

Condensed Interim Financial Statements
(Expressed in United States dollars)



QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Three and Nine months ended May 31, 2021
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of the comparative period in these interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

As at May 31, 2021 and August 31, 2020
(Unaudited)

	Note	May 31, 2021	August 31, 2020
Assets			
Current assets:			
Cash		\$ 5,117,694	\$ 25,073,826
Prepays		46,470	25,351
Receivables	5	1,027,083	293,996
		6,191,247	25,393,173
Non-current assets:			
Investments at fair value	6	142,428,796	54,660,440
		\$ 148,620,043	\$ 80,053,613

Liabilities and Shareholders' Equity

Current liabilities:			
Accounts payable and accrued liabilities	7	\$ 228,083	\$ 475,234
Shareholders' equity:			
Share capital	9	86,218,243	86,218,243
Reserve	9	12,345,537	9,896,932
Retained earnings (deficit)		49,828,180	(16,536,796)
		148,391,960	79,578,379
		\$ 148,620,043	\$ 80,053,613

Subsequent event 13

The comparative information has been translated to U.S. dollars (note 4).

See accompanying notes to these condensed interim financial statements.

Approved on behalf of the Board:

"Warren Gilman" Director

"Alex Granger" Director

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in United States dollars)

(Unaudited)

	Note	Three months ended		Nine months ended	
		May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Income from investments:					
Interest income	6	\$ 838,593	\$ 100,792	\$ 2,082,718	\$ 100,792
Establishment fee income	6	-	-	600,000	-
Unrealized gain from investments	6	26,679,970	1,835,631	67,524,597	1,835,631
Total income from investments		27,518,563	1,936,423	70,207,315	1,936,423
Operating expenses:					
Consulting		2,437	40,394	40,122	122,011
Directors' fees	8	19,931	-	60,764	-
Foreign exchange (gain) loss		(21,996)	341,067	(37,074)	305,522
Management fees	8	172,500	5,751	514,310	17,253
Office and administration		25,342	(22,224)	100,810	55,843
Office rent	8	92,446	103,585	279,410	273,212
Professional fees		48,271	(101,201)	171,082	12,588
Regulatory and transfer agent fees		36,344	(51,235)	153,282	5,298
Office renovation costs	8	-	-	122,154	-
Share-based compensation	9	-	1,722,240	2,448,605	7,040,839
Travel		3,983	-	8,130	36,406
Total operating expenses		379,258	2,038,377	3,861,595	7,868,972
Income (loss) before other items		27,139,305	(101,954)	66,345,720	(5,932,549)
Other items:					
Recovery of advance		1,038	14,358	19,256	73,815
Restructuring costs		-	(276,422)	-	(276,422)
Net income (loss) and comprehensive income (loss)		\$ 27,140,343	\$ (364,018)	\$ 66,364,976	\$ (6,135,156)
Net Income (loss) per common share:					
Basic	10	\$0.10	\$(0.00)	\$0.24	\$(0.10)
Diluted	10	\$0.09	\$(0.00)	\$0.23	\$(0.10)
Weighted average number of common shares - basic					
		277,252,651	169,941,736	277,252,651	63,637,843
Weighted average number of common shares - diluted					
		288,402,651	169,941,736	288,402,651	63,637,843

The comparative information has been translated to U.S. dollars (note 4).

See accompanying notes to these condensed interim financial statements.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

For the nine months ended May 31, 2021 and 2020
(Unaudited)

	Number of shares	Share capital	Reserves	Retained earnings (deficit)	Shareholders' equity
Balance, August 31, 2020	277,252,651	\$ 86,218,243	\$ 9,896,932	\$ (16,536,796)	\$ 79,578,379
Share-based compensation (note 9)	-	-	2,448,605	-	2,448,605
Net income for the period	-	-	-	66,364,976	66,364,976
Balance, May 31, 2021	277,252,651	\$ 86,218,243	\$ 12,345,537	\$ 49,828,180	\$ 148,391,960
Balance, August 31, 2019	40,303,565	\$ 21,587,378	\$ 1,575,923	\$ (21,648,926)	\$ 1,514,375
Share issuances	235,949,086	64,442,837	-	-	64,442,837
Exercise of stock options	1,000,000	188,027	(88,349)	-	99,678
Share Based payments	-	-	7,040,838	-	7,040,838
Debentures issued	-	-	7,795,458	-	7,795,458
Net loss for the period	-	-	-	(6,135,156)	(6,135,156)
Balance, May 31, 2020	277,252,651	\$ 86,218,242	\$ 16,323,870	\$ (27,784,082)	\$ 74,758,030

The comparative information has been translated to U.S. dollars (note 4).

See accompanying notes to these condensed interim financial statements.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

(Unaudited)

	Nine months ended May 31, 2021	Nine months ended May 31, 2020
Cash flow provided by (used in):		
Operating activities:		
Net income (loss)	\$ 66,364,976	\$ (6,135,156)
Items not affecting cash:		
Interest income on convertible debentures	(2,076,250)	(16,510)
Share-based compensation	2,448,605	7,040,838
Unrealized gain on investments	(67,524,597)	(1,835,631)
Changes in working capital items:		
Receivables	20,423	(17,070)
Prepaid expenses and advances	(21,119)	(40,538)
Accounts payable and accrued liabilities	(247,151)	240,153
Interest received on convertible debentures	1,078,981	-
	43,868	(763,914)
Financing activities:		
Common shares issued by private placement	-	64,442,837
Common shares issued by stock option exercise	-	99,678
	-	64,542,515
Investing activities:		
Investments	(20,000,000)	(32,183,924)
Increase (decrease) in cash during the period	(19,956,132)	31,594,677
Cash, beginning of the period	25,073,826	1,523,197
Cash, end of the period	\$ 5,117,694	\$ 33,117,874

During the nine months ended May 31, 2021, the significant non-cash transactions include \$243,759 in investments received for the settlement of interest receivable (note 6).

During the nine months ended May 31, 2020, the significant non-cash transactions include reallocation of \$88,349 from share-base reserve to share capital for options exercised.

The comparative information has been translated to U.S. dollars (note 4).

See accompanying notes to these condensed interim financial statements.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Condensed interim financial Statements
(Expressed in United States dollars)

Three and Nine months ended May 31, 2021
(Unaudited)

1. Nature of operations:

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

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

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

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company on July 9, 2021.

2. Significant accounting policies:

(a) Basis of presentation:

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

The condensed interim financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

2. Significant accounting policies (continued):

(a) Basis of presentation (continued):

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the US dollar, which is also the presentation currency of the Company. The functional currency determinations were conducted through an analysis of the consideration factors identified in IFRS.

The condensed interim financial statements have been prepared using the same accounting policies and methods as those used in the audited financial statements for the year ended August 31, 2020, except for the impact of the change in functional currency described in note 4. These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2020.

(b) Significant judgments:

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

- the determination of the functional currency of the Company; and
- the valuation of investments.

(c) Significant accounting estimates and assumptions:

The preparation of these financial statements in accordance with IFRS requires management to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. The estimates and judgements that are critical to the determination of the amounts reported are set out in note 3 of the Company's audited financial statements for the year ended August 31, 2020.

3. New standards, amendments and interpretations not yet adopted or effective:

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB. The Company anticipates that the application of these standards, amendments and interpretations in future periods will have no material impact on the results and financial position of the Company except for additional disclosures. The Company is assessing the impact of the new or revised IFRS standards on its financial position and financial performance.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

4. Change in functional and presentation currency:

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

5. Receivables:

Receivables consist of the following:

	May 31, 2021	August 31, 2020
Interest receivable on convertible debentures	\$ 1,027,083	\$ 273,573
Other receivables	-	20,423
	<u>\$ 1,027,083</u>	<u>\$ 293,996</u>

6. Investments at fair value:

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

	May 31, 2021	August 31, 2020
Equity investments:		
NexGen Energy Ltd. (a)	\$ 55,983,191	\$ 22,970,493
Other common shares held for investment purposes (d)	2,802,036	923,846
Convertible debentures:		
NexGen Energy Ltd. (a)	40,116,060	20,481,946
IsoEnergy Ltd. (b)	20,583,975	10,284,155
Adriatic Metals Pty (c)	22,943,534	-
	<u>\$142,428,796</u>	<u>\$ 54,660,440</u>

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

6. Investments at fair value (continued):

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

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

(a) Investment in NexGen Energy Ltd. ("NexGen") common shares and convertible debentures:

On May 27, 2020, the Company completed the purchase of 11,611,667 common shares of NexGen, a company related by way of a common director, at \$1.29 per share for a purchase price of \$15,000,000. The fair value of the 11,611,667 NexGen shares at May 31, 2021 is \$55,983,191 (August 31, 2020 - \$22,970,493, 11,611,667 shares). The fair value is calculated using the closing market price of the shares on the relevant date.

On May 27, 2020, the Company completed the purchase of a 5-year term convertible debenture in NexGen (the "NexGen convertible debenture") at a cost of \$15,000,000. The NexGen convertible debenture is unsecured and ranks equally in right of payment with all present and future unsecured and unsubordinated indebtedness of NexGen. The NexGen convertible debenture bears interest at a rate of 7.5% per annum, payable semi-annually, of which only 5% is payable in cash and 2.5% is payable in common shares. The Company paid transaction costs in the amount of \$125,000, which were expensed when incurred.

The Company is entitled, from time to time before the maturity date of May 27, 2025, to convert some or all of the principal amount of the NexGen convertible debenture into common shares at a price of CA \$2.34 per share (the "conversion price"), which is equal to 130% of the issue price of the acquired common shares of NexGen. Further, on or after the third anniversary date of the issuance of the NexGen convertible debenture, NexGen will be entitled to, at any time that the 20-day volume-weighted average trading price of NexGen on the Toronto Stock Exchange exceeds 130% of the conversion price, redeem the debenture at par plus accrued and unpaid interest. At any time after the completion of a change of control transaction by NexGen, the Company may be required to convert some or all of the principal amount of the NexGen debenture into common shares at the conversion price, provided that: (i) the amount the Company will receive on completion of the change of control transaction per common share exceeds the conversion price; and either (ii) such amount is payable in cash; or (iii) such amount is payable in property or securities which the Company wishes to receive.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

6. Investments at fair value (continued):

- (a) Investment in NexGen Energy Ltd. ("NexGen") common shares and convertible debentures (continued):

The Company was paid an establishment fee equal to 3% of the principal amount of the convertible debenture, which was paid through the issuance of common shares at a price of \$1.29 per share, resulting in the issuance of 348,350 common shares of NexGen, which were recorded at fair value of \$487,893.

The fair value of the NexGen convertible debenture at May 31, 2021 is \$40,116,060 (August 31, 2020 - \$20,481,946). For the nine months ended May 31, 2021, the Company recorded \$843,750 (May 31, 2020 - nil) in interest income. During the nine months ended May 31, 2021, the Company received the semi-annual interest payment of \$562,500, of which \$375,000 was paid in cash and \$187,500 was paid in 95,134 common shares. As at May 31 2021, the Company had \$531,250 (August 31, 2020 - \$253,736) in receivables related to accrued interest.

The valuation model used to estimate the fair value of the convertible debenture is a system of two coupled Black-Scholes Option Pricing equations and partial differential equations that are solved simultaneously using finite-difference methods, with the following assumptions:

	May 31 2021	August 31 2020
Expected price volatility	50%	60%
Expected life	3.99 years	4.74 years
Risk free interest rate	0.703%	0.386 %
Coupon interest rate	7.5%	7.5%
Expected dividend yield	0%	0 %
Credit spread	17.75%	19.5%
Underlying share price of the investee (CA)	\$5.82	1.98
Conversion price (CA)	\$2.34	\$2.34
Exchange rate (US\$:CA\$)	0.8284	0.7668

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

6. Investments at fair value (continued):

(b) Investment in IsoEnergy Ltd. ("IsoEnergy") convertible debentures:

On August 18, 2020, the Company completed the purchase of a 5-year term convertible debenture in IsoEnergy (the "IsoEnergy convertible debenture") at a cost of \$6,000,000. IsoEnergy is a company controlled by NexGen. The IsoEnergy convertible debenture is unsecured and ranks equally in right of payment with all present and future unsecured and unsubordinated indebtedness of IsoEnergy. The IsoEnergy convertible debenture bears interest at a rate of 8.5% per annum, payable semi-annually, of which 6% is payable in cash and 2.5% is payable in common shares. On the date on which IsoEnergy files an economically positive preliminary economic assessment compliant with the requirements of National Instrument 43-101 of the Canadian Securities Commission (the "Positive Preliminary Economic Assessment"), the interest rate of the convertible debenture will be reduced to 7.5% per annum, thereby reducing the cash and common shares obligation to 5% and 2.5%, respectively. As of May 31, 2021, IsoEnergy has not filed the Positive Preliminary Economic Assessment.

The Company is entitled, from time to time before the maturity date of August 18, 2025 but not prior to August 18, 2023 except for in the case of a change of control transaction by IsoEnergy, to convert some or all of the principal amount of the IsoEnergy convertible debenture into common shares at a price of CA \$0.88 per share (the "conversion price"), provided that the aggregate number of shares issuable upon conversion does not exceed 9,206,311 common shares.

The IsoEnergy convertible debentures provide that on any conversion of any portion of the principal amount of the debentures, if the number of IsoEnergy common shares to be issued on such conversion, taking into account all common shares issued in respect of all prior conversions, would result in the common shares to be issued exceeding the maximum number of shares indicated above on such conversion, the Company shall be entitled to receive a payment (the "Exchange Rate Fee") based on the number of IsoEnergy common shares which were not issued as a result of exceeding such maximum, as defined in the debentures.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

6. Investments at fair value (continued):

(b) Investment in IsoEnergy Ltd. convertible debentures (continued):

Upon the announcement of a change of control transaction, IsoEnergy has the right to require the Company to convert some or any part which is \$1,000 or a multiple thereof of the principal amount of the convertible debenture into shares at the conversion price (the "early conversion right"). The early conversion right may only be exercised provided that (i) the directors of IsoEnergy have approved such change; (ii) the amount that the Company will receive upon completion of the change of control transaction on a per share basis on conversion exceeds the conversion price; and (iii) either (a) such amount is payable in cash or (b) such amount is payable in whole or in part in property or securities, in the discretion of the Company. The early conversion right is conditional upon completion of the change of control and is void if the change of control does not occur. In the case of a change of control transaction, the Company has the right (the "change of control redemption right") to redeem or IsoEnergy may require the repurchase, on the date which is not later than 30 days of such transaction, the convertible debenture into cash at a price of (a) 130% of the principal amount if the transaction occurs prior to August 18, 2023, (b) 115% of the principal amount plus accrued and unpaid interest if the transaction occurs after August 18, 2023.

The Company was paid an establishment fee equal to 3% of the principal amount of the convertible debenture, which was paid through the issuance of common shares at a price of \$0.82 per share, resulting in the issuance of 219,689 common shares of IsoEnergy which were recorded at fair value of \$206,844.

The fair value of the Company's IsoEnergy convertible debenture at May 31, 2021 is \$20,583,975 (August 31, 2020 - \$10,284,155). For the nine months ended May 31, 2021, the Company has recorded \$383,944 (May 31, 2020 - nil) in interest income. During the nine months ended May 31, 2021, the Company received an interest payment of \$191,280, of which \$135,021 was paid in cash and \$56,259 was paid in 40,026 common shares. As at May 31, 2021, the Company had \$212,500 (August 31, 2020 - \$19,836) in receivables related to accrued interest.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

6. Investments at fair value (continued):

(b) Investment in IsoEnergy Ltd. convertible debentures (continued):

The valuation model used to estimate the fair value of the convertible debenture is a system of two coupled Black-Scholes Option Pricing equations and partial differential equations that are solved simultaneously using finite-difference methods, with the following assumptions:

	May 31, 2021	August 31, 2020
Expected price volatility	60.0%	100%
Expected life	4.22 years	4.96 years
Risk free interest rate	0.725%	0.398%
Coupon interest rate	8.5%	8.5%
Expected dividend yield	0%	0%
Credit spread	18.75%	20.0%
Underlying share price of the investee (CA)	\$2.85	\$0.97
Conversion price (CA)	\$0.88	\$0.88
Exchange rate (US\$:CA\$)	0.8284	0.7668

(c) Investment in Adriatic Metals Plc ("Adriatic") convertible debentures:

On December 1, 2020, the Company completed the purchase of \$20,000,000 of 8.5% unsecured convertible debentures in Adriatic (the "Adriatic convertible debentures"). The Adriatic convertible debentures are unsecured and have a four-year term. A cash coupon of 8.5% per annum is payable quarterly. The Adriatic convertible debentures are convertible at the Company's option into Adriatic common shares at a conversion price of Australian Dollar ("AUD") \$2.7976 per common share (the "conversion price").

Adriatic is entitled to redeem the Adriatic convertible debentures early at par plus accrued and unpaid interest (a) at any time that the 20-day volume weighted average price of Adriatic common shares exceeds 125% of the conversion price, (b) on or after the third anniversary of the date of the issuance of the Adriatic convertible debentures, or (c) from the proceeds of any project financing or other secured debt financing completed.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

6. Investments at fair value (continued):

(c) Investment in Adriatic Metals Plc convertible debentures (continued):

Upon the announcement of a change of control transaction, Adriatic has the right to require the Company to convert some or any part which is \$1,000 or a multiple thereof of the principal amount of the convertible debenture into shares at the conversion price (the "early conversion right"). The early conversion right may only be exercised provided that (i) the directors of Adriatic have approved such change; (ii) the amount that the Company will receive upon completion of the change of control transaction on a per share basis on conversion exceeds the conversion price; and (iii) either (a) such amount is payable in cash or (b) such amount is payable in whole or in part in property or securities, in the discretion of the Company. The early conversion right is conditional upon completion of the change of control and is void if the change of control does not occur. In the case of a change of control transaction, the Company has the right (the "change of control redemption right") to redeem if the transaction occurs prior to December 1, 2022 or Adriatic may require the repurchase, on the date which is not later than 30 days of such transaction, the convertible debenture into cash at a price of (a) 130% of the principal amount, (b) 115% of the principal amount plus accrued and unpaid interest if the transaction occurs after December 1, 2022.

The Company was paid an establishment fee equal to 3% of the principal amount of the convertible debenture, which was \$600,000 was paid in cash.

The fair value of the Company's Adriatic convertible debenture at May 31, 2021 is \$22,943,534 (August 31, 2020 - nil). For the nine months ended May 31, 2021, the Company has recorded \$850,000 (February 29, 2020 - nil) in interest income. As at May 31, 2021, the Company had \$283,333 (August 31, 2020 - nil) in receivables related to accrued interest.

The valuation model used to estimate the fair value of the convertible debenture is a system of two coupled Black-Scholes Option Pricing equations and partial differential equations that are solved simultaneously using finite-difference methods, with the following assumptions:

	May 31, 2021	August 31, 2020
Expected price volatility	50.0%	-
Expected life	3.50 years	-
Risk free interest rate	0.256%	-
Coupon interest rate	8.5%	-
Expected dividend yield	0%	-
Credit spread	26.50%	-
Underlying share price of the investee (AUD)	\$2.59	-
Conversion price (AUD)	\$2.80	-
Exchange rate (US\$:AUD\$)	0.7744	-

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

6. Investments at fair value (continued):

(d) Other common shares held for investment purposes:

The Company holds common shares in listed entities. The shares are held as a result of (a) establishment fees settled in common shares related to convertible debenture investments, (b) interest income on convertible debenture investments settled in common shares and/or (c) purchases on market for investment purpose. The fair value of these shares at May 31, 2021 is \$2,802,036 (August 31, 2020 - \$923,846).

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	May 31, 2021	August 31, 2020
Accounts payable	\$ 63,329	\$ 9,844
Accrued liabilities	10,580	30,390
Due to related parties (note 8)	154,174	435,000
	<u>\$ 228,083</u>	<u>\$ 475,234</u>

8. Related party transactions:

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

	Three months ended		Nine months ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Senior management remuneration	\$ 172,500	\$ 5,751	\$ 514,300	\$ 17,253
Directors' fees	19,931	-	60,764	-
Share-based compensation	-	5,143,900	2,448,605	7,040,839
	<u>\$ 192,431</u>	<u>\$ 5,149,651</u>	<u>\$ 3,023,669</u>	<u>\$ 7,058,092</u>

During the nine months ended May 31, 2021, the Company reimbursed office rent of \$279,410 (2020 - \$273,212) and office renovation costs of \$122,154 (2020 - nil) to a company controlled by an officer and director of the Company. There is no contractual rent obligation for the Company as the lease agreement is with the company controlled by the officer and director. The Company is invoiced for reimbursement by the company controlled by an officer and director of the Company on a monthly basis. The office renovation costs were one-time renovations for the Hong Kong office.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

8. Related party transactions (continued):

As at May 31, 2021, accounts payable and accrued liabilities include an amount of \$154,174 (August 31, 2020 - \$435,000) due to officers and directors of the Company and/or companies controlled by officers of the Company, related to fees for services. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

At May 31, 2021, the Company holds investments and convertible debentures in NexGen, a company related by way of a common director and IsoEnergy, a company controlled by NexGen.

At May 31, 2021 and August 31, 2020, two significant shareholders, Squadron Resources Pty Ltd. and Corom Pty Ltd., a company controlled by a relative of a director of the Company, each beneficially own, or exercise control or direction over 71,263,003 common shares, respectively, constituting approximately 25.70%, respectively, of the current issued and outstanding shares of the Company.

9. Share capital:

(a) Common shares:

Authorized: unlimited number of common shares without par value

Issued: 277,252,651 common shares as at May 31, 2021 and August 31, 2020.

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

(b) Warrants:

There were no warrants outstanding at May 31, 2021 and August 31, 2020.

(c) Stock options:

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers, directors, employees, and consultants to acquire up to 10% of the outstanding issued common shares. The stock option plan allows for the option price at the time each option is granted to be not less than the discounted market price as calculated and defined in accordance with the policies of the TSX-V. Options granted under the plan will have a term not to exceed ten years. Vesting is determined at the discretion of the Board of Directors and in accordance with the policies of the TSX-V.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

9. Share capital (continued):

(c) Stock options (continued):

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

	Number of options	Weighted average exercise price In CA\$
As at August 31, 2019	1,000,000	0.13
Exercised	(1,000,000)	0.13
Issued	25,500,000	0.44
As at August 31, 2020	25,500,000	0.44
Cancelled	(14,350,000)	0.55
As at May 31, 2021	11,150,000	0.30

On October 12, 2020, 14,350,000 options exercisable at \$0.55 were cancelled. For the nine months ended May 31, 2021, a total of \$2,448,605 (2020 - \$7,040,839) was recognized of which \$749,684 (2020 - nil) was for the cancelled options.

On February 3, 2020, the Company granted 11,000,000 stock options, exercisable at CA\$0.30 per share for a term of 5 years. The options vest as to 50% upon grant date and a further 50% after a period of 12 months. The Company determined the grant date fair value of \$3,856,346.

On February 18, 2020, the Company granted 14,500,000 stock options, exercisable at CA\$0.55 per share for a term of 5 years. The options vest as to 50% upon grant date and a further 50% after a period of 12 months. The Company determined the grant date fair value of \$7,002,556.

The fair value of all compensatory options granted is estimated on the grant date using the Black-Scholes Options Pricing Model.

The weighted average of the inputs used in the calculation of the fair value of the stock options on the date of issue are as follows:

	May 31, 2021	August 31 2020
Volatility	-	188.49%
Expected life	-	5 years
Risk-free interest rate	-	1.31%
Expected dividend yield	-	0.00%

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

9. Share capital (continued):

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

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

10. Basic and diluted income (loss) per share:

The calculation of basic income per share for the three and nine months ended May 31, 2021 is calculated using the weighted average number of common shares outstanding of 277,252,651 (May 31, 2020 – 169,941,736 and 63,637,843 respectively).

Diluted income per share for the three and nine months ended May 31, 2021 was calculated using the weighted average number of common shares outstanding, and adjusted for the dilutive effect of 11,150,000 stock options. Diluted loss per share for the three and nine-months ended May 31, 2020 did not include the 25,500,000 options, as the effect would be anti-dilutive or the stock options had exercise prices that were higher than the weighted average share price for the period.

11. Financial instruments and risk management:

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

The following table summarizes the carrying value of financial assets and liabilities of the Company as at May 31, 2021 and August 31, 2020:

	May 31, 2021	August 31, 2020
Fair value through profit and loss:		
Investments at fair value	\$ 142,428,796	\$ 54,660,440
Amortized cost:		
Cash	5,117,694	25,073,826
Receivables	1,027,083	293,996
Accounts payable and accrued liabilities	228,083	475,234

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

11. Financial instruments and risk management (continued):

As at May 31, 2021 and August 31, 2020, financial instruments that are not measured at fair value on the balance sheet are represented by cash, receivables and accounts payable and accrued liabilities. The fair value of these financial instruments approximates the carrying value due to their short-term nature and the fair values are estimated using Level 2 inputs.

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

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

The Company's financial assets measured at fair values through profit or loss are as follows:

May 31, 2021	Level 1	Level 2	Level 3
Investments at fair value	\$ 58,785,227	\$ 83,643,569	\$ -

August 31, 2020	Level 1	Level 2	Level 3
Investments at fair value	\$ 23,894,339	\$ 30,766,101	\$ -

There were no asset transfers between levels for the nine months ended May 31, 2021 and 2020.

(a) Financial risks:

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

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

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

11. Financial instruments and risk management (continued):

(b) Credit risk:

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and investments. The Company has limited exposure to credit risk related to cash, as it only deposits its cash with high credit quality financial institutions, which are available on demand. The Company's equity investments are settled and paid for upon delivery using an approved broker. The risk of default is considered minimal, as delivery of securities sold is made once the broker has received payment and payment on a purchase is received by the broker. The trade will fail if either party fails to meet its obligations. The Company's credit risk related to convertible debentures is associated with the risk that these third parties will not perform their underlying obligations. The Company mitigates its credit risk by only investing and providing loans where they have a detailed knowledge of the investee's operations and business strategy. The Company has three concentrated convertible debentures at May 31, 2021 that were made up of 48% NexGen, 25% IsoEnergy and 27% Adriatic. At August 31, 2020 there were two concentrated convertible debentures that were made up of 66% NexGen and 34% IsoEnergy.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company has ensured, as far as reasonably possible, it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. Historically, the Company's primary source of financing has been the issuance of equity securities for cash, through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity financing. As of May 31, 2021 and August 31, 2020, the Company had no significant contractual obligations other than those included in accounts payable and accrued liabilities.

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

11. Financial instruments and risk management (continued):

(d) Interest and foreign exchange risk:

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At May 31, 2021, the Company is exposed to limited interest rate risk as it earns very little interest on its cash balance due to current near zero interest rates in Canada and the United States. The Company has assets which are denominated in Canadian ("CA") dollars. The Company's exposure to exchange rate fluctuations arises mainly on foreign currency fluctuations against the U.S. dollar functional currency.

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

	May 31, 2021	August 31, 2020
Cash	\$ 14,789	\$ 59,023
Receivables	-	20,423
Investments	58,785,227	23,894,339
Accounts payable and accrued liabilities	93,550	39,445
	<u>\$ 58,706,466</u>	<u>\$ 23,934,340</u>

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, investments, and accounts payable and accrued liabilities that are denominated in CA and Hong Kong ("HK") dollars. As at May 31, 2021, net assets totalling \$58,706,466 (August 31, 2020 - \$23,934,340) were held in CA and HK dollars. Based on the above net exposure as at May 31, 2021 and assuming all other variables remain constant, a 2% depreciation or appreciation of the CA or HK dollar against the U.S. dollar would result in an increase or decrease of approximately \$1,174,129 (August 31, 2020 - \$478,687) in the Company's net income (loss) and comprehensive income (loss).

(e) Market price risk:

Market price risk is the risk that the fair value of an investment measured at FVTPL will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk). The Company's investments at fair value of public entities are subject to price risk. A 5% increase/decrease in the value of all investments in public entities would result in an approximate increase/decrease in the value of public market exposure and unrealized gain/loss for the nine months ended May 31, 2021 in the amount of approximately \$7.1 million (August 31, 2020 - \$2.7 million).

QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three and Nine months ended May 31, 2021
(Unaudited)

12. Capital management:

The Company considers the items in shareholders' equity as capital. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its future liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's objectives when managing capital are:

- (a) to maintain the Company's ability to make new investments by allowing it to respond to economic changes and/or the marketplace;
- (b) to maintain growth of shareholders' equity; and
- (c) to continue taking a conservative approach towards financial leverage and management of financial risks.

The Company reviews its capital structure on an on-going basis and makes adjustments in light of changes in economic conditions and the risk characteristics of its underlying investments. The Company has adjusted or maintained its level of capital by raising additional capital through equity financings. The Company is not subject to externally imposed capital requirements.

13. Subsequent Event:

On April 30, 2021, the Company entered into a non-binding agreement with Los Andes Cooper Ltd. ("Los Andes") to purchase \$5,000,000 of convertible debentures. The convertible debentures have a 5-year term, carry an 8% coupon, a 3% establishment fee and will be convertible into common shares of Los Andes at a price of CA \$10.82. The investment closed on June 2, 2021, whereby cash consideration was transferred to Los Andes in exchange for the convertible debentures.