



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

For the three and nine months ended May 31, 2024

Effective Date of this Report: July 11, 2024

This Management's Discussion and 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 nine months ended May 31, 2024, and the consolidated audited financial statements for the year ended August 31, 2023, and the related noted attached thereto, which have been prepared in accordance with IFRS Accounting Standards ("IFRS"). The consolidated financial statements are available under QRC's profile on SEDAR+ at www.sedarplus.com. All amounts in this MD&A are expressed in United States dollars, unless otherwise stated.

The MD&A includes the non-IFRS management measure of estimated market value of investments, which differs from the standardized measurement prescribed under IFRS and used for the purposes of the financial statements. Management's measurement may not be comparable to similar measures presented by other entities. This non-*Generally Accepted Accounting Practice* ("**GAAP**") measure should not be considered to be more meaningful than GAAP measures, which are determined in accordance with IFRS. The reconciliation of management's estimated market value of investments to the estimated fair value of investments, pursuant to IFRS 13, *Fair Value Measurement*, in the consolidated financial statements, is set out under "**Investments at Estimated 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 their 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.



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Cautionary Statement on Forward-Looking Information (continued)

As a result, actual results, performance, or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits will be derived therefrom.

These risks, uncertainties and other factors include, among others but are not limited to, statements with respect to the Company's future growth, results of operations, performance and business prospects, opportunities, the Company's investment strategy, investment process, and competitive advantage, growth expectation and opportunities, the availability of future acquisition opportunities and use of the proceeds from financing.

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that statements containing forward looking information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on statements containing forward looking information. All the forward-looking information and statements contained in this document are expressly qualified, in their entirety, by this cautionary statement. The forward-looking information and statements are made as of the date of this document, and the Company 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 Nine Months Ended May 31, 2024

\$70 Million Investment in NexGen Energy Ltd.

On September 22, 2023, the Company completed the purchase of \$70 million new convertible debentures issued by NexGen Energy Ltd. ("NexGen") having the following principal terms:

- 9.0% interest payable semi-annually - 6.0% in cash and 3.0% in NexGen common shares;
- 5-year maturity; and
- Debentures convertible into NexGen common shares at \$6.76 per share.

QRC earned a 3% establishment fee on the principal amount of the NexGen debentures, which was settled in NexGen common shares.



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The Company sold 8,700,000 NexGen common shares to Washington H. Soul Pattinson and Company Ltd. ("WHSP") for \$5.20 per common share on September 22, 2023, and cash on hand to fund the investment. The Company also converted its existing \$15 million convertible debentures issued by NexGen on May 27, 2020, at the conversion price of C\$2.34 per share on September 28, 2023, and received 8,663,461 NexGen common shares.

Declaration and Payment of Dividend

On October 11, 2023, the Company declared its third annual dividend of C\$0.019 per share to all shareholders on record as of November 6, 2023. The dividend was paid on November 16, 2023.

\$30 Million Investment in Gold Royalty Corp.

On December 15, 2023, the Company completed the purchase of \$30 million convertible debentures issued by Gold Royalty Corp. ("Gold Royalty") having the following principal terms:

- 10.0% interest payable semi-annually - 7.0% in cash and 3.0% in Gold Royalty common shares;
- 5-year maturity; and
- Debentures convertible into Gold Royalty common shares at \$1.90 per share.

QRC earned a 3% establishment fee on the principal amount of the debentures, which was settled in cash. The investment was funded by a secured bank loan of \$22.5 million and cash on hand.

Key Developments Subsequent to May 31, 2024

\$50 Million Investment in Moxico Resources plc

On July 2, 2024, the Company announced to the purchase of \$50 million convertible debentures issued by Moxico Resources plc ("Moxico") that will have the following principal terms:

- 11.0% interest payable semi-annually - 7.5% in cash and 3.5% in Moxico common shares;
- 5-year maturity; and
- Debentures convertible into Moxico common shares at GBP0.90 per share.

QRC will earn 3% establishment fee on the principal amount of the debentures. The investment will be funded by cash on hand and debt from existing and further facilities.



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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.

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.



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Investment Strategy (continued)

- 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, the Investment Committee or 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 and to the Investment Committee. The Board has delegated the authority to make the final investment decision to the Investment Committee in respect of any opportunity recommended by the Board to the Investment Committee.

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.

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.



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Composition of Investment Portfolio (continued)

As of July 8, 2024, the Company has a total of \$159 million invested in convertible debentures issued by six resource companies as presented in the table below.

Resource Company	Investment Base at Cost	Investment Type
Challenger Gold Ltd.	\$ 15,000,000	Convertible Debt
Contango ORE, Inc.	20,000,000	Convertible Debt
Gold Royalty Corp.	30,000,000	Convertible Debt
IsoEnergy Ltd. ⁽¹⁾	10,000,000	Convertible Debt
Los Andes Copper Ltd. ⁽¹⁾	14,000,000	Convertible Debt
NexGen Energy Ltd. ⁽²⁾	70,000,000	Convertible Debt
	\$ 159,000,000	

(1) Several convertible debentures issued on various dates.

(2) New debenture of \$70 million issued in September 2023. The debenture of \$15 million issued in May 2020 was redeemed in September 2023.

Management's Estimated 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 in the market price of the equity securities than it would be if it invested in those equity securities directly.

	July 8, 2024
Equity and other investments: ⁽¹⁾	
NexGen Energy Ltd.	\$ 73,231,378
Other investments ⁽²⁾	35,071,325
	<u>108,302,703</u>
Convertible debentures: ⁽³⁾	
Challenger Gold Ltd.	15,262,500
Contango ORE, Inc.	25,567,787
Gold Royalty Corp.	41,782,895
IsoEnergy Ltd.	31,376,293
Los Andes Copper Ltd.	15,536,078
NexGen Energy Ltd.	107,544,852
	<u>237,070,405</u>
Total Estimated Market Value	\$ 345,373,108

(1) Market Value was based on share prices and exchange rates on July 8, 2024.

(2) "Other Investments" include (a) securities purchased for investment purposes; (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 and (c) shares held as a result of conversion of certain convertible debentures held for investment purposes.

(3) Convertible debentures are stated at principal plus accrued interest with the option valued using the Black-Scholes methodology.



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Reconciliation of Management's Estimated Market Value of Investments to Investments at estimated Fair Value (an IFRS measure)

As required by IFRS, fair value of equity investments as shown in the consolidated audited financial statements is estimated based on the closing market price of the relevant equity investment. Pursuant to IFRS 13, *Fair Value Measurement*, fair value of the convertible debentures as shown in the consolidated audited financial statements is estimated 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 for a convertible debt instrument may be below the principal amount of such convertible debt instrument due to the methodology employed to derive such fair value. This does not have any implications in relation to the solvency of the issuer. The fair value is for IFRS accounting purposes only.

The Company's management estimated market value of these investments is detailed in the section above titled "**Management's Estimated 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 estimated valuation to the estimated fair value of consideration exchanged in accordance with IFRS.

The reconciliation of the IFRS estimated fair value of investments, the most directly comparable financial measure from the consolidated financial statements to Management's estimated market value of investments is set out below:

	May 31, 2024	August 31, 2023
	\$	\$
Estimated fair value under IFRS at the end of the period	323,397,941	220,599,252
<i>Convertible debentures</i> - difference in models used and volatility assumptions due to initial calibration of fair value with purchase price under IFRS	57,436,675	30,280,725
Management's Estimate of market value at the end of the period	380,834,616	250,879,977
Equity and other investments – shares received on conversion	-	55,180,476
Equity and other investments – other shares received less disposals	1,121,032	(62,135,972)
Equity and other investments - update of market value to date of report	(13,703,153)	2,882,663
Convertible debentures - update of market value to date of report	(22,879,387)	(460,064)
Convertible debentures – conversion to shares	-	(47,407,131)
Convertible debentures - new investments at market value	-	109,632,115
Management's Estimate of market value of investments at date stated in the MD&A report	345,373,108	308,572,064



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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 \$14.5 million, \$10.1 million in cash and \$4.4 million in shares (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 \$159 million, an average interest rate of 9.1%.

(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 or on conversion of a convertible debenture.

(a) 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.

Results for the Three and Nine Months ended May 31, 2024

Overall Performance

	Three Months Ended May 31, 2024	Three Months Ended May 31, 2023	Nine Months Ended May 31, 2024	Nine Months Ended May 31, 2023
Interest and other income	\$ 3,663,981	\$ 2,095,153	\$ 10,528,693	\$ 6,052,796
Establishment fee income	-	-	3,000,000	720,000
Realized gain on equity investments	450,696	344,257	1,604,586	525,709
Realized (loss) gain on convertible debentures	(4,160,018)	-	4,197,369	-
Unrealized gain (loss) on equity and other investments	14,708,805	(5,404,374)	26,552,455	(11,842,350)
Unrealized gain (loss) on convertible debentures	16,969,437	(7,098,851)	35,793,222	(18,587,371)
Total Income (Loss) from Investments	31,632,901	(10,063,815)	81,676,325	(23,131,216)



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Overall Performance (continued)

Income from investments during the three and nine months ended May 31, 2024, of \$31,632,901 and \$81,676,325 mainly represents unrealized gain on convertible debentures and equity and other investments, interest income on the convertible debenture portfolio and establishment fees. Loss from investments for the three and nine months ended May 31, 2023, of \$10,063,815 and \$23,131,216 mainly represents unrealized loss on convertible debentures and equity and other investments partially offset interest income on the convertible debenture portfolio and establishment fees.

Interest and other income during the three and nine months ended May 31, 2024, of \$3,663,981 and \$10,528,693 and the three and nine months ended May 31, 2023, of \$2,095,153 and \$6,052,796, respectively, mainly represents the interest income earned on the convertible debenture portfolio.

Establishment fee income during the nine months ended May 31, 2024, of \$3,000,000 represents the establishment fee earned on the Gold Royalty debentures acquired in December 2023 and the new NexGen debentures acquired in September 2023. Establishment fee income during the nine months ended May 31, 2023, of \$720,000 represents the establishment fee earned on the IsoEnergy (December 2022), Challenger (September 2022) and Los Andes (September 2022) convertible debentures.

Realized gain on equity investments and other investments during the three and nine months ended May 31, 2024, of \$450,696 and \$1,604,586 and the three and nine months ended May 31, 2023, of \$344,257 and \$525,709, respectively, arise from the sale of equity investments.

Realized loss on convertible debentures during the three months ended May 31, 2024, of \$4,160,018 arise from the conversion in March 2024 of the \$20 million convertible debenture issued by Adriatic in December 2020. Realized gain on convertible debentures during the nine months ended May 31, 2024, of \$4,197,369 arise from the realized gain on conversion in September 2023 of the \$15 million convertible debenture issued by NexGen in May 2020 of \$8,357,387 partially offset by the realized loss on conversion of the convertible debenture issued by Adriatic.

Unrealized gain on equity and other investments during the three and nine months ended May 31, 2024, of \$14,708,805 and \$26,552,455 mainly represents gain arising from the increase in the share price of NexGen and Adriatic. Unrealized loss on equity and other investments during the three and nine months ended May 31, 2023, of \$5,404,374 and \$11,842,350 mainly represents loss arising from the decrease in the share price of NexGen.

Unrealized gain on convertible debentures during the three and nine months ended May 31, 2024, of \$16,969,437 and \$35,793,222 mainly represents increases in the fair value of the debentures in NexGen (September 2023), IsoEnergy, Gold Royalty and Contango. Unrealized loss on convertible debentures during the three and nine months ended May 31, 2023, of \$7,098,851 and \$18,587,371 mainly represents decreases in the fair value of the debentures in IsoEnergy and Challenger partially offset by increases in the fair value of the debentures in Adriatic.



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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, 2023	Year ended August 31, 2022	Year ended August 31, 2021
	\$	\$	\$
Income from investments	10,292,821	8,505,849	71,391,730
Income (loss) for the year	4,343,063	(3,482,448)	67,024,933
Basic income (loss) per share	0.01	(0.01)	0.24
Diluted income (loss) per share	0.01	(0.01)	0.23
Total assets	237,240,855	232,574,253	149,224,629

Summary of Quarterly Results

Quarter ended	Total assets	Income (loss) from investments	Net income (loss)	Net income (loss) per share basic	Net income (loss) per share diluted
	\$	\$	\$	\$	\$
May 31, 2024	333,893,402	31,632,901	30,153,493	0.07	0.06
February 29, 2024	303,786,531	18,421,187	16,815,796	0.04	0.03
November 30, 2023	263,799,777	31,622,237	31,078,939	0.07	0.06
August 31, 2023	237,240,855	33,426,392	31,981,602	0.07	0.07
May 31, 2023	204,649,780	(10,065,418)	(10,537,231)	(0.02)	(0.02)
February 28, 2023	215,576,795	(15,660,574)	(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	1,144,250	(2,650,137)	(0.01)	(0.01)
May 31, 2022	233,522,989	(17,289,674)	(18,883,882)	(0.04)	(0.04)

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

Income from investments during the three months ended May 31, 2024, was principally attributable to unrealized gain on convertible debentures due to the increase in the underlying share price of NexGen, Contango and IsoEnergy; realized gains on equity and other investments due to the increase in the share price of NexGen and Adraitic; interest income due to the increase in the principal amount of investments in convertible debentures and the establishment fee income earned on the NexGen (September 2023) and Gold Royalty (December 2023) debentures.

Income from investments during the three months ended February 29, 2024, was principally attributable to unrealized gain on convertible debentures due to the increase in the underlying share price of NexGen, Gold Royalty, and IsoEnergy; realized gain on convertible debentures due to the conversion of the NexGen (May 2020) debentures into common shares of NexGen; realized gains on equity and other investments due to the increase in the share price of NexGen; interest income due to the increase in the principal amount of investments in convertible debentures and the establishment fee income earned on the NexGen (September 2023) and Gold Royalty (December 2023) debentures.



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Summary of Quarterly Results (continued)

Income from investments during the three months ended November 30, 2023, was principally attributable to unrealized gain on convertible debentures due to the increase in the underlying share price of NexGen, Contango and IsoEnergy; realized gain on convertible debentures due to the conversion of the NexGen (May 2020) debentures into common shares of NexGen; realized gains on equity and other investments due to the increase in the share price of NexGen; interest income due to the increase in the principal amount of investments in convertible debentures and the establishment fee income earned on the NexGen (September 2023) debenture.

Income from investments during the three months ended August 31, 2023, was principally attributable to unrealized gain on equities and other investments due to the increase in the share price of NexGen and unrealized gain on convertible debentures due to the increase in the underlying share price of NexGen, IsoEnergy and Adriatic.

Loss from investments during the three months ended May 31, 2023, and February 28, 2023, was principally attributed to unrealized loss on equity and other investments due to the decrease in the share price of NexGen combined with unrealized loss on convertible debentures due to the decrease in the underlying share price of NexGen and IsoEnergy.

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

Income from investments during the three months ended August 31, 2022, was principally attributable to interest earned on convertible debentures combined with unrealized gain on convertible debentures due to the increase in the underlying share prices of IsoEnergy and Los Andes partially offset by unrealized loss on equity and other investments due to the decrease in the share price of NexGen and due to the higher discount rate applied to unlisted investments.

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

Net income during the three months ended May 31, 2024, February 29, 2024, November 30, 2023, August 31, 2023, and November 30, 2022, is attributable to income from investments, less operating expenses.

Net loss during the three months ended May 31, 2023, 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.



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Results of Operations

Income from Investments for the Three and Nine Months Ended May 31, 2024 and 2023

	For the Three Months		For the Nine Months	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
	\$	\$	\$	\$
Interest and other income	3,663,981	2,095,153	10,528,693	6,052,796
Establishment fee income	-	-	3,000,000	720,000
Realized gain from investments	(3,709,322)	344,257	5,801,955	525,709
Unrealized gain (loss) from investments	31,678,242	(12,503,225)	62,345,677	(30,429,721)
	31,632,901	(10,063,815)	81,676,325	(23,131,216)

During the three and nine months ended May 31, 2024, the Company recorded income from investments of \$31,632,901 and \$81,676,325 compared to loss from investments in the three and nine months ended May 31, 2023, of \$10,063,815 and \$23,131,216, respectively. The income for the three and nine months ended May 31, 2024 compared to the loss in the corresponding periods was mainly attributable to an unrealized gain from investments in the current periods compared to an unrealized loss from investments in the corresponding periods, due to the increase in the share prices of the investments in the current periods compared to the decrease in the corresponding periods.

Interest and other income for the three and nine months ended May 31, 2024, of \$3,663,981 and \$10,528,693 compared to \$2,095,153 and \$6,052,796, in the three and nine months ended May 31, 2023. The Company primarily earned interest income on its convertible debenture securities. The increase for the three and nine months ended May 31, 2024, compared to the corresponding periods was mainly due to the purchase of additional investments in convertible debentures generating increased interest income.

Establishment fee income for the nine months ended May 31, 2024, of \$3,000,000 compared to \$720,000 in the nine months ended May 31, 2023. The income in the nine months ended May 31, 2024 was the 3% establishment fees on the principal amount of \$70 million NexGen and \$30 million Gold Royalty convertible debentures. The income in the nine months ended May 31, 2023, was the 3% establishment fees on the principal amounts of \$15 million Challenger, \$5 million Los Andes and \$4 million IsoEnergy convertible debentures.

Realized loss from investments for the three months ended May 31, 2024 of \$3,709,322 and realized gain from investments in the nine months ended May 31, 2024, of \$5,801,955 compared to realized gain from investment of \$344,257 and \$525,709 in the three and nine months ended May 31, 2023, respectively. The loss in the three months to May 31, 2024 is the loss on conversion of the Adriatic debenture income partially offset by gain on the sale of equity investments. The gain in the nine months to May 31, 2024 is gain on conversion of the NexGen (May 2020) convertible debentures and the gain on the sale of equity investments partially offset by the loss on conversion of the Adriatic convertible debenture. The gain and loss on the conversion of the NexGen (May 2020) and Adriatic convertible debentures reflects the difference in the market value of the common shares received on conversion to the carrying value of the debentures at the beginning of the financial year. The gain on the sale of equity investments 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.



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

For the three and nine months ended May 31, 2024

Income from Investments for the Three and Nine Months Ended May 31, 2024 and 2023 (continued)

The unrealized gain from investments in the three and nine months ended May 31, 2024, of \$31,678,242 and \$62,345,677 compared to unrealized loss of \$12,503,225 and \$30,429,721 in the three and nine months ended May 31, 2023.

The unrealized gain from investments in the three and nine months ended May 31, 2024 was mainly attributable to an increase in the fair value of some of the convertible debenture securities combined with an increase in the fair value of some of the investments in equities of public companies owned by the Company. The unrealized loss from investments in the three and nine months ended May 31, 2023 was mainly attributable to a decrease in the fair value of some of the convertible debenture securities combined with a decrease in some of the fair value of investments in equities of public companies owned by the Company. The share price of the some of the underlying issuers of the convertible debentures and equities increased between the start and end of the three and nine months ended May 31, 2024, compared to a decrease in the corresponding periods resulting in an unrealized gain compared to an unrealized loss in the corresponding periods.

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.

Operating Expenses for the Three Months ended May 31, 2024 and 2023

	May 31, 2024	May 31, 2023	Increase (decrease) expenses
	\$	\$	\$
Business development and marketing	104,966	100,879	4,087
Depreciation	46,661	46,661	-
Foreign exchange loss (gain)	13,891	(39,806)	53,697
Interest expense and financing costs	626,081	-	626,081
Interest expense on lease liabilities	2,342	4,637	(2,295)
Management and directors' fees	488,416	241,500	246,916
Office and administration	70,500	59,052	11,448
Professional and regulatory fees	126,551	58,890	67,661
	<u>1,479,408</u>	<u>471,813</u>	<u>1,007,595</u>

Significant changes for the three months ended May 31, 2024, compared to May 31, 2023, are as follows:

- Foreign exchange gain of \$39,806 changed to a foreign exchange loss of \$13,891 mainly due to the impact of C\$/\\$ rate fluctuations.
- Interest expense and financing costs increased \$626,081 due to the drawdown of a secured bank loan on December 13, 2023.
- Management and director fees increased \$249,916 due to increases in the fees payable to both management and directors from January 1, 2024.
- Professional and regulatory fees increased \$67,661 mainly due to the level and timing of corporate activities.



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Operating Expenses for the Nine Months ended May 31, 2024 and 2023

	May 31, 2024	May 31, 2023	Increase (decrease) expenses
	\$	\$	\$
Business development and marketing	275,060	337,365	(62,305)
Depreciation	139,982	139,982	-
Foreign exchange loss	88,263	223,151	(134,888)
Interest expense and financing costs	1,170,092	-	1,170,092
Interest expense on lease liabilities	8,584	15,285	(6,701)
Management and directors' fees	1,424,833	724,500	700,333
Office and administration	216,062	183,543	32,519
Professional and regulatory fees	305,221	298,181	7,040
Share-based compensation	-	2,578,152	(2,578,152)
	3,628,097	4,500,159	(872,062)

Significant changes for the nine months ended May 31, 2024, compared to May 31, 2023, are as follows:

- Business development and marketing decreased \$62,305 mainly due to decreased activities and less business travel.
- Foreign exchange loss decreased \$134,888 due to the lower Canadian dollar cash held combined with the reduced impact of C\$/\\$ rate fluctuations.
- Interest expense and financing costs increased \$1,170,092 due to the drawdown of a secured bank loan on December 13, 2023.
- Management and director fees increased \$700,333 due to increases in the fees payable to both management and directors from January 1, 2024.
- Share-based payments decreased \$2,578,152 due to the timing of vesting of stock options granted to executives, directors, and consultants.



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For the three and nine months ended May 31, 2024

Liquidity and Capital Resources

Cash Flows

	Nine Months Ended May 31, 2024	Nine Months Ended May 31, 2023
	\$	\$
Operating activities	4,082,867	1,945,006
Financing activities	18,211,119	(1,951,360)
Investing activities	(30,600,305)	(21,434,422)
Change in cash during the period	(8,306,319)	(21,440,776)

Cash provided by operating activities for the nine months ended May 31, 2024, was \$4,082,867 (May 31, 2023 - \$1,945,006). The cash provided operating activities for the nine months ended May 31, 2024 consists primarily net income of \$78,048,228 (May 31, 2023 – loss \$27,638,539) adjusted for items not affecting cash; interest income received; and interest expenses and tax paid and changes in working capital.

Significant items not affecting cash for the nine months ended May 31, 2024, were unrealized gain on investments of \$62,345,677 (May 31, 2023 – loss \$30,429,721); realized gain on investments of \$5,801,955 (May 31, 2023 - \$525,709); share-based compensation of \$nil (May 31, 2023 - \$2,578,152); establishment fee income of \$2,100,000 (May 31, 2023 - \$450,000) and depreciation of \$139,982 (May 31, 2023 - \$139,982).

Interest income recorded on convertible debentures of \$10,335,208 (May 31, 2023 - \$5,791,927) was adjusted to reflect interest received in cash on convertible debentures of \$5,751,734 (May 31, 2023 - \$3,924,230). Interest expenses and financing costs of \$1,170,092 (May 31, 2023 - \$nil) was adjusted to reflect interest expenses paid of \$635,794 (May 31, 2023 - \$nil). Income tax expense of \$nil (May 31, 2023 - \$7,164) was adjusted to reflect withholding taxes paid of \$116,854 (May 31, 2023 - \$7,164). There was an increase of \$280,400 in other net working capital items during the nine months ended May 31, 2024 (May 31, 2023 - decrease of \$904,072).

Financing activities for the nine months ended May 31, 2024, provided \$18,211,119 (May 31, 2023 – used \$1,951,360). The cash provided in the nine months ended May 31, 2024, consisted of a secured bank loan, net of costs, of \$22,174,836 less a cash dividend of \$3,074,453, the purchase of common shares under the NCIB of \$751,747 and payment of lease liabilities of \$137,517. The cash used in the nine months ended May 31, 2023, consisted of the purchase of common shares under the NCIB of \$1,251,457, a cash dividend of \$569,373 and payment of lease liabilities of \$130,530.

Investing activities for the nine months ended May 31, 2024, used cash of \$30,600,305 (May 31, 2023 - \$21,434,422) for investments of \$100,000,000 (May 31, 2023 - \$25,000,000), less the net proceeds from the sale of equity investments of \$69,399,695 (May 31, 2023 - \$3,565,578).



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Capital Resources and Liquidity Risk

The Company's cash position as at May 31, 2024, was \$6,411,677 (August 31, 2023 - \$14,745,031) and the Company's had a negative working capital of \$13,365,062 (August 31, 2023 – positive \$15,179,336). Borrowings comprise a bank loan repayable on December 11, 2024. The Company has long-term lease liabilities of \$18,277 (August 31, 2023 - \$125,996).

As at May 31, 2024, the Company believes there is sufficient working capital available to meet its current operational requirements despite the Company's negative working capital. The Company may raise more capital for investment allocation or refinancing from time-to-time as required.

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.

Material Accounting Policy Information

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

The Company's significant accounting policies applied judgements and estimates are set out in the notes 2 and 3 of the audited annual consolidated financial statements for the year ended August 31, 2023. The Company's condensed interim financial statements for the nine months ended May 31, 2024, accompanying this MD&A were prepared using the same accounting standards and policies as the Company's annual financial statements for the year ended August 31, 2023, except the changes in the accounting standards as described in the note 2b of those condensed Interim consolidated financial statements.

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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Management's Discussion and Analysis

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Outstanding Share Data

The Company has the following common shares and stock options, outstanding as May 31, 2024, and August 31, 2023, and the date of this report or the date specified below.

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 May 31, 2024, and at the date of this report, there were 455,748,186 issued and outstanding common shares (August 31, 2023 – 450,356,514 shares).

During the nine months ended May 31, 2024, the Company has purchased 1,261,288 common shares, all of which have been cancelled (August 31, 2023 – 2,831,593 common shares purchased during the year and cancelled). From June 1, 2024 to July 8, 2024, the Company has purchased 254,190 additional common shares which are held in treasury and have not yet been cancelled.

Stock Options

As at May 31, 2024, and the date of this report, there were 38,650,000 stock options outstanding and exercisable with a weighted average price of C\$0.61 (August 31, 2023 - 38,650,000 stock options outstanding and exercisable, with a weighted-average exercise price of C\$0.61).

Controls and Procedures

As of May 31, 2024, 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 May 31, 2024, 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.