



Empress Royalty Corp.

Management's Discussion and Analysis – Quarterly Highlights

For The Three Months Ended March 31, 2022



The following is management's discussion and analysis, quarterly highlights ("MD&A") of the results of operations and financial condition of Empress Royalty Corp. ("Empress" or the "Company") for the three months ended March 31, 2022 and up to the date of this MD&A, and has been prepared to provide material updates to the business operations, financial condition, liquidity and capital resources of the Company since its last management's discussion and analysis for the fifteen months ended December 31, 2021 (the "Annual MD&A").

This MD&A should be read in conjunction with the Annual MD&A and the audited consolidated financial statements for the fifteen months ended December 31, 2021, together with the notes thereto, and the accompanying unaudited condensed interim consolidated financial statements, and related notes thereto, for the three months ended March 31, 2022 (the "Financial Report").

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

The effective date of this MD&A is May 25, 2022.

DESCRIPTION OF COMPANY'S STRATEGY AND OUTLOOK

Empress 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.

Empress is a growth-oriented precious metal royalty and streaming company that is focused on maximizing returns for its shareholders by growing its asset base, both organically and through accretive investments and other high-quality royalties, streams and similar interests.

Empress' main focus is on high quality, long-life precious metal assets located in jurisdictions that are favourable to mining and operated by established mining companies, as these assets provide the best risk/return profile. Given that a core aspect of Empress' business is the ability to compete for investment opportunities, Empress plans to maintain a strong balance sheet and ability to deploy capital.

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

1. Development or near-term production projects: In near-term projects, the geologic risk has been reduced and studies have been completed confirming the viability of the project to be a profitable producing mine within the next 24 months. The risk for near-term production projects is substantially reduced compared to grassroots projects, however, risks with respect to near term projects include uncertainty of funding to meet forecasted production levels. The Company's Pinos, Manica, and Tahuehueto investments (as defined below) fit into this category.



2. Producing mines: Producing mines are already in operation and historic data is available to provide a high level of confidence on the forward-looking projections for the mine. The Company's Sierra Antapite investment (as defined below) fits into this category.

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

QUARTERLY HIGHLIGHTS

Royalty and Stream Interest:

- In January 2022, the Company increased its royalty on the Manica project by investing an additional \$1,000,000 which increased its net smelter royalty ("NSR") to 3.375% on the first 95,000 ounces of gold and a 1.125% NSR interest thereafter for the life of mine.
- During the three months ended March 31, 2022, the Company earned stream revenue of \$427,032 and recorded cost of sales of \$85,406, excluding depletion, from the gold stream agreement on the Sierra Antapite mine in Peru.

Corporate Matters:

- In March 2022, the Company appointed Allison Rippin Armstrong as Environmental, Social, and Governance (ESG) Advisor to the Board.
- In May 2022, the Company appointed Janet Meiklejohn as Chief Financial Officer of the Company.



Royalty and Stream Interests

Sierra Antapite Stream, Peru

In July 2021, the Company structured and entered into a stream agreement with Sierra Sun Group, a private corporation, in respect of its Sierra Antapite producing gold mine located in Peru. The Company purchased an amount of gold equal to 2.25% of the payable gold production in return for upfront cash consideration of \$5,000,000 plus an additional amount for each ounce delivered equal to 20% of the prevailing market price. Subsequently, in both October 2021 and December 2021, the Company agreed to purchase an additional 1.125% in exchange for upfront cash of \$2,500,000 each time. As such, the Company will receive a total of 4.5% of payable gold production until 11,000 ounces have been delivered, thereafter dropping to 1% for the life of mine.

The Sierra Antapite mine is located in Huaytara province, department Huancavelica, Peru. It is classified as a vein-hosted low sulphidization epithermal deposit and has been operated by Peruvian management and shareholders since December 2016 when the mine was purchased from Buenaventura. Based on Sierra Antapite management's internal assessment and long-term planning, the mine has more than a five-year mine life at a rate of 1,000 tonnes per day. Longhole Stoping and Cut-and-Fill are the two mining methods utilized at the mine. Since initiation of operation in 2002, the mine has reported to have produced approximately one million ounces of gold.

The mine is fully permitted, has all social licenses to operate, and sells dore through either Metalor Technologies, a Switzerland-based refiner, or through Procesadora Sudmerica S.R.L, a Peru-based refiner. The cyanidation and Carbon-in-Carbon flowsheet is straight forward, without need of fine grinding, with no refractory mineralization present and consisting of conventional technology. Given this is an operating company with a track record, realized results de-risks many operating assumptions and inputs used in production forecasts derived from realized results.

Sierra Sun reports that it is conducting on-going expansion of operations at the Sierra Antapite gold mine. Proceeds from the Empress investment have been used to continue expansion of the plant from 750 to 1,000 tonnes per day, to expand and enhance the tailings storage facility, to retire payments and to further develop the underground mine. Empress receives weekly updates from Sierra Sun on the production expansion progress. Sierra Sun continues to deliver gold to Empress since commencement in August 2021.

Tahuehueto Stream, Mexico

In April 2021, the Company structured and entered into a stream agreement with Altaley Mining Corporation, a publicly traded company (TSX.V: ATLY) in respect of its Tahuehueto silver project located in Mexico. Empress purchased an amount of silver equal to 100% of the payable silver production in return for upfront cash consideration of \$5,000,000 plus an additional amount for each ounce delivered equal to 20% of the prevailing market price until 1,250,000 ounces have been delivered. Thereafter, the amount of payable silver will drop, to 20% on the same terms for a maximum of 10 years from the date of initial production. The cash consideration was paid in two tranches of \$2,000,000 and \$3,000,000 respectively in April 2021 and July 2021.



Tahuehueto is located in the mining friendly jurisdiction of Durango, Mexico. It is a typical epithermal polymetallic mineral deposit in this part of Mexico, with metals consisting of gold, silver, lead, zinc and copper.

Resource Development Associates Inc. prepared a technical report entitled, "NI43-101 Technical Report preliminary Feasibility Study, Altaley Mining Corporation Tahuehueto Project, Durango, Mexico. Effective date: February 23, 2022, Report Date: April 25, 2022, prepared by Resource Development Associates Inc., Lead Author Scott E. Wilson, C.P.G., Co-Authors: Zeke Blakeley, P.E., Jeffrey Woods, QP, Eric Titley, P.Geo."

Highlights of the report as announced in a news release dated April 26, 2022 are:

- 2022 prefeasibility study improves 2017 PFS by increasing throughput to 1,000 tonnes per day returning a post-tax NPV of \$161.3 million, at a discount rate of 5%.
- IRR of 65% with a 2 year payback period (5% discount rate).
- Total Life of Mine Capital Cost estimate of \$56.9 million with project construction over 95% complete and initial pre-production targeted during April 2022.
- Life of Mine All In Sustaining Costs (AISC) estimated at US\$844 per gold equivalent ounce at \$1,647.52/ounce gold, \$21.64/ounce silver, \$0.92/pound lead, \$1.14/pound zinc and \$3.60/pound copper.
- Proven and Probable Mineral Reserves of 3.58 million tonnes grading 2.55g/t gold, 50.06 g/t silver, 1.92% zinc and 0.26% copper.
- 9-year mine life utilizing mostly low cost bulk underground Sub-level Open Stopping mining method with average annual production of 25,987 oz. of gold, 453,952 oz. of silver, 827 tonnes of copper, 3,155 tonnes of lead and 6,123 k-lbs. of zinc.

Manica Royalty, Mozambique

In April 2021, the Company structured and entered into a NSR agreement with Mutapa Mining & Processing LDA ("MMP"), a private corporation, in respect of its Manica hard rock gold project, located in Mozambique. The Company paid \$2,000,000 for a 2.25% NSR interest. In January 2022, the Company paid an additional \$1,000,000 to increase the NSR interest to 3.375% on the first 95,000 ounces of gold and a 1.125% NSR interest thereafter for the life of the mine.

Manica is located in the Odzi-Mutare-Manica Greenstone Belt of Mozambique and comprises several deposits on Xtract Resources Plc's ("Xtract") mining concession licence 3990C which includes four main deposits being Fair Bride, Guy Fawkes, Boa Esperanza, and Dots Luck. MMP and Xtract have entered into a collaboration and profit-share arrangement whereby MMP will build, finance and operate a carbon-in-leach ("CIL") plant to process ore mined from Xtract's concession.

MMP advised Empress that it intends to mine and process the oxide and transitional mineralization at Fair Bride and other deposits on the concession by installing a processing plant utilising a CIL process capable of processing up to 42,000 tonnes per month. An existing grinding circuit is already in place and MMP is advancing the engineering, fabrication and installation of the CIL plant and preparation work for associated infrastructure.



Since closing the Manica gross royalty in April 2021, MMP has completed engineering and procurement and reports construction is well progressed. Specifically, the bulk of the earthworks is complete, concrete has been poured for the plant foundations, CIL tanks have been fabricated and the tailings dam construction is complete. Several items of the modular plant equipment have been fabricated and transported from South Africa to site and are currently undergoing installation. Further, the processing plant water storage tank and power is connected and available via a 40 MVA transformer. The mining contractor has been mobilized and preparations are underway for commencement of mining. MMP reports that the Manica project development phase is nearing completion and is scheduled for commissioning in the second quarter of 2022. Empress management completed a site visit in May 2022, in addition to receiving weekly updates from management on construction progress.

Pinos Royalty, Mexico

In November 2020, the Company structured and entered into a 1% NSR agreement with Candelaria Mining Corp., a private corporation, in respect of its Pinos project located in Mexico for cash consideration of \$1,500,000. The transaction 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 Pinos project is located in the high-grade historical gold and silver district of the Zacatecas mining belt in north-central Mexico, just 67 kilometers northwest of San Luis Potosi, Zacatecas state, the second largest gold producing district in the country after Sonora. Zacatecas state is a stable, mining-friendly state that includes Newmont Mining's Peñasquito mine and Capstone Mining's Cozamin mine. Pinos has excellent infrastructure with paved roads to the mine and electricity supplied from the Mexican power grid.

In a news release dated February 3, 2022, Candelaria announced that permits had been received for an infill drilling program at the Pinos project.

Investment Pipeline

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

QUALIFIED PERSON

Richard Mazur, P.Geol, a Qualified Person as defined by 43-101, has read and approved all technical and scientific information.



Corporate Matters

In March 2022, the Company appointed Allison Rippin Armstrong as Environmental, Social, and Governance (ESG) Advisor to the Board. Allison is a visionary mining professional with over 25 years of industry-leading experience focused on environmental compliance, job creation for rural and Indigenous communities and fostering a more inclusive workplace for women and minority groups. She has been involved in the permitting of nine major projects in Canada and serves on the board of directors for various non-profit industry organizations including Tectonic, where she serves as Chair of the Governance Committee. Allison has worked internationally with regulatory agencies, Indigenous organizations, territorial and federal governments on their sustainability and community-development objectives, helping to establish new standards of excellence.

In May 2022, the Company appointed Janet Meiklejohn as Chief Financial Officer of the Company. Ms. Meiklejohn, CPA, CA, MBA, CBV, is a highly accomplished senior financial executive with over twenty-five years' experience in corporate finance and institutional equity sales. Most recently, Janet has worked as a Chief Financial Officer and as a member of the Executive Leadership Team for several high growth companies, both public and private. As an Institutional Equity Sales Vice President with leading Canadian investment banks, including Desjardins Securities, National Bank, Salman Partners, and Macquarie Capital, Ms. Meiklejohn has an established network of renowned institutional investors that focus on the mining sector. She brings further expertise in financial reporting, strategy, valuation, governance, and capital markets to Empress.

COVID-19

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

Many mining projects, including some of the properties in which the Company holds a royalty or stream interest, could be impacted by the pandemic resulting in the slowdown of operations and other mitigation measures that impact production. If the operation or development of one or more of the properties in which the Company holds a royalty from which it receives or expects to receive significant revenue is slowed down or suspended as a result of the continuing COVID-19 pandemic or future pandemics or other public health emergencies, it may have a material adverse impact on the Company's profitability, results of operations, financial condition and the trading price of the Company's common shares on the TSX-V.



TRENDS

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

Many companies are engaged in the search for and the acquisition of mineral interests, including royalties and other interests, and there is a limited supply of desirable mineral interests. The mineral exploration and mining businesses are competitive in all phases. Many companies are engaged in the acquisition of mineral interests, including large, established companies with substantial financial resources, operational capabilities and long earnings records. Empress may be at a competitive disadvantage in acquiring those interests, and as such is focussed on identifying and creating royalties or streams on small to mid-sized companies, where it can use its global network to its advantage in sourcing potential opportunities. There can be no assurance that Empress may be able to source royalties or other interests at acceptable valuations which may result in a material adverse effect on Empress' profitability, results of operations and financial condition and trading price of its securities.

RESULTS OF OPERATIONS

The loss for the three months ended March 31, 2022 was \$880,760 (2021 – \$742,904).

Revenue for the three months ended March 31, 2022 totaled \$427,032 and all related to the Sierra Antapite gold stream. Pursuant to the agreement with Sierra Antapite, the Company's cost of purchasing streaming gold is 20% of the prevailing gold spot price. During the three months ended March 31, 2022, the Company recorded cost of sales, excluding depletion of \$85,406 and depletion of \$178,513.

General and administrative expenses for the three months ended March 31, 2022 totaled \$277,469 compared to \$572,717 in the comparative period. The Company's general and administrative expenses for 2021 included one-time expenses to: (a) list the Company's shares on the TSX-V; (b) list the Company's shares on the OTCQB; and (c) prepare and file a short form base shelf prospectus. The Company's general and administrative expenses for 2022 have been normalized. General and administrative expenses are summarized as follows:

- Consulting fees and salaries for the three months ended March 31, 2022 totaled \$145,783 compared to \$93,450 in the comparative period. The Company paid or accrued \$35,539 (2021 - \$35,545) to the Chief Executive Officer and \$29,616 (2021 – 29,621) to a consulting company controlled by the Corporate Secretary and former Chief Financial Officer of the Company. In addition, the Company paid or accrued \$64,338 (2021 - \$19,077) to the Company's Global Vice President.
- Investor communication and shareholder information for the three months ended March 31, 2022 totaled \$86,929 compared to \$297,526 in the comparable period. In the prior period, the Company incurred certain expenditures related to the Company establishing a market presence in the wake of the Company going public in December 2020.
- Professional fees for the three months ended March 31, 2022 totaled \$9,565 compared to \$85,729 in the comparative period. In the prior period, the Company incurred expenditures related to the



cost of listing the Company's shares on the TSX-V and the OTCQB. In addition, the Company incurred certain expenditures relating to the short form base shelf prospectus filed on February 4, 2021.

- Regulatory fees for the three months ended March 31, 2022 totaled \$13,586 compared to \$72,073 in the comparable period. In the prior period, the Company incurred expenditures related to the cost of listing the Company's shares on the TSX-V and the OTCQB.

Project evaluation expenses for the three months ended March 31, 2022 totaled \$149,771 compared to \$116,292 in the comparative period. Included in project evaluation expenses are consulting fees, legal and accounting fees, and travel expenditures all related to evaluating future royalty and streaming opportunities. Consulting fees include \$45,000 paid to Endeavour Financial Ltd. (Cayman), which has a director in common with the Company, and \$45,000 paid to a director of the Company.

In April 2021, the Company granted certain stock options, of which \$311,187 (2021 - \$Nil) was recorded as share-based compensation during the three months ended March 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

The Company began the fiscal quarter with \$2,027,874 cash and cash equivalents. During the three months ended March 31, 2022, the Company spent \$23,214 on operating activities, net of working capital changes, \$1,000,000 on investing activities, and \$143,351 on financing activities with a positive effect of foreign exchange on cash of \$1,142 to end at March 31, 2022 with \$862,451 cash and cash equivalents.

As at March 31, 2022, the Company had a working capital deficiency of \$773,378. However, management estimates that 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.



RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management includes members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid, or payable, to key management personnel during the three months ended March 31, 2022 and 2021 are as follows:

	Three months ended March 31,	
	2022	2021
	(Restated - Note 2)	
Consulting fees		
Chief Executive Officer	\$ 35,539	\$ 35,545
Golden Oak ⁽¹⁾	29,616	29,621
	\$ 65,155	\$ 65,166
Director fees	\$ 5,923	\$ 5,924
Project evaluation expenses - Consulting fees		
Endeavour ⁽²⁾	\$ 45,000	\$ 45,000
Director	45,000	45,000
	\$ 90,000	\$ 90,000
Share-based compensation	\$ 241,762	\$ -
Total	\$ 402,840	\$ 161,090

⁽¹⁾ Golden Oak Corporate Services Ltd. ("Golden Oak") is a consulting company controlled by the Corporate Secretary and the former Chief Financial Officer of the Company. The Corporate Secretary and the former Chief Financial Officer are employees of Golden Oak and are not paid directly by the Company.

⁽²⁾ Endeavour Financial Limited (Cayman) ("Endeavour") and the Company have a director in common.

Amounts due to related parties

As at March 31, 2022, the Company had trade and other payables of \$279,875 (December 31, 2021 - \$192,746) owing to related parties, being \$135,000 owing to a director for consulting fees, \$135,000 owing to Endeavour for consulting fees, as well as \$9,162 owing to Endeavour and \$713 owing to Golden Oak for the reimbursement of expenses. All amounts owed are unsecured and non-interest bearing.



DISCLOSURE OF OUTSTANDING SHARE DATA

The Company’s authorized share structure consists of an unlimited number of common shares without par value.

	Common Shares Issued and Outstanding	Share Purchase Warrants	Stock Options
Balance as at March 31, 2022	104,574,385	24,757,050	8,900,000
Options granted	-	-	500,000
Balance as at the date of this MD&A	104,574,385	24,757,050	9,400,000

OFF-BALANCE SHEET ARRANGEMENTS

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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

		March 31, 2022	December 31, 2021
Cash and cash equivalents	FVTPL	\$ 862,451	\$ 2,027,874
Receivables	Amortized cost	11,057	10,201
Trade and other payables	Amortized cost	(456,747)	(416,198)
Loan	Amortized cost	(3,298,127)	(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 are recorded at fair value using Level 1 of the fair value hierarchy.

Risk management

The Company's risk management objectives and policies are consistent with those disclosed by the Company in the Annual AIF.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

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



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

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

ADDITIONAL INFORMATION

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