



## **Queen's Road Capital Investment Ltd.**

(formerly Lithion Energy Corp.)

Condensed Consolidated Interim Financial Statements  
**For the three and nine months ended May 31, 2020**

(Prepared by Management)  
(Unaudited, expressed in Canadian dollars)

## **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 interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Queen's Road Capital Investment Ltd. (formerly Lithion Energy Corp.) (the "Company") have been prepared by, and are the responsibility of, the Company's management. The accompanying unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

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

# Queen's Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited, expressed in Canadian dollars)

	As at May 31, 2020	As at August 31, 2019
	\$	\$
<b>Assets</b>		
<b>Current Assets</b>		
Cash	43,192,306	1,986,553
Investments at fair value (note 3)	54,535,110	-
Receivables	47,723	3,923
Prepaid expenses & deposits	52,869	-
<b>Total Assets</b>	<b>97,828,008</b>	<b>1,990,476</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable & accrued liabilities	328,636	15,428
	328,636	15,428
<b>Shareholders' Equity</b>		
Share capital (note 5)	112,445,769	28,154,243
Share-based reserve (note 5)	11,122,749	2,055,318
Equity portion of convertible debentures (note 3)	10,166,831	-
Deficit	(36,235,977)	(28,234,513)
	97,499,372	1,975,048
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>97,828,008</b>	<b>1,990,476</b>

Approved on behalf of the Board of Directors:

"John Anderson"  
Director

"Alex Granger"  
Director

*The accompanying notes are an integral part of these Condensed Consolidated interim financial statements.*

# Queen's Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited, expressed in Canadian dollars)

	Three months Ended May 31,2020	Three months Ended May 31,2019	Nine months ended May 31,2020	Nine months ended May 31,2019
	\$	\$	\$	\$
<b>Income from Investments</b>				
Interest income	131,453	-	131,453	-
Unrealized gain from investments (note 3)	2,399,817	-	2,399,817	-
	2,531,270	-	2,531,270	-
<b>Operating Expenses</b>				
Accretion	(5,485)	-	(5,485)	-
Amortization	(303)	-	(303)	-
Consulting	(52,682)	(4,500)	(159,127)	(4,500)
Directors' fees (note 4)	-	(5,503)	-	(17,502)
Foreign exchange loss (gain)	(444,819)	20,590	(398,461)	31,065
Management fees (note 4)	(7,500)	(12,500)	(22,500)	(42,500)
Office & administration	28,984	(24,049)	(72,832)	(48,408)
Office rent	(135,095)	-	(356,322)	-
Professional fees	131,986	(17,150)	(16,418)	(25,325)
Regulatory fees	66,820	(13,584)	(6,909)	(29,189)
Restructuring costs (note 6)	(360,510)	-	(360,510)	-
Share-based compensation (note 4 & 5)	(2,246,144)	-	(9,182,656)	-
Travel	-	-	(47,480)	-
Total operating expenses	(3,024,747)	(56,696)	(10,629,003)	(136,359)
Net Operating Loss	(493,477)	(56,696)	(8,097,734)	(139,359)
Expense recovery	18,726	-	96,270	-
Net Loss and Comprehensive Loss	(474,751)	(56,696)	(8,001,464)	(136,359)
Loss per common share –basic and diluted (note 9)	\$ (0.00)	\$ (0.00)	\$ (0.13)	\$ (0.00)
Weighted average number of common shares – basic and diluted (note 9)	169,941,736	31,998,294	63,637,843	29,463,591

*The accompanying notes are an integral part of these Condensed Consolidated interim financial statements.*

## Queen's Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited, expressed in Canadian dollars)

	Number of shares	Share capital	Equity Portion of Convertible Debenture	Share based 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
Share issuance (note 5)	7,000,000	350,000	-	-	-	350,000
Exercise of warrants (note 5)	5,128,332	769,250	-	-	-	769,250
Loss for the period	-	-	-	-	(136,359)	(136,359)
<b>Balance, May 31, 2019</b>	40,303,565	28,154,243	-	2,055,318	(27,119,341)	3,090,220
Loss for the period	-	-	-	-	(1,115,172)	(1,115,172)
<b>Balance, August 31, 2019</b>	40,303,565	28,154,243	-	2,055,318	(28,234,513)	1,975,048
Share issuances (note 5)	235,949,086	84,046,301	-	-	-	84,046,301
Exercise of stock options (note 5)	1,000,000	245,225	-	(115,225)	-	130,000
Share-based compensation (note 5)	-	-	-	9,182,656	-	9,182,656
Debentures issued (note 3)	-	-	10,166,831	-	-	10,166,831
Loss for the period	-	-	-	-	(8,001,464)	(8,001,464)
<b>Balance, May 31, 2020</b>	277,252,651	112,445,769	10,166,831	11,122,749	(36,236,977)	97,499,372

The accompanying notes are an integral part of these Condensed Consolidated interim financial statements.

# Queen's Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)

Condensed Consolidated Interim Statements of Cash Flow

(Unaudited, expressed in Canadian dollars)

	Nine Months ended May 31	
	2020	2019
	\$	\$
<i>Cash flow provided by (used in):</i>		
<b>Operating Activities</b>		
Net loss for the period	(8,001,464)	(136,359)
Items not affecting cash:		
Share-based compensation	9,182,656	-
Amortization	303	-
Accretion	5,485	-
Unrealized gain on investments	(2,399,817)	-
Changes in working capital items:		
Receivables	(43,799)	(6,682)
Prepaid expenses & deposits	(52,869)	-
Accounts payable & accrued liabilities	313,208	(16,047)
	(996,297)	(159,088)
<b>Investing Activities</b>		
Convertible debenture	(21,073,250)	-
Marketable securities	(20,901,000)	-
Other	-	52,823
	(41,974,250)	52,823
<b>Financing Activities</b>		
Shares issued by private placement	84,046,301	350,000
Shares issued by warrant exercise	-	769,250
Shares issued by stock option exercise	130,000	-
	84,176,301	1,119,250
<b>Effects of Exchange Rates on Cash</b>	-	(206)
Increase in cash during period	41,205,754	1,012,779
Cash – Beginning of Period	1,996,553	1,130,520
<b>Cash – End of Period</b>	<b>42,192,307</b>	<b>2,143,299</b>

During the nine months ended May 31, 2020, the significant non-cash financing and investing transactions were as follows

- a) Recognition of \$10,166,831 for the equity portion of the fair market value of the debentures acquired during the period.
- b) Reallocation of \$115,225 from share-base reserve to share capital for options exercised (note 5).

During the nine months ended May 31, 2019, there were no significant non-cash financing and investing transactions.

*The accompanying notes are an integral part of these Condensed Consolidated interim financial statements.*

# Queen's Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)

Notes to Condensed Consolidated Interim Financial Statements

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*(Unaudited, expressed in Canadian dollars)*

## 1. Nature of Operations

Queen's Road Capital Investment Ltd. ("QRC" or the "Company") is a resource focused investment company, making investments in privately held and publicly traded resource companies. The Company intends to acquire and hold securities for both long-term capital appreciation and short-term gains, with a focus on resource projects in advanced development or production located in safe jurisdictions.

The Company was incorporated under the laws of the Province of British Columbia, Canada on January 25, 2011. On January 29, 2020, the Company redomiciled from British Columbia, Canada to the Cayman Islands and changed its name to Queen's Road Capital Investment Ltd.

The Company's corporate offices 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 Consolidated interim financial statements were authorized for issue by the Board of Directors of the Company on July 27, 2020.

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

## 2. Significant accounting policies

### *Basis of presentation*

These Condensed Consolidated interim 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 Condensed Consolidated financial statements have been prepared on a historical cost convention, except for financial instruments carried at fair value through profit or loss ("FVTPL"). In addition, these Condensed 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 Consolidated interim 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. These Condensed Consolidated interim 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 Consolidated Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

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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	
		May 31, 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.

The Company has begun to close down its two subsidiaries in the United States of America. It is expected that these subsidiaries will have been closed down by August 31, 2020.

### *Principles of consolidation*

These Condensed Consolidated interim 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.

### *Significant accounting estimates and assumptions*

The preparation of the Condensed Consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Condensed Consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Uncertainty about these judgments, estimates and assumptions could result in a material adjustment to the carrying amount of the asset or liability affected in future periods.

Where the fair value of financial assets recorded in the financial statements cannot be derived from active markets, their fair value is determined using valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.



# Queen's Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

## 3. Investments at Fair Value

The Company has the following investments as at May 31, 2020:

	Number of Shares/Units	Fair Value \$
<b>Equities of Public Companies:</b>		
NexGen Energy Ltd. (NXE.TO) (a)	11,960,017	23,322,033
<b>Convertible Debentures:</b>		
NexGen Energy Ltd. (NXE.TO) (b)	15,000,000	31,213,077
<b>Total</b>		<b>54,535,110</b>

The continuity of the Company's investments during the nine months ended May 31, 2020 is as follows:

	August 31, 2019	Additions	Unrealized Gains (Losses)	May 31, 2020
	\$	\$	\$	\$
Investments in Equities of Public Companies	-	20,901,000	2,421,033	23,322,033
Investments in Convertible Debentures	-	31,234,293	(21,216)	31,213,077
<b>Total</b>	- -	<b>52,135,293</b>	<b>2,399,817</b>	<b>54,535,110</b>

### (a) Equity Investment in NexGen Energy Ltd.

On May 27, 2020, the Company completed the purchase of 11,611,667 shares of NexGen Energy Ltd. ("NexGen") at \$1.80 per share for proceeds of \$20,901,000 through a private placement with NexGen. The Company was also issued 348,350 shares of NexGen as compensation for the 3% establishment fee payable on the convertible debenture investment in NexGen.

The fair value of the Company's NexGen shares at May 31, 2020 is \$23,322,033 and is based on the closing share price of NexGen's shares on May 29, 2020 of \$1.95 on the Toronto Stock Exchange.

### (b) Convertible Debenture Investment in NexGen Energy Ltd.

On May 27, 2020, the Company completed the purchase of a debenture at a cost of \$20,901,000. The US\$15,000,000 unsecured convertible debenture in NexGen, bears interest at 7.5%. The debenture carries a 5-year term and is convertible into NexGen common shares at a price of \$2.34 per share. Interest is payable semi-annually (June/December), 5% payable in cash and 2.5% payable in NexGen shares. Fees in the amount of \$172,250 (US\$125,000) were paid in settlement of this transaction.

The Company has determined the debenture to be a hybrid financial instrument comprised of the host debt contract and multiple embedded derivatives. The fair value of the debenture is derived using a convertible debt pricing model based on a system of Black-Scholes Option Pricing equations where the debt and equity components are separately valued based on different default risks and assumptions. The fair value of the Company's debenture investment in NexGen at May 31, 2020, is \$31,213,077.

# Queen's Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

## 3. Investments at Fair Value (cont'd)

### (b) Convertible Debenture Investment in NexGen Energy Ltd (cont'd)

The inputs used to calculate the fair value of the debenture at May 31, 2020 are as follows:

	<b>May 31, 2020</b>
Volatility	62.04%
Expected life	4.99 years
Risk-free interest rate	0.39%
Expected dividend yield	0.00%
Interest rate	7.5%
Discount rate	5.0%
Underlying share price of company	\$1.95
Conversion exercise price	\$2.34

A director of the Company is also a director of NexGen.

## 4. Related Party Transactions

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

	<b>Nine Months Ended May 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Senior management remuneration	22,500	42,500
Directors' fees	-	17,502
Share-based compensation	6,675,146	-
<b>Total</b>	<b>6,697,646</b>	<b>60,002</b>

## 5. Share Capital

### (a) Common Shares

Authorized: unlimited number of common shares without par value

Issued: 277,252,651 common shares as at May 31, 2020 (40,303,565 at August 31, 2019)

Share capital transactions during the period ended May 31, 2019 were as follows:

- On February 3, 2020, the Company issued 103,333,333 common shares at \$0.30 per share for gross proceeds of \$31,000,000 through a non-brokered private placement. At May 31, 2020, 87,321,577 of these shares are held in escrow
- On February 12, 2020, the Company issued 900,000 common shares at \$0.13 per share for gross proceeds of \$117,000 through the exercise of stock options
- On February 18, 2020, the Company issued 132,615,753 common shares at \$0.40 per share for gross proceeds of \$53,046,301 through a non-brokered private placement
- On May 5, 2020, the Company issued 100,000 common shares at \$0.13 per share for gross proceeds of \$13,000 through the exercise of stock options

# Queen's Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

## 5. Share Capital (cont' d)

### (a) Common Shares (cont'd)

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 through the exercise of warrants.

### b) Warrants:

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

	May 31, 2020		August 31, 2019	
	Number of Warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning	-	\$ -	7,500,000	\$ 0.15
Expired	-	-	(2,371,668)	0.15
Exercised	-	-	(5,128,332)	0.15
Warrants, ending	-	\$ -	-	\$ -

### (c) Stock Options

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers, directors, employees, and consultants to acquire up to 10% of the outstanding issued common shares. Stock option transactions and the number of stock options outstanding are summarized as follows:

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

	Number of Options	Weighted Average Exercise Price
As at August 31, 2019	1,000,000	\$0.13
Exercised	(1,000,000)	\$0.13
Issued	25,500,000	\$0.44
As at May 31, 2020	25,500,000	\$0.44

During the nine months ended May 31, 2020, the Company granted 25,500,000 stock options with an initial fair market value of \$14,162,173. The fair value of all compensatory options granted is estimated on the grant date using the Black-Scholes Options Pricing Model.

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

	May 31, 2020	May 31, 2019
Volatility	188.49%	-
Expected life	5 years	-
Risk-free interest rate	1.31%	-
Expected dividend yield	0.00%	-

# Queen's Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

## 5. Share Capital (cont' d)

### (c) Stock Options (cont'd)

The Company charged \$9,182,656 share-based compensation for the nine months ended May 31, 2020. As at May 31, 2020, there was \$4,979,517 of unrecognized compensation cost relating to unvested stock options.

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

Exercise Price	Number of Options Outstanding	Number of Options Exercisable	Expiry Date
\$0.30	11,000,000	5,500,000	February 3, 2025
\$0.55	14,500,000	7,250,000	February 18, 2025
	25,500,000	12,750,000	

## 6. Restructuring Costs

In February 2020, the Company completed a series of transactions that created Queen's Road Capital Investment Ltd. Several one-time costs were associated with these transactions, a summary of which is presented in the following table:

	Nine Months Ended May 31, 2020
	\$
Consulting	3,431
Legal fees	206,763
Office and administration	59,590
Professional fees	13,950
Regulatory fees	76,776
	<b>360,510</b>

## 7. Financial Instruments & Fair Value

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 following table summarizes the carrying value of financial assets and liabilities of the Company as at May 31, 2020 and August 31, 2019:

	May 31, 2020	August 31, 2019
	\$	\$
<b>Fair value through profit and loss</b>		
Investments at fair value	54,535,110	-
<b>Amortized cost:</b>		
Cash	43,192,306	1,986,553
Receivables	47,723	3,923
Accounts payable & accrued liabilities	328,636	15,428

As at May 31, 2020 and August 31, 2019, financial instruments that are not measured at fair value on the balance sheet are represented by cash, receivables and accounts payable & accrued liabilities. The fair value of these financial instruments approximate the carrying value due to their short-term nature.

# Queen's Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

## 7. Financial Instruments & Fair Value (cont'd)

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 fair values through profit or loss are as follows:

May 31, 2020	Level 1	Level 2	Level 3
	\$	\$	\$
Investments at fair value	23,322,033	31,213,077	-

Fair value of investments classified as level 2 are reconciled as follows:

	August 31, 2019	Additions / Dispositions	May 31, 2020	Unrealized profit (loss)
	\$	\$	\$	\$
Convertible Debenture	-	31,234,293	31,213,077	(21,216)

### 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
- Market price 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 May 31, 2020, the Company had no significant contractual obligations other than those included in trade payables and accrued liabilities.

# Queen's Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in Canadian dollars)

## 7. Financial Instruments & Fair Value (cont'd)

### *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 May 31, 2020, the Company is exposed to limited interest rate risk as it earns very little interest on its cash balance due to current near zero interest rates in Canada and the United States.

The Company has assets which are denominated in 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:

USD	May 31, 2020	August 31, 2019
Cash	\$ 42,684,131	\$ 641,426
Trade payables and accrued liabilities	\$ 8,374	\$ -

The Company is exposed to foreign currency risk on fluctuations related to cash, that are denominated in USD. As at May 31, 2020, net assets totaling \$42,675,757 (August 31, 2019 - \$641,426) were held in USD. Based on the above net exposure as at May 31, 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 \$853,515 (2019 - \$15,019) in the Company's net and comprehensive loss.

### *Market price risk*

Market price risk is the risk that the fair value of an investment measured at FVTPL will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk). The Company's investments at fair value at public entities are subject to price risk. A 15% increase/decrease in the value of all public equity and private market investments would result in an approximate increase/decrease in the value of public market exposure and unrealized gain/loss in the amount of approximately \$8.2 million.

## 8. 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. The Company adopted its current approach to capital management on May 7, 2020.

# Queen's Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)

Notes to Condensed Consolidated Interim Financial Statements

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*(Unaudited, expressed in Canadian dollars)*

## 8. Capital management (cont'd)

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.

## 9. Basic and diluted income (loss) per share

The calculation of basic and diluted loss per share for the nine months ended May 31, 2020 the weighted average number of common shares outstanding 63,637,843 (2019 - 29,463,591).

Diluted income (loss) per share did not include the effect of 25,500,000 stock options as the effect would be anti-dilutive or the shares and warrants had exercise prices that were higher than the weighted average share price for the period.

## 10. Subsequent event

On July 23, 2020, the Company announced that it entered into an agreement with IsoEnergy Ltd. whereby the Company will invest US\$6,000,000 in IsoEnergy by way of convertible debenture. IsoEnergy Ltd. is 52%-owned by NexGen, an issuer in which the Company has investments.

The convertible debenture will have a 5-year term, carry an 8.5% coupon and will be convertible into IsoEnergy common shares at a share price of C\$0.88. The interest rate on the debenture will decrease to 7.5% when IsoEnergy releases a positive independent preliminary economic assessment on the Hurricane Zone at its flagship Larocque East property.