



Empress Royalty Corp.

Management's Discussion and Analysis

**For the period from incorporation on March 2, 2020
to September 30, 2020**

(Expressed in Canadian dollars)

Empress Royalty Corp.

Amended Management's Discussion and Analysis

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The following is the amended management's discussion and analysis ("MD&A") of the results of operations and financial condition of Empress Royalty Corp. (the "Company") for the period from incorporation on March 2, 2020 to September 30, 2020 and up to the date of this MD&A, and should be read in conjunction with the accompanying financial statements for the period from incorporation on March 2, 2020 to September 30, 2020, together with the notes thereto (the "Financial Report").

All financial information in this MD&A is derived from the Company's Financial Report prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The effective date of this MD&A is December 17, 2020.

DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of British Columbia, Canada on March 2, 2020. The corporate office and registered and records office of the Company is located at Unit 1 – 15782 Marine Drive, White Rock, BC, Canada, V4B 1E6.

The Company is primarily in the business of acquiring royalty and streaming interests in precious metal mines and mining projects. The Company intends to focus the majority of its resources on investing in precious metals royalty or streaming opportunities with small to mid-tier producing or development stage mining companies, where immediate or near-term revenue can be generated. The Company may also invest in new grass roots royalties.

Empress Resources / Alto Arrangement

On July 7, 2020, the Company completed an arrangement with Empress Resources Corp. ("Empress Resources") and Alto Ventures Ltd. ("Alto") in which:

- the Company issued Empress Resources 5,000,000 common shares for \$250,000; and
- the Company issued Alto 4,615,384 common shares valued at \$230,769 for a portfolio of net smelter return ("NSR") royalties and certain marketable securities valued at \$253,134.

Subsequent to completing the arrangement Empress Resources distributed all of its shares of the Company to its shareholders, and Alto distributed all of its shares of the Company to its shareholders, so that at the time of closing the shareholders of Empress Resources held 52% of the shares of the Company and the shareholders of Alto held 48% of the shares of the Company.

Accendo Alliance

In August 2020, the Company entered into a strategic alliance agreement ("Alliance Agreement") with Accendo Banco, S.A. ("Accendo") to collaborate in respect to the acquisition by the Company of royalties and streams and potentially other investments in the Mexican mining sector. The Company currently has an existing portfolio of Canadian gold royalties and the Alliance Agreement is part of the Company's diversification into Latin America utilizing the strong and well-connected relationship of Accendo.

Empress Royalty Corp.

Amended Management's Discussion and Analysis

For the period from incorporation on March 2, 2020 to September 30, 2020

Accendo is an active investor and lender in the mining industry in Mexico and provides the Company with a strong partner in a country which is one of the top ten gold producers in the world. During the course of its business and through its extensive connections, Accendo becomes aware of opportunities to acquire royalties or streams in Mexican mining projects. Pursuant to the Alliance Agreement, Accendo will notify the Company of any Mexican royalty and stream opportunities of which it becomes aware, and if requested by the Company, assist in investigating and potentially acquiring such royalties or streams by making introductions, assisting the Company in undertaking due diligence and negotiating agreements to acquire such royalties or streams. Accendo's obligations under the Alliance Agreement are exclusive to the Company in respect of precious metal projects and mines.

Pursuant to the Alliance Agreement, the Company will pay a success fee of 0.5% to 2.0% on the acquisition of identified royalty or streaming opportunities in Mexico. In addition, Accendo has the right to participate in future financings and will provide a line of credit to finance Mexico acquisitions subject to negotiated terms.

Financings

In August 2020, the Company completed a non-brokered private placement in two tranches through the issuance of 30,000,000 common shares at a price of \$0.05 per share for gross proceeds of \$1,500,000.

In October and November 2020, the Company completed a non-brokered private placement in two tranches through the issuance of 32,000,000 common shares at a price of \$0.25 per share for gross proceeds of \$8,000,000. The Company paid cash finder's fees of \$160,125 and issued 154,000 finders shares.

NSR acquisition

On November 24, 2020, the Company completed the acquisition of a 1% NSR royalty on Candelaria Mining Corp.'s Pinos project in Mexico for total consideration of US\$1,500,000 cash. The Company will pay Accendo a success fee of US\$30,000 in connection with this transaction.

COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's ability to raise funds or the impact on its investments.

Empress Royalty Corp.

Amended Management's Discussion and Analysis

For the period from incorporation on March 2, 2020 to September 30, 2020

RESULTS OF OPERATIONS

For the period from incorporation on March 2, 2020 to September 30, 2020, the Company recorded a net loss of \$409,912.

Consulting fees for the period were \$96,784 and included \$45,000 paid to the Company's Chief Executive Officer and \$45,000 paid to Golden Oak (defined below) for Chief financial Officer and Corporate Secretary services.

Director fees for the period were \$7,500 and were paid to the company's two independent directors.

Management fees for the period were \$159,532 and were paid to Endeavour Financial (defined below) and Jeremy Bond for investment management services.

Property investigation costs for the period were \$35,117 and relate to consulting and travel costs incurred in the pursuit of royalty agreements.

During the period, the Company sold certain marketable securities for proceeds of \$58,201 (net of commissions) and recorded a loss on sale of marketable securities of \$4,062. As at September 30, 2020, the remaining marketable securities were measure at a fair value of \$228,657 and accordingly the Company recorded an unrealized gain on marketable securities of \$37,786.

LIQUIDITY AND CAPITAL RESOURCES

On July 7, 2020, the Company completed an arrangement with Empress Resources and Alto in which the Company, among other things, issued Empress Resources 5,000,000 common shares for \$250,000.

In August 2020, the Company completed a non-brokered private placement in two tranches through the issuance of 30,000,000 common shares at a price of \$0.05 per share for gross proceeds of \$1,500,000.

As at September 30, 2020, the Company had working capital of \$1,593,573.

In October and November 2020, the Company completed a non-brokered private placement in two tranches through the issuance of 32,000,000 common shares at a price of \$0.25 per share for gross proceeds of \$8,000,000. The Company paid cash finder's fees of \$160,125 and issued 154,000 finders shares.

Management estimates that these funds will provide the Company with sufficient financial resources to carry out currently planned operations through the next twelve months. Additional financing may be required by the Company to complete its strategic long-term objectives and continue as a going concern. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

Empress Royalty Corp.

Amended Management's Discussion and Analysis

For the period from incorporation on March 2, 2020 to September 30, 2020

RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management includes members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid, or payable, to key management personnel during the period ended September 30, 2020 are as follows:

			Period from incorporation on March 2, 2020 to September 30, 2020
Consulting fees			
Alexandra Woodyer Sherron	(1)	\$	45,000
Golden Oak	(2)		37,500
Director fees			
Richard Mazur	(3)		3,750
Wes Roberts	(4)		3,750
Management fees			
Endeavour Financial	(5)		39,481
Jeremy Bond	(6)		120,051
Total		\$	249,532

- (1) Alexandra Woodyer Sherron is a director and the President and Chief Executive Officer of the Company.
- (2) Golden Oak Corporate Services Ltd. ("Golden Oak") is a consulting company controlled by Dan O'Brien, the Chief Financial Officer, and Doris Meyer, the Corporate Secretary, of the Company. Golden Oak provides the services of a Chief Financial Officer, a Corporate Secretary, and accounting and administrative staff to the Company. The Chief Financial Officer and the Corporate Secretary are employees of Golden Oak and are not paid directly by the Company.
- (3) Richard Mazur is a director of the Company.
- (4) Wes Roberts is a director of the Company.
- (5) Endeavour Financial Limited (Cayman) and the Company have a director in common, being David Rhodes.
- (6) Jeremy Bond is a director of the Company.

Amounts due to related parties

As at September 30, 2020, the Company had trade and other payables of \$127,818, owing to related parties, being \$120,051 owing to Jeremy Bond for management fees, \$3,750 owing to each of Richard Mazur and Wes Roberts for director fees, and \$267 owing to Golden Oak for the reimbursement of expenses. All amounts owed are unsecured and non-interest bearing.

Empress Royalty Corp.

Amended Management's Discussion and Analysis

For the period from incorporation on March 2, 2020 to September 30, 2020

DISCLOSURE OF OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of common shares without par value

	Common Shares Issued and Outstanding
Balance as at September 30, 2020	39,615,385
Private placement	32,154,000
Balance as at the date of this MD&A	71,769,385

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

USE OF ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Information about significant areas of estimation uncertainty and judgments made by management in preparing the financial statements are described below. The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Empress Royalty Corp.

Amended Management's Discussion and Analysis

For the period from incorporation on March 2, 2020 to September 30, 2020

Royalty interests

In accordance with the Company's accounting policy, royalty interests are evaluated on a periodic basis to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed, and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of a royalty asset is measured at the higher of fair value less costs to sell and value in use. The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, the proportion of areas subject to royalty rights, commodity prices (considering current and historical prices, price trends and related factors), and reserves. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in profit or loss.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Financial instruments are classified into one of the following categories: FVTPL; FVTOCI; or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

		September 30, 2020	
Cash	FVTPL	\$	1,515,475
Marketable securities	FVTPL		228,657
Trade and other payables	Amortized cost		(207,638)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The carrying value of trade and other payables approximates its fair value due to its short-term nature. Cash and marketable securities are recorded at fair value using Level 1 of the fair value hierarchy.

Risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Empress Royalty Corp.

Amended Management's Discussion and Analysis

For the period from incorporation on March 2, 2020 to September 30, 2020

Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada. Management believes that the credit risk with respect to cash is low.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to closely monitor cash forecasts and manage resources to ensure that there is sufficient capital in order to meet short-term business requirements. All of the Company's financial liabilities are classified as current and are anticipated to be settled in the next sixty days.

Interest Rate Risk

The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risk on cash is not considered significant.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

- (a) Interest Rate Risk: The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risk on cash is not considered significant.
- (b) Foreign Currency Risk: The Company expects to raise equity predominately in Canadian dollars; however, investment transactions are expected to be primarily in US dollars. As such, the Company is subject to fluctuations in the exchange rate between the Canadian dollar and the US dollar. As at September 30, 2020, the Company holds most of its cash in Canadian dollars. Management believes the foreign exchange risk related to currency conversions is minimal and therefore, does not hedge its foreign exchange risk.
- (c) Commodity Price Risk: While the value of the Company's investments is expected to be primarily related to the price of gold and silver and the outlook for these minerals, the value of the Company's investments are subject to changes in metal prices and market fluctuations.

Historically, the price of metals has fluctuated significantly and is affected by numerous factors outside of the Company's control, including but not limited to industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold and silver.

A 10% change in value will increase or decrease investments by approximately \$23,000.

Empress Royalty Corp.

Amended Management's Discussion and Analysis

For the period from incorporation on March 2, 2020 to September 30, 2020

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A may include or incorporate by reference certain statements or disclosures that constitute "forward-looking information" under applicable securities laws. All information, other than statements of historical fact, included or incorporated by reference in this MD&A that addresses activities, events or developments that the Company or its management expects or anticipates will or may occur in the future constitute forward-looking information. Forward-looking information is provided through statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur or continue. These forward-looking statements are based on certain assumptions and analyses made by the Company and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

Although the Company believes such forward-looking information and the expectations expressed in them are based on reasonable assumptions, investors are cautioned that any such information and statements are not guarantees of future realities and actual realities or developments may differ materially from those projected in forward-looking information and statements. Whether actual results will conform to the expectations of the Company is subject to a number of risks and uncertainties, including those risk factors discussed elsewhere in the MD&A and the Annual MD&A. In particular, if any of the risk factors materialize, the expectations, and the predictions based on them, the Company may need to be re-evaluated. Consequently, all of the forward-looking information in this MD&A and the documents incorporated herein by reference is expressly qualified by these cautionary statements and other cautionary statements or factors contained herein or in documents incorporated by reference herein, and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences for the Company.