Queen’s Road Capital Investment Ltd.
(formerly Lithion Energy Corp.)

Financial Statements
August 31, 2020

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Queen's Road Capital Investment Ltd. (formerly Lithion Energy Corp.)

Opinion

We have audited the financial statements of Queen's Road Capital Investment Ltd. (formerly Lithion Energy Corp.) (the "Company"), which comprise the statements of financial position as at August 31, 2020 and 2019, and the statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2020 and 2019 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 report. We are independent of the Company 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do 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, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

(cont'd)

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 these 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 Company'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 Company'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 Company 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.

We 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.

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

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

December 28, 2020

MOORE

An independent firm
associated with Moore
Global Network Limited

Queen's Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)
Statements of Financial Position
(Expressed in Canadian dollars)

	As at August 31, 2020	As at August 31, 2019
	$	**$**
Assets		
Current Assets		
Cash	32,701,288	1,986,553
Receivables (note 4)	383,430	3,923
Prepaid expenses and deposits	33,062	-
	33,117,780	1,990,476
Non-current Assets		
Investments at fair value (note 5)	71,288,106	-
Total Assets	104,405,886	1,990,476
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 6)	619,800	15,428
Shareholders' Equity		
Share capital (note 8)	112,445,768	28,154,243
Share-based reserve (note 8)	12,907,571	2,055,318
Deficit	(21,567,253)	(28,234,513)
	103,786,086	1,975,048
Total Liabilities and Shareholders' Equity	104,405,886	1,990,476

Nature of operations (note 1)
Subsequent event (note 15)

Approved on behalf of the Board of Directors:

"Don Roberts"
Director

"Warren Gilman"
Director

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

Queen’s Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)
Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian dollars)

	Year ended August 31, 2020	Year ended August 31, 2019
	$	$
Income from investments		
Interest income (note 5)	530,706	-
Establishment fee income (note 5)	944,730	-
Gain from sale of investments (note 5)	31,097	-
Unrealized gain from investments (note 5)	20,850,801	-
Total income from investments	22,357,334	-
Operating expenses		
Consulting	213,165	70,618
Directors’ fees (note 7)	45,647	20,415
Foreign exchange loss (gain)	2,804,483	(17,540)
Management fees (note 7)	551,680	50,000
Office and administration	102,634	57,214
Office rent (note 7)	460,545	-
Professional fees	30,738	79,045
Regulatory and transfer agent fees	9,406	33,058
Share-based compensation (note 8)	10,967,477	-
Transaction costs (note 5)	172,250	-
Travel	74,079	17,354
Total operating expenses	15,432,104	310,164
Income (loss) before other items	6,925,230	(310,164)
Other items		
Recovery (write-off) of advance	102,541	(127,612)
Restructuring costs (note 9)	(360,511)	-
Write-down of exploration and evaluation assets (note 1)	-	(813,755)
Net income (loss) and comprehensive income (loss) for the year	6,667,260	(1,251,531)
Income (loss) per common share –basic and diluted (note 12)	$ 0.04	$ (0.04)
Weighted average number of common shares – basic (note 12)	171,782,252	32,129,401
Weighted average number of common shares – diluted (note 12)	172,327,950	32,129,401

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

Queen’s Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)
Statements of Changes in Shareholders’ Equity
(Expressed in Canadian dollars)

	Number of shares	Share capital	Share-based reserve	Deficit	Shareholders’ equity
		$	**$**	**$**	**$**
Balance, August 31, 2018	28,175,233	27,034,993	2,055,318	(26,982,982)	2,107,329
Share issuance (note 8)	7,000,000	350,000	-	-	350,000
Exercise of warrants (note 8)	5,128,332	769,250	-	-	769,250
Net loss for the year	-	-	-	(1,251,531)	(1,251,531)
Balance, August 31, 2019	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)	1,000,000	245,225	(115,225)	-	130,000
Share-based compensation (note 8)	-	-	10,967,478	-	10,967,478
Net income for the year	-	-	-	6,667,260	6,667,260
Balance, August 31, 2020	277,252,651	112,445,769	12,907,571	(21,567,253)	103,786,086

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

Queen's Road Capital Investment Ltd.

(formerly Lithion Energy Corp.)
Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended August 31, 2020	Year ended August 31, 2019
Cash flow provided by (used in):	**$**	**$**
Operating Activities		
Net income (loss) for the year	6,667,260	(1,251,531)
Items not affecting cash:		
Write-off of advance	-	127,612
Write-down of exploration and evaluation assets	-	813,755
Interest income	(19,575)	-
Establishment fee income	(944,730)	-
Share-based compensation	10,967,477	-
Unrealized gain on investments	(20,850,801)	-
Changes in working capital items:		
Receivables	(379,507)	8,037
Prepaid expenses and advances	(33,062)	88,556
Accounts payable and accrued liabilities	604,372	(754)
	(3,988,566)	(214,325)
Investing Activities		
Investments (net of dispositions)	(49,704,000)	-
Exploration and evaluation assets (net)	-	(48,687)
	(49,704,000)	(48,687)
Financing Activities		
Common shares issued by private placement	84,046,301	350,000
Common shares issued by warrant exercise	-	769,250
Common shares issued by stock option exercise	130,000	-
	84,176,301	1,119,250
Effect of Foreign Exchange	231,000	(205)
Increase in cash during year	30,714,735	856,033
Cash – beginning of year	1,986,553	1,130,520
Cash – end of year	32,701,288	1,986,553

Supplemental disclosure with respect to cash flows (note 14)

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

1. Nature of Operations

Queen's Road Capital Investment Ltd. ("QRC" or the "Company") (formerly Lithion Energy Corp.) 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 resource companies located in safe jurisdictions.

The Company was incorporated under the laws of the Province of British Columbia, Canada on January 25, 2011. The Company's previous principal business activity was the acquisition, exploration and development of exploration and evaluation assets. During the year ended August 31, 2019, the Company determined it would no longer be pursuing activity on its exploration and evaluation properties and, or these assets were of nominal value. Accordingly, the Company recorded a write-down of its exploration and evaluation assets of $813,755.

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").

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

These financial statements were authorized for issue by the Board of Directors of the Company on December 28, 2020.

2. Basis of Presentation and Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") effective as of August 31, 2020.

The 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 financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements of the Company for the year ended August 31, 2019 include the assets, liabilities and results of operations of the Company's wholly owned subsidiaries Lithion USA (Nevada) Corp. and Lithion USA (Arizona) Corp. On May 29, 2020, the Company filed articles of dissolution and dissolved the operations of its inactive subsidiaries. As such, the subsidiaries were deconsolidated from the date that control ceased and the financial statements subsequent to the date of dissolution comprise the operations only of the Company.

3. Significant Accounting Policies

a) Functional and presentation currency

The Company considers its functional and presentation currency to be the Canadian dollar, which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated and its liquidity is managed in Canadian dollars.

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 Canadian 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 statement of comprehensive income (loss) in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on these non-monetary items are also recognized in other comprehensive income.

c) Financial instruments

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

(a) Recognition and measurement of financial assets

A financial asset is measured initially at fair value less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified and measured at amortized cost or FVTPL.

(b) Classification of financial

(i) Financial assets measured at amortized cost

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

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

3. Significant Accounting Policies (cont'd)

c) Financial instruments (cont'd)

(b) Classification of financial assets (cont'd)

(ii) Financial assets measured at FVTPL

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in profit or loss.

(iii) Financial assets measured at FVTOCI

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

(c) Derecognition of financial assets

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

(d) Impairment of financial assets

The Company recognizes a loss allowance for expected 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 twelve month expected credit losses. The Company shall recognize as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Financial liabilities

(a) Recognition and measurement of financial liabilities
The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

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

3. Significant Accounting Policies (cont'd)

c) Financial instruments (cont'd)

(b) Classification of financial liabilities (cont'd)

(i) Financial liabilities measured at amortized cost

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

(ii) Financial liabilities measured at FVTPL

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

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

(c) 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 statements of loss and comprehensive loss.

d) 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 fair value measurement for financial instruments and share-based compensation and the recoverability and measurement of deferred tax assets.

3. Significant Accounting Policies (cont'd)

e) 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 relate to the accounting of the Company's investments.

Classification and measurement of investments

In classifying and measuring financial instruments held by the Company, there is a requirement to make significant judgments about the Company's business model for managing its financial instruments, and whether or not the business of the Company is to manage the financial assets with the objective of realizing cash flows through the sale of the assets for the purpose of classifying certain financial instruments at FVTPL.

Valuation of investments

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

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

Convertible debentures issued from 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. Judgment is required in order to determine the appropriate valuation methodology and subsequently in determining the inputs into the valuation model used, in determining fair value of convertible debentures. These judgments include liquidity and net assets. 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 manner consistently 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 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 financial statements incorporate appropriate levels of credit risk. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these 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.

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.

3. Significant Accounting Policies (cont'd)

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 statement of comprehensive loss with a corresponding entry within equity, against the reserve for equity settled share-based transactions.

h) Income (loss) per share

The basic income (loss) 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 earnings 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.

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

IFRS 16 – Leases was issued in January 2016 and is effective for periods beginning on or after January 1, 2019. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The adoption of the standard had no impact on the financial statements as the Company has no leases that meet the criteria for recognition.

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB. The Company anticipates that the application of these standards, amendments and interpretations in future periods 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.

(Expressed in Canadian dollars)

4. Receivables

Receivables consist of the following:

	August 31, 2020	August 31, 2019
	$	$
Interest receivable on convertible debentures (note 5)	356,565	-
Government of Canada taxes receivable	-	3,923
Other receivables	26,865	-
	383,430	3,923

5. Investments at Fair Value

The Company has the following investments in public entities as at August 31, 2020:

	Number of Shares	Fair Value
		$
Equities:		
NexGen Energy Ltd. (NXE.TO) (a)	11,970,533	30,883,975
IsoEnergy Ltd. (ISO.V) (b)	219,689	279,005
Convertible Debentures:		
NexGen Energy Ltd. (NXE.TO) (a)	-	26,712,539
IsoEnergy Ltd. (ISO.V) (b)	-	13,412,587
Total		71,288,106

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

	August 31, 2019	Additions	Proceeds from Dispositions	Realized Gains	Unrealized Gains (Losses)	August 31, 2020
	$	$	$	$	$	$
Equities	-	21,951,494	(117,287)	31,097	9,297,675	31,162,980
Convertible Debentures	-	28,572,000	-	-	11,553,126	40,125,126
Total	-	50,523,494	(117,287)	31,097	20,850,801	71,288,106

(a) Investment in NexGen Energy Ltd.

During the year ended August 31, 2020, the Company completed the purchase of 11,611,667 common shares of NexGen Energy Ltd. (NexGen), a company related by way of a common officer, at $1.80 per share for a purchase price of $20,901,000.

On May 27, 2020, the Company completed the purchase of a 5-year term convertible debenture (the "NexGen convertible debenture") at a cost of $20,901,000 (US$15,000,000) which was translated and recorded on such date at a value of $20,670,000, resulting in a loss on foreign exchange of $231,000. The NexGen convertible debenture is unsecured and ranks equally in right of payment with all present and future unsecured and unsubordinated indebtedness of NexGen. The NexGen convertible debenture bears interest at a rate of 7.5% per annum, payable semi-annually, of which only 5% is payable in cash and 2.5% is payable in common shares. The Company paid transaction costs in the amount of $172,250 (US $125,000).

(Expressed in Canadian dollars)

5. Investments at Fair Value (cont'd)

(a) Investment in NexGen Energy Ltd. (cont'd)

The Company is entitled, from time to time before the maturity date of May 27, 2025, to convert some or all of the principal amount of the NexGen convertible debenture into common shares at a price of $2.34 per share (the "conversion price"), which is equal to 130% of the issue price of the acquired common shares of NexGen. Further, on or after the third anniversary date of the issuance of the NexGen convertible debenture, NexGen will be entitled to, at any time that the 20-day volume-weighted average trading price of NexGen on the Toronto Stock Exchange exceeds 130% of the conversion price, redeem the debenture at par plus accrued and unpaid interest. At any time after the completion of a change of control transaction by NexGen, the Company may be required to convert some or all of the principal amount of the NexGen debenture into common shares at the conversion price, provided that: (i) the amount the Company will receive on completion of the change of control transaction per common share exceeds the conversion price; and either (ii) such amount is payable in cash; or (iii) such amount is payable in property or securities which the Company wishes to receive.

The Company was paid an establishment fee equal to 3% of the principal amount of the convertible debenture, which was paid through the issuance of common shares at a price of $1.80 per share, resulting in the issuance of 348,350 common shares of NexGen, which were recorded at fair value of $672,316.

The fair value of the NexGen convertible debenture at August 31, 2020 is $26,712,539. To August 31, 2020, the Company recorded $389,420 in interest income, of which the Company received $39,150 in cash, $19,575 through the issuance of 10,516 common shares of NexGen and $330,695 has been recorded in receivables.

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

	August 31, 2020
Expected price volatility	60%
Expected life	4.74 years
Risk free interest rate	0.386 %
Coupon interest rate	7.5%
Expected dividend yield	0 %
Credit spread	19.5%
Underlying share price of the investee	$2.58
Conversion price	$2.34
Exchange rate (US$:C$)	0.7668

(b) Investment in IsoEnergy Ltd.

During the year ended August 31, 2020, the Company completed the purchase of 98,500 common shares of IsoEnergy Ltd. (IsoEnergy), a company controlled by NexGen, for a purchase price of $86,190. The Company's disposition of this investment resulted in proceeds of $117,287.

On August 18, 2020, the Company completed the purchase of a 5-year term convertible debenture (the "IsoEnergy convertible debenture") at a cost of $7,902,000 (US$6,000,000). The IsoEnergy convertible debenture is unsecured and ranks equally in right of payment with all present and future unsecured and unsubordinated indebtedness of IsoEnergy. The IsoEnergy convertible debenture bears interest at a rate of 8.5% per annum, payable semi-annually, of which 6% is payable in cash and 2.5% is payable in common shares. On the date on which IsoEnergy files an economically positive preliminary economic assessment compliant with the requirements of National Instrument 43-101 of the Canadian Securities Commission, the interest rate of the convertible debenture will be reduced to 7.5% per annum, thereby reducing the cash and common shares obligation to 5% and 2.5%, respectively.

(Expressed in Canadian dollars)

5. Investments at Fair Value (cont'd)

(b) Investment in IsoEnergy Ltd. (cont'd)

The Company is entitled, from time to time before the maturity date of August 18, 2025 but not prior to August 18, 2023 except for in the case of a change of control transaction by IsoEnergy, to convert some or all of the principal amount of the IsoEnergy convertible debenture into common shares at a price of $0.88 per share (the "conversion price"), provided that the aggregate number of shares issuable upon conversion does not exceed 9,206,311 common shares. Unless permitted otherwise under securities legislation, the Company is prohibited from trading the underlying shares before December 19, 2020.

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

The Company was paid an establishment fee equal to 3% of the principal amount of the convertible debenture, which was paid through the issuance of common shares at a price of $1.24 per share, resulting in the issuance of 219,689 common shares of IsoEnergy which were recorded at fair value of $272,414.

The fair value of the Company's IsoEnergy convertible debenture at August 31, 2020 is $13,412,587. To August 31, 2020, the Company has recorded $26,099 in interest income, of which $25,870 has been recorded in receivables.

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

	August 31, 2020
Expected price volatility	100%
Expected life	4.96 years
Risk free interest rate	0.398%
Coupon interest rate	8.5%
Expected dividend yield	0 %
Credit spread	20.0%
Underlying share price of the investee	$1.27
Conversion price	$0.88
Exchange rate (US$:C$)	0.7668

(Expressed in Canadian dollars)

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	August 31, 2020	August 31, 2019
	$	$
Accounts payable	12,839	714
Accrued liabilities (note 7)	606,961	14,714
	619,800	15,428

7. Related Party Transactions

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

	Year Ended August 31	
	2020	2019
	$	$
Senior management remuneration	551,680	50,000
Directors' fees	45,647	20,415
Share-based compensation	10,846,686	-
Total	11,444,013	70,415

During the year ended August 31, 2020, the Company reimbursed office rent of $460,545 (2019 - $Nil) to a company controlled by a director of the Company.

As at August 31, 2020, accrued liabilities include an amount of $592,961 (2019 – $nil) due to officers of the Company and/or companies controlled by officers of the Company. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

At August 31, 2020, the Company holds investments and convertible debentures in NexGen, a company related by way of a common officer and IsoEnergy, a company controlled by NexGen.

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

8. Share Capital

(a) Common Shares

Authorized: unlimited number of common shares without par value

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

Share capital transactions during the year ended August 31, 2020 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 August 31, 2020, 48,511,884 of these shares are held in escrow. Squadron and Corom each subscribed for 35,052,013 common shares, respectively, of the private placement.

(Expressed in Canadian dollars)

8. Share Capital (cont'd)

(a) Common Shares (cont'd)

- 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. Accordingly, the Company reallocated $103,702 from the share-based reserve to share capital.
- 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. Squadron and Corom each subscribed to 36,210,990 common shares, respectively, of the 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. Accordingly, the Company reallocated $11,522 from the share-based reserve to share capital.

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

- On May 2, 2019, the Company completed a 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:

	Number of warrants	Weighted average exercise price
		$
As at August 31, 2018	7,500,000	0.15
Expired	(2,371,668)	0.15
Exercised	(5,128,332)	0.15
As at August 31, 2019 and 2020	-	-

(c) Stock Options

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers, directors, employees, and consultants to acquire up to 10% of the outstanding issued common shares. The stock option plan allows for the option price at the time each option is granted to be not less than the discounted market price as calculated and defined in accordance with the policies of the 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.

(Expressed in Canadian dollars)

8. Share Capital (cont' d)

(c) Stock Options (cont'd)

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

	Number of Options	Weighted Average Exercise Price
		$
As at August 31, 2018	2,025,000	0.15
Expired and forfeited	(1,025,000)	0.18
As at August 31, 2019	1,000,000	0.13
Exercised	(1,000,000)	0.13
Issued	25,500,000	0.44
As at August 31, 2020	25,500,000	0.44

On February 3, 2020, the Company granted 11,000,000 stock options, exercisable at $0.30 per share for a term of 5 years. The options vest as to 50% upon grant date and a further 50% after a period of 12 months. The Company determined the grant date fair value of $5,029,444 of which $3,961,549 has been recognized at August 31, 2020.

On February 18, 2020, the Company granted 14,500,000 stock options, exercisable at $0.55 per share for a term of 5 years. The options vest as to 50% upon grant date and a further 50% after a period of 12 months. The Company determined the grant date fair value of $9,132,729 of which $7,005,929 has been recognized at August 31, 2020.

For the year ended August 31, 2019, there were no issuances of stock options. During the year ended August 31, 2019, the term of the issued and outstanding 1,000,000 was amended such the stock options would 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.

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:

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

A summary of the Company's outstanding options as at August 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	

* - Subsequent to year end, 14,350,000 stock options were relinquished.

(Expressed in Canadian dollars)

9. Restructuring Costs

In February 2020, the Company completed a series of transactions related to the change of business. Several one-time costs were associated with these transactions, a summary of which is presented in the following table:

	Year Ended August 31, 2020
	$
Consulting	3,431
Legal fees	206,763
Office and administration	59,590
Professional fees	13,950
Regulatory fees	76,777
	360,511

10. Financial Instruments and 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 August 31, 2020 and August 31, 2019:

	August 31, 2020	**August 31, 2019**
	$	**$**
Fair value through profit and loss		
Investments at fair value	71,288,106	-
Amortized cost:		
Cash	32,701,288	1,986,553
Receivables	383,430	-
Accounts payable	12,839	714

As at August 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 and accrued liabilities. The fair value of these financial instruments approximates the carrying value due to their short-term nature.

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).

(Expressed in Canadian dollars)

10. Financial Instruments and Fair Value (cont’d)

The Company’s financial assets measured at fair values through profit or loss are as follows:

August 31, 2020	Level 1	Level 2	Level 3
	$	$	$
Investments at fair value	31,162,980	40,125,126	-

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

	August 31, 2019	Additions / Dispositions	Unrealized profit (loss)	August 31, 2020
	$	$	$	$
Convertible debentures	-	28,572,000	11,553,126	40,125,126

<u>Financial risks</u>

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 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 considered minimal, as delivery of securities sold is made once the broker has received payment and payment on a purchase 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 two concentrated loans at August 31, 2020 that are made up 66% NexGen and 34% IsoEnergy.

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 August 31, 2020, the Company had no significant contractual obligations other than those included in accounts payable and accrued liabilities.

10. Financial Instruments and 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 August 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 currency fluctuations 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	**August 31, 2020**	**August 31, 2019**
	$	**$**
Cash	31,593,114	641,426
Accounts payable and accrued liabilities	568,357	-

The Company is exposed to foreign currency risk on fluctuations related to cash, that are denominated in USD. As at August 31, 2020, net assets totalling $31,024,757 (August 31, 2019 - $641,426) were held in USD. Based on the above net exposure as at August 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 $620,495 (2019 - $12,814) in the Company's net and comprehensive income (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 of public entities are subject to price risk. A 15% increase/decrease in the value of all public equity investments would result in an approximate increase/decrease in the value of public market exposure and unrealized gain/loss in the amount of approximately $10.7 million.

11. 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 27, 2020.

(Expressed in Canadian dollars)

11. 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.

12. Basic and Diluted Income (Loss) per Share

The calculation income (loss) per share for the year ended August 31, 2020 is calculated using the weighted average number of common shares outstanding 171,782,252 (2019 – 32,129,401) for basic income per share and 172,327,950 for diluted income per share.

Diluted income (loss) per share did not include the effect of 20,000,000 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.

13. Income Taxes

The actual income tax provision differs from the expected amounts calculated by applying the Hong Kong Special Administrative Regio corporate tax rate and the Canadian federal and provincial corporate income tax rates to the Company’s income before income taxes.

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

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

	Year Ended August 31, 2020	Year Ended August 31, 2019
Income (loss) before income taxes	$ 6,667,260	$ (1,251,531)
Corporate tax rate	16.50%	27.00%
Expected income tax expense (recovery) at statutory rates	1,100,098	(337,913)
Impact of different foreign statutory tax rates on earnings	(42,914)	-
Non-taxable income and expenses	(1,175,351)	(329)
Effect of change in tax rates	476,749	(224,758)
Adjustments to deferred tax of prior periods	2,184,465	-
Deferred tax assets not recognized	(2,661,000)	563,000
Other	117,953	-
Total income tax expense	$ -	$ -

(Expressed in Canadian dollars)

13. Income Taxes (cont'd)

Deferred tax assets have not been recognized in respect of the following items:

	August 31, 2020	August 31, 2019
Deferred income tax assets (liabilities):		
Canadian non-capital loss carry forwards	$ 1,359,000	$ 1,713,000
Canadian capital loss carry forward	2,234,000	324,000
Exploration and evaluation assets	-	4,391,000
Other	178,000	4,000
Total deferred income tax assets	3,771,000	6,432,000
Valuation allowance	(3,771,000)	(6,432,000)
Net deferred income tax assets	$ -	$ -

As at August 31, 2020, the Company had deductible temporary differences for which deferred tax assets have not been recognized because it is not probable that the Company will have sufficient income and gains against which the Company can utilize the deductible temporary differences: (1) income from carrying on a business within Canada, and (2) income from the disposition of Taxable Canadian Property.

The Company has non-capital losses carried forward for Canadian tax purposes of approximately $5,434,000 which may be carried forward and if unutilized will expire from 2032 to 2040.

14. Supplemental Disclosure with Respect to Cash Flows

During the year ended August 31, 2020, the significant non-cash financing and investing transactions include:

a) a reallocation of $115,225 from share-based reserve to share capital for options exercised (note 8); and
b) a fair value of $944,730 allocated to the common shares received in settlement of establishment fees (note 5).

During the year ended August 31, 2019, there were no significant non-cash financing and investing transactions.

15. Subsequent Event

On October 27, 2020, the Company entered into an agreement with Adriatic Metals Plc.("Adriatic") to purchase US$20,000,000 of convertible debentures. The convertible debentures have a 4-year term, carry an 8.5% coupon, a 3% establishment fee and will be convertible into common shares of Adriatic at a price of Australian $2.80. The investment closed on December 1, 2020.