

Condensed Interim Consolidated Financial Statements
(Expressed in United States dollars)



QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Three and Nine months ended May 31, 2022
(Unaudited)

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

As at May 31, 2022 and August 31, 2021
(Unaudited)

	Note	May 31, 2022	August 31, 2021
Assets			
Current assets:			
Cash		\$ 35,715,003	\$ 2,158,142
Prepays and deposits		241,025	49,529
Receivables	4	1,252,672	621,458
		<u>37,208,700</u>	<u>2,829,129</u>
Non-current assets:			
Investments at fair value	5	195,785,469	146,395,500
Right-of-use assets	6	528,820	-
		<u>196,314,289</u>	<u>146,395,500</u>
		<u>\$ 233,522,989</u>	<u>\$ 149,224,629</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	7	\$ 120,027	\$ 172,712
Lease liabilities	6	178,717	-
		<u>298,744</u>	<u>172,712</u>
Non-current liabilities:			
Long-term lease liabilities	6	366,378	-
Shareholders' equity:			
Share capital	10	170,824,895	86,218,243
Reserve	10	15,762,525	12,345,537
Retained earnings		46,270,447	50,488,137
		<u>232,857,867</u>	<u>149,051,917</u>
		<u>\$ 233,522,989</u>	<u>\$ 149,224,629</u>

See accompanying notes to these condensed interim consolidated financial statements.

Approved on behalf of the Board:

/s/ Warren Gilman

Director

/s/ Alex Granger

Director

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

For the three months and nine months ended May 31, 2022 and 2021
(Unaudited)

	Note	Three months ended		Nine months ended	
		May 31, 2022	May 31, 2021	May 31, 2022	May 31, 2021
Income from investments:					
Interest income	5	\$ 1,194,720	\$ 838,593	\$ 3,063,583	\$ 2,082,718
Establishment fee income	5	720,000	-	720,000	600,000
Realized gain from investments	5	-	-	322,400	-
Unrealized (loss) gain from investments	5	(19,204,394)	26,679,970	3,253,338	67,524,597
Total (loss) income from investments		(17,289,674)	27,518,563	7,359,321	70,207,315
Operating expenses (gain):					
Consulting		2,365	2,437	7,100	40,122
Depreciation	6	31,107	-	31,107	-
Directors' fees	8	15,750	19,931	47,250	60,764
Foreign exchange gain		(293,820)	(21,996)	(533,092)	(37,074)
Interest expense and financing costs	9	122,944	-	671,805	-
Interest expenses on lease liabilities	6	4,427	-	4,427	-
Management fees	8	225,000	172,500	1,095,000	514,310
Office and administration		56,614	25,342	176,709	100,810
Office rent	8	37,312	92,446	221,416	279,410
Office renovation costs	8	-	-	-	122,154
Professional fees		65,573	48,271	156,798	171,082
Regulatory and transfer agent fees		(333)	36,344	63,486	153,282
Share-based compensation	8	1,310,441	-	6,221,604	2,448,605
Travel		16,828	3,983	28,022	8,130
Total operating expenses		1,594,208	379,258	8,191,632	3,861,595
Other income:					
Recovery of advance		-	1,038	-	19,256
Total other income		-	1,038	-	19,256
Net (loss) income and comprehensive (loss) income					
		\$ (18,883,882)	\$ 27,140,343	\$ (832,311)	\$ 66,364,976
Net (Loss) Income per common share:					
Basic	12	(\$0.04)	\$0.10	(\$0.00)	\$0.24
Diluted	12	(\$0.04)	\$0.09	(\$0.00)	\$0.23
Weighted average number of common shares - basic					
		445,444,343	277,252,651	340,333,117	277,252,651
Weighted average number of common shares - diluted					
		484,545,954	288,402,651	356,937,358	288,402,651

See accompanying notes to these condensed interim consolidated financial statements.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in United States dollars)

For the nine months ended May 31, 2022 and 2021
(Unaudited)

	Issued and Outstanding Number of shares	Share capital	Treasury Shares	Reserves	Retained earnings	Shareholders' equity
Balance, August 31, 2021	277,252,651	\$ 86,218,243	\$ -	\$ 12,345,537	\$ 50,488,137	\$ 149,051,917
Share issued - exercise of stock options (note 10)	8,000,000	4,747,536	-	(2,804,616)	-	1,942,920
Share issued - dividend reinvestment plan (note 10)	4,393,303	2,502,707	-	-	(2,502,707)	-
Shares issued - private placement, net of costs (note 10)	156,250,000	78,231,983	-	-	-	78,231,983
Shares purchased and held in Treasury (note 10)	(1,500,000)	-	(875,574)	-	-	(875,574)
Share-based compensation (note 10)	-	-	-	6,221,604	-	6,221,604
Dividend - paid in cash (note 10)	-	-	-	-	(882,672)	(882,672)
Net loss for the period	-	-	-	-	(832,311)	(832,311)
Balance, May 31, 2022	444,395,954	\$ 171,700,469	\$ (875,574)	\$ 15,762,525	\$ 46,270,447	\$ 232,857,867
Balance, August 31, 2020	277,252,651	\$ 86,218,243	\$ -	\$ 9,896,932	\$ (16,536,796)	\$ \$79,578,379
Share-based compensation (note 10)	-	-	-	2,448,605	-	2,448,605
Net income for the period	-	-	-	-	66,364,976	66,364,976
Balance, May 31, 2021	277,252,651	\$ 86,218,243	\$ -	\$ 12,345,537	\$ 49,828,180	\$ 148,391,960

See accompanying notes to these condensed interim consolidated financial statements.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

For the nine months ended May 31, 2022 and 2021
(Unaudited)

	Nine months ended May 31, 2022	Nine months ended May 31, 2021
Cash flow provided by (used in):		
Operating activities:		
Net (loss) income	\$ (832,311)	\$ 66,364,976
Items not affecting cash:		
Interest income on convertible debentures (note 5)	(3,007,472)	(2,076,250)
Establishment fee income (note 5)	(720,000)	-
Realized gain on investments (note 5)	(322,400)	-
Unrealized gain on investments (note 5)	(3,253,338)	(67,524,597)
Depreciation (note 6)	31,107	-
Interest expenses and financing costs (note 9)	671,805	-
Interest expense on lease liabilities (note 6)	4,427	-
Share-based compensation (note 10)	6,221,604	2,448,605
Unrealized currency translation gains	(552,529)	(62,715)
Changes in working capital items:		
Other receivables	(16,241)	20,423
Prepaid expenses and advances	(191,496)	(21,119)
Accounts payable and accrued liabilities	(52,685)	(247,151)
Interest received on convertible debentures (note 5)	2,017,520	1,078,981
Interest expenses paid on bank loan (note 9)	(434,107)	-
Cash flow used in operating activities	(436,116)	(18,847)
Financing activities:		
Common shares issued by private placement, net of costs (note 10)	78,231,983	-
Common shares issued by stock option exercise (note 10)	1,942,920	-
Common shares purchased and held in treasury (note 10)	(875,574)	-
Dividend paid (note 10)	(882,672)	-
Payment of lease liabilities (note 6)	(18,587)	-
Borrowings, net of transaction costs (note 9)	16,419,502	-
Borrowings repaid (note 9)	(16,657,200)	-
Cash flow provided by financing activities	78,160,372	-
Investing activities:		
Acquisition of investments (note 5)	(45,310,117)	(20,000,000)
Proceeds from sale of equity investments (note 5)	590,866	-
Cash flow used in investing activities	(44,719,251)	(20,000,000)
Increase (decrease) in cash during the period	33,005,005	(20,018,847)
Cash, beginning of the period	2,158,142	25,073,826
Effect of currency translation on cash	551,856	62,715
Cash, end of the period	\$ 35,715,003	\$ 5,117,694

Supplemental disclosure with respect to cash flows (note 14).

See accompanying notes to these condensed interim consolidated financial statements.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Condensed Interim Consolidated Financial Statements
(Expressed in United States dollars)

Three and Nine months ended May 31, 2022
(Unaudited)

1. Reporting entity and nature of operations:

Queen's Road Capital Investment Ltd. ("QRC" or the "Company") is a dividend paying, resource focused investment company, making investments in privately held and publicly traded resource companies. The Company acquires and holds securities for long-term capital appreciation, with a focus on convertible debt securities of issuers having resource projects in advanced development or production located in safe jurisdictions.

The Company was incorporated under the laws of the Province of British Columbia, Canada on January 25, 2011. On January 29, 2020, the Company redomiciled from British Columbia, Canada to the Cayman Islands and changed its name from Lithion Energy Corp. to Queen's Road Capital Investment Ltd. The Company's corporate office is located at Suite 2006, 2 Queen's Road Central, Hong Kong. The Company delisted from TSX Venture Exchange ("TSXV") and listed on the Toronto Stock Exchange ("TSX") on July 6, 2022 and the trades under the symbol "QRC".

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors of the Company on July 8, 2022.

2. Basis of presentation:

(a) Statement of compliance:

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

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2. Basis of presentation (continued):

(b) Basis of presentation:

These condensed interim consolidated financial statements have been prepared on a historical cost convention, except for financial instruments carried at fair value through profit or loss ("FVTPL"). In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The condensed interim consolidated financial statements have been prepared using the same accounting policies and methods as those used in the audited financial statements for the year ended August 31, 2021. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended August 31, 2021.

(c) Significant accounting estimates and assumptions:

The preparation of these condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that effect the reported amounts of assets, liabilities, and contingent liabilities at the date of the consolidated statements and the reported amounts of revenue and expenses during the reporting period. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

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.

The estimates that are critical to the determination of the amounts reported are set out in note 2 of the Company's audited consolidated financial statements for the year ended August 31, 2021.

(d) Significant judgements:

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's condensed interim consolidated financial statements relate to the accounting of the Company's investments. The judgements that are critical to the determination of the amounts reported are set out in note 2 of the Company's audited consolidated financial statements for the year ended August 31, 2021.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Condensed Interim Financial Statements
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3. New standards, amendments and interpretations:

(a) Newly adopted standard:

The Company adopted IFRS 16 *Leases* ("IFRS 16") as a result of entering into an office lease.

(i) Lease definition:

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

(ii) Recognition and measurement:

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

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

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

(b) New standards, amendments, and interpretation:

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, as listed below, will have no material impact on the results and financial position of the Company, except for additional disclosures:

- Definition of Accounting Estimates (Amendments to IAS 8).
- Disclosure Initiative - Accounting Policies (Amendments to IAS 1 and IFRS PS 2).

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4. Receivables:

Receivables consist of the following:

	May 31, 2022	August 31, 2021
Interest receivable on convertible debentures	\$ 1,236,431	\$ 621,458
Other receivables	16,241	-
	<u>\$ 1,252,672</u>	<u>\$ 621,458</u>

5. Investments at fair value:

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

	May 31, 2022	August 31, 2021
Convertible debentures (a):		
NexGen Energy Ltd.	\$ 40,113,475	\$ 40,060,025
IsoEnergy Ltd.	23,045,228	20,798,244
Adriatic Metals Pty	20,113,680	24,681,627
Contango ORE Inc.	18,066,334	-
Other convertible debenture investments	12,288,503	4,884,621
	<u>113,627,220</u>	<u>90,424,517</u>
Equity investments:		
NexGen Energy Ltd. (b)	55,081,104	54,574,828
Osisko Green Acquisition Ltd. (c)	15,306,016	-
Other equity investments (d)	11,771,129	1,396,155
	<u>82,158,249</u>	<u>55,970,983</u>
	<u>\$ 195,785,469</u>	<u>\$ 146,395,500</u>

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Condensed Interim Financial Statements
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Three and Nine months ended May 31, 2022
(Unaudited)

5. Investments at fair value (continued):

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

	August 31, 2021	Additions	Net proceeds from disposition	Realized gains	Unrealized gains (loss)	May 31, 2022
Equity investments	\$ 55,970,983	\$ 22,405,097	\$ (590,866)	\$ 322,400	\$ 4,050,635	\$ 82,158,249
Convertible debentures	90,424,517	24,000,000	-	-	(797,297)	113,627,220
	<u>\$ 146,395,500</u>	<u>\$ 46,405,097</u>	<u>\$ (590,866)</u>	<u>\$ 322,400</u>	<u>\$ 3,253,338</u>	<u>\$ 195,785,469</u>

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

	August 31, 2020	Additions	Proceeds from disposition	Realized gains	Unrealized gains	May 31, 2021
Equities	\$ 23,894,339	\$ 243,759	\$ -	\$ -	\$ 34,647,129	\$ 58,785,227
Convertible debentures	30,766,101	20,000,000	-	-	32,877,468	83,643,569
	<u>\$ 54,660,440</u>	<u>\$ 20,243,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,524,597</u>	<u>\$ 142,428,796</u>

The realized gain from financial instruments at FVTPL represents the difference between the carrying amount of the financial instrument at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and the consideration received on disposal.

The unrealized gain or loss represents the difference between the carrying amount of a financial instrument at the beginning of the period, or the transaction price if it was purchased in the current reporting period, and its carrying amount at the end of the reporting period.

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Notes to Condensed Interim Consolidated Financial Statements
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(Unaudited)

5. Investments at fair value (continued):

(a) Investments in convertible debentures:

The Company holds unsecured convertible debentures issued by listed entities. Details of investments in selected debentures held are listed below.

Issuer	Principal ⁽¹⁾ US\$	Issue Date ⁽²⁾	Maturity Date	Annual Coupon	Annual Coupon Settled by	Conversion Price ⁽⁴⁾	Redemption	Other Notes
NexGen Energy Ltd. ("NexGen")	15,000,000	May 27, 2020	May 27, 2025	7.5%	Cash 5.0% Shares 2.5%	C\$2.34	(5)	(10)
IsoEnergy Ltd. ("IsoEnergy")	6,000,000	Aug 18, 2020	Aug 19, 2025	8.5% ⁽³⁾	Cash 6.0% Shares 2.5%	C\$0.88	(5)	(8), (10)
Adriatic Metals Plc. ("Adriatic")	20,000,000	Nov 30, 2020	Nov 30, 2024	8.5%	Cash 8.5%	A\$2.7976	(6)	(9), (11)
Contango ORE, Inc. ("Contango")	20,000,000	Apr 26, 2022	Apr 26, 2026	8.0%	Cash 6.0% Shares 2.0%	U\$30.50	(7)	(12)
Other convertible debentures	Various 4,000,000 to 5,000,000	Various (2021 to 2022)	Various (2026 to 2027)	8.0%	Cash 5.0% to 8.0% Shares 0.0% to 3.0%	Various	Various	

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Notes to Condensed Interim Consolidated Financial Statements
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5. Investments at fair value (continued):

(a) Investments in convertible debentures (continued):

- (1) *The convertible debentures are unsecured and rank equally in right of payment with all present and future unsecured and unsubordinated indebtedness of the issuer.*
- (2) *The Company was paid an establishment fee equal to 3% of the principal amount of the convertible debentures, settled either in cash or common shares of the issuer.*
- (3) *IsoEnergy: The annual coupon reduces from 8.5% to 7.5%, reducing the cash and common share interest from 6.0% and 2.5% to 5.0% and 2.5% respectively, on filing of an economically positive preliminary assessment compliant with the requirements of National Instrument 43-101 of the Canadian Securities Commission.*
- (4) *The Company is entitled to convert, from time to time prior to the maturity date, some or all of the outstanding principal amount into common shares at the conversion price.*
- (5) *NexGen, IsoEnergy; The issuer is entitled to redeem the debenture, in whole or part, at the principal amount plus accrued and unpaid interest after the third anniversary of the issue date and prior to the maturity date at any time that the 20-day volume-weighted average trading price on the relevant stock exchange exceeds 130% of the conversion price.*
- (6) *Adriatic: The issuer is entitled to redeem the debenture, in whole but not in part, the principal amount plus accrued and unpaid interest (i) at any time that the 20-day volume-weighted average trading price on the relevant stock exchange exceeds 125% of the conversion price; (ii) on or after the third anniversary of the issue date; or (iii) from the proceeds of any project financing or other secured debt financing completed.*
- (7) *Contango: The issuer is entitled to redeem the debenture, in whole or part, at 105% of the principal amount plus accrued and unpaid interest after the third anniversary of the issue date and prior to the maturity date at any time that the 20-day volume-weighted average trading price on the relevant stock exchange exceeds 130% of the conversion price.*
- (8) *IsoEnergy: If the aggregate shares issuable upon conversion exceeds the prescribed maximum number of shares, the Company is entitled to an Exchange Rate Fee payment in cash based on the number of shares not issued as a result of exceeding the defined maximum number.*
- (9) *Adriatic: If the aggregate shares issuable upon conversion exceeds the maximum number of shares which are available for issue, the Company is entitled to Conversion Shortfall Payment in cash based on the number of shares not issued as a result of exceeding the maximum number available for issue.*

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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5. Investments at fair value (continued):

(a) Investments in convertible debentures (continued):

- (10) *NexGen, IsoEnergy: On announcement of a change of control transaction, the Company may be required convert some or all of the outstanding principal amount into shares at the conversion price. On completion of a change of control transaction, the issuer must deliver to the Company an offer to purchase any outstanding principal in cash at a price of (i) 130% of the principal amount if the transaction occurs before the third anniversary of the issue date or (ii) 115% of the principal amount if the transaction occurs after the third anniversary of the issue date.*
- (11) *Adriatic: Upon completion of a change of control transaction, the Company has the right to require the issuer to redeem any outstanding principal in cash at a price of (i) 130% of the principal amount if the transaction occurs before the second anniversary of the issue date or (ii) 115% of the principal amount if the transaction occurs after the second anniversary of the issue date, together with any accrued and unpaid interest. Upon completion of a project financing, the Company has the right to require the issuer to redeem any outstanding principal in cash at a price equal to the principal amount plus any accrued and unpaid interest.*
- (12) *Contango: On announcement of a change of control transaction, the Company may be required convert some or all of the outstanding principal amount into shares at the conversion price. Upon completion of a change of control transaction, the issuer has the right (but not the obligation to) redeem any outstanding principal in cash at a price of (i) 130% of the principal amount if the transaction occurs before the third anniversary of the issue date or (ii) 115% of the principal amount if the transaction occurs after the third anniversary of the issue date. Upon completion of a change in control transaction, the Company has the right to require the issuer to redeem any outstanding principal in cash at a price of (i) 130% of the principal amount if the transaction occurs before the third anniversary of the issue date or (ii) 115% of the principal amount if the transaction occurs after the third anniversary of the issue date. Upon completion of a secured financing package, the Company has the right to require the issuer to redeem any outstanding principal in cash at a price equal to the principal amount plus any accrued and unpaid interest.*

During the three and nine months ended May 31, 2022 the Company received establishment fees of \$600,000 on Contango settled by 24,174 common shares of Contango and \$120,000 on a convertible debenture of US\$4 million issued by Los Angeles Copper Ltd. ("Los Andes") on April 4, 2022 settled by 9,914 common shares of Los Andes (three months ended May 31, 2021 – nil, nine months ended May 31, 2021 \$600,000 on Adriatic settled in cash).

The fair value of convertible debentures at May 31, 2022 is \$113,627,220 (August 31, 2021 - \$90,424,517).

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5. Investments at fair value (continued):

(a) Investments in convertible debentures (continued):

The fair value for convertible debentures is estimated using valuation models based on a system of two coupled Black-Scholes Option Pricing equations and partial differential equations that are solved simultaneously using finite-difference methods. The assumptions below were used in the models for the selected debentures held by the Company:

May 31, 2022	NexGen	IsoEnergy	Adriatic	Contango
Expected life	2.99 years	3.22 years	2.51 years	3.91 years
Expected price volatility	68%	65%	38%	46%
Risk free interest rate	2.7%	2.7%	2.6%	2.8%
Coupon interest rate	7.5%	8.5%	8.5%	8.0%
Expected dividend yield	-%	-%	-%	-%
Credit spread	18.6%	19.6%	27.4%	26.7%
Underlying share price of the investee	CA\$6.00	CA\$3.29	AU\$2.35	US\$22.20
Conversion price	CA\$2.34	CA\$0.88	AU\$2.80	US\$30.50
Exchange rate (US\$:CA\$)	0.7906	0.7906		
Exchange rate (US\$:AU\$)			0.7177	

August 31, 2021	NexGen	IsoEnergy	Adriatic
Expected life	3.74 years	3.97 years	3.25 years
Expected price volatility	50%	60%	50%
Risk free interest rate	0.65%	0.68%	0.34%
Coupon interest rate	7.5%	8.5%	8.5%
Expected dividend yield	-%	-%	-%
Credit spread	17.75%	18.75%	26.50%
Underlying share price of the investee	CA\$5.93	CA\$2.91	AU\$2.87
Conversion price	CA\$2.34	CA\$0.88	AU\$2.80
Exchange rate (US\$:CA\$)	0.7926	0.7926	
Exchange rate (US\$:AU\$)			0.7314

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5. Investments at fair value (continued):

(a) Investments in convertible debentures (continued):

For the three months ended May 31, 2022, the Company has recorded interest income on convertible debentures of \$1,139,972 (May 31, 2021 \$837,068). During the three months ended May 31, 2022, the Company received interest payments of \$525,000 of which \$487,510 was paid in cash and \$37,490 was settled in common shares (May 31, 2021 \$566,667 in cash).

For the nine months ended May 31, 2022, the Company has recorded interest income on convertible debentures of \$3,007,472 (May 31, 2021 \$2,076,250). During the nine months ended May 31, 2022, the Company received interest payments of \$2,392,500 of which \$2,017,520 was paid in cash and \$374,980 was settled in common shares (May 31, 2021 \$1,322,740 of which \$1,078,981 was in cash and \$243,759 in common shares).

(b) Investment in NexGen Energy Ltd. ("NexGen") common shares:

On May 27, 2020, the Company purchased 11,611,667 common shares of NexGen, a company related by way of two common directors, at \$1.29 per share for a purchase price of \$15,000,000. The fair value of the 11,611,667 NexGen shares at May 31, 2022 is \$55,081,104 (August 31, 2021 - \$54,574,828; NexGen 11,611,667 shares). The fair value is calculated using the closing market price of the shares on the relevant date.

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

On September 8, 2021, the Company purchased 2,000,000 Class A Restricted Voting Units for CA\$10.00 per unit in Osisko for a purchase price of \$15,778,000. Each Class A Restricted Voting Unit comprised of one Class A Restricted Voting Share and one-half of one Warrant. The Restricted Voting Units split into shares and warrants on October 18, 2021. The warrants are included under other equity investments held for investment purposes. The fair value of the 2,000,000 Class A Restricted Voting Shares at May 31, 2022 is \$15,306,016 (August 31, 2021 - nil). The fair value is calculated using the closing market price of the shares on the reporting date.

(d) Other equity investments held for investment purposes:

The Company holds common shares and warrants in listed entities. The shares and warrants are held as a result of (a) establishment fees settled in common shares related to convertible debenture investments; (b) interest income on convertible debenture investments settled in common shares; and/or (c) purchases of common shares and warrants for investment purpose.

The fair value of other equity investments at May 31, 2022 is \$11,771,129 (August 31, 2021 - \$1,396,155).

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5. Investments at fair value (continued):

(d) Other equity investments held for investment purposes (continued):

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

6. Leases:

(a) Right-of-use asset:

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

	May 31, 2022	August 31, 2021
Right-of-use asset, beginning of period	\$ -	\$ -
Addition	559,927	-
Depreciation	(31,107)	-
Balance, end of period	\$ 528,820	\$ -

(b) Lease liabilities:

	May 31, 2022	August 31, 2021
Lease liabilities, beginning of period	\$ -	\$ -
Additions	559,927	-
Interest expenses on lease liabilities	4,427	-
Payment of lease liabilities	(18,587)	-
Exchange translation differences	(672)	-
	\$ 545,095	\$ -
Current portion	\$ 178,717	\$ -
Non-Current portion	366,378	-
	\$ 545,095	\$ -

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6. Leases (continued):

(c) Amounts recognized in consolidated statement of net loss/income:

	May 31, 2022	August 31, 2021
Interest expenses on lease liabilities	\$ 4,427	\$ -
Variable lease payments not included in lease liabilities	7,593	-

The following table presents the contractual undiscounted cash flows for lease obligations as at May 31, 2022 and August 31, 2021:

	May 31, 2022	August 31, 2021
Within one year	\$ 200,257	\$ -
One to five years	382,309	-
Balance, end of period	\$ 582,567	\$ -

7. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of the following:

	May 31, 2022	August 31, 2021
Accounts payable	\$ 68,856	\$ 3,303
Accrued liabilities	35,972	113,194
Due to related parties (note 8)	15,199	56,215
	\$ 120,027	\$ 172,712

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8. Related party transactions:

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

	Three months ended		Nine months ended	
	May 31, 2022	May 31, 2021	May 31, 2022	May 31, 2021
Senior management remuneration	\$ 225,000	\$ 172,500	\$ 1,095,000	\$ 514,300
Directors' fees	15,750	19,931	47,250	60,764
Share-based compensation	1,291,985	-	6,133,976	2,448,605
	<u>\$ 1,532,735</u>	<u>\$ 192,431</u>	<u>\$ 7,276,226</u>	<u>\$ 3,023,669</u>

During the nine months ended May 31, 2022, the Company reimbursed office rent of \$213,823 (May 31, 2021 - office rent of \$279,410 and office renovation costs of \$122,154) to a company controlled by an officer and director of the Company. There was no contractual rent obligation for the Company as the lease agreement is with the company controlled by the officer and director. The Company was invoiced for reimbursement by the company controlled by an officer and director of the Company on a monthly basis. The office renovation costs were one-time renovations for the Hong Kong office.

The Company has entered into a lease agreement for the office directly from April 1, 2022 (note 6).

As at May 31, 2022, accounts payable and accrued liabilities include an amount of \$15,199 (August 31, 2021 - \$56,215) due to officers and directors of the Company and/or companies controlled by officers of the Company, related to fees for services. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

At May 31, 2022, the Company holds investments and convertible debentures in NexGen, a company related by way of two common directors and IsoEnergy, a company controlled by NexGen and convertible debentures in Los Andes, a company related by way of a common director.

At May 31, 2022, two significant shareholders, Wyloo Metals Pty Ltd. (previously known as Squadron Resources Pty Ltd.) ("Wyloo") and Corom Pty Ltd. ("Corom"), a company controlled by a relative of a director of the Company, beneficially own, or exercise control or direction over 111,810,149 and 110,552,503 common shares, respectively, constituting approximately 25.1% and 24.8%, respectively, of the issued shares of the Company (August 31, 2021 - Wyloo 71,263,003 and 25.7% and Corom 71,490,003 and 25.8%).

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9. Borrowings:

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

	May 31, 2022	August 31, 2021
Borrowings, beginning of period	\$ -	\$ -
Loan draw-down, net of transaction costs incurred	16,419,502	-
Interest expenses and financing costs	671,805	-
Loan repayment and interest payments	(17,016,547)	-
Exchange translation differences	(74,760)	-
Borrowings, end of period	\$ -	\$ -

10. Share capital:

(a) Common shares:

Authorized:

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

Issued:

445,895,954 common shares as at May 31, 2022 (August 31, 2021 - 277,252,651).

Outstanding:

444,395,954 common shares as at May 31, 2022 (August 31, 2021 - 277,252,651).

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

	Nine months ended May 31, 2022	Nine months ended May 31, 2021
Shares issued and fully paid:		
At beginning of period	277,252,651	277,252,651
Issued on exercise of share options	8,000,000	-
Issued in settlement of dividend	4,393,303	-
Issued by private placement	156,250,000	-
At end of period	445,895,954	277,252,651

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10. Share capital (continued):

(a) Common shares (continued):

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

	Nine months ended May 31, 2022	Nine months ended May 31, 2021
Shares issued, fully paid and outstanding:		
At beginning of period	277,252,651	277,252,651
Increase in issued shares	168,643,303	-
Purchased and held in Treasury	(1,500,000)	-
At end of period	444,395,954	277,252,651

Share transactions during the nine months ended May 31, 2022 were as follows:

- 1,000,000 common shares of the Company were issued on October 15, 2021 as fully paid shares from the exercise of share options at CA\$0.30 per share. \$242,340 was received in cash and \$350,577 was transferred from share-based reserves to share capital.
- 7,000,000 common shares of the Company were issued on October 29, 2021 as fully paid shares from the exercise of share options at CA\$0.30 per share. \$1,700,580 was received in cash and \$2,454,039 was transferred from share-based reserves to share capital.
- 4,393,303 common shares of the Company were issued on November 19, 2021 as fully paid shares for the settlement of dividends of CA\$0.015 per share based on a share price of CA\$0.72. \$2,502,707 was transferred from retained earnings to share capital.
- 156,250,000 common shares of the Company were issued on February 25, 2022 at CA\$0.64 per share for gross proceeds of \$78,450,000 through a non-brokered private placement. Wyloo and Corom each subscribed for 39,062,500 common shares, respectively, of the private placement.
- 1,500,000 common shares of the Company were purchased for an average cost of CA\$0.74 per share, including commissions, by the Company during the nine months ended May 31, 2022 under the share repurchase program and held in treasury.

There were no share capital transactions during the nine months ended May 31, 2021.

(b) Warrants:

There were no warrants outstanding at May 31, 2022 and August 31, 2021.

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10. Share capital (continued):

(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 TSXV. 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 TSXV. The stock option plans will be revised to comply with the TSX rules at the next Annual General Meeting of the shareholders of the Company.

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

	Nine months ended May 31, 2022		Nine months ended May 31, 2021	
	Number of options	Weighted average exercise price (in CA\$)	Number of options	Weighted average exercise price (in CA\$)
As at beginning of period	11,150,000	0.30	25,500,000	0.44
Cancelled	-	-	(14,350,000)	0.55
Exercised	(8,000,000)	0.30	-	-
Issued	35,500,000	0.64	-	-
As at end of period	38,650,000	0.61	11,150,000	0.30

On October 12, 2020, 14,350,000 options exercisable at CA\$0.55 were voluntarily cancelled. For the nine months ended May 31, 2021 \$2,448,605 was recognized for share-based compensation of which \$749,684 related to the cancelled options.

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

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

35,500,000 stock options were granted on February 28, 2022, exercisable at CA\$0.64 per share for a term of 5 years. The options vest as to 50% on the grant date and a further 50% after a period of 12 months. The Company determined the grant date fair value of \$10,110,198, and the fair value of options vesting in the nine months ended May 31, 2022 of \$6,221,604.

The fair value of all compensatory options granted is estimated on the grant date using the Black-Scholes Options Pricing Model. The inputs used in the calculation of the fair value of the stock options on the date of issue are as follows:

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10. Share capital (continued):

(c) Stock options (continued):

	2022
Expected price volatility	76%
Expected life	2.75 years
Risk free interest rate	1.64%
Expected dividend yield	2.0%
Underlying share price (CA)	\$0.75
Exchange rate (US\$:CA\$)	0.7875

No stock options were issued during the nine months ended May 31, 2021

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

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

A summary of the Company's outstanding options at August 31, 2021 is as follows:

Exercise price CA\$	Number of options outstanding	Number of options exercisable	Expiry date
0.30	11,000,000	11,000,000	February 3, 2025
0.55	150,000	150,000	February 18, 2025
	11,150,000	11,150,000	

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10. Share capital (continued):

(d) Share Repurchase Program ("SRP"):

On November 21, 2021 the Company commenced a share repurchase program valid for a period of twelve months. Purchases are conducted by a third-party broker. Any shares purchased under the SRP will be held in treasury for use under subsequent DRIP related share issuances up to C\$3.2 million representing the unused portion of the capital allocated towards the dividend payment on November 19, 2021. The SRP allows for the repurchase of up to 14,262,633 shares.

During the nine months ended May 31, 2022 (May 31, 2021 - nil) there have been purchases of 1,500,000 shares for cash of \$875,574.

(e) Dividend:

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

11. Basic and diluted loss per share:

The calculation of basic loss per share for the three and nine months ended May 31, 2022 is calculated using the weighted average number of common issued shares of 445,895,954 and 340,483,654 respectively, less the weighted average number of shares purchased and held in treasury of 451,611 and 150,537 respectively to derive the weighted average number of issued and outstanding shares (May 31, 2021 - weighted average issued and outstanding shares 277,252,651).

Diluted loss per share for the three and nine-months ended May 31, 2022 and May 31, 2021 did not include the effects of stock options, as the effect would be anti-dilutive.

12. Financial instruments and risk management:

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

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12. Financial instruments and risk management (continued):

The following table summarizes the carrying value of financial assets and liabilities of the Company as at May 31, 2022 and August 31, 2021:

	May 31, 2022	August 31, 2021
Fair value through profit and loss:		
Investments at fair value	\$ 195,785,469	\$ 146,395,500
Amortized cost:		
Cash	35,715,003	2,158,142
Prepaid and deposits	241,025	49,529
Receivables	1,252,672	621,458
Accounts payable and accrued liabilities	120,027	172,712
Lease liabilities	545,095	-

As at May 31, 2022 and August 31, 2021, financial instruments that are not measured at fair value on the balance sheet are represented by cash, prepaid and deposits, receivables, accounts payable and accrued liabilities and lease liabilities. The fair value of these financial instruments approximates the carrying value due to their short-term nature and the fair values are estimated using Level 2 inputs.

Financial instruments that are recognized on the balance sheet at fair value can be classified in a hierarchy that is based on the relative reliability of the inputs used to estimate the fair value:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (*i.e.*, as prices) or indirectly (*i.e.*, derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets measured at FVTPL are as follows:

May 31, 2022	Level 1	Level 2	Level 3
Investments at fair value	\$ 77,008,466	\$ 118,777,002	\$ -

August 31, 2021	Level 1	Level 2	Level 3
Investments at fair value	\$ 55,970,983	\$ 90,424,517	\$ -

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12. Financial instruments and risk management (continued):

There were no asset transfers between levels for the nine months ended May 31, 2022 or year ended August 31, 2021.

Financial risks:

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Interest and foreign exchange risk; and
- Market price risk.

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and investments. The Company has limited exposure to credit risk related to cash, as it only deposits its cash with high credit quality financial institutions, which are available on demand. The Company's equity investments are settled and paid for upon delivery using an approved broker. The risk of default is considered minimal, as delivery of securities sold is made once the broker has received payment and payment on a purchase is received by the broker. The trade will fail if either party fails to meet its obligations. The Company's credit risk related to convertible debentures is associated with the risk that these third parties will not perform their underlying obligations. The Company mitigates its credit risk by only investing and providing loans where they have a detailed knowledge of the investee's operations and business strategy. The Company has convertible debentures invested in five companies at May 31, 2022 that were made up of 35% NexGen, 20% IsoEnergy; 18% Adriatic; 16% Contango and 11% Los Andes (August 31, 2021 - 45% NexGen, 27% Adriatic, 23% IsoEnergy and 5% Los Andes).

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company has ensured, as far as reasonably possible, it will have sufficient working capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. Historically, the Company's primary source of financing has been the issuance of equity securities for cash, through private placements. In the three months ended November 30, 2021 the Company raised funds through a secured bank loan which was fully repaid on March 3, 2022. In the three months ended February 28, 2022 the Company raised funds through a private placement. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity or bank financing. As of May 31, 2022, the Company had no significant contractual obligations other than those included in accounts payable, accrued liabilities and lease liabilities.

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12. Financial instruments and risk management (continued):

(c) Interest and foreign exchange risk:

The Company is subject to normal risks including fluctuations in interest rates and foreign exchange rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

At May 31, 2022, the Company is exposed to limited interest rate risk as it earns very little interest on its cash balance due to low interest rates on US and Canadian ("CA") dollars.

The Company has assets which are denominated in in US and CA dollars and liabilities which are denominated in US dollars, CA dollars, Hong Kong ("HK") dollars, Australian ("AU") dollars and British Pounds. The Company's exposure to exchange rate fluctuations arises mainly on foreign currency fluctuations against the US dollar functional currency.

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

	May 31, 2022	August 31, 2021
Cash	\$ 25,773,748	\$ 1,746,721
Prepayments and deposits	61,003	-
Investments	78,923,857	55,970,983
Accounts payable and accrued liabilities	(28,742)	(128,793)
Lease liabilities	(545,095)	-
	<u>\$ 104,184,771</u>	<u>\$ 57,588,911</u>

The Company is exposed to foreign currency risk on fluctuations related to cash, prepayments and deposits, investments, and accounts payable and accrued liabilities and lease liabilities that are denominated in CA, HK, and AU dollars and British Pounds.

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

	May 31, 2022	August 31, 2021
Canadian dollars	\$ 103,383,123	\$ 57,626,872
British pounds	1,296,502	-
Hong Kong dollars	(487,607)	(37,961)
Australian dollars	(7,247)	-
	<u>\$ 104,184,771</u>	<u>\$ 57,588,911</u>

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12. Financial instruments and risk management (continued):

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

Based on the above net exposure as at May 31, 2022 and assuming all other variables remain constant, a 2% depreciation or appreciation of the CA, British Pounds, HK or AU dollar against the U.S. dollar would result in an increase or decrease of approximately \$2.1 million (August 31, 2021 - \$1.2 million) in the Company's net income and comprehensive income.

(d) 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 5% increase and a 5% decrease in the value of the individual equity market prices in public entities, or individual equity prices in public entities which are used as equivalent equity instruments for the valuation of non-traded investments, would result in an increase of \$8.7 million and a decrease of \$8.9 million, respectively, in the value of investments and unrealized gain for the nine months ended May 31, 2022 (May 31, 2021 \$7.1 million).

13. Capital management:

The Company considers the items in shareholders' equity as capital. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its future liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long-term.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. 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.

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14. Supplemental disclosure with respect to cash flows:

During the nine months ended May 31, 2022, the significant non-cash transactions include \$720,000 in investments received for the settlement of establishment fees (note 5), \$374,980 in investments received for the settlement of interest receivable (note 5), reallocation of \$2,804,616 from share-base reserve to share capital for options exercised (note 10), reallocation of \$2,502,707 from retained earnings to share capital for shares issued under the DRIP (note 10) and reallocation of \$6,221,604 to reserves for share-based compensation costs (note 10).

During the nine months ended May 31, 2021, the significant non-cash transactions include \$243,759 in investments received for the settlement of interest receivable (note 5) and reallocation of \$2,448,605 to reserves for share-based compensation costs (note 10).

15. Segmented information:

An operating segment is defined as a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the Company's executive management, and for which discrete financial information is available. The Company has determined that it currently has one operating segment, being the selection, acquisition, and management of investments. The Company's corporate head office incurs nominal costs that are incidental to the activities of the Company and therefore does not meet the definition of an operating segment.