



**Empress Resources Corp.**

**Condensed Interim Financial Statements**

**For the nine months ended December 31, 2019**

(Unaudited – Expressed in Canadian dollars)

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**NOTICE TO READER**

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These condensed interim financial statements of Empress Resources Corp. have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these interim financial statements, notes to financial statements and the related quarterly Management's Discussion and Analysis.

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## Empress Resources Corp.

Condensed Interim Statements of Financial Position  
(Unaudited – Expressed in Canadian dollars)

			December 31, 2019		March 31, 2019
<hr/>					
		<i>Note</i>			
<hr/>					
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	4	\$	1,704,607	\$	2,532,706
Receivables	5		14,605		25,959
Prepaid expenses	6		10,407		24,684
			1,729,619		2,583,349
<b>Deposit</b>	<b>11</b>		-		16,275
		\$	1,729,619	\$	2,599,624
<hr/>					
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current liabilities</b>					
Trade and other payables	7	\$	50,966	\$	62,521
			50,966		62,521
<hr/>					
<b>Shareholders' equity</b>					
Share capital	8		10,607,241		10,580,515
Share-based payment reserve	8		1,414,113		1,414,113
Deficit			(10,342,701)		(9,457,525)
			1,678,653		2,537,103
		\$	1,729,619	\$	2,599,624
<hr/>					
Nature of operations and going concern	1				
Commitments	11				
Contingency	12				
Proposed transaction	14				

These condensed interim financial statements are approved for issue by the Audit Committee of the Board of Directors of the Company on February 25, 2020.

They are signed on the Company's behalf by:

"Paul Mainwaring", Director

"Jeremy Bond", Director

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

## Empress Resources Corp.

Condensed Interim Statements of Loss and Comprehensive Loss  
(Unaudited – Expressed in Canadian dollars)

	Note	Three months ended December 31,		Nine months ended December 31,	
		2019	2018	2019	2018
<b>Expenses</b>					
Consulting fees	9	\$ 40,832	\$ 62,500	\$ 139,440	\$ 485,915
Director fees	9	-	12,500	4,167	33,333
Investor relations		1,451	-	13,354	-
Office and administration		12,079	13,640	43,881	21,384
Professional fees		20,364	2,435	82,668	14,010
Project evaluation and business development fees	9	-	75,000	205,000	200,000
Project investigation costs		12,588	-	48,702	-
Rent	9	-	19,105	32,550	35,605
Transfer agent and filing fees		999	6,544	14,226	35,445
Travel		7,577	7,955	28,663	29,549
		(95,890)	(199,679)	(612,651)	(855,241)
<b>Foreign exchange</b>		(1,196)	6,625	(1,430)	1,090
<b>Gain on cancellation of escrow shares</b>	8	-	-	3,274	-
<b>Interest expense</b>		-	-	-	(1,883)
<b>Interest income</b>		6,994	9,200	20,631	14,400
<b>Loss on settlement of contingent liability</b>	12	(95,000)	-	(295,000)	-
<b>Loss and comprehensive loss for the period</b>		\$ (185,092)	\$ (183,854)	\$ (885,176)	\$ (841,634)
<b>Basic and diluted loss per common share</b>		\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)
<b>Weighted average number of common shares outstanding</b>		60,737,940	60,006,690	60,624,485	48,462,120

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

## Empress Resources Corp.

Condensed Interim Statements of Cash Flows  
(Unaudited – Expressed in Canadian dollars)

		Nine months ended December 31,	
		2019	2018
	Note		
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>			
Loss for the period		\$ (885,176)	\$ (841,634)
Items not affecting cash:			
Deposit	11	16,275	-
Project evaluation and business development fees	9	30,000	-
Gain on cancellation of escrow shares	8	(3,274)	-
Accrued interest expense		-	1,883
Accrued interest income		(10,644)	(14,400)
Changes in non-cash working capital items:			
Receivables		21,998	35,003
Prepaid expenses		14,277	(70,124)
Trade and other payables		(11,555)	(579,587)
Net cash used in operating activities		(828,099)	(1,468,859)
<b>CASH FLOWS FROM (TO) INVESTING ACTIVITIES</b>			
Deposit		-	(16,275)
Net cash used in investing activities		-	(16,275)
<b>CASH FLOWS FROM (TO) FINANCING ACTIVITIES</b>			
Private placements		-	4,778,900
Share issue costs		-	(428,260)
Share subscriptions		-	(924,700)
Loans repaid		-	(178,365)
Net cash provided by financing activities		-	3,247,575
<b>Change in cash for the period</b>		(828,099)	1,762,441
<b>Cash, beginning of period</b>		2,532,706	931,394
<b>Cash, end of period</b>		\$ 1,704,607	\$ 2,693,835
<b>Non-cash investing and financing activities</b>			
Finders' warrants issued		\$ -	\$ 106,103
<b>Supplementary information</b>			
Interest paid		\$ -	\$ -
Income taxes paid		-	-

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

**Empress Resources Corp.**

Condensed Interim Statements of Changes in Equity  
(Unaudited – Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share-Based Payment Reserve	Deficit	Total Shareholders' Equity
<b>Balance, March 31, 2019</b>	60,006,690	\$ 10,580,515	\$ 1,414,113	\$ (9,457,525)	\$ 2,537,103
Issuance of shares for project evaluation and business development fees	750,000	30,000	-	-	30,000
Cancellation of escrow shares	(18,750)	(3,274)	-	-	(3,274)
Comprehensive loss for the period	-	-	-	(885,176)	(885,176)
<b>Balance, December 31, 2019</b>	60,737,940	\$ 10,607,241	\$ 1,414,113	\$ (10,342,701)	\$ 1,678,653

	Number of Shares	Share Capital	Share-Based Payment Reserve	Deficit	Total Shareholders' Equity (Deficiency)
<b>Balance, March 31, 2018</b>	12,217,690	\$ 6,323,978	\$ 1,308,010	\$ (8,361,509)	\$ (729,521)
Private placements	47,789,000	4,778,900	-	-	4,778,900
Share issue costs	-	(534,363)	106,103	-	(428,260)
Comprehensive loss for the period	-	-	-	(841,634)	(841,634)
<b>Balance, December 31, 2018</b>	60,006,690	\$ 10,568,515	\$ 1,414,113	\$ (9,203,143)	\$ 2,779,485

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

## **Empress Resources Corp.**

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2019

(Unaudited – Expressed in Canadian dollars)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

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Empress Resources Corp. (the “Company” or “Empress”) is a publicly traded company incorporated under the laws of British Columbia, Canada. The Company changed its name from Cipher Resources Inc. to Empress Resources Corp. on June 26, 2019. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) and trade under the symbol EMPX. The corporate office and registered and records office of the Company is located at Unit 1 – 15782 Marine Drive, White Rock, BC, Canada, V4B 1E6.

In February 2020, the Company and Alto Ventures Ltd entered into a non-binding letter agreement for a proposed business combination (Note 14).

These 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 the foreseeable future. The Company has not generated revenues from operations and as at December 31, 2019 had an accumulated deficit of \$10,342,701 and working capital of \$1,678,653. Management estimates that these funds may not provide the Company with sufficient financial resources to carry out future operations through the next twelve months. The Company intends on entering into a business combination as disclosed in Note 14, however should the business combination not be successful then the Company may need to raise additional financial resources. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

These financial statements do not reflect the adjustments that would be necessary if the going concern assumption were not appropriate.

### **2. BASIS OF PRESENTATION**

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#### **Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). The policies applied in these interim financial statements are based on International Financial Reporting Standards (“IFRS”) issued and outstanding as at the date the Board of Directors approved these interim financial statements for issue.

These interim financial statements do not include all of the information and disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the Company’s annual financial statements for the year ended March 31, 2019.

**Empress Resources Corp.**

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2019

(Unaudited – Expressed in Canadian dollars)

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**2. BASIS OF PRESENTATION (continued)**

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**Basis of presentation**

These condensed interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Use of estimates, judgments and assumptions**

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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 further periods if the review affects both current and future periods.

**(i) Critical accounting estimates**

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

- the calculation of share-based compensation;
- fair value measurements for financial instruments; and
- the recoverability and measurement of deferred tax assets.

**(ii) Critical accounting judgments**

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are, but are not limited to, the following:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification of financial instruments.

**Empress Resources Corp.**

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2019

(Unaudited – Expressed in Canadian dollars)

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company as at and for the year ended March 31, 2019, except for those accounting policies which have changed as a result of the adoption of new and revised standards and interpretations as described below:

**Adoption of new and revised standards and interpretations**

The Company adopted the requirements of IFRS 16 – Leases (“IFRS 16”) as of April 1, 2019. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the leased asset. For assets that meet the definition of a lease, IFRS 16 requires a single, on-balance sheet accounting model similar to finance lease accounting, with exceptions for short-term leases, leases of low value assets, and mineral exploration leases. The Company does not have any leases that fall within the application of IFRS 16.

**New standards, interpretations and amendments not yet effective**

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2019 and have not been applied in preparing these condensed interim financial statements. In addition, none of these standards are applicable to the Company.

**4. CASH**

	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Canadian dollar denominated deposits held in Canada	\$ 1,645,280	\$ 2,436,321
US dollar denominated deposits held in Canada	59,327	96,385
Total	\$ 1,704,607	\$ 2,532,706

**Empress Resources Corp.**

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2019

(Unaudited – Expressed in Canadian dollars)

**5. RECEIVABLES**

	December 31, 2019	March 31, 2019
Amounts due from the Government of Canada pursuant to input tax credits	\$ 3,961	\$ 6,085
Interest income	10,644	19,874
<b>Total</b>	<b>\$ 14,605</b>	<b>\$ 25,959</b>

**6. PREPAID EXPENSES**

	December 31, 2019	March 31, 2019
Prepaid insurance	\$ 10,000	\$ 6,422
Prepaid investor relations	407	18,262
<b>Total</b>	<b>\$ 10,407</b>	<b>\$ 24,684</b>

**7. TRADE AND OTHER PAYABLES**

	December 31, 2019	March 31, 2019
Accounts payable	\$ 47,523	\$ 20,146
Accrued liabilities	-	25,000
Amounts due to related parties (Note 9)	3,443	17,375
<b>Total</b>	<b>\$ 50,966</b>	<b>\$ 62,521</b>

**Empress Resources Corp.**

Notes to the Condensed Interim Financial Statements  
For the nine months ended December 31, 2019  
(Unaudited – Expressed in Canadian dollars)

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**8. SHARE CAPITAL**

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**Authorized**

The Company has an unlimited number of common shares without par value authorized for issue.

**Issued and outstanding**

As at December 31, 2019, the Company had 60,737,940 common shares issued and outstanding (March 31, 2019 – 60,006,690). A summary of changes in share capital and reserves is contained on the condensed interim statements of changes in equity for the nine months ended December 31, 2019 and 2018.

In May 2019, the Company issued 750,000 common shares valued at \$30,000 in termination of its four-year agreement with Endeavour Financial (Note 9) in lieu of twelve month's notice.

In September 2019, the Company cancelled 18,750 common shares that were previously held in escrow and recorded a gain on cancellation of \$3,274 on the statement of loss and comprehensive loss for the nine months ended December 31, 2019.

**Warrants**

The continuity of warrants for the nine months ended December 31, 2019 is as follows:

<b>Expiry date</b>	<b>Exercise price</b>	<b>Balance, March 31, 2019</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired</b>	<b>Balance, December 31, 2019</b>		
May 11, 2021	\$0.15	21,917,000	-	-	-	21,917,000		
June 14, 2021	\$0.15	20,757,920	-	-	-	20,757,920		
August 7, 2021	\$0.15	6,326,800	-	-	-	6,326,800		
		49,001,720	-	-	-	49,001,720		
Weighted average exercise price	\$	0.15	\$	-	\$	-	\$	0.15

**Empress Resources Corp.**

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2019

(Unaudited – Expressed in Canadian dollars)

**9. RELATED PARTY TRANSACTIONS AND BALANCES**

Description	Three months ended December 31,		Nine months ended December 31,	
	2019	2018	2019	2018
Consulting fees	\$ 37,500	\$ 62,500	\$ 122,500	\$ 163,333
Director fees	-	12,500	4,167	33,333
Project evaluation and business development fees	-	75,000	205,000	200,000
Rent	-	2,750	-	19,250
	\$ 37,500	\$ 152,750	\$ 331,667	\$ 415,916

**Consulting fees**

During the three and nine months ended December 31, 2019, the Company paid or accrued \$22,500 and \$67,500 (2018 - \$22,500 and \$60,000) respectively, to Golden Oak Corporate Services Ltd. ("Golden Oak"). Golden Oak is a consulting company controlled by the Chief Financial Officer and the Corporate Secretary of the Company. Golden Oak provides the services of a Chief Financial Officer, Corporate Secretary, and accounting and administrative staff to the Company.

During the three and nine months ended December 31, 2019, the Company paid or accrued \$15,000 and \$40,000 (2018 - \$Nil and \$Nil) respectively, to the Chief Executive Officer of the Company.

During the three and nine months ended December 31, 2019, the Company paid or accrued \$Nil and \$15,000 (2018 - \$15,000 and \$45,000) respectively, to the former Chief Executive Officer of the Company.

During the three and nine months ended December 31, 2019, the Company paid or accrued \$Nil and \$Nil (2018 - \$25,000 and \$58,333) respectively, to a company controlled by a director of the Company.

**Director fees**

During the three and nine months ended December 31, 2019, the Company paid or accrued \$Nil and \$4,167 (2018 - \$12,500 and \$33,333) respectively, to two former independent directors of the Company for director fees.

**Empress Resources Corp.**

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2019

(Unaudited – Expressed in Canadian dollars)

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**9. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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**Project evaluation and business development fees**

During the three and nine months ended December 31, 2019, the Company paid \$Nil and \$162,500 (2018 - \$37,500 and \$100,000) respectively, to SGG Consulting Ltd. (“SGG”) to provide the Company with additional financial and technical expertise. SGG is controlled by a former officer and director of the Company. In April 2019, the Company terminated its four-year agreement with SGG in exchange for the cash payment of \$150,000 in lieu of twelve months’ notice.

During the three and nine months ended December 31, 2019, the Company paid \$Nil and \$42,500 (2018 - \$37,500 and \$100,000) respectively, to Endeavour Financial Limited (Cayman) (“Endeavour Financial”) to provide the Company with additional financial and technical expertise. Endeavour Financial became a related party to the Company when on May 11, 2018, an officer of Endeavour Financial became a director of the Company. In April 2019, the Company terminated its four-year agreement with Endeavour Financial in exchange for the issuance of 750,000 common shares valued at \$30,000 in lieu of twelve months’ notice (Note 8).

**Rent**

During the three and nine months ended December 31, 2019, the Company paid or accrued \$Nil and \$Nil (2018 - \$2,750 and \$19,250) respectively, to the former Chief Executive Officer of the Company for office rent.

**Amounts due to related parties**

As at December 31, 2019, the Company owed \$3,443 (March 31, 2019 - \$17,375) to the Chief Executive Officer and Golden Oak for the reimbursement of expenditures. All amounts are unsecured and non-interest bearing.

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**10. SEGMENTED INFORMATION**

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The Company operates in one business segment being the acquisition of, or investment in, projects in the mineral and resource sector and has no geographic segment at this time.

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**11. COMMITMENTS**

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In September 2018, the Company entered into a sub-lease agreement for office space in Vancouver, BC for a term of two years at a basic rent of \$39,822 per year plus operating expenses and building property taxes. On signing, the Company paid a deposit of \$16,275, of which one-third was to be held as a security deposit and two-thirds will be applied to the last two month’s rent. In June 2019, the Company terminated its office lease in exchange for the surrender of the deposit of \$16,275.

## Empress Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2019

(Unaudited – Expressed in Canadian dollars)

### 12. CONTINGENCY

A Notice of Civil Claim was filed on May 28, 2019, by Rod Husband against the Company, Endeavour Financial Limited (Cayman) and Endeavour Financial AG (together “Endeavour”) seeking judgment for (a) \$80,000 and \$313,184 against the Company for consulting fees and expenses and (b) damages. In December 2019, the Company settled for consideration of \$295,000 and the exchange of mutual releases.

### 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Financial instruments

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

		December 31, 2019	March 31, 2019
Cash	FVTPL	\$ 1,704,607	\$ 2,532,706
Receivables	Amortized cost	10,644	19,874
Trade and other payables	Amortized cost	37,749	62,521

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The carrying value of receivables and trade and other payables approximate their fair value due to their short-term nature. Cash is recorded at fair value using Level 1 of the fair value hierarchy.

**Empress Resources Corp.**

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2019

(Unaudited – Expressed in Canadian dollars)

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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

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**Risk management**

The Company's risk management objectives and policies are consistent with those disclosed by the Company for the year ended March 31, 2019.

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**14. PROPOSED TRANSACTION**

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In February 2020, the Company and Alto Ventures Ltd ("Alto") entered into a non-binding letter agreement for a proposed business combination (the "Transaction").

Pursuant to the Transaction, Alto will acquire all the issued and outstanding common shares of Empress from their holders on the basis of one common share of Alto being exchanged for each common share of Empress. The combination of Alto and Empress will create a well-funded exploration-focused company ("New Alto") which will hold the mineral properties currently held by Alto. Alto will undergo a 5:1 share consolidation effective upon closing of the Transaction.

As part of the Transaction, Empress will spin off a new company ("New Empress") with each Empress shareholder receiving one share of New Empress for every Empress share held. New Empress will acquire up to ten royalties and marketable securities from Alto and in exchange, Alto shareholders will receive one share of New Empress for every Alto share held.

It is intended that each of New Alto and New Empress will undertake a concurrent financing to provide them with funds to finance their respective operations and, in the case of New Empress, to fund potential future royalty acquisitions (the "New Alto Financing" and the "New Empress Financing", respectively). The concurrent financing will be offered to shareholders of Alto and Empress on a pro rata basis. The New Alto Financing will be a unit offering at a post-consolidation price of \$0.10 per unit with each unit consisting of one common share and one full warrant exercisable for one common share at a price of \$0.20 for a term of two years. Use of proceeds will be for exploration of New Alto's mineral exploration properties.

The Transaction is subject to completion of due diligence by each of Empress and Alto, the successful negotiation of a binding definitive agreement of the Transaction (the "Definitive Agreement"), the approval of the Transaction by the Boards of Directors of each of Empress and Alto, and the approval of the TSX-V. It is anticipated that the Transaction will be effected as a plan of arrangement under the Business Corporations Act (British Columbia), which will also require approval by the shareholders of Empress. The parties have targeted the end of February for the completion of diligence and the negotiation of the Definitive Agreement.