Empress Royalty Corp.

Consolidated Financial Statements
For The Year ended December 31, 2023
(Expressed in US dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Empress Royalty Corp.

Opinion

We have audited the accompanying consolidated financial statements of Empress Royalty Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company's continued operations and the ability of the Company to meet commitments are dependent upon royalty and stream interests delivering cash or cash equivalents according to forecasts, which are outside the control of management, and the ability of the Company to continue to raise additional equity or debt financing. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of Impairment Indicators or Recoverable Amount of Royalty and Stream Interests

As described in Note 6 to the consolidated financial statements, the carrying amount of the Company's royalty and stream interests was $17,102,456 as of December 31, 2023. As more fully described in Notes 2 and 3, management assesses whether any indication of impairment exists at each reporting date for each royalty and stream interest, including assessing whether there are observable indications that the asset's value has declined during the period. If such an indication exists, the recoverable amount is estimated to determine the extent of the impairment, if any. Management uses judgment when assessing whether there are indicators of impairment, such as significant changes in future commodity prices, discount rates, and production based on estimated mineral reserves and mineral resources, which indicate that the carrying value of royalty and stream interests may not be recoverable.

The principal considerations for our determination that the assessment of impairment indicators of royalty and stream interests, including where applicable the estimate of recoverable amount, is a key audit matter include significant judgments by management in assessing whether there were indicators of impairment, including among other items, evaluation of future commodity pricing, discount rates, ore recovery rates, and performance projections of underlying mining operations. There is significant auditor judgment, subjectivity and effort in performing procedures to evaluate audit evidence relating to the aforementioned matters.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others:

- Evaluating the reasonableness of management's assessment of indicators of impairment for significant royalty and stream interests;
- Evaluation of future commodity pricing;
- Evaluating the qualifications, competence and objectivity of management's experts related to the estimates of mineral resources of the underlying royalty and stream interests;
- Assessing fair value models with the assistance of a fair value specialist with respect to Sierra Antapite stream asset and Pinos royalty asset estimates of recoverable amount; and
- Evaluation of the current, past and projected performance of the underlying mining operations.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year ended and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 29, 2024

(Expressed in US dollars)

	Note		December 31, 2023		December 31, 2022
ASSETS					
Current assets					
Cash and cash equivalents	*4*	$	1,171,687	$	707,010
Receivables	5		693,422		191,811
Prepaid expenses			146,765		19,079
			2,011,874		917,900
Royalty and stream interests	*6*		17,102,456		19,016,202
		$	19,114,330	$	19,934,102
LIABILITIES					
Current liabilities					
Trade and other payables	*11*	$	539,473	$	123,462
Loan	*7*		1,228,516		3,171,187
			1,767,989		3,294,649
Loan	*7*		1,713,339		-
			3,481,328		3,294,649
SHAREHOLDERS' EQUITY					
Share capital	*8*		21,257,045		19,637,073
Share-based reserve	*8*		4,741,969		4,448,409
Foreign exchange reserve			248,822		234,243
Deficit			(10,614,834)		(7,680,272)
			15,633,002		16,639,453
		$	19,114,330	$	19,934,102

Nature of operations and going concern	*1*
Commitments	*16*
Subsequent event	*17*

These consolidated financial statements are approved for issue by the Board of Directors of the Company on April 29, 2024.

They are signed on the Company's behalf by:

"Paul Mainwaring", Director   "Alexandra Woodyer Sherron", Director

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

(Expressed in US dollars)

	Note	Year ended December 31, 2023	Year ended December 31, 2022
Revenue			
Royalty and stream revenue	*6*	$ 3,522,262	$ 1,825,049
Cost of sales, excluding depletion	*6*	(353,841)	(304,300)
Depletion	*6*	(1,184,148)	(734,915)
		1,984,273	785,834
Expenses			
General and administrative	*9*	2,109,402	1,757,546
Project evaluation	*10*	252,288	264,941
Share-based compensation	*8 & 11*	623,121	744,388
		(2,984,811)	(2,766,875)
Loss from operations		(1,000,538)	(1,981,041)
Finance costs	*7*	(1,353,996)	(1,401,179)
Foreign exchange gain (loss)		(430)	2,260
Other revenue	*6*	150,000	-
Impairment charges	*6*	(729,598)	
Loss for the year		(2,934,562)	(3,379,960)
Other comprehensive income			
Foreign exchange		14,579	18,401
Comprehensive loss for the year		$ (2,919,983)	$ (3,361,559)
Basic and diluted loss per share		$ (0.03)	$ (0.03)
Weighted average number of shares outstanding – basic and diluted		116,255,857	106,498,860

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

(Expressed in US dollars)

	Year ended December 31, 2023	Year ended December 31, 2022
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the year	$ (2,934,562)	$ (3,379,960)
Items not involving cash:		
Depletion	1,184,148	734,915
Share-based compensation	623,121	744,388
Finance costs	833,904	1,401,179
Impairment charges	729,598	-
Accrued interest	29,566	-
Unrealized foreign exchange loss (gain)	29,107	-
Change in non-cash working capital items:		
Receivables	(501,611)	(182,295)
Prepaid expenses	(127,686)	19,209
Trade and other payables	347,131	(278,550)
	212,716	(941,114)
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Acquisition of royalty and stream interests	-	(1,000,000)
	-	(1,000,000)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Private placements	-	1,984,366
Shares issued on exercise of warrants	980,748	-
Loan	3,443,983	-
Loan transaction costs	(168,879)	
Payment on loan	(3,989,363)	(1,370,823)
	266,489	613,543
Effect of foreign exchange	(14,528)	6,707
Change in cash and cash equivalents for the year	464,677	(1,320,864)
Cash and cash equivalents, beginning of year	707,010	2,027,874
Cash and cash equivalents, end of year	$ 1,171,687	$ 707,010
Supplementary information (Note 15)		
Interest paid	490,526	572,951
Income taxes paid	-	-

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

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

	Number of Shares		Share Capital		Share-based reserve		Foreign exchange reserve		Deficit		Total Shareholders' Equity
Balance, December 31, 2021	104,574,385	$	17,964,022	$	3,392,706	$	215,842	$	(4,300,312)	$	17,272,258
Private placements	8,666,666		1,673,051		311,315		-		-		1,984,366
Share-based compensation	-		-		744,388		-		-		744,388
Comprehensive loss for the year	-		-		-		18,401		(3,379,960)		(3,361,559)
Balance, December 31, 2022	113,241,051	$	19,637,073	$	4,448,409	$	234,243	$	(7,680,272)	$	16,639,453
Shares issued on exercise of warrants	4,964,367		1,619,972		(639,224)		-		-		980,748
Share-based compensation	-		-		623,121		-		-		623,121
Fair value of warrants issued on Nebari loan refinancing	-		-		309,663		-		-		309,663
Comprehensive loss for the year	-		-		-		14,579		(2,934,562)		(2,919,983)
Balance, December 31, 2023	118,205,418	$	21,257,045	$	4,741,969	$	248,822	$	(10,614,834)	$	15,633,002

The accompanying notes are an integral part of these 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 3123, 595 Burrard Street, Vancouver, BC, Canada, V7X 1J1.

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 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 December 31, 2023, the Company had cash of $1,171,687 and working capital of $243,885. The Company's continued operations and the ability of the Company to meet commitments are dependent upon royalty and stream interests delivering cash or cash equivalents according to forecasts, which are outside the control of management, and the ability of the Company to continue to raise additional equity or debt financing. While the Company has been successful in obtaining financing to date, there can be no assurances that future equity financing, debt or debt refinancing alternatives will be available on acceptable terms to the Company or at all.

Some of the Company's activities for royalty generation are located in emerging nations and, consequently, may be subject to a higher level of risk compared to other developed countries. Operations, the status of mineral property rights and the recoverability of investments in emerging nations can be affected by changing economic, legal, regulatory, and political situations. 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 consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved by the board and authorized for issue on April 29, 2024.

Basis of presentation

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

Significant accounting estimates, judgements, and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, 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 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.

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 POLICY INFORMATION

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 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.

Foreign currency

The functional currency is the currency of the primary economic environment in which the entity operates. 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. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Foreign currency (continued)

The translation of the consolidated financial statements to the presentation currency is as follow; assets and liabilities are translated at the exchange rate prevailing at the statement of financial position date and revenue and expenses are translated at average exchange rates for the period, with all resulting exchange difference recognized in other comprehensive income.

Financial instruments

Financial assets

Financial Instruments are recognized in the consolidated statements of financial position when the Company has become a party to the contractual provisions of the instrument. The Company's financial instruments consist of cash and cash equivalents, receivables, trade and other payables and the loan.

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets expire. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability obtained) is recognized in profit or loss.

Financial assets carried at amortized cost

These assets incorporate such types of financial assets where the objective is to hold these assets in order to collect contracted cash flows and the contracted cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest method, less provision for impairment. Impairment provisions for receivables are recognized based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the receivable is assessed. The probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the receivables. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

At each reporting date, the Company assesses whether financial assets carried at the amortized cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred which aligns to the definition of default.

The Companies financial assets measured at amortized cost comprise cash and cash equivalents and receivables which are all due within 12 months, so any expected credit losses are nominal.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial liabilities carried at amortized cost

Financial liabilities measured at amortized cost using the effective interest rate method include trade and other payables and loans. Financial liabilities are discharged if the Company's obligations specified in the contract expire or are discharged or cancelled. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate ("EIR"). The EIR amortization is included as a finance cost profit or loss.

Royalty and stream interests

Royalty and stream interests consist of acquired royalty and stream interests. These interests which are identified and classified as tangible assets are initially measured at cost, including any directly attributable transaction costs. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. Project evaluation costs that are not related to a specific acquired royalty or stream asset are expensed in the period incurred.

Producing royalty and stream interests are depleted using the units-of-production method over the anticipated life of the property to which the interest relates, which is estimated using available information on proven and probable reserves and the portion of resources expected to be classified as mineral reserves at the mine corresponding to the specific agreement, where management is confident that further resources will be converted into reserves and are approaching economic decisions affecting the mine on this basis.

On acquisition of a pre-development royalty or stream interest on future potential revenues of an exploration and evaluation stage mineral property, an allocation of its cost is attributable to the exploration interest and is recorded as a non-depletable asset on the acquisition date. The values of the exploration potential are accounted for in accordance with IFRS 6 Exploration and Evaluation of Mineral Resources ("IFRS 6") and is not depleted until such time as the technical feasibility and commercial viability have been established, at which point the value of the asset is accounted for in accordance with IAS 16 Property, Plant and Equipment ("IAS 16").

Impairment of royalty and stream interests

Evaluation of the carrying values of each royalty and stream interest is undertaken when events or changes in circumstances indicate that the carrying values may not be recoverable. For assets classified as exploration potential, the impairment is assessed at each reporting period in accordance with IFRS 6. If any indication of impairment exists, the recoverable amount is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of the fair value less costs of disposal and value in use. The calculation of the recoverable amount includes the following significant assumptions: production based on estimated mineral reserves and mineral resources, long-term commodity prices, and discount rate. Estimated future production is determined using

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of royalty and stream interests (continued)

estimated mineral reserves and mineral resources as well as exploration potential expected to be converted into resources or reserves. Long-term commodity prices are determined by reference to average long-term price forecasts per analyst consensus pricing. If it is determined that the recoverable amount is less than the carrying value, then an impairment is recognized with a charge to profit or loss.

An assessment is made at each reporting period if there is any indication that the previous impairment loss may no longer exist or is decreased. If indications are present, the carrying amount of the royalty or stream interest is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount net of depletion that would have been determined had no impairment loss been recognized for the royalty or stream interest in previous periods.

Revenue

Revenue is comprised of revenue earned from royalty and stream interests. The Company recognizes revenue upon the transfer of control of the relevant commodity from the operator to the end customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those commodities.

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

For stream interests, revenue recognition occurs when the relevant commodity received from the stream operator is delivered by the Company to its third-party customers. Revenue is measured at the fair value of the consideration received or receivable when management can reliably estimate the amount, pursuant to the terms of the sales contract.

Share capital and share purchase warrants

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Consideration paid for the shares on the exercise of stock options or warrants is credited to share capital and the applicable amounts of share-based payment reserve are transferred to share capital.

Earnings (loss) per share

The Company presents basic and diluted earnings(loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated assuming that outstanding share options and share purchase warrants, with an average market price that exceeds the average exercise price of the options and warrants for the period, are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the common shares for the year. For the periods presented, this calculation proved to be anti-dilutive.

Share-based compensation

The Company recognizes share based compensation for all share purchase options awarded to employees, officers and directors based on the fair values of the share purchase options at the date of grant. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair values of share purchase options at the date of grant are expensed over the vesting periods of the share purchase options, respectively, with a corresponding increase to equity.

The fair value of share purchase options is determined using the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of share purchase options, the fair value of the Company's shares and the risk-free rate of interest. At each financial position reporting date, the Company re-assesses its estimates of the number of awards that are expected to vest and recognized the impact of any revisions to this estimate in profit or loss.

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

Income taxes

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

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Deferred tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party. Parties are also considered related is they are subject to common control or significant influence. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Segmented reporting

In accordance with IFRS 8 “Operating Segments”, an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker (“CODM”) and for which discrete information is available. The Company’s CODM is the Chief Executive Officer.

The Company operates in a single segment, the creation and acquisition of royalty and stream interests. In addition, the Company has corporate activities, which include the evaluation and creation of new royalty and stream interests and corporate administration. The Company’s income, costs, assets, liabilities and cash flows are therefore totally attributable to its one segment.

New standards, interpretations and amendments not yet effective

Amendment to IAS 1 – Non-current liabilities with covenants

These amendments clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. The amendments also aim to improve the information an entity provides related to liabilities subject to these conditions. These amendments are effective for annual periods beginning on or after January 1, 2024, and are not expected to have a material impact on the Company’s future reporting periods.

(Expressed in US dollars)

4. CASH AND CASH EQUIVALENTS

		December 31, 2023		December 31, 2022
Canadian dollar denominated deposits	$	86,473	$	193,818
US dollar denominated deposits		1,080,165		437,204
Metal deposits		5,049		75,988
Total	$	1,171,687	$	707,010

5. RECEIVABLES

		December 31, 2023		December 31, 2022
Royalty and stream receivables	$	512,249	$	181,474
GST and other recoverable taxes		45,574		10,337
Other receivables		135,599		-
Total	$	693,422	$	191,811

(Expressed in US dollars)

6. ROYALTY AND STREAM INTERESTS

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

	Cost			Accumulated Depletion			Carrying amounts
	As at December 31, 2022	Impairment	As at December 31, 2023	As at December 31, 2022	Depletion	As at December 31, 2023	As at December 31, 2023
Sierra Antapite [(1)] Peru	$ 10,096,964	$ -	$ 10,096,964	$ 718,400	$ 590,408	$ 1,308,808	$ 8,788,156
Tahuehueto [(2)] Mexico	5,092,628	-	5,092,628	-	35,943	35,943	5,056,685
Manica [(1)] Mozambique	3,024,284	-	3,024,284	109,873	557,797	667,670	2,356,614
Pinos [(2)] Mexico	1,630,598	(729,598)	901,000	-	-	-	901,000
Other royalties [(3)] Canada	1	-	1	-	-	-	1
Total	$ 19,844,475	$ (729,598)	$ 19,114,877	$ 828,273	$ 1,184,148	$ 2,012,421	$ 17,102,456

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

(Expressed in US dollars)

6. 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 [2] 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

6. ROYALTY AND STREAM INTERESTS (continued)

Revenue from royalty and stream interests

During the year ended December 31, 2023, the Company earned a total stream and royalty revenue of $3,522,262 (2022 - $1,825,049) and recorded cost of sales of $353,841 (2022 - $304,300), excluding depletion. The following provides further breakdown by investment:

- During the year ended December 31, 2023, the Company earned stream revenue of $1,544,861 (2022 – $1,435,678) and recorded cost of sales of $308,976 (2022 – $287,136) from the gold stream agreement on the Sierra Antapite mine in Peru.

- During the year ended December 31, 2023, the Company earned stream revenue of $223,912 (2022 – $85,822) and recorded cost of sales of $44,865 (2022 – $17,164) from the silver stream agreement on the Tahuehueto mine in Mexico.

- During the year ended December 31, 2023, the Company earned royalty revenue of $1,753,489 (2022 - $303,549) 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.

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.

6. ROYALTY AND STREAM INTERESTS (continued)

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 received the sum of $150,000 as compensation for the amendment. The life of the stream agreement, which was originally 10 years from initial production, was extended by nine months.

After September 30, 2023, Luca publicly disclosed one of its lenders (Trafigura) agreed to extend waivers of certain debt repayments as part of a larger refinancing plan being undertaken by Luca to support the strategic initiatives being taken by Luca at the Campo Morado Mine. As a condition of such extension, Luca has not (since their delivery of silver credits to the Company in October 2023) delivered silver credits to the Company in connection with the stream agreement. The Company is currently in discussion with Luca in connection with the outstanding deliveries.

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 July 6, 2023, the Company amended the Manica Royalty Agreement to reflect that the Manica royalty payor Endor was replaced by MMP who successfully obtained its own gold export licence.

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.

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%.

Impairment of non-current assets

The Company's accounting policy for impairment of non-current assets is to use the higher of the estimates of fair value less cost of disposal of these assets or value in use. The Company uses valuation techniques that require significant judgements and assumptions, including those with respect to future production levels, future metal prices and discount rates.

(Expressed in US dollars)

6. ROYALTY AND STREAM INTERESTS (continued)

Non-current assets are tested for impairment when events or changes in circumstances suggest that the carrying amount may not be recoverable. The Company continuously reviews operator reserve and resource estimates, expected long term commodity prices to be realized, foreign exchange, interest rates and other relevant information received from the operators that indicate production from royalty interests may be significantly reduced in the future.

During the year ended December 31, 2023, following the Company's review of impairment indicators of the Sierra Antapite gold stream, it was determined an indicator existed based on identified mineral production variances. The Company considered the production variance an indicator of impairment and conducted an impairment analysis to estimate the recoverable amount. The Company estimated the recoverable amount of the asset using a value in use model which was determined using a discounted cash flow model estimating the value in use over an 8 year mine life using long term gold prices of $1,950/oz and discounted at a pre-tax rate of 16.5%. No impairment charge was recognized as the estimated recoverable amount exceeded the carrying value.

During the year ended December 31, 2023, the Company re-evaluated the carrying value of the Pinos Project royalty after review of delayed estimated production commencement, the Company recorded an impairment charge of $729,598, which was determined using a discounted cash flow model estimating the value in use over an 8 year mine life using long term gold and silver prices of $1,950/oz and $23.00/oz and discounted at a pre-tax rate of 16.5%. In isolation, a 10% change in the long-term prices of gold and silver could result in a difference in the recoverable amount of $86,000, while a 10% increase in the respective discount rates would result in a reduction of the recoverable amount of $49,000.

7. LOAN

		December 31, 2023		December 31, 2022
Opening balance	$	3,171,187	$	3,140,831
Loan refinancing		3,596,849		-
Discount on issuance		(152,866)		-
Transaction costs		(547,422)		-
Accrued interest		520,092		561,249
Interest paid		(490,526)		(572,951)
Principal repayment		(3,989,363)		(797,872)
Accretion of transaction costs		833,904		839,930
Ending balance	$	2,941,855	$	3,171,187
Current	$	1,228,516	$	3,171,187
Long-term		1,713,339		-

7. LOAN (continued)

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 received $4,500,000 upon closing of the 2021 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, matured 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 2021 Nebari Facility.

The Nebari Facility was 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.

Transaction cost on the Nebari facility totalled $1,375,720 comprised of i) the issuance of 7,500,000 warrants to Nebari at value of $965,720, and ii) legal fees and other transaction costs in connection with the initial drawdown of the Nebari Facility. The value of non-cash warrants, were 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.

On December 5, 2023, the Company entered into a $28,500,000 Accordion Credit Facility (the “Credit Facility”) with Nebari Gold Fund 1, LP and Nebari Natural Resources Credit Fund II, LP (collectively, “Nebari”), an arm’s length party. The Credit Facility replaced $15,000,000 Nebari Facility. The Credit Facility bears interest at a rate of 7.5% per annum plus 3-month Term SOFR (3.5% floor). An arrangement fee of 2.0% of each draw made under the Credit Facility is payable on closing, together with reimbursement of Nebari’s costs for each draw made. In addition, an OID of 4.25% is applicable to all loans made under the Credit Facility. The Credit Facility is secured against the existing investment assets of the Company. The Initial Loan has a term of three years, and any addition draws under the Accordion Feature will have a term of three years from that date of drawdown.

On December 5, 2023 the Company’s made an initial drawdown of $3,443,983 upon closing of the Credit Facility. These funds were used to repay the balance outstanding on the existing Nebari Facility of $2,943,983 and provide $500,000 for working capital. An OID of 4.25% applicable to all loans made under the Credit Facility resulted in the Initial Loan being $3,596,849.

The Credit 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 $500,000 of cash.

Transaction cost on the Credit facility totalled $547,422 comprised of i) the issuance of 3,104,153 warrants to Nebari at value of $309,663, and ii) legal fees and other transaction costs in connection with the initial drawdown of the Credit Facility. The value of non-cash warrants was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 3.97%; an expected volatility of 67.36%; an expected life of three years; a forfeiture rate of zero; and an expected dividend of zero and will be amortized into profit or loss over the term of the Loan at an effective interest rate of 14.1%, comprised of, 11.1% cash interest on the Loan, and 3% non-cash warrants.

7. LOAN (continued)

Interest payments over the next year, assuming an interest rate of 7.5% and SOFR interest rate of 5.4% and before consideration of the subsequent draw (Note 17), are between $87,000 to $116,000 per quarter in 2024. Principal payments for the initial drawdown over the next year are $299,737 per quarter in 2024.

During the year ended December 31, 2023, the Company recorded finance costs of $1,353,996 (2022 – $1,401,179), being interest expense of $520,092 (2022 – $561,249) and accretion of transaction costs of $833,904 (2022 – $839,930).

8. 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 December 31, 2023, the Company had 118,205,418 (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 years ended December 31, 2023 and 2022.

During the year ended December 31, 2023, the Company:

- During the year ended December 31, 2023, the Company issued 4,964,367 shares at a price of C$0.27 for gross proceeds of $980,748 on the exercise of 4,964,367 warrants with a value of $639,224.

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 5 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 5 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)

8. SHARE CAPITAL (continued)

Escrow shares

As at December 31, 2023, the Company had nil common shares (2022 - 7,311,928) in escrow, all escrow shares were released during the year ended December 31, 2023.

Warrants

The continuity of share purchase warrants for the year ended December 31, 2023 and 2022 are as follows:

Expiry date	Exercise price (C$)	Balance, December 31, 2022	Granted	Exercised	Expired	Balance, December 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	-	(4,964,357)	(2,535,643)	-
September 29, 2027	$0.60	4,350,000	-	-	-	4,350,000
October 25, 2027	$0.60	4,316,666	-	-	-	4,316,666
December 8, 2026	$0.31	-	3,104,153	-	-	3,104,153
		33,423,716	3,104,153	(4,964,357)	(19,792,693)	11,770,819
Weighted average exercise price (C$)		$0.60	$0.31	$0.27	$0.68	$0.52

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)

8. 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 December 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 year ended December 31, 2023 and 2022 are as follows:

Expiry date	Exercise price (C$)	Balance, December 31, 2022	Granted	Exercised	Expired	Balance, December 31, 2023
April 19, 2026 (1)	$ 0.50	7,000,000	-	-	-	7,000,000
May 2, 2027 (3)	$ 0.50	500,000	-	-	(500,000)	-
June 26, 2028 (4)	$ 0.35	-	1,150,000	-	-	1,150,000
		7,500,000	1,150,000	-	(500,000)	8,150,000
Weighted average exercise price (C$)		$0.50	$0.35	$-	$0.50	$0.48

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

(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
(4) vest one-third on June 26, 2023, one-third on June 26, 2024, and one-third on June 26, 2025

As at December 31, 2023, 5,050,000 (2022 – 2,500,000) of the stock options are exercisable with a weighted average exercise price of $0.49 (2022 - $0.50).

(Expressed in US dollars)

8. SHARE CAPITAL (continued)

Equity Incentive Plan

The Company adopted an Equity Incentive Plan (the "Plan") during the year ended December 31, 2022 after shareholder approval at its annual general meeting on September 1, 2022. Under the Plan, the Company can grant equity-based incentive awards in the form of restricted share units ("RSUs"), performance share units ("PSUs") and deferred share units ("DSUs"). The aggregate number of common shares in the capital of the Company that may be issued to Equity Incentive Plan Participants under the Equity Incentive Plan cannot not exceed 10,457,439, subject to adjustment as provided for in the Equity Incentive Plan.

Under the Plan, the Company may determine vesting periods for equity units granted at the time of grant, but such vesting shall not be less than one year. The Company also has the option to settle vested units by either issuing one common share of the Company for each unit or make a cash payment calculated by multiplying the number of Vested share units to be redeemed by the market price per share on the date of settlement.

Under the Plan, the Company may elect to fix a portion of the Director's fees that are to be payable in the form of DSUs. In addition, each Director may elect to participate in the grant of additional DSUs in lieu of Director's fees payable in cash. During the year ended December 31, 2023, the Company issued 1,750,000 DSUs to directors of the Company. The Company expensed $150,507 included in share-based compensation expense during the year ended December 31, 2023 (2022 - $nil) related to the grant of 1,750,000 DSUs that vest equally over two years.

The continuity of DSUs for the year ended December 31, 2023 and, 2022, are as follows:

	Number of DSUs
Balance, December 31, 2022	-
Granted	1,750,000
Balance, December 31, 2023	1,750,000
Vested at December 31, 2023	Nil

Restricted Share Units ("RSU")

Under the Plan the Company may, in its discretion, designate participants who are to receive RSU units, fix the number of units and types of units to be granted the dates to be granted and the vesting period of the units. During the year ended December 31, 2023, the Company issued 1,500,000 RSU units to directors of the Company. The Company expensed $129,007 included in share-based compensation expense during the year ended December 31, 2023 (2022 - $nil) related to the grant of 1,500,000 RSUs that vest equally over two years.

(Expressed in US dollars)

8. SHARE CAPITAL (continued)

The continuity of RSUs for the year ended December 31, 2023 and 2022, are as follows:

	Number of RSUs
Balance, December 31, 2022	-
Granted	1,500,000
Balance, December 31, 2023	1,500,000
Vested at December 31, 2023	Nil

Share-based compensation

During the year ended December 31, 2023, the Company recorded share-based compensation of $343,607 (2022 – $744,388).

On May 2, 2022, the Company granted 500,000 stock options to the former 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 $31,693 was recorded as share-based compensation during the year ended December 31, 2022. These options expired unexercised during the year ended December 31, 2023.

On June 26, 2023, the Company granted 1,150,000 stock options to employees and consultants of the Company exercisable at a price of C$0.35 until June 26, 2028. The stock options were valued at a fair value of $149,749. The options granted vest one-third on the date of grant, one-third on June 26, 2024, and one-third on June 26, 2025.

The fair value of the options granted was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2023	December 31, 2022
Risk-free interest rate	3.70%	2.78%
Expected volatility	69.75%	77.31%
Expected life of warrants	5.00 years	5.00 years
Expected dividend yield	nil	nil
Forfeiture rate	nil	nil

(Expressed in US dollars)

9. GENERAL AND ADMINISTRATIVE

	Note		Year ended December 31, 2023		Year ended December 31, 2022
Consulting fees and salaries	*11*	$	779,805	$	723,116
Director fees	*11*		292,796		93,190
Investor and shareholder relations			310,154		321,417
Office expenses			76,827		50,002
Professional fees			407,502		249,820
Regulatory fees			44,853		102,039
Travel			197,465		217,962
Total		$	2,109,402	$	1,757,546

10. PROJECT EVALUATION

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

	Note		Year ended December 31, 2023		Year ended December 31, 2022
Consulting fees	*11*	$	26,968	$	270,726
Professional fees			114,899		(8,371)
Other			110,421		2,586
Total		$	252,288	$	264,941

(Expressed in US dollars)

11. 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, 2023 and 2022 are as follows:

		Year ended December 31, 2023		Year ended December 31, 2022
Consulting fees and management salaries	$	419,287	$	382,880
Director fees and consulting fees paid to directors related to project evaluation	$	292,703	$	363,578
Share-based compensation	$	468,826	$	540,647
Total	$	1,180,816	$	1,287,105

Amounts due to related parties

As at December 31, 2023, the Company had trade and other payables of $130,676 (2022 - $11,845) owing to related parties, being, $122,420 (2022 - $11,845) owing to Endeavour Financial Limited (Cayman) ("Endeavour") a Company that has a director in common and $8,256 (2022 - $ Nil) owing to a Company for which the CFO works. All amounts owed are unsecured and non-interest bearing.

12. SEGMENTED INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Chief Executive Officer.

As at December 31, 2023, the Company's business is the creating and investing in a portfolio of mining royalty and streaming interests. The geographical breakdown of the Company's royalty and stream interests is described in Note 6. All of the Company's revenue is derived from the Sierra Antapite stream in Peru, Tahuehueto silver stream in Mexico, and royalties on gold sales from the Manica hard rock gold project in Mozambique as described in Note 6.

(Expressed in US dollars)

13. 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 7). There were no changes in the Company's capital management strategy during the year ended December 31, 2023. The Company was in compliance with the debt covenants as at December 31, 2023.

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, 2023	December 31, 2022
Cash and cash equivalents	Amortized cost	$ 1,171,687	$ 707,010
Receivables	Amortized cost	693,422	191,811
Trade and other payables	Amortized cost	(539,473)	(123,462)
Loan	Amortized cost	(2,941,855)	(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.

13. FINANCIAL INSTRUMENTS (continued)

The carrying value of cash and cash equivalents, receivables, and trade and other payables approximates their fair value due to their short-term nature or because they reflect amounts that a receivable to the Company without further adjustments.

Loans payable is carried at amortized cost. Fair value of loan payable approximates its carrying value as the interest rates are comparable to market interest rates.

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.

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.

During the year ended December 31, 2023 the Company refinanced its loan facility with Nebari. The loan matures December 8, 2026 and the Company is required to make quarterly payments of 1/12 of the Initial Loan plus accrued interest (Note 7).

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.

13. FINANCIAL INSTRUMENTS (continued)

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 December 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 $5,000. 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 7) bears interest at SOFR (3.5% floor) plus 7.5% per annum. A 10% change in the SOFR rate would affect profit or loss by $29,000.

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.

14. INCOME TAXES

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

		Year ended December 31, 2023		Year ended December 31, 2022
Loss for the year	$	(2,934,562)	$	(3,379,960)
Expected income tax recovery		(792,000)		(908,916)
Change in statutory, foreign exchange rates and other		7,000		33,234
Permanent differences		170,000		623,403
Adjustment to prior years provisions versus statutory tax returns		(477,000)		135,087
Temporary differences not recognized		1,092,000		117,192
Income tax expense (recovery)	$	-	$	-

(Expressed in US dollars)

14. INCOME TAXES (continued)

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

		December 31, 2023		December 31, 2022
Royalty and stream interests	$	(176,000)	$	-
Share issue costs		421,000		477,288
Debt with accretion		(101,000)		-
Allowable capital losses		3,000		3,074
Non-capital loss carry forward		2,349,000		923,834
Total unrecognized deferred tax assets	$	2,496,000	$	1,404,196

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

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

		December 31, 2023	Expiry date
Temporary differences			
Royalty and stream interests	$	897,000	2044 to 2046
Share issue costs		1,558,000	2044 to 2047
Allowable capital losses		11,000	No expiry date
Non-capital losses available for future periods		6,775,000	2040 to 2043

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

15. SUPPLEMENTAL CASH FLOW INFORMATION

During the Year ended December 31, 2023, the Company:

- Warrants with value of $639,224 were exercised (Note 7 & 8).
- Issued 3,104,153 warrants in connection with the Nebai loan valued at $309,663 (Note 7).
- Transaction cost on loan includes $68,880 which were included in accounts payable (Note 7).

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

- Accrued transaction costs of $839,930 on the Loan (Note 7).

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

The Company paid interest of $490,526 (2022 - $572,951) during the year ended December 31, 2023 (Note 7).

16. 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 7).

17. SUBSEQUENT EVENT

Subsequent to December 31, 2023 the Company closed a US$5,000,000 metal purchase and sale agreement with Galaxy Gold Reefs (Pty) Ltd., a subsidiary of Golconda, and Golconda and certain of its affiliates, for payable gold production from the Galaxy mine in South Africa. The investment is based on 3.5% of the payable gold production from the Galaxy mine for an initial 8,000 payable ounces; thereafter, the percentage will reduce to 2.0% of the payable gold production until the earlier of: (i) 20,000 ounces having been paid to Empress; or (ii) 20 years after the first payment was made. The purchase price for the payable gold delivered pursuant to the agreement is 20% of the gold spot price.

The investment was funded by the Company's Accordion Credit Facility with Nebari.

In accordance with the terms of the Credit Facility, the Company issued 5,000,000 common share purchase warrants to Nebari. Each bonus warrant exercisable at $0.31 and is exercisable into one common share of the Company for a period of three years from the drawdown date.

On January 15, 2024, the Company granted 500,000 stock options to an employee of the Company exercisable at a price of C$0.35 until January 15, 2029. The options granted vest one-third on the date of grant, one-third on January 15, 2025, and one-third on January 15, 2026.