

Condensed Interim Consolidated Financial Statements  
*(Unaudited – Prepared by Management)*  
*(Expressed in Canadian dollars)*



Queen's Road Capital Investment Ltd.  
(formerly Lithion Energy Corp)  
(An Investment Company)

February 29, 2020

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

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

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

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

**QUEEN'S ROAD CAPITAL INVESTMENT LTD.**

(Formerly Lithion Energy Corp.)

Condensed Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	<b>February 29, 2020</b>	<b>August 31, 2019</b>
<b>Assets</b>		
Current assets		
Cash	\$ 85,542,964	\$ 1,986,553
Prepaid and advances	78,430	-
Receivable (note 5)	17,184	3,923
<b>Total assets</b>	<b>\$ 85,638,578</b>	<b>\$ 1,990,476</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Trade payables and accrued liabilities (note 7 and 11)	\$ 90,429	\$ 15,428
Shareholders' Equity		
Share capital (note 8)	112,421,246	28,154,243
Reserve (note 9)	8,888,128	2,055,318
Deficit	(35,761,225)	(28,234,513)
	85,548,149	1,975,048
<b>Total liabilities and shareholders' equity</b>	<b>\$ 85,638,578</b>	<b>\$ 1,990,476</b>

**Nature of operations and going concern** (note 1)**Commitments** (note 14)

See accompanying notes to condensed interim consolidated financial statements

Approved on behalf of the Board of Directors:

"John Anderson" Director"Alex Granger" Director

**QUEEN'S ROAD CAPITAL INVESTMENT LTD.**

(Formerly Lithion Energy Corp.)

Condensed Interim Consolidated Statements of Net and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	<b>Three months ended February 29, 2020</b>	<b>Three months ended February 28, 2019</b>	<b>Six months ended February 29, 2020</b>	<b>Six months ended February 28, 2019</b>
<b>Expenses</b>				
Consulting and other fees (note 14)	\$ 39,695	\$ -	\$ 79,445	\$ -
Director fees (note 11)	-	6,000	-	12,000
Foreign exchange loss (gain)	(47,391)	7,957	(46,358)	(10,475)
Investor relations	13,500	-	27,000	-
Management fees (note 11)	7,500	15,000	15,000	30,000
Office and administration	67,204	9,719	101,815	23,789
Professional fees	125,454	8,175	148,404	8,175
Rent	122,191	285	221,227	570
Share-based payments (notes 9 and 11)	6,936,512	-	6,936,512	-
Transfer agent and regulatory fees	64,270	9,967	73,731	15,605
Travel	11,305	-	47,480	-
	(7,340,240)	(57,103)	(7,604,381)	(79,664)
<b>Other item</b>				
Recovery of expenses (note 14)	49,918	-	77,544	-
<b>Net and comprehensive loss for the period</b>	<b>(7,290,322)</b>	<b>(57,103)</b>	<b>\$ (7,526,838)</b>	<b>\$ (79,664)</b>
<b>Loss per common share –basic and diluted (note 10)</b>	<b>\$ (0.14)</b>	<b>\$ (0.00)</b>	<b>\$ (0.15)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares – basic and diluted (note 10)</b>	<b>53,988,720</b>	<b>28,175,233</b>	<b>48,711,817</b>	<b>28,175,233</b>

See accompanying notes to condensed interim consolidated financial statements.

**QUEEN'S ROAD CAPITAL INVESTMENT LTD.**

(Formerly Lithion Energy Corp.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Number of shares	Share capital	Reserve	Deficit	Shareholders' Equity
<b>Balance, August 31, 2018</b>	28,175,233	\$ 27,034,993	\$ 2,055,318	\$ (26,982,982)	\$ 2,107,329
Loss for the period	-	-	-	(79,664)	(79,664)
<b>Balance, February 28, 2019</b>	28,175,233	27,034,993	2,055,318	(27,062,646)	2,027,665
Share issuance (note 8)	7,000,000	350,000	-	-	350,000
Exercise of warrants (note 8)	5,128,332	769,250	-	-	769,250
Loss for the period	-	-	-	(1,171,867)	(1,171,867)
<b>Balance, August 31, 2019</b>	40,303,565	28,154,243	2,055,318	(28,234,513)	1,975,048
Share issuances (note 8)	235,949,086	84,046,301	-	-	84,046,301
Exercise of stock options (note 8)	900,000	220,702	(103,702)	-	117,000
Share-based payments (note 9)	-	-	6,936,512	-	6,936,512
Loss for the period	-	-	-	(7,526,712)	(7,526,712)
<b>Balance, February 29, 2020</b>	277,152,651	\$112,421,246	\$ 8,888,128	\$ (35,761,225)	\$ 85,548,149

See accompanying notes to condensed interim consolidated financial statements.

**QUEEN'S ROAD CAPITAL INVESTMENT LTD.**

(Formerly Lithion Energy Corp.)

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	<b>Six months ended February 29, 2020</b>	<b>Six months ended February 28, 2019</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the period	\$ (7,526,713)	\$ (79,664)
Items not involving cash:		
Share-based compensation	6,936,512	-
Changes in non-cash working capital:		
Receivable	(13,260)	(3,955)
Prepaid and advances	(78,430)	-
Trade payables and accrued liabilities	75,001	(16,284)
	<u>(606,890)</u>	<u>(99,903)</u>
<b>Investing activities</b>		
Exploration and evaluation assets	-	(8,170)
Receivables – non-current	-	19,590
	<u>-</u>	<u>11,420</u>
<b>Financing activities</b>		
Private placements	84,046,301	-
Stock options exercised	117,000	-
	<u>84,163,301</u>	<u>-</u>
Effect of foreign exchange	-	(85)
Change in cash during the period	83,556,411	(88,568)
Cash, beginning of the period	1,986,553	1,130,520
<b>Cash, end of the period</b>	<b>\$ 85,542,964</b>	<b>\$ 1,041,952</b>

During the six months ended February 29, 2020, the significant non-cash transactions was reallocation of \$103,702 from reserve to share capital (note 9).

During the six months ended February 28, 2019, there were no significant non-cash financing and investing transactions.

See accompanying notes to condensed interim consolidated financial statements.

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

(Formerly Lithion Energy Corp.)

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Six months ended February 29, 2020

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## 1. Nature of operations and going concern

Queen's Road Capital Investment Ltd. (the "Company") (formerly Lithion Energy Corp.), was incorporated under the laws of the Province of British Columbia on January 25, 2011 and on January 29, 2020 redomiciled from British Columbia, Canada, to the Cayman Islands as part of its plan to refocus its business operations from a "mining issuer" to an "investment issuer". On January 28, 2020, the Company changed its name 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 ("TSX-V").

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company expects that its capital resources will be sufficient to discharge its liabilities as of the current statement of financial position date.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors of the Company on April 29, 2020.

## 2. Significant accounting policies

### *Basis of presentation*

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Financial Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

The consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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 subsidiaries is the Canadian dollar, which is also the reporting currency of the Company. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21.

The condensed interim consolidated financial statements have been prepared using the same accounting policies and methods as those used in the audited financial statements for the year ended August 31, 2019, except for the impact of the adoption of the accounting standard described below. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2019.

## QUEEN'S ROAD CAPITAL INVESTMENT LTD.

(Formerly Lithion Energy Corp.)

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Six months ended February 29, 2020

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### 2. Significant accounting policies (cont'd)

#### *Basis of consolidation*

These consolidated financial statements of the Company include the assets, liabilities and results of operations of the following subsidiaries:

Name of subsidiary	Place of incorporation	Percentage ownership	
		February 29, 2020	August 31, 2019
Lithion USA (Nevada) Corp.	USA	100%	100%
Lithion USA (Arizona) Corp.	USA	100%	100%

All intercompany transactions and balances are eliminated on consolidation.

#### *Significant judgments*

The preparation of 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 financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification/allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the determination of the functional currency of the parent company and its subsidiaries.

#### *Significant accounting estimates and assumptions*

The preparation of these financial statements in accordance with IFRS requires management to make estimates and assumptions concerning the future. 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 under 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 recoverability of the carrying value of exploration and evaluation assets, fair value measurement for financial instruments and share-based compensation, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

#### *Principles of consolidation*

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are all entities controlled by the Company. Control exists when the Company has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.



## **QUEEN'S ROAD CAPITAL INVESTMENT LTD.**

(Formerly Lithion Energy Corp.)

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Six months ended February 29, 2020

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### **3. New standards, amendments and interpretations not yet adopted or effective**

Certain new standards, interpretations, amendments and improvements to existing standards have been issued by the IASB and become applicable at a future date. The standard that impacts the Company is as follows:

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation and disclosure of leases, including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases, as is required by IAS 17 Leases, and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has evaluated that application of this standard will not have a material impact on the results and financial position of the Company.

Certain other accounting pronouncements were issued but the Company anticipates that the application of these standards, amendments and interpretations in future periods will have no material impact on the results and financial position of the Company except for additional disclosures. The Company is assessing the impact of the new or revised IFRS standards on its financial position and financial performance.

### **4. 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. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended February 29, 2020. The Company is not subject to externally imposed capital requirements.

### **5. Receivable**

Current receivable consists of Government of Canada taxes receivable at February 29, 2020 of \$17,184 (August 31, 2019 - \$3,923).

## QUEEN'S ROAD CAPITAL INVESTMENT LTD.

(Formerly Lithion Energy Corp.)

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Six months ended February 29, 2020

### 6. Exploration and evaluation assets

	Lithium Projects	
	USA	
Balance at August 31, 2018	\$	758,797
Exploration costs		
Licenses & renewals		54,958
Write-down of exploration and evaluation asset		(813,755)
Balance at August 31, 2019 and February 29, 2020	\$	-

#### **Black Canyon (Arizona) and Railroad Valley (Nevada) Projects, USA**

On May 2, 2017, the Company completed the acquisition of certain claims comprising the Black Canyon Lithium Property, located in Arizona, USA and the Railroad Valley Lithium Property located in Nevada, USA. Pursuant to the property purchase agreement, the Company paid \$100,000 and issued 4,133,723 common shares, with a fair value of \$516,715, in exchange for a 100% equity interest in both the Black Canyon and Railroad Valley properties. Each property is subject to a 2% net smelter royalty.

#### **Black Canyon**

During the year ended August 31, 2018, the Company decided not to renew the exploration permits for the Black Canyon Lithium Property in Arizona. Management determined that the claims comprising the Black Canyon Lithium Property were of nominal value. During the year ended August 31, 2019, the Company was refunded \$8,022 (US \$6,000) for a reclamation bond previously posted on the Black Canyon Lithium Property.

#### **Railroad Valley**

During the period ended February 29, 2020, the Company is in the process of completing a change in business (Note 1). Accordingly, management has determined that it will no longer be further pursuing exploration work on the Railroad Valley Lithium Property and, as such \$813,755 was written-down on August 31, 2019.

### 7. Trade payables and accrued liabilities

Trade payables and accrued liabilities consist of the following:

	February 29, 2020		August 31, 2019	
Trade payables (note 11)	\$	12,771	\$	714
Accrued liabilities		77,658		14,714
	\$	90,429	\$	15,428

## QUEEN'S ROAD CAPITAL INVESTMENT LTD.

(Formerly Lithion Energy Corp.)

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Six months ended February 29, 2020

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### 8. Share capital

a) Authorized share capital:

Unlimited number of voting common shares without par value.

Issued share capital:

As at February 29, 2020, 277,152,651 (August 31, 2019, 40,303,565) common shares were issued and outstanding.

Share capital transactions for the six months ended February 29, 2020 were as follows:

On February 3, 2020, the Company completed private placement of 103,333,333 common shares at a price of \$0.30 per common share for gross proceeds of \$31,000,000.

On February 12, 2020, the Company issued 900,000 common shares for gross proceeds of \$117,000 for the exercise of options.

On February 18, 2020, the Company completed private placement of 132,615,753 common shares at a price of \$0.40 per common share for gross proceeds of \$53,046,301.

Share capital transactions during the year ended August 31, 2019 were as follows:

On May 2, 2019, the Company completed private placement of 7,000,000 common shares at a price of \$0.05 per common share for gross proceeds of \$350,000.

On May 2, 2019, the Company issued 5,128,332 common shares for gross proceeds of \$769,250 for the exercise of warrants.

b) Warrants:

Warrant transactions and the number of warrants outstanding are summarized as follows:

	<u>February 29, 2020</u>		<u>August 31, 2019</u>	
	Number of Warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of the year	-	\$ -	7,500,000	\$ 0.15
Expired	-	-	(2,371,668)	0.15
Exercised	-	-	(5,128,332)	0.15
Warrants, end of the period	-	\$ -	-	\$ -

## QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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Notes to Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

Six months ended February 29, 2020

### 9. Share-based payments

#### a) 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 TSX-V. 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 TSX-V. Stock option transactions and the number of stock options outstanding are summarized as follows:

The changes in options are as follows:

	February 29, 2020		August 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of the year	1,000,000	\$ 0.13	2,025,000	\$ 0.15
Expired and forfeited	-	-	(1,025,000)	0.18
Exercised	(900,000)	0.13	-	-
Issued	25,500,000	0.44	-	-
Options outstanding, end of the period	25,600,000	\$ 0.44	1,000,000	\$ 0.13
Options exercisable, end of the period	12,850,000	\$ 0.44	1,000,000	\$ 0.13

During the period ended February 29, 2020, the Company granted 25,500,000 (2019 – nil) stock options with an initial fair market value of \$13,312,855 (2019 - \$nil). The fair value of all compensatory options granted is estimated on the grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used in calculating the fair values are as follows:

	Six Months Ended February 29, 2020	Year Ended August 31, 2019
Risk-free interest rate	1.31%	-
Expected life of option	3 years	-
Expected dividend yield	0.00%	-
Expected stock price volatility	188.49%	-
Fair value per option	\$ 0.52	-

## QUEEN'S ROAD CAPITAL INVESTMENT LTD.

(Formerly Lithion Energy Corp.)

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Six months ended February 29, 2020

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### 9. Share-based payments (cont'd)

#### a) Stock options (cont'd)

The stock options outstanding and exercisable at February 29, 2020 are as follows:

Number of options – outstanding	Number of options – exercisable	Exercise Price	Expiry date
100,000	100,000	\$ 0.13	May 10, 2020 <sup>1</sup>
11,000,000	5,500,000	\$ 0.30	February 3, 2025
14,500,000	7,250,000	\$ 0.55	February 18, 2025
25,600,000	12,850,000		

<sup>1</sup> During the year ended August 31, 2019, the term of the 100,000 was amended such that the stock options will be exercisable until the earlier of May 10, 2020 or the date that is one year after the optionee resigns from, or is terminated from, its position within the Company. The modification did not result in any additional share-based payment expense.

#### b) Share-based payments

The total share-based payments recognized on the options vested during period ended February 29, 2020, under the fair value method, was \$6,936,512 (2019 - \$nil).

#### c) Reserve

The reserve account records items recognized as share-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be reallocated to share capital. During the period ended February 29, 2020, 900,000 stock options were exercised and accordingly \$103,702 (2019 - \$nil) was reallocated to share capital.

### 10. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period ended February 29, 2020 the weighted average number of common shares outstanding 48,711,817 (2019- 28,175,233).

Diluted loss per share for the period ended February 29, 2020 did not include the effect of 25,600,000 stock options, as the effect would be anti-dilutive or the stock options and warrants had exercise prices that were higher than the weighted average share price for the year.

## QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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Notes to Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Six months ended February 29, 2020

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### 11. Related party transactions

The compensation of key management personnel and related parties were as follows:

	<b>Six months ended February 29, 2020</b>	<b>Six months ended February 28, 2019</b>
Fees and short-term benefits – management	\$ 15,000	\$ 30,000
Fees and short-term benefits - directors	-	12,000
Share-based payments	4,586,990	-
	<b>\$ 4,601,990</b>	<b>\$ 42,000</b>

Related party balances included in trade payables and accrued liabilities at February 29, 2020 was \$3,944 (August 31, 2019 - \$2,713).

### 12. Financial instruments and risk management

#### Financial instrument disclosures

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.

The Company provides information about its financial instruments measured at fair value at one of three levels according to 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 instruments consist of cash and trade payables. The carrying values of these financial instruments approximate their respective fair values due to the short-term nature of these instruments.

As at February 29, 2020, the fair value of cash held by the Company was based on level 1 inputs of the fair value hierarchy.

## QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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Notes to Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Six months ended February 29, 2020

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### 12. Financial instruments and risk management (cont'd)

#### 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

#### *Credit risk*

Credit risk is the risk of potential loss to the Company if 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 receivables. The Company has limited the exposure to credit risk by only depositing its cash with high credit quality financial institutions, which are available on demand.

#### *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 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 February 29, 2020, the Company had no significant contractual obligations other than those included in trade payables and accrued liabilities (note 7) and those disclosed in note 14.

#### *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 February 29, 2020, the Company was not exposed to significant interest rate risk.

The Company has assets which are denominated in United States dollars ("USD"). The Company's exposure to exchange rate fluctuations arises mainly on foreign currencies against the Canadian dollar functional currency of the relevant business entities.

The Canadian dollar equivalent of the amounts denominated in foreign currencies are as follows:

<b>USD</b>	<b>February 29, 2020</b>		<b>August 31, 2019</b>	
Cash	\$	3,876,862	\$	641,426
Trade payables and accrued liabilities	\$	4,974	\$	-

## QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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Notes to Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

Six months ended February 29, 2020

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### 12. Financial instruments and risk management (cont'd)

#### *Sensitivity analysis:*

The Company is exposed to foreign currency risk on fluctuations related to cash, that are denominated in USD. As at February 29, 2020, net assets totaling \$3,871,888 (August 31, 2019 - \$641,426) were held in USD. Based on the above net exposure as at February 29, 2020 and assuming all other variables remain constant, a 2% depreciation or appreciation of the USD against the Canadian dollar would result in an increase or decrease of approximately \$77,438 (2019 - \$15,056) in the Company's net and comprehensive loss.

### 13. Segmented information

The Company previously operated in one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets located in the United States. During the period ended February 29, 2020, the Company is pursuing a plan to refocus its business operations from a "mining issuer" to an "investment issuer." As such, a defined reportable operating segment has not been identified.

### 14. Commitments

- a) On September 8, 2016, the Company entered into a Management Services Agreement with an arm's length party, whereby the Company paid a \$250,000 deposit. The funds will be used to pay the monthly invoices rendered to the Company until such time that the deposit has been exhausted. Should the agreement be terminated within four months notice, the Company will be obligated to pay a lump sum equal to average monthly fee for four months, calculated over the longer of either twelve months prior to the notice of termination or the period of time that the Management Services Agreement has been in effect. At August 31, 2019, due to the proposed change in business operations (note 1), management has determined that the Company may no longer require such management services and wrote-off \$127,612.

During the period ended February 29, 2020, the Company was invoiced \$77,498 (2019 - \$19,590) for services rendered which has been recorded as a recovery of expenses (2019 - reduced from \$250,000 deposit).