



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

For the three and nine months ended May 31, 2023

Effective Date of this Report: July 10, 2023

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

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

Cautionary Statement on Forward-Looking Information

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

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

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

Description of the Business

The Company is a dividend paying, resource focused investment company, making investments in privately held and publicly traded resource companies. The Company acquires and holds securities for long-term capital appreciation, with a focus on convertible debt securities of issuers having resource projects in advanced development or production located in safe jurisdictions. QRC is a Hong Kong based company listed on the Toronto Stock Exchange under the symbol "**QRC**".

Key Accomplishments During the Three and Nine Months Ended May 31, 2023

\$5 Million Investment in Los Andes Copper Ltd.

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

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

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

\$15 Million Investment in Challenger Exploration Ltd.

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

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

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

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\$4 Million Investment in IsoEnergy Ltd.

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

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

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

Declaration and Payment of Dividend

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

Normal Course Issuer Bid

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

Investments

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

Investment Objectives

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

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Investment Strategy

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

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

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

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

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Investment Selection, Evaluation and Decision Making Process

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

Management will research each investment target and will analyze and review opportunities with each target and provide a recommendation to the Board as a whole and to the Investment Committee. The Board has delegated to authority to make the final investment decision to an Investment Committee in respect of any opportunity recommended by the Board to the Investment Committee.

Research activities undertaken by management will include gathering complete details about the target company's business strategy, financial history, management team, growth objectives, products, markets, competitive forces, and capital requirements.

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

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

Composition of Investment Portfolio

The Company invests the majority of its funds in the securities of resource companies. Investments made by the Company may take different forms, including equity, warrants, debt, convertible debentures, royalties and metal streaming, although the Company is primarily focused on convertible debt securities. As of the date of this report, the Company has invested a total of approximately \$126 million mainly in seven different resource companies as presented in the table below.

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

⁽¹⁾ Several convertible debentures issued on various dates.

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Management's Estimated Market Value of Investments

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

	July 7, 2023⁽²⁾
Equity and other investments:	
NexGen Energy Ltd.	\$52,148,990
Osisko Green Acquisition Ltd.	\$15,316,332
Other Investments ⁽¹⁾	\$10,471,515
	\$77,936,837
Convertible debentures ⁽³⁾ :	
Adriatic Metals PLC	\$27,768,740
Challenger Exploration Ltd.	\$16,878,750
Contango ORE, Inc.	\$29,358,852
IsoEnergy Ltd.	\$23,460,958
Los Andes Copper Ltd.	\$23,688,429
NexGen Energy Ltd.	\$40,504,487
	\$161,660,216
Total Estimated Market Value	\$239,597,053

(1) Other Investments" include (a) securities purchased for investment purposes; and (b) securities received as establishment fees and in settlement of interest receivable held for investment purposes that had no original investment cost to the Company.

(2) Market Value was based on share prices and exchange rates on July 7, 2023.

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

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

As required by IFRS, fair value of equity investments as shown in the interim condensed consolidated financial statements is estimated based on the closing market price of the relevant equity investment. Pursuant to IFRS 13 *Fair Value Measurement*, fair value of the convertible debentures as shown in the interim condensed consolidated financial statements is estimated using a valuation model of a system of two coupled Black Scholes equations and partial differential equations that are solved simultaneously using finite-difference methods. The fair value for a convertible debt instrument may be below the principal amount of such convertible debt instrument due to the methodology employed to derive such fair value. This does not have any implications in relation to the solvency of the issuer. The fair value is for IFRS accounting purposes only.

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The Company's management estimated market value of these investments is detailed in the section above titled "Management's Estimated Market Value of Investments". Management believe that the market value of the investments provides a useful indication of the underlying value of the investment portfolio, particularly for the convertible debentures which are stated without the adjustment applied to volatility required to equate the initial estimated valuation to the estimated fair value of consideration exchanged in accordance with IFRS.

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

	May 31, 2023	August 31, 2022
	\$	\$
Estimated fair value under IFRS at the end of the period:	189,765,543	196,751,187
Equity and other investments - difference in assumptions on unlisted investments	3,310,012	788,949
Convertible debentures - difference in models used and volatility assumptions due to initial calibration of fair value with purchase price under IFRS	33,962,786	21,773,405
Management's Estimate of market value at the end of the period:	227,038,341	219,313,541
Equity and other investments – shares received less disposals	276,977	(932,277)
Equity and other investments – update of market value to date of report	8,161,641	(2,844,322)
Convertible debentures - update of market value to date of report	4,120,094	(5,014,030)
Convertible debentures - new investments at market value	-	28,890,734
Management's Estimate of market value of investments at date of MD&A report	239,597,053	239,424,646

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Income Generation

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

(a) Interest income:

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

The Company expects to receive annual interest payments of \$8.2 million, \$6.5 million in cash and \$1.7m in shares (assuming interest payments are made by the investee issuers on a timely basis) from its investments in convertible debentures at the date of this report of \$94 million, an average interest rate of 8.7%.

(b) Capital gains (losses):

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

(c) Fees:

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

Results for the Three and Nine Months ended May 31, 2023

Overall Performance

	Three Months Ended May 31, 2023	Three Months Ended May 31, 2022	Nine Months Ended May 31, 2023	Nine Months Ended May 31, 2022
	\$	\$	\$	\$
Interest income	2,093,550	1,194,720	6,045,632	3,063,583
Establishment fee income	-	720,000	720,000	720,000
Realized gain on equity investments	344,257	-	525,709	322,400
Unrealized (loss) gain on equity and other investments	(5,404,374)	(7,908,970)	(11,842,350)	4,050,635
Unrealized (loss) on convertible debentures	(7,098,851)	(11,295,424)	(18,587,371)	(797,297)
Total (Loss) Gain from Investments	(10,065,418)	(17,289,674)	(23,138,380)	7,359,321

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Overall Performance (continued)

Interest income from investments during the three and nine months ended May 31, 2023 of \$2,093,550 and \$6,045,632 and three and nine months ended May 31, 2022 of \$1,194,720 and \$3,063,583, respectively mainly represents the interest income earned on the convertible debenture portfolio listed above.

Establishment fee income during the three months ended May 31, 2023 was nil. Establishment fee income during the nine months ended May 31, 2023, of \$720,000 represents the establishment fee earned on the Challenger (September 2022), Los Andes (September 2022) and IsoEnergy (December 2022) convertible debentures. Establishment fee income during the three months and nine months ended May 31, 2022 of \$720,000 represents the establishment fee earned on the Los Andes (April 2022) and Contango (April 2022) convertible debentures.

Realized gain on equity investments during the three and nine months ended May 31, 2023, of \$344,257 and \$525,709 and the nine months ended May 31, 2022 of \$322,400, respectively arise from the sale of equity investments.

Unrealized loss on equity and other investments during the three and nine months ended May 31, 2023, of \$5,404,374 and \$11,842,350, respectively mainly represents loss arising from the decrease in the share price of NexGen. Unrealized loss on equity and other investments during the three months ended May 31, 2022, of \$7,908,970 mainly represents loss arising from the decrease in the share price of NexGen. Unrealized gain on equity and other investments during the nine months ended May 31, 2022 of \$4,050,635, represents gain arising from the investment in Osisko Green.

Unrealized loss on convertible debentures during the three months and nine months ended May 31, 2023, of \$7,098,851 and \$18,587,371, respectively mainly represents decreases in the fair value of the NexGen and IsoEnergy debentures. Unrealised loss on convertible debentures during the three months ended May 31, 2022, of \$11,295,424 mainly represents decreases in the fair value of the IsoEnergy, NexGen and Los Andes debentures partially offset by an increase in the fair value of the Adriatic debenture. Unrealised loss on convertible debentures during the nine months ended May 31, 2022, of \$797,297 mainly represents decreases in the fair value of the Adriatic and Contango debentures partially offset by increases in the fair value of the Los Andes and IsoEnergy debentures.

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Selected Annual Information

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

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

Summary of Quarterly Results

Quarter ended	Total assets	(Loss) gain from investments	Net (loss) income	Net (loss) income per share basic	Net (loss) income per share diluted
	\$	\$	\$	\$	\$
May 31, 2023	204,649,780	(10,065,418)	(10,537,231)	(0.02)	(0.02)
February 28, 2023	215,576,795	(15,662,177)	(17,560,325)	(0.04)	(0.04)
November 30, 2022	233,102,323	2,589,215	459,017	0.00	0.00
August 31, 2022	232,574,253	1,138,409	(2,650,137)	(0.01)	(0.01)
May 31, 2022	233,522,989	(17,289,674)	(18,883,882)	(0.04)	(0.04)
February 28, 2022	267,997,472	10,098,105	4,164,965	0.01	0.01
November 30, 2021	180,563,770	14,550,890	13,886,606	0.05	0.05
August 31, 2021	149,224,629	1,184,415	659,957	0.00	0.00

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

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

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

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

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Summary of Quarterly Results (continued)

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

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

Income from Investments during the three months ended November 30, 2021, was principally attributable to unrealized gain on convertible debentures due to the increase in the underlying share price of IsoEnergy combined with unrealized gain on the equity and other investment in Osisko Green.

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

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

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

Results of Operations

Income from Investments for the Three and Nine Months ended May 31, 2023 and May 31, 2022

	For the Three Months		For the Nine Months	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
	\$	\$	\$	\$
Interest income	2,093,550	1,194,720	6,045,632	3,063,583
Establishment fee income	-	720,000	720,000	720,000
Realized gain from investments	344,257	-	525,709	322,400
Unrealized (loss) gain from investments	(12,503,225)	(19,204,394)	(30,429,721)	3,253,338
	(10,065,418)	(17,289,674)	(23,138,380)	7,359,321

During the three months ended May 31, 2023, the Company recorded loss from investments of \$10,065,418 compared to loss from investments in the three months ended May 31, 2022 of \$17,289,674. The lower loss for the three months ended May 31, 2023 compared to the loss in the corresponding period was mainly attributable to lower unrealized loss from investments, which was due to the relatively higher decrease in the share prices of the investments in the corresponding period. This was partially offset by an increase in interest income as a result of more investments in convertible debentures and realised gains from investments due to sales of investments during the period.

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Income from Investments for the Three and Nine Months ended May 31, 2023 and May 31, 2022 (continued)

During the nine months ended May 31, 2023 the Company recorded loss from investments of \$23,138,380 compared to gain from investments in the nine months ended May 31, 2022 of \$7,359,321. The loss from investments in the nine months to May 31, 2023 compared to the gain in the corresponding period was mainly attributable to unrealized loss from investments which was mainly due to a decrease in the share prices of investments during the period compared to an increase in share prices in the corresponding period. This was partially offset by an increase in interest income as a result of more investments in convertible debentures.

Interest income for the three and nine months ended May 31, 2023, of \$2,093,550 and \$6,045,632, respectively compared to \$1,194,720 and \$3,063,583 in the three and nine months ended May 31, 2022. The Company primarily earned interest income on its convertible debenture securities. The increase for the three and nine months ended May 31, 2023, compared to the corresponding periods was due to the purchase of additional investments in convertible debentures generating increased interest income.

Establishment fee income for the three and nine months ended May 31, 2023, of nil and \$720,000, respectively compared to \$720,000 in both of the corresponding periods. The income in the nine months ended May 31, 2023, was the 3% establishment fees on the principal amounts of \$15m Challenger, \$5m Los Andes and \$4m IsoEnergy convertible debentures. The income in the three and nine months ended May 31, 2022 was the 3% establishment fees on the principal amounts of \$20m Contango and \$4m Los Andes convertible debentures.

Realized gain from investments for the three and nine months ended May 31, 2023, of \$344,257 and \$525,709, respectively compared to nil and \$322,400 in the three and nine months ended May 31, 2022. The income reflected is gain from the sale of equity investments. The gain reflects the number equity investments sold and the individual share price at the time of sale compared to the carrying value of the investments at the beginning of the financial year.

The unrealized loss on investments in the three and nine months ended May 31, 2023, of \$12,503,225 and \$30,429,721, respectively compared to the unrealised loss in the three months ended May 31, 2022 of \$19,204,394 and unrealized gain in the nine months ended May 31, 2022 of \$3,253,338. The unrealized loss on investments in the three and nine months ended May 31, 2023 and nine months ended May 31, 2022 was mainly attributable to a decrease in the fair value of some of the convertible debenture securities combined with a decrease in the fair value of some of the investments in equities of public companies owned by the Company, due to a decrease in the underlying share prices of some of the investments held. The unrealized gain in the nine months ended May 31, 2022, was mainly attributable to an increase in the fair value of some of the investments in equities of public companies owned by the Company, due to an increase in the underlying share prices of some of the investments held.

The decrease in the unrealized loss in the three months ended May 31, 2023 compared to the corresponding period was mainly attributable to the lower decrease in fair value of the some of the convertible debentures combined with the lower decrease in value of some of the equity and other investments. The share prices of some of the issuers of the convertible debentures and of some of the equity and other investments decreased less between the start and end of the three months ended May 31, 2023 compared to the decrease in the corresponding period.

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Income from Investments for the Three and Nine Months ended May 31, 2023 and May 31, 2022 (continued)

The change to an unrealized loss in the nine months ended May 31, 2023 from an unrealized gain in the corresponding period was mainly attributable to the decrease fair value of some of the convertible debentures combined with the decrease in the value of some of the equity and other investments compared to the increase in the value of some of the equity and other investments in the corresponding period. The share price of the some of the underlying issuers of the convertible debentures decreased between the start and end of the nine months ended May 31, 2023, compared to an increase in the corresponding period resulting in an unrealized loss on some compared to an unrealized gain in the corresponding period.

The amount of gain or loss from investments in future quarters will depend on the share price, volatility of the stock, remaining life of the debentures and credit adjusted interest rate during such quarters.

Operating Expenses for the Three Months ended May 31, 2023 and May 31, 2022

	May 31, 2023	May 31, 2022	Increase (decrease) expenses (increase) decrease gain
	\$	\$	\$
Consulting	2,207	2,365	(158)
Depreciation	46,661	31,107	15,554
Directors' fees	16,500	15,750	750
Foreign exchange (gain)	(39,806)	(293,820)	254,014
Interest expense and financing costs	-	122,944	(122,944)
Interest expense on lease liabilities	4,637	4,427	210
Management fees	225,000	225,000	-
Office and administration	85,962	56,614	29,348
Office expenses and rent	8,992	37,312	(28,320)
Professional fees	55,965	65,573	(9,608)
Regulatory fees and transfer agent fees	715	(333)	1,048
Share-based compensation	-	1,310,441	(1,310,441)
Travel	64,980	16,828	48,152
	471,813	1,594,208	(1,122,395)

Significant changes for the three months ended May 31, 2023, compared to May 31, 2022, are as follows:

- Depreciation increased \$15,554 due to monthly depreciation on a right-of-use asset recognised as the Company entered a lease for the office commencing on April 1, 2022.
- Foreign exchange gain decreased by \$254,014 mainly due the impact of the C\$/ rate fluctuation on Canadian dollar cash raised in a private placement by the Company in February 2022 less amounts invested subsequently.
- Interest expense and financing costs decreased by \$122,944 due to the repayment of the bank loan in March 2022.
- Office expenses and rent decreased by \$28,320 due to the Company entering a lease for the office, with the costs reflected as depreciation on the right-of-use asset and interest expense on the lease liabilities from April 1, 2022.
- Professional fees decreased \$9,608 mainly due to the level and timing of corporate activities.
- Share-based payments decreased \$1,310,441 due to timing of vesting of stock options granted to executives, directors and consultants.
- Travel increased \$48,152 due to more business travel.

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

For the three and nine months ended May 31, 2023

Operating Expenses for the Nine Months ended May 31, 2023 and May 31, 2022

	May 31, 2023	May 31, 2022	Increase (decrease) expenses (increase) decrease gain
	\$	\$	\$
Consulting	6,631	7,100	(469)
Depreciation	139,982	31,107	108,875
Directors' fees	49,500	47,250	2,250
Foreign exchange loss (gain)	223,151	(533,092)	756,243
Interest expense and financing costs	-	671,805	(671,805)
Interest expense on lease liabilities	15,285	4,427	10,858
Management fees	675,000	1,095,000	(420,000)
Office and administration	260,566	176,709	83,857
Office expenses and rent	26,135	221,416	(195,281)
Professional fees	179,004	156,798	22,206
Regulatory fees and transfer agent fees	112,543	63,486	49,057
Share-based compensation	2,578,152	6,221,604	(3,643,452)
Travel	234,210	28,022	206,188
	4,500,159	8,191,632	(3,691,473)

Significant changes for the nine months ended May 31, 2023, compared to May 31, 2022, are as follows:

- Depreciation increased \$108,875 due to monthly depreciation on a right-of-use asset recognised as the Company entered a lease for the office commencing on April 1, 2022.
- Foreign exchange loss of \$223,151 compared to a gain of \$533,092 mainly due the impact of the C\$/ rate fluctuation on Canadian dollar cash raised in a private placement by the Company in February 2022 less amounts invested subsequently.
- Management fees decreased \$420,000 due to management bonuses paid in January 2022 partially offset by an increase in the fees from January 1, 2022.
- Office expenses and rent decreased by \$195,281 due to the Company entering a lease for the office, with the costs reflected as depreciation on the right-of-use asset and interest expense on the lease liabilities from April 1, 2022.
- Professional fees increased \$22,206 mainly due to the level and timing of corporate activities.
- Regulatory fess and transfer agent fees increased \$49,057 due to increased fees due to the listing of the Company on the Toronto Stock Exchange in July 2022 combined with the timing of payments of certain other fees.
- Share-based payments decreased \$3,643,452 due to timing of vesting of stock options granted to executives, directors and consultants.
- Travel increased \$206,188 due to more business travel.

For the three and nine months ended May 31, 2023

Liquidity and Capital Resources

Cash Flows

Nine Months ended	May 31, 2023	May 31, 2022
	\$	\$
Operating activities	1,945,006	(436,116)
Financing activities	(1,951,360)	78,160,372
Investing activities	(21,434,422)	(44,719,251)
Change in cash during the nine months	(21,440,776)	33,005,005

Cash provided by operating activities for the nine months ended May 31, 2023, was \$1,945,006 (May 31, 2022 - used in \$436,116). The cash provided operating activities for the nine months ended May 31, 2023, consists primarily net loss of \$27,638,539 (May 31, 2022 - net loss \$832,311) adjusted for items not affecting cash; interest income received; and interest expenses paid and changes in working capital.

Significant items not affecting cash for the nine months ended May 31, 2023, were unrealized loss on investments of \$30,429,721 (May 31, 2022 – unrealized gain \$3,253,338); share-based compensation of \$2,578,152 (May 31, 2022 - \$6,221,604); establishment fee income of \$450,000 (May 31, 2022 - \$720,000); realized gain on investments of \$525,709 (May 31, 2022 - \$322,400) and depreciation of \$139,982 (May 31, 2022 – \$31,107).

Interest income recorded on convertible debentures of \$5,791,927 (May 31, 2022 - \$3,007,472) was adjusted to reflect interest received in cash on convertible debentures of \$3,924,230 (May 31, 2022 - \$2,017,520). Interest expenses and financing costs on bank loans was nil (May 31, 2022 - \$671,805) was adjusted to reflect interest paid of nil (May 31, 2022 - \$434,107). There was an increase in other net working capital items during the nine months ended May 31, 2023, of \$904,072 (May 31, 2022 - increase of \$260,422).

Financing activities for the nine months ended May 31, 2023, used \$1,951,360 (May 31, 2022 - provided \$78,160,372). The cash used in the nine months ended May 31, 2023, was for the purchase of common shares under the NCIB of \$1,251,457 (May 31, 2022 - \$875,574); a cash dividend of \$569,373 (May 31, 2022 - \$882,672) and payment of lease liabilities of \$130,530 (May 31, 2022 – \$18,587). The cash provided by financing activities for the nine months ended May 31, 2022, consists of net proceeds from a private placement of \$78,231,983; from shares issued for the exercise of stock options of \$1,942,920 and from a secured bank loan of \$16,419,502 which was repaid for \$16,657,200.

Investing activities for the nine months ended May 31, 2023, were \$21,434,422 (May 31, 2022 - \$44,719,251). The cash used in investing activities for the nine months ended May 31, 2023, was for investments of \$25,000,000 (May 31, 2022 - \$45,310,117), less the net proceeds from the sale of equity investments of \$3,565,578 (May 31, 2022 - \$590,866).

For the three and nine months ended May 31, 2023

Capital Resources & Liquidity Risk

The Company's cash position as at May 31, 2023 was \$12,885,869 (August 31, 2022 - \$34,508,794) and the Company's working capital was \$14,267,606 (August 31, 2022 - \$34,159,865). The Company has long-term lease liabilities of \$179,175 (August 31, 2022 - \$315,843).

As at May 31, 2023, the Company believes there is sufficient working capital available to meet its current operational requirements. The Company may raise more capital for investment allocation from time to time.

Future Accounting Policy Changes

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

Significant Accounting Policies

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

The Company's significant accounting policies applied judgements and estimates are set out in the notes 2 and 3 of the audited annual consolidated financial statements for the year ended August 31, 2022.

Significant Judgments

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

Capital Commitments

The Company has no capital commitments.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

For the three and nine months ended May 31, 2023

Outstanding Share Data

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

Common Shares

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

As at May 31, 2023, and the date of this report, there were 450,804,224 issued common shares (August 31, 2022 - 445,895,954 shares).

As at May 31, 2023, the Company has purchased 4,723,461 common shares, 2,339,578 shares during the year ended August 31, 2022, and 2,383,883 shares during the nine months ended May 31, 2023, of which all have been cancelled (August 31, 2022 - 2,339,578 common shares purchased and held in treasury). As at July 7, 2023, the Company has purchased a further 437,710 common shares, all of which are held in treasury.

Stock Options

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

Controls and Procedures

As of May 31, 2023, an evaluation was carried out on the effectiveness of QRC's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer ("CEO") and Chief Financial Officer "CFO") have certified that the design and operating effectiveness of QRC's disclosure controls and procedures were effective.

As at May 31, 2023, an evaluation was carried out on the effectiveness on internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Based on that evaluation, the CEO and CFO have certified that the design and operating effectiveness of internal controls over financial reporting were effective.

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