



CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MARCH 31, 2021

(Unaudited – Expressed in Canadian dollars)

EMPRESS ROYALTY CORP.

Condensed Interim Statements of Financial Position
(Unaudited – Expressed in Canadian dollars)



	<i>Note</i>	March 31, 2021	September 30, 2020
ASSETS			
Current assets			
Cash		\$ 20,824,644	\$ 1,515,475
Marketable securities	4	-	228,657
Receivables		85,011	8,779
Prepaid expenses		257,800	48,300
		21,167,455	1,801,211
Royalty interests	5	2,084,232	1
Deferred acquisition costs	5	172,933	-
		\$ 23,424,620	\$ 1,801,212
LIABILITIES			
Current liabilities			
Trade and other payables	8	\$ 381,300	\$ 207,638
		381,300	207,638
SHAREHOLDERS' EQUITY			
Share capital	6	23,094,677	1,980,770
Reserve	6	1,853,800	22,716
Deficit		(1,905,157)	(409,912)
		23,043,320	1,593,574
		\$ 23,424,620	\$ 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 May 27, 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)



		Three months ended March 31, 2021	Period from incorporation on March 2, 2020 to March 31, 2020	Six months ended March 31, 2021	Period from incorporation on March 2, 2020 to March 31, 2020
	<i>Note</i>				
Expenses					
Consulting fees	8	\$ 101,577	\$ 350	\$ 203,600	\$ 350
Director fees	8	7,500	-	15,000	-
Investor communication and shareholder information		376,668	-	413,493	-
Office expenses		22,807	-	38,449	-
Professional fees		108,533	-	220,542	-
Project evaluation expenses	7 & 8	147,226	-	328,205	-
Regulatory fees		91,245	-	133,119	-
Salaries and benefits		16,730	-	32,986	-
		(872,286)	(350)	(1,385,394)	(350)
Foreign exchange loss		(41,281)	-	(51,101)	-
Interest income		4,377	-	7,696	-
Loss on sale of marketable securities	4	(31,327)	-	(66,446)	-
Loss and comprehensive loss for the period		\$ (940,517)	\$ (350)	\$ (1,495,245)	\$ (350)
Basic and diluted loss per share		\$ (0.01)	\$ (350.00)	\$ (0.02)	\$ (350.00)
Weighted average number of shares outstanding		73,956,385	1	68,391,847	1

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EMPRESS ROYALTY CORP.

Condensed Interim Statement of Cash Flows
(Unaudited – Expressed in Canadian dollars)



	Six months ended March 31, 2021	Period from incorporation on March 2, 2020 to March 31, 2020
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the period	\$ (1,495,245)	\$ (350)
Items not involving cash:		
Loss on sale of marketable securities	66,446	-
Change in non-cash working capital items:		
Receivables	(76,232)	-
Prepaid expenses	(209,500)	-
Trade and other payables	(42,669)	-
Net cash used in operating activities	(1,757,200)	(350)
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Acquisition of royalty interests	(2,045,132)	-
Deferred acquisition costs	(103,237)	-
Proceeds on sale of marketable securities	162,211	-
Net cash used in investing activities	(1,986,158)	-
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Private placements	24,402,500	-
Share issue costs	(1,349,973)	-
Incorporation share issued for cash	-	1
Incorporation costs paid by shareholder	-	350
Net cash provided by financing activities	23,052,527	351
Increase in cash for the period	19,309,169	1
Cash, beginning of period	1,515,475	-
Cash, end of period	\$ 20,824,644	\$ 1
Non-cash investing and financing activities		
Finder's shares	\$ 38,500	\$ -
Share issue costs - warrants	190,834	-
Accrued royalty interests	39,099	-
Accrued deferred acquisition costs	69,696	-
Accrued share issue costs	107,536	-
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

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EMPRESS ROYALTY CORP.

Condensed Interim Statement of Changes in Shareholders' Equity

(Unaudited – Expressed in Canadian dollars)



	Number of Shares	Share Capital	Reserve	Deficit	Total Shareholders' Equity
Balance, September 30, 2020	39,615,385	\$ 1,980,770	\$ 22,716	\$ (409,912)	\$ 1,593,574
Private placements	64,805,000	22,762,250	1,640,250	-	24,402,500
Finders' shares	154,000	38,500	-	-	38,500
Share issue costs - shares	-	(38,500)	-	-	(38,500)
Share issue costs - warrants	-	(190,834)	190,834	-	-
Share issue costs - cash	-	(1,457,509)	-	-	(1,457,509)
Comprehensive loss for the period	-	-	-	(1,495,245)	(1,495,245)
Balance, March 31, 2021	104,574,385	\$ 23,094,677	\$ 1,853,800	\$ (1,905,157)	\$ 23,043,320

	Number of Shares	Share Capital	Reserve	Deficit	Total Shareholders' Equity
Balance, March 2, 2020	-	\$ -	\$ -	\$ -	\$ -
Share issued on incorporation	1	1	-	-	1
Comprehensive loss for the period	-	-	350	(350)	-
Balance, March 31, 2020	1	\$ 1	\$ 350	\$ (350)	\$ 1

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 six months ended March 31, 2021

(Unaudited – Expressed in Canadian dollars)



1. NATURE OF OPERATIONS

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

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 March 31, 2021, the Company had working capital of \$20,786,155. 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.

Notes to the Condensed Interim Financial Statements

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(Unaudited – Expressed in Canadian dollars)



2. BASIS OF PRESENTATION

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.

Notes to the Condensed Interim Financial Statements

For the six months ended March 31, 2021

(Unaudited – Expressed in Canadian dollars)



2. BASIS OF PRESENTATION (continued)

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

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

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

As at September 30, 2020, the marketable securities were measured at a fair value of \$228,657.

During the six months ended March 31, 2020, the Company sold the marketable securities for gross proceeds of \$162,211 (net of commissions) and recorded a loss on sale of marketable securities of \$66,446.

5. ROYALTY INTERESTS

	Country	Six months ended March 31, 2021	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. The Company will also pay 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 March 31, 2021.

Subsequent to March 31, 2021, the Company closed a royalty purchase agreement and a silver stream agreement (Note 12). During the six months ended March 31, 2021, the Company incurred certain transaction costs related to these agreements totalling \$172,933 which have been recorded as deferred acquisition costs as at March 31, 2021.

EMPRESS ROYALTY CORP.

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6. SHARE CAPITAL

Authorized

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

Issued and outstanding

As at March 31, 2021, the Company had 104,574,385 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 periods ended March 31, 2021 and 2020.

During the six months ended March 31, 2021, the Company completed the following:

- 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.
- 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 March 25, 2021, the Company completed a bought deal public offering through the issuance of 31,505,000 units at a price of \$0.50 per unit for gross proceeds of \$15,752,500. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.75 until March 25, 2023. The Company valued the warrants at \$1,575,250 using the residual value approach. The units were offered pursuant to the Prospectus as supplemented by a prospectus supplement dated March 18, 2021 in all provinces of Canada except Quebec.

The Company paid cash commissions of \$996,975 and issued 854,550 broker warrants valued at \$190,834. Each broker warrant is exercisable into one common share at an exercise price of \$0.50 until March 25, 2023. The fair value of the broker warrants was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.23%; an expected volatility of 100%; an expected life of two years; a forfeiture rate of zero; and an expected dividend of zero. The Company also incurred cash share issue costs of \$300,409.

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(Unaudited – Expressed in Canadian dollars)



6. SHARE CAPITAL (continued)

Issued and outstanding (continued)

- On March 25, 2021, the Company completed a non-brokered private placement through the issuance of 1,300,000 units at a price of \$0.50 per unit for gross proceeds of \$650,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.75 until March 25, 2023. The Company valued the warrants at \$65,000 using the residual value approach.

Escrow shares

As at March 31, 2021, the Company had 29,365,859 common shares held in escrow, to be released in stages over a period of 36 months from listing on the TSX-V.

Warrants

The continuity of share purchase warrants for the six months ended March 31, 2021 is as follows:

Expiry date	Exercise price	Balance, September 30, 2020	Granted	Exercised	Expired	Balance, March 31, 2021
March 25, 2023	\$ 0.50	-	854,550	-	-	854,550
March 25, 2023	\$ 0.75	-	16,402,500	-	-	16,402,500
		-	17,257,050	-	-	17,257,050
Weighted average exercise price	\$	-	\$ 0.74	\$	-	\$ 0.74

Stock options

On October 20, 2020, the Board of Directors of the Company approved a rolling stock option plan (“the Stock Option Plan”) which is applicable to directors, officers, employees and consultants. Under the Stock Option 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. As at March 31, 2021, the Company had not granted any stock options (Note 12).

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Notes to the Condensed Interim Financial Statements

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(Unaudited – Expressed in Canadian dollars)



7. PROJECT EVALUATION EXPENSES

During the periods ended March 31, 2021 and 2020, the Company incurred certain expenditures to conduct due diligence and evaluate royalty and streaming opportunities with the potential for acquisition or investment.

			Period from incorporation on March 2, 2020 to March 31, 2020	Six months ended March 31, 2021	Period from incorporation on March 2, 2020 to March 31, 2020
	Note	Three months ended March 31, 2021			
Consulting fees	9	\$ 113,175	\$ -	\$ 227,763	\$ -
Professional fees		20,441	-	60,298	-
Travel		13,610	-	40,144	-
		\$ 147,226	\$ -	\$ 328,205	\$ -

8. 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 periods ended March 31, 2021 and 2020 are as follows:

		Three months ended March 31, 2021	Period from incorporation on March 2, 2020 to March 31, 2020	Six months ended March 31, 2021	Period from incorporation on March 2, 2020 to March 31, 2020
Consulting fees					
Chief Executive Officer	\$	45,000	\$ -	\$ 90,000	\$ -
Golden Oak *	\$	37,500	\$ -	\$ 75,000	-
	\$	82,500	\$ -	\$ 165,000	-
Director fees	\$	7,500	\$ -	\$ 15,000	-
Project evaluation expenses					
Endeavour Financial **	\$	56,588	\$ -	\$ 113,882	-
Director	\$	56,588	\$ -	\$ 113,882	-
	\$	113,176	\$ -	\$ 227,764	-
Total	\$	203,176	\$ -	\$ 407,764	\$ -

EMPRESS ROYALTY CORP.

Notes to the Condensed Interim Financial Statements

For the six months ended March 31, 2021

(Unaudited – Expressed in Canadian dollars)



8. RELATED PARTY TRANSACTIONS (continued)

* Golden Oak Corporate Services Ltd. (“Golden Oak”) is a consulting company controlled by the Chief Financial Officer and 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.

** Endeavour Financial Limited (Cayman) and the Company have a director in common.

Amounts due to related parties

As at March 31, 2021, the Company had trade and other payables of \$67,711, owing to related parties, being \$7,500 to two directors for director fees, \$56,588 owing to Endeavour Financial for consulting fees, and \$3,623 owing to Golden Oak for the reimbursement of expenses. All amounts owed are unsecured and non-interest bearing.

9. SEGMENTED INFORMATION

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 March 31, 2021, 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.

EMPRESS ROYALTY CORP.

Notes to the Condensed Interim Financial Statements

For the six months ended March 31, 2021

(Unaudited – Expressed in Canadian dollars)



10. 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:

		March 31, 2021	September 30, 2020
Cash	FVTPL	\$ 20,824,644	\$ 1,515,475
Receivables	FVTPL	85,011	8,779
Marketable securities	FVTPL	-	228,657
Trade and other payables	Amortized cost	(381,300)	(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 receivables and 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

In August 2020, the Company entered into a strategic alliance agreement with Accendo Banco, S.A. (“Accendo”) 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. The agreement will terminate on the earlier of three years written notification or an ownership threshold below 5%.

**12. SUBSEQUENT EVENTS**

Subsequent to March 31, 2021, the Company completed the following:

- In April 2021, the Company closed 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 the Company 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.
- In April 2021, the Company executed a silver stream agreement on production from Telson Mining Corporation’s (“Telson”) Tahuehueto project in Mexico. The US\$5,000,000 stream is on 100% of the payable silver production from the Tahuehueto project for the first 1,250,000 payable ounces; thereafter, the percentage will step-down to 20% of the payable silver production to a maximum of 10 years from first production after which the stream terminates. In consideration, the Company will provide US\$5,000,000 in two tranches (US\$2,000,000 paid and US\$3,000,000 to be paid on closing of the Accendo loan) and represents the second stage of a US\$25,000,000 full financing solution being provided to Telson by the Company and its strategic partners Accendo and Endeavour Financial. The first stage was the US\$8,000,000 private placement in Telson which closed on March 30, 2021. The third stage is the Accendo US\$12,000,000 loan facility and re-finance of existing loans. In the event the third stage fails to close, the obligations of the stream will terminate and any partial drawdowns of the stream advance are to be converted into shares of Telson at the then market price as calculated on the date of termination. The Company will also pay Accendo (Note 11) success fee of US\$100,000 on closing of the second tranche.
- In April 2021, the Company replaced the Stock Option Plan (Note 6) with an omnibus equity plan (the "Omnibus Equity Plan") to increase the flexibility in granting both short and long-term incentives, including stock options, deferred stock units and restricted share units (the “Awards”) to directors, officers, employees and consultants of the Company. Under the Omnibus Equity Plan, the total Awards that may be granted are limited to 10% of the outstanding common shares of the Company at the time of issuance.
- In April 2021, the Company granted 8,900,000 stock options to directors, officers, consultants and employees exercisable at a price of \$0.50 until April 19, 2026. The options granted vest equally over a three-year period.