

Consolidated Financial Statements
(Expressed in United States dollars)



QUEEN'S ROAD CAPITAL INVESTMENT LTD.

For the Years Ended
August 31, 2023 and 2022



KPMG LLP

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INDEPENDENT AUDITOR'S 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 statements of financial position as at August 31, 2023 and August 31, 2022
- the consolidated statements of Income (Loss) and Comprehensive Income (Loss) for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years 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, 2023 and August 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended August 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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

Assessment of the measurement of certain investments at fair value

Description of the matter

We draw attention to Notes 2(d) and 5 to the financial statements. The Entity records investments in convertible debentures at their fair value of \$139,831,617. In determining the fair value of investments in convertible debentures, the Entity uses a valuation model based on Black-Scholes option pricing and differential equations. The significant assumptions used in the valuation model include expected price volatility and credit spread.

Why the matter is a key audit matter

We identified the assessment of the fair value measurement of investments in convertible debentures as a key audit matter. This matter represented an area of significant risk of material misstatement due to the high degree of estimation uncertainty. Significant auditor judgment and specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the fair value measurement of investments in convertible debentures to changes in certain significant assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We involved Valuation Specialists with specialized skills and knowledge, who assisted in evaluating the appropriateness of the significant assumptions used in the fair value measurement of investments in convertible debentures. Our Valuation Specialists evaluated the expected price volatility and credit spread by comparing them against expected price volatility and credit spread ranges that were independently developed using publicly available market data for comparable peers.

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 information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's 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 auditor's 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) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Jonathan H.F. Wong.

Vancouver, Canada
November 20, 2023

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

As at August 31, 2023 and 2022

	Note	2023	2022
Assets			
Current assets:			
Cash and cash equivalents		\$ 14,745,031	\$ 34,508,794
Prepays and deposits		115,585	111,155
Receivables	4	1,485,470	720,958
		16,346,086	35,340,907
Non-current assets:			
Investments	5	220,599,252	196,751,187
Right-of-use assets	6	295,517	482,159
		220,894,769	197,233,346
		\$ 237,240,855	\$ 232,574,253

Liabilities and Shareholders' Equity

Current liabilities:			
Accounts payable and accrued liabilities	7	\$ 976,655	\$ 1,000,132
Lease liabilities	6	190,095	180,910
		1,166,750	1,181,042
Non-current liabilities:			
Long-term lease liabilities	6	125,996	315,843
		1,292,746	1,496,885
Shareholders' equity:			
Share capital		174,778,615	170,384,091
Reserve		19,651,119	17,072,967
Retained earnings		41,518,375	43,620,310
		235,948,109	231,077,368
		\$ 237,240,855	\$ 232,574,253

Subsequent events 17

See accompanying notes to these consolidated financial statements.

Approved on behalf of the Board:

"Warren Gilman"

Director

"Alex Granger"

Director

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Years ended August 31, 2023 and 2022

	Note	2023	2022
Income from investments:			
Interest and other income	5	\$ 8,680,619	\$ 4,627,265
Establishment fee income	5	720,000	720,000
Realized gain from investments	5	594,325	322,400
Unrealized gain from investments	5	297,877	2,836,184
Total income from investments		10,292,821	8,505,849
Operating expenses:			
Business development and marketing		430,228	104,358
Depreciation	6	186,642	77,768
Foreign exchange loss		181,247	365,817
Interest expense and financing costs	9	-	671,805
Interest expense on lease liabilities	6	19,369	10,719
Management and director fees	8	1,771,000	2,146,458
Office and administration		241,822	426,039
Professional and regulatory fees		415,676	645,168
Share-based compensation	10	2,578,152	7,532,046
Total operating expenses		5,824,136	11,980,178
Net income (loss) before taxes		4,468,685	(3,474,329)
Income taxes	14	125,622	8,119
Net income (loss) and comprehensive gain (loss)		\$ 4,343,063	\$ (3,482,448)
Net income (loss) per common share:			
Basic	11	\$ 0.01	\$ (0.01)
Diluted	11	0.01	(0.01)
Weighted average number of common shares - basic	11	449,617,545	366,017,026
Weighted average number of common shares - diluted	11	488,267,545	388,839,507

See accompanying notes to these consolidated financial statements.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Years ended August 31, 2023 and 2022

	Note	Issued number of Shares	Share capital	Treasury shares	Reserves	Retained earnings	Shareholders' equity
Balance, August 31, 2022		445,895,954	\$ 171,700,469	\$ (1,316,378)	\$ 17,072,967	\$ 43,620,310	\$ 231,077,368
Shares issued - dividend reinvestment plan	10	9,631,732	5,078,194	-	-	(5,078,194)	-
Shares purchased	10	-	-	(1,481,101)	-	-	(1,481,101)
Shares canceled	10	(5,171,172)	(2,000,048)	2,797,479	-	(797,431)	-
Share-based compensation	10	-	-	-	2,578,152	-	2,578,152
Dividend - paid in cash	10	-	-	-	-	(569,373)	(569,373)
Net income for the year		-	-	-	-	4,343,063	4,343,063
Balance, August 31, 2023		450,356,514	\$ 174,778,615	\$ -	\$ 19,651,119	\$ 41,518,375	\$ 235,948,109
Balance, August 31, 2021		277,252,651	\$ 86,218,243	\$ -	\$ 12,345,537	\$ 50,488,137	\$ 149,051,917
Shares issued - exercise of stock options	10	8,000,000	4,747,536	-	(2,804,616)	-	1,942,920
Shares issued - dividend reinvestment plan	10	4,393,303	2,502,707	-	-	(2,502,707)	-
Shares issued - private placement, net of costs	10	156,250,000	78,231,983	-	-	-	78,231,983
Shares purchased and held in Treasury	10	-	-	(1,316,378)	-	-	(1,316,378)
Share-based compensation	10	-	-	-	7,532,046	-	7,532,046
Dividend - paid in cash	10	-	-	-	-	(882,672)	(882,672)
Net loss for the year		-	-	-	-	(3,482,448)	(3,482,448)
Balance, August 31, 2022		445,895,954	\$ 171,700,469	\$ (1,316,378)	\$ 17,072,967	\$ 43,620,310	\$ 231,077,368

See accompanying notes to these consolidated financial statements.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Years ended August 31, 2023 and 2022

	Note	2023	2022
Cash flows provided by (used in):			
Operating activities:			
Net income (loss)		\$ 4,343,063	\$ (3,482,448)
Items not affecting cash:			
Interest income on convertible debentures	5	(7,843,177)	(4,421,222)
Establishment fee income	5	(450,000)	(720,000)
Realized gain on investments	5	(594,325)	(322,400)
Unrealized gain on investments	5	(297,877)	(2,836,184)
Depreciation	6	186,642	77,768
Interest expense and financing costs	9	-	671,805
Interest expense on lease liabilities	6	19,369	10,719
Share-based compensation	10	2,578,152	7,532,046
Income tax expense	14	125,622	8,119
Unrealized foreign exchange (gain) loss		126,259	347,773
		(1,806,272)	(3,134,024)
Changes in working capital items:			
Other receivables		(406,365)	(99,500)
Prepaid expenses and advances		(4,430)	(61,626)
Accounts payable and accrued liabilities		(23,477)	827,420
Interest received on convertible debentures	5	5,880,077	3,558,370
Interest expense paid on bank loan	9	-	(434,107)
Interest expense paid on lease liabilities	6	(19,369)	(10,719)
Income taxes paid		(8,768)	(8,119)
Cash flows provided by operating activities		3,611,396	637,695
Financing activities:			
Common shares issued by private placement, net of costs	10	-	78,231,983
Common shares issued by stock option exercise	10	-	1,942,920
Common shares purchased	10	(1,481,101)	(1,316,378)
Dividends paid	10	(569,373)	(882,672)
Payment of lease liabilities	6	(181,272)	(62,502)
Borrowings, net of transaction costs	9	-	16,419,502
Borrowings repaid	9	-	(16,657,200)
Cash flows (used in) provided by financing activities		(2,231,746)	77,675,653
Investing activities:			
Acquisition of investments	5	(25,000,000)	(46,205,117)
Proceeds from sale of equity investments	5	3,982,237	590,866
Cash flows used in investing activities		(21,017,763)	(45,614,251)
(Decrease) increase in cash during the year		(19,638,113)	32,699,097
Cash and cash equivalents, beginning of the year		34,508,794	2,158,142
Effect of currency translation on cash		(125,650)	(348,445)
Cash and cash equivalents, end of the year		\$ 14,745,031	\$ 34,508,794
Cash and cash equivalents are comprised of:			
Cash		\$ 14,745,031	\$ 26,644,191
Cash equivalents		-	7,864,603
Cash and cash equivalents, end of the year		\$ 14,745,031	\$ 34,508,794

Supplemental disclosure with respect to cash flows 15

See accompanying notes to these consolidated financial statements.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Consolidated Financial Statements

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

Years ended August 31, 2023 and 2022

1. Reporting entity and nature of operations:

Queen's Road Capital Investment Ltd. ("QRC" or the "Company") is a dividend paying, 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. The Company's corporate office is located at Suite 2006, 2 Queen's Road Central, Hong Kong. The Company is listed on the Toronto Stock Exchange ("TSX") and the trades under the symbol "QRC".

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, 2023.

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on November 20, 2023.

(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") and share-based compensation recognized at fair value at the measurement date. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(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.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Consolidated Financial Statements

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

Years ended August 31, 2023 and 2022

2. Basis of presentation (continued):

(c) Significant accounting estimates and assumptions (continued):

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.

(d) Significant judgments:

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 to reflect the restrictions. Equity and other investments which are not traded on a stock exchange are valued at the close price of an equivalent traded instrument, with an appropriate discount as determined by management to reflect the difference in liquidity or the different nature of the investment.

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.

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.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Consolidated Financial Statements

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

Years ended August 31, 2023 and 2022

2. Basis of presentation (continued):

(d) Significant judgments (continued):

(i) Valuation of investments (continued):

Judgment is required in order to determine the appropriate valuation methodology and, determining the assumptions such as expected price volatility and credit spread utilized in determining the fair value of convertible debentures. Inputs to the valuation such as expected life, risk free rate, underlying share price of investee, conversion price and exchange rates do not require significant application of judgement. 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.

(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.

(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.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Consolidated Financial Statements

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

Years ended August 31, 2023 and 2022

3. Significant accounting policies (continued):

(b) 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 statements 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.

(c) Investment income:

The Company's investment income includes:

- interest income on convertible debentures;
- interest income on cash and cash equivalents;
- dividend income;
- establishment fee incomes; and
- gain and loss on investments.

Interest income on convertible debentures is recognized under the effective interest method. Interest income on cash and cash equivalents is recognized on an accruals basis in the period in which it accrues. Dividend income and establishment fees are recognized in the profit or loss on the date on which the Company's right to receive payments is established. The net gain or loss on investments classified as financial assets and recorded at fair value is recognized through the profit and loss in accordance with Note 3 (d).

The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the convertible debenture to the gross carrying amount of the financial asset.

(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.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Consolidated Financial Statements

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

Years ended August 31, 2023 and 2022

3. Significant accounting policies (continued):

(d) Financial instruments (continued):

Financial assets (continued):

(i) 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.

(ii) Classification of financial assets:

(A) 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 such financial assets, is to hold the assets in order to collect contractual cash flows.

(B) 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.

(C) 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 such financial assets, is achieved by both collecting contractual cash flows and selling financial assets.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Consolidated Financial Statements

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

Years ended August 31, 2023 and 2022

3. Significant accounting policies (continued):

(d) Financial instruments (continued):

Financial assets (continued):

- 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.

(iii) 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.

(iv) 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:

(i) Recognition and measurement of financial liabilities:

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

(A) 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.

(B) 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.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Consolidated Financial Statements

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

Years ended August 31, 2023 and 2022

3. Significant accounting policies (continued):

(d) Financial instruments (continued):

Financial liabilities (continued):

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

(ii) 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 statements of income.

(e) Leases:

(i) Financial liabilities measured at amortized cost:

At inception of a contract, the Company assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(ii) Recognition and measurement:

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets are initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there are changes in the following: (i) in the lease term; (ii) the Company's assessment of whether it will exercise a purchase option; (iii) a change in an index or a change in the rate used to determine the payments; and (iv) amounts expected to be payable under residual value guarantees.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Consolidated Financial Statements

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Years ended August 31, 2023 and 2022

3. Significant accounting policies (continued):

(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.

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.

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Notes to Consolidated Financial Statements

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Years ended August 31, 2023 and 2022

3. Significant accounting policies (continued):

(i) Income taxes (continued):

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 effective for the Company for accounting periods beginning on or after September 1, 2023. 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 Practice Statement 2).

4. Receivables:

Receivables consist of the following:

	2023	2022
Interest receivable on convertible debentures	\$ 1,096,459	\$ 621,458
Other receivables	389,011	99,500
	<u>\$ 1,485,470</u>	<u>\$ 720,958</u>

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Years ended August 31, 2023 and 2022

5. Investments:

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

		2023	2022
Equity and other investments:			
NexGen Energy Ltd.	(a)	\$ 60,565,655	\$ 51,645,722
Osisko Green Acquisition Ltd.	(b)	14,806,000	14,957,824
Other investments	(c)	5,395,980	11,982,934
		80,767,635	78,586,480
Convertible debentures:			
Adriatic Metals PLC	(d)	27,670,407	19,305,637
Challenger Gold Ltd. ⁽¹⁾		9,463,894	-
Contango ORE, Inc.		15,096,025	18,327,105
IsoEnergy Ltd.		28,855,869	30,908,072
Los Andes Copper Ltd.		13,168,499	10,857,271
NexGen Energy Ltd.		45,576,923	38,766,622
		139,831,617	118,164,707
		\$ 220,599,252	\$ 196,751,187

(1) Previously known as Challenger Exploration Ltd.

The continuity of the Company's investments during the year ended August 31, 2023 is as follows:

	Year ended August 31, 2022	Additions	Net proceeds from disposition	Realized gain	Unrealized gain (loss)	Year ended August 31, 2023
Equity and other investments	\$ 78,586,480	\$ 2,938,100	\$ (3,982,237)	\$ 594,325	\$ 2,630,967	\$ 80,767,635
Convertible debentures	118,164,707	24,000,000	-	-	(2,333,090)	139,831,617
	\$ 196,751,187	\$26,938,100	\$ (3,982,237)	\$ 594,325	\$ 297,877	\$ 220,599,252

The continuity of the Company's investments during the period ended August 31, 2022 is as follows:

	Year ended August 31, 2021	Additions	Net proceeds from disposition	Realized gain	Unrealized (loss) gain	Year ended August 31, 2022
Equity and other investments	\$ 55,970,983	\$ 23,787,969	\$ (590,866)	\$ 322,400	\$ (904,006)	\$ 78,586,480
Convertible debentures	90,424,517	24,000,000	-	-	3,740,190	118,164,707
	\$ 146,395,500	\$ 47,787,969	\$ (590,866)	\$ 322,400	\$ 2,836,184	\$ 196,751,187

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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Years ended August 31, 2023 and 2022

5. Investments (continued):

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 or loss 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:

On May 27, 2020, the Company purchased 11,611,667 common shares of NexGen, a company related by way of two common directors, at \$1.29 per share for a purchase price of \$15,000,000. On August 30, 2023, the Company entered into a binding agreement to sell 8,700,000 common shares of NexGen to Washington H. Soul Pattinson and Company Ltd. ("WHSP") at \$5.20. The estimated fair value of the 11,611,667 NexGen shares at August 31, 2023 is \$60,565,655 (August 31, 2022 - NexGen 11,611,667 shares, estimated fair value \$51,645,722). The fair value at August 31, 2023 is estimated using the agreed sale price to WHSP for 8,700,000 common shares and the closing market price for the remaining shares (August 31, 2022 - closing market price). The sale to WHSP completed on September 22, 2023 (Note 17).

(b) Investment in Osisko Green Acquisition Ltd. ("Osisko") common shares:

On September 8, 2021, the Company purchased 2,000,000 Class A Restricted Voting Units for C\$10.00 per unit in Osisko for a purchase price of \$15,778,000. Each Class A Restricted Voting Unit comprised of one Class A Restricted Voting Share and one-half of one share purchase warrant. The Restricted Voting Units split into shares and warrants on October 18, 2021. The warrants are included under other investments held for investment purposes. On August 31, 2023, Osisko announced that the Corporation will be wound-up and the Class A Restricted Voting Shares would be automatically redeemed. The estimated fair value of the 2,000,000 Class A Restricted Voting Shares at August 31, 2023 is \$14,806,000 (August 31, 2022 - \$14,957,824). The fair value at August 31 2023 is estimated using the redemption value of the shares, which is the par value (August 31, 2022 - closing market price). The Class A Restricted Voting Shares were redeemed on September 8, 2023 (Note 17).

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Years ended August 31, 2023 and 2022

5. Investments (continued):

(c) Other investments held for investment purposes:

The Company holds common shares and warrants in listed entities. The shares and warrants 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 of common shares and warrants for investment purpose.

The estimated fair value of other equity investments at August 31, 2023 is \$5,395,980 (August 31, 2022 - \$11,982,934).

The fair value for shares and warrants traded on a stock market is estimated using the closing market price of the shares or warrants on the relevant date. The fair value for equity and other investments which are not traded on a stock market is estimated using the closing market price of an equivalent traded instrument with an appropriate discount applied to reflect the restrictions or different nature of the investment.

(d) Investments in convertible debentures:

The Company holds unsecured convertible debentures issued by listed entities. Details of investments in debentures held are listed in the table below with further information in the footnotes:

Issuer	Principal ⁽¹⁾ US\$	Issue date ⁽²⁾	Maturity date	Annual coupon	Annual coupon settled by	Conversion price ⁽⁶⁾	Redemption
Adriatic Metals PLC ("Adriatic")	20,000,000	Dec 1, 2020	Dec 1, 2024	9.5% ⁽³⁾	Cash 9.5%	A\$2.7976	(9)
Challenger Gold Ltd. ("Challenger")	15,000,000	Sep 12, 2022	Sep 12, 2026	9.0%	Cash 7.0% Shares 2.0%	A\$0.25	(9)
Contango ORE, Inc. ("Contango")	20,000,000	Apr 26, 2022	May 26, 2028 ⁽⁴⁾	9.0% ⁽⁴⁾	Cash 7.0% Shares 2.0%	\$30.50	(9)
IsoEnergy Ltd. ("IsoEnergy")	Various 4,000,000 to 6,000,000	Various (2020 to 2022)	Various (2025 to 2027)	8.5% ⁽⁵⁾ to 10%	Cash 6.0% ⁽⁶⁾ to 7.5% Shares 2.5% ⁽⁶⁾	(7)	(9)
Los Andes Copper Ltd. ("Los Andes")	Various 4,000,000 to 5,000,000	Various (2021 to 2022)	Various (2026 to 2027)	8.0%	Cash 5.0% ⁽⁸⁾ Shares 3.0% ⁽⁸⁾	(8)	(9)
NexGen Energy Ltd. ("NexGen")	15,000,000	May 27, 2020	May 27, 2025	7.5%	Cash 5.0% Shares 2.5%	C\$2.34	(9)

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Years ended August 31, 2023 and 2022

5. Investments (continued):

(d) Investments in convertible debentures (continued):

- (1) The convertible debentures are unsecured and rank equally in right of payment with all present and future unsecured and unsubordinated indebtedness of the issuer.
- (2) The Company was paid an establishment fee equal to 3% of the principal amount of the convertible debentures on issue date, settled either in cash or common shares of the issuer.
- (3) *Adriatic*: The annual coupon increased from 8.5% to 9.5% on January 10, 2023.
- (4) *Contango*: The maturity date was extended from April 26, 2026 to May 26, 2028 and the annual coupon increased from 8.0% to 9.0% on May 17, 2023.
- (5) *IsoEnergy*: The annual coupon on the \$6,000,000 debenture issued in 2020 reduces from 8.5% to 7.5%, reducing the cash and common share interest from 6.0% and 2.5% to 5.0% and 2.5%, respectively, on filing of an economically positive preliminary assessment compliant with the requirements of National Instrument 43-101 of the *Canadian Securities Commission*. This filing has not been made as at August 31, 2023 or August 31, 2022.
- (6) The Company is entitled to convert, from time to time prior to the maturity date, some or all of the outstanding principal amount into common shares at the conversion price.
- (7) *IsoEnergy*: Conversion prices range from C\$0.88 to C\$4.33.
- (8) *Los Andes*: Interest can be settled by between 5% to 8% per annum in cash and between 0% and 3% per annum in shares. Conversion prices range from C\$10.82 to C\$19.67.
- (9) Issuers have certain redemption rights, normally after the second anniversary of the issue date for a convertible debenture issued with a 4-term and after the 3-anniversary of the issue date for a convertible debenture issued with a 5-year term, if the weighted average trading price of the relevant stock is above a pre-determined percentage of the conversion price, together with redemption rights on certain defined change of control events.

During the year ended August 31, 2023, the Company received establishment fees of \$720,000 comprising 3% of the convertible debenture principal amounts of \$15 million issued by Challenger, \$450,000 settled in common shares, and \$5 million issued by Los Andes and \$4 million issued by IsoEnergy, \$150,000 and \$120,000 respectively settled in cash. During the year ended August 31, 2022, the Company received establishment fees of \$720,000 comprising 3% of the convertible debenture principal amounts of \$20 million issued by Contango and \$4 million issued by Los Andes, \$600,000 and \$120,000 respectively, settled in common shares of the issuers.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Consolidated Financial Statements

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

Years ended August 31, 2023 and 2022

5. Investments (continued):

(d) Investments in convertible debentures (continued):

The estimated fair value of convertible debentures at August 31, 2023 is \$139,831,617 (August 31, 2022 - \$118,164,707). The fair value for convertible debentures is estimated pursuant to IFRS 13, *Fair Value Measurement*, using valuation models based on a system of two coupled Black-Scholes Option Pricing equations and partial differential equations that are solved simultaneously using finite-difference methods. The assumptions and inputs below were used in the models for debentures held by the Company:

August 31, 2023	Adriatic	Challenger	Contango	IsoEnergy ⁽²⁾	Los Andes ⁽²⁾	NexGen
Expected life (years)	1.25	3.04	4.74	1.97 to 4.27	2.76 to 4.01	1.74
Modelled price volatility ⁽¹⁾	40%	51%	44%	64% to 65%	37% to 52%	60%
Risk free interest rate	3.9%	3.7%	4.3%	4.1% to 4.6%	4.1% to 4.5%	4.7%
Coupon interest rate	9.5%	9.0%	9.0%	8.5% to 10.0%	8.0%	7.5%
Expected dividend yield	-%	-%	-%	-%	-%	-%
Credit spread	27%	30%	31%	19% to 28%	24% to 30%	18%
Underlying share price of the investee	A\$3.77	A\$0.075	\$18.23	C\$3.59	C\$11.49	C\$7.11
Conversion price	A\$2.7976	A\$0.25	\$30.50	C\$0.88 to C\$4.33	C\$10.82 to C\$19.67	C\$2.34
Exchange rate (C\$ - \$)	-	-	-	0.7403	0.7403	0.7403
Exchange rate (A\$ - \$)	0.6484	0.6484	-	-	-	-

(1) Modelled price volatility is derived based on the volatility of the issuer's shares and incorporates a calibration adjustment used initially to equate the estimated fair value of the debenture to the purchase consideration.

(2) Several convertible debentures issued on various dates.

August 31, 2022	Adriatic	Contango	IsoEnergy	Los Andes ⁽²⁾	NexGen
Expected life (years)	2.25	3.65	2.97	3.76 to 4.60	2.74
Modelled price volatility ⁽¹⁾	35%	46%	68%	58% to 59%	71%
Risk free interest rate	3.0%	3.3%	3.6%	3.4% to 3.5%	3.6%
Coupon interest rate	8.5%	8.0%	8.5%	8.0%	7.5%
Expected dividend yield	-%	-%	-%	-%	-%
Credit spread	28%	28%	21%	25% to 30%	20%
Underlying share price of the investee	A\$2.28	\$23.19	C\$4.47	C\$13.75	C\$5.84
Conversion price	A\$2.7976	\$30.50	C\$0.88	C\$10.82 to C\$19.67	C\$2.34
Exchange rate (C\$ - \$)	-	-	0.7616	0.7616	0.7616
Exchange rate (A\$ - \$)	0.6842	-	-	-	-

(1) Modelled price volatility is derived based on the volatility of the issuer's shares and incorporates a calibration adjustment used initially to equate the estimated fair value of the debenture to the purchase consideration.

(2) Several convertible debentures issued on various dates.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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Years ended August 31, 2023 and 2022

5 Investments (continued):

(d) Investments in convertible debentures (continued):

For the year ended August 31, 2023, the Company has recorded interest income on convertible debentures of \$7,843,177 (August 31, 2022 - \$4,421,222). During the year ended August 31, 2023, the Company received interest payments of \$7,368,177 of which \$5,880,077 was paid in cash and \$1,488,100 was settled in common shares (August 31, 2022 - received \$4,421,222 of which \$3,558,370 was in cash and \$862,852 in common shares).

For the year ended August 31, 2023 the Company has recorded other income from investments representing dividend income from equity investments and distributions from exchange traded funds of \$499,956 (August 31, 2022 - \$32,475).

6. Leases:

(a) Right-of-use assets:

The right-of-use asset recognized by the Company relates to an office lease in Hong Kong which commenced on April 1, 2022 for 3-years to March 31, 2025. The Company has used a weighted average incremental borrowing rate of 5% to discount its lease obligations.

	2023	2022
Right-of use asset, beginning of year	\$ 482,159	\$ -
Additions	-	559,927
Depreciation	(186,642)	(77,768)
Balance, end of year	\$ 295,517	\$ 482,159

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Years ended August 31, 2023 and 2022

6. Leases (continued):

(b) Lease liabilities:

	2023	2022
Lease liabilities, beginning of year	\$ 496,753	\$ -
Additions	-	559,927
Interest expense on lease liabilities	19,369	10,719
Payment of lease liabilities and interest expenses	(200,641)	(73,221)
Exchange translation differences	610	(672)
Balance, end of year	\$ 316,091	\$ 496,753
Current portion	\$ 190,095	\$ 180,910
Non-current portion	125,996	315,843
	\$ 316,091	\$ 496,753

(c) Amounts recognized in the consolidated statements of net gain (loss) income:

	2023	2022
Interest expense on lease liabilities	\$ 19,369	\$ 10,719
Variable lease payments not included in lease liabilities	35,158	16,410
	\$ 54,527	\$ 27,129

The following table presents the contractual undiscounted cash flows for lease obligations as at August 31, 2023 and August 31, 2022:

	2023	2022
Within one year	\$ 200,414	\$ 200,257
One to five years	127,537	327,694
	\$ 327,951	\$ 527,951

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Years ended August 31, 2023 and 2022

7. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of the following:

	2023	2022
Accounts payable	\$ 39,136	\$ 31,419
Accrued liabilities	116,078	189,679
Due to related parties (note 8)	821,441	779,034
	<u>\$ 976,655</u>	<u>\$ 1,000,132</u>

8. Related party transactions:

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

	2023	2022
Management fee	\$ 1,705,000	\$ 2,081,333
Directors' fees	66,000	65,125
Share-based compensation	2,541,839	7,425,961
	<u>\$ 4,312,839</u>	<u>\$ 9,572,419</u>

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Years ended August 31, 2023 and 2022

8. Related party transactions (continued):

During the year ended August 31, 2022, the Company reimbursed office rent of \$213,823 to a company controlled by an officer and director of the Company. There was no contractual rent obligation for the Company as the lease agreement is with the Company controlled by the officer and director. The Company was invoiced for reimbursement by the company controlled by an officer and director of the Company on a monthly basis.

The Company has entered into a lease agreement for the office directly from April 1, 2022.

As at August 31, 2023, accounts payable and accrued liabilities include an amount of \$821,441 (August 31, 2022 - \$779,034) due to officers and directors of the Company and/or companies controlled by officers and directors of the Company, related to directors' fees and reimbursement of expenses. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

As at August 31, 2023, the Company holds equity investments and convertible debentures in NexGen, a company related by way of two common directors and IsoEnergy, a company controlled by NexGen and in Los Andes, a company related by way of a common director. The estimated fair value of equity investments and convertible debentures of these related companies, at August 31, 2023, is \$150,897,652 (August 31, 2022 - \$134,323,524). Establishment fee income for the year ended August 31, 2023 is \$270,000 (August 31, 2022 - \$120,000) and interest income on convertible debentures is \$3,048,316 (August 31, 2022 - \$2,165,667) from these related companies.

Two significant shareholders, Wyloo Metals Pty Ltd. (previously known as Squadron Resources Pty Ltd.) ("Wyloo") and Corom Pty Ltd. ("Corom"), a company controlled by a relative of a director of the Company, subscribed for common shares in the Company's private placement on February 25, 2022 (Note 10(a)).

9. Borrowings:

On March 1, 2022, the Company gave notice of early repayment of the secured bank loan drawn down on September 1, 2021 and the outstanding principal amount of the loan and accrued interest was fully repaid on March 3, 2022. Transactions costs that were due to be expensed over the term of the loan under the effective interest rate method were fully expensed on repayment of the loan.

	2023	2022
Borrowings, beginning of year	\$ -	\$ -
Loan draw-down, net of transaction costs incurred	-	16,419,502
Interest expense and financing costs	-	671,805
Loan repayment and payment of interest expense	-	(17,016,547)
Exchange translation differences	-	(74,760)
	\$ -	\$ -

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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Years ended August 31, 2023 and 2022

10. Share capital:

(a) Common shares:

Authorized:

5,000,000,000 common shares with a par value of C\$0.001 each.

Issued:

450,356,514 common shares at August 31, 2023 (August 31, 2022 - 445,895,954).

Issued and outstanding:

450,356,514 common shares at August 31, 2023 (August 31, 2022 - 443,556,376).

The continuity of the Company's issued common shares is as follows:

	2023	2022
Shares issued and fully paid:		
Balance, beginning of year	445,895,954	277,252,651
Issued on exercise of share options	-	8,000,000
Issued in settlement of dividend	9,631,732	4,393,303
Issued by private placement	-	156,250,000
Canceled	(1)	-
Purchased through NCIB and canceled	(5,171,171)	-
Balance, end of year	450,356,514	445,895,954

The continuity of the Company's issued and outstanding common shares is as follows:

	2023	2022
Shares issued, fully paid and outstanding:		
Balance, beginning of year	443,556,376	277,252,651
Issued on exercise of share options	-	8,000,000
Issued on settlement of dividends	9,631,732	4,393,303
Issued by private placement	-	156,250,000
Canceled	(1)	-
Purchased through NCIB and canceled	(2,831,593)	-
Purchased through NCIB and held in treasury	-	(2,339,578)
Balance, end of year	450,356,514	443,556,376

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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Years ended August 31, 2023 and 2022

10. Share capital (continued):

(a) Common shares (continued):

Share transactions during the year ended August 31, 2023 were as follows:

- 9,631,732 shares of the Company were issued on November 17, 2022, as fully paid shares for the settlement of dividends of C\$0.017 per share, based on a share price of C\$0.70. \$5,078,194 was transferred from retained earnings to share capital.
- 1 share of the Company was canceled on October 17, 2022.
- A total of 5,171,171 shares of the Company, purchased through the Normal Course Issuer Bid ('NCIB'), were canceled as follow:
 - 3,260,694 shares were canceled on November 6, 2022.
 - 935,439 shares canceled on February 28, 2023.
 - 527,328 shares were canceled on May 31, 2023.
 - 447,710 shares were canceled on August 31, 2023.

The cost of the shares canceled, including commission was \$2,797,479, an average cost of C\$0.71 per share. \$2,000,048 representing the average issue price of the canceled shares, was transferred from the treasury share reserve to share capital. The remaining \$797,431 was transferred from the treasury share reserve to retained earnings.

- 445,895,954 issued and fully paid shares on September 1, 2022 were reduced to 443,556,376 issued, fully paid and outstanding shares by 2,339,578 shares purchased between the start of the NCIB on November 22, 2021 and August 31, 2022 and held in treasury on August 31, 2022. These shares were included within the 3,260,694 shares canceled on November 6, 2022.
- 2,831,593 shares of the Company were purchased for \$1,481,101, at an average cost per share of C\$0.70, including commissions by the Company, during the year ended August 31, 2023, under the NCIB and canceled as follows:
 - 921,116 shares purchased between September 1, 2022 and November 6, 2022, canceled on November 6, 2022.
 - 935,439 shares purchased between November 7, 2022 and February 28, 2023, canceled on February 28, 2023.
 - 527,328 shares purchased between March 1, 2023 and May 31, 2023 and cancelled on May 31, 2023.
 - 447,710 shares purchased between June 1, 2023 and August 31, 2023 and cancelled on August 31, 2023.

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Years ended August 31, 2023 and 2022

10. Share capital (continued):

(a) Common shares (continued):

- All shares purchased under the NCIB were canceled as at August 31, 2023. There were no shares held in treasury as at August 31, 2023.

Share transactions during the year ended August 31, 2022 were as follows:

- 1,000,000 shares of the Company were issued on October 15, 2021 as fully paid shares from the exercise of share options at C\$0.30 per share. \$242,340 was received in cash and \$350,577 was transferred from share-based reserves to share capital.
- 7,000,000 shares of the Company were issued on October 29, 2021 as fully paid shares from the exercise of share options at C\$0.30 per share. \$1,700,580 was received in cash and \$2,454,039 was transferred from share-based reserves to share capital.
- 4,393,303 shares of the Company were issued on November 19, 2021 as fully paid shares for the settlement of dividends of C\$0.015 per share based on a share price of C\$0.72. \$2,502,707 was transferred from retained earnings to share capital.
- 156,250,000 shares of the Company were issued on February 25, 2022 at C\$0.64 per share for gross proceeds of \$78,450,000 through a non-brokered private placement. Two significant shareholders, Wyloo and Corom each subscribed for 39,062,500 common shares, respectively, of the private placement.
- 2,339,578 shares of the Company were purchased for \$1,316,378, at an average cost per share of C\$0.72, including commissions, by the Company during the year ended August 31, 2022 under the NCIB and held in treasury.

(b) Warrants:

There were no warrants outstanding at August 31, 2023 and August 31, 2022.

(c) Stock options:

The Company's new incentive stock option plan ("2022 Option Plan") was approved by the shareholders of the Company at the Annual General Meeting on December 22, 2022 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, subject to certain limitations in respect of the maximum number of common shares issuable to insiders. The 2022 Option Plan allows for the option price at the time each option is granted to be not less than the volume weighted average trading price of the common shares on the TSX for the 5-days immediately preceding the grant date. The 2022 Option Plan provides participants with a cashless exercise alternative. Options granted under the 2022 Option Plan will have a term not to exceed 5-years. Vesting is determined at the discretion of the Board of Directors and in accordance with the policies of the TSX.

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10. Share capital (continued):

(c) Stock options (continued):

Options granted under the Company's previous stock option plan ("Old Option Plan") will continue to be governed by the Old Option Plan.

No stock options were issued or exercised during the year ended August 31, 2023.

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

	Number of outstanding options	Weighted average exercise price (C\$)
At August 31, 2021	11,150,000	\$ 0.30
Exercised	(8,000,000)	0.30
Issued	35,500,000	0.64
At August 31, 2022	38,650,000	\$ 0.61

1,000,000 stock options granted on February 3, 2020, at C\$0.30 per share were exercised on October 10, 2021 by the executor for the estate of a former Director.

7,000,000 stock options granted on February 3, 2020, at C\$0.30 per share were exercised on October 21, 2021 by a Director.

35,500,000 stock options were granted on May 31, 2022, exercisable at C\$0.64 per share for a term of 5-years. The options vest as to 50% on the grant date and a further 50% after a period of 12-months. The Company determined the grant date estimated fair value of \$10,110,198, and the estimated fair value of options vesting in the year ended August 31, 2022 of \$7,532,046. \$2,578,152 was charged to reserves for the year ended August 31, 2023 (August 31, 2022 - \$7,532,046).

A summary of the Company's outstanding options at August 31, 2023 and August 31, 2022 is as follows:

Exercise price C\$	August 31, 2023 and August 31, 2022	August 31, 2023	August 31, 2022	Expiry date
	Number of options outstanding	Number of options exercisable	Number of options exercisable	
0.30	3,000,000	3,000,000	3,000,000	February 3, 2025
0.55	150,000	150,000	150,000	February 18, 2025
0.64	35,500,000	35,500,000	17,750,000	February 28, 2027
	38,650,000	38,650,000	20,900,000	

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10. Share capital (continued):

(d) Normal Course Issuer Bid ("NCIB"):

On November 21, 2021, the Company commenced a NCIB for a period of 12-months. Purchases are conducted by a third-party broker. The NCIB was renewed for a further 12-months from November 22, 2022. The current NCIB allows for the repurchase of up to 22,126,121 shares.

During the year ended August 31, 2023, there were purchases of 2,831,593 shares for cash of \$1,481,101 (August 31, 2022 - purchases of 2,339,578 shares for cash of \$1,316,378).

(e) Dividend:

On October 15, 2021, the Company declared a dividend on C\$0.015 per share to all shareholders of record on November 15, 2021. The dividend of \$3,385,379 was paid on November 19, 2021, with \$882,672 paid in cash and \$2,502,707 settled by the issue of 4,393,303 shares under the Company's dividend reinvestment plan ("DRIP").

On October 18, 2022, the Company declared a dividend on C\$0.017 per share to all shareholders of record on November 7, 2022. The dividend of \$5,647,567 was paid on November 17, 2022, with \$569,373 paid in cash and \$5,078,194 settled by the issue of 9,631,732 shares under the Company's DRIP.

11. Basic and diluted net income (loss) per share:

The calculation of basic net income (loss) per share for the year ended August 31, 2023 is calculated using the weighted average number of common issued shares of 450,169,718 less the weighted average number of shares purchased and held in treasury of 552,173, respectively to derive the weighted average number of issued and outstanding shares 449,617,545 (August 31, 2022 - weighted average common issued shares for year of 366,836,729 less the weighted average number of shares purchased and held in treasury of 819,703 to derive 366,017,026 shares).

Diluted net income per share, for the year ended August 31, 2023, is calculated using the weighted average number of common shares issued and outstanding adjusted for the dilutive effect of 38,650,000 stock options.

Diluted net loss per share, for the year ended August 31, 2022, did not include the effects of stock options, as the effect would be anti-dilutive.

12. 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 date of the statement of financial position, and how the entity manages these risks.

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12. 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, 2023 and August 31, 2022:

	August 31, 2023	August 31, 2022
Estimated fair value through profit and loss:		
Investments	\$ 220,599,252	\$ 196,751,187
Amortized cost:		
Cash and cash equivalents	14,745,031	34,508,794
Receivables	1,485,470	720,958
Accounts payable and accrued liabilities	976,655	1,000,132
Lease liabilities	316,091	496,753

As at August 31, 2023 and August 31, 2022, financial instruments that are not measured at estimated fair value on the balance sheet are represented by cash, prepaid and deposits, receivables, accounts payable and accrued liabilities and lease 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, 2023	Level 1	Level 2	Level 3
Investments at estimated fair value	\$ 80,767,635	\$ 139,831,617	\$ -

August 31, 2022	Level 1	Level 2	Level 3
Investments at estimated fair value	\$ 74,403,800	\$ 122,347,387	\$ -

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12. Financial instruments and risk management (continued):

There were no asset transfers between levels for the years ended August 31, 2023 or August 31, 2022.

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 convertible debentures invested in 6-companies at August 31, 2023, that were made up of 33% NexGen; 20% IsoEnergy; 20% Adriatic; 11% Contango; 9% Los Andes; and 7% Challenger (August 31, 2022 - 33% NexGen; 26% IsoEnergy; 16% Adriatic; 16% Contango; and 9% Los Andes).

(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. On September 1, 2021, the Company raised funds through a secured bank loan which was fully repaid on March 3, 2022.

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12. Financial instruments and risk management (continued):

(b) Liquidity risk (continued):

On February 25, 2022, the Company raised funds through a private placement. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity or bank financing. As of August 31, 2023, the Company had no significant contractual obligations other than those included in accounts payable, accrued liabilities and lease liabilities.

(c) Interest and foreign exchange risk:

The Company is subject to normal risks including fluctuations in interest rates and foreign exchange 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, 2023, the Company is exposed to limited interest rate risk as it earns relatively low interest on its cash balance due to modest interest rates on United States dollars and Canadian dollars ("C\$").

The Company has assets and liabilities which are denominated foreign currencies. The Company's exposure to exchange rate fluctuations arises mainly on foreign currency fluctuations against the United States dollar functional currency.

The Company is exposed to foreign currency risk on fluctuations related to cash, prepayments and deposits, investments, and accounts payable and accrued liabilities and lease liabilities that are denominated in C\$ and Hong Kong ("HK\$") and Australian ("A\$") dollars and British Pounds ("GBP").

The United States dollar equivalent of assets (liabilities) denominated in the foreign currencies are as follows:

August 31, 2023	C\$	GBP	HK\$	A\$	Total
Cash	\$ 1,084,575	\$ -	\$ 30,645	\$ -	\$ 1,115,220
Prepayments and deposits	-	-	61,147	-	61,147
Receivables	-	-	-	-	-
Investments	78,102,351	-	-	287,369	78,389,720
Accounts payable and accrued liabilities	(116,212)	(31,143)	(1,580)	-	(148,935)
Lease liabilities	-	-	(316,091)	-	(316,091)
Net assets (liabilities)	\$ 79,070,714	\$ (31,143)	\$ (225,879)	\$287,369	\$ 79,101,061

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12. Financial instruments and risk management (continued):

(c) Interest and foreign exchange risk (continued):

August 31, 2022	C\$	GBP	HK\$	A\$	Total
Cash	\$ 23,356,422	\$ -	\$ 20,390	\$ -	\$ 23,376,812
Prepayments and deposits	-	-	61,003	-	61,003
Investments	73,358,559	1,146,876	-	-	74,505,435
Accounts payable and accrued liabilities	(169,544)	-	(5,076)	(27,915)	(202,535)
Lease liabilities	-	-	(496,754)	-	(496,754)
Net assets (liabilities)	\$ 96,545,437	\$ 1,146,876	\$ (420,437)	\$ (27,915)	\$ 97,243,961

Based on the above net exposure as at August 31, 2023 and assuming all other variables remain constant, a 2% depreciation or appreciation of the C\$, HK\$, A\$ and GBP against the United States dollar would result in an increase or decrease of approximately \$1.6 million (August 31, 2022 - \$1.9 million) in the Company's net income (loss) and comprehensive income (loss).

(d) Market price risk:

Market price risk is the risk that the estimated 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 estimated fair value of public entities are subject to price risk. A 5% increase and a 5% decrease in the value of the individual equity market prices in public entities, or individual equity prices in public entities which are used as equivalent equity instruments for the valuation of non-traded investments, would result in an increase of approximately \$4.5 million and a decrease of approximately \$4.8 million, respectively, in the value of investments and unrealized gain for the year ended August 31, 2023 (August 31, 2022 - increase and decrease of approximately \$8.7 million).

13. 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.

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13. Capital management (continued):

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.

14. 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 years ended August 31, 2023 and August 31, 2022, 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 the current Hong Kong tax laws, the Company is exempt from Hong Kong income tax on its foreign-derived income and capital gains, which comprises most of the Company's income.

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

	2023	2022
Net income (loss) before income taxes	\$ 4,468,685	\$ (3,474,329)
Corporate tax rate	16.5%	16.5%
Expected income tax expense (recovery) at statutory rates	\$ 737,333	\$ (573,264)
Non-taxable (income) and non-deductible expenses	(737,333)	573,264
Withholding taxes	125,622	8,119
Total income tax expense	\$ 125,622	\$ 8,119

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15. Supplemental disclosure with respect to cash flows:

Significant non-cash transactions in the year ended August 31, 2023 and August 31, 2022 were:

	2023	2022
Investments received for settlement of establishment fees (note 5)	\$ 450,000	\$ 720,000
Investments received for settlement of interest receivable (note 5)	1,488,100	862,852
Transfer from share-based reserve to share capital for options exercised (note 10)	-	2,804,616
Transfer from retained earnings to share capital for shares issued under the DRIP (note 10)	5,078,194	2,502,707
Transfer from retained earnings to share-based reserves for share-based compensation costs (note 10)	2,578,152	7,532,046

16. 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.

17. Subsequent events:

On August 31, 2023, Osisko announced the redemption of the Class A Restricted Voting Shares. On September 13, 2023, the Company received \$14,806,000, representing the par value of the shares of C\$10.00. On September 14, 2023 the Company received \$350,572, representing the final dividend of C\$0.32 per share, net of withholding tax.

On August 30, 2023, the Company entered into an agreement with NexGen to purchase an additional \$70,000,000 convertible debentures (the "2023 Debentures"). The 2023 Debentures have a 5-year term, carry a 9% coupon, a 3% establishment fee, to be settled in common shares, and will be convertible into common shares of NexGen at a price of \$6.76. The investment closed on September 22, 2023, whereby cash consideration was transferred to NexGen in exchange for the convertible debentures.

As part of the agreement with NexGen to purchase the 2023 Debentures, the Company entered into an agreement to sell 8,700,000 common shares of NexGen to WHSP for \$5.20 per share. On September 22, 2023, the Company completed the transaction whereby cash consideration of \$45,240,000 was received by the Company in exchange for the transfer of the common shares. This cash consideration was used to partially fund the investment in the 2023 Debentures.

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17. Subsequent events (continued):

As part of the agreement with NexGen to purchase the 2023 Debentures, the Company agreed to convert its existing \$15,000,000 convertible debentures issued by NexGen on May 27, 2020 (the "2020 Debentures"). On September 28, 2023, the Company converted the 2020 Debentures into 8,663,461 common shares of NexGen at a price of C\$2.34. Interest payable to the date of conversion was settled in cash and by the issue of 19,522 common shares of NexGen in accordance with the terms of the 2020 Debentures.

On October 11, 2023, the Board of Directors declared a dividend payable of C\$0.019 per share to all shareholders of record as of November 6, 2023. The dividend of C\$8,552,524 was paid on November 16, 2023, with C\$4,228,100 paid in cash and C\$4,324,424 settled by the issue of 6,652,960 shares to shareholders who elected to reinvest their dividend in shares of the Company through the Company's dividend reinvestment plan (the "DRIP").