



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

For the three months ended November 30, 2023

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### **Effective Date of this Report: January 10, 2023**

This Management's Discussion and Analysis ("**MD&A**") is intended to help the reader understand the significant factors that have affected the performance of Queen's Road Capital Investment Ltd. and its subsidiary (collectively, "**QRC**", "**we**", "**us**", "**our**" or the "**Company**") and such factors that may affect its future performance. This MD&A should be read in conjunction with the Company's the condensed interim consolidated financial statements for the three months ended November 30, 2023, and the consolidated audited financial statements for the year ended August 31, 2023, and the related notes attached thereto, which have been prepared in accordance with IFRS Accounting standards ("IFRS"). The consolidated financial statements are available under QRC's profile on SEDAR at [www.sedar.com](http://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-*Generally Accepted Accounting Practice* ("**GAAP**") measure should not be considered to be more meaningful than GAAP measures, which are determined in accordance with IFRS. The reconciliation of management's estimated market value of investments to the estimated fair value of investments, pursuant to IFRS 13, *Fair Value Measurement*, in the consolidated financial statements, is set out under "**Investments at Estimated Fair Value**" below.

### **Cautionary Statement on Forward-Looking Information**

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

All such forward-looking statements are based on certain assumptions and analyses made by Management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. These statements are, however, subject to known and unknown risks and uncertainties and other factors.



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### **Cautionary Statement on Forward-Looking Information (continued)**

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

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

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that statements containing forward looking information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on statements containing forward looking information. All the forward-looking information and statements contained in this document are expressly qualified, in their entirety, by this cautionary statement. The forward-looking information and statements are made as of the date of this document, and 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 Months Ended November 30, 2023**

#### **\$70 Million Investment in NexGen Energy Ltd.**

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

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

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

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



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### **Declaration and Payment of Dividend**

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

### **Key Developments Subsequent to November 30, 2023**

#### **\$30 Million Investment in Gold Royalty Corp.**

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

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

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

### **Investments**

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

#### **Investment Objectives**

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

#### **Investment Strategy**

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

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



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**Investment Strategy (continued)**

- 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 the authority to make the final investment decision to the Investment Committee in respect of any opportunity recommended by the Board to the Investment Committee.

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

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

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

### **Composition of Investment Portfolio**

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



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**Composition of Investment Portfolio (continued)**

As of the date of this report, the Company has invested a total of \$179 million in convertible debentures issued by seven resource companies as presented in the table below.

<b>Resource Company</b>	<b>Investment Base at Cost</b>	<b>Investment Type</b>
Adriatic Metals Plc	\$ 20,000,000	Convertible Debt
Challenger Gold Ltd.	15,000,000	Convertible Debt
Contango ORE, Inc.	20,000,000	Convertible Debt
Gold Royalty Corp.	30,000,000	Convertible Debt
IsoEnergy Ltd. <sup>(1)</sup>	10,000,000	Convertible Debt
Los Andes Copper Ltd. <sup>(1)</sup>	14,000,000	Convertible Debt
NexGen Energy Ltd. <sup>(2)</sup>	70,000,000	Convertible Debt
	<b>\$ 179,000,000</b>	

(1) Several convertible debentures issued on various dates.

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

**Management's Estimated Market Value of Investments**

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

	<b>January 5, 2023</b>
Equity and other investments: <sup>(1)</sup>	
NexGen Energy Ltd.	\$ 72,063,313
Other investments <sup>(2)</sup>	8,464,456
	<b>80,527,769</b>
Convertible debentures: <sup>(3)</sup>	
Adriatic Metals PLC	28,206,699
Challenger Gold Ltd.	15,675,000
Contango ORE, Inc.	25,120,000
Gold Royalty Corp.	41,246,053
IsoEnergy Ltd.	32,382,295
Los Andes Copper Ltd.	17,025,877
NexGen Energy Ltd.	109,730,902
	<b>269,386,826</b>
<b>Total Estimated Market Value</b>	<b>\$ 349,914,595</b>

(1) Market Value was based on share prices and exchange rates on January 5, 2023.

(2) 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.

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



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

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

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

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

	November 30, 2023	August 31, 2023
	\$	\$
<b>Estimated fair value under IFRS at the end of the period</b>	253,859,642	220,599,252
<i>Convertible debentures</i> - difference in models used and volatility assumptions due to initial calibration of fair value with purchase price under IFRS	56,047,179	30,280,725
<b>Management's Estimate of market value at the end of the period</b>	309,906,821	250,879,977
Equity and other investments – shares received on conversion	-	55,180,476
Equity and other investments – other shares received less disposals	32,728	(62,135,972)
Equity and other investments - update of market value to date of report	2,167,698	2,882,663
Convertible debentures - update of market value to date of report	(3,438,705)	(460,064)
Convertible debentures – conversion to shares	-	(47,407,131)
Convertible debentures - new investments at market value	41,246,053	109,632,115
<b>Management's Estimate of market value of investments at date stated in the MD&amp;A report</b>	349,914,595	308,572,064



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**Income Generation**

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

(a) Interest income:

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

The Company expects to receive annual interest payments of \$16.4 million, \$12.0 million in cash and \$4.4 million in shares (assuming interest payments are made by the investee issuers on a timely basis) from its investments in convertible debentures at the date of this report of \$179 million, an average interest rate of 9.2%.

(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.

(a) Fees:

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

**Results for the Three Months ended November 30, 2023**

***Overall Performance***

	Three Months ended	
	November 30, 2023	November 30, 2022
	\$	\$
Interest and other income	3,165,238	1,909,654
Establishment fee income	2,100,000	600,000
Realized gain on equity investments	410,249	41,991
Realized gain on convertible debentures	8,357,387	-
Unrealized gain on equity and other investments	6,417,789	2,558,800
Unrealized gain (loss) on convertible debentures	11,171,574	(2,517,272)
<b>Total income from investments</b>	<b>31,622,237</b>	<b>2,593,173</b>





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**Overall Performance (continued)**

Interest and other income from investments during the three months ended November 30, 2023 of \$31,622,237 represents unrealized gains on equity and other investments and convertible debentures, realized gains on conversion of convertible debentures, interest income on the convertible debenture portfolio and establishment fees. Interest and other income from investments during the three months ended November 30, 2022 of \$2,593,173 mainly represents the interest income earned on the convertible debenture portfolio.

Interest and other income during the three months ended November 30, 2023 and November 30, 2022 was \$3,165,238 and \$1,909,654 respectively and mainly represents interest earned on the convertible debentures.

Establishment fee income during the three months ended November 30, 2023 of \$2,100,000 represents the establishment fee earned on the new NexGen debenture issued in September 2023. Establishment fee income during the three months ended November 30, 2022 of \$600,000 represents the establishment fee earned on the Challenger (September 2022) and Los Andes (September 2022) convertible debentures.

Realized gain on equity investments and other investments during the three months ended November 30, 2023 and November 30, 2022, of \$410,249 and \$41,991, respectively arise from the sale of equity investments.

Realized gain on convertible debentures during the three months ended November 30, 2023 of \$8,357,387 arise from the conversion of the \$15 million convertible debenture issued by NexGen in May 2020.

Unrealized gain on equity and other investments during the three months ended November 30, 2023 and November 30, 2022, of \$6,417,789 and \$2,558,800, respectively, mainly represents gain arising from the increase in the share price of NexGen.

Unrealized gain on convertible debentures during the three months ended November 30, 2023, of \$11,171,574 mainly represents increases in the fair value of the debentures in NexGen (September 2023), Contango and IsoEnergy partially offset by decreases in the fair value of the debentures in Adriatic and Los Andes. Unrealized loss on convertible debentures during the three months ended November 30, 2022, of \$2,517,272 mainly represents decreases in the fair value of the debentures in IsoEnergy and Contango partially offset by increases in the fair value of the debentures in Adriatic.

**Selected Annual Information**

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

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



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**Summary of Quarterly Results**

Quarter ended	Total assets	Income (loss) from investments	Net income (loss)	Net income (loss) per share basic	Net income (loss) per share diluted
	\$	\$	\$	\$	\$
November 30, 2023	263,799,777	31,622,237	31,078,939	0.07	0.06
August 31, 2023	237,240,855	33,426,392	31,981,602	0.07	0.07
May 31, 2023	204,649,780	(10,065,418)	(10,537,231)	(0.02)	(0.02)
February 28, 2023	215,576,795	(15,662,177)	(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	1,144,250	(2,650,137)	(0.01)	(0.01)
May 31, 2022	233,522,989	(17,289,674)	(18,883,882)	(0.04)	(0.04)
February 28, 2022	267,997,472	10,098,105	4,164,965	0.01	0.01

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

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

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

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

Income from investments during the three months ended November 30, 2022, was principally attributable to interest earned on convertible debentures combined with 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.

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.



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### Summary of Quarterly Results (continued)

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.

Net income during the three months ended November 30, 2023, August 31, 2023, November 30, 2022, and February 28, 2022 is attributable to income from investments, less operating expenses.

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

### Results of Operations

#### ***Income from Investments for the Three Months Ended November 30, 2023 and November 30, 2022***

	For the Three Months ended	
	November 30, 2023	November 30, 2022
	\$	\$
Interest and other income	3,165,238	1,909,654
Establishment fee income	2,100,000	600,000
Realized gain from investments	8,767,636	41,991
Unrealized gain (loss) from investments	17,589,363	41,528
	31,622,237	2,593,173

During the three months ended November 30, 2023, the Company recorded income from investments of \$31,622,237 compared to income from investments in the three months ended November 30, 2022 of \$2,593,173. The higher income for the three months ended November 30, 2023 compared to the corresponding period was mainly attributable to a higher unrealized gain from investments in the period compared to the corresponding period, due to the higher increase in the share prices of the investments in the current period compared the corresponding period combined with higher realised gain from investments, mainly due to the realized gain on conversion of the NexGen (May 2020) debenture into common shares of NexGen and the establishment fee earned on the NexGen (September 2023) debenture.

Interest and other income for the three months ended November 30, 2023 of \$3,165,238 compared to \$1,909,654 in the three month ended November 30, 2022. The Company primarily earned interest income on its convertible debenture securities. The increase for the three months ended November 30, 2023, compared to the corresponding period was mainly due to the purchase of additional investments in convertible debentures generating increased interest income.



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***Income from Investments for the Three Months Ended November 30, 2023 and November 30, 2022  
(continued)***

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Establishment fee income for the three months ended November 30, 2023, of \$2,100,000 compared to \$600,000 in the three months ended November 30, 2022. The income in the three months ended November 30, 2023, was the 3% establishment fees on the principal amount of \$70 million NexGen convertible debentures. The income in the three months ended November 30, 2022 was the 3% establishment fees on the principal amounts of \$15 million Challenger and \$5 million Los Andes convertible debentures.

Realized gain from investments for the three months ended November 30, 2023, of \$8,767,636 compared to \$41,991 in the three months ended November 30, 2022. The income is gain on conversion of the NexGen (May 2020) convertible debenture and the gain on the sale of equity investments. The gain on the conversion of the NexGen (May 2020) convertible debenture reflects the difference in the market value of the common shares received on conversion to the carrying value of the debenture at the beginning of the financial year. The gain on the sale of equity investments reflects the number equity investments sold and the individual share price at the time of sale compared to the carrying value of the investments at the beginning of the financial year.

The unrealized gain from investments in the three months ended November 30, 2023, of \$17,589,363 compared to \$41,528 in the three months ended November 30, 2022.

The unrealized gain from investments in the three months ended November 30, 2023 was mainly attributable to an increase in the fair value of some of the convertible debenture securities combined with an increase in the fair value of some of the investments in equities of public companies owned by the Company. The unrealized gain from investments in the three months ended November 30, 2022 was mainly attributable to a increase in the fair value of some of the investments in equities of public companies owned by the Company partially offset by a decrease in the fair value of some of the convertible debenture securities. The share price of the some of the underlying issuers of the convertible debentures and equities increased between the start and end of the three months ended November 30, 2023, compared to a lower increase or a decrease in the corresponding period resulting in a higher unrealized gain compared to a lower unrealized gain or an unrealized loss in the corresponding period.

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



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**Operating Expenses for the Three Months ended November 30, 2023 and November 30, 2022**

	November 30, 2023	November 30, 2022	Increase (decrease) expenses
	\$	\$	\$
Business development and marketing	49,442	123,904	(74,462)
Depreciation	46,661	46,661	-
Foreign exchange loss	40,390	190,735	(150,345)
Interest expense on lease liabilities	3,437	5,661	(2,224)
Management and directors' fees	241,500	241,500	-
Office and administration	61,749	60,200	1,549
Professional and regulatory fees	100,119	165,339	(65,220)
Share-based compensation	-	1,296,198	(1,296,198)
	543,298	2,130,198	(1,586,900)

Significant changes for the three months ended November 30, 2023, compared to November 30, 2022, are as follows:

- Business development and marketing decreased \$74,462 mainly due to decreased activities and less business travel.
- Foreign exchange loss decreased \$150,345 due to the lower Canadian dollar cash held combined with the reduced impact of C\$/ rate fluctuations.
- Professional and regulatory fees decreased \$65,220 mainly due to costs incurred relating to the listing of the Company on the Toronto Stock Exchange in July 2022 combined with the level and timing of corporate activities.
- Share-based payments decreased \$1,296,198 due to the timing of vesting of stock options granted to executives, directors, and consultants.

**Liquidity and Capital Resources**

**Cash Flows**

	Three Months Ended November 30, 2023	Three Months Ended November 30, 2022
	\$	\$
Operating activities	1,504,348	817,725
Financing activities	(3,329,630)	(1,344,789)
Investing activities	(4,410,936)	(18,623,566)
Change in cash during the period	(6,236,218)	(19,150,630)

Cash provided by operating activities for the three months ended November 30, 2023, was \$1,504,348 (November 30, 2022 - \$817,725). The cash provided operating activities for the three months ended November 30, 2023, consists primarily net income of \$31,078,939 (November 30, 2022 - \$459,017) adjusted for items not affecting cash; interest income received; and interest expenses paid and changes in working capital.



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Significant items not affecting cash for the three months ended November 30, 2023, were unrealized gain on investments of \$17,589,363 (November 30, 2022 - \$41,528); share-based compensation of \$nil (November 30, 2022 - \$1,296,198); establishment fee income of \$2,100,000 (November 30, 2022 - \$600,000); realized gain on investments of \$8,767,636 (November 30, 2022 - \$41,991) and depreciation of \$46,661 (November 30, 2022 - \$46,661).

Interest income recorded on convertible debentures of \$3,061,875 (November 30, 2022 - \$1,808,889) was adjusted to reflect interest received in cash on convertible debentures of \$1,487,542 (November 30, 2022 - \$970,588). Income tax expenses of \$nil (November 30, 2022 - \$3,958) was adjusted to reflect income taxes paid of \$116,854 (November 30, 2022 - \$3,958). There was a decrease of \$866,960 in other net working capital items during the three months ended November 30, 2023 (November 30, 2022 - decrease of \$171,884).

Financing activities for the three months ended November 30, 2023, used \$3,329,630 (November 30, 2022 - \$1,344,789). The cash used in the three months ended November 30, 2023, was for the purchase of common shares under the NCIB of \$203,889 (November 30, 2022 - \$726,461); a cash dividend of \$3,074,453 (November 30, 2022 - \$569,373) and payment of lease liabilities of \$51,288 (November 30, 2022 - \$48,955).

Investing activities for the three months ended November 30, 2023, used \$4,410,936 (November 30, 2022 - \$18,623,566). The cash used in investing activities for the three months ended November 30, 2023, was for investments of \$70,000,000 (November 30, 2022 - \$20,000,000), less the net proceeds from the sale of equity investments of \$65,589,064 (November 30, 2022 - \$1,376,434).

**Capital Resources and Liquidity Risk**

The Company's cash position as at November 30, 2023, was \$8,494,729 (August 31, 2023 - \$14,745,031) and the Company's working capital was \$9,712,926 (August 31, 2023 - \$15,179,336). The Company has long-term lease liabilities of \$72,718 (August 31, 2023 - \$125,996).

As at November 30, 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.

**Material Accounting Policy Information**

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

The Company's significant accounting policies applied judgements and estimates are set out in the notes 2 and 3 of the audited annual consolidated financial statements for the year ended August 31, 2023. The Company's condensed interim financial statements for the three months ended November 30, 2023 accompanying this MD&A were prepared using the same accounting standards and policies as the Company's annual financial statements for the year ended August 31, 2023, except the changes in the accounting standards as described in the note 2b of those condensed Interim consolidated financial statements.



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### **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.

### **Outstanding Share Data**

The Company has the following common shares and stock options, outstanding as November 30, 2023, and August 31, 2023, and the date of this report or the date specified below.

#### **Common Shares**

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

As at November 30, 2023, and at the date of this report, there were 456,597,161 issued and outstanding common shares (August 31, 2023 – 450,356,514 shares).

As at November 30, 2023, the Company has purchased 412,313 common shares, all of which have been cancelled (August 31, 2023 – 2,831,593 common shares purchased during the year and cancelled). As at January 5, 2023, the Company has not purchased any additional common shares.

#### **Stock Options**

As at November 30, 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, 2023 - 38,650,000 stock options outstanding and exercisable, with a weighted-average exercise price of C\$0.61).

### **Controls and Procedures**

As of November 30, 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 November 30, 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**



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**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.