



Queen's Road Capital Investment Ltd.  
Management's Discussion & Analysis

For the year ended August 31, 2021

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### **Effective Date of this Report: November 22, 2021**

This Management's Discussion & Analysis ("MD&A") is intended to help the reader understand the significant factors that have affected the performance of Queen's Road Capital Investment Ltd. and its subsidiary (collectively "**QRC**", "**we**", "**us**", "**our**" or the "**Company**") and such factors that may affect its future performance. This MD&A should be read in conjunction with the Company's consolidated audited financial statements for the year ended August 31, 2021 and the related notes attached thereto, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standard Board ("**IASB**"). The Consolidated Financial Statements are available under QRC's profile on SEDAR at [www.sedar.com](http://www.sedar.com). All amounts in this MD&A are expressed in United States dollars.

### **Cautionary Statement on Forward-Looking Information**

Except for statements of historical fact, this MD&A contains certain "forward looking information" and "forward looking statements" within the meaning of applicable securities laws, which reflect Management's current expectations, assumptions, and beliefs of the Company as of the date of such information or statements. Generally, forward looking statements and information can be identified by the use of forward looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative connotation thereof.

All such forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. These statements are; however, subject to known and unknown risks and uncertainties and other factors. As a result, actual results, performance, or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits will be derived therefrom. These risks, uncertainties and other factors include, among others: but are not limited to, statements with respect to the Company's future growth, results of operations, performance and business prospects, opportunities, the Company's investment strategy, investment process, and competitive advantage, growth expectation and opportunities, the availability of future acquisition opportunities and use of the proceeds from financing.

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that statements containing forward looking information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on statements containing forward looking information. All the forward-looking information and statements contained in this document are expressly qualified, in their entirety, by this cautionary statement. The forward-looking information and statements are made as of the date of this document, and we assume no obligation to update or revise them except as required pursuant to applicable securities laws.



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## **Description of the Business**

The Company is a resource focused investment company, making investments in privately held and publicly traded resource companies. The Company acquires and holds securities for long-term capital appreciation, with a focus on convertible debt securities of issuers having resource projects in advanced development or production located in safe jurisdictions. QRC is a Hong Kong based company listed on the TSX Venture Exchange under the symbol "QRC".

## **Key Accomplishments During the Year Ended August 31, 2021**

### **\$20 Million Investment in Adriatic Metals PLC**

On December 1, 2020, the Company completed the purchase of a \$20 million convertible debenture issued by Adriatic Metals PLC ("**Adriatic**") having the following principal terms:

- 8.5% interest payable quarterly in cash;
- 4-year maturity; and
- Debenture convertible into Adriatic common shares at Australian Dollar ("**A\$**") \$2.7976 per share.

QRC earned a 3% establishment fee on the principal amount of the Adriatic debenture, which was paid in cash.

QRC's investment in the Adriatic convertible debenture was made concurrently with a £6.2 million equity investment in Adriatic by the European Bank for Reconstruction and Development.

### **\$5 Million Investment in Los Andes Copper Ltd.**

On June 2, 2021, the Company completed the purchase of a \$5 million convertible debenture issued by Los Andes Copper Ltd. ("**Los Andes**") having the following principal terms:

- 8.0% interest payable quarterly – 5% in cash and 3% in Los Andes common shares in cash;
- 5-year maturity; and
- Debenture convertible into Los Andes common shares at Canadian Dollar ("**C\$**") \$10.82 per share.

QRC earned a 3% establishment fee on the principal amount of the Los Andes debenture, which was paid in cash.

Warren Gilman, Chairman and CEO of the Company, was appointed as a non-executive director of Los Andes at the Annual General Meeting held on August 4, 2021.



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## **Developments Subsequent to August 31, 2021**

### **C\$21 Million Investment in Osisko Green Acquisition Ltd.**

On September 8, 2021, the Company completed a C\$21 million investment in Osisko Green Acquisition Ltd. ("**Osisko Green**"). Key terms of the Osisko Green investment include:

- Purchase of 665,000 Class B Shares;
- Purchase of 2,000,000 Class A Restricted Voting Units, (each comprising one Class A Restricted Voting Share and one-half of one Warrant); and
- Purchase of 931,988 Funding Warrants.

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

### **Declaration and Payment of Maiden Dividend**

On October 18, 2021, the Company announced its maiden dividend of C\$0.015 per share to all shareholders on record as of November 15, 2021. The dividend was paid on November 19, 2021 and 74% of shareholders elected to reinvest their dividend in shares of the Company through the Company's dividend reinvestment plan ("**DRIP**").

### **Investments**

The Company has adopted an investment policy (the "**Investment Policy**") to govern the Company's investment activities which provides, among other things, the investment objectives and strategy based on the fundamental principles set out below. A copy of the Investment Policy is posted on the Company's website and filed on SEDAR.

### **Investment Objectives**

The Company invests primarily in public and privately held companies, primarily in the natural resource sector, with the objective of increasing shareholder return while seeking to preserve capital and limit downside risk by focusing on opportunities with attractive risk to reward profiles. The Company seeks to identify investments by utilizing the experience and expertise of its Management and Board. The Company seeks out superior investments that may include the acquisition of shares, equity, debt, convertible securities, royalty arrangements or streaming arrangements for public or private corporations with a focus on convertible debt securities.

### **Investment Strategy**

In light of the numerous investment opportunities across the entire natural resources sector, the Company aims to adopt a flexible approach to investment targets without placing unnecessary limits on potential returns on its investment.



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This approach is demonstrated in the Company's proposed investment strategy set out below.

- The Company invests in the securities of both public and private natural resource companies and may take part in private or public offerings for predetermined equity positions, royalties, debt or convertible or preferred securities.
- Initial investments of debt, equity or a combination thereof may be made in public or private companies through a variety of financial instruments including, but not limited to, private placements, participation in initial public offerings, bridge loans, secured loans, unsecured loans, convertible debentures, warrants and options, royalties, net profit interests and other hybrid instruments.
- Investment arrangements may include a combination of securities including, but not limited to equity, debt, convertible debentures, warrants, preferred shares, bridge financing, collateral, royalty arrangements or other securities as deemed appropriate by the Company's Management and in compliance with the Investment Policy. In certain cases, the Company expects to enter into oversight arrangements as a condition of the investment. Oversight may range from Board appointments, advisory positions, or management consulting positions with the target companies.
- The Company may purchase or sell securities on public exchanges.
- The Company reserves the right to acquire all or part of other businesses or assets of a target company that management believes will enhance the value for shareholders. The Company will place no formal limit on the size of potential investments and may require future equity or debt financings to raise money for specific investments.
- The Company may make investments in extra-ordinary activities, or activities not in the normal course of business, which may include but not be limited to mergers, acquisitions, corporate restructurings, spin-offs, take-overs, bankruptcies or liquidations, public listings, leveraged buyouts or start-ups. The Company may elect to invest in such events, provide financing, or purchase securities in exchange for fees, interest or equity positions.
- The majority of investments are expected to have an expected life of investment of four to five years; however, the Company may also invest in opportunities that could provide longer-term capital appreciation.
- Depending on market conditions, the Company intends to fully invest its available capital, apart from operating expenses.
- The Company will seek to maintain the ability to actively review and revisit all of investments on an ongoing basis.
- The Company will evaluate the liquidity of investments and seek to realize value from same in a prudent and orderly fashion.
- All investments will be made in compliance with applicable laws in relevant jurisdictions, and in compliance with any associated exchange policy.

Management and the Board of the Company may authorize investments outside the guidelines described above if they feel the investment is for the benefit of the Company and its shareholders.



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**Investment Selection, Evaluation and Decision-Making Process**

The Company will pursue opportunities referred through investment banks, venture capital firms, legal and accounting firms and its professional network, and will gather insight into each opportunity, including its business model, financial prospects, management team, and the use of funds.

Management will research each investment target, and will analyze and review opportunities with each target and provide a recommendation to the Board as a whole. Research activities undertaken by management will include gathering complete details about the target company's business strategy, financial history, management team, growth objectives, products, markets, competitive forces, and capital requirements.

Management will oversee the due diligence activities. When deemed necessary, the Company may augment its review activities by outsourcing research requirements on specific investment opportunities to independent firms (accounting/financial, legal or industry analysts) that have professional relationships with the Company. Management will assess the financing needs of the target company in order to determine if the opportunity is compatible with the investment returns specific to the Company's investment criteria. The result of Management's review will conclude with a recommendation to the Board indicating if the Company should consider an investment in the target company. Management recommendations may range from:

- continuing to consider investment;
- recommending not to invest;
- considering investment with certain agreement covenants; and
- working with the target company in an advisory capacity in an effort to ready the target company for an investment at a later date.

The Board will make the final investment decision in respect of any opportunity presented to it by Management.

**Composition of Investment Portfolio**

The Company invests the majority of its funds in the securities of resource companies. Investments made by the Company may take different forms, including equity, debt, convertible debentures, royalties and metal streaming, although the Company is primarily focused on convertible debt securities.

As of the date of this report, the Company has invested a total of approximately \$77.5 million in five different resource companies as presented in the table below

Completion Date	Company	Investment	Investment Type
27/05/2020	NexGen Energy Ltd.	US\$15,000,000	Equity
27/05/2020	NexGen Energy Ltd.	US\$15,000,000	Convertible Debt
19/08/2020	IsoEnergy Ltd.	US\$6,000,000	Convertible Debt
01/12/2020	Adriatic Metals Plc	US\$20,000,000	Convertible Debt
02/06/2021	Los Andes Copper Ltd.	US\$5,000,000	Convertible Debt
08/09/2021	Osisko Green Acquisition Ltd.	C\$21,000,000	Equity



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### **Income Generation**

The Company generates income from its investments in three main forms: (a) interest income from its convertible securities; (b) capital gains/losses from the disposal of its investments; and (c) fees earned as part of its investments.

#### a) Interest income

The Company receives interest income from its investments in convertible securities on a quarterly or semi-annual basis, depending on the specific terms of each investment. Some of the Company's investments settle a portion of the interest payment in the form of equity.

The following table presents the interest payments the Company expects to receive on an annual basis from its current investments (assuming interest payments are made by the investee issuers on a timely basis).

<b>Convertible Debt Investment</b>	<b>Investment Amount</b>	<b>Annual Coupon</b>	<b>Annual Interest Income</b>
NexGen Energy Ltd.	US\$15,000,000	7.5%	US\$1,125,000
IsoEnergy Ltd.	US\$6,000,000	8.5% <sup>(1)</sup>	US\$510,000
Adriatic Metals Plc	US\$20,000,000	8.5%	US\$1,700,000
Los Andes Copper Ltd.	US\$5,000,000	8.0%	US\$400,000
			US\$3,735,000

(1) Annual coupon reduces to 7.5% on filing of an economically positive preliminary economic assessment compliant with the requirements of National Instrument 43-101 of the Canadian Securities Commission.

#### b) Capital gains/losses

The Company may generate income from capital gains/losses through the sale of its investments. Capital gains/losses could come in the form of (a) sale of any equity investments; (b) sale of any convertible security investments; or (c) sale of any equity shares received as settlement of interest income and/or establishment fees. As of the date of this report, the Company has not realized any material capital gains/(losses) from its investments since it continues to hold all major investments made since its inception as an investment company.

#### c) Fees

The Company may generate income from fees earned as part of its investments. The Company has earned establishment fees when it completed the four convertible securities investments made to date. Establishment fees have been paid either in cash or shares.



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The following table presents the establishment fees earned by the Company on its investments to-date:

Investment	Establishment Fee	Payment Method	Payment
NexGen Energy Ltd. Convertible Debt	3.0%	Shares	348,350 shares
IsoEnergy Ltd. Convertible Debt	3.0%	Shares	219,689 shares
Adriatic Metals Plc Convertible Debt	3.0%	Cash	\$600,000
Los Andes Copper Ltd. Convertible Debt	3.0%	Cash	\$150,000

**Market Value of Investments**

The Company has investments in publicly listed issuers and as such the market value of these investments moves with the share prices of the investee issuers. As most of the Company's investments are in convertible debt securities, the Company is less exposed to the risk of fluctuations to the market price of the equity securities in which it invests than it would be if it invested in those equity securities directly.

**Assumptions**

	As at November 21, 2021	
C\$ / \$ Exchange Rate	C\$ / \$	C\$1.26
A\$ / \$ Exchange Rate	A\$ / \$	A\$1.37
NexGen Energy Ltd. ("NXE.TO") Share Price	C\$ / share	C\$6.32
IsoEnergy Ltd. ("ISO.V") Share Price	C\$ / share	C\$4.95
Adriatic Metals Plc ("ADT.AX") Share Price	A\$ / share	A\$2.78
Los Andes Copper Ltd. ("LA.V") Share Price	C\$ / share	C\$10.98
Osisko Green Acquisition Ltd. ("GOGR.TO") Share Price	C\$ / share	C\$9.50
Osisko Green Acquisition Ltd. ("GOGR.W.TO") Warrant Price	C\$ / warrant	C\$0.60

a) Market Value of Equity Investments

The calculation of the current market value of the Company's current equity investments is straightforward as all of its current investments are in investee issuers whose equity is listed and trading on stock exchanges (such as the TSX, TSXV, ASX and LSE). Based on the share prices, as of the date of this report, the market value of the Company's equity investments is as follows:

	Securities Owned	Original Investment	Current Value As at November 21, 2021	Value Increase (Decrease) over Original Investment
NexGen Energy Ltd.	11,611,667	\$15,000,000	\$58,062,929	\$43,062,929
Osisko Green Acquisition Ltd. (Class A Units)	2,000,000	\$15,778,800	\$15,507,556	\$(270,444)
Other Shares and Warrants held for investment purposes <sup>(1)</sup>	Various	\$737,319	\$7,423,052	\$6,685,733

(1) Includes (a) securities purchased for investment purposes and (b) securities received as establishment fees and in settlement of interest receivable, which had no original investment cost to the Company.



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## b) Market Value of Convertible Debt Investments

The market value of convertible debt investments is more complex as it is the sum of a number of parts: (a) the standalone debt portion of the investment, (b) the conversion option of the investment and (c) any accrued interest due at the date of the valuation. As of the date of this report, the market value of the Company's convertible debt investments is as follows:

<i>As at November 21, 2021</i>	Principal Amount Outstanding	Accrued Interest	In-the-money Conversion Option	Black-Scholes Conversion Option	Current Value	Value Increase Over Principal Amount
NexGen Energy Ltd.	\$15,000,000	\$503,125	\$25,512,820	\$3,275,641	\$44,291,586	\$29,291,586
IsoEnergy Ltd.	\$6,000,000	\$199,750	\$27,750,000	\$1,840,909	\$35,790,659	\$29,790,659
Adriatic Metals Plc	\$20,000,000	\$240,833	Nil	\$9,179,296	\$29,420,129	\$9,420,129
Los Andes Copper Ltd.	\$5,000,000	\$90,000	\$73,935	\$3,150,186	\$8,314,121	\$3,314,121

## Results for the Three Months and Year Ended August 31, 2021.

### Overall Performance

The Company completed its change of name, change of business and continuance in February 2020 and completed its first investment on May 27, 2020. Results from prior periods are not fully comparable.

	Three Months Ended August 31, 2021	Three Months Ended August 31, 2020	Year Ended August 31, 2021	Year Ended August 31, 2020
	\$	\$	\$	\$
Interest income on cash	78	7,249	6,545	91,891
Interest income from investments	932,639	298,880	3,008,889	315,030
Establishment fee income	150,000	724,376	750,000	724,376
Realised gain on sale of investments	745,459	23,844	745,459	23,844
Unrealized (loss) gain on equities	(2,424,708)	5,272,693	32,222,421	7,129,029
Unrealized gain on convertible debentures	1,780,948	8,879,111	34,658,416	8,858,406
<b>Income from Investments</b>	<b>1,184,416</b>	<b>15,206,153</b>	<b>71,391,730</b>	<b>17,142,576</b>

Interest income from investments during the three months and year ended August 31, 2021 of \$932,639 and \$3,008,889, respectively represents the interest income earned on the NexGen, IsoEnergy, Adriatic and Los Andes debentures. Interest income from investments during the three months and the year ended August 31, 2020 of \$298,880 and \$315,030, respectively represents the interest income on the NexGen and IsoEnergy debentures.

Establishment fee income during the three months ended August 31, 2021 represents the 3% establishment fee earned on the Los Andes debenture, paid in cash. Establishment fee income during the year ended August 31, 2021 of \$750,000 represents the 3% establishment fees earned on the Adriatic and Los Andes debentures, both paid in cash. Establishment fee income during the three months and year ended August 31, 2020 of \$724,376 represents the 3% establishment fee earned on the NexGen and IsoEnergy debentures, both settled by the issue of common shares.



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Realised gain on sale of investments during the three months and year ended August 31, 2021 of \$745,459 and during the three months and year ended August 31, 2020 of \$23,844 arise from the sale of common shares.

Unrealized loss on equities during the three months ended August 31, 2021 of \$2,424,708 represents losses due to the depreciation of the Canadian dollar against the United States dollar more than offsetting the increases in the underlying stock prices of equities held together with the reclassification of unrealized gains reflected since the beginning of the financial year on investments sold in the period to realized gains. Unrealized gain on equities in the year ended August 31, 2021 of \$32,222,421 and in the three months and year ended August 31, 2020 of \$5,272,693 and \$7,129,029, respectively represents gains arising due to the increases in the underlying stock prices of equities held.

Unrealized gain on convertible debentures during the three months and year ended August 31, 2021 of \$1,780,948 and \$34,658,416, respectively represents gains in the fair value of the NexGen, IsoEnergy and Adriatic convertible debentures offset by a marginal decrease in the fair value of the Los Andes convertible debenture. Unrealized gain on convertible debentures during the three months and year ended August 31, 2020 of \$8,879,111 and \$8,858,406, respectively represents increases in the fair value of NexGen and IsoEnergy convertible debentures.

### Investments at Fair Value

As at August 31, 2021, the Company had the following investments:

	Fair Value At August 31, 2021
	\$
<b>Common Shares of Public Companies:</b>	
NexGen Energy Ltd.	54,574,828
Other common shares held for investment purposes	1,396,155
<b>Convertible Debentures:</b>	
NexGen Energy Ltd.	40,060,025
IsoEnergy Ltd.	20,798,244
Adriatic Metals PLC	24,681,627
Los Andes Copper Ltd.	4,884,621
<b>Total</b>	<b>146,395,500</b>

Fair value of common shares in public companies is calculated based on quoted closing market prices.

Fair value of convertible debentures is calculated using a valuation model of a system of two coupled Black-Scholes equations and partial differential equations that are solved simultaneously using finite-difference methods. The fair value is for accounting purposes only. The Company's market value of these investments is detailed in the section above titled **Market Value of Investments**.



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

	August 31, 2020	August 31, 2020	Net Proceeds From Disposition	Realised Gains	Unrealized Gains	August 31, 2021
	\$	\$	\$	\$	\$	\$
Common shares	23,894,339	543,337	(1,434,573)	745,459	32,222,421	55,970,983
Convertible debentures	30,766,101	25,000,000	-	-	34,658,416	90,424,517
<b>Total</b>	<b>54,660,440</b>	<b>25,543,337</b>	<b>(1,434,573)</b>	<b>745,459</b>	<b>66,880,837</b>	<b>146,395,500</b>

### Selected Annual Information

The following table provides a summary of the Company's financial results. For more details, please refer to the audited annual consolidated financial statements. Prior year comparative information has been translated to U.S. dollars as explained in the section below **Change in Functional and Presentation Currency**.

	Year ended August 31, 2021	Year ended August 31, 2020	Year ended August 31, 2019
	\$	\$	\$
Income from investments	71,391,730	17,142,576	-
Income (loss) for the year	67,024,933	5,112,147	(959,616)
Basic income (loss) per share	0.24	0.03	(0.03)
Diluted income (loss) per share	0.23	0.03	(0.03)
Total assets	149,224,629	80,053,613	1,526,205
Total long-term liabilities	-	-	-
Total cash dividends paid	-	-	-

### Summary of Quarterly Results

Quarter Ended	Total Assets	Income (Loss) From Investments	Net Income (Loss)	Net Income (Loss) PerShare Basic	Net Income (Loss) Per Share Diluted
	\$	\$	\$	\$	\$
31-08-2021	149,224,629	1,184,415	659,957	0.00	0.00
31-05-2021	148,620,043	27,518,563	27,140,343	0.10	0.09
28-02-2021	121,465,466	44,834,789	43,906,253	0.16	0.15
30-11-2020	77,678,600	(2,146,038)	(4,681,622)	(0.02)	(0.02)
31-08-2020	80,053,631	15,206,153	11,246,495	0.15	0.15
31-05-2020	75,010,016	1,936,423	(368,826)	(0.00)	(0.00)
29-02-2020	65,663,722	-	(5,589,884)	(0.11)	(0.11)
<b>Prior to change of name, change of business and continuance</b>					
30-11-2019	1,453,504	-	(181,254)	(0.00)	(0.00)



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The Company completed its change of name, change of business and continuance in February 2020 and completed its first investment on May 27, 2020. Prior quarters are not comparable. The Company's performance and results are not expected to be subject to seasonal variations.

Income from Investments during the three months ended August 31, 2021, was principally attributable to interest income earned on convertible debenture investments. Income from Investments during the three months ended May 31, 2021 and February 28, 2021 was principally attributable to unrealized gains on the debenture investments in NexGen, IsoEnergy and Adriatic and equity investments in NexGen and IsoEnergy shares due to the change in the underlying share prices of the issuers.

Loss from Investments during the three months ended November 30, 2020, was principally attributable to unrealized losses on the investments in NexGen and IsoEnergy due to the change in the underlying share prices of the issuers.

Income from Investments during the three months ended August 31, 2020 and May 31, 2020 was principally attributable to unrealized gains on the investments in NexGen and IsoEnergy due to the change in the underlying share prices of the issuers.

Net loss during the three months ended February 29, 2020 was principally attributable to share-based compensation grants of \$7 million following completion of the \$84 million capital raising.

## Results of Operations

### ***Income from Investments for the Fourth Quarter and Year Ended August 31, 2021 and August 31, 2020***

	For the Three Months		For the Year Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
	\$	\$	\$	\$
Interest income	932,717	306,129	3,015,434	406,921
Establishment fee income	150,000	724,376	750,000	724,376
Realized gain from investments	745,459	23,844	745,459	23,844
Unrealized (loss) gain from investments	(643,760)	14,151,804	66,880,837	15,987,435
	1,184,416	15,206,153	71,391,730	17,142,576

During the three months and year ended August 31, 2021, the Company recorded income from investments of \$1,184,416 and \$71,391,730, respectively compared to \$15,206,153 and \$17,142,576 income from investments in the three months and year ended August 31, 2020. The decrease for the three months ended August 31, 2021, compared to the prior period was mainly due an unrealized loss compared to an unrealized gain from investments. The increase for the year ended August 31, 2021, compared to the prior year was mainly due to the investments completed by the Company since May 27, 2020 generating higher unrealized gains and additional interest income.



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Interest income for the three months and year ended August 31, 2021 of \$932,717 and \$3,015,434, respectively compared to \$306,129 and \$406,921 interest income in the three months and year ended August 31, 2020. The income reflected is primarily interest income earned on convertible debentures. The increase for the three months and year ended August 31, 2021, compared to the prior period was due to purchases of additional investments in convertible debentures generating increased interest income.

Establishment fee income for the three months and year ended August 31, 2021 of \$150,000 and \$750,000, respectively compared to \$724,376 in both the three months and year ended August 31, 2020. The income reflected is a 3% establishment fee on the principal amount of the convertible debenture investments made in each period and differences between periods result from the number of investments made in each period and the principal amount of each investment.

Realised gain from investments for the three months and year ended August 31, 2021 of \$745,459 compared to \$23,844 in the three months and year ended August 31, 2020. The income reflected is gain from the sale of common shares. The increase reflects the number of common shares sold and the individual share price at the time of sale.

Unrealized loss from investment for the three months ended August 31, 2021 of \$643,760 compared to unrealized gain from investments of \$14,151,804 for the three months ended August 31, 2020, while the unrealized gain from investments for the year ended August 31, 2021 of \$66,880,837 compared to \$15,987,435 unrealized gain from investments in the year ended August 31, 2020. The unrealized loss for the three months ended August 31, 2021, was attributable to the impact of the depreciation of Canadian dollars against the United States dollar resulting in a decrease in the value of equities, despite increases in the underlying share prices, combined with the reclassification of unrealized gains to realized gains on equities sold in the period. The unrealized gain in the prior period reflected the appreciation of the underlying share prices of the investments held. The increase in unrealized gain for the year ended August 31, 2021, compared to the prior year was attributable to an increase in the value of investments in equities of public companies owned by the Company and an increase in the fair value of the convertible debenture securities. The amount of gain or loss from investments in future quarters will depend on the share price, volatility of the stock, remaining life of the debentures and credit interest rate during such quarters.

**Operating Expenses for the Fourth Quarter ended August 31, 2021 and August 31, 2020**

	August 31, 2021	August 31, 2020	Increase (Decrease)
	\$	\$	\$
Consulting	2,400	41,434	(39,034)
Directors' fees	18,555	35,000	(16,445)
Foreign exchange loss	11,589	1,844,827	(1,833,238)
Management fees	175,833	405,751	(229,918)
Office & administration	62,256	22,851	39,405
Office rent	91,778	79,913	11,865
Professional fees	186,511	10,980	175,531
Regulatory and transfer agent fees	(30,084)	1,915	(31,999)
Share-based compensation	-	1,368,519	(1,368,519)
Transaction costs	-	132,073	(132,073)
Travel	5,620	20,395	(14,775)
	524,458	3,963,658	(3,439,200)



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For the year ended August 31, 2021

Significant changes for the three months ended August 31, 2021 compared to August 31, 2020 are as follows:

- Consulting expenses decreased \$39,034 as fewer independent consultants were hired to assist the Company following a change of management and Board of Directors in May 2020.
- Directors' fees decreased \$16,445. New Directors were appointed during 2020 following the reorganization of the Company. The decrease from the prior period relates to timing of the approval of the compensation as the monthly fees have not changed since the approval.
- Foreign exchange loss reduced \$1,833,238 mainly due to reduction in Canadian dollar cash held by the Company and the impact of the CA/US rate fluctuation.
- Management fees decreased \$229,918 from the prior period mainly due to the timing of the approval of the compensation following the reorganization of the Company in 2020. The monthly fees have not changed since their respective approval.
- Office and administration increased \$39,405 mainly due increased office running costs.
- Professional fees increased \$175,531 due to the timing of various corporate activities.
- Regulatory and transfer agent fees of \$1,915 changed to an income of \$30,084 due to write back of an accounts payable balance no longer required.
- Share-based payments decreased \$1,368,519 which is due to timing of vesting of stock options granted to executives, directors, and consultants.
- Transaction costs decreased by \$132,073 as transactions costs written off relating to deals completed in the prior year.
- Travel decreased \$14,775 due to travel restriction implemented due to COVID-19.

**Operating Expenses for the year ended August 31, 2021 and August 31, 2020**

	August 31, 2021	August 31, 2020	Increase (Decrease)
	\$	\$	\$
Consulting	42,522	163,445	(120,923)
Directors' fees	79,319	35,000	44,319
Foreign exchange (gain) loss	(25,485)	2,150,349	(2,175,834)
Management fees	690,143	423,004	267,139
Office and administration	163,066	78,695	84,371
Office rent	371,188	353,125	18,063
Professional fees	357,593	23,568	334,025
Regulatory and transfer agent fees	123,198	7,213	115,985
Office renovation costs	122,154	-	122,154
Share-based compensation	2,448,605	8,409,357	(5,960,752)
Transaction costs	-	132,073	(132,073)
Travel	13,750	56,801	(43,051)
	4,386,053	11,832,630	(7,446,577)

The Company completed its change of name, change of business and continuance in February 2020 and completed its first investment on May 27, 2020. Prior periods are not completely comparable.



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Significant changes for the year ended August 31, 2021 compared to August 31, 2020 are as follows:

- Consulting expenses decreased \$120,923 as fewer independent consultants were hired to assist the Company following a change of management and Board of Directors in May 2020.
- Directors' fees increased \$44,319 as new Directors were appointed during 2020 following the reorganization of the Company. The increase from the prior year relates to timing of the approval of the compensation as monthly fees have not changed since the approval.
- Foreign exchange loss of \$2,150,349 reduced by \$2,175,834 to a foreign exchange gain of \$25,485 mainly due to reduction in Canadian dollar cash held by the Company and the impact of the CA/US rate fluctuation.
- Management fees increased \$267,139 mainly due to the timing of the approval of the compensation following the reorganization of the Company in 2020. Monthly fees have not changed since their respective approval.
- Professional fees increased \$334,025 due to the timing of various corporate activities.
- Regulatory and transfer agent fees increased \$115,985 due to the timing of various corporate activities.
- Office renovation costs increased \$122,154 due to one-time expenses related to renovating the office in Hong Kong.
- Share-based payments decreased \$5,960,752 due to the timing of vesting of stock options granted to executives, directors, and consultants.
- Transaction costs decreased by \$132,073 as transactions costs written off relating to deals completed in the prior year.
- Travel decreased \$43,051 due to travel restriction implemented due to COVID-19.

## Liquidity and Capital Resources

### Cash Flows

Year Ended August 31	2021	2020
	\$	\$
Operating activities	627,693	(3,082,092)
Investing activities	(23,565,427)	(38,086,897)
Financing activities	-	64,542,515
Change in cash and cash equivalents during the year	(22,937,734)	23,373,526



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Net cash generated in operating activities for the year ended August 31, 2021 was \$627,693 (2020 - used \$3,058,248). The net cash generated from operating activities for the year ended August 31, 2021 and used in operating activities for the year ended August 31, 2020, respectively, consists primarily of net income of \$67,024,933 (2020 - \$5,112,147) adjusted for items not affecting cash, including interest income on convertible debentures of \$3,008,889 (2020 - \$315,030), share-based payments of \$2,448,605 (2020 - \$8,409,357); unrealized gain on investments of \$66,880,837 (2020 - \$15,987,435) and realized gains on investments of \$745,459 (2020 - \$23,844) and establishment fee income settled by common shares in the year ended August 31, 2020 while reflecting interest received on convertible debentures of \$2,117,667 (2020 - \$29,167) and the net decrease in non-cash working capital items during the year of \$306,277 (2020 - increase \$417,922).

Financing activities for the year ended August 31, 2021 was nil (2020 - \$64,542,515). The cash provided by financing activities for the year ended August 31, 2020 consists of common shares issued by private placement \$64,442,837 and common shares issued by stock option exercise of \$99,678.

Investing activities for the year ended August 31, 2021 was \$23,565,427 (2020 - \$38,086,897). The cash used in investing activities for the year ended August 31, 2021 was for investments of \$25,000,000 (2020 - \$38,176,827) less the net proceeds from the sale of common shares of \$1,434,573 (2020 - \$89,930).

### **Capital Resources and Liquidity Risk**

The Company's cash position at August 31, 2021 was \$2,158,142 (2020 - \$25,073,826) and the Company's working capital was \$2,656,417 (2020 - \$24,917,939). The Company has no long-term debt obligations.

As at August 31, 2021, the Company believes there is sufficient working capital available to meet its current operational requirements. The Company may raise more capital for investment allocation from time to time.

### **Future Accounting Policy Changes**

A number of new standards, amendments to standards and interpretations are not yet effective as of the date of this report, and were not applied in preparing the consolidated financial statements. None of these are expected to have a material effect on the audited annual consolidated financial statements.

### **Significant Accounting Policies**

The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards. The Company's management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income, and expense. Actual amounts incurred by the Company may differ from these values.

The Company's significant accounting policies applied judgements and estimates are set out in the note 3 of the audited annual consolidated financial statements for the year ended August 31, 2021 except for the impact of the change in functional currency described below.



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### **Change in Functional and Presentation Currency**

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

### **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 consolidated financial statements include the valuation of investments.

### **Capital Commitments**

The Company has no capital commitments.

### **Off Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Outstanding Share Data**

The Company has the following common shares and stock options, outstanding as at August 31, 2021 and 2020 and the date of this report:

#### **Common Shares**

The Company's authorized capital consists of 5,000,000,000 common shares with a par value of C\$0.001 each.

As at August 31, 2021, there were 277,252,651 issued and outstanding common shares (2020 - 277,252,651 shares).

On October 15, 2021, the Company issued 1,000,000 common shares on the exercise of stock options granted on February 2, 2020 at an exercise price of C\$0.30.

On October 29, 2021, the Company issued 7,000,000 common shares on the exercise of stock options granted on February 2, 2020 at an exercise price of C\$0.30.



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On November 19, 2021, the Company issued 4,393,303 common shares for \$3,163,179 in satisfaction of the dividend declared on October 15, 2021 of C\$0.015 per share to those shareholders of record on November 15, 2021 who elected to receive common shares rather than a cash dividend.

As at the date of this report there were 289,645,954 issued and outstanding common shares.

### **Stock Options**

As at August 31, 2021, there were 11,150,000 stock options outstanding and exercisable, with a weighted-average exercise price of C\$0.30. As at August 31, 2020 there were 25,500,000 stock options outstanding and exercisable, with a weighted-average exercise price of C\$0.44.

On October 10, 2021, stock options for 1,000,000 common shares granted on February 2, 2020 at C\$0.30 were exercised.

On October 21, 2021, stock options for 7,000,000 common shares granted on February 2, 2020 at C\$0.30 were exercised.

As at the date of this report there were 3,150,000 stock options outstanding and exercisable, with a weighted-average price of C\$0.30.

### **Impact of COVID-19**

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