

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



QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Three and six months ended February 28, 2023
(Unaudited)

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

As at February 28, 2023 and August 31, 2022
(Unaudited)

	Note	February 28, 2023	August 31, 2022
Assets			
Current assets:			
Cash		\$ 11,739,977	\$ 34,508,794
Prepays and deposits		163,540	111,155
Receivables	3	1,252,910	720,958
		13,156,427	35,340,907
Non-current assets:			
Investments at fair value	4	202,031,530	196,751,187
Right-of-use assets		388,838	482,159
		202,420,368	197,233,346
		\$ 215,576,795	\$ 232,574,253

Liabilities and Shareholders' Equity

Current liabilities:			
Accounts payable and accrued liabilities	5	\$ 171,215	\$ 1,000,132
Lease liabilities		185,331	180,910
		356,546	1,181,042
Non-current			
Long-term lease liabilities		212,831	315,843
Shareholders' equity:			
Share capital		175,157,190	170,384,091
Reserve		19,651,119	17,072,967
Retained earnings		20,199,109	43,620,310
		215,007,418	231,077,368
		\$ 215,576,795	\$ 232,574,253

See accompanying notes to these condensed interim consolidated financial statements.

Approved on behalf of the Board:

“Warren Gilman” _____ Director

“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 numbers)

For the three months and six months ended February 28, 2023 and 2022
(Unaudited)

	Note	Three months ended		Six months ended	
		February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Income from investments:					
Interest income	4	\$ 2,046,386	\$ 935,047	\$ 3,952,082	\$ 1,868,863
Establishment fee income	4	120,000	-	720,000	-
Realized gain from investments	4	139,461	-	181,452	322,400
Unrealized (loss) gain from investments	4	(17,968,024)	9,163,058	(17,926,496)	22,457,732
Total (loss) income from investments		(15,662,177)	10,098,105	(13,072,962)	24,648,995
Operating expenses (gain):					
Consulting		2,223	2,352	4,424	4,735
Depreciation		46,660	-	93,321	-
Directors' fees	6	16,500	15,750	33,000	31,500
Foreign exchange loss (gain)		72,222	(172,440)	262,957	(239,272)
Interest expense and financing costs		-	278,168	-	548,861
Interest expense on lease liabilities		4,987	-	10,648	-
Management fees	6	225,000	690,000	450,000	870,000
Office and administration		103,777	60,165	174,604	120,095
Office expenses and rent	6	7,972	91,936	17,143	184,104
Professional fees		22,345	34,646	123,039	91,225
Regulatory and transfer agent fees		49,384	10,207	111,828	63,819
Share-based compensation	9	1,281,954	4,911,163	2,578,152	4,911,163
Travel		65,124	11,194	169,230	11,194
Total operating expenses		1,898,148	5,933,141	4,028,346	6,597,424
Net (loss) income and comprehensive (loss) income					
		\$ (17,560,325)	\$ 4,164,964	\$ (17,101,308)	\$ 18,051,571
Net (loss) income per common share:					
Basic	10	\$(0.04)	\$0.01	\$(0.04)	\$0.06
Diluted	10	\$(0.04)	\$0.01	\$(0.04)	\$0.06
Weighted average number of common shares - basic					
		451,596,292	294,568,898	448,822,521	287,634,810
Weighted average number of common shares - diluted					
		490,246,292	298,004,287	487,472,521	293,133,060

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, except share numbers)

For the six months ended February 28, 2023 and 2022
(Unaudited)

	Note	Issued number of Shares	Share capital	Treasury shares	Reserves	Retained earnings	Shareholders' equity
Balance, August 31, 2022		445,895,954	\$ 171,700,469	\$ (1,316,378)	\$ 17,072,967	\$ 43,620,310	\$ 231,077,368
Shares issued - dividend reinvestment plan	7	9,631,732	5,078,194	-	-	(5,078,194)	-
Shares purchased and held in Treasury	7	-	-	(977,421)	-	-	(977,421)
Shares canceled	7	(4,196,134)	(1,621,473)	2,293,799	-	(672,326)	-
Share-based compensation	7	-	-	-	2,578,152	-	2,578,152
Dividend - paid in cash	7	-	-	-	-	(569,373)	(569,373)
Net loss for the period	-	-	-	-	-	(17,101,308)	(17,101,308)
Balance, February 28, 2023		451,331,552	\$ 175,157,190	\$ -	\$ 19,651,119	\$ 20,199,109	\$ 215,007,418
Balance, August 31, 2021		277,252,651	\$ 86,218,243	\$ -	\$ 12,345,537	\$ 50,488,137	\$ 149,051,917
Shares issued – exercise of stock options	7	8,000,000	4,747,536	-	(2,804,616)	-	1,942,920
Shares issued – dividend reinvestment plan	7	4,393,303	2,502,707	-	-	(2,502,707)	-
Shares issued – private placement, net of costs	7	156,250,000	78,234,930	-	-	-	78,234,930
Shares purchased and held in Treasury	7	-	-	(359,916)	-	-	(359,916)
Share-based compensation	7	-	-	-	4,911,163	-	4,911,163
Dividend – paid in cash	7	-	-	-	-	(882,672)	(882,672)
Net income for the period	-	-	-	-	-	18,051,571	18,051,571
Balance, February 28, 2022		445,895,954	\$ 171,703,416	\$ (359,916)	\$ 14,452,084	\$ 65,154,329	\$ 250,949,913

See accompanying notes to these interim consolidated financial statements

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

For the six months ended February 28, 2023 and 2022
(Unaudited)

Note	Six months ended February 28, 2023	Six months ended February 28, 2022
Cash flow provided by (used in):		
Operating activities:		
	\$ (17,101,308)	\$ 18,051,571
Items not affecting cash:		
Interest income on convertible debentures	4 (3,782,899)	(1,867,500)
Establishment fee income	4 (450,000)	-
Realized gain on investments	4 (181,452)	(322,400)
Unrealized loss (gain) on investments	4 17,926,496	(22,457,732)
Depreciation	93,321	-
Interest expense and financing costs	-	548,861
Interest expense on lease liabilities	10,648	-
Share-based compensation	7 2,578,152	4,911,163
Unrealized currency translation loss (gain)	226,118	(340,087)
	(680,924)	(1,476,124)
Changes in working capital items:		
Other receivables	88,051	-
Prepaid expenses and advances	(52,385)	(206,799)
Accounts payable and accrued liabilities	(828,917)	311,290
Interest received on convertible debentures	4 2,408,933	1,530,010
Interest expense paid on bank loan	-	(285,735)
Interest expense paid on lease liabilities	(10,648)	-
Cash flow provided (used in) by operating activities	924,110	(127,358)
Financing activities:		
Common shares issued by private placement, net of costs	-	78,234,930
Common shares issued by stock option exercise	7 -	1,942,920
Common shares purchased	7 (977,421)	(359,916)
Dividends paid	7 (569,373)	(882,672)
Payment of lease liabilities	(98,764)	-
Borrowings, net of transaction costs	-	16,419,503
Cash flow (used in) provided by financing activities	(1,645,558)	95,354,765
Investing activities:		
Acquisition of investments	4 (24,000,000)	(17,525,371)
Proceeds from sale of equity investments	4 2,178,575	590,866
Cash flow (used in) investing activities	(21,821,425)	(16,934,505)
(Decrease) increase in cash during the period	(22,542,873)	78,292,902
Cash and cash equivalents, beginning of the period	34,508,794	2,158,142
Effect of currency translation on cash	(225,944)	221,016
Cash and cash equivalents, end of the period	\$ 11,739,977	\$ 80,672,060

Supplemental disclosure with respect to cash flows (note 11)

See accompanying notes to these interim consolidated financial statements

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Condensed Interim Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Six months ended February 28, 2023

(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. The Company's corporate office is located at Suite 2006, 2 Queen's Road Central, Hong Kong. The Company is listed on the Toronto Stock Exchange ("TSX") and the trades under the symbol "QRC".

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.

(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") and share-based compensation recognized at fair value at the measurement date. 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, 2022. 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, 2022.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Condensed Interim Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Six months ended February 28, 2023

(Unaudited)

3. Receivables:

Receivables consist of the following:

	February 28, 2023	August 31, 2022
Interest receivable on convertible debentures	\$ 1,241,461	\$ 621,458
Other receivables	11,449	99,500
	<u>\$ 1,252,910</u>	<u>\$ 720,958</u>

4. Investments at fair value:

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

	February 28, 2023	August 31, 2022
Equity and other investments:		
NexGen Energy Ltd. (a)	\$ 48,926,920	\$ 51,645,722
Osisko Green Acquisition Ltd. (b)	14,787,904	14,957,824
Other investments (c)	7,640,519	11,982,934
	<u>71,355,343</u>	<u>78,586,480</u>
Convertible debentures (d):		
Adriatic Metals PLC	23,612,057	19,305,637
Challenger Exploration Ltd.	11,559,020	-
Contango ORE, Inc.	18,910,614	18,327,105
IsoEnergy Ltd.	25,027,437	30,908,072
Los Andes Copper Ltd.	14,284,579	10,857,271
NexGen Energy Ltd.	37,282,480	38,766,622
	<u>130,676,187</u>	<u>118,164,707</u>
	<u>\$ 202,031,530</u>	<u>\$ 196,751,187</u>

The continuity of the Company's investments during the period ended February 28, 2023 is as follows:

	August 31, 2022	Additions	Net proceeds from disposition	Realized gain	Unrealized loss	February 28, 2023
Equity and other investments	\$ 78,586,480	\$ 1,203,962	\$ (2,178,575)	\$ 181,452	\$ (6,437,976)	\$ 71,355,343
Convertible debentures	118,164,707	24,000,000	-	-	(11,488,520)	130,676,187
	<u>\$ 196,751,187</u>	<u>\$ 25,203,962</u>	<u>\$ (2,178,575)</u>	<u>\$ 181,452</u>	<u>\$ (17,926,496)</u>	<u>\$ 202,031,530</u>

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Condensed Interim Consolidated Financial Statements
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Three and Six months ended February 28, 2023
(Unaudited)

4. Investments at fair value (continued):

The continuity of the Company's investments during the period ended February 28, 2022 is as follows:

	August 31, 2021	Additions	Net proceeds from disposition	Realized gain	Unrealized gain	February 28, 2022
Equity and other investments	\$ 55,970,983	\$ 17,862,861	\$ (590,866)	\$ 322,400	\$ 11,959,605	\$ 85,524,983
Convertible debentures	90,424,517	-	-	-	10,498,127	100,922,644
	\$ 146,395,500	\$ 17,862,861	\$ (590,866)	\$ 322,400	\$ 22,457,732	\$ 186,447,627

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.

(a) 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 February 28, 2023 is \$48,926,920 (August 31, 2022 - NexGen 11,611,667 shares \$51,645,722). The fair value is calculated using the closing market price of the shares on the relevant date.

(b) 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 C\$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 investments held for investment purposes. The fair value of the 2,000,000 Class A Restricted Voting Shares at February 28, 2023 is \$14,787,904 (August 31, 2022 - \$14,957,824). The fair value is calculated using the closing market price of the shares on the relevant date.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Condensed Interim Consolidated Financial Statements
(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Six months ended February 28, 2023
(Unaudited)

4. Investments at fair value (continued):

(c) Other 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 February 28, 2023 is \$7,640,519 (August 31, 2022 - \$11,982,934).

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 and other 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.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Condensed Interim Consolidated Financial Statements
(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Six months ended February 28, 2023
(Unaudited)

4. Investments at fair value (continued):

(d) Investments in convertible debentures:

The Company holds unsecured convertible debentures issued by listed entities. Details of investments in debentures held are listed in the table below with further information in the footnotes:

Issuer	Principal ⁽¹⁾ US\$	Issue date ⁽²⁾	Maturity date	Annual coupon	Annual coupon settled by	Conversion price ⁽⁵⁾	Redemption	Other notes
Adriatic Metals PLC ("Adriatic")	20,000,000	Dec 1, 2020	Dec 1, 2024	9.5% ⁽³⁾	Cash 8.5%	A\$2.7976	(6)	(7), (8)
Challenger Exploration Ltd. ("Challenger")	15,000,000	Sep 12, 2022	Sep 12, 2026	9.0%	Cash 7.0% Shares 2.0%	A\$0.25		(8)
Contango ORE, Inc. ("Contango")	20,000,000	Apr 26, 2022	Apr 26, 2026	8.0%	Cash 6.0% Shares 2.0%	\$30.50	(9)	(10)
IsoEnergy Ltd. ("IsoEnergy")	Various 4,000,000 to 6,000,000	Various (2020 to 2022)	Various (2025 to 2027)	8.5% ⁽⁴⁾ to 10.0%	Cash 6.0% ⁽⁴⁾ to 10.0% Shares 2.5% ⁽⁴⁾ to 7.5%	(11)	(12)	(13), (14)
Los Andes Copper Ltd ("Los Andes")	Various 4,000,000 to 5,000,000	Various (2021 to 2022)	Various (2026 to 2027)	8.0%	Cash 5.0% Shares 3.0%	(15)	(12)	(15)
NexGen Energy Ltd. ("NexGen")	15,000,000	May 27, 2020	May 27, 2025	7.5%	Cash 5.0% Shares 2.5%	C\$2.34	(12)	(14)

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Condensed Interim Consolidated Financial Statements
(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Six months ended February 28, 2023
(Unaudited)

4. Investments at fair value (continued):

(d) 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 on issue date, settled either in cash or common shares of the issuer.
- (3) Adriatic: The annual coupon increased from 8.5% to 9.5% on January 10, 2023.
- (4) IsoEnergy: The annual coupon on the \$6,000,000 debenture issued in 2020 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. This filing has not been made as at February 28, 2023 or August 31, 2022.
- (5) 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.
- (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) 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.
- (8) Adriatic and Challenger: 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.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Condensed Interim Consolidated Financial Statements
(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Six months ended February 28, 2023
(Unaudited)

4. Investments at fair value (continued):

(d) Investments in convertible debentures (continued):

- (9) 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.
- (10) 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.
- (11) IsoEnergy: Conversion prices range from C\$0.88 to C\$4.33.
- (12) NexGen, IsoEnergy, Los Andes; 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.
- (13) 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.
- (14) 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.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Condensed Interim Consolidated Financial Statements
(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Three and Six months ended February 28, 2023
(Unaudited)

4. Investments at fair value (continued):

(d) Investments in convertible debentures (continued):

(15) Los Andes: Interest can be settled by between 5% to 8% per annum in cash and between 0% and 3% per annum in shares. Conversion prices range from C\$10.82 to C\$19.67.

During the six months ended February 28, 2023 the Company received establishment fees of \$450,000 on a convertible debenture of \$15 million issued by Challenger settled by 3,513,457 common shares of Challenger, \$150,000 on a convertible debenture of \$5 million issued by Los Angeles settled in cash and \$120,000 on a convertible debenture of \$4 million issued by Iso Energy settled in cash (February 28, 2022 – nil).

The fair value of convertible debentures at February 28, 2023 is \$130,676,187 (August 31, 2022 - \$118,164,707). 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 and inputs below were used in the models for significant debentures held by the Company:

February 28, 2023	Adriatic	Challenger	Contango	NexGen
Expected life	1.76 years	3.54 years	3.16 years	2.24 years
Modelled price volatility ⁽¹⁾	29%	51%	44%	67%
Risk free interest rate	3.7%	3.6%	4.6%	4.1%
Coupon interest rate	9.5%	9.0%	8.0%	7.5%
Expected dividend yield	-%	-%	-%	-%
Credit spread	26.9%	30.3%	26.2%	18.1%
Underlying share price of the investee	A\$3.08	A\$0.14	\$23.89	C\$5.75
Conversion price	A\$2.7976	A\$0.25	\$30.50	C\$2.34
Exchange rate (C\$ - \$)	-	-	-	0.7328
Exchange rate (A\$ - \$)	0.6729	0.6729	-	-

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Condensed Interim Consolidated Financial Statements
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Three and Six months ended February 28, 2023
(Unaudited)

4. Investments at fair value (continued):

(d) Investments in convertible debentures (continued):

August 31, 2022	Adriatic	Challenger	Contango	NexGen
Expected life	2.25 years	3.65 years	2.97 years	2.74 years
Modelled price volatility ⁽¹⁾	35%	46%	68%	71%
Risk free interest rate	3.0%	3.3%	3.6%	3.6%
Coupon interest rate	8.5%	8.0%	8.0%	7.5%
Expected dividend yield	-%	-%	-%	-%
Credit spread	28.3%	27.6%	20.6%	19.6%
Underlying share price of the investee	A\$2.28	\$23.19	C\$4.47	C\$5.84
Conversion price	A\$2.7976	\$30.50	C\$0.88	C\$2.34
Exchange rate (C\$ - \$)	-	-	0.7616	0.7616
Exchange rate (A\$ - \$)	0.6842	-	-	-

(1) Modelled price volatility is derived based on the volatility of the issuer's shares and incorporates a calibration adjustment used initially to equate the fair value of the debenture to the purchase consideration.

For the six months ended February 28, 2023, the Company has recorded interest income on convertible debentures of \$3,782,899 (February 28, 2022 - \$1,867,500). During the six months ended February 28, 2023, the Company received interest payments of \$3,162,895 of which \$2,408,933 was paid in cash and \$753,962 was settled in common shares (February 28, 2022 - \$1,867,500 of which \$1,530,010 was in cash and \$337,490 in common shares).

5. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of the following:

	February 28, 2023	August 31, 2022
Accounts payable	\$ 61,896	\$ 31,419
Accrued liabilities	71,503	189,679
Due to related parties (note 6)	37,816	779,034
	\$ 171,215	\$ 1,000,132

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6. Related party transactions:

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

	Three months ended		Six months ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Management fees	\$ 225,000	\$ 180,000	\$ 450,000	\$ 870,000
Directors' fees	16,500	15,750	33,000	31,500
Share-based compensation	1,281,954	4,911,163	2,578,152	4,911,163
	<u>\$ 1,523,454</u>	<u>\$ 5,106,913</u>	<u>\$ 3,061,152</u>	<u>\$ 5,812,663</u>

During the three and six months ended February 28, 2022, the Company reimbursed office rent of \$91,936 and \$184,104, respectively 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 Company has entered into a lease agreement for the office directly from April 1, 2022.

As at February 28, 2023, accounts payable and accrued liabilities include an amount of \$37,816 (August 31, 2022 - \$779,034) due to officers and directors of the Company and/or companies controlled by officers and directors of the Company, related to directors' fees and reimbursement of expenses. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

As at February 28, 2023, the Company holds equity investments and convertible debentures in NexGen, a company related by way of two common directors and IsoEnergy, a company controlled by NexGen and in Los Andes, a company related by way of a common director. The fair value of equity investments and convertible debentures of these related companies at February 28, 2023 is \$127,766,050 (August 31, 2022 - \$134,323,524). Establishment fee income for the six months ended February 28, 2023 is \$270,000 (February 28, 2022 - nil) and interest income on convertible debentures is \$1,470,816 (February 28, 2022 - \$1,017,500) from these related companies.

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, subscribed for common shares in the Company's private placement on February, 25, 2022 (Note 7(a)).

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7. Share capital:

(a) Common shares:

Authorized:

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

Issued:

451,331,552 common shares as at February 28, 2023 (August 31, 2022 - 445,895,954).

Issued and Outstanding:

451,331,552 common shares as at February 28, 2023 (August 31, 2022 - 443,556,376).

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

	Six months ended February 28, 2023	Six months ended February 28, 2022
Shares issued and fully paid		
At beginning of period	445,895,954	277,252,651
Issued on exercise of share options	-	8,000,000
Issued in settlement of dividend	9,631,732	4,393,303
Issued by private placement	-	156,250,000
Canceled	(1)	-
Purchased through NCIB and canceled	(4,196,133)	-
At end of period	451,331,552	445,895,954

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

	Six months ended February 28, 2023	Six months ended February 28, 2022
Shares issued, fully paid and outstanding:		
At beginning of period	443,556,376	277,252,651
Issued on exercise of share options	-	8,000,000
Issued on settlement of dividends	9,631,732	4,393,303
Issued by private placement	-	156,250,000
Canceled	(1)	-
Purchased through NCIB and canceled	(1,856,555)	-
Purchased through NCIB and held in treasury	-	(660,500)
At end of period	451,331,552	445,235,454

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7. Share capital:

(a) Common shares (continued):

Share transactions during the six months ended February 28, 2023 and the six months ended February 28, 2022 were as follows:

- 9,631,732 common shares of the Company were issued on November 17, 2022 as fully paid shares for the settlement of dividends of C\$0.017 per share based on a share price of C\$0.70. \$5,078,194 was transferred from retained earnings to share capital.
- 1 common share of the Company was canceled on October 17, 2022.
- 4,196,133 common shares of the Company purchased through the Normal Course Issuer Bid ("NCIB") were canceled, with 3,260,694 common shares cancelled on November 6, 2022 and 935,439 common shares canceled on February 28, 2023. The cost of the shares cancelled, including commission, was \$2,293,799, an average cost of C\$0.71 per share. \$1,621,473 representing the average issue price of the canceled shares, was transferred from the treasury share reserve to share capital. The remaining \$672,326 was transferred from the treasury share reserve to retained earnings.
- Outstanding shares on September 1, 2022 were reduced by 2,339,578 shares purchased between the start of the NCIB on November 22, 2021 and August 31, 2022 and held in treasury on August 31, 2022. These shares were part of the 3,260,694 shares canceled on November 6, 2022. The reduction of the outstanding shares by 1,856,555 shares during the six months ended February 28, 2023 represents 921,116 shares purchased between September 1, 2022 and November 6, 2022, canceled on November 6, 2022 and a further 935,439 shares purchased between November 7, 2022 and February 28, 2023. All common shares purchased under the NCIB were canceled as at February 28, 2023. There were no common shares held in treasury as at February 28, 2023.
- 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 C\$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 C\$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 C\$0.015 per share based on a share price of C\$0.72. \$2,502,707 was transferred from retained earnings to share capital.

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7. Share capital:

(a) Common shares (continued):

Share transactions during the six months ended February 28, 2023 and six months ended February 28, 2022 were as follows (continued):

- 156,250,000 common shares of the Company were issued on February 25, 2022 at C\$0.64 per share for gross proceeds of \$78,450,000 through a non-brokered private placement. Two significant shareholders, Wyloo and Corom each subscribed for 39,062,500 common shares, respectively, of the private placement.
- 660,500 common shares of the Company were purchased for an average cost per share of C\$0.68 per share, including commissions, by the Company during the six months ended February 28, 2022 under the NCIB and held in treasury.

(b) Warrants:

There were no warrants outstanding at February 28, 2023 and August 31, 2022.

(c) Stock options:

The Company's new incentive stock option plan ("2022 Option Plan") was approved by the shareholders of the Company at the Annual General Meeting on December 22, 2022 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, subject to certain limitations in respect of the maximum number of common shares issuable to insiders. The 2022 Option Plan allows for the option price at the time each option is granted to be not less than the volume weighted average trading price of the common shares on the TSX for the five days immediately preceding the grant date. The plan provides participants with a cashless exercise alternative. Options granted under the 2022 Option Plan will have a term not to exceed five years. Vesting is determined at the discretion of the Board of Directors and in accordance with the policies of the TSX.

Options granted under the Company's previous stock option plan ("Old Option Plan") will continue to be governed by the Old Option Plan.

No stock options were issued or exercised during the six months ended February 28, 2023. The continuity of the Company's outstanding stock options for the comparable period is as follows:

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7. Share capital (continued):

(c) Stock options (continued):

	Number of Outstanding options	Weighted average exercise price (C\$)
At August 31, 2021	11,150,000	0.30
Exercised	(8,000,000)	0.30
Issued	35,500,000	0.64
At August 31, 2022	38,650,000	\$ 0.61

1,000,000 stock options granted on February 3, 2020 at C\$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 C\$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 C\$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 year ended August 31, 2022 of \$7,532,046. \$2,578,152 was charged to reserves for the six months ended February 28, 2023 (February 28, 2022 – \$2,804,616).

A summary of the Company's outstanding options at February 28, 2023 and August 31, 2022 is as follows:

Exercise price C\$	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	

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7. Share capital (continued):

(d) Normal Course Issuer Bid ("NCIB"):

On November 21, 2021 the Company commenced a NCIB for a period of twelve months. Purchases are conducted by a third-party broker. The NCIB was renewed for a further twelve months from November 22, 2022. The current NCIB allows for the repurchase of up to 22,126,121 shares.

During the six months ended February 28, 2023 there were purchases of 1,856,555 shares for cash of \$977,421 (February 28, 2022 – 660,500 shares for cash of \$359,916). During the year ended August 31, 2022 there were purchases of 2,339,578 shares for cash of \$1,316,378.

(e) Dividend:

On October 15, 2021 the Company declared a dividend on C\$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 under the Company's dividend reinvestment plan ("DRIP").

On October 18, 2022 the Company declared a dividend on C\$0.017 per share to all shareholders of record on November 7, 2022. The dividend of \$5,647,567 was paid on November 17, 2022, with \$569,373 paid in cash and \$5,078,194 settled by the issue of 9,631,732 shares under the Company's DRIP.

8. Basic and diluted net loss/ income per share:

The calculation of basic net loss per share for the three and six months ended February 28, 2023 is calculated using the weighted average number of common issued shares of 452,266,992 and 449,271,550, respectively, less the weighted average number of shares purchased and held in treasury of 670,700 and 449,029, respectively to derive the weighted average number of issued and outstanding shares 451,596,292 and 448,822,521 (February 28, 2022 – weighted average common issued shares for three and six months of 294,568,898 and 287,634,810, respectively, less the weighted average number of shares purchased and held in treasury of 285,389 and 142,694, respectively).

Diluted net loss per share for the three and six months ended February 28, 2023 did not include the effects of stock options, as the effect would be anti-dilutive.

Diluted net income per share for the three and six months ended February 28, 2022 was calculated using the weighted average number of common shares issued and outstanding shares, and adjusted for the dilutive effect of the weighted average number of stock options outstanding.

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9. 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.

The following table summarizes the carrying value of financial assets and liabilities of the Company as at February 28, 2023 and August 31, 2022:

	February 28, 2023	August 31, 2022
Fair value through profit and loss:		
Investments at fair value	\$ 202,031,530	\$ 196,751,187
Amortized cost:		
Cash	11,739,977	34,508,794
Prepaid and deposits	163,540	111,155
Receivables	1,252,910	720,958
Accounts payable and accrued liabilities	171,215	1,000,132
Lease liabilities	398,162	496,753

As at February 28, 2023 and August 31, 2022, 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).

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9. Financial instruments and risk management (continued):

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

February 28, 2023	Level 1	Level 2	Level 3
Investments at fair value	\$ 106,665,801	\$ 95,365,729	\$ -

August 31, 2022	Level 1	Level 2	Level 3
Investments at fair value	\$ 74,403,800	\$ 122,347,387	\$ -

There were no asset transfers between levels for the six months ended February 28, 2023 or year ended August 31, 2022.

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 six companies at February 28, 2023 that were made up of 29% NexGen, 19% IsoEnergy; 18% Adriatic; 14% Contango, 11% Los Andes and 9% Challenger (August 31, 2022 - 33% NexGen, 26% IsoEnergy, 16% Adriatic, 16% Contango and 9% Los Andes).

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9. Financial instruments and risk management (continued):

(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 November 30, 2021 the Company raised funds through a secured bank loan which was fully repaid on March 3, 2022. In 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 February 28, 2023, the Company had no significant contractual obligations other than those included in accounts payable, accrued liabilities and lease liabilities.

(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 February 28, 2023, the Company is exposed to limited interest rate risk as it earns relatively low interest on its cash balance due to modest interest rates on US dollars and Canadian dollars ("C\$").

The Company has assets and liabilities which are denominated foreign currencies. The Company's exposure to exchange rate fluctuations arises mainly on foreign currency fluctuations against the US dollar functional currency.

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 C\$ and Hong Kong ("HK\$") and Australian ("A\$") dollars and British Pounds ("GBP").

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9. Financial instruments and risk management (continued):

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

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

February 28, 2023	C\$	GBP	HK\$	A\$	Total
Cash	\$ 3,148,514	\$ -	\$ 20,740	\$ -	\$ 3,169,254
Prepayments and deposits	-	-	61,003	-	61,003
Investments	68,023,080	51,656	-	389,867	68,464,603
Accounts payable and accrued liabilities	(82,058)	(8,219)	(26,816)	-	(117,093)
Lease liabilities	-	-	(398,162)	-	(398,162)
Net assets (liabilities)	\$ 71,089,536	\$ 43,437	\$ (343,235)	\$ 389,867	\$ 71,179,605

August 31, 2022	C\$	GBP	HK\$	A\$	Total
Cash	\$ 23,356,422	\$ -	\$ 20,390	\$ -	\$ 23,376,812
Prepayments and deposits	-	-	61,003	-	61,003
Investments	73,358,559	1,146,876	-	-	74,505,435
Accounts payable and accrued liabilities	(169,544)	-	(5,076)	(27,915)	(202,535)
Lease liabilities	-	-	(496,754)	-	(496,754)
Net assets (liabilities)	\$ 96,545,437	\$ 1,146,876	\$ (420,437)	\$ (27,915)	\$ 97,243,961

Based on the above net exposure as at February 28, 2023 and assuming all other variables remain constant, a 2% depreciation or appreciation of the C\$, HK\$, A\$ and GBP against the US dollar would result in an increase or decrease of approximately \$1.4 million (August 31, 2022 - \$1.9 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 approximately \$8.7 million and a decrease of approximately \$9.2 million, respectively, in the value of investments and unrealized gain for the six months ended February 28, 2023 (February 28, 2022 - increase and decrease of approximately \$8.8 million).

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10. 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.

11. Supplemental disclosure with respect to cash flows:

Significant non-cash transactions in the six months ended February 28, 2023 and February 28, 2022 were:

	Six months ended February 28, 2023	Six months ended February 28, 2022
Investments received for settlement of establishment fees (note 4)	\$ 450,000	\$ -
Investments received for settlement of interest receivable (note 4)	753,962	337,490
Transfer from share-based reserve to share capital for options exercised (note 7)	-	2,804,616
Transfer from retained earnings to share capital for shares issued under the DRIP (note 7)	5,078,194	2,502,707
Transfer from retained earnings to share-based reserves for share-based compensation costs (note 7)	2,578,152	4,911,163

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12. 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.