



# **Empress Royalty Corp.**

Condensed Interim Consolidated Financial Statements  
For The Nine Months Ended September 30, 2022  
(Unaudited - Expressed in US dollars)



	<i>Note</i>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 1,004,445	\$ 2,027,874
Receivables		5,739	10,201
Prepaid expenses		30,001	40,095
		1,040,185	2,078,170
<b>Royalty and stream interests</b>	5	19,287,935	18,751,117
		\$ 20,328,120	\$ 20,829,287
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		\$ 667,759	\$ 416,198
Loan	6	1,595,745	809,574
		2,263,504	1,225,772
<b>Loan</b>	6	1,761,247	2,331,257
		4,024,751	3,557,029
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	18,678,073	17,964,022
Subscriptions received in advanced	7	43,884	-
Share-based reserve	7	4,316,074	3,392,706
Foreign exchange reserve		215,765	215,842
Deficit		(6,950,427)	(4,300,312)
		16,303,369	17,272,258
		\$ 20,328,120	\$ 20,829,287
Nature of operations and going concern	1		
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These condensed interim consolidated financial statements are approved for issue by the Audit Committee of the Board of Directors of the Company on November 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 condensed interim consolidated financial statements*

Empress Royalty Corp.  
Condensed Interim Consolidated Statement of Loss and Comprehensive Loss  
(Unaudited - Expressed in US dollars)



		Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
	Note	(Restated - Note 2)		(Restated - Note 2)	
<b>Revenue</b>					
Stream revenue	5	341,895	56,954	1,092,317	56,954
Cost of sales, excluding depletion		(68,380)	(11,391)	(218,464)	(11,391)
Depletion	5	(148,928)	-	(463,182)	-
		124,587	45,563	410,671	45,563
<b>Expenses</b>					
General and administrative	8	376,413	383,055	1,104,146	1,350,120
Project evaluation	9	88,391	184,745	319,432	530,186
Share-based compensation	7 & 10	153,479	362,927	636,919	629,774
		(618,283)	(930,727)	(2,060,497)	(2,510,080)
<b>Loss from operations</b>		(493,696)	(885,164)	(1,649,826)	(2,464,517)
<b>Finance costs</b>	6	(355,683)	-	(1,037,219)	-
<b>Foreign exchange gain (loss)</b>		(8,815)	28,787	36,930	(19,921)
<b>Interest income</b>		-	2,826	-	15,047
<b>Loss on sale of marketable securities</b>		-	-	-	(24,745)
<b>Loss for the period</b>		\$ (858,194)	\$ (853,551)	\$ (2,650,115)	\$ (2,494,136)
<b>Other comprehensive income (loss)</b>					
Foreign exchange		45,038	(434,119)	(77)	(105,294)
<b>Comprehensive loss for the period</b>		\$ (813,156)	\$ (1,287,670)	\$ (2,650,192)	\$ (2,599,430)
<b>Basic and diluted loss per share</b>		\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)
<b>Weighted average number of shares outstanding</b>		104,700,818	104,574,385	104,606,253	94,600,704

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



	<b>Nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
		<b>(Restated - Note 2)</b>
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>		
Loss for the period	\$ (2,650,115)	\$ (2,494,136)
Items not involving cash:		
Depletion	463,182	-
Share-based compensation	636,919	629,774
Finance costs	1,037,219	-
Loss on sale of marketable securities	-	24,745
Change in non-cash working capital items:		
Receivables	3,949	12,216
Prepaid expenses	7,570	(13,120)
Trade and other payables	300,514	(99,581)
	<b>(200,762)</b>	<b>(1,940,102)</b>
<b>CASH FLOWS FROM (TO) INVESTING ACTIVITIES</b>		
Proceeds on sale of marketable securities, net of commissions	-	127,264
Acquisition of royalty and stream interests	(1,000,000)	(12,165,938)
	<b>(1,000,000)</b>	<b>(12,038,674)</b>
<b>CASH FLOWS FROM (TO) FINANCING ACTIVITIES</b>		
Private placements	1,000,500	13,011,661
Subscriptions received in advance	43,884	-
Share issue costs	-	(1,056,944)
Payment on loan	(821,058)	-
	<b>223,326</b>	<b>11,954,717</b>
<b>Effect of foreign exchange</b>	<b>(45,993)</b>	<b>(105,294)</b>
<b>Change in cash and cash equivalents for the period</b>	<b>(1,023,429)</b>	<b>(2,129,353)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,027,874</b>	<b>5,320,486</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,004,445</b>	<b>\$ 3,191,133</b>
<b>Non-cash investing and financing activities</b>		
Share issue costs - warrants	\$ -	\$ 151,383
<b>Supplementary information</b>		
Interest paid	422,122	-
Income taxes paid	-	-

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

Empress Royalty Corp.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity  
(Unaudited - Expressed in US dollars)



	Number of Shares	Share Capital	Subscriptions received in advance	Share-based reserve	Foreign exchange reserve	Deficit	Total Shareholders' Equity
<b>Balance, December 31, 2021</b>	104,574,385	\$ 17,964,022	\$ -	\$ 3,392,706	\$ 215,842	\$ (4,300,312)	\$ 17,272,258
Private placements	4,350,000	714,051	-	286,449	-	-	1,000,500
Subscriptions received in advance	-	-	43,884	-	-	-	43,884
Share-based compensation	-	-	-	636,919	-	-	636,919
Comprehensive loss for the period	-	-	-	-	(77)	(2,650,115)	(2,650,192)
<b>Balance, September 30, 2022</b>	108,924,385	\$ 18,678,073	\$ 43,884	\$ 4,316,074	\$ 215,765	\$ (6,950,427)	\$ 16,303,369

	Number of Shares	Share Capital	Subscriptions received in advance	Share-based reserve	Foreign exchange reserve	Deficit	Total Shareholders' Equity
<b>(Restated - Note 2)</b>							
<b>Balance, December 31, 2020</b>	71,769,385	\$ 7,461,854	\$ -	\$ 16,783	\$ 183,622	\$ (726,232)	\$ 6,936,027
Private placements	32,805,000	11,710,495	-	1,301,166	-	-	13,011,661
Share issue costs - warrants	-	(151,383)	-	151,383	-	-	-
Share issue costs - cash	-	(1,056,944)	-	-	-	-	(1,056,944)
Share-based compensation	-	-	-	629,774	-	-	629,774
Comprehensive loss for the period	-	-	-	-	(105,294)	(2,494,136)	(2,599,430)
<b>Balance, September 30, 2021</b>	104,574,385	\$ 17,964,022	\$ -	\$ 2,099,106	\$ 78,328	\$ (3,220,368)	\$ 16,921,088

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



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## 1. NATURE OF OPERATIONS AND GOING CONCERN

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Empress Royalty Corp. (“Empress” or the “Company”) was incorporated on March 2, 2020 under the laws of the Province of British Columbia, Canada. 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 is located at Suite 1700, 666 Burrard Street, Vancouver, BC, Canada, V6C 2X8.

Empress is primarily in the business of structuring and creating proprietary precious metal royalty and streaming agreements for its own portfolio and may acquire certain interests from time to time. The Company is focussed primarily on small to mid-tier producing or development stage mining companies, where immediate or near-term revenue can be generated but may consider earlier stage opportunities, as appropriate.

These condensed interim 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 a period of at least 12 months. As at September 30, 2022, the Company had cash of \$1,004,445 and a net working capital deficit of \$1,223,319. The Company’s continued operations and the ability of the Company to meet commitments are dependent upon royalty interests delivering cash or cash equivalents according to forecasts, which is currently in delay, and the ability of the Company to continue to raise additional equity or debt financing. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

Since March 2020, several measures have been implemented in Canada as well as Mexico, Peru and Mozambique, where the Company holds royalties and streams in response to the increased impact from the coronavirus (“COVID-19”). 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.



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## 2. CHANGE IN ACCOUNTING POLICY

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### Functional and presentation currency

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 condensed interim 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, deficit, 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 the US dollar. The functional currency of the Company’s subsidiary is the US dollar.

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## 3. BASIS OF PRESENTATION

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### Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual audited financial statements for the fifteen months ended December 31, 2021.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the 15 months ended December 31, 2021.

The consolidated financial statements are presented in US dollars.

### Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiary, Empress Royalty Holdings Corp., the holder of all of the Company’s current royalty and stream investments. All inter-company balances and transactions, and any income and expenses arising from inter-company transactions, are eliminated on consolidation.



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### **3. BASIS OF PRESENTATION (continued)**

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#### **Significant accounting estimates, judgments and assumptions**

The preparation of the Company's consolidated 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 consolidated 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.

Information about such judgements and estimates are contained in the accounting policies and/or the notes to the consolidated financial statements. Areas of judgement and estimation that have the most significant effect on the amounts recognized in the consolidated financial statements are outlined below.

#### **Going concern**

These condensed interim consolidated financial statements have been prepared on the assumption that the Company continues to operate as a going concern. Realization values may be substantially different from the carrying values shown due to market conditions, current conditions at the operations, interest rates and commodity prices. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of asset and liabilities should the Company be unable to continue as a going concern.

#### **Impairment of royalty and stream interests**

Royalty and stream interests are assessed on a periodic basis for indicators of impairment. The assessment of the fair values of royalty and stream interests requires the use of estimates and assumptions for recoverable production, commodity prices, discount rates, foreign exchange rates and reserve and resources estimates. Changes in any of the estimates used in determining the fair value of the royalty or stream could impact the impairment analysis.

#### **Valuation of share-based compensation**

Management determines the costs for share-based compensation using market-based valuation techniques. The fair value of the market-based share awards is determined at the date of grant, using generally accepted valuation techniques. Assumptions are made and judgement is used in applying these valuation techniques including estimating the future volatility of the share price, expected dividend yield, future employee turnover rates, and future share option exercise behaviours and corporate performance. Such judgements are inherently uncertain and changes in these assumptions affect the fair value of the estimates for share-based compensation.





### 3. BASIS OF PRESENTATION (continued)

#### Mineral reserves and mineral resources

The Company's royalty and stream interests that generate economic benefits are considered depletable and are depleted on a units of production method over the life of the mine to which the interest relates, which is determined using available information on proven and probable mineral reserves and the portion of mineral resources expected to be classified as mineral reserves at the mine corresponding to the specific agreement. These calculations require the use of estimates and assumptions, including the mineral reserves and mineral resources related to each royalty or stream interest as provided by the mine operator. Mineral reserves and mineral resources are estimates of the amount of minerals that can be extracted from the mining properties at which the Company has royalty or stream interests. Changes to the mineral reserves and/or mineral resource assumptions could directly impact the depletion rates used. Changes to the depletion rates are accounted for prospectively.

### 4. CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021
Canadian dollar denominated deposits	\$ 2,673	\$ 22,545
US dollar denominated deposits	1,001,772	1,891,446
Other deposits	-	113,883
<b>Total</b>	<b>\$ 1,004,445</b>	<b>\$ 2,027,874</b>



## 5. ROYALTY AND STREAM INTERESTS

	Cost			Accumulated Depletion			Carrying amounts
	As at December 31, 2021	Additions	As at September 30, 2022	As at December 31, 2021	Depletion	As at September 30, 2022	As at September 30, 2022
<b>Sierra Antapite</b> <sup>(1)</sup> Peru	\$ 10,096,964	\$ -	\$ 10,096,964	\$ 93,358	\$ 463,182	\$ 556,540	\$ 9,540,424
<b>Tahuehueto</b> <sup>(1)</sup> Mexico	5,092,628	-	5,092,628	-	-	-	5,092,628
<b>Manica</b> <sup>(1)</sup> Mozambique	2,024,284	1,000,000	3,024,284	-	-	-	3,024,284
<b>Pinos</b> <sup>(2)</sup> Mexico	1,630,598	-	1,630,598	-	-	-	1,630,598
<b>Other royalties</b> <sup>(3)</sup> Canada	1	-	1	-	-	-	1
<b>Total</b>	<b>\$ 18,844,475</b>	<b>\$ 1,000,000</b>	<b>\$ 19,844,475</b>	<b>\$ 93,358</b>	<b>\$ 463,182</b>	<b>\$ 556,540</b>	<b>\$ 19,287,935</b>

(1) Production stage asset

(2) Development stage asset

(3) Exploration stage asset

### Revenue from royalty and stream interests

During the nine months ended September 30, 2022, the Company earned stream revenue of \$1,079,398 (2021 – \$56,954) from the gold stream agreement on the Sierra Antapite mine in Peru.

During the nine months ended September 30, 2022, the Company earned stream revenue of \$12,919 (2021 – \$Nil) from the silver stream agreement on the Tahuehueto mine in Mexico.

### Sierra Antapite Gold Stream

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.



## 5. ROYALTY AND STREAM INTERESTS (continued)

### Tahuehueto Silver Stream

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.

### Manica Project Royalty

In April 2021, the Company structured and entered into a royalty agreement with Endor (Mauritius) Limited (“Endor”) and 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% royalty interest. In January 2022, the Company paid an additional \$1,000,000 to increase the royalty interest to 3.375% on the first 95,000 ounces of gold sold and a 1.125% royalty interest thereafter for the life of the mine. The royalty is subject to an agreement between Endor and MMP whereby Endor provides commodity brokerage services.

### Pinos Project Royalty

In November 2020, the Company structured and entered into a 1% net smelter royalty (“NSR”) agreement with Candelaria Mining Corp., a publicly traded company (TSX-V: CAND), 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.

### Other Royalties

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



## 6. LOAN

	September 30, 2022	December 31, 2021
Opening balance	\$ 3,140,831	\$ -
Initial loan	-	4,787,234
Discount on issuance	-	(287,234)
Transaction costs	-	(1,385,784)
Accrued interest	410,420	11,702
Interest paid	(422,122)	-
Principal repayment	(398,936)	-
Accretion of transaction costs	626,799	14,913
Ending balance	\$ 3,356,992	\$ 3,140,831
Current	\$ 1,595,745	\$ 809,574
Long-term	1,761,247	2,331,257

On December 22, 2021, the Company entered into a credit agreement (the “Nebari Facility”) with Nebari Natural Resources Credit Fund I, LP (“Nebari”), an arm’s length party, pursuant to which the Company was provided with a \$15,000,000 senior secured credit facility. The Company’s received \$4,500,000 upon closing of the Nebari Facility.

The Nebari Facility bears interest at a rate of 10% plus the greater of (i) Libor and (ii) 1% paid quarterly, matures December 22, 2023 and is secured by the royalty and stream interests of the Company as at December 22, 2021 and any future royalty and stream interests which are wholly and/or partially funded with proceeds from the Nebari Facility. The Nebari Facility is subject to standard events of default, as well as a requirement to maintain positive working capital (excluding the current portion of the Nebari loan) and no less than C\$750,000 of cash. As at September 30, 2022, the Company is not in default of these covenants.

On December 23, 2021, the Company issued 7,500,000 warrants to Nebari at value of \$965,720, in addition to incurring legal fees and other transaction costs in connection with the initial drawdown of the Nebari Facility. These transaction costs will be accreted up to the maturity date.

During the nine months ended September 30, 2022, the Company recorded finance costs of \$1,037,219, being interest expense of \$410,420 and accretion of transaction costs of \$626,799. The transaction costs, including the value of non-cash warrants, are being amortized into profit or loss over the term of the Loan.



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## 7. SHARE CAPITAL

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### Authorized

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

### Issued and outstanding

As at September 30, 2022, the Company had 108,924,385 (December 31, 2021 – 104,574,385) common shares issued and outstanding.

The Company's equity transactions during the nine months ended September 30, 2022 are as follows:

- (1) In September 2022, the Company completed a non-brokered private placement of 4,350,000 units at a price of C\$0.30 for gross proceeds of \$1,000,500. Each unit consisted of one common share and one purchase warrant which are exercisable at C\$0.60 until 5 years after the date of issuance. The warrants are subject to an acceleration clause. The Company valued the warrants at \$286,449 using the residual value approach.
- (2) In September 2022, the Company received subscription proceeds of \$43,884 in advance related to a non-brokered private placement closing after the period end. As at September 30, 2022, no units were issued in regards to these subscriptions (Note 14).

The Company's equity transactions during the nine months ended September 30, 2021 are as follows:

- (1) On March 25, 2021, the Company completed a bought deal public offering of 31,505,000 units at a price of C\$0.50 for gross proceeds of \$12,496,034. Each unit consisted of one common share and one-half purchase warrant which are exercisable at 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 and exercisable at C\$0.50 until March 25, 2023. The Company also incurred cash share issue costs of \$238,306.

- (2) On March 25, 2021, the Company completed a non-brokered private placement of 1,300,000 units at a price of C\$0.50 per unit for gross proceeds of \$515,627. Each unit consisted of one common share and one-half warrant exercisable at C\$0.75 until March 25, 2023. The Company valued the warrants at \$51,563 using the residual value approach.

### Escrow shares

As at September 30, 2022, the Company had 10,967,892 common shares in escrow, to be released 3,655,964 on December 23, 2023, 3,655,964 on June 23, 2024, and 3,655,964 on December 23, 2024.



## 7. SHARE CAPITAL (continued)

### Warrants

The continuity of share purchase warrants for the nine months ended September 30, 2022 is as follows:

Expiry date	Exercise price (C\$)	Balance, December 31, 2021	Granted	Exercised	Expired	Balance, September 30, 2022
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
September 29, 2027	\$ 0.60	-	4,350,000	-	-	4,350,000
		24,757,050	4,350,000	-	-	29,107,050
Weighted average exercise price (C\$)	\$ 0.60	\$ 0.60	\$ -	\$ -	\$ -	\$ 0.60

### Stock options

In July 2022, the Company implemented new incentive compensation plans. The 10% Rolling Stock Option Plan (the "Option Plan") and the 10% Fixed Security Based Compensation Plan (the "Equity Plan") supersede the incentive compensation plan implemented in June 2021 (the "Omnibus Equity Plan") for stock options, deferred stock units, performance share unit and restricted share units. The maximum number of shares reserved for issue under the Option Plan shall not exceed 10% of the outstanding shares of the Company, as at the date of the grant. The maximum number of shares reserved for issue under the Equity Plan shall not exceed 10,457,439 shares or a greater number as approved.

The continuity of stock options for the nine months ended September 30, 2022 is as follows:

Expiry date	Exercise price (C\$)	Balance, December 31, 2021	Granted	Exercised	Expired	Balance, September 30, 2022
April 19, 2026 <sup>(1)</sup>	\$ 0.50	8,400,000	-	-	(900,000)	7,500,000
August 1, 2022 <sup>(2)</sup>	\$ 0.50	500,000	-	-	(500,000)	-
May 2, 2027 <sup>(3)</sup>	\$ 0.50	-	500,000	-	-	500,000
		8,900,000	500,000	-	(1,400,000)	8,000,000
Weighted average exercise price (C\$)	\$ 0.50	\$ 0.50	\$ -	\$ -	\$ (0.50)	\$ 0.50

<sup>(1)</sup> vest one-third on April 19, 2022, one-third on April 19, 2023, and one-third on April 19, 2024

<sup>(2)</sup> vest 25% on grant and 25% every three months thereafter

<sup>(3)</sup> vest one-third on July 31, 2022, one-third on May 2, 2023, and one-third on May 2, 2024

As at September 30, 2022, 2,666,667 of the stock options are exercisable.



## 7. SHARE CAPITAL (continued)

### Share-based compensation

During the nine months ended September 30, 2022, the Company recorded share-based compensation of \$636,919 (2021 – \$629,774).

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, of which \$609,979 was recorded as share-based compensation during the nine months ended September 30, 2022. The options granted vest equally over a three-year period.

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, of which \$1,141 was recorded as share-based compensation during the nine months ended September 30, 2022. The options granted are now fully vested.

On May 2, 2022, the Company granted 500,000 stock options under the Omnibus Equity Plan to the Chief Financial Officer of the Company exercisable at a price of C\$0.50 until May 2, 2027. The stock options were valued at a fair value of \$47,480, of which \$25,799 was recorded as share-based compensation during the nine months ended September 30, 2022. The options granted vest one-third on April 19, 2022, one-third on April 19, 2023 and one-third on April 19, 2024.

## 8. GENERAL AND ADMINISTRATIVE

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021 (Restated - Note 2)	2022	2021 (Restated - Note 2)
Consulting fees and salaries	10	\$ 200,131	\$ 135,934	\$ 508,442	\$ 346,866
Director fees	10	5,743	5,944	17,540	20,479
Investor and shareholder		61,817	190,844	234,161	686,522
Office expenses		22,985	24,765	46,851	67,660
Professional fees		6,932	13,551	104,526	126,889
Regulatory fees		16,319	12,017	46,652	101,704
Travel		62,486	-	145,974	-
		\$ 376,413	\$ 383,055	\$ 1,104,146	\$ 1,350,120



## 9. PROJECT EVALUATION

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
		(Restated - Note 2)		(Restated - Note 2)	
Consulting fees	10	\$ 88,391	\$ 91,230	\$ 268,391	\$ 271,230
Professional fees		-	77,217	26,564	157,950
Travel		-	16,298	24,477	101,006
		\$ 88,391	\$ 184,745	\$ 319,432	\$ 530,186

## 10. 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 and nine months ended September 30, 2022 and 2021 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(Restated - Note 2)		(Restated - Note 2)	
Consulting fees				
Chief Executive Officer	\$ 57,842	\$ 35,715	\$ 128,625	\$ 107,888
Golden Oak <sup>(1)</sup>	32,612	29,762	91,597	89,906
	\$ 90,454	\$ 65,477	\$ 220,222	\$ 197,794
Management fees	38,746	-	64,962	-
Director fees	5,743	5,944	17,540	20,479
Project evaluation expenses - Consulting fees				
Endeavour <sup>(2)</sup>	\$ 45,000	\$ 45,000	\$ 135,000	\$ 135,000
Director	45,000	45,000	135,000	135,000
	\$ 90,000	\$ 90,000	\$ 270,000	\$ 270,000
Share-based compensation	\$ 122,168	\$ 282,997	\$ 516,200	\$ 491,074
Total	\$ 347,111	\$ 444,418	\$ 1,088,924	\$ 979,347

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

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





## 10. RELATED PARTY TRANSACTIONS (continued)

### *Amounts due to related parties*

As at September 30, 2022, the Company had trade and other payables of \$516,244 (December 31, 2021 – \$192,746) owing to related parties, being \$21,887 to the Chief Executive Officer for consulting fees, \$225,000 owing to a director for consulting fees, \$225,000 owing to Endeavour for consulting fees, \$5,472 owing in director fees, and \$3,830 owing to Golden Oak for consulting fees.

## 11. 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 September 30, 2022, the Company's business is the structuring and creation of mining royalty and streaming interests for their own portfolio. The geographical breakdown of the Company's royalty and stream interests is described in Note 5. All of the Company's revenue is derived from the Sierra Antapite gold stream in Peru and Tahuehueto silver stream in Mexico as described in Note 5.

## 12. 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:

		September 30, 2022	December 31, 2021
Cash and cash equivalents	FVTPL	\$ 1,004,445	\$ 2,027,874
Receivables	Amortized cost	5,739	10,201
Trade and other payables	Amortized cost	(667,759)	(416,198)
Loan	Amortized cost	(3,356,992)	(3,140,831)



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## **12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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### **Financial instruments (continued)**

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 for the fifteen months ended December 31, 2021.

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## **13. COMMITMENTS**

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In July 2021, the Company agreed to pay Endeavour a 2% success fee for sourcing, reviewing and negotiating mergers and acquisitions and 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 Nebari Facility.

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## **14. SUBSEQUENT EVENT**

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Subsequent to September 30, 2022, the Company completed a \$2,000,000 non-brokered private placement of which the second tranche consisting of 4,316,666 units at a price of C\$0.30 per unit for gross proceeds of \$1,000,000 closed in October 2022. The first portion of the proceeds were received in September 2022 (Note 7). Each unit consisted of one common share and one purchase warrant entitling the holder to purchase one common share at C\$0.60 exercisable for five years. The warrants are subject to an escalation clause.