



Empress Royalty Corp.

Management's Discussion and Analysis
For The Year Ended December 31, 2022



Management's discussion and analysis are intended to provide the reader with a review of the factors that affected our performance during the periods presented, including matters that have affected reported operations, and matters that are reasonable likely based on management's assessment to have a material impact on future operations and results.

This management's discussion and analysis, ("MD&A") of the financial condition and results of operations of Empress Royalty Corp. ("Empress" or the "Company") for the year ended December 31, 2022, should be read in conjunction with our audited consolidated financial statements ("Financial Report") and the notes thereto for the year ended December 31, 2022, and the fifteen months ended December 31, 2021.

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.

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 period with its peer group. As a result of this change, the Company is presenting its twelve-month financial report ending December 31, 2022, compared to the transitional fifteen months ending December 31, 2021.

The effective date of this MD&A is May 1, 2023.

TECHNICAL INFORMATION

Except where otherwise stated, the disclosure herein related to the properties underlying the Company's royalty, stream and other interests is based on information publicly disclosed by the owner and operators of such properties. Specifically, as a royalty and stream holder, the Company has limited, if any, access to properties included in its asset portfolio. Additionally, the Company may from time to time receive operating information from the owners and operators of the properties, which the Company is not permitted to disclose to the public. The Company is dependent on the operators of the properties and their qualified persons to provide information to the Company or on publicly available information to prepare disclosure pertaining to properties and operations on the properties on which the Company hold interests and generally will have limited or no ability to independently verify such information. Although the Company does not currently have any knowledge that such information may not be accurate, there can be no assurance that such third-party information is complete and accurate.

The scientific and technical information contained in this document relating to the Company's royalty, stream and other interests has been reviewed by Richard Mazur, P.Geol, a Qualified Person as defined under National Instrument 43-101.



BUSINESS OVERVIEW

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. On January 11, 2023, the Company graduated to the OTCQX Venture Market in the United States under the same symbol EMPYF. The corporate office and registered and records office is located at Suite 1700, 666 Burrard Street, Vancouver, BC, Canada, V6C 2X8.

BUSINESS STRATEGY

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 in high-quality royalties, streams and similar interests.

Empress’ vision is to be the leading project financier for junior and mid-tier mining companies through the creation of new royalty and streaming structures. The Company’s investment 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. 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, Tahuehueto, and Manica investments (as defined below) fit into this category.
2. Development or near-term production projects: In near-term production 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 production projects include uncertainty of funding to meet forecasted production levels. The Company’s Pinos investment (as defined below) fit 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’ strategy is to continue expanding the portfolio with globally diversified assets and is evaluating projects with aligned investment criteria including appropriate target sizes for risk mitigation, jurisdiction, and company stage. The Empress management team and strategic advisors have a global reach and have identified multiple investment opportunities. To finance the execution 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.



FISCAL 2022 HIGHLIGHTS

Royalty and Stream Interests:

- In January 2022, the Company increased its royalty on the Manica project by investing an additional \$1,000,000 which increased its royalty to 3.375% on the first 95,000 oz of gold sold and a 1.125% royalty interest thereafter for the life of mine.
- During the twelve months ended December 31, 2022, the Company earned royalty and stream revenue of \$1,825,049 and recorded cost of sales of \$304,300, excluding depletion, from the gold stream agreement on the Sierra Antapite mine in Peru, the silver stream agreement on the Tahuehueto mine in Mexico, and the gold royalty agreement on the Manica project in Mozambique.
- In July 2022, the Company announced it had received the first payable silver oz from the silver stream agreement on the Tahuehueto mine.
- In July 2022, the Company reported the Manica gold mine had successfully completed its first gold pour.

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.
- 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. Vesting is determined by the Board of Directors.
- On September 29, 2022, the Company closed the first tranche of a private placement for \$1M. The second tranche was closed on October 25, 2022, for additional \$1M. The total private placement was for \$2M or C\$2.6M. The Company issued 8,666,666 units of the Company under the private placement at a price of C\$0.30 per unit. Each unit consisted of one common share of the Company and one common share purchase warrant entitling the holder thereof to purchase one common share of the Company for C\$0.60 for a period of five years. The shares issued upon closing and the shares issuable upon the exercise of the warrants are subject to a four-month restricted resale period from the date of closing, respectively being January 30th, 2023, and February 26th, 2023. The warrants are subject to an acceleration clause.
- In January 2023, the Company graduated from the OTCBQB to the OTCQX.



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 oz 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 Stopping 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 1M oz 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 Antapite has delivered in excess of 1,000 oz of gold to Empress since the inception of the stream in July 2021.

Tahuehueto Stream, Mexico

In April 2021, the Company structured and entered into a stream agreement with Luca Mining Corporation (formerly Altaley Mining Corporation), a publicly traded company (TSX.V: LUCA) 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 oz 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 \$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.

In July 2022, Empress received the first payable silver oz from the silver stream agreement on the Tahuehueto Mine.

On September 12, 2022, Altaley announced in a press release that they appointed a new CEO and Director, Mr. Mike Struthers.

On December 6, 2022, Altaley announced in a press release that the Company was doing a rights offering for up to gross proceeds of \$16M. In that same release, Altaley announced a share consolidation on a ratio of 8 to 1 basis.

On December 9, 2022, the CEO provided an update in a press release saying that the Tahuehueto Gold Mine Construction Project was behind schedule and over budget. In the update, he stated that a decision was made to split the 500 tonnes per day and 1,000 tonnes per day projects into two stages to first deliver on the 500 tonnes per day project successfully and from that foundation expand to 1,000 tonnes per day. In the press release, the CEO said that the 500 tonnes per day project was expected to be completed in early Q2, 2023.

On January 9, 2023, Altaley provided an update on the Tahuehueto mine in a press release stating that their current installed comminution capacity was 350 tonnes per day and that since crusher commissioning, the



mill had processed approximately 18,341 tonnes of ore at an average of 297 tonnes per day over 62 operating days. In that same press release, Altaley announced that precious metal recoveries achieved since September 1, 2022, averaged 89.95% gold and 83.23% silver.

On January 30, January 2023, Altaley announced in a press release they had appointed a new consulting Construction Manager and were recruiting for a new site General Manager. In the press release, Altaley reiterated their previous guidance that construction of the 500 tonnes per day operation would be completed in Q2 2023 and the expansion up to the nameplate capacity of 1,000 tonnes per day is expected to be completed in Q4 2023.

On March 2, 2023, Altaley announced in a press release that the Company was changing their name to Luca Mining Corporation. The press release also said that they had entered into a series of debt settlements in respect of approximately \$9.4M of loan debts owed to various creditors.

On March 31, 2023, Luca announced in a press release an overall financing package of CAD\$33.2M in place of the previously proposed rights offering comprised of a private placement and two strategic debt settlements including CAD\$8M with its offtake partner Trafigura and CAD\$4.9M with its lead Investor Calu Opportunity Fund. The press release said Luca agreed to waivers on loans for twelve months commencing on November 30, 2022 for the Tahuehueto loan. The press release stated that net proceeds will allow Luca to complete the construction of its Tahuehueto phase 1 goal of 500 tonnes per day by Q2 2023 and that Luca's management anticipates construction of the 1,000 tonnes per day project before the end of 2023.

On April 26, 2023 Luca announced that it closed the first tranche of its non-brokered private placement for proceeds of C\$18.34 million.

Empress received more than 4,500 oz of silver in respect of the second and third quarters production. On May 1, 2023, as part of Luca's restructuring process, Empress entered into an amending agreement with Luca with respect to the silver stream on the Tahuehueto project to defer deliveries of silver for the period from October 1, 2022 to June 30, 2023. Pursuant to the agreement, the Company will receive the sum of \$150,000 as compensation for the amendment on or before June 30, 2023. The life of the stream agreement, which was originally 10 years from initial production, will be extended by nine months.

Manica Royalty, Mozambique

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 oz of gold 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.

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 mines the oxide and transitional mineralization at Fair Bride and other deposits on the concession and processes it through a CIL plant capable of processing up to 42,000 tonnes per month. In July 2022, Empress announced that the Manica gold mine had successfully completed its first gold pour.

The Company has earned royalty revenues of \$303,549 in respect of the Manica gold mine from commencement of production in July 2022 up to and including December 31, 2022.

Pinos Royalty, Mexico

In November 2020, the Company structured and entered into a 1% 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.

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 kilometres 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 is aggressively looking to expand the portfolio and currently has an active pipeline of approximately \$50,000,000 in potential producing and near-term producing precious metals investment opportunities. Empress currently has one executed exclusivity agreement and is in advanced discussion with several other investment opportunities.

CORPORATE MATTERS

Public Listings

On January 11, 2023, Empress' common shares graduated to trading on the OTCQX Venture Market in the United States. This up listing is a continuation of the Company's investor relations strategy to increase Empress' public profile, expand global awareness and improve share liquidity by trading on a platform that is more accessible to a broader range of investors.

Financing

On October 25, 2022, the Company closed the second and final tranche of a non-brokered private placement of units for a total of \$2M. The company issued 8,666,666 units at a price of C\$0.30 per unit consisting of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of C\$0.60 for a period of 5 years from the closing date of the offering. The warrants are subject to an acceleration clause.



Management and Advisors

In March 2022, the Company appointed Allison Rippin Armstrong as Environmental, Social, and Governance (ESG) Advisor to the Board. Mrs. Allison Rippin Armstrong 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.

SELECTED ANNUAL INFORMATION

	Twelve months ended December 31, 2022		Fifteen months ended December 31, 2021		Period from incorporation on March 2, 2020 to September 30, 2020
Royalty and stream interests	\$	19,016,202	\$	18,751,117	\$ 1
Total assets	\$	19,934,102	\$	20,829,287	\$ 1,350,335
Total non-current liabilities	\$	-	\$	2,331,257	\$ -
Revenues	\$	1,825,049	\$	211,623	\$ -
Loss for the year	\$	(3,379,960)	\$	(3,999,812)	\$ (300,500)
Comprehensive loss for the year	\$	(3,361,559)	\$	(3,774,116)	\$ (310,354)
Basic and diluted loss per share	\$	(0.03)	\$	(0.04)	\$ (0.03)

RESULTS OF OPERATIONS

The loss for the twelve months ended December 31, 2022, was \$3,379,960 (fifteen months ended December 31, 2021 – \$3,999,812).

Revenue for the twelve months ended December 31, 2022, totaled \$1,825,049 (fifteen months ended December 31, 2021 - \$211,623). Revenue comprised of \$1,435,678 relating to the Sierra Antapite gold stream (fifteen months ended December 31, 2021 - \$211,623), \$85,822 relating to the Tahuehueto silver stream (fifteen months ended December 31, 2021 - \$Nil) and \$303,549 relating to Manica gold royalty (fifteen months ended December 31, 2021 - \$Nil).

Pursuant to the agreements with Sierra Antapite and Tahuehueto, the Company's cost of purchasing streaming gold is 20% of the prevailing gold spot price, and the price of streaming silver is 20% of the prevailing silver spot price, respectively. During the twelve months ended December 31, 2022, the Company recorded cost of sales (excluding depletion) of \$304,300 and depletion of \$734,915.



General and administrative expenses for the twelve months ended December 31, 2022 totaled \$1,757,546 compared to \$2,043,093 in the fifteen months ended December 31, 2021. The Company's general and administrative expenses for 2021 included one-time expenses to complete a public listing. General and administrative expenses are summarized as follows:

- Consulting fees and salaries for the twelve months ended December 31, 2022 totaled \$723,116 compared to \$581,547 in the comparative fifteen month period. The Company paid or accrued \$184,459 (fifteen months ended December 31, 2021 – \$184,027) to the Chief Executive Officer, \$102,477 (fifteen months ended December 31, 2021 - \$Nil) to the Chief Financial Officer, and \$95,944 (fifteen months ended December 31, 2021 – \$148,409) to a consulting company controlled by the former Corporate Secretary and former Chief Financial Officer of the Company. In addition, the Company paid or accrued \$204,707 (fifteen months ended December 31, 2021 – \$121,131) to the Company's Global Vice President.
- Investor communication and shareholder information for the twelve months ended December 31, 2022, totaled \$539,379 compared to \$796,774 in the comparable fifteen month 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 twelve months ended December 31, 2022, totaled \$249,820 compared to \$355,624 in the comparative fifteen month 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 twelve months ended December 31, 2022, totaled \$102,039 compared to \$158,133 in the comparable fifteen month 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 twelve months ended December 31, 2022, totaled \$264,941 compared to \$828,795 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. In the current period, the Company continued to build its pipeline and evaluate potential investments internally with less reliance on outside consultants and advisors. Consulting fees include \$135,194 paid to Endeavour Financial Ltd. (Cayman), which has a director in common with the Company, and \$135,194 paid to a director of the Company.

In April 2021, the Company granted certain stock options, of which \$712,695 (fifteen months ended December 31, 2021 – \$957,654) was recorded as share-based compensation during the twelve months ended December 31, 2022. In May 2022, the Company granted certain stock options, of which \$31,693 (fifteen months ended December 31, 2021 – \$Nil) was recorded as share-based compensation during the twelve months ended December 31, 2022.



SUMMARY OF QUARTERLY RESULTS

	3 months ended December 31, 2022		3 months ended September 30, 2022		3 months ended June 30, 2022		3 months ended March 31, 2022	
Revenues	\$	732,732	\$	341,895		323,390		427,032
Loss for the year	\$	(729,845)	\$	(858,194)		(911,161)		(880,760)
Basic and diluted loss per share	\$	(0.01)	\$	(0.01)	\$	(0.01)	\$	(0.01)

	3 months ended December 31, 2021		3 months ended September 30, 2021		3 months ended June 30, 2021		3 months ended March 31, 2021	
Revenues	\$	154,669	\$	56,954	\$	-	\$	-
Loss for the year	\$	(1,079,944)	\$	(853,551)	\$	(897,681)	\$	(742,904)
Basic and diluted loss per share	\$	(0.01)	\$	(0.01)	\$	(0.01)	\$	(0.01)

LIQUIDITY AND CAPITAL RESOURCES

The Company began the fiscal year with \$2,027,874 cash and cash equivalents. During the twelve months ended December 31, 2022, the Company spent \$941,114 on operating activities, net of working capital changes, \$1,000,000 on investing activities, and received \$613,643 from financing activities, with a positive effect of foreign exchange on cash of \$6,707 to end at December 31, 2022 with \$707,010 cash and cash equivalents.

In January 2022, the Company paid an additional \$1,000,000 to increase the royalty interest to 3.375% on the first 95,000 oz of gold sold and a 1.125% royalty interest thereafter for the life of the mine.

In September and October 2022, the Company completed a non-brokered private placement of 8,666,666 units at a price of C\$0.30 for gross proceeds of \$1,984,366. 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.

During the year ended December 31, 2022, the Company made repayments of \$1,370,823 with respect to the Nebari Facility.



As at December 31, 2022, the Company had a net working capital deficit of \$2,376,749. 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. While there may be uncertainty as to the success of the Company's future financings, the Company believes it is able to raise capital through a financing or financings to meet commitments and drive its long-term objectives.

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 year ended December 31, 2022, and the fifteen months ended December 31, 2021 are as follows:

	Twelve months ended December 31, 2022	Fifteen months ended December 31, 2021
Consulting fees and management salaries		
Chief Executive Officer	\$ 184,459	\$ 184,027
Chief Financial Officer	102,477	-
Golden Oak ⁽¹⁾	95,944	148,409
Total	\$ 382,880	\$ 332,436
Director fees	\$ 93,190	\$ 32,155
Project evaluation expenses - Consulting fees		
Endeavour ⁽²⁾	\$ 135,194	\$ 225,000
Director	135,194	225,000
	\$ 270,388	\$ 450,000
Share-based compensation	\$ 540,647	\$ 689,202
Total	\$ 1,287,105	\$ 1,503,793

⁽¹⁾ Golden Oak Corporate Services Ltd. ("Golden Oak") is a consulting company controlled by the former Corporate Secretary and the former Chief Financial Officer of the Company. The former Corporate Secretary and the former Chief Financial Officer were employees of Golden Oak and were 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 December 31, 2022, the Company had trade and other payables of \$11,845 (2021 - \$192,746) owing to related parties, being, \$Nil (2021 - \$90,000) owing to a director for consulting fees, \$Nil (2021 - \$90,000) owing to Endeavour for consulting fees, as well as \$11,845 (2021 - \$8,510) owing to Endeavour and \$Nil (2021 - \$4,236) 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 December 31, 2022	113,241,051	33,423,716	7,500,000
Warrants expiry	-	(17,257,050)	-
Warrant exercise	1,529,640	(1,529,640)	-
Balance as at the date of this MD&A	114,770,691	14,637,026	7,500,000

In March of 2023, 1,529,640 warrants were exercised at C\$.27 for proceeds of \$299,755.

OFF-BALANCE SHEET ARRANGEMENTS

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

USE OF 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 application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 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 assets and liabilities should the Company be unable to continue as a going concern.

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.

Accounting for royalty and stream interests

There is judgement as to whether the royalty and stream interests should be accounted for as a financial asset, intangible asset or tangible asset. These interests, where the right to receive cash or metal exist only to the extent there is production and there are no interest payments, minimum payment obligations or any other means to enforce production or guarantee repayment are classified as tangible assets by the Company. The purchase price of each interest acquired is economically similar to holding a direct interest in the underlying mineral asset. Existence risk (the commodity physically existing in the quantity demonstrated), production risk (that the operator can achieve production and operate a commercially viable project), timing risk (commencement and quantity produced, determined by the operator), and price risk (returns depending on the future commodity price, driven by future supply and demand) are all risks which the Company indirectly participates in on a similar basis to an owner of the underlying mineral license. However due to the nature of royalty and stream interests, the Company has no input into the operations of the mines of which it has an interest.

Impairment of royalty and stream interests

Royalty and stream interests are assessed at each reporting date for indicators of impairment. The assessment requires the use of estimates and assumptions for variables such as the production profile, production commissioning dates as applicable, forecast commodity rates and guidance from the mine operators such as reserve and resource estimates and/or other relevant information which would indicate reduced or ceased production from royalty and stream interests.



Mineral Reserves and 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.

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, 2022	December 31, 2021
Cash and cash equivalents	Amortized cost	\$ 707,010	\$ 2,027,874
Receivables	Amortized cost	191,811	10,201
Trade and other payables	Amortized cost	(123,462)	(416,198)
Loan	Amortized cost	(3,171,187)	(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.



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" and "forward looking information" as defined under applicable Canadian securities laws ("forward-looking statements"). Forward-looking statements and information can generally be identified by the use of terms such as "may", "will", "should", "expect", "intend", "estimate", "continue", "believe", "plans", "anticipate" or similar terms. Forward-looking information and statements include, but are not limited to, statements with respect to the activities, events or developments that Empress expects or anticipates will or may occur in the future, including those regarding future growth and ability to create new streams or royalties, the development and focus of the Company, its acquisition strategy, the plans and expectations of the operators of the projects underlying its interests, including the proposed advancement and expansion of such projects; the results of exploration, development and production activities of the operators of such projects; and the Company's expectations regarding future revenues.

Forward-looking information and statements are based on the then current expectations, beliefs, assumptions, estimates and forecasts about Empress's business and the industry and markets in which it operates. Forward-looking information and statements are made based upon numerous assumptions and although the assumptions made by the Company in providing forward-looking information and statements are considered reasonable by management at the time, there can be no assurance that such assumptions will prove to be accurate. Forward-looking information and statements also involve known and unknown risks and uncertainties and other factors, which may cause actual results, performances and achievements of Empress to differ materially from any projections of results, performances and achievements of Empress including, without limitation, any inability of the operators of the properties underlying the Company's royalty and stream interests to execute proposed plans for such properties or to achieve planned development and production estimates and goals, risks related to the operators of the projects in which the Company holds interests, including the successful continuation of operations at such projects by those operators, risks related to exploration, development, permitting, infrastructure, operating or technical difficulties on any such projects, risks related to international operations, government relations and environmental regulation, uncertainty relating to the availability and costs of financing needed in the future and the Company's ability to carry out its growth plans as well as the impact of the COVID-19 pandemic and other related risks and uncertainties. For a discussion of important factors which could cause actual results to differ from forward-looking statements, refer to the annual information form of Empress Royalty Corp. for the year ended December 31, 2022, and its other publicly filed documents under its profile at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information and statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information and statements. The Company undertakes no obligation to update or reissue forward-looking information as a result of new information or events except as required by applicable securities laws. Disclosure relating to properties in which Empress holds royalty or other interests is based on information publicly disclosed by the owners or operators of such



properties. The Company generally has limited or no access to the properties underlying its interests and is largely dependent on the disclosure of the operators of its interests and other publicly available information. The Company generally has limited or no ability to verify such information. Although the Company does not have any knowledge that such information may not be accurate, there can be no assurance that such third-party information is complete or accurate. In addition, certain information publicly reported by operators may relate to a larger property than the area covered by the Company's interest, which often may only apply to a portion of the overall project area or applicable mineral resources or reserves.

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.