



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

Year ended August 31, 2023

Effective Date of this Report: November 20, 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 consolidated audited financial statements for the year ended August 31, 2023, 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-*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 Year Ended August 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.



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\$15 Million Investment in Challenger Gold Ltd.

On September 12, 2022, the Company completed the purchase of a \$15 million convertible debentures issued by Challenger Gold Ltd., previously known as 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.

\$4 Million Investment in IsoEnergy Ltd.

On December 6, 2022, the Company completed the purchase of 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.

Key Developments Subsequent to August 31, 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.



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As part of the agreement to purchase the new \$70 million debenture, 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 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.

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.

Investments

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

Investment Objectives

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

Investment Strategy

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

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

- The Company invests in the securities of both public and private natural resource companies and may take part in private or public offerings for predetermined equity positions, royalties, debt or convertible or preferred securities.
- Initial investments of debt, equity or a combination thereof may be made in public or private companies through a variety of financial instruments including, but not limited to, private placements, participation in initial public offerings, bridge loans, secured loans, unsecured loans, convertible debentures, warrants and options, royalties, net profit interests and other hybrid instruments.



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Investment Strategy (continued)

- 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.

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.



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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 \$149 million in convertible debentures issued by six 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 Gold 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.	70,000,000	Convertible Debt
	\$ 149,000,000	

⁽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 in the market price of the equity securities than it would be if it invested in those equity securities directly.

	November 17, 2023
Equity and other investments: ⁽¹⁾	
NexGen Energy Ltd.	\$ 67,993,455
Other investments ⁽²⁾	8,645,622
	<u>76,639,077</u>
Convertible debentures: ⁽³⁾	
Adriatic Metals PLC	26,205,031
Challenger Gold Ltd.	15,892,500
Contango ORE, Inc.	27,556,312
IsoEnergy Ltd.	34,711,870
Los Andes Copper Ltd.	17,935,159
NexGen Energy Ltd.	109,632,115
	<u>231,932,987</u>
Total Estimated Market Value	\$ 308,572,064

(1) Market Value was based on share prices and exchange rates on November 17, 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.

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:

	August 31, 2023	August 31, 2022
	\$	\$
Estimated fair value under IFRS at the end of the year	220,599,252	196,751,187
<i>Equity and other investments</i> - difference in assumptions on unlisted investments	-	788,949
<i>Convertible debentures</i> - difference in models used and volatility assumptions due to initial calibration of fair value with purchase price under IFRS	30,280,725	21,773,405
Management's Estimate of market value at the end of the year	250,879,977	219,313,541
Equity and other investments – shares received on conversion	55,180,476	-
Equity and other investments – other shares received less disposals	(62,135,972)	(921,277)
Equity and other investments - update of market value to date of report	2,882,663	(2,844,322)
Convertible debentures - update of market value to date of report	(460,064)	(5,014,030)
Convertible debentures – conversion to shares	(47,407,131)	-
Convertible debentures - new investments at market value	109,632,115	28,890,734
Management's Estimate of market value of investments at date stated in the MD&A report	308,572,064	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 \$13.4 million, \$9.9 million in cash and \$3.5 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 \$149 million, an average interest rate of 9.0%.

(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.

(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 Months and Year ended August 31, 2023

Overall Performance

	Three Months Ended August 31, 2023	Three Months Ended August 31, 2022	Year ended August 31, 2023	Year ended August 31, 2022
	\$	\$	\$	\$
Interest and other income	2,630,178	1,561,404	8,680,619	4,627,265
Establishment fee income	-	-	720,000	720,000
Realized gain on equity investments	68,616	-	594,325	322,400
Unrealized gain (loss) on equity and other investments	14,473,317	(4,954,641)	2,630,967	(904,006)
Unrealized gain (loss) on convertible debentures	16,254,281	4,537,487	(2,333,090)	3,740,190
Total income from investments	33,426,392	1,144,250	10,292,821	8,505,849



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Overall Performance (continued)

Interest and other income from investments during the three months and year ended August 31, 2023 of \$2,630,178 and \$8,680,619 and three months and year ended August 31, 2022 of \$1,561,404 and \$4,627,265, respectively mainly represents the interest income earned on the convertible debenture portfolio listed above.

Establishment fee income during the three months ended August 31, 2023 and August 31, 2022 was nil. Establishment fee income during the year ended August 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 year ended August 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 and other investments during the three months and year ended August 31, 2023, of \$68,616 and \$594,325 and the three months and the year ended August 31, 2022 of nil and \$322,400, respectively arise from the sale of equity investments.

Unrealized gain on equity and other investments during the three months and year ended August 31, 2023, of \$14,473,317 and \$2,630,967, respectively, mainly represents gain arising from the increase in the share price of NexGen. Unrealized loss on equity and other investments during the three month and year ended August 31, 2022, of \$4,954,641 and \$904,006, respectively, mainly represents loss arising from the decrease in the share price of NexGen.

Unrealized gain on convertible debentures during the three months ended August 31, 2023, of \$16,254,281 mainly represents increases in the fair value of the debentures in NexGen, IsoEnergy and Adriatic partially offset by decreases in the fair value of the debentures in Contango and Challenger. Unrealized loss on convertible debentures during the year ended August 31, 2023, of \$2,330,090 mainly represents decreases in the fair value of the debentures in IsoEnergy, Challenger and Contango partially offset by increases in the fair value of the debentures in Adriatic and NexGen.

Unrealised gain on convertible debentures during the three months ended August 31, 2022, of \$4,537,487 mainly represents an increase in the fair value of the Adriatic debenture partially offset by decreases in the fair value of IsoEnergy, NexGen and Los Andes debentures. Unrealised gain on convertible debentures during the year ended August 31, 2022, of \$3,740,190 mainly represents increases in the fair value of the debentures in IsoEnergy and Los Andes partially offset by decreases in the fair value of the debentures in Adriatic, Contango and NexGen.

Selected Annual Information

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

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



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Summary of Quarterly Results

Quarter ended	Total assets	Net income (loss) from investments	Net income (loss)	Net income (loss) per share basic	Net income (loss) per share diluted
	\$	\$	\$	\$	\$
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
November 30, 2021	180,563,770	14,550,890	13,886,606	0.05	0.05

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

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.

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.



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Summary of Quarterly Results (continued)

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 investments.

Net income during the three months ended August 31, 2023, November 30, 2022, February 28, 2022, and November 30, 2021 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 Fourth Quarter and Year Ended August 31, 2023 and August 31, 2022

	For the Three Months		For the Year ended	
	August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022
	\$	\$	\$	\$
Interest and other income	2,630,178	1,561,404	8,680,619	4,627,265
Establishment fee income	-	-	720,000	720,000
Realized gain from investments	68,616	-	594,325	322,400
Unrealized gain (loss) from investments	30,727,598	(417,154)	297,877	2,836,184
	33,426,392	1,144,250	10,292,821	8,505,849

During the three months ended August 31, 2023, the Company recorded income from investments of \$33,426,392 compared to income from investments in the three months ended August 31, 2022 of \$1,144,250. The higher income for the three months ended August 31, 2023 compared to the corresponding period was mainly attributable to unrealized gain from investments in the period compared to the unrealised loss from investments in the corresponding period, due to the increase in the share prices of the investments in the current period compared to a decrease in share prices in the corresponding period.

During the year ended August 31, 2023 the Company recorded income from investments of \$10,292,821 compared to a income from investments of \$8,505,849. The higher income for the year ended to August 31, 2023 compared to the corresponding period was mainly attributable to an increase in interest income as a result of more investments in convertible debentures and higher realised gain from investments as a result of more investment sales. This was partially offset by a lower unrealised gain from investments, as a result of a lower increase in share prices in the current period compared to the corresponding period.

Interest and other income for the three months and year ended August 31, 2023, of \$2,630,178 and \$8,680,619, respectively compared to \$1,561,404 and \$4,627,265 in the three months and year ended August 31, 2022. The Company primarily earned interest income on its convertible debenture securities. The increase for the three months and year ended August 31, 2023, compared to the corresponding periods 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 Fourth Quarter and Year Ended August 31, 2023 and August 31, 2022
(continued)***

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

Realized gain from investments for the three months and year ended August 31, 2023, of \$68,616 and \$594,325, respectively compared to nil and \$322,400 in the three months and year ended August 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 gain from investments in the three months and year ended August 31, 2023, of \$30,727,598 and \$297,877, respectively compared to the unrealised loss in the three months ended August 31, 2022 of \$417,154 and unrealized gain in the year ended August 31, 2022 of \$2,836,184.

The unrealized gain from investments in the three months ended August 31, 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 loss from investments in the three months ended August 31, 2022 was mainly attributable to a decrease in the fair value of some of the investments in equities of public companies owned by the Company partially offset by an increase 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 August 31, 2023, compared to a decrease in the corresponding period resulting in an unrealized gain compared to an unrealized loss in the corresponding period.

The unrealized gain from investments in the year ended August 31, 2023 was mainly attributable to an increase in the fair value of some of the investments in equities of public companies owned by the Company partially offset by a decreased in the fair value of some of the convertible debenture securities. The unrealised gain from investments in the year ended August 31, 2022 was mainly attributable to an increase in the fair value of some of the convertible debenture securities partially offset by a decrease in the fair value of some of the investments in equities of public companies owned by the Company.

The decrease in the unrealized gain from investments in the year ended August 31, 2023 compared to the corresponding period was mainly attributable to a lower increase in fair value some of the equity and other investments in the current period compared to corresponding period combined with a decrease in the fair value of some of the convertible debentures in the current period compared to an increase in fair value in the corresponding period. The share price of the equities increased less between the start and end of the year ended August 31, 2023, compared to the increases in the corresponding period while the share prices of some of the underlying issuers of the convertible debentures decreased compared to increases 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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Management's Discussion and Analysis

Year ended August 31, 2023

Operating Expenses for the Fourth Quarter ended August 31, 2023 and August 31, 2022

	August 31, 2023	August 31, 2022	Increase (decrease) expenses
	\$	\$	\$
Business development and marketing	92,861	59,336	33,525
Depreciation	46,661	46,661	-
Foreign exchange (gain) loss	(41,904)	898,909	(940,813)
Interest expense on lease liabilities	4,084	6,292	(2,208)
Management and directors' fees	1,046,500	1,004,208	42,292
Office and administration	58,279	44,916	13,363
Professional and regulatory fees	117,495	417,782	(300,287)
Share-based compensation	-	1,310,442	(1,310,442)
	1,323,976	3,788,546	(2,464,570)

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

- Business development and marketing increased \$33,525 mainly due to increased activities and more business travel.
- Foreign exchange loss of \$898,909 moved to a foreign exchange gain of \$41,904 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 and directors' fees increased \$42,292 mainly due to the increase the accrual for management bonuses.
- Professional and regulatory fees decreased \$300,287 mainly due 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 \$1,310,442 due to the timing of vesting of stock options granted to executives, directors, and consultants.

Operating Expenses for the Year Ended August 31, 2023 and August 31, 2022

	August 31, 2023	August 31, 2022	Increase (decrease) expenses
	\$	\$	\$
Business development and marketing	430,228	104,358	325,870
Depreciation	186,642	77,768	108,874
Foreign exchange loss	181,247	365,817	(184,570)
Interest expense and financing costs	-	671,805	(671,805)
Interest expense on lease liabilities	19,369	10,719	8,650
Management and director fees	1,771,000	2,146,458	(375,458)
Office and administration	241,822	426,039	(184,217)
Professional and regulatory fees	415,676	645,168	(229,492)
Share-based compensation	2,578,152	7,532,046	(4,953,894)
	5,824,136	11,980,178	(6,156,042)



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Year ended August 31, 2023

Operating Expenses for the Year Ended August 31, 2023 and August 31, 2022 (continued)

Significant changes for the year ended August 31, 2023, compared to August 31, 2022, are as follows:

- Business development and marketing increased \$325,870 due to increased activities and more business travel.
- Depreciation increased \$108,874 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 reduced \$184,570 mainly due the impact of the C\$/US\$ rate fluctuation on Canadian dollar cash.
- Interest expenses and financing costs reduced \$671,805 as the bank loan was repaid in in March 2022.
- Management and directors' fees decreased \$375,458 due to management bonuses paid in January 2022 relating to 2021 partially offset by an increase in the management fees from January 1, 2022 and bonuses for 2023. There have been no changes in the level of director fees in 2023.
- Office and administration decreased \$184,217 mainly 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 and regulatory fees decreased \$229,492 mainly due 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 \$4,953,894 due to the timing of vesting of stock options granted to executives, directors, and consultants.

Liquidity and Capital Resources

Cash Flows

	Year ended August 31, 2023	Year ended August 31, 2022
	\$	\$
Operating activities	3,611,396	637,695
Financing activities	(2,231,746)	77,675,653
Investing activities	(21,017,763)	(45,614,251)
Change in cash during the year	(19,638,113)	32,699,097

Cash provided by operating activities for the year ended August 31, 2023, was \$3,611,396 (August 31, 2022 - \$637,695). The cash provided operating activities for the year ended August 31, 2023, consists primarily net income of \$4,343,063 (August 31, 2022 - net loss \$3,482,448) 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 year ended August 31, 2023, were unrealized gain on investments of \$297,877 (August 31, 2022 - unrealized gain \$2,836,184); share-based compensation of \$2,578,152 (August 31, 2022 - \$7,532,046); establishment fee income of \$450,000 (August 31, 2022 - \$720,000); realized gain on investments of \$594,325 (August 31, 2022 - \$322,400) and depreciation of \$186,642 (August 31, 2022 - \$77,768).



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Management's Discussion and Analysis

Year ended August 31, 2023

Interest income recorded on convertible debentures of \$7,843,177 (August 31, 2022 - \$4,421,222) was adjusted to reflect interest received in cash on convertible debentures of \$5,880,077 (August 31, 2022 - \$3,558,370). Interest expenses and financing costs on bank loans of nil (August 31, 2022 - \$671,805) was adjusted to reflect interest paid of nil (August 31, 2022 - \$434,107). Income tax expenses of \$125,622 (August 31, 2022 - \$8,119) was adjusted to reflect income taxes paid of \$8,768 (August 31, 2022 - \$8,119). There was an increase of \$434,272 in other net working capital items during the year ended August 31, 2023 (August 31, 2022 - decrease of \$666,294).

Financing activities for the year ended August 31, 2023, used \$2,231,746 (August 31, 2022 - provided \$77,675,653). The cash used in the year ended August 31, 2023, was for the purchase of common shares under the NCIB of \$1,481,101 (August 31, 2022 - \$1,316,378); a cash dividend of \$569,373 (August 31, 2022 - \$882,672) and payment of lease liabilities of \$181,272 (August 31, 2022 - \$62,502). The cash provided by financing activities for the year ended August 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 year ended August 31, 2023, were \$21,017,763 (August 31, 2022 - \$45,614,251). The cash used in investing activities for the year ended August 31, 2023, was for investments of \$25,000,000 (August 31, 2022 - \$46,205,117), less the net proceeds from the sale of equity investments of \$3,982,237 (August 31, 2022 - \$590,866).

Capital Resources and Liquidity Risk

The Company's cash position as at August 31, 2023, was \$14,745,031 (August 31, 2022 - \$34,508,794) and the Company's working capital was \$15,179,336 (August 31, 2022 - \$34,159,865). The Company has long-term lease liabilities of \$125,996 (August 31, 2022 - \$315,843).

As at August 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, 2023.

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.



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Year ended August 31, 2023

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 August 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 August 31, 2023, and the date of this report, there were 450,356,514 and 456,597,161 issued common shares respectively (August 31, 2022 - 445,895,954 shares).

As at August 31, 2023, the Company has purchased 5,171,171 common shares, 2,339,578 shares during the year ended August 31, 2022, and 2,831,593 shares during the year ended August 31, 2023, of which all have been cancelled (August 31, 2022 - 2,339,578 common shares purchased and held in treasury). As at November 20, 2023, the Company has purchased a further 412,313 common shares, all of which have been cancelled.

Stock Options

As at August 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 August 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 August 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.