,689 common shares of IsoEnergy which were recorded at fair value of $206,844.

The fair value of the Company's IsoEnergy convertible debenture at August 31, 2021 is $20,798,244 (2020 - $10,284,155). For the year ended August 31, 2021, the Company has recorded $510,000 (2020 - $21,280) in interest income. During the year ended August 31, 2021, the Company received interest of $446,280, of which $315,021 was paid in cash and $131,259 was paid in 71,146 common shares. As at August 31, 2021, the Company had $85,000 (2020 - $21,280) in receivables related to accrued interest.

The valuation model used to estimate the fair value of the convertible debenture is a system of two coupled Black-Scholes Option Pricing equations and partial differential equations that are solved simultaneously using finite-difference methods, with the following assumptions:

	August 31, 2021	August 31, 2020
Expected price volatility	60%	100%
Expected life	3.97 years	4.96 years
Risk free interest rate	0.680%	0.398%
Coupon interest rate	8.5%	8.5%
Expected dividend yield	-%	-%
Credit spread	18.75%	20.00%
Underlying share price of the investee (CA)	$2.91	$1.27
Conversion price (CA)	$0.88	$0.88
Exchange rate (US$:CA$)	0.7926	0.7668

6. Investments at fair value (continued):

(c) Investment in Adriatic Metals Plc ("Adriatic") convertible debentures:

On December 1, 2020, the Company completed the purchase of $20,000,000 of 8.5% unsecured convertible debentures in Adriatic (the "Adriatic convertible debentures"). The Adriatic convertible debentures are unsecured and have a four-year term. A cash coupon of 8.5% per annum is payable quarterly. The Adriatic convertible debentures are convertible at the Company's option into Adriatic common shares at a conversion price of Australian Dollar ("AUD") $2.7976 per common share (the "conversion price").

Adriatic is entitled to redeem the Adriatic convertible debentures early at par plus accrued and unpaid interest (a) at any time that the 20-day volume weighted average price of Adriatic common shares exceeds 125% of the conversion price; (b) on or after the third anniversary of the date of the issuance of the Adriatic convertible debentures; or (c) from the proceeds of any project financing or other secured debt financing completed.

Upon the announcement of a change of control transaction, Adriatic has the right to require the Company to convert some or any part which is $1,000 or a multiple thereof of the principal amount of the convertible debenture into shares at the conversion price (the "early conversion right"). The early conversion right may only be exercised provided that (*i*) the directors of Adriatic have approved such change; (*ii*) the amount that the Company will receive upon completion of the change of control transaction on a per share basis on conversion exceeds the conversion price; and (*iii*) either (a) such amount is payable in cash or (b) such amount is payable in whole or in part in property or securities, in the discretion of the Company. The early conversion right is conditional upon completion of the change of control and is void if the change of control does not occur. In the case of a change of control transaction, the Company has the right (the "change of control redemption right") to redeem if the transaction occurs prior to December 1, 2022 or Adriatic may require the repurchase, on the date which is not later than 30-days of such transaction, the convertible debenture into cash at a price of (a) 130% of the principal amount; (b) 115% of the principal amount plus accrued and unpaid interest if the transaction occurs after December 1, 2022.

The Company was paid an establishment fee equal to 3% of the principal amount of the convertible debenture, which was $600,000 paid in cash.

The fair value of the Company's Adriatic convertible debenture at August 31, 2021 is $24,681,627 (2020 - nil). For the year ended August 31, 2021, the Company has recorded $1,275,000 (2020 - nil) in interest income. During the year ended August 31, 2021, the Company received interest payments of $991,667 paid in cash. As at August 31, 2021, the Company had $283,333 (2020 - nil) in receivables related to accrued interest.

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

6. Investments at fair value (continued):

(c) Investment in Adriatic Metals Plc convertible debentures (continued):

The valuation model used to estimate the fair value of the convertible debenture is a system of two coupled Black-Scholes Option Pricing equations and partial differential equations that are solved simultaneously using finite-difference methods, with the following assumptions:

	August 31, 2021	August 31, 2020
Expected price volatility	50.0%	-
Expected life	3.25 years	-
Risk free interest rate	0.344%	-
Coupon interest rate	8.5%	-
Expected dividend yield	-%	-
Credit spread	26.50%	-
Underlying share price of the investee (AUD)	$2.87	-
Conversion price (AUD)	$2.80	-
Exchange rate (US$:AUD$)	0.7314	-

(d) Investment in Los Andes Copper Ltd. ("Los Andes") convertible debentures:

On June 2, 2021, the Company completed the purchase of a 5-year term convertible debenture in Los Andes Copper Ltd. (the "Los Andes convertible debenture") at a cost of $5,000,000. The Los Andes convertible debenture is unsecured and ranks equally in right of payment with all present and future unsecured and unsubordinated indebtedness of Los Andes. The Los Andes convertible debenture bears interest at a rate of 8% per annum, payable quarterly, of which 5% is payable in cash and 3% is payable in common shares.

The Company is entitled, from time to time before the maturity date of June 3, 2026, to convert some or all of the principal amount of the Los Andes convertible debenture into common shares at a price of CA$10.82 per share (the "conversion price"), provided that aggregate number of shares issuable upon conversion does not exceed 558,502 common shares.

The Los Andes convertible debentures provide that on any conversion of any portion of the principal amount of the debentures, if the number of Los Andes common shares to be issued on such conversion, taking into account all common shares issued in respect of all prior conversions, would result in the common shares to be issued exceeding the maximum number of shares indicated above on such conversion, the Company shall be entitled to receive a payment (the "Exchange Rate Fee") based on the number of Los Andes common shares which were not issued as a result of exceeding such maximum, as defined in the debentures.

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

6. Investments at fair value (continued):

(d) Investment in Los Andes Copper Ltd. ("Los Andes") convertible debentures (continued):

Further, on or after the third anniversary date of the issuance of the Los Andes convertible debenture, Los Andes will be entitled to, at any time that the 20-day volume-weighted average trading price of Los Andes on the Toronto Stock Venture Exchange exceeds 130% of the conversion price, redeem the debenture in whole or part at par plus accrued and unpaid interest.

Upon the announcement of a change of control transaction, Los Andes has the right to require the Company to convert some or any part which is $1,000 or a multiple thereof of the principal amount of the convertible debenture into shares at the conversion price (the "early conversion right"). The early conversion right may only be exercised provided that (*i*) the directors of Los Andes have approved such change; (*ii*) the amount that the Company will receive upon completion of the change of control transaction on a per share basis on conversion exceeds the conversion price; and (*iii*) is payable in property or securities, which the Company wishes to receive. The early conversion right is conditional upon completion of the change of control and is void if the change of control does not occur.

Upon completion of a change of control transaction, Los Andes must delivery an offer to the Company (the "change of control offer") to purchase any outstanding convertible debenture in cash at a price of (a) 130% of the principal amount if the transaction occurs prior to June 1, 2024; or (b) 115% of the principal amount plus accrued and unpaid interest if the transaction occurs after June 1, 2024.

The Company was paid an establishment fee equal to 3% of the principal amount of the convertible debenture, which was $150,000 paid in cash.

The fair value of the Company's Los Andes convertible debenture at August 31, 2021 is $4,884,621 (2020 - nil). For the year ended August 31, 2021, the Company has recorded $98,889 (2020 - nil) in interest income. During the year ended August 31, 2021, the Company received an interest payment of $98,889, of which $61,810 was paid in cash and $37,079 was paid in 6,645 common shares.

The valuation model used to estimate the fair value of the convertible debenture is a system of two coupled Black-Scholes Option Pricing equations and partial differential equations that are solved simultaneously using finite-difference methods, with the following assumptions:

	August 31, 2021	August 31, 2020
Expected price volatility	70.0%	-
Expected life	4.76 years	-
Risk free interest rate	0.803%	-
Coupon interest rate	8.0%	-
Expected dividend yield	-%	-
Credit spread	23.16%	-
Underlying share price of the investee (CA)	$7.01	-
Conversion price (CA)	$10.82	-
Exchange rate (US$:CA$)	0.77926	-

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

6. Investments at fair value (continued):

(e) Other common shares held for investment purposes:

The Company holds common shares in listed entities. The shares are held as a result of (a) establishment fees settled in common shares related to convertible debenture investments; (b) interest income on convertible debenture investments settled in common shares; and/or (c) purchases on market for investment purpose. The fair value of these shares at August 31, 2021 is $1,396,155 (2020 - $923,846).

7. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of the following:

	August 31, 2021	August 31, 2020
Accounts payable	$ 3,303	$ 9,844
Accrued liabilities	113,194	30,390
Due to related parties (note 8)	56,215	435,000
	$ 172,712	$ 475,234

8. Related party transactions:

The following related party transactions were conducted in the normal course of business:

	Year ended	
	August 31, 2021	August 31, 2020
Senior management remuneration	$ 690,143	$ 423,004
Directors' fees	79,319	35,000
Share-based compensation	2,448,605	8,409,357
	$ 3,218,067	$ 8,867,361

During the year ended August 31, 2021, the Company reimbursed office rent of $371,188 (2020 - $353,125) and office renovation costs of $122,154 (2020 - nil) to a company controlled by an officer and director of the Company. There is no contractual rent obligation for the Company as the lease agreement is with the company controlled by the officer and director. The Company is invoiced for reimbursement by the company controlled by an officer and director of the Company on a monthly basis. The office renovation costs were one-time renovations for the Hong Kong office.

8. Related party transactions (continued):

As at August 31, 2021, accounts payable and accrued liabilities include an amount of $56,215 (2020 - $435,000) due to officers and directors of the Company and/or companies controlled by officers of the Company, related to fees for services. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

At August 31, 2021, the Company holds investments and convertible debentures in NexGen, a company related by way of two common directors and IsoEnergy, a company controlled by NexGen and convertible debentures in Los Andes, a company related by way of a common director.

At August 31, 2021 and August 31, 2020, two significant shareholders, Squadron Resources Pty Ltd. and Corom Pty Ltd., a company controlled by a relative of a director of the Company, beneficially own, or exercise control or direction over 71,263,003 and 71,490,003 common shares, respectively, constituting approximately 25.70% and 25.79%, respectively, of the issued and outstanding shares of the Company outstanding on August 31, 2021.

9. Share capital:

(a) Common shares:

Authorized: 5,000,000,000 common shares with a par value of CA$0.001 each.

Issued: 277,252,651 common shares as at August 31, 2021 and August 31, 2020.

There were no share capital transactions during the year ended August 31, 2021.

(b) Warrants:

There were no warrants outstanding at August 31, 2021 and August 31, 2020.

(c) Stock options:

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers, directors, employees, and consultants to acquire up to 10% of the outstanding issued common shares. The stock option plan allows for the option price at the time each option is granted to be not less than the discounted market price as calculated and defined in accordance with the policies of the TSXV. Options granted under the plan will have a term not to exceed ten years. Vesting is determined at the discretion of the Board of Directors and in accordance with the policies of the TSXV.

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

9. Share capital (continued):

(c) Stock options (continued):

The continuity of the Company's outstanding stock options is as follows:

	Number of options	Weighted average exercise price (in CA$)
As at August 31, 2019	1,000,000	$ 0.13
Exercised	(1,000,000)	0.13
Issued	25,500,000	0.44
As at August 31, 2020	25,500,000	0.44
Cancelled	(14,350,000)	0.55
As at August 31, 2021	11,150,000	$ 0.30

On February 3, 2020, the Company granted 11,000,000 stock options, exercisable at CA$0.30 per share for a term of 5-years. The options vest as to 50% upon grant date and a further 50% after a period of 12-months. The Company determined the grant date fair value of $3,856,346.

On February 18, 2020, the Company granted 14,500,000 stock options, exercisable at CA$0.55 per share for a term of 5-years. The options vest as to 50% upon grant date and a further 50% after a period of 12-months. The Company determined the grant date fair value of $7,002,556.

On October 12, 2020, 14,350,000 options exercisable at CA$0.55 were voluntarily cancelled. For the year ended August 31, 2021, a total of $2,448,605 (2020 - $8,409,357) was recognized of which $749,684 (2020 - nil) was for the cancelled options.

The fair value of all compensatory options granted is estimated on the grant date using the Black-Scholes Options Pricing Model.

The weighted average of the inputs used in the calculation of the fair value of the stock options on the date of issue are as follows:

	Year ended August 31, 2021	Year ended August 31, 2020
Volatility	-	188.49%
Expected life	-	5 years
Risk-free interest rate	-	1.31%
Expected dividend yield	-	0.00%

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

9. Share capital (continued):

(c) Stock options (continued):

A summary of the Company's outstanding options as August 31, 2021 is as follows:

Exercise price CA$	Number of options outstanding	Number of options exercisable	Expiry date
0.30	11,000,000	11,000,000	February 3, 2025
0.55	150,000	150,000	February 18, 2025
	11,150,000	11,150,000	

A summary of the Company's outstanding options as August 31, 2020 is as follows:

Exercise price CA$	Number of options outstanding	Number of options exercisable	Expiry date
0.30	11,000,000	11,000,000	February 3, 2025
0.55	14,500,000	14,500,000	February 18, 2025
	25,500,000	25,500,000	

10. Basic and diluted net income per share:

The calculation of basic net income per share for the year ended August 31, 2021 is calculated using the weighted average number of common shares outstanding of 277,252,651 (2020 - 171,782,252).

Diluted net income per share, for the year ended August 31, 2021, was calculated using the weighted average number of common shares outstanding, and adjusted for the dilutive effect of 11,150,000 (2020 - 25,500,000) stock options.

11. Financial instruments and risk management:

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages these risks.

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

11. Financial instruments and risk management (continued):

The following table summarizes the carrying value of financial assets and liabilities of the Company as at August 31, 2021 and August 31, 2020:

	Year ended	
	August 31, 2021	August 31, 2020
Fair value through profit and loss:		
Investments at fair value	$ 146,395,500	$ 54,660,440
Amortized cost:		
Cash	2,158,142	25,073,826
Receivables	621,458	293,996
Accounts payable and accrued liabilities	172,712	475,234

As at August 31, 2021 and August 31, 2020, financial instruments that are not measured at fair value on the balance sheet are represented by cash, receivables, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates the carrying value due to their short-term nature and the fair values are estimated using Level 2 inputs.

Financial instruments that are recognized on the balance sheet at fair value can be classified in a hierarchy that is based on the relative reliability of the inputs used to estimate the fair value:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (*i.e.*, as prices) or indirectly (*i.e.*, derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets measured at FVTPL are as follows:

August 31, 2021	Level 1	Level 2	Level 3
Investments at fair value	$ 55,970,983	$ 90,424,517	$ -

August 31, 2020	Level 1	Level 2	Level 3
Investments at fair value	$ 23,894,339	$ 30,766,101	$ -

11. Financial instruments and risk management (continued):

There were no asset transfers between levels for the years ended August 31, 2021 and August 31, 2020.

(a) Financial risks:

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Interest and foreign exchange risk; and
- Market price risk.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and investments. The Company has limited exposure to credit risk related to cash, as it only deposits its cash with high credit quality financial institutions, which are available on demand. The Company's equity investments are settled and paid for upon delivery using an approved broker. The risk of default is considered minimal, as delivery of securities sold is made once the broker has received payment and payment on a purchase is received by the broker. The trade will fail if either party fails to meet its obligations. The Company's credit risk related to convertible debentures is associated with the risk that these third parties will not perform their underlying obligations. The Company mitigates its credit risk by only investing and providing loans where they have a detailed knowledge of the investee's operations and business strategy. The Company has four concentrated convertible debentures at August 31, 2021 that were made up of 45% NexGen, 23% IsoEnergy; 27% Adriatic; and 5% Los Andes. At August 31, 2020, there were two concentrated convertible debentures that were made up of 66% NexGen and 34% IsoEnergy.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company has ensured, as far as reasonably possible, it will have sufficient working capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. Historically, the Company's primary source of financing has been the issuance of equity securities for cash, through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity financing. As of August 31, 2021 and August 31, 2020, the Company had no significant contractual obligations other than those included in accounts payable and accrued liabilities.

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

11. Financial instruments and risk management (continued):

(c) Interest and foreign exchange risk:

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At August 31, 2021, the Company is exposed to limited interest rate risk as it earns very little interest on its cash balance due to current near zero interest rates in Canada and the United States. The Company has assets which are denominated in Canadian ("CA") dollars. The Company's exposure to exchange rate fluctuations arises mainly on foreign currency fluctuations against the U.S. dollar functional currency.

The U.S. dollar equivalent of the amounts denominated in foreign currencies are as follows:

	Year ended	
	August 31, 2021	August 31, 2020
Cash	$ 1,746,721	$ 59,023
Receivables	-	20,423
Investments	55,970,983	23,894,339
Accounts payable and accrued liabilities	(128,793)	(39,445)
	$ 57,588,911	$ 23,934,340

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, investments, and accounts payable and accrued liabilities that are denominated in CA and Hong Kong ("HK") dollars. As at August 31, 2021, net assets totalling $57,588,911 (2020 - $23,934,340) were held in CA and HK dollars. Based on the above net exposure as at August 31, 2021 and assuming all other variables remain constant, a 2% depreciation or appreciation of the CA or HK dollar against the U.S. dollar would result in an increase or decrease of approximately $1,151,778 (2020 - $478,687) in the Company's net income and comprehensive income.

(d) Market price risk:

Market price risk is the risk that the fair value of an investment measured at FVTPL will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk). The Company's investments at fair value of public entities are subject to price risk. A 5% increase in the value of the individual equity market prices in public entities would result in an increase in the value of investments and unrealized gain for the year ended August 31, 2021 of approximately $6.5 million (2020 - $2.7 million), while a 5% decrease would result in a decrease of approximately $6.6 million (2020 - $2.7 million).

12. Capital management:

The Company considers the items in shareholders' equity as capital. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its future liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long-term.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's objectives when managing capital are:

(a) to maintain the Company's ability to make new investments by allowing it to respond to economic changes and/or the marketplace;
(b) to maintain growth of shareholders' equity; and
(c) to continue taking a conservative approach towards financial leverage and management of financial risks.

The Company reviews its capital structure on an on-going basis and makes adjustments in light of changes in economic conditions and the risk characteristics of its underlying investments. The Company has adjusted or maintained its level of capital by raising additional capital through equity financings. The Company is not subject to externally imposed capital requirements.

13. Income taxes:

The actual income tax provision differs from the expected amounts calculated by applying the Hong Kong Special Administrative Region corporate tax rate for the year ended August 31, 2021 and the Hong Kong corporate tax rate and the Canadian federal and provincial corporate income tax rates for the year ended August 31, 2020 to the Company's income before income taxes.

Under the current Hong Kong Inland Revenue Ordinance, the Company is subject to 16.5% income tax on taxable income generated from operations in Hong Kong. Under Hong Kong tax laws, it is exempt from Hong Kong income tax on its foreign-derived income and capital gains, which comprises most of the Company's income.

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

13. Income taxes (continued):

A reconciliation of income taxes at statutory rates with the reported income tax expense is as follows:

	Year ended August 31, 2021	Year ended August 31, 2020
Net income before income taxes	$ 67,024,933	$ 5,112,147
Corporate tax rate	16.50%	16.50%
Expected income tax expense at statutory rates	$ 11,059,114	$ 843,504
Impact of different foreign statutory tax rates on earnings	-	(32,904)
Non-taxable income and expenses	(11,072,731)	(901,205)
Effect of change in tax rates	-	365,549
Adjustments to deferred tax of prior periods	-	1,674,947
Deferred tax assets not recognized	-	(2,040,332)
Other	13,617	90,441
Total income tax expense	$ -	$ -

14. Supplemental disclosure with respect to cash flows:

During the year ended August 31, 2021, the significant non-cash transactions include $543,337 in investments received for the settlement of interest receivable (note 6).

During the year ended August 31, 2020, the significant non-cash transactions include reallocation of $88,349 from share-base reserve to share capital for options exercised (note 9); a fair value of $724,376 allocated to the common shares received in settlement of establishment fees (note 6) and $14,583 in investments received for the settlement of interest receivable (note 6).

15. Segmented information:

An operating segment is defined as a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the Company's executive management, and for which discrete financial information is available. The Company has determined that it currently has one operating segment, being the selection, acquisition, and management of investments. The Company's corporate head office incurs nominal costs that are incidental to the activities of the Company and therefore does not meet the definition of an operating segment.

16. Subsequent events:

(a) Osisko Green Acquisition Ltd. investment:

The Company has completed an investment of $16,515,319 in Osisko Green Acquisition Ltd. (“Osisko Green”) a newly organized special purpose acquisition corporation (“SPAC”) through their initial public offering (“IPO”) on September 8, 2021. The investment represents:

- 665,000 Class B Shares;
- 931,988 Funding Warrants; and
- 2,000,000 Class A Restricted Voting Units (each comprising of one Class A Restricted Voting Share and one-half of one Warrant). These Voting Units were subsequently separated into 2,000,000 Class A Restricted Voting Shares and 1,000,000 Warrants on October 18, 2021.

The investment was financed by a C$21,000,000 margin loan provided by a major Canadian bank. The loan has an annual interest rate of Canadian Dollar Offer Rate (“CDOR”) plus 4.75%. The loan is secured by some of the Company’s long-term investments.

(b) Exercise of stock options:

1,000,000 stock options granted on February 3, 2020 at CA$0.30 per share were exercised on October 10, 2021 by the executor for the estate of a former director. 1,000,000 common shares of the Company were issued October 15, 2021 as fully paid shares.

7,000,000 stock options granted on February 3, 2020 at CA$0.30 per share were exercised on October 21, 2021 by a director. Settlement of $1,695,750 (CA$2,100,000) in cash consideration for the shares was received on October 29, 2021. 7,000,000 common shares of the Company were issued on October 29, 2021 as fully paid shares.

(c) Declaration of dividend:

On October 15, 2021, the Board of Directors declared a dividend payable of CA$0.015 per share to all shareholders of record as of November 15, 2021. The dividend of CA$4,278,790 was paid on November 19, 2021, with CA$1,115,611 paid in cash and CA$3,163,179 settled by the issue of 4,393,303 shares to shareholders who elected to reinvest their dividend in shares of the Company through the Company’s dividend reinvestment plan (“DRIP”).