



**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2020**

**(Unaudited – Expressed in Canadian dollars)**

**EMPRESS ROYALTY CORP.**  
**Condensed Interim Statements of Financial Position**  
**(Unaudited – Expressed in Canadian dollars)**

	<i>Note</i>	December 31, 2020	September 30, 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 6,774,043	\$ 1,515,475
Marketable securities	4	193,538	228,657
Receivables		29,833	8,779
Prepaid expenses		94,300	48,300
		7,091,714	1,801,211
<b>Royalty interests</b>	5	2,084,232	1
		\$ 9,175,946	\$ 1,801,212
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	\$ 297,225	\$ 207,638
		297,225	207,638
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	9,820,645	1,980,770
Reserve	6	22,716	22,716
Deficit		(964,640)	(409,912)
		8,878,721	1,593,574
		\$ 9,175,946	\$ 1,801,212
Nature of operations	1		
Commitment	11		
Subsequent events	12		

These condensed interim financial statements are approved for issue by the Audit Committee of the Board of Directors of the Company on March 1, 2021.

They are signed on the Company's behalf by:

"Paul Mainwaring", Director

"Alexandra Woodyer Sherron", Director

*The accompanying notes are an integral part of these condensed interim financial statements*

**EMPRESS ROYALTY CORP.****Condensed Interim Statement of Loss and Comprehensive Loss  
(Unaudited – Expressed in Canadian dollars)**

	<i>Note</i>	<b>Three months ended December 31, 2020</b>
<b>Expenses</b>		
Consulting fees	8	\$ 102,023
Director fees	8	7,500
Investor relations		36,825
Office expenses		15,642
Professional fees		112,009
Project evaluation expenses	7 & 8	180,979
Regulatory fees		41,874
Salaries and benefits		16,256
		(513,108)
Foreign exchange loss		(9,820)
Interest income		3,319
Unrealized loss on marketable securities	4	(35,119)
<b>Loss and comprehensive loss for the period</b>		<b>\$ (554,728)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding</b>		<b>62,948,276</b>

The Company was incorporated on March 2, 2020. Accordingly, no statement of loss and comprehensive loss has been presented for the three months ended December 31, 2019.

*The accompanying notes are an integral part of these condensed interim financial statements*

**EMPRESS ROYALTY CORP.**  
**Condensed Interim Statement of Cash Flows**  
**(Unaudited – Expressed in Canadian dollars)**

	<b>Three months ended December 31, 2020</b>
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>	
Loss for the period	\$ (554,728)
Items not involving cash:	
Unrealized loss on marketable securities	35,119
Change in non-cash working capital items:	
Receivables	(21,054)
Prepaid expenses	(46,000)
Trade and other payables	50,488
<b>Net cash used in operating activities</b>	<b>(536,175)</b>
<b>CASH FLOWS FROM (TO) INVESTING ACTIVITIES</b>	
Acquisition of royalty interests	(2,045,132)
<b>Net cash used in investing activities</b>	<b>(2,045,132)</b>
<b>CASH FLOWS FROM (TO) FINANCING ACTIVITIES</b>	
Private placement	8,000,000
Share issue costs	(160,125)
<b>Net cash provided by financing activities</b>	<b>7,839,875</b>
<b>Increase in cash for the period</b>	<b>5,258,568</b>
<b>Cash, beginning of period</b>	<b>1,515,475</b>
<b>Cash, end of period</b>	<b>\$ 6,774,043</b>
<b>Non-cash investing and financing activities</b>	
Finder's shares	\$ 38,500
Accrued royalty interests	39,099
<b>Supplementary information</b>	
Interest paid	-
Income taxes paid	-

The Company was incorporated on March 2, 2020. Accordingly, no statement of cash flows has been presented for the three months ended December 31, 2019.

*The accompanying notes are an integral part of these condensed interim financial statements*

**EMPRESS ROYALTY CORP.****Condensed Interim Statement of Changes in Shareholders' Equity  
(Unaudited – Expressed in Canadian dollars)**

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Reserve</b>	<b>Deficit</b>	<b>Total Shareholders' Equity</b>
<b>Balance, September 30, 2020</b>	39,615,385	\$ 1,980,770	\$ 22,716	\$ (409,912)	\$ 1,593,574
Private placement	32,000,000	8,000,000	-	-	8,000,000
Finders' shares	154,000	38,500	-	-	38,500
Share issue costs	-	(198,625)	-	-	(198,625)
Comprehensive loss for the period	-	-	-	(554,728)	(554,728)
<b>Balance, December 31, 2020</b>	71,769,385	\$ 9,820,645	\$ 22,716	\$ (964,640)	\$ 8,878,721

The Company was incorporated on March 2, 2020. Accordingly, no statement of shareholders' equity has been presented for the three months ended December 31, 2019.

*The accompanying notes are an integral part of these condensed interim financial statements*

**EMPRESS ROYALTY CORP.**  
**Notes to the Condensed Interim Financial Statements**  
**For the three months ended December 31, 2020**  
**(Unaudited – Expressed in Canadian dollars)**

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**1. NATURE OF OPERATIONS**

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Empress Royalty Corp. (the “Company”) is a publicly traded company incorporated under the laws of British Columbia, Canada on March 2, 2020. The Company commenced trading on the TSX Venture Exchange (“TSX-V”) on December 29, 2020 under the symbol EMPR. 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.

On February 4, 2021, the Company filed a short form base shelf prospectus (the “Prospectus”) to raise up to \$200 million (Note 12).

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2020, the Company had working capital of \$6,794,489. 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 long-term strategic 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.

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.

These condensed interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

**EMPRESS ROYALTY CORP.**  
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**2. BASIS OF PRESENTATION**

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**Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

These condensed interim financial statements do not include all of the disclosures required for annual financial statements, and therefore should be read in conjunction with the audited financial statements for the period ended September 30, 2020.

**Basis of measurement**

These condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Functional and presentation currency**

These condensed interim financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

**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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**EMPRESS ROYALTY CORP.**  
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**2. BASIS OF PRESENTATION (continued)**

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**Use of accounting estimates, judgments and assumptions (continued)**

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:

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.

**3. SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company as at and for the period ended September 30, 2020.

**New standards, interpretations and amendments not yet effective**

There are no new standards that will have any significant effect on the Company.

**EMPRESS ROYALTY CORP.**  
**Notes to the Condensed Interim Financial Statements**  
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**4. MARKETABLE SECURITIES**

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In July 2020, the Company acquired certain publicly traded marketable securities.

As at December 31, 2020, the marketable securities were measured at a fair value of \$193,538 (September 30, 2020 - \$228,657).

During the three months ended December 31, 2020, the Company recorded an unrealized loss on marketable securities of \$35,119.

**5. ROYALTY INTERESTS**

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		Three months ended December 31, 2020	Period ended September 30, 2020
Beginning balance		\$ 1	\$ -
Acquisition of Canadian royalties	Canada	-	1
Acquisition of Pinos project royalties	Mexico	2,084,231	-
Ending balance		\$ 2,084,232	\$ 1

In July 2020, the Company acquired a portfolio of net smelter return (“NSR”) royalties, all of which are on early-stage exploration properties located in Canada and range between 0.5% and 1%.

On November 24, 2020, the Company completed the acquisition of a combined 1% NSR royalty on Candelaria Mining Corp.’s (“Candelaria”) Pinos project in Mexico for an aggregate consideration of \$1,954,950 (US\$1,500,000) cash. The acquisition was a combination of a newly created 0.5% NSR royalty on the Pinos project from Candelaria for consideration of US\$750,000 and the purchase of a 0.5% NSR royalty on the Pinos project from an existing royalty holder for consideration of an additional US\$750,000. The Company paid transaction costs of \$90,182. Subsequent to December 31, 2020, the Company paid Accendo Banco, S.A. (Note 11) a success fee of \$39,099 (US\$30,000) which amount has been included in trade and other payables as at December 31, 2020.

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**6. SHARE CAPITAL**

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**Authorized**

The Company has an unlimited number of common shares without par value authorized for issue.

**Issued and outstanding**

As at December 31, 2020, the Company had 71,769,385 common shares issued and outstanding (September 30, 2020 – 39,615,385). A summary of changes in share capital and reserves is contained on the condensed interim statements of changes in shareholders equity for the three months ended December 31, 2020.

On October 23 and November 10, 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 valued at \$38,500.

**Stock options**

On October 20, 2020, the Board of Directors of the Company approved a rolling stock option plan ("the Plan") which is applicable to directors, officers, employees and consultants. Under the Plan, the total outstanding stock options that may be granted are limited to 10% of the outstanding common shares of the Company at any one time. The exercise price of an option shall not be less than the discounted market price at the time of granting as prescribed by the policies of the TSX-V. The maximum term of stock options is ten years from the grant date. Vesting terms are at the discretion of the directors. To date, the Company has not granted any stock options.

**7. PROJECT EVALUATION EXPENSES**

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During the three months ended December 31, 2020, the Company incurred certain expenditures to conduct due diligence and evaluate royalty and streaming opportunities with the potential for acquisition or investment.

			<b>Three months ended December 31, 2020</b>
	<i>Note</i>		
Management fees	8	\$	114,588
Professional fees			39,857
Travel			26,534
		\$	180,979

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**8. RELATED PARTY TRANSACTIONS**

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*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 three months ended December 31, 2020 are as follows:

		<b>Three months ended December 31, 2020</b>
Consulting fees		
Alexandra Woodyer Sherron	(1)	\$ 45,000
Golden Oak	(2)	37,500
		<u>82,500</u>
Director fees		
Richard Mazur	(3)	3,750
Wes Roberts	(4)	3,750
		<u>7,500</u>
Management fees included in project evaluation costs		
Endeavour Financial	(5)	57,294
Jeremy Bond	(6)	57,294
		<u>114,588</u>
<b>Total</b>		<b>\$ 204,588</b>

- (1) Alexandra Woodyer Sherron is a director and the Chief Executive Officer and President 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.

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**8. RELATED PARTY TRANSACTIONS (continued)**

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*Amounts due to related parties*

As at December 31, 2020, the Company had trade and other payables of \$115,583, owing to related parties, being \$57,294 owing to Jeremy Bond for management fees, \$57,294 owing to Endeavour Financial for management fees, and \$995 owing to Golden Oak for the reimbursement of expenses. All amounts owed are unsecured and non-interest bearing.

**9. SEGMENTED INFORMATION**

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Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Chief Executive Officer.

As at December 31, 2020, the Company's business is the acquisition of mining royalty and streaming interests. The Company's royalty interests are located in Canada and Mexico as disclosed in Note 5.

**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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**Financial instruments**

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); fair value through other comprehensive income ("FVTOCI"); or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

		<b>December 31,</b>	<b>September 30,</b>
		<b>2020</b>	<b>2020</b>
Cash	FVTPL	\$ 6,774,043	\$ 1,515,475
Marketable securities	FVTPL	193,538	228,657
Trade and other payables	Amortized cost	(297,225)	(207,638)

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**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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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 management objectives and policies are consistent with those disclosed by the Company for the period ended September 30, 2020.

**11. COMMITMENT**

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In August 2020, the Company entered into a strategic alliance agreement with Accendo Banco, S.A. pursuant to which the Company will pay a success fee of 0.5% to 2.0% on the acquisition of identified royalty or streaming opportunities in Mexico. Accendo has the right to participate in future financings and will provide a line of credit to finance Mexico acquisitions subject to negotiated terms. The agreement will terminate on the earlier of three years written notification or an ownership threshold below 5%.

**EMPRESS ROYALTY CORP.**  
**Notes to the Condensed Interim Financial Statements**  
**For the three months ended December 31, 2020**  
**(Unaudited – Expressed in Canadian dollars)**

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**12. SUBSEQUENT EVENTS**

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Subsequent to December 31, 2020, the Company completed the following:

- On February 4, 2021, the Company filed a short form base shelf prospectus (the “Prospectus”) to raise up to \$200 million. The Prospectus is valid for a 25 month period.
- On February 19, 2021, the Company commenced trading on the OTCQB Venture Market in the United States under the symbol EMPYF.
- In February 2021, the Company sold all of its marketable securities for gross proceeds of \$164,001 (Note 4).
- On February 22, 2021, the Company executed a royalty purchase agreement for the creation of a royalty on gold sales from Manica hard rock gold project, located in Mozambique and operated by Mutapa Mining & Processing LDA (“MMP”), for an aggregate consideration of US\$2,000,000. Payments to Empress under the agreement are based on 2.25% of the revenues generated from the sale of gold from the project until a total of 95,000 oz of gold have been sold. Thereafter, the percentage shall reduce to 0.75% and shall continue into perpetuity. The royalty is secured by a first ranking security interest in certain assets of MMP. Funding of the consideration is subject to conditions precedent to closing typical for a transaction of this nature and is expected to take place in early March 2021.