



EMPRESS
ROYALTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS**

FOR THE THREE MONTHS ENDED DECEMBER 31, 2020

EMPRESS ROYALTY CORP.

Management's Discussion and Analysis – Quarterly Highlights For the three months ended December 31, 2020

The following is management's discussion and analysis, quarterly highlights ("MD&A") of the results of operations and financial condition of Empress Royalty Corp. ("Empress" or the "Company") for the three months ended December 31, 2020 and up to the date of this MD&A, and has been prepared to provide material updates to the business operations, financial condition, liquidity and capital resources of the Company since its last management's discussion and analysis for the period from March 2, 2020 to September 30, 2020 (the "Annual MD&A").

This MD&A should be read in conjunction with the Annual MD&A and the audited financial statements for the period from March 2, 2020 to September 30, 2020, together with the notes thereto, and the accompanying unaudited condensed interim financial statements, and related notes thereto, for the three months ended December 31, 2020 (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 and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The effective date of this MD&A is March 1, 2021.

DESCRIPTION OF COMPANY

Empress is a publicly traded company 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.

On December 29, 2020, the Company commenced trading on the TSX Venture Exchange ("TSX-V") under the symbol EMPR.

On February 19, 2021, the Company commenced trading on the OTCQB Venture Market in the United States under the symbol EMPYF.

DESCRIPTION OF THE BUSINESS

Investment Strategy

Empress is in the business of acquiring royalty and streaming interests in precious metal mines and mining projects and its objective is to become a leading global precious metals royalty and streaming company to maximize returns for its shareholders.

Empress 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. In very limited cases, Empress may invest in new grass roots royalties.

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In summary, the Company intends to hold investments in all phases of mining projects, including:

1. **Grass roots projects:** In grass roots projects, the geological risk is high, as the operator may not ever make a discovery, possibly resulting in the investment being written-off, but the cost of the investment is low. If an economic discovery is made that is then developed into a mine, the returns on that royalty against the cost of investment can be significant. The Company holds 13 net smelter return (“NSR”) royalties on projects located in Canada that fit within this category and because there are several royalties, the odds of one of those projects making such a discovery is improved. However, there is still no guarantee of a return, but if successful, the return can be many multiples of the investment.
2. **Development or near-term production projects:** In near term projects, the geologic risk has been reduced and studies have been completed confirming the viability of the project to be a profitable producing mine within the next 24 months. The risk for near term production projects is substantially reduced compared to grass roots projects, however, risks with respect to near term projects include in uncertainty of funding to meet forecasted production levels. The Company's Pinos project (as defined below) fits into this category.
3. **Producing mines:** Producing mines are already in operation and historic data is available to provide a high level of confidence on the forward-looking projections for the mine.

The Company's focus is near-term and producing mines and target investment size ranging from \$500,000 to \$25,000,000. Empress' vision is to be a global precious metal stream and royalty provider and is investigating investment opportunities with the same investment criteria and target size located in globally. Its management team and strategic advisors have a global reach, which have already identified significant opportunities. To finance the acquisition of such royalty and streaming investments, Empress may undertake one or more financings. As the Company grows its portfolio and revenue stream, it expects to fund future investments by cash flow and generate excess cashflow to pay dividends.

Pinos Royalty – Development Stage

On November 24, 2020, Empress completed the acquisition of a combined 1% NSR royalty on Candelaria Mining Corp.'s (“Candelaria”) Pinos gold and silver 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. Empress' royalties create a direct real property interest in the Pinos project, that shall continue in perpetuity and registered against title.

The Pinos project, 100% owned by Candelaria, is located in the high-grade historical gold and silver district of the Zacatecas mining belt in north-central Mexico, just 67 kilometers northwest of San Luis Potosi. Zacatecas state, the second largest gold producing district in the country after Sonora, is a stable, mining-friendly state that includes Newmont Mining's Peñasquito mine and Capstone Mining's Cozamin mine. Pinos has excellent infrastructure with paved roads to the entry of the mine and electricity on-site.

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The Pinos project consists of 29 concessions comprising 3,816 hectares which is roughly 17 kilometers worth of veins containing gold and silver. The veins have been mined historically to a depth of only 180 meters, due to reaching the water table, but mineralization has been shown to continue at depth.

The Pinos mining district dates back to the 17th century. It was one of two bonanza gold districts discovered by the Spanish. Towards the end of the 19th century, Cornish miners revived the district and continued mining throughout the Dorada or "Golden" era. Zacatecana Mining Company and Pachuca Mining Company then took over the project and operated in the district between 1920 and 1940.

Historical records indicate over 800,000 ounces of gold have been produced from the Pinos district with average grades of 30 to 50 grams per tonne gold from 33 shafts located throughout the district. Candelaria currently has Indicated resource of 175,697 tonnes at a grade of 4.7 grams per tonne of gold equivalent estimated to contain 26,358 ounces of gold equivalent and the Inferred resource a further 529,267 tonnes at a grade of 4.6 grams per tonne gold equivalent estimated to contain 56,146 ounces of gold equivalent. The 2018 Preliminary Economic Assessment ("PEA") plans for average yearly production of ~12,700 ounces gold equivalent for a life of mine of seven years with potential for growth, at both depth and along strike, and it's estimated that 80% of the district has yet to be explored.

The PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and, as such, there is no certainty that the PEA results will be realized. The information on our website derived from the PEA is subject to certain assumptions, qualifications and procedures described therein, and reference should be made to the full text of the PEA. The PEA is of a certain point-in-time and the Company is not able to determine if any material information subsequent to the date of the PEA exists. Reference should also be made to the public disclosures on SEDAR by Candelaria.

Pinos has all permits in-place for production and is currently being moved towards construction under its PEA and will begin construction of a 200 tonnes per day mining operation with a path to ramp-up to 400 tonnes per day within two years of initial production.

As the final step to funding construction, on June 24, 2020, Candelaria reported it had closed a US\$9.0 million medium term loan facility ("Facility") with Accendo Banco, S.A.. Funds advanced under the Facility will be used for financing construction of the Pinos project. Projects which are placed into production without first establishing mineral reserves supported by a technical report and completing a feasibility study have a much higher risk of economic or technical failure. If Candelaria makes a production decision for the Pinos project which is not based on a feasibility study of mineral reserves demonstrating economic and technical viability, it faces increased uncertainty and technical and economic risks.

Further information on the Pinos project can be found in Candelaria's "NI 43-101 Preliminary Economic Assessment Study for the Pinos Project Zacatecas Mexico" (the "Pinos Technical Report") titled authored by Jose Antonio Olmedo, Geol. Eng., M.Sc. and David J. Salari, P. Eng., dated October 16, 2018 and effective September 13, 2018. The Pinos Technical Report was prepared in accordance with NI 43-101 and is available on Candelaria's company profile at www.sedar.com.

Candelaria, the owner and operator of the Pinos project, has announced its decision to advance the project to development prior to the completion of a feasibility study.

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Manica Royalty – Development Stage

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.

Manica is located in the Odzi-Mutare-Manica Greenstone Belt of Mozambique and comprises of several deposits on Xtract Resources Plc’s (“Xtract”) mining concession licence 3990C which includes four main deposits being Fair Bride, Guy Fawkes, Boa Esperanza, and Dots Luck.

MMP and Xtract have entered into a collaboration and profit-share arrangement whereby MMP will build, finance and operate a carbon-in-leach (CIL) plant to process ore mined from Xtract’s concession.

Fair Bride is the main deposit and has a SAMREC compliant resource statement which Empress is currently in the process of updating to comply with the requirements of National Instrument 43-101. Engineering and construction of the plant is also advancing.

Investment Pipeline

Empress is now in advanced discussions to acquire a US\$5,000,000 silver stream on production from Telson Mining Corp.’s (“Telson”) Tahuehueto project in Mexico. The stream is expected to be on 100% of the payable silver production from Tahuehueto for the first 1,250,000 payable ounces; thereafter, the percentage will step-down to 20% of the payable silver production. A non-binding term sheet outlining the principal terms of the proposed transaction has been executed, and the negotiation of binding agreements is well advanced. Management is optimistic that binding agreements will be finalized and signed, and the transaction will advance to closing in the coming weeks and will provide further updates as appropriate. Telson has announced that its Tahuehueto project is approximately 60% constructed, with initial production forecast for late 2021 and full scale production forecast for early 2022.

Empress recently signed exclusivity agreements with two gold producers, both of which continue to illustrate Empress’ portfolio creation strategy. The first agreement is for the creation of a gold stream and royalty package and the second is for the creation of a gold stream. Both proposed investments are subject to completion of due diligence and the negotiation and execution of binding agreements.

The first opportunity involves the potential investment of US\$10,000,000 in a South American gold producer, which the producer has indicated will permit it to expand production by a third. As this mine is currently producing, this investment should immediately become revenue-generating for Empress if the opportunity can be secured.

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The second opportunity involves a potential investment of US\$2,500,000 in an African gold producer, which the producer has told Empress will facilitate the doubling of existing production. Again, if this opportunity can be secured, the investment should result in immediate revenue for Empress, as the mine is already in production.

As stated, both of these potential transactions are currently at the diligence stage, with Empress conducting technical and financial reviews, and there is no assurance that either will result in a binding agreement. Further announcements will follow if either opportunity advances to the agreement stage.

In addition to the above exciting opportunities, Empress has an active pipeline of US\$75,000,000 in potential producing and near-term producing investment opportunities.

QUALIFIED PERSON

Richard Mazur, P.Geo, a Qualified Person as defined by 43-101, has read and approved all technical and scientific information. Mr. Mazur is a Director of the Company.

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.

TRENDS

The level of the Company's investments in royalties and streams is largely determined by the strength of resource capital and commodity markets and its ability to obtain investor support for its investments.

Many companies are engaged in the search for and the acquisition of mineral interests, including royalties and other interests, and there is a limited supply of desirable mineral interests. The mineral exploration and mining businesses are competitive in all phases. Many companies are engaged in the acquisition of mineral interests, including large, established companies with substantial financial resources, operational capabilities and long earnings records. Empress may be at a competitive disadvantage in acquiring those interests, whether by way of royalty or other form of investment, as competitors may have greater financial resources and technical staffs. There can be no assurance that Empress will be able to compete successfully against other companies in acquiring new royalties or other interests. In addition, Empress may be unable to acquire royalties or other interests at acceptable valuations which may result in a material adverse effect on Empress' profitability, results of operations and financial condition and trading price of its securities.

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RESULTS OF OPERATIONS

The loss for the three months ended December 31, 2020 was \$554,728, of which the most significant expenses were consulting fees, professional fees, and project evaluation costs.

Consulting fees for the three months ended December 31, 2020 totaled \$102,023 and consists primarily of the follows:

- Consulting fees of \$45,000 to Alexandra Sherron, the Chief Executive Officer; and
- Consulting fees of \$37,500 to Golden Oak Corporate Services Ltd. ("Golden Oak"), which 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 the Chief Financial Officer, the 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.

Professional fees for the three months ended December 31, 2020 totaled \$112,009, the majority of which are legal and accounting fees relating to the cost of listing the Company's shares on the TSX-V on December 29, 2020.

Project evaluation expenses for the three months ended December 31, 2020 totaled \$180,979, and include management fees, legal and accounting fees and travel expenditures all related to evaluating future royalty and streaming opportunities. Management fees include \$57,294 paid to Endeavour Financial Ltd. (Cayman) ("Endeavour Financial") and \$57,294 paid to Jeremy Bond as follows:

- Empress director David Rhodes is one of five directors of Endeavour Financial and owns a minority interest in Endeavour Financial. Endeavour Financial is a financial advisor providing services to businesses in the natural resources sector. The Company has engaged Endeavour Financial for a renewable two year term to perform the technical investment manager role to identify and conduct due diligence on potential investments among other support services.
- Empress director Jeremy Bond is the Chief Investment Officer of Terra Capital Natural Resource Fund Pty Ltd. The Company has engaged Mr. Bond for a renewable one year term to perform the financial investment manager role to identify and conduct due diligence on potential investments among other support services.

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LIQUIDITY AND CAPITAL RESOURCES

The Company began the fiscal quarter with \$1,515,475 cash. During the three months ended December 31, 2020, the Company spent \$536,175 on operating activities, net of working capital changes, spent \$2,045,132 on the Pinos project acquisition, and received \$7,839,875 from the private placement described below to end at December 31, 2020 with \$6,774,043 cash.

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.

As at December 31, 2020, the Company had working capital of \$6,794,489.

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. The Company intends to pursue its business plans aggressively and needs significant amounts of capital to purchase royalties and streams. The \$200 million amount stated in the Prospectus represents a carefully considered pre-estimate of the amount the Company believes it is likely to require over the next two years. The demand for the kind of royalty and stream financing which the Company provides is significant, but the Company competes with other investment issuers and needs to be able to raise funds quickly to take advantage of these investment opportunities, which is why it has chosen to file a base shelf prospectus to raise the required funds.

Management estimates that its working capital and funds raised under the Prospectus should provide the Company with sufficient financial resources to carry out currently planned operations through the next two years. However, there is no assurance that the Company will be able to raise the funds under the Prospectus or that such financings will be on terms acceptable to the Company.

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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 three months ended December 31, 2020 are as follows:

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

- (1) Alexandra Woodyer Sherron is a director and the Chief Executive Officer and President of the Company.
- (2) Golden Oak is a consulting company controlled by Dan O'Brien, the Chief Financial Officer, and Doris Meyer, the Corporate Secretary, of the Company.
- (3) Richard Mazur is a director of the Company.
- (4) Wes Roberts is a director of the Company.
- (5) Endeavour Financial 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 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.

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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 December 31, 2020 and the date of this MD&A	71,769,385

OFF-BALANCE SHEET ARRANGEMENTS

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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:

		December 31, 2020	September 30, 2020
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)

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.

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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 in the Annual MD&A.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains or incorporates by reference "forward-looking statements" or "forward-looking information" within the meaning of applicable Canadian securities legislation. Such statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, to be materially different from any future results, expectations, performance or achievements expressed or implied by such forward-looking statements or information. Such statements can be identified by the use of words such as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", "scheduled", "forecast", "predict" and other similar terminology, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved although not all forward-looking statements contain such identifying words. These statements reflect the Company's current expectations regarding future events, performance and results based on information currently available and speak only as of the date of this MD&A.

Specific statements contained in or incorporated by reference in this MD&A that constitute forward-looking statements or information include but are not limited to information concerning the Company's investments, statements or information concerning the Company's growth strategy and the Company's future performance and business prospects and opportunities. These statements reflect management's current assumptions and expectations and by their nature are subject to certain underlying assumptions, known and unknown risks and uncertainties and other factors which may cause actual results, performance or events to be materially different from those expressed or implied by such forward-looking statements.

These forward-looking statements are based on the beliefs of Empress' management, as well as on assumptions, which such management believes to be reasonable based on information currently available at the time such statements were made. However, there can be no assurance that the forward-looking statements will prove to be accurate.

By their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance, or achievements of Empress to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indicators of whether such results will be achieved. These risks include but are not limited to the risks set out under the heading "Risk Factors" in this Prospectus. New risks may emerge from time to time and the importance of current factors may change

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from time to time and it is not possible for the Company to predict all such factors, changes in such factors and to assess in advance the impact of such factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements contained in this MD&A.

Although the forward-looking statements contained in or incorporated by reference in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. The Company's actual results could differ materially from those anticipated in these forward-looking statements, as a result of, amongst others, those factors noted above and those listed in the Company's Annual Information Form under the heading "Risk Factors". Accordingly, readers should not place undue reliance on forward-looking information. These forward-looking statements are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Subject to applicable Canadian securities laws, the Company assumes no obligation to update or revise the forward-looking statements contained herein to reflect events or circumstances occurring after the date of this MD&A.

ADDITIONAL INFORMATION

Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's web site www.empressroyalty.com.