Empress Royalty Corp.

Consolidated Financial Statements
For The Fifteen Months Ended December 31, 2021
(Expressed in US dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Empress Royalty Corp.

Opinion

We have audited the accompanying consolidated financial statements of Empress Royalty Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and September 30, 2020, and the consolidated statements of loss and comprehensive income (loss), changes in shareholders' equity, and cash flows for the 15 month period ended December 31, 2021 and the period from incorporation on March 2, 2020 to September 30, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and September 30, 2020, and its financial performance and its cash flows for the 15 month period ended December 31, 2021 and the period from incorporation on March 2, 2020 to September 30, 2020 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Guy Thomas.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

April 28, 2022

(Expressed in US dollars)

	Note		December 31, 2021		September 30, 2020 (Restated - Note 2)
ASSETS					
Current assets					
Cash and cash equivalents	*6*	$	2,027,874	$	1,136,123
Marketable securities	*7*		-		171,420
Receivables			10,201		6,581
Prepaid expenses			40,095		36,210
			2,078,170		1,350,334
Royalty and stream interests	*8*		18,751,117		1
		$	20,829,287	$	1,350,335
LIABILITIES					
Current liabilities					
Trade and other payables		$	416,198	$	155,662
Loan	*9*		809,574		-
			1,225,772		155,662
Loan	*9*		2,331,257		-
			3,557,029		155,662
SHAREHOLDERS' EQUITY					
Share capital	*10*		17,964,022		1,488,244
Share-based reserve	*10*		3,392,706		16,783
Foreign exchange reserve			215,842		(9,854)
Deficit			(4,300,312)		(300,500)
			17,272,258		1,194,673
		$	20,829,287	$	1,350,335
Commitments	*20*				
Subsequent event	*21*				

These consolidated financial statements are approved for issue by the Board of Directors of the Company on April 28, 2022.

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 consolidated financial statements

(Expressed in US dollars)

	Note		Fifteen months ended December 31, 2021		Period from incorporation on March 2, 2020 to September 30, 2020 (Restated - Note 2)
Revenue					
Stream revenue	*11*	$	211,623	$	-
Cost of sales, excluding depletion	*11*		(42,325)		-
Depletion	*11*		(93,358)		-
			75,940		-
Expenses					
General and administrative	*12*		2,043,093		181,950
Project evaluation	*13*		828,795		142,694
Share-based compensation	*10 & 14*		957,654		-
			(3,829,542)		(324,644)
Loss from operations			(3,753,602)		(324,644)
Other income (expenses)					
Finance costs	*9*		(26,853)		-
Foreign exchange gain (loss)			(184,479)		(578)
Interest income			17,715		-
Loss on sale of marketable securities	*7*		(52,593)		(2,978)
Unrealized gain on marketable securities	*7*		-		27,700
Loss for the period		$	(3,999,812)	$	(300,500)
Other comprehensive income (loss)					
Foreign exchange			225,696		(9,854)
Comprehensive income (loss) for the period		$	(3,774,116)	$	(310,354)
Basic and diluted loss per share		$	(0.04)	$	(0.03)
Weighted average number of shares outstanding			90,164,709		10,324,251

The accompanying notes are an integral part of these consolidated financial statements

Empress Royalty Corp.
Consolidated Statement of Cash Flows
(Expressed in US dollars)

	Fifteen months ended December 31, 2021	Period from incorporation on March 2, 2020 to September 30, 2020 (Restated - Note 2)
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the period	$ (3,999,812)	$ (300,500)
Items not involving cash:		
Depletion	93,358	-
Share-based compensation	957,654	-
Finance costs	26,853	-
Loss on sale of marketable securities	52,593	2,978
Unrealized gain on marketable securities	-	(27,700)
Incorporation costs paid by Empress Resources	-	262
Change in non-cash working capital items:		
Receivables	(3,288)	(6,436)
Prepaid expenses	(2,005)	(35,408)
Trade and other payables	208,142	152,216
	(2,666,505)	(214,588)
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Proceeds on sale of marketable securities, net of commissions	128,392	42,666
Acquisition of royalty and stream interests	(18,844,474)	-
	(18,716,082)	42,666
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Private placements	19,107,132	1,133,118
Share issue costs	(1,178,805)	-
Loan, net of transaction costs	4,124,936	-
Incorporation share	-	1
Arrangement with Empress Resources and Alto	-	184,665
	22,053,263	1,317,784
Effect of foreign exchange	221,075	(9,739)
Increase in cash and cash equivalents for the period	891,751	1,136,123
Cash and cash equivalents, beginning of period	1,136,123	-
Cash and cash equivalents, end of period	$ 2,027,874	$ 1,136,123

Supplemental cash flow information (Note 18)

Empress Royalty Corp.
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in US dollars)

	Number of Shares	Share Capital	Share-based reserve	Foreign exchange reserve	Deficit	Total Shareholders' Equity
Balance, September 30, 2020	39,615,385	$ 1,488,244	$ 16,783	$ (9,854)	$ (300,500)	$ 1,194,673
Private placements	64,805,000	17,805,966	1,301,166	-	-	19,107,132
Finders' shares	154,000	29,300	-	-	-	29,300
Share issue costs - shares	-	(29,300)	-	-	-	(29,300)
Share issue costs - warrants	-	(151,383)	151,383	-	-	-
Share issue costs - cash	-	(1,178,805)	-	-	-	(1,178,805)
Finance costs - warrants	-	-	965,720	-	-	965,720
Share-based compensation	-	-	957,654	-	-	957,654
Comprehensive loss for the period	-	-	-	225,696	(3,999,812)	(3,774,116)
Balance, December 31, 2021	104,574,385	$ 17,964,022	$ 3,392,706	$ 215,842	$ (4,300,312)	$ 17,272,258

	Number of Shares	Share Capital	Share-based reserve	Foreign exchange reserve	Deficit	Total Shareholders' Equity
				(Restated - Note 2)		
Balance, March 2, 2020	-	$ -	$ -	$ -	$ -	$ -
Share issued for cash on incorporation	1	1	262	-	-	263
Arrangement with Empress Resources and Alto	9,615,384	355,125	16,521	-	-	371,646
Private placement	30,000,000	1,133,118	-	-	-	1,133,118
Comprehensive loss for the period	-	-	-	(9,854)	(300,500)	(310,354)
Balance, September 30, 2020	39,615,385	$ 1,488,244	$ 16,783	$ (9,854)	$ (300,500)	$ 1,194,673

The accompanying notes are an integral part of these consolidated financial statements

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 in the business of acquiring royalty and streaming interests in precious metal mines and mining projects. The Company is focussed 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.

In September 2021, the Company filed the required notice to change its financial year end from September 30 to December 31. The change in financial year end was completed to align the Company's financial statement reporting periods with its peer group. As a result of this change, the Company is presenting a transitional fifteen-month financial year ending December 31, 2021 compared to the period from incorporation on March 2, 2020 to September 30, 2020.

The Company elected to change its presentation currency from Canadian dollars to United States ("US") dollars. The change in presentation currency is a voluntary change which is accounted for retrospectively. These consolidated financial statements have been restated to US dollars using the procedures outlined in Note 2.

These consolidated 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, 2021, the Company had working capital of $852,398. Management estimates that these funds along with projected royalty and stream revenues 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. 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.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

Since March 2020, several measures have been implemented in Canada as well as Mexico, Mozambique and Peru, where the Company holds royalties and streams in response to the increased impact from the coronavirus ("COVID19"). These measures, which include the implementation of travel bans, self-imposed quarantine periods, social distancing, vaccine or testing mandates, and in some cases mine closures or suspensions, have caused material disruption to business globally. Global financial markets have experienced significant volatility. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. There are significant uncertainties with respect to future developments and impact to the Company related to the COVID-19 pandemic, including the duration, severity and scope of the outbreak and the measures taken by governments and businesses to contain the pandemic. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impact of COVID-19 on our business operations cannot be reasonably estimated at this time, such as the duration and impact on future production for our partner operators at their respective mining operations. However, the current situation has slowly been improving and is expected to have less of an adverse impact on the Company's business, results of operations, financial position and cash flows going forward.

2. CHANGE IN ACCOUNTING POLICY

Functional and presentation currency

The Company has elected to change its presentation currency from Canadian dollars to United States ("US") dollars. The change in presentation currency is a voluntary change which is accounted for retrospectively. These consolidated financial statements have been restated to US dollars using the procedures outlined below:

- Assets and liabilities in the Statement of Financial Position have been translated into US dollars at the closing foreign currency rates on the relevant statement of financial position dates.
- Statement of Loss and Comprehensive Loss and Statement of Cash Flows have been translated into US dollars using average foreign currency rates prevailing for the relevant period.
- The equity section of the Statement of Financial Position, including foreign currency translation reserve, retained earnings, share capital and the other reserves, have been translated into US dollars using historical rates.
- Earnings per share disclosures have also been restated to US dollars to reflect the change in presentation currency.

The functional currency of the parent is the Canadian dollar, while the presentation currency of the Company is now in the US dollar. The functional currency of the Company's subsidiary is the US dollar.

3. BASIS OF PRESENTATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. The policies applied in these financial statements are based on the IFRS issued and outstanding as at the date the Board of Directors approved these financial statements for issue.

Basis of measurement

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

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.

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:

<u>Impairment of royalty and stream interests</u>

In accordance with the Company's accounting policy, royalty and stream 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 and stream assets 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. BASIS OF PRESENTATION (continued)

Use of accounting estimates, judgments and assumptions

Share-based compensation

The stock option plan allows Company directors, employees, and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based reserve to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

Accounting for the acquisition of royalty and streams

The Company's business is the acquisition of royalties and streams. Each royalty and stream interest has its own unique terms and judgement is required to assess the appropriate accounting treatment. The determination of whether an acquisition should be accounted for as a royalty or stream interest or a financial instrument requires the consideration of factors such as (i) the terms of the agreement; (ii) the applicability of the own use exemption under IFRS 9; (iii) whether there is a contractual commitment to repay amounts under the stream; and (iv) the expected timing and amount of future deliveries of gold, silver and other commodities under the stream with reference to the existing mine plan.

The assessment of whether an acquisition meets the definition of a business or whether assets are acquired is another area of key judgement. If deemed to be a business combination, applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition date fair value. The excess, if any, of the fair value of the consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of the acquisition date fair values often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of Stream, royalty and other interests generally require a high degree of judgement, and include estimates of mineral reserves and resources acquired, future metal prices, discount rates and conversion of reserves and resources. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets and liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiary, Empress Royalty Holding Corp., the holder of all of the Company's investments in royalties and streams. All inter-company balances and transactions, and any income and expenses arising from inter-company transactions, are eliminated on consolidation.

Functional and reporting currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the parent company is the Canadian dollar and the functional currency of Company's subsidiary is the US dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Translation of transactions and balances

Transactions in foreign currencies are initially recorded in the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at each financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

On translation of the entities whose functional currency is other than the Canadian dollar, revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Assets and liabilities are translated at the rate of exchange at the reporting date. Exchange gains and losses, including results of re-translation, are recorded in the foreign currency translation reserve.

The Company changed its presentation currency from the Canadian dollar to the US dollar. The accounting change has been applied retroactively.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVTOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVTOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and marketable securities are classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade and other payables and the loan are classified as other financial liabilities and carried on the statement of financial position at amortized cost. For the period presented, the Company does not have any derivative financial liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Royalty and stream interests

Royalty and stream interests consist of acquired royalty and stream interests. These interests are recorded at cost and capitalized as tangible assets with finite lives. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. Project evaluation costs that are not related to a specific acquired royalty or stream asset are expensed in the period incurred.

Producing royalty and stream interests are depleted using the units-of-production method over the life of the property to which the interest relates, which is estimated using available information of proven and probable reserves and the portion of resources expected to be classified as mineral reserves at the mine corresponding to the specific agreement.

On acquisition of a royalty or stream interest on future potential revenues of an exploration and evaluation stage mineral property, an allocation of its fair value may be attributed to the exploration potential of the interest and is recorded as an exploration asset on the acquisition date. The carrying value of the exploration potential is accounted for in accordance with IFRS 6 Exploration and Evaluation of Mineral Resources (“IFRS 6”) and is not depleted until such time as the technical feasibility and commercial viability have been established, at which point the value of the asset is accounted for in accordance with IAS 16 Property, Plant and Equipment (“IAS 16”). Upon demonstration of the technical and commercial feasibility of a project and a development decision, the carrying value related to that project is subject to an impairment test and is reclassified in accordance with IAS 16.

Revenue and other income

Revenue is comprised of revenue earned in the period from agreements under each of its royalty and stream interests. In accordance with IFRS 15, the Company recognizes revenue that depicts the transfer of the relevant commodity to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those commodities.

For stream interests, revenue recognition occurs when the relevant commodity received from the stream operator is transferred by the Company to its third-party customers.

For royalty interests, revenue recognition occurs when the relevant commodity is transferred to the end customer by the operator of the royalty property. Revenue is measured at the fair value of the consideration received or receivable when management can reliably estimate the amount, pursuant to the terms of the royalty agreement. In some instances, the Company will not have access to sufficient information to make a reasonable estimate of consideration to which it expects to be entitled and, accordingly, revenue recognition is deferred until management can make a reasonable estimate. Differences between estimates and actual amounts are adjusted and recorded in the period that the actual amounts are known.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation of equity units issued in private placements

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in private placements is the more easily measurable component and they are valued at their fair value, as determined by the closing price on share issuance date. The residual balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded as other reserve.

Income (loss) per share

The Company presents basic and diluted loss per share ("EPS") data for its common shares, calculated by dividing the loss attributable to equity shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted EPS is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted EPS assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Diluted EPS does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti- dilutive.

Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

New standards, interpretations and amendments not yet effective

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

5. 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 $184,665 (C$250,000) (Note 10); and the Company issued Alto 4,615,384 common shares valued at $170,460 for a portfolio of net smelter return (“NSR”) royalties valued at $1 (Note 8) and certain marketable securities valued at $186,980 (Note 7) resulting in an allocation of $16,521 to reserves. 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.

(Expressed in US dollars)

6. CASH AND CASH EQUIVALENTS

		December 31, 2021		September 30, 2020
Canadian dollar denominated deposits	$	22,545	$	1,110,425
US dollar denominated deposits		1,891,446		25,698
Other deposits		113,883		-
Total	$	2,027,874	$	1,136,123

7. MARKETABLE SECURITIES

		Fifteen months ended December 31, 2021		Period from incorporation on March 2, 2020 to September 30, 2020
Beginning balance	$	171,420	$	-
Acquisitions		-		186,980
Disposals		(171,420)		(43,260)
Unrealized gain		-		27,700
Ending balance	$	-	$	171,420

On July 7, 2020, the Company completed an arrangement with Empress Resources and Alto (Note 5) in which, among other things, the Company acquired certain marketable securities from Alto valued at $186,980. The Company also acquired certain share purchase warrants, which are considered to have a nominal value.

During the fifteen months ended December 31, 2021, the Company sold the remaining marketable securities for gross proceeds of $118,827 (net of commissions) (2020 - $40,282) and recorded a loss on sale of marketable securities of $52,593 (2020 - $2,978).

(Expressed in US dollars)

8. ROYALTY AND STREAM INTERESTS

	Country	As at September 30, 2020	Additions	Depletion	As at December 31, 2021
Sierra Antapite project stream *	Peru	$ -	$ 10,096,964	$ (93,358)	$ 10,003,606
Tahuehueto project stream **	Mexico	-	5,092,628	-	5,092,628
Manica project royalty **	Mozambique	-	2,024,284	-	2,024,284
Pinos project royalty **	Mexico	-	1,630,598	-	1,630,598
Canadian royalties ***	Canada	1	-	-	1
Total		$ 1	$ 18,844,474	$ (93,358)	$ 18,751,117

* Production stage asset. ** Development stage asset. *** Exploration stage asset

Sierra Antapite Gold Stream

In July 2021, the Company executed a gold streaming agreement, as amended, on the Sierra Antapite producing gold mine in Peru owned by the private corporation Sierra Sun Group ("Sierra Antapite"). The stream is on gold production from the Sierra Antapite mine at 20% of the gold spot price based on 4.5% of gold production for the first 11,000 gold ounces and 1% thereafter for life of mine. The stream is registered and secured against the mine. In consideration, the Company paid $5,000,000 in July 2021 for 2.25% of gold production, a further $2,500,000 in October 2021 for a total 3.375% of gold production, and finally in December 2021, the Company invested a final $2,500,000 for a total 4.5% of gold production. The Company recorded transaction costs of $206,493 and a foreign currency translation loss of $109,529.

The Company received revenue from the Sierra Antapite mine during the fifteen months ended December 31, 2021 (Note 11).

Tahuehueto Silver Stream

In April 2021, the Company executed a streaming agreement on production from the Tahuehueto silver project, located in Mexico, owned and operated by Altaley Mining Corporation's (formerly Telson Mining Corporation) ("Altaley"). Pursuant to the streaming agreement, the Company has the right to acquire 100% of payable silver production at 20% of the related off-take price for the first 1,250,000 payable ounces, and thereafter the percentage will step down to 20% of payable silver production for a maximum of 10 years from the date of initial production. In consideration, the Company paid $5,000,000 in two tranches ($2,000,000 paid in April 2021 and $3,000,000 paid in July 2021). The Company recorded transaction costs of $221,614 and a foreign currency translation loss of $128,986. Included in the $221,614 of transaction costs was a success fee of $100,000 paid to Accendo Banco, S.A. ("Accendo") (Note 20).

8. ROYALTY AND STREAM INTERESTS (continued)

Manica Project Royalty

In April 2021, the Company closed a royalty purchase agreement for the creation of a royalty on gold sales from the Manica hard rock gold project, located in Mozambique and operated by Mutapa Mining & Processing LDA ("MMP"), for consideration of $2,000,000. Pursuant to this agreement, payments to the Company are based on 2.25% of the revenues generated from the sale of gold from the project until a total of 95,000 ounces of gold have been sold, and 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. The Company recorded transaction costs of $57,143 and a foreign currency translation loss of $32,859.

Subsequent to December 31, 2021, the Company increased its royalty on the Manica project by investing an additional $1,000,000. Pursuant to this increased royalty agreement, payments to Empress are now based on a total of 3.375% of the revenues generated from the sale of gold from the project until a total of 95,000 oz of gold have been sold, and thereafter the percentage shall reduce to 1.125% and shall continue in perpetuity (Note 21).

Pinos Project Royalty

In November 2020, the Company closed the acquisition of a 1% NSR royalty on Candelaria Mining Corp.'s ("Candelaria") Pinos project in Mexico for consideration of $1,500,000 cash. The acquisition was a combination of a newly created 0.5% NSR royalty on the Pinos project for consideration of $750,000 and the purchase of an existing 0.5% NSR royalty for consideration of $750,000. The Company recorded transaction costs of $100,554 and a foreign currency translation gain of $30,044. Included in the $70,554 of transaction costs was a success fee of $30,000 paid to Accendo (Note 20).

Canadian Exploration Royalties

In July 2020, the Company acquired a portfolio of NSR royalties, all of which are on early-stage exploration properties located in Canada and range between 0.5% and 1.5%.

(Expressed in US dollars)

9. LOAN

		December 31, 2021		September 30, 2020
Opening balance	$	-	$	-
Initial loan		4,787,234		-
Discount on issuance		(287,234)		-
Transaction costs		(1,385,784)		-
Accrued interest		11,702		-
Accretion of transaction costs		14,913		-
Ending balance	$	3,140,831	$	-
Current	$	809,574	$	-
Long-term		2,331,257		-

In December 2021, the Company closed a $15,000,000 accordion credit facility (the "Accordion Facility") agreement with Nebari Natural Resources Credit Fund I, LP ("Nebari"). The Company's initial draw of $4,500,000 (the "Loan") was funded on closing. The Company may apply to Nebari to draw down additional loans as the Company identifies investments it wishes to fund under the Accordion Facility.

The Accordion Facility bears interest at Libor (1% floor) plus 10% per annum. The Accordion Facility has an initial term of two years from the date of the Loan and is secured against the existing royalty and stream interests of the Company (Note 8). The Accordion Facility is subject to standard events of default, as well as a requirement to maintain positive working capital and no less than C$750,000 of cash. As at December 31, 2021, the Company is not in default of these covenants.

In November 2021, the Company incorporated Empress Royalty Holding Corp. ("Empress Holding"), a wholly owned Canadian subsidiary, for sole purpose of holding the Nebari security. In December 2021, the Company assigned all of its royalty and stream interests to Empress Holding. All future royalty and stream investments funded by Nebari will also be held by Empress Holding.

An arrangement fee of 2.0% (the "Arrangement Fee") of each loan made under the Accordion Facility is payable on closing together with additional warrants equal to 1.67 warrants per dollar advanced and reimbursement of Nebari's costs. In addition, an original issue discount (the "OID") of 6% is applicable to all loans made under the Accordion Facility resulting in the Loan being $4,787,234.

9. LOAN (continued)

In accordance with the Loan, the Company incurred transaction costs of $1,375,720 as follows:

- an arrangement fee to Nebari of $90,000;
- Nebari's legal fees of $185,000;
- 7,500,000 warrants of the Company to Nebari valued at $965,720 (Note 10). Each warrant is exercisable into one common share at an exercise price of C$0.27 until December 23, 2023. The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.94%; an expected volatility of 100%; an expected life of two years; a forfeiture rate of zero; and an expected dividend of zero;
- A success fee to a third-party of $45,000 (Note 20); and
- A success fee to Endeavour of $90,000 (Note 20).

The transaction costs, including the value of non-cash warrants, are being amortized into profit or loss over the term of the Loan at an effective interest rate of 28.5%, comprised of 6.8% cash transaction costs, 11% cash interest on the Loan, and 10.7% non-cash warrants.

Interest payments over the next two years, assuming an interest rate of 11%, are as follows: $527,327 in 2022 and $367,032 in 2023. Principal payments over the next two years are as follows: $797,872 in 2022 and $3,989,361 in 2023.

During the fifteen months ended December 31, 2021, the Company recorded finance costs of $26,615 on the Loan, being interest expense of $11,702 and accretion of transaction costs of $14,913.

10. SHARE CAPITAL

Authorized

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

Issued and outstanding

As at December 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 consolidated statements of changes in shareholders equity for the periods ended December 31, 2021 and September 30, 2020.

During the fifteen months ended December 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 C$0.25 per share for gross proceeds of $6,095,471 (C$8,000,000). The Company paid cash finder's fees of $121,861 and issued 154,000 finders' shares valued at $29,300.

10. SHARE CAPITAL (continued)

Issued and outstanding (continued)

- On February 4, 2021, the Company filed a short form base shelf prospectus (the "Prospectus") to raise up to C$200,000,000. The Prospectus is valid for a 25-month period.

- On March 25, 2021, the Company completed a bought deal public offering offered pursuant to the Prospectus to raise gross proceeds of $12,496,034 (C$15,752,500) through the issuance of 31,505,000 units at a price of C$0.50 per unit. 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 C$0.75 until March 25, 2023. The Company valued the warrants at $1,249,603 using the residual value approach.

  The Company paid cash commissions of $818,638 and issued 854,550 broker warrants valued at $151,383. Each broker warrant is exercisable into one common share at an exercise price of C$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 $238,306.

- On March 25, 2021, the Company completed a non-brokered private placement through the issuance of 1,300,000 units at a price of C$0.50 per unit for gross proceeds of $515,627 (C$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 C$0.75 until March 25, 2023. The Company valued the warrants at $51,563 using the residual value approach.

- On December 23, 2021, the Company issued 7,500,000 warrants to Nebari valued at $965,720 (Note 9).

During the period from incorporation on March 2, 2020 to September 30, 2020, the Company completed the following:

- On March 2, 2020, the date of incorporation, the Company issued one common share for proceeds of $1.

- On July 7, 2020, the Company completed an arrangement with Empress Resources and Alto (Note 5) in which:
  - the Company issued Empress Resources 5,000,000 common shares at a price of C$0.05 per share for $184,665 (C$250,000); and
  - the Company issued Alto 4,615,384 common shares valued at $170,460 for a portfolio of NSR royalties valued at $1 (Note 8) and certain marketable securities valued at $186,980 (Note 7) resulting in an allocation of $16,521 to reserves.

(Expressed in US dollars)

10. SHARE CAPITAL (continued)

Issued and outstanding (continued)

- On August 12 and 21, 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 C$0.05 per share for gross proceeds of $1,133,118 (C$1,500,000).

Escrow shares

As at December 31, 2021, the Company had 14,623,855 common shares remaining in escrow to be released in stages over a period of 36 months from December 15, 2020.

Warrants

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

Expiry date	Exercise price (C$)	Balance, September 30, 2020	Granted	Exercised	Expired	Balance, December 31, 2021
March 25, 2023	$ 0.50	-	854,550	-	-	854,550
March 25, 2023	$ 0.75	-	16,402,500	-	-	16,402,500
December 23, 2023	$ 0.27	-	7,500,000	-	-	7,500,000
		-	24,757,050	-	-	24,757,050
Weighted average exercise price (C$)		$ -	$ 0.60	$ -	$ -	$ 0.60

Stock options

At the Company's annual general and special meeting of shareholders in June 2021, an omnibus equity plan (the "Omnibus Equity Plan") was approved. The Omnibus Equity Plan increases 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.

(Expressed in US dollars)

10. SHARE CAPITAL (continued)

Stock options (continued)

The continuity of stock options for the fifteen months ended December 31, 2021 is as follows:

Expiry date	Exercise price (C$)	Balance, September 30, 2020	Granted	Exercised	Expired	Balance, December 31, 2021
April 19, 2026 *	$ 0.50	-	8,400,000	-	-	8,400,000
August 1, 2022 **	$ 0.50	-	500,000	-	-	500,000
		-	8,900,000	-	-	8,900,000
Weighted average exercise price (C$)		$ -	$ 0.50	$ -	$ -	$ 0.50

* vest one-third on April 19, 2022, one-third on April 19, 2023, and one-third on April 19, 2024.
** vest 25% on grant and 25% every three months thereafter.

As at December 31, 2021, 375,000 of the stock options are exercisable.

Share-based compensation

On April 19, 2021, the Company granted 8,400,000 stock options under the Omnibus Equity Plan to directors, officers, employees and consultants exercisable at a price of C$0.50 until April 19, 2026. The stock options were valued at a fair value of $2,081,422 or $0.25 per option, of which $891,981 was recorded as share-based compensation during the fifteen months ended December 31, 2021. The options granted vest equally over a three-year period. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.77%; an expected volatility of 100%; an expected life of five years; a forfeiture rate of zero; and an expected dividend of zero.

On April 19, 2021, the Company granted 500,000 stock options under the Omnibus Equity Plan to an investor relations consultant exercisable at a price of C$0.50 until August 1, 2022. The stock options were valued at a fair value of $66,827 or $0.13 per option, of which $65,673 was recorded as share-based compensation during the fifteen months ended December 31, 2021. The options granted vest 25% on grant and 25% every three months thereafter. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.77%; an expected volatility of 100%; an expected life of 1.28 years; a forfeiture rate of zero; and an expected dividend of zero.

(Expressed in US dollars)

11. REVENUE

During the fifteen months ended December 31, 2021, the Company earned stream revenue of $211,623 and recorded cost of sales of $42,325 from the gold stream agreement on the Sierra Antapite mine in Peru (Note 8). In addition, the Company recorded depletion of $93,358.

There were no revenues during the period ended September 30, 2020.

12. GENERAL AND ADMINISTRATIVE

	Note		Fifteen months ended December 31, 2021		Period from incorporation on March 2, 2020 to September 30, 2020
Consulting fees and salaries	*14*	$	581,547	$	81,731
Director fees	*14*		32,155		5,498
Investor and shareholder relations			796,774		-
Office expenses			118,860		30,320
Professional fees			355,624		64,401
Regulatory fees			158,133		-
		$	2,043,093	$	181,950

13. PROJECT EVALUATION

During the periods ended December 31, 2021 and September 30, 2020, the Company incurred certain expenditures to conduct due diligence and evaluate royalty and streaming opportunities with the potential for acquisition or investment.

	Note		Fifteen months ended December 31, 2021		Period from incorporation on March 2, 2020 to September 30, 2020
Consulting fees	*14*	$	449,644	$	116,950
Professional fees			243,435		25,744
Travel			135,716		-
		$	828,795	$	142,694

(Expressed in US dollars)

14. 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 December 31, 2021 and September 30, 2020 are as follows:

	Fifteen months ended December 31, 2021	Period from incorporation on March 2, 2020 to September 30, 2020
Consulting fees		
Chief Executive Officer	$ 184,027	$ 32,989
Golden Oak *	148,409	27,491
	$ 332,436	$ 60,480
Director fees	$ 32,155	$ 5,498
Project evaluation expenses - Consulting fees		
Endeavour **	$ 225,000	$ 30,000
Director	225,000	90,000
	$ 450,000	$ 120,000
Share-based compensation	$ 689,202	$ -
Total	$ 1,503,793	$ 185,978

* Golden Oak Corporate Services Ltd. ("Golden Oak") is a consulting company controlled by the Chief Financial Officer and the Corporate Secretary of 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) ("Endeavour") and the Company have a director in common.

Amounts due to related parties

As at December 31, 2021, the Company had trade and other payables of $192,746 (September 30, 2020 - $95,823) owing to related parties, being $90,000 owing to a director for consulting fees, $90,000 owing to Endeavour for consulting fees, as well as $8,510 owing to Endeavour and $4,236 owing to Golden Oak for the reimbursement of expenses. All amounts owed are unsecured and non-interest bearing.

(Expressed in US dollars)

15. 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 December 31, 2021, the Company's business is the acquisition of mining royalty and streaming interests. The geographical breakdown of the Company's royalty and stream interests is described in Note 8. All of the Company's revenue is derived from the Sierra Antapite stream in Peru as described in Note 11.

16. 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, 2021		September 30, 2020
Cash and cash equivalents	FVTPL	$	2,027,874	$	1,136,123
Receivables	Amortized cost		10,201		6,581
Marketable securities	FVTPL		-		171,420
Trade and other payables	Amortized cost		(416,198)		(155,662)
Loan	Amortized cost		(3,140,831)		-

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, trade and other payables and the loan approximates their fair value due to its short-term nature. Cash and cash equivalents and marketable securities are recorded at fair value using Level 1 of the fair value hierarchy.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk management

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

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 trade and other payables are classified as current and are anticipated to be settled in the next sixty days. The Company's Loan is due in instalments as disclosed in Note 9.

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. The Accordion Facility (Note 9) bears interest at Libor (1% floor) plus 10% per annum. A 10% change in the LIBOR rate would not be material to the net loss realized for the period. Changes to the LIBOR rate could have a more substantial impact in the future.

(b) Foreign Currency Risk: The Company expects to raise equity predominately in Canadian dollars and to date has raised debt in US dollars. Investment transactions are expected to be made primarily in US dollars and royalty and stream revenue is all expected to be 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 December 31, 2021, the Company holds most of its cash in US dollars. Management considers the foreign exchange risk related to currency conversions is minimal and therefore, does not hedge its foreign exchange risk.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk management (continued)

Market Risk (continued)

(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.

17. MANAGEMENT OF CAPITAL

Capital is comprised of the Company's shareholders' equity and a loan. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. The Company is not subject to externally imposed capital requirements other than disclosed in Note 9. There were no changes to capital management for the periods presented.

(Expressed in US dollars)

18. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	Fifteen months ended December 31, 2021	Period from incorporation on March 2, 2020 to September 30, 2020
Loss for the period	$ (3,999,812)	$ (300,500)
Expected Income tax recovery	(1,077,252)	(81,000)
Change in statutory, foreign exchange rates and other	(67,279)	-
Permanent differences	271,490	(4,000)
Share issue cost	(318,981)	-
Adjustment to prior years provision versus statutory tax returns	(3,166)	-
Temporary differences not recognized	1,195,188	85,000
Income tax expense (recovery)	$ -	$ -

The significant components of the Company's deferred tax assets are as follows:

	December 31, 2021	September 30, 2020
Exploration and evaluation assets	$ 68,862	$ -
Share issue costs	254,868	-
Non-capital loss carry forward	963,274	85,000
Total unrecognized deferred tax assets	$ 1,287,004	$ 85,000

Deferred tax assets have not been recognized in these financial statements as it is not probable that they will be realized.

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	December 31, 2021	Expiry date
Temporary differences		
Exploration and evaluation assets	$ 254,868	No expiry date
Share issue costs	945,069	2042 to 2045
Non-capital losses available for future periods	3,565,775	2040 to 2041

Tax carry forward balances which give rise to deferred tax assets are subject to review, and potential adjustment, by tax authorities.

19. SUPPLEMENTAL CASH FLOW INFORMATION

During the fifteen months ended December 31, 2021, the Company:

- issued 854,550 broker warrants valued at $151,383 in the March 2021 financing (Note 10).
- issued 7,500,000 warrants to Nebari valued at $965,720 in (Note 9);
- issued 154,000 finders' shares valued at $29,300 (Note 10); and
- Accrued transaction costs of $45,000 on the Loan (Note 9).

During the period from incorporation on March 2, 2020 to September 30, 2020, the Company issued 4,615,384 common shares valued at $170,460 for a portfolio of NSR royalties valued at $1 (Note 8) and certain marketable securities valued at $186,980 (Note 7) resulting in an allocation of $16,521 to reserves.

During the periods presented, the Company paid no interest or income taxes.

20. COMMITMENTS

In August 2020, the Company entered into a strategic alliance agreement with Accendo pursuant to which the Company would pay a success fee of 0.5% to 2.0% on the acquisition of identified royalty or streaming opportunities in Mexico. The agreement terminated automatically without obligation on behalf of the Company, on September 30, 2021, the commencement date of a liquidation process of Accendo.

In July 2021, the Company agreed to pay Endeavour a 2% success fee for sourcing, reviewing and negotiating mergers and acquisitions as well as debt opportunities for the Company.

In December 2021, the Company entered into a letter agreement with a third-party to confirm that the Company has agreed to pay a success fee of 1% of all cash proceeds received by the Company from Nebari under the Accordion Facility (Note 9).

21. SUBSEQUENT EVENT

In January 2022, the Company increased its royalty on the Manica project by investing an additional $1,000,000. Pursuant to this increased royalty agreement, payments to Empress are now based on a total of 3.375% of the revenues generated from the sale of gold from the project until a total of 95,000 oz of gold have been sold, and thereafter the percentage shall reduce to 1.125% and shall continue in perpetuity (Note 8).