Empress Royalty Corp.

Condensed Interim Consolidated Financial Statements
For The Three Months ended March 31, 2023
(Unaudited - Expressed in US dollars)

(Unaudited - Expressed in US dollars)

	Note		March 31, 2023		December 31, 2022
ASSETS					
Current assets					
Cash and cash equivalents	*4*	$	782,515	$	707,010
Receivables			116,070		191,811
Prepaid expenses	*10*		23,428		19,079
			922,013		917,900
Royalty and stream interests	*5*		18,730,029		19,016,202
		$	19,652,042	$	19,934,102
LIABILITIES					
Current liabilities					
Trade and other payables	*10*	$	234,962	$	123,462
Loan	*6*		2,978,513		3,171,187
			3,213,475		3,294,649
SHAREHOLDERS' EQUITY					
Share capital	*7*		20,136,003		19,637,073
Share-based reserve	*7*		4,366,912		4,448,409
Foreign exchange reserve			238,080		234,243
Deficit			(8,302,428)		(7,680,272)
			16,438,567		16,639,453
		$	19,652,042	$	19,934,102

Nature of operations and going concern	*1*
Commitments	*14*
Subsequent events	*15*

These condensed interim consolidated financial statements are approved for issue by the Board of Directors of the Company on May 19, 2023.

They are signed on the Company's behalf by:

"Paul Mainwaring", Director

"Alexandra Woodyer Sherron", Director

(Unaudited - Expressed in US dollars)

	Note		Three months ended March 31, 2023		Three months ended March 31, 2022
Revenue					
Royalty and stream revenue	*5*	$	741,242	$	427,032
Cost of sales, excluding depletion	*5*		(97,072)		(85,406)
Depletion	*5*		(286,173)		(178,513)
			357,997		163,113
Expenses					
General and administrative	*8*		473,637		277,469
Project evaluation	*9*		34,872		149,771
Share-based compensation	*7 & 10*		115,464		311,187
			(623,973)		(738,427)
Loss from operations			(265,976)		(575,314)
Finance costs	*6*		(353,687)		(300,647)
Foreign exchange loss			(2,493)		(4,799)
Loss for the period			(622,156)		(880,760)
Other comprehensive income					
Foreign exchange			3,837		(4,778)
Comprehensive loss for the period		$	(618,319)	$	(885,538)
Basic and diluted loss per share		$	(0.01)	$	(0.01)
Weighted average number of shares outstanding			113,529,983		104,574,385

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

(Unaudited - Expressed in US dollars)

		Three months ended March 31, 2023		Three months ended March 31, 2022
CASH FLOWS FROM (TO) OPERATING ACTIVITIES				
Loss for the period	$	(622,156)	$	(880,760)
Items not involving cash:				
Depletion		286,173		178,513
Share-based compensation		115,464		311,187
Finance costs		353,687		300,647
Change in non-cash working capital items:				
Receivables		75,751		(698)
Prepaid expenses		(4,336)		33,565
Trade and other payables		111,446		34,332
		316,029		(23,214)
CASH FLOWS FROM (TO) INVESTING ACTIVITIES				
Acquisition of royalty and stream interests		-		(1,000,000)
		-		(1,000,000)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES				
Warrant exercise		301,969		-
Payment on loan		(546,361)		(143,351)
		(244,392)		(143,351)
Effect of foreign exchange		3,868		1,142
Change in cash and cash equivalents for the period		75,505		(1,165,423)
Cash and cash equivalents, beginning of period		707,010		2,027,874
Cash and cash equivalents, end of period	$	782,515	$	862,451
Supplementary information (Note 13)				
Interest paid	$	147,425	$	143,351
Income taxes paid		-		-

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

(Unaudited - Expressed in US dollars)

	Number of Shares	Share Capital	Share-based reserve	Foreign exchange reserve	Deficit	Total Shareholders' Equity
Balance, December 31, 2021	104,574,385	$ 17,964,022	$ 3,392,706	$ 215,842	$ (4,300,312)	$ 17,272,258
Share-based compensation	-	-	311,187	-	-	311,187
Comprehensive loss for the period	-	-	-	(4,778)	(880,760)	(885,538)
Balance, March 31, 2022	104,574,385	$ 17,964,022	$ 3,703,893	$ 211,064	$ (5,181,072)	$ 16,697,907

	Number of Shares	Share Capital	Share-based reserve	Foreign exchange reserve	Deficit	Total Shareholders' Equity
Balance, December 31, 2022	113,241,051	$ 19,637,073	$ 4,448,409	$ 234,243	$ (7,680,272)	$ 16,639,453
Warrant exercise	1,529,640	498,930	(196,961)	-	-	301,969
Share-based compensation	-	-	115,464	-	-	115,464
Comprehensive loss for the year	-	-	-	3,837	(622,156)	(618,319)
Balance, March 31, 2023	114,770,691	$ 20,136,003	$ 4,366,912	$ 238,080	$ (8,302,428)	$ 16,438,567

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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.

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 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 March 31, 2023, the Company had cash of $782,515 and a net working capital deficit of $2,291,462. 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, some of 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.

2. BASIS OF PRESENTATION

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") and interpretations of the International Financial Reporting Interpretations Committee 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 year ended December 31, 2022.

The unaudited condensed interim consolidated financial statements were approved by the board and authorized for issue on May 19, 2023.

Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. These condensed interim consolidated financial statements are presented in United States dollars ("U.S. dollar", "$" or "dollar").

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiary, Empress Royalty Holdings Corp., the holder of the Company's current royalty and stream investments. The accounts of the subsidiary are prepared for the same reporting period as the parent entity, using consistent accounting policies. All inter-company balances and transactions, and any income and expenses arising from inter-company transactions, are eliminated on consolidation.

Significant accounting estimates, judgements, 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.

2. BASIS OF PRESENTATION (continued)

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 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 the Black Scholes Option Pricing model. Assumptions are made and judgement is used in calculating fair value 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.

(Expressed in US dollars)

2. BASIS OF PRESENTATION (continued)

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.

3. MATERIAL ACCOUNTING POLICIES

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2022.

New standards, interpretations and amendments not yet effective

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

4. CASH AND CASH EQUIVALENTS

		March 31, 2023		December 31, 2022
Canadian dollar denominated deposits	$	311,720	$	193,818
US dollar denominated deposits		470,795		437,204
Metal deposits		-		75,988
Total	$	782,515	$	707,010

(Expressed in US dollars)

5. ROYALTY AND STREAM INTERESTS

The royalty and stream interests as at and for the period ended March 31, 2023 are as follows:

	Cost			Accumulated Depletion			Carrying amounts
	As at December 31, 2022	Additions	As at March 31, 2023	As at December 31, 2022	Depletion	As at March 31, 2023	As at March 31, 2023
Sierra Antapite [1] Peru	$ 10,096,964	$ -	$ 10,096,964	$ 718,400	$ 202,195	$ 920,595	$ 9,176,369
Tahuehueto [2] Mexico	5,092,628	-	5,092,628	-	-	-	5,092,628
Manica [1] Mozambique	3,024,284	-	3,024,284	109,873	83,978	193,851	2,830,433
Pinos [2] Mexico	1,630,598	-	1,630,598	-	-	-	1,630,598
Other royalties [3] Canada	1	-	1	-	-	-	1
Total	$ 19,844,475	$ -	$ 19,844,475	$ 828,273	$ 286,173	$ 1,114,446	$ 18,730,029

(1) Production stage asset
(2) Development stage asset
(3) Exploration stage asset

(Expressed in US dollars)

5. ROYALTY AND STREAM INTERESTS (continued)

The royalty and stream interests as at and for the year ended December 31, 2022 are as follows:

	Cost			Accumulated Depletion			Carrying amounts
	As at December 31, 2021	Additions	As at December 31, 2022	As at December 31, 2021	Depletion	As at December 31, 2022	As at December 31, 2022
Sierra Antapite [1] Peru	$ 10,096,964	$ -	$ 10,096,964	$ 93,358	$ 625,042	$ 718,400	$ 9,378,564
Tahuehueto [2] Mexico	5,092,628	-	5,092,628	-	-	-	5,092,628
Manica [1] Mozambique	2,024,284	1,000,000	3,024,284	-	109,873	109,873	2,914,411
Pinos [2] Mexico	1,630,598	-	1,630,598	-	-	-	1,630,598
Other royalties [3] Canada	1	-	1	-	-	-	1
Total	$ 18,844,475	$ 1,000,000	$ 19,844,475	$ 93,358	$ 734,915	$ 828,273	$ 19,016,202

[1] Production stage asset
[2] Development stage asset
[3] Exploration stage asset

5. ROYALTY AND STREAM INTERESTS (continued)

Revenue from royalty and stream interests

During the period ended March 31, 2023, the Company earned stream revenue of $485,359 (2022 – $427,032) and recorded cost of sales of $97,072 (2022 – $85,406) from the gold stream agreement on the Sierra Antapite mine in Peru.

During the period ended March 31, 2023, the Company earned royalty revenue of $255,883 (2022 - $Nil) from the royalty agreement on gold from the Manica gold project in Mozambique.

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 gold mine located in Peru. The Company agreed to purchase 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. On acquisition, the Company recorded transaction costs of $206,493 and a foreign currency translation loss of $109,529.

Tahuehueto Silver Stream

In April 2021, the Company structured and entered into a stream agreement with Luca Mining Corporation, a publicly traded company (TSX-V: Luca) in respect of its Tahuehueto silver project located in Mexico. The Company agreed to purchase 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. On acquisition, the Company recorded transaction costs of $221,614 and a foreign currency translation loss of $128,986. The Company entered into an amending agreement (Note 15).

5. ROYALTY AND STREAM INTERESTS (continued)

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. On acquisition, the Company recorded transaction costs of $57,143 and a foreign currency translation loss of $32,859.

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. On acquisition, the Company recorded transaction costs of $100,554 and a foreign currency translation gain of $30,044.

Canadian Exploration Royalties

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

(Expressed in US dollars)

6. LOAN

		March 31, 2023		December 31, 2022
Opening balance	$	3,171,187	$	3,140,831
Initial loan		-		-
Discount on issuance		-		-
Transaction costs		-		-
Accrued interest		147,425		561,249
Interest paid		(147,425)		(572,951)
Principal repayment		(398,936)		(797,872)
Accretion of transaction costs		206,262		839,930
Ending balance	$	2,978,513	$	3,171,187
Current	$	2,978,513	$	3,171,187
Long-term		-		-

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. An original issue discount (the "OID") of 6% is applicable to all loans made under the Nebari Facility resulting in the Initial Loan being $4,787,234.

The Nebari Facility bears interest at a rate of 10% plus the greater of (i) Libor and (ii) 1% paid quarterly, matures December 23, 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 March 31, 2023, 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 for total transaction costs of $1,375,720. The transaction costs, including the value of non-cash warrants, are being amortized into profit or loss over the term of the Loan at an effective interest rate of 28.5%, comprised of 6.8% cash transaction costs, 11% cash interest on the Loan, and 10.7% non-cash warrants.

6. LOAN (continued)

Interest payments over the 2023 year, assuming an interest rate of 11% and LIBOR interest rate of 5.22%, are between $98,000 to $137,000 per quarter. Principal payments over the 2023 year are $398,936 per quarter for three quarters and a final payment of $2,792,553.

During the period ended March 31, 2023, the Company recorded finance costs of $353,687 (2022 – $300,647), being interest expense of $147,425 (2022 – $131,649) and accretion of transaction costs of $206,262 (2022 – $168,998).

7. SHARE CAPITAL

Authorized

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

Issued and outstanding

As at March 31, 2023, the Company had 114,770,691 (December 31, 2022 – 113,241,051) common shares issued and outstanding. A summary of changes in share capital and reserves is contained on the consolidated statements of changes in shareholders equity for the periods ended March 31, 2023, and 2022.

During the period ended March 31, 2023, the Company:

- In March 2023, issued 1,529,640 shares at a price of C$0.27 for gross proceeds of $301,969 on the exercise of 1,529,640 warrants with a value of $196,961.

During the year ended December 31, 2022, the Company:

- In September 2022, completed a non-brokered private placement of 4,350,000 units at a price of C$0.30 for gross proceeds of $997,069. Each unit consisted of one common share and one purchase warrant which are exercisable at C$0.60 until five years after the date of issuance. The warrants are subject to an acceleration clause. The Company valued the warrants at $283,018 using the residual value approach.

- In October 2022, completed a non-brokered private placement of 4,316,666 units at a price of C$0.30 for gross proceeds of $987,297. Each unit consisted of one common share and one purchase warrant which are exercisable at C$0.60 until five years after the date of issuance. The warrants are subject to an acceleration clause. The Company valued the warrants at $28,297 using the residual value approach.

(Expressed in US dollars)

7. SHARE CAPITAL (continued)

Escrow shares

As at March 31, 2023, the Company had 7,311,928 common shares (December 31, 2022 – 7,311,928) in escrow, to be released 3,655,964 on June 23, 2023, and 3,655,964 on December 23, 2023.

Warrants

The continuity of share purchase warrants for the period ended March 31, 2023 are as follows:

Expiry date	Exercise price (C$)	Balance, December 31, 2022	Granted	Exercised	Expired	Balance, March 31, 2023
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	-	(1,529,640)	-	5,970,360
September 29, 2027	$0.60	4,350,000	-	-	-	4,350,000
October 25, 2027	$0.60	4,316,666	-	-	-	4,316,666
		33,423,716	-	(1,529,640)	(17,257,050)	14,637,026
Weighted average exercise price (C$)		$0.60	$-	$0.27	$0.74	$0.47

The continuity of share purchase warrants for the year ended December 31, 2022 are as follows:

Expiry date	Exercise price (C$)	Balance, December 31, 2021	Granted	Exercised	Expired	Balance, December 31, 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
October 25, 2027	$0.60	-	4,316,666	-	-	4,316,666
		24,757,050	8,666,666	-	-	33,423,716
Weighted average exercise price (C$)		$0.60	$0.60	$-	$-	$0.60

(Expressed in US dollars)

7. SHARE CAPITAL (continued)

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. As at March 31, 2023, no deferred stock units, performance share units or restricted share units have been granted. 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.

The continuity of stock options for the period ended March 31, 2023, and the year ended December 31, 2022, are as follows:

Expiry date	Exercise price (C$)	Balance, December 31, 2022	Granted	Exercised	Expired	Balance, March 31, 2023
April 19, 2026 [1]	$ 0.50	7,000,000	-	-	-	7,000,000
May 2, 2027 [3]	$ 0.50	500,000	-	-	-	500,000
		7,500,000	-	-	-	7,500,000
Weighted average exercise price (C$)		$0.50	$-	$-	$-	$0.50

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

(1) vest one-third on April 19, 2022, one-third on April 19, 2023, and one-third on April 19, 2024
(2) vest 25% on grant and 25% every three months thereafter
(3) vest one-third on July 31, 2022, one-third on May 2, 2023, and one-third on May 2, 2024

As at March 31, 2023, 2,500,000 (December 31, 2022 – 2,500,000) of the stock options are exercisable with a weighted average exercise price of $0.50.

(Expressed in US dollars)

7. SHARE CAPITAL (continued)

Share-based compensation

During the period ended March 31, 2023, the Company recorded share-based compensation of $115,464 (2022 – $311,187).

On May 2, 2022, the Company granted 500,000 stock options 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 $5,546 was recorded as share-based compensation during the period ended March 31, 2023 (2022 - $Nil). The options granted vest one-third on May 2, 2022, one-third on May 2, 2023, and one-third on May 2, 2024. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 2.78%; an expected volatility of 77.31%; an expected life of five years; a forfeiture rate of zero; and an expected dividend of zero.

8. GENERAL AND ADMINISTRATIVE

	Note		**Three months ended March 31, 2023**		**Three months ended March 31, 2022**
Consulting fees and salaries	*10*	$	192,036	$	145,783
Director fees	*10*		73,008		5,923
Investor and shareholder relations			113,415		86,929
Office expenses			10,665		15,683
Professional fees			66,971		9,565
Regulatory fees			17,542		13,586
Total		$	473,637	$	277,469

9. PROJECT EVALUATION

During the period ended March 31, 2023, and the year ended December 31, 2022, the Company incurred certain expenditures to conduct due diligence and evaluate royalty and streaming opportunities with the potential for acquisition or investment.

	Note		**Three months ended March 31, 2023**		**Three months ended March 31, 2022**
Consulting fees	*10*	$	-	$	90,000
Professional fees			-		35,294
Other			34,872		24,477
Total		$	34,872	$	149,771

(Expressed in US dollars)

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 period ended March 31, 2023 and the year ended December 31, 2022 are as follows:

		Three months ended March 31, 2023		Three months ended March 31, 2022
Consulting fees and management salaries	$	92,415	$	65,155
Director fees	$	73,008	$	5,923
Project evaluation expenses - Consulting fees				
Endeavour [(1)]	$	-	$	45,000
Director		-		45,000
	$	-	$	90,000
Share-based compensation	$	86,414	$	241,762
Total	$	251,837	$	402,840

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

Amounts due to/from related parties

As at March 31, 2023, the Company had trade and other payables of $746 (December 31, 2022 - $11,845) owing to related parties, being, $746 owing to the Chief Executive Officer (December 31, 2022 - $Nil) and $Nil (December 31, 2022 - $11,845) owing to Endeavour. All amounts owed are unsecured and non-interest bearing.

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 March 31, 2023, the Company's business is the creating and investing in a portfolio of mining royalty and streaming interests for its 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 stream in Peru, and royalties on gold sales from the Manica hard rock gold project in Mozambique as described in Note 5.

12. FINANCIAL INSTRUMENTS

Management of Capital

Management monitors the Company's financial risk management policies and exposures and approves financial transactions. Management considers capital to include the components of shareholders' equity.

The Company's objectives when managing capital are to provide shareholder returns through maximization of the profitable growth of the company and to maintain a degree of financial flexibility relevant to the underlying operating and metal price risks while safeguarding the Company's ability to continue as a going concern. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Company may issue new shares, acquire debt, or sell assets. Management regularly reviews cash flow forecasts to determine whether the Company has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

The Company was not subject to any externally imposed capital requirements with the exception of complying with certain covenants under the Nebari Credit Facility (Note 6). There were no changes in the Company's capital management strategy during the period ended March 31, 2023. The Company was in compliance with the debt covenants as at March 31, 2023.

(Expressed in US dollars)

12. FINANCIAL INSTRUMENTS (continued)

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, 2023	December 31, 2022
Cash and cash equivalents	Amortized cost	$ 782,515	$ 707,010
Receivables	Amortized cost	116,070	191,811
Trade and other payables	Amortized cost	(234,962)	(123,462)
Loan	Amortized cost	(2,978,513)	(3,171,187)

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 cash and cash equivalents, receivables, trade and other payables and the loan approximates their fair value due to their short-term nature.

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and receivables relating to royalty and stream revenues. The credit risk on cash is limited because the Company invests its cash in deposits in high credit quality banking institutions in Canada. The Company's receivables is subject to the credit risk of the counterparties who own and operate the mines underlying the royalty and stream portfolio. In order to mitigate its exposure to credit risk, the Company closely monitors its financial assets.

12. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to closely monitor cash forecasts and manage resources to ensure that there is sufficient capital in order to meet short-term business requirements. All of the Company's trade and other payables are classified as current and are anticipated to be settled in the next sixty days.

The Company continues to review strategic options in relation to the Nebari Facility (Note 6) which matures on December 23, 2023. Discussions are underway with Nebari and other lending groups to negotiate an amended credit facility.

The Company is exposed to liquidity risk.

Market Risk

Market risk is the risk that the Company's future earnings will be adversely impacted by changes in in market factors such as interest rates, foreign exchange rates, and commodity prices. These fluctuations may be significant.

Foreign Currency Risk

The Company is exposed to foreign exchange risk when the Company undertakes transactions and holds assets and liabilities in currencies other than its functional currency. Investment transactions are expected to be made primarily in US dollars and royalty and stream revenue is all expected to be in US dollars. As such, the Company is subject to fluctuations in the exchange rate between the Canadian dollar and the US dollar. As at March 31, 2023, the Company holds most of its cash in US dollars. Management estimates the foreign exchange risk related to a 10% change in currency conversion is approximately $44,000. The Company does not hedge its foreign exchange risk.

Interest Rate Risk

The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risk on cash is not considered significant. The Nebari Facility (Note 6) bears interest at Libor (1% floor) plus 10% per annum. A 10% change in the LIBOR rate would affect profit or loss by approximately $15,000.

Commodity Risk

While the value of the Company's investments is expected to be primarily related to the price of gold and silver and the outlook for these minerals, the value of the Company's investments is subject to changes in metal prices and market fluctuations.

13. SUPPLEMENTAL CASH FLOW INFORMATION

During the period ended March 31, 2023, the Company:

- Accrued transaction costs of $206,262 (2022 – $168,998) on the Loan (Note 6).
- Warrants with value of $196,961 were exercised (Note 7).

During the year ended December 31, 2022, the Company:

- Accrued transaction costs of $839,930 on the Loan (Note 6).

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

The Company paid interest of $147,425 (2022 - $143,351) during the period ended March 31, 2023 (Note 6).

14. COMMITMENTS

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

In December 2021, the Company entered into a letter agreement with a third-party to confirm that the Company has agreed to pay a success fee of 1% of all cash proceeds received by the Company from the Nebari Facility (Note 6).

15. SUBSEQUENT EVENTS

In May 2023, 3,434,727 warrants were exercised for proceeds of approximately $681,000.

In May 2023, the Company entered into an amending agreement with Luca Mining Corporation with respect to the silver stream on the Tahuehueto silver project (Note 5) 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.