

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



**QUEEN'S ROAD CAPITAL INVESTMENT LTD.**

Three months ended November 30, 2022  
(Unaudited)

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

As at November 30, 2022 and August 31, 2022  
(Unaudited)

	Note	November 30, 2022	August 31, 2022
<b>Assets</b>			
Current assets:			
Cash		\$ 15,144,480	\$ 34,508,794
Prepays and deposits		87,354	111,155
Receivables	3	1,322,167	720,958
		16,554,001	35,340,907
Non-current assets:			
Investments at fair value	4	216,112,823	196,751,187
Right-of-use assets		435,499	482,159
		216,548,322	197,233,346
		\$ 233,102,323	\$ 232,574,253

## Liabilities and Shareholders' Equity

Current liabilities:			
Accounts payable and accrued liabilities		\$ 1,115,674	\$ 1,000,132
Lease liabilities		184,005	180,910
		1,299,679	1,181,042
Non-current			
Long-term lease liabilities		265,895	315,843
Shareholders' equity:			
Share capital		175,270,818	170,384,091
Reserve		18,369,165	17,072,967
Retained earnings		37,896,766	43,620,310
		231,536,749	231,077,368
		\$ 233,102,323	\$ 232,574,253

Subsequent events 13

See accompanying notes to these condensed interim consolidated financial statements.

Approved on behalf of the Board:

“Warren Gilman”  
\_\_\_\_\_  
Director

“Alex Granger”  
\_\_\_\_\_  
Director

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

For the three months ended November 30, 2022 and 2021  
(Unaudited)

	Note	Three months ended November 30, 2022	Three months ended November 30, 2021
Income from investments:			
Interest Income	4	\$ 1,905,696	\$ 933,816
Establishment fee income	4	600,000	-
Realized gain from investments	4	41,991	322,400
Unrealized gain from investments	4	41,528	13,294,674
<b>Total income from investments</b>		<b>2,589,215</b>	<b>14,550,890</b>
Operating expenses (gain):			
Consulting		2,201	2,384
Depreciation		46,661	-
Directors' fees	6	16,500	15,750
Foreign exchange loss (gain)		190,735	(66,832)
Interest expense and financing costs		-	270,693
Interest expense on lease liabilities		5,661	-
Management fees	6	225,000	180,000
Office and administration		70,827	59,930
Office rent	6	9,171	92,168
Professional fees		100,694	56,579
Regulatory and transfer agent fees		62,444	53,612
Share-based compensation	6	1,296,198	-
Travel		104,106	-
<b>Total operating expenses</b>		<b>2,130,198</b>	<b>664,284</b>
<b>Net income and comprehensive income</b>		<b>\$ 459,017</b>	<b>\$ 13,886,606</b>
Income per common share:			
Basic	8	\$ 0.00	\$ 0.05
Diluted	8	0.00	0.05
<b>Weighted average number of common shares - basic</b>		<b>444,352,975</b>	<b>280,163,762</b>
<b>Weighted average number of common shares - diluted</b>		<b>483,002,975</b>	<b>287,724,873</b>

See accompanying notes to these condensed interim consolidated financial statements.

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

For the three months ended November 30, 2022 and 2021  
(Unaudited)

	Note	Issued number of Shares	Share capital	Treasury shares	Reserves	Retained earnings	Shareholders' equity
Balance, August 31, 2022		445,895,954	\$ 171,700,469	\$ (1,316,378)	\$ 17,072,967	\$ 43,620,310	\$ 231,077,368
Shares issued - dividend reinvestment plan	7	9,631,732	5,078,194	-	-	(5,078,194)	-
Shares purchased and held in Treasury	7	-	-	(726,461)	-	-	(726,461)
Shares canceled	7	(3,260,695)	(1,257,809)	1,792,803	-	(534,994)	-
Share-based compensation	7	-	-	-	1,296,198	-	1,296,198
Dividend - paid in cash	7	-	-	-	-	(569,373)	(569,373)
Net income for the period	-	-	-	-	-	459,017	459,017
<b>Balance, November 30, 2022</b>		<b>452,266,991</b>	<b>\$ 175,520,854</b>	<b>\$ (250,036)</b>	<b>\$ 18,369,165</b>	<b>\$ 37,896,766</b>	<b>\$ 231,536,749</b>
Balance, August 31, 2021		277,252,651	\$ 86,218,243	\$ -	\$ 12,345,537	\$ 50,488,137	\$ 149,051,917
Shares issued – exercise of stock options	7	8,000,000	4,747,536	-	(2,804,616)	-	1,942,920
Shares issued – exercise of stock options	7	4,393,303	2,502,707	-	-	(2,502,707)	-
Dividend – paid in cash	7	-	-	-	-	(882,672)	(882,672)
Net income for the period	-	-	-	-	-	13,886,606	13,886,606
<b>Balance, November 30, 2021</b>		<b>289,645,954</b>	<b>\$ 93,468,486</b>	<b>\$ -</b>	<b>\$ 9,540,921</b>	<b>\$ 60,989,364</b>	<b>\$ 163,998,771</b>

See accompanying notes to these interim consolidated financial statements

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

For the three months ended November 30, 2022 and 2021  
(Unaudited)

Note	Three months ended November 30, 2022	Three months ended November 30, 2021
Cash flow provided by (used in):		
Operating activities:		
Net income	\$ 459,017	\$ 13,886,606
Items not affecting cash:		
Interest income on convertible debentures	4 (1,808,889)	(933,750)
Establishment fee income	4 (450,000)	-
Realized gain on investments	4 (41,991)	(322,400)
Unrealized gain on investments	4 (41,528)	(13,294,674)
Depreciation	46,661	-
Interest expense and financing costs	-	270,693
Interest expense on lease liabilities	5,661	-
Share-based compensation	7 1,296,198	-
Unrealized currency translation loss (gain)	215,785	(164,051)
	(319,086)	(557,576)
Changes in working capital items:		
Other receivables	32,541	(51,341)
Prepaid expenses and advances	23,801	3,795
Accounts payable and accrued liabilities	115,542	9,862
Interest received on convertible debentures	4 970,588	487,500
Interest expense paid on bank loan	-	(66,271)
Interest expense paid on lease liabilities	(5,661)	-
Cash flow provided (used in) by operating activities	817,725	(174,031)
Financing activities:		
Common shares issued by stock option exercise	7 -	1,942,920
Common shares purchased	7 (726,461)	-
Dividends paid	7 (569,373)	(882,672)
Payment of lease liabilities	(48,955)	-
Borrowings, net of transaction costs	-	16,419,503
Cash flow (used in) provided by financing activities	(1,344,789)	17,479,751
Investing activities:		
Acquisition of investments	4 (20,000,000)	(16,515,318)
Proceeds from sale of equity investments	4 1,376,434	590,866
Cash flow (used in) investing activities	(18,623,566)	(15,924,452)
Decrease (increase) in cash during the period	(19,150,630)	1,381,268
Cash and cash equivalents, beginning of the period	34,508,795	2,158,142
Effect of currency translation on cash	(213,685)	(77,448)
Cash and cash equivalents, end of the period	\$ 15,144,480	\$ 3,461,962

Supplemental disclosure with respect to cash flows (note 11)  
See accompanying notes to these interim consolidated financial statements

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Condensed Interim Consolidated Financial Statements

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

Three months ended November 30, 2022

(Unaudited)

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## 1. Reporting entity and nature of operations:

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

The Company was incorporated under the laws of the Province of British Columbia, Canada on January 25, 2011. On January 29, 2020, the Company redomiciled from British Columbia, Canada to the Cayman Islands. The Company's corporate office is located at Suite 2006, 2 Queen's Road Central, Hong Kong. The Company is listed on the Toronto Stock Exchange ("TSX") and the trades under the symbol "QRC".

## 2. Basis of presentation:

### (a) Statement of compliance:

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

### (b) Basis of presentation:

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

The condensed interim consolidated financial statements have been prepared using the same accounting policies and methods as those used in the audited financial statements for the year ended August 31, 2022. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended August 31, 2022.

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three months ended November 30, 2022  
(Unaudited)

### 3. Receivables:

Receivables consist of the following:

	November 30, 2022	August 31, 2022
Interest receivable on convertible debentures	\$ 1,255,208	\$ 621,458
Other receivables	66,959	99,500
	<b>\$ 1,322,167</b>	<b>\$ 720,958</b>

### 4. Investments at fair value:

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

	November 30, 2022	August 31, 2022
Equity and other investments:		
NexGen Energy Ltd. (a)	\$ 55,235,864	\$ 51,645,722
Osisko Green Acquisition Ltd. (b)	14,777,792	14,957,824
Other investments (c)	10,451,732	11,982,934
	80,465,388	78,586,480
Convertible debentures (d):		
Adriatic Metals Pty.	23,447,727	19,305,637
Challenger Exploration Ltd.	12,965,800	-
Contango ORE Inc.	18,341,432	18,327,105
IsoEnergy Ltd.	23,828,405	30,908,072
Los Andes Copper Ltd.	15,580,853	10,857,271
NexGen Energy Ltd.	41,483,218	38,766,622
	135,647,435	118,164,707
	<b>\$216,112,823</b>	<b>\$ 196,751,187</b>

The continuity of the Company's investments during the period ended November 30, 2022 is as follows:

	August 31, 2022	Additions	Net proceeds from disposition	Realized gains	Unrealized gains (losses)	November 30, 2022
Equity and other investments	\$ 78,586,480	\$ 654,551	\$ (1,376,434)	\$ 41,991	\$ 2,558,800	\$ 80,465,388
Convertible debentures	118,164,707	20,000,000	-	-	(2,517,272)	135,647,435
	<b>\$ 196,751,187</b>	<b>\$20,654,551</b>	<b>\$ (1,376,434)</b>	<b>\$ 41,991</b>	<b>\$ 41,528</b>	<b>\$ 216,112,823</b>

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three months ended November 30, 2022  
(Unaudited)

## 4. Investments at fair value (continued):

The continuity of the Company's investments during the period ended November 30, 2021 is as follows:

	August 31, 2021	Additions	Net proceeds from disposition	Realized gains	Unrealized gains	November 30, 2021
Equity and other investments	\$ 55,970,983	\$ 16,552,813	\$ (590,866)	\$ 322,400	\$ 3,921,395	\$ 76,176,725
Convertible debentures	90,424,517	-	-	-	9,373,279	99,797,796
	\$ 146,395,500	\$ 16,552,813	\$ (590,866)	\$ 322,400	\$ 13,294,674	\$ 175,974,521

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

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

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

On May 27, 2020, the Company purchased 11,611,667 common shares of NexGen, a company related by way of two common directors, at \$1.29 per share for a purchase price of \$15,000,000. The fair value of the 11,611,667 NexGen shares at November 30, 2022 is \$55,235,864 (August 31, 2022 - NexGen 11,611,667 shares \$51,645,722). The fair value is calculated using the closing market price of the shares on the relevant date.

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

On September 8, 2021, the Company purchased 2,000,000 Class A Restricted Voting Units for CA\$10.00 per unit in Osisko for a purchase price of \$15,778,000. Each Class A Restricted Voting Unit comprised of one Class A Restricted Voting Share and one-half of one Warrant. The Restricted Voting Units split into shares and warrants on October 18, 2021. The warrants are included under other investments held for investment purposes. The fair value of the 2,000,000 Class A Restricted Voting Shares at November 30, 2022 is \$14,777,792 (August 31, 2021 - \$14,957,824). The fair value is calculated using the closing market price of the shares on the reporting date.



# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three months ended November 30, 2022  
(Unaudited)

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## 4. Investments at fair value (continued):

### (c) Other investments held for investment purposes:

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

The fair value of other equity investments at November 30, 2022 is \$10,451,732 (August 31, 2022 - \$11,982,934).

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

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three months ended November 30, 2022  
(Unaudited)

## 4. Investments at fair value (continued):

(d) Investments in convertible debentures:

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

Issuer	Principal <sup>(1)</sup> US\$	Issue date <sup>(2)</sup>	Maturity date	Annual coupon	Annual coupon settled by	Conversion price <sup>(5)</sup>	Redemption	Other notes
Adriatic Metals Plc. ("Adriatic")	20,000,000	Dec 1, 2020	Dec 1, 2024	8.5% <sup>(3)</sup>	Cash 8.5%	A\$2.7976	(6)	(7), (8)
Challenger Exploration Ltd. ("Challenger")	15,000,000	Sep 12, 2022	Sep 12, 2026	9.0%	Cash 7.0% Shares 2.0%	A\$0.25		(8)
Contango ORE, Inc. ("Contango")	20,000,000	Apr 26, 2022	Apr 26, 2026	8.0%	Cash 6.0% Shares 2.0%	US\$30.50	(9)	(10)
IsoEnergy Ltd. ("IsoEnergy")	6,000,000	Aug 18, 2020	Aug 19, 2025	8.5% <sup>(4)</sup>	Cash 6.0% Shares 2.5%	C\$0.88	(11)	(12), (13)
Los Andes Copper Ltd ("Los Andes")	Various 4,000,000 to 5,000,000	Various (2021 to 2022)	Various (2026 to 2027)	8.0%	Cash 5.0% Shares 3.0%	(14)	(11)	(14)
NexGen Energy Ltd. ("NexGen")	15,000,000	May 27, 2020	May 27, 2025	7.5%	Cash 5.0% Shares 2.5%	C\$2.34	(11)	(13)

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three months ended November 30, 2022  
(Unaudited)

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## 4. Investments at fair value (continued):

### (d) Investments in convertible debentures (continued):

- (1) The convertible debentures are unsecured and rank equally in right of payment with all present and future unsecured and unsubordinated indebtedness of the issuer.
- (2) The Company was paid an establishment fee equal to 3% of the principal amount of the convertible debentures, settled either in cash or common shares of the issuer.
- (3) Adriatic: The annual coupon increases from 8.5% to 9.5% from December 30, 2022.
- (4) IsoEnergy: The annual coupon reduces from 8.5% to 7.5%, reducing the cash and common share interest from 6.0% and 2.5% to 5.0% and 2.5% respectively, on filing of an economically positive preliminary assessment compliant with the requirements of National Instrument 43-101 of the Canadian Securities Commission. This filing has not been made as at November 30, 2022 or August 31, 2022.
- (5) The Company is entitled to convert, from time to time prior to the maturity date, some or all of the outstanding principal amount into common shares at the conversion price.
- (6) Adriatic: The issuer is entitled to redeem the debenture, in whole but not in part, the principal amount plus accrued and unpaid interest (i) at any time that the 20-day volume-weighted average trading price on the relevant stock exchange exceeds 125% of the conversion price; (ii) on or after the third anniversary of the issue date; or (iii) from the proceeds of any project financing or other secured debt financing completed.
- (7) Adriatic: If the aggregate shares issuable upon conversion exceeds the maximum number of shares which are available for issue, the Company is entitled to Conversion Shortfall Payment in cash based on the number of shares not issued as a result of exceeding the maximum number available for issue.
- (8) Adriatic and Challenger: Upon completion of a change of control transaction, the Company has the right to require the issuer to redeem any outstanding principal in cash at a price of (i) 130% of the principal amount if the transaction occurs before the second anniversary of the issue date or (ii) 115% of the principal amount if the transaction occurs after the second anniversary of the issue date, together with any accrued and unpaid interest. Upon completion of a project financing, the Company has the right to require the issuer to redeem any outstanding principal in cash at a price equal to the principal amount plus any accrued and unpaid interest.
- (9) Contango: The issuer is entitled to redeem the debenture, in whole or part, at 105% of the principal amount plus accrued and unpaid interest after the third anniversary of the issue date and prior to the maturity date at any time that the 20-day volume-weighted average trading price on the relevant stock exchange exceeds 130% of the conversion price.

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three months ended November 30, 2022  
(Unaudited)

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## 4. Investments at fair value (continued):

### (d) Investments in convertible debentures (continued):

- (10) Contango: On announcement of a change of control transaction, the Company may be required convert some or all of the outstanding principal amount into shares at the conversion price. Upon completion of a change of control transaction, the issuer has the right (but not the obligation to) redeem any outstanding principal in cash at a price of (i) 130% of the principal amount if the transaction occurs before the third anniversary of the issue date or (ii) 115% of the principal amount if the transaction occurs after the third anniversary of the issue date. Upon completion of a change in control transaction, the Company has the right to require the issuer to redeem any outstanding principal in cash at a price of (i) 130% of the principal amount if the transaction occurs before the third anniversary of the issue date or (ii) 115% of the principal amount if the transaction occurs after the third anniversary of the issue date. Upon completion of a secured financing package, the Company has the right to require the issuer to redeem any outstanding principal in cash at a price equal to the principal amount plus any accrued and unpaid interest.
- (11) NexGen, IsoEnergy, Los Andes; The issuer is entitled to redeem the debenture, in whole or part, at the principal amount plus accrued and unpaid interest after the third anniversary of the issue date and prior to the maturity date at any time that the 20-day volume-weighted average trading price on the relevant stock exchange exceeds 130% of the conversion price.
- (12) IsoEnergy: If the aggregate shares issuable upon conversion exceeds the prescribed maximum number of shares, the Company is entitled to an Exchange Rate Fee payment in cash based on the number of shares not issued as a result of exceeding the defined maximum number.
- (13) NexGen, IsoEnergy: On announcement of a change of control transaction, the Company may be required convert some or all of the outstanding principal amount into shares at the conversion price. On completion of a change of control transaction, the issuer must deliver to the Company an offer to purchase any outstanding principal in cash at a price of (i) 130% of the principal amount if the transaction occurs before the third anniversary of the issue date or (ii) 115% of the principal amount if the transaction occurs after the third anniversary of the issue date.
- (14) Los Andes: Interest can be settled by between 5% to 8% per annum in cash and between 0% and 3% per annum in shares. Conversion prices range from C\$10.82 to C\$19.67.

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three months ended November 30, 2022  
(Unaudited)

## 4. Investments at fair value (continued):

### (d) Investments in convertible debentures (continued):

During the three months ended November 30, 2022 the Company received establishment fees of \$450,000 on a convertible debenture of US\$15 million issued by Challenger settled by 3,513,457 common shares of Challenger and \$150,000 on a convertible debenture of US\$5 million issued by Los Angeles settled in cash (November 30, 2021 – nil).

The fair value of convertible debentures at November 30, 2022 is \$135,647,435 (August 31, 2022 - \$118,164,707). The fair value for convertible debentures is estimated using valuation models based on a system of two coupled Black-Scholes Option Pricing equations and partial differential equations that are solved simultaneously using finite-difference methods. The assumptions and inputs below were used in the models for the selected debentures held by the Company:

November 30, 2022	Adriatic	Challenger	Contango	IsoEnergy	NexGen
Expected life	2.01 years	3.79 years	3.41 years	2.72 years	2.49 years
Modelled price volatility <sup>(1)</sup>	30%	70%	45%	68%	67%
Risk free interest rate	3.1%	3.1%	4.0%	3.7%	3.8%
Coupon interest rate	8.5%	9.0%	8.0%	8.5%	7.5%
Expected dividend yield	-%	-%	-%	-%	-%
Credit spread	27.3%	39.6%	26.6%	19.6%	18.6%
Underlying share price of the investee	AU\$3.02	AU\$0.17	US\$22.90	CA\$3.44	CA\$6.38
Conversion price	AU\$2.7976	AU\$0.25	US\$30.50	CA\$0.88	CA\$2.34
Exchange rate (US\$ - CA\$)	-	-	-	0.7456	0.7456
Exchange rate (US\$ - AU\$)	0.6788	0.6788	-	-	-

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

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

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

Notes to Condensed Interim Consolidated Financial Statements  
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Three months ended November 30, 2022  
(Unaudited)

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#### 4. Investments at fair value (continued):

(e) Investments in convertible debentures (continued):

For the three months ended November 30, 2022, the Company has recorded interest income on convertible debentures of \$1,808,889 (November 30, 2021 - \$933,750). During the three months ended November 30, 2022, the Company received interest payments of \$1,175,139 of which \$970,588 was paid in cash and \$204,551 was settled in common shares (November 30, 2021 - \$524,995 of which \$487,500 was in cash and \$37,495 in common shares).

#### 5. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of the following:

	November 30, 2022	August 31, 2022
Accounts payable	\$ 96,077	\$ 31,419
Accrued liabilities	169,370	189,679
Due to related parties (note 6)	850,227	779,034
	<u>\$ 1,115,674</u>	<u>\$ 1,000,132</u>

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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

Three months ended November 30, 2022  
(Unaudited)

## 6. Related party transactions:

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

	Three months ended November 30, 2022	Three months ended November 30, 2021
Management fees	\$ 225,000	\$ 180,000
Directors' fees	16,500	15,750
Office rent	-	92,168
Share-based compensation	1,296,198	-
	<u>\$ 1,537,698</u>	<u>\$ 287,918</u>

During the three months ended November 30, 2021, the Company reimbursed office rent of \$92,168 to a controlled by an officer and director of the Company. There was no contractual rent obligation for the Company as the lease agreement is with the company controlled by the officer and director. The Company was invoiced for reimbursement by the company controlled by an officer and director of the Company on a monthly basis.

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

As at November 30, 2022, accounts payable and accrued liabilities include an amount of \$850,227 (August 31, 2022 - \$779,034) due to officers and directors of the Company and/or companies controlled by officers of the Company, related to management fees, directors' fees and reimbursement of expenses. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

As at November 30, 2022, the Company holds investments and convertible debentures in NexGen, a company related by way of two common directors and IsoEnergy, a company controlled by NexGen and convertible debentures in Los Andes, a company related by way of a common director. The fair value of equity investments and convertible debentures of these related companies at November 30, 2022 is \$134,323,524 (August 31, 2022 - \$134,323,524). Establishment fee income for the three months ended November 30, 2022 is \$150,000 (November 30, 2021 - nil) and interest income on convertible debentures is \$687,639 (November 30, 2021 - \$508,750) from these related companies.

At November 30, 2022, two significant shareholders, Wyloo Metals Pty Ltd. (previously known as Squadron Resources Pty Ltd.) ("Wyloo") and Corom Pty Ltd. ("Corom"), a company controlled by a relative of a director of the Company, beneficially own, or exercise control or direction over 114,515,105 and 71,490,003 common shares, respectively, constituting approximately 25.3% and 15.8%, respectively, of the issued shares of the Company (August 31, 2022 - Wyloo 110,325,503 and 24.9% and Corom 110,552,503 and 24.9%).

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## 7. Share capital:

(a) Common shares:

Authorized:

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

Issued:

452,266,991 common shares as at November 30, 2022 (August 31, 2022 - 445,895,954).

Issued and Outstanding:

452,087,491 common shares as at November 30, 2022 (August 31, 2022 - 443,556,376).

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

	Three months ended November 30, 2022	Three months ended November 30, 2021
Shares issued and fully paid		
At beginning of period	445,895,954	277,252,651
Issued on exercise of share options	-	8,000,000
Issued in settlement of dividend	9,631,732	4,393,303
Canceled	(1)	-
Purchased through NCIB and subsequently canceled	(3,260,694)	-
At end of period	452,266,991	289,645,954



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## 7. Share capital (continued):

### (a) Common shares (continued):

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

	Three months ended November 30, 2022	Three months ended November 30, 2021
Shares issued, fully paid and outstanding:		
At beginning of period	443,556,376	277,252,651
Issued on exercise of share options	-	8,000,000
Issued on settlement of dividends	9,631,732	4,393,303
Canceled	(1)	-
Purchased through NCIB and subsequently canceled	(921,116)	-
Purchased through NCIB and held in treasury	(179,500)	-
At end of period	452,087,491	289,645,954

Share transactions during the three months ended November 30, 2022 were as follows:

- 9,631,732 common shares of the Company were issued on November 17, 2022 as fully paid shares for the settlement of dividends of CA\$0.017 per share based on a share price of CA\$0.70. \$5,078,194 was transferred from retained earnings to share capital.
- 1 common share of the Company was canceled on October 17, 2022.
- 3,260,694 common shares of the Company purchased for an average cost of CA\$0.71 per share, including commissions, by the Company from November 21, 2021 to November 5, 2022 under the NCIB were canceled on November 6, 2022. The cost of the shares purchased was \$1,792,803. \$1,257,809, representing the average issue price of the shares, was transferred from the treasury share reserve to share capital. The remaining \$534,994 was transferred from the treasury share reserve to retained earnings.
- 1,100,616 common shares of the Company were purchased for an average cost of CA\$0.72 per share, including commissions, by the Company during the three months ended November 30, 2022 under the NCIB. 921,116 common shares were canceled (included in the 3,260,694 common shares canceled above). 179,500 common share are held in treasury and have not yet been canceled.

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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(Unaudited)

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## 7. Share capital (continued):

### (a) Common shares (continued):

Share transactions during the three months ended November 30, 2021 were as follows:

- 1,000,000 common shares of the Company were issued on October 15, 2021 as fully paid shares from the exercise of share options at CA\$0.30 per share. \$242,340 was received in cash and \$350,577 was transferred from share-based reserves to share capital.
- 7,000,000 common shares of the Company were issued on October 29, 2021 as fully paid shares from the exercise of share options at CA\$0.30 per share. \$1,700,580 was received in cash and \$2,454,039 was transferred from share-based reserves to share capital.
- 4,393,303 common shares of the Company were issued on November 19, 2021 as fully paid shares for the settlement of dividends of CA\$0.015 per share based on a share price of CA\$0.72. \$2,502,707 was transferred from retained earnings to share capital.

### (b) Warrants:

There were no warrants outstanding at November 30, 2022 and August 31, 2022.

### (c) Stock options:

The Company's new incentive stock option plan ("2022 Option Plan") was approved by the shareholders of the Company at the Annual General Meeting on December 22, 2022 under which it is authorized to grant options to executive officers, directors, employees, and consultants to acquire up to 10% of the outstanding issued common shares, subject to certain limitations in respect of the maximum number of common shares issuable to insiders. The 2022 Option Plan allows for the option price at the time each option is granted to be not less than the volume weighted average trading price of the common shares on the TSX for the five days immediately preceding the grant date. The plan provides participants with a cashless exercise alternative. Options granted under the 2022 Option Plan will have a term not to exceed five years. Vesting is determined at the discretion of the Board of Directors and in accordance with the policies of the TSX.

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

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## 7. Share capital (continued):

### (c) Stock options (continued):

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

	Number of Outstanding options	Weighted average exercise price (CA\$)
At August 31, 2021	11,150,000	0.30
Exercised	(8,000,000)	0.30
Issued	35,500,000	0.64
At August 31, 2022 and November 30, 2022	38,650,000	\$ 0.61

No stock options were issued or exercised during the three months ended November 30, 2022.

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

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

35,500,000 stock options were granted on February 28, 2022, exercisable at CA\$0.64 per share for a term of 5 years. The options vest as to 50% on the grant date and a further 50% after a period of 12 months. The Company determined the grant date fair value of \$10,110,198, and the fair value of options vesting in the year ended August 31, 2022 of \$7,532,046. \$1,296,198 was charged to reserves for the three months ended November 30, 2022 (November 30, 2021 – nil).

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## 7. Share capital (continued):

### (c) Stock options (continued):

A summary of the Company's outstanding options at November 30, 2022 and August 31, 2022 is as follows:

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

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

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

During the three months ended November 30, 2022 there were purchases of 1,100,616 shares for cash of \$726,461. During the year ended August 31, 2022 there were purchases of 2,339,578 shares for cash of \$1,316,378.

### (e) Dividend:

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

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

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## 8. Basic and diluted net income per share:

The calculation of basic net income per share for the three months ended November 30, 2022 is calculated using the weighted average number of common issued shares of 446,417,686 less the weighted average number of shares purchased and held in treasury of 2,064,711 to derive the weighted average number of issued and outstanding shares of 444,352,975 shares (November 30, 2021 – 280,163,762).

Diluted net income per share for the three months ended November 30, 2022 and November 30, 2021, was calculated using the weighted average number of common shares issued and outstanding shares, and adjusted for the dilutive effect of the weighted average number of stock options outstanding.

## 9. Financial instruments and risk management:

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

The following table summarizes the carrying value of financial assets and liabilities of the Company as at November 30, 2022 and August 31, 2022:

	November 30, 2022	August 31, 2022
Fair value through profit and loss:		
Investments at fair value	\$ 216,112,823	\$ 196,751,187
Amortized cost:		
Cash	15,144,480	34,508,794
Prepaid and deposits	87,354	111,155
Receivables	1,322,167	720,958
Accounts payable and accrued liabilities	1,115,674	1,000,132
Lease liabilities	449,900	496,753

As at November 30, 2022 and August 31, 2022, financial instruments that are not measured at fair value on the balance sheet are represented by cash, prepaid and deposits, receivables, accounts payable and accrued liabilities and lease liabilities. The fair value of these financial instruments approximates the carrying value due to their short-term nature and the fair values are estimated using Level 2 inputs.

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## 9. Financial instruments and risk management (continued):

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

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

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

November 30, 2022	Level 1	Level 2	Level 3
Investments at fair value	\$ 76,605,040	\$ 139,507,783	\$ -

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

There were no asset transfers between levels for the three months ended November 30, 2022 or year ended August 31, 2022.

### *Financial risks:*

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

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

# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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## 9. Financial instruments and risk management (continued):

### (a) Credit risk:

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and investments. The Company has limited exposure to credit risk related to cash, as it only deposits its cash with high credit quality financial institutions, which are available on demand. The Company's equity investments are settled and paid for upon delivery using an approved broker. The risk of default is considered minimal, as delivery of securities sold is made once the broker has received payment and payment on a purchase is received by the broker. The trade will fail if either party fails to meet its obligations. The Company's credit risk related to convertible debentures is associated with the risk that these third parties will not perform their underlying obligations. The Company mitigates its credit risk by only investing and providing loans where they have a detailed knowledge of the investee's operations and business strategy. The Company has convertible debentures invested in six companies at November 30, 2022 that were made up of 31% NexGen, 18% IsoEnergy; 17% Adriatic; 13% Contango, 11% Los Andes and 10% Challenger (August 31, 2022 - 33% NexGen, 26% IsoEnergy, 16% Adriatic, 16% Contango and 9% Los Andes).

### (b) Liquidity risk:

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

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## 9. Financial instruments and risk management (continued):

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

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

At November 30, 2022, the Company is exposed to limited interest rate risk as it earns relatively low interest on its cash balance due to modest interest rates on US and Canadian ("CA") dollars.

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

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

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

November 30, 2022	CA\$	GBP	JL\$	AU\$	Total
Cash	\$ 3,588,257	\$ -	\$ 56	\$ -	\$ 3,588,313
Prepayments and deposits	-	-	61,003	-	61,003
Investments	76,077,761	763,042	-	405,439	77,246,242
Accounts payable and accrued liabilities	(196,709)	(18,661)	(77,644)	(12,997)	(306,011)
Lease liabilities	-	-	(449,900)	-	(449,900)
<b>Net assets (liabilities)</b>	<b>\$ 79,469,309</b>	<b>\$ 744,381</b>	<b>\$ (466,485)</b>	<b>\$ 392,442</b>	<b>\$ 80,139,647</b>

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



# QUEEN'S ROAD CAPITAL INVESTMENT LTD.

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## 9. Financial instruments and risk management (continued):

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

Based on the above net exposure as at November 30, 2022 and assuming all other variables remain constant, a 2% depreciation or appreciation of the CA, HK and AU dollars and GBP against the US dollar would result in an increase or decrease of approximately \$1.6 million (August 30, 2022 - \$1.9 million) in the Company's net income and comprehensive income.

### (d) Market price risk:

Market price risk is the risk that the fair value of an investment measured at FVTPL will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk). The Company's investments at fair value of public entities are subject to price risk. A 5% increase and a 5% decrease in the value of the individual equity market prices in public entities, or individual equity prices in public entities which are used as equivalent equity instruments for the valuation of non-traded investments, would result in an increase of approximately \$9.3 million and a decrease of approximately \$10.6 million, respectively, in the value of investments and unrealized gain for the three months ended November 30, 2022 (August 31, 2021 - increase and decrease of approximately \$8.7 million).

## 10. Capital management:

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

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

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

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

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## 11. Supplemental disclosure with respect to cash flows:

Significant non-cash transactions in the three months ended November 30, 2022 and November 30, 2021 were:

	Three months ended November 30, 2022	Three months ended November 30, 2021
Investments received for settlement of establishment fees (note 4)	\$ 450,000	\$ -
Investments received for settlement of interest receivable (note 4)	204,551	37,495
Transfer from retained earnings to share capital for shares issued under the DRIP (note 7)	2,502,707	-
Transfer from retained earnings to share-based reserves for share-based compensation costs (note 7)	7,532,046	-

## 12. Segmented information:

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

## 13. Subsequent events:

On November 16, 2022, the Company announced an agreement with IsoEnergy to purchase a further \$4 million convertible debenture. The convertible debentures has a five-year and one day term, carries a 10% coupon with a 3% establishment fee and a conversion price to be based on a concurrent private placement. The investment was completed on December 6, 2022, when the conversion price into common shares of IsoEnergy at CA\$4.33 was determined.