



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

For the three and six months ended February 28, 2023

Effective Date of this Report: April 11, 2023

This Management's Discussion & Analysis ("**MD&A**") is intended to help the reader understand the significant factors that have affected the performance of Queen's Road Capital Investment Ltd. and its subsidiary (collectively, "**QRC**", "**we**", "**us**", "**our**" or the "**Company**") and such factors that may affect its future performance. This MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended February 28, 2023, and the consolidated audited financial statements for the year ended August 31, 2022, and the related noted attached thereto, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standard Board ("**IASB**"). The consolidated financial statements are available under QRC's profile on SEDAR at www.sedar.com. All amounts in this MD&A are expressed in United States dollars, unless otherwise stated.

The MDA includes the non-IFRS measure market value of investments, which does not have any standardized meaning prescribed under IFRS; and therefore, may not be comparable to similar measures presented by other entities. This non-GAAP measure should not be considered to be more meaningful than GAAP measures, which are determined in accordance with IFRS, such fair value of investments as indicators of the Company's performance. The reconciliation of the market value of investments to the fair value of investments, the most directly comparable financial measure from the consolidated financial statements, is set out under "**Investments at Fair Value**" below.

Cautionary Statement on Forward-Looking Information

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

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



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

Description of the Business

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. QRC is a Hong Kong based company listed on the Toronto Stock Exchange under the symbol "**QRC**".

Key Accomplishments During the Three and Six Months Ended February 28, 2023

\$5 Million Investment in Los Andes Copper Ltd.

On September 4, 2022, the Company completed the purchase of a further \$5 million convertible debenture issued by Los Andes Copper Ltd. ("**Los Andes**") having the following principal terms:

- 8.0% interest payable quarterly - 5% in cash and 3% in Los Andes common shares;
- 5-year plus one day maturity; and
- Debenture convertible into Los Andes common shares at Canadian Dollar ("C\$") \$16.75 per share.

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

\$15 Million Investment in Challenger Exploration Ltd.

On September 12, 2022, the Company completed the purchase of a \$15 million convertible debentures issued by Challenger Exploration Ltd. ("**Challenger**") having the following principal terms:

- 9.0% interest payable quarterly - 7% in cash and 2% in Challenger common shares;
- 4-year maturity; and
- Debenture convertible into Challenger common shares at Australian Dollar ("A\$") \$0.25 per share.

QRC earned a 3% establishment fee on the principal amount of the Challenger debenture, which was settled by the issuance of 3,513,457 Challenger common shares.



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Declaration and Payment of Dividend

On October 18, 2022, the Company declared its second annual dividend of C\$0.017 per share to all shareholders on record as of November 7, 2022. The dividend was paid on November 17, 2022 and 90% of shareholders elected to reinvest their dividend in shares of the Company through the Company's dividend reinvestment plan ("DRIP").

Normal Course Issuer Bid

On November 18, 2022, the Company announced the continuation of the normal course issuer bid ("NCIB") valid for a period of twelve months from November 22, 2022. Purchases are conducted by a third-party broker.

\$4 Million Investment in IsoEnergy Ltd.

On December 6, 2022, the Company completed the purchase a further \$4 million convertible debenture issued by IsoEnergy Ltd. ("IsoEnergy") having the following principal terms:

- 10.0% interest payable semi-annually - 7.5% in cash and 2.5% in IsoEnergy common shares;
- 5-years plus one day maturity; and
- Debenture convertible into IsoEnergy common shares at C\$4.33 per share.

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

Investments

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

Investment Objectives

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



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Investment Strategy

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

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

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

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



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Investment Selection, Evaluation and Decision Making Process

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

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

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

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

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

Composition of Investment Portfolio

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

As of the date of this report, the Company has invested a total of approximately \$126 million mainly in seven different resource companies as presented in the table below.

Resource Company	Investment Base	Investment Type
Adriatic Metals PLC	\$ 20,000,000	Convertible Debt
Challenger Exploration Ltd.	15,000,000	Convertible Debt
Contango ORE, Inc.	20,000,000	Convertible Debt
IsoEnergy Ltd. ⁽¹⁾	10,000,000 ⁽¹⁾	Convertible Debt
Los Andes Copper Ltd. ⁽¹⁾	14,000,000 ⁽¹⁾	Convertible Debt
NexGen Energy Ltd.	30,000,000	Convertible Debt and Equity
Osisko Green Acquisition Ltd.	16,515,318	Equity and Warrants
	\$ 125,515,318	

⁽¹⁾ Several convertible debentures issued on various dates.



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Income Generation

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

(a) Interest income:

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

The Company expects to receive annual interest payments of \$8.0 million (assuming interest payments are made by the investee issuers on a timely basis) from its investments in convertible debentures at the date of this report of \$94 million, an average interest rate of 8.5%.

(b) Capital gains (losses):

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

(c) Fees:

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

Market Value of Investments

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



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Market Value of Investments (continued)

The following table presents the key assumptions used for the valuations of investments as at April 6, 2023:

Assumptions		As at April 6, 2023
C\$ / \$ Exchange Rate	C\$ / \$	C\$1.35
A\$ / \$ Exchange Rate	A\$ / \$	A\$1.50
Adriatic Metals PLC ("ADT.AX") Share Price	A\$ / share	A\$3.68
Challenger Exploration Ltd. ("CEL.AX") Share Price	A\$ / share	A\$0.17
Contango ORE, Inc. ("CTGO.US") Share Price	\$ / share	\$29.25
IsoEnergy Ltd. ("ISO.V") Share Price	C\$ / share	C\$2.63
Osisko Green Acquisition Ltd. ("GOGR.TO") Share Price	C\$ / share	C\$10.06
NexGen Energy Ltd. ("NXE.TO") Share Price	C\$ / share	C\$4.81

(a) Market value of equity investments:

The calculation of the market value of the Company's equity investments is straight forward as most of its investments are in investee issuers whose equity is listed and trading on various stock exchanges. Based on the share prices the current market value of the Company's current equity investments is as follows:

	Securities owned	Original investment	Current market value as at April 6, 2023	Value increase (decrease) over original investment
NexGen Energy Ltd.	11,611,667	\$15,000,000	\$41,439,470	\$26,439,470
Osisko Green Acquisition Ltd. Class A Restricted Voting Shares	2,000,000	\$14,989,100	\$14,928,031	\$(61,069)
Other investments	Various	NM ⁽¹⁾	\$10,208,686	NM ⁽¹⁾

⁽¹⁾ Not meaningful as "Other Investments" include (a) securities purchased for investment purposes; and (b) securities received as establishment fees and in settlement of interest receivable held for investment purposes that had no original investment cost to the Company.

(b) Market Value of Convertible Debt Investments:

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

Resource Company	Principal amounts outstanding	Current market value as at April 6, 2023	Value increase over principal amounts
Adriatic Metals PLC	\$ 20,000,000	\$29,863,392	\$9,863,392
Challenger Exploration Ltd.	\$ 15,000,000	\$19,998,750	\$4,998,750
Contango ORE, Inc.	\$ 20,000,000	\$30,151,621	\$10,151,621
IsoEnergy Ltd. ⁽¹⁾	\$ 10,000,000 ⁽¹⁾	\$25,498,799	\$15,498,799
Los Andes Copper Ltd. ⁽¹⁾	\$ 14,000,000 ⁽¹⁾	\$19,206,647	\$5,206,647
NexGen Energy Ltd.	\$ 15,000,000	\$34,128,606	\$19,128,606

⁽¹⁾ Several convertible debentures issued on various dates.



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Results for the Three and Six Months ended February 28, 2023

Overall Performance

	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	Six Months Ended February 28, 2023	Six Months Ended February 28, 2022
	\$	\$	\$	\$
Interest income	2,046,386	935,047	3,952,082	1,868,863
Establishment fee income	120,000	-	720,000	-
Realized gain on equity investments	139,461	-	181,452	322,400
Unrealized (loss) gain on equity and other investments	(8,996,776)	8,038,210	(6,437,976)	11,959,605
Unrealized (loss) gain on convertible debentures	(8,971,248)	1,124,848	(11,488,520)	10,498,127
(Loss) Income from Investments	(15,662,177)	10,098,105	(13,072,962)	24,648,995

Interest income from investments during the three and six months ended February 28, 2023 of \$2,046,386 and \$3,952,082 and three and six months ended February 28, 2022 of \$935,047 and \$1,868,863, respectively mainly represents the interest income earned on the convertible debenture portfolio listed above.

Establishment fee income during the three months ended February 28, 2023 of \$120,000 (2022 – nil) represents the establishment fee income earned on the IsoEnergy (December 2022) convertible debenture. Establishment fee income during the six months ended February 28, 2023, of \$720,000 (2022 - nil) represents the establishment fee earned on the Challenger (September 2022), Los Andes (September 2022) and IsoEnergy (December 2022) convertible debentures, respectively.

Realized gain on equity investments during the three and six months ended February 28, 2023, of \$139,461 and \$181,452 and the six months ended February 28, 2022 of \$322,400, respectively arise from the sale of equity investments.

Unrealized loss on equity and other investments during the three and six months ended February 28, 2023, of \$8,996,776 and \$6,437,976, respectively mainly represents loss arising from the decrease in the share price of NexGen. Unrealized gain on equity and other investments during the three and six months ended February 28, 2022, of \$8,038,210 and \$11,959,605, respectively represents gain arising from the increase in the share price of NexGen and the investment in Osisko Green.

Unrealized loss on convertible debentures during the three months and six months ended February 28, 2023, of \$8,971,248 and \$11,488,520, respectively mainly represent decreases in the fair value of the NexGen, IsoEnergy and Challenger debentures partially offset up increases in the fair value of the Adriatic debenture. Unrealised gain on convertible debentures during the three months and six months ended February 28, 2022, of \$1,124,848 and \$10,498,127, respectively mainly represents an increase in the fair value of the IsoEnergy, NexGen and Los Andes debentures partially offset up decreases in the fair value of the Adriatic debenture.



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Investments at Fair Value

As at February 28, 2023, the Company had the following investments:

	Fair value at February 28, 2023
	\$
Equity and other investments of Public Companies:	
NexGen Energy Ltd.	48,926,920
Osisko Green Acquisition Ltd.	14,787,904
Equity and other investments held for investment purposes	7,640,519
Convertible Debentures:	
Adriatic Metals PLC	23,612,057
Challenger Exploration Ltd.	11,559,020
Contango ORE, Inc.	18,910,614
IsoEnergy Ltd. ⁽¹⁾	25,027,437
Los Andes Copper ⁽¹⁾	14,284,579
NexGen Energy Ltd.	37,282,480
Total	202,031,530

⁽¹⁾ Several convertible debentures issued on various dates.

Fair Value of equity investments is calculated based on the closing market price of the relevant equity investment. Fair value of the convertible debentures is calculated using a valuation model of a system of two coupled Black Scholes equations and partial differential equations that are solved simultaneously using finite-difference methods. The fair value is for accounting purposes only. The Company's market value of these investments is detailed in the section above titled **Market Value of Investments**. Management believe that the market value of the investments provides a useful indication of the underlying value of the investment portfolio, particularly for the convertible debentures which are stated without the adjustment applied to volatility required to equate the initial valuation to the fair value of consideration exchanged in accordance with IFRS.

The reconciliation of the fair value of investments, the most directly comparable financial measure from the interim condensed consolidated financial statements to the market value of investments is set out below:

	February 28, 2023	August 31, 2022
	\$	\$
Fair value at the end of the period:	202,031,530	196,751,187
Equity and other investments - difference in assumptions on unlisted investments	2,528,705	788,949
Convertible debentures - difference in volatility assumptions due to initial calibration of fair value with purchase price under IFRS	26,109,396	16,612,397
Convertible debentures - difference in models used	6,919,017	5,161,008
Market value at the end of the period:	237,588,648	219,313,541
Equity and other investments - update of market value to date of report	(7,541,615)	(2,844,322)
Equity and other investments - new investments at market value	92,043	388,645
Equity and other investments - disposals	(52,014)	(1,309,922)
Convertible debentures - update of market value to date of report	(4,663,059)	(5,014,030)
Convertible debentures - new investments at market value	-	28,890,734
Market value of investments at April 6, 2023 and August 31, 2022	225,424,003	239,424,646



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Investments at Fair Value (continued)

The continuity of the Company's investments during the six months 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
Total	196,751,187	25,203,962	(2,178,575)	181,452	(17,926,496)	202,031,530

The continuity of the Company's investments during the six months 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
Total	146,395,500	17,862,861	(590,866)	322,400	22,457,732	186,447,627

Selected Annual Information

The following table provides a summary of the Company's financial results. For more details, please refer to the audited annual consolidated financial statements.

	Year ended August 31, 2022	Year ended August 31, 2021	Year ended August 31, 2020
	\$	\$	\$
Income from investments	8,497,730	71,391,730	17,142,576
(Loss) income for the year	(3,482,448)	67,024,933	5,112,147
Basic (loss) income per share	(0.01)	0.24	0.03
Diluted (loss) income per share	(0.01)	0.23	0.03
Total assets	232,574,253	149,224,629	80,053,613



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Summary of Quarterly Results

Quarter ended	Total assets	Income (loss) from investments	Net (loss) income	Net (loss) income per share basic	Net (loss) income per share diluted
	\$	\$	\$	\$	\$
February 28, 2023	215,576,795	(15,662,177)	(17,560,325)	(0.04)	(0.04)
November 30, 2022	233,102,323	2,589,215	459,017	0.00	0.00
August 31, 2022	232,574,253	1,138,409	(2,650,137)	(0.01)	(0.01)
May 31, 2022	233,522,989	(17,289,674)	(18,883,882)	(0.04)	(0.04)
February 28, 2022	267,997,472	10,098,105	4,164,965	0.01	0.01
November 30, 2021	180,563,770	14,550,890	13,886,606	0.05	0.05
August 31, 2021	149,224,629	1,184,415	659,957	0.00	0.00
May 31, 2021	148,620,043	27,518,563	27,140,343	0.10	0.09

The Company's performance and results are not expected to be subject to seasonal variations.

Loss from Investments during the three months ended February 28, 2023, was principally attributed to unrealized loss on equity investments in NexGen due to the change in the underlying share price combined with unrealized loss on convertible debentures in NexGen, Challenger and IsoEnergy.

Income from Investments during the three months ended November 30, 2022, was principally attributable to interest earned on convertible debentures, with unrealised gain on equity and other investments offset by unrealised loss on convertible debentures due to the increase in the underlying share price in NexGen and Adriatic offset by the decrease in the underlying share price in IsoEnergy and Contango.

Income from Investments during the three months ended August 31, 2022, was principally attributable to interest earned on convertible debentures, with unrealized gain on investments on convertible debentures in IsoEnergy offset by unrealized loss on equity and other investments in NexGen due to the change in the underlying share price and Osisko Green due to the higher discount rate on unlisted investments.

Loss from Investments during the three months ended May 31, 2022, was principally attributed to unrealized loss on convertible debentures in IsoEnergy and NexGen combined with unrealized loss on equity investments in NexGen due to the change in the underlying share price.

Income from Investments during the three months ended February 28, 2022, was principally attributed to unrealized gain on equity investments in NexGen due to the change in the underlying share price.

Income from Investments during the three months ended November 30, 2021, was principally attributable to unrealized gain on convertible debenture investments in IsoEnergy combined with unrealized gain on the equity investment in Osisko Green.

Income from Investments during the three months ended August 31, 2021, was principally attributable to unrealized gain on convertible debentures investments in Adriatic combined with interest income earned on convertible debenture investments partially offset by unrealized loss on equity investments in NexGen due to the change in the underlying share price.



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Summary of Quarterly Results (continued)

Income from Investments during the three months ended May 31, 2021 was principally attributable to unrealized gain on equity investments in NexGen shares due to the change in the underlying share prices and unrealized gain on convertible debenture investments in NexGen, IsoEnergy and Adriatic.

Net loss during the three months ended February 28, 2023 and May 31, 2022, was due unrealized loss on investments and operating expenses. Net loss during the three months ended August 31, 2022, was due to operating expenses.

Net income during the three months ended November 30, 2022; February 28, 2022; November 30, 2021; August 31, 2021 and May 31, 2021 is attributable to income from investments, less operating expenses.

Results of Operations

Income from Investments for the Three and Six Months ended February 28, 2023 and February 28, 2022

	For the Three Months		For the Six Months	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
	\$	\$	\$	\$
Interest income	2,046,386	935,047	3,952,082	1,868,863
Establishment fee income	120,000	-	720,000	-
Realized gain from investments	139,461	-	181,452	322,400
Unrealized (loss) gain from investments	(17,968,024)	9,163,058	(17,926,496)	22,457,732
	(15,662,177)	10,098,105	(13,072,962)	24,648,995

During the three and six months ended February 28, 2023, the Company recorded loss from investments of \$15,662,177 and \$13,072,962, respectively compared to income from investments in the three and six months ended February 28, 2022, of \$10,098,105 and \$24,648,995 respectively. The loss for the three and six months ended February 28, 2023, compared to the income in the prior periods was mainly due to the unrealized loss on investments compared to the unrealised gain in the corresponding period, which was primarily attributable to the decrease in the share prices of the investments between the corresponding periods. This was partially offset by an increase in interest income as a result of more investments in convertible debentures combined with establishment fee income earned in the three and six months to February 28, 2023, compared to nil in the prior periods due to the principal value of investments made compared to the corresponding period.

Interest income for the three and six months ended February 28, 2023, of \$2,046,386 and \$3,952,082, respectively compared to \$935,047 and \$1,868,863 in the three and six months ended February 28, 2022. The Company primarily earned interest income on its convertible debenture securities. The increase for the three and six months ended February 28, 2023, compared to the prior periods was due to the purchase of additional investments in convertible debentures generating increased interest income.



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Management's Discussion & Analysis

For the three and six months ended February 28, 2023

Results of Operations (continued)

Income from Investments for the Three and Six Months Ended February 28, 2023 and February 28, 2022 (continued)

Establishment fee income for the three and six months ended February 28, 2023, of \$120,000 and \$720,000, respectively compared to nil for the prior periods. The income in the three months ended February 28, 2023, was a 3% establishment fee on the principal amounts of \$4m IsoEnergy convertible debentures and for the six months ended February 28, 2023, the 3% establishment fees on the principal amounts of \$15m Challenger, \$5m Los Andes and \$4m IsoEnergy convertible debentures.

Realized gain from investments for the three and six months ended February 28, 2023, of \$139,461 and \$181,452, respectively compared to nil in the three months ended February 28, 2022 and \$322,400 in the six months ended February 28, 2022. The income reflected is gain from the sale of equity investments. The gain reflects the number equity investments sold and the individual share price at the time of sale compared to the carrying value of the investments at the beginning of the financial year.

The unrealized loss on investments in the three and six months ended February 28, 2023, of \$17,968,024 and \$17,926,496, respectively compared to the unrealised gain in the three and six months ended February 28, 2022, of \$9,163,058 and \$22,457,732, respectively.

The unrealized loss on investments in the three and six months ended February 28, 2023 was mainly attributable to a decrease in the fair value of some of the convertible debenture securities combined with a decrease in the value of some of the investments in equities of public companies owned by the Company, due to a decrease in the underlying share prices of some of the investments held. The unrealized gain in the three and six months ended February 28, 2022, was mainly attributable to an increase value of some of the investments in equities of public companies owned by the Company, due to an increase in the underlying share prices of some of the investments held combined with an increase in the fair value of some of the convertible debenture securities.

The change to an unrealized loss in the three and six months ended February 28, 2023 from an unrealized gain in the corresponding periods was mainly attributable to the decrease fair value of convertible debentures combined with the decrease in the value of equity and other investments compared to the increase in fair value of convertible debentures combined with the increase in the value of equity and other investments in the corresponding period. The share price of the some of the underlying issuers of the convertible debentures decreased between the start and end of the three and six months ended February 28, 2023, compared to an increase in the corresponding periods resulting in an unrealized loss on some compared to an unrealized gain in the corresponding period. The amount of gain or loss from investments in future quarters will depend on the share price, volatility of the stock, remaining life of the debentures and credit adjusted interest rate during such quarters.



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Operating Expenses for the Three Months ended February 28, 2023 and February 28, 2022

	February 28, 2023	February 28, 2022	Increase (decrease) expenses (increase) decrease gain
	\$	\$	\$
Consulting	2,223	2,352	(129)
Depreciation	46,660	-	46,660
Directors' fees	16,500	15,750	750
Foreign exchange loss (gain)	72,222	(172,440)	244,662
Interest expense and financing costs	-	278,168	(278,168)
Interest expense on lease liabilities	4,987	-	4,987
Management fees	225,000	690,000	(465,000)
Office & administration	103,777	60,165	43,612
Office expenses and rent	7,972	91,936	(83,964)
Professional fees	22,345	34,646	(12,301)
Regulatory fees and transfer agent fees	49,384	10,207	39,177
Share-based compensation	1,281,954	4,911,163	(3,629,209)
Travel	65,124	11,194	53,930
	1,898,148	5,933,141	(4,034,993)

Significant changes for the three months ended February 28, 2023, compared to February 28, 2022, are as follows:

- Depreciation increased \$46,660 due to monthly depreciation a right-of-use asset recognised as the Company entered a lease for the office commencing on April 1, 2022.
- Foreign exchange loss \$72,222 compared to a gain of \$172,440 mainly due the impact of the C\$/ \$ rate fluctuation on Canadian dollar cash raised in a private placement by the Company in February 2022 less amounts invested subsequently.
- Management fees decreased \$465,000 due to management bonuses paid in January 2022 partially offset by an increase in the fees from January 1, 2022.
- Office expenses and rent decreased by \$83,964 due to the Company entering a lease for the office, with the costs reflected as depreciation on the right-of-use asset and interest expense on the lease liabilities from April 1, 2022.
- Professional fees decreased \$12,301 mainly due to the level and timing of corporate activities.
- Regulatory fees and transfer agent fees increased \$39,177 due to increased fees due to the listing of the Company on the Toronto Stock Exchange in July 2022 combined with the timing of payments of certain other fees.
- Share-based payments decreased \$3,629,209 due to timing of vesting of stock options granted to executives, directors and consultants.
- Travel increased \$53,930 due to more business travel.



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Operating Expenses for the Six Months ended February 28, 2023 and February 28, 2022

	February 28, 2023	February 28, 2022	Increase (decrease) expenses (increase) decrease gain
	\$	\$	\$
Consulting	4,424	4,735	(311)
Depreciation	93,321	-	93,321
Directors' fees	33,000	31,500	1,500
Foreign exchange loss (gain)	262,957	(239,272)	502,229
Interest expense and financing costs	-	548,861	(548,861)
Interest expense on lease liabilities	10,648	-	10,648
Management fees	450,000	870,000	(420,000)
Office & administration	174,604	120,095	54,509
Office expenses and rent	17,143	184,104	(166,961)
Professional fees	123,039	91,225	31,814
Regulatory fees and transfer agent fees	111,828	63,819	48,009
Share-based compensation	2,578,152	4,911,163	(2,333,011)
Travel	169,230	11,194	158,036
	4,028,346	6,597,424	(2,569,078)

Significant changes for the six months ended February 28, 2023, compared to February 28, 2022, are as follows:

- Depreciation increased \$93,321 due to monthly depreciation a right-of-use asset recognised as the Company entered a lease for the office commencing on April 1, 2022.
- Foreign exchange loss \$262,957 compared to a gain of \$239,272 mainly due the impact of the C\$/ rate fluctuation on Canadian dollar cash raised in a private placement by the Company in February 2022 less amounts invested subsequently.
- Management fees decreased \$420,000 due to management bonuses paid in January 2022 partially offset by an increase in the fees from January 1, 2022.
- Office expenses and rent decreased by \$166,961 due to the Company entering a lease for the office, with the costs reflected as depreciation on the right-of-use asset and interest expense on the lease liabilities from April 1, 2022.
- Professional fees increased \$31,814 mainly due to the level and timing of corporate activities.
- Regulatory fees and transfer agent fees increased \$48,009 due to increased fees due to the listing of the Company on the Toronto Stock Exchange in July 2022 combined with the timing of payments of certain other fees.
- Share-based payments decreased \$2,333,011 due to timing of vesting of stock options granted to executives, directors and consultants.
- Travel increased \$158,036 due to more business travel.



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For the three and six months ended February 28, 2023

Liquidity and Capital Resources

Cash Flows

Six months ended	February 28, 2023	February 28, 2022
	\$	\$
Operating activities	924,110	(127,358)
Financing activities	(1,645,558)	95,354,765
Investing activities	(21,821,425)	(16,934,505)
Change in cash during the six months	(22,542,873)	78,292,902

Cash provided by operating activities for the six months ended February 28, 2023, was \$924,110 (February 28, 2022 - used in \$127,358). The cash provided operating activities for the six months ended February 28, 2023, consists primarily net loss of \$17,101,308 (February 28, 2022 - net income \$18,051,571) adjusted for items not affecting cash; interest income received; and interest expenses paid and changes in working capital.

Significant items not affecting cash for the six months ended February 28, 2023, were unrealized loss on investments of \$17,926,496 (February 28, 2022 – unrealized gain \$22,457,732); share-based compensation of \$2,578,152 (February 28, 2022 - \$4,911,163); establishment fee income of \$450,000 (February 28, 2022 - nil); realized gain on investments of \$181,452 (February 28, 2022 - \$322,400) and depreciation of \$93,321 (February 28, 2022 - nil).

Interest income recorded on convertible debentures of \$3,782,899 (February 28, 2022 - \$1,867,500) was adjusted to reflect interest received in cash on convertible debentures of \$2,408,933 (February 28, 2022 - \$1,530,010). Interest expenses and financing costs on bank loans was nil (February 28, 2022 - \$548,861) was adjusted to reflect interest paid of nil (February 28, 2022 - \$285,735). There was an increase in other net working capital items during the six months ended February 28, 2023, of \$793,251 (February 28, 2022 - decrease of \$104,491).

Financing activities for the six months ended February 28, 2023, used \$1,645,558 (February 28, 2022 - provided \$95,354,765). The cash used in the six months ended February 28, 2023, were for the purchase of common shares under the NCIB of \$977,421 (February 28, 2022 - \$359,916); a cash dividend of \$569,373 (February 28, 2022 - \$882,672) and payment of lease liabilities of \$98,764 (February 28, 2022 - nil). The cash provided by financing activities for the six months ended February 28, 2022, consists of net proceeds from a private placement of \$78,234,930; from shares issued for the exercise of stock options of \$1,942,920 and from a secured bank loan of \$16,419,503

Investing activities for the six months ended February 28, 2023, was \$21,821,425 (February 28, 2022 - \$16,934,505). The cash used in investing activities for the six months ended February 28, 2023, was for investments of \$24,000,000 (February 28, 2022 - \$17,525,371), less the net proceeds from the sale of equity investments of \$2,178,575 (February 28, 2022 - \$590,866).



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Capital Resources & Liquidity Risk

The Company's cash position as at February 28, 2023 was \$11,739,977 (August 31, 2022 - \$34,508,794) and the Company's working capital was \$12,799,881 (August 31, 2022 - \$34,159,865). The Company has long-term lease liabilities of \$212,831 (August 31, 2022 - \$315,843).

As at February 28, 2023, the Company believes there is sufficient working capital available to meet its current operational requirements. The Company may raise more capital for investment allocation from time to time.

Future Accounting Policy Changes

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

Significant Accounting Policies

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

The Company's significant accounting policies applied judgements and estimates are set out in the notes 2 and 3 of the audited annual consolidated financial statements for the year ended August 31, 2022. IFRS 16, "Leases" was adopted in the year ended August 31, 2022, to account for a lease arrangement entered into by the Company.

Significant Judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the accounting policies in the Company's annual consolidated financial statements include the valuation of investments.

Capital Commitments

The Company has no capital commitments.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.



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Outstanding Share Data

The Company has the following common shares and stock options, outstanding as February 28, 2023, and August 31, 2022, and the date of this report.

Common Shares

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

As at February 28, 2023, and the date of this report, there were 451,331,552 issued common shares (August 31, 2022 - 445,895,954 shares).

As at February 28, 2023, the Company has purchased 4,196,133 common shares, 2,339,578 shares during the year ended August 31, 2022, and 1,856,555 shares during the six months ended February 28, 2023, of which all have been cancelled (August 31, 2022 - 2,339,578 common shares purchased and held in treasury). As at April 6, 2023, the Company has purchased a further 155,668 common shares, all of which are held in treasury.

Stock Options

As at February 28, 2023 and August 31, 2022 there were 38,650,000 stock options outstanding with a weighted average price of C\$0.61 and 20,900,000 stock options exercisable, with a weighted-average exercise price of C\$0.59. As at the date of this report all stock options outstanding were exercisable, with a weighted-average exercise price of C\$0.61.

Controls and Procedures

As of February 28, 2023, an evaluation was carried out on the effectiveness of QRC's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") have certified that the design and operating effectiveness of QRC's disclosure controls and procedures were effective.

As at February 28, 2023, an evaluation was carried out on the effectiveness on internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Based on that evaluation, the CEO and CFO have certified that the design and operating effectiveness of internal controls over financial reporting were effective.

These evaluations were conducted using the framework and criteria established in accordance with Internal Controls - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**"). The Audit Committee assists the CEO and CFO in their responsibilities. Management's evaluation of controls can only provide reasonable, not absolute, assurance that all control issues that may result in material misstatement, if any, have been detected.