



**CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2021

(Unaudited – Expressed in Canadian dollars)

**EMPRESS ROYALTY CORP.**

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



	<i>Note</i>	<b>September 30, 2021</b>	<b>September 30, 2020</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 4,065,823	\$ 1,515,475
Marketable securities	5	-	228,657
Receivables		14,290	8,779
Prepaid expenses		111,083	48,300
		4,191,196	1,801,211
<b>Royalty and stream interests</b>	<b>6</b>	<b>17,594,961</b>	<b>1</b>
		\$ 21,786,157	\$ 1,801,212
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	\$ 170,560	\$ 207,638
		170,560	207,638
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	23,059,677	1,980,770
Reserve	7	2,642,215	22,716
Deficit		(4,086,295)	(409,912)
		21,615,597	1,593,574
		\$ 21,786,157	\$ 1,801,212
Commitment	13		
Subsequent event	14		

These condensed interim financial statements are approved for issue by the Audit Committee of the Board of Directors of the Company on November 23, 2021.

They are signed on the Company's behalf by:

"Paul Mainwaring", Director

"Alexandra Woodyer Sherron", Director

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

**EMPRESS ROYALTY CORP.**

## Condensed Interim Statement of Loss and Comprehensive Loss

(Unaudited – Expressed in Canadian dollars)



		Three months ended September 30, 2021	Three months ended September 30, 2020	Twelve months ended September 30, 2021	Period from incorporation on March 2, 2020 to September 30, 2020
	Note				
<b>Revenue</b>					
Stream revenue	8	\$ 71,266	\$ -	\$ 71,266	\$ -
Cost of sales	8	(14,253)	-	(14,253)	-
		57,013	-	57,013	-
<b>Expenses</b>					
Consulting fees	10	129,595	96,434	454,433	96,784
Director fees	10	7,500	7,500	33,125	7,500
Investor communication and shareholder information		240,934	-	895,870	-
Office expenses		31,173	41,359	100,305	41,359
Professional fees		17,443	87,850	270,785	87,850
Project evaluation expenses	9 & 10	232,657	194,649	844,401	194,649
Regulatory fees		15,422	-	169,136	-
Salaries and benefits		41,407	14,705	97,880	14,705
Share-based compensation	7 & 10	455,657	-	788,415	-
		(1,171,788)	(442,497)	(3,654,350)	(442,847)
<b>Loss from operations</b>		(1,114,775)	(442,497)	(3,597,337)	(442,847)
<b>Foreign exchange gain (loss)</b>		35,812	(789)	(34,747)	(789)
<b>Interest income</b>		3,588	-	22,147	-
<b>Loss on sale of marketable securities</b>	5	-	(4,062)	(66,446)	(4,062)
<b>Unrealized gain on marketable securities</b>	5	-	37,786	-	37,786
<b>Loss and comprehensive loss for the period</b>		\$ (1,075,375)	\$ (409,562)	\$ (3,676,383)	\$ (409,912)
<b>Basic and diluted loss per share</b>		\$ (0.01)	\$ (0.02)	\$ (0.04)	\$ (0.04)
<b>Weighted average number of shares outstanding</b>		104,574,385	23,790,665	86,532,681	10,324,251

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

**EMPRESS ROYALTY CORP.**Condensed Interim Statement of Cash Flows  
(Unaudited – Expressed in Canadian dollars)

	Twelve months ended September 30, 2021	Period from incorporation on March 2, 2020 to September 30, 2020
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>		
Loss for the period	\$ (3,676,383)	\$ (409,912)
Items not involving cash:		
Share-based compensation	788,415	-
Loss on sale of marketable securities	66,446	4,062
Unrealized gain on marketable securities	-	(37,786)
Incorporation costs paid by Empress Resources	-	350
Change in non-cash working capital items:		
Receivables	(5,511)	(8,779)
Prepaid expenses	(62,783)	(48,300)
Trade and other payables	(37,078)	207,638
	(2,926,894)	(292,727)
<b>CASH FLOWS FROM (TO) INVESTING ACTIVITIES</b>		
Proceeds on sale of marketable securities, net of commissions	162,211	58,201
Acquisition of royalty and stream interests	(17,594,960)	-
	(17,432,749)	58,201
<b>CASH FLOWS FROM (TO) FINANCING ACTIVITIES</b>		
Private placements	24,402,500	1,500,000
Share issue costs	(1,492,509)	-
Incorporation share issued for cash	-	1
Arrangement with Empress Resources and Alto	-	250,000
	22,909,991	1,750,001
<b>Increase in cash and cash equivalents for the period</b>	2,550,348	1,515,475
<b>Cash and cash equivalents, beginning of period</b>	1,515,475	-
<b>Cash and cash equivalents, end of period</b>	\$ 4,065,823	\$ 1,515,475
<b>Non-cash investing and financing activities</b>		
Share issue costs - shares	\$ 38,500	\$ -
Share issue costs - warrants	190,834	-
Accrued deferred acquisition costs	46,429	-
Shares issued for marketable securities and NSR royalties	-	230,769
Contribution of assets included as reserves	-	22,366
<b>Supplementary information</b>		
Interest paid	-	-
Income taxes paid	-	-

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

**EMPRESS ROYALTY CORP.**

## Condensed Interim Statement of Changes in Shareholders' Equity

(Unaudited – Expressed in Canadian dollars)

	Number of Shares	Share Capital	Reserve	Deficit	Total Shareholders' Equity
<b>Balance, September 30, 2020</b>	39,615,385	\$ 1,980,770	\$ 22,716	\$ (409,912)	\$ 1,593,574
Private placements	64,805,000	22,762,250	1,640,250	-	24,402,500
Finders' shares	154,000	38,500	-	-	38,500
Share issue costs - shares	-	(38,500)	-	-	(38,500)
Share issue costs - warrants	-	(190,834)	190,834	-	-
Share issue costs - cash	-	(1,492,509)	-	-	(1,492,509)
Share-based compensation	-	-	788,415	-	788,415
Comprehensive loss for the period	-	-	-	(3,676,383)	(3,676,383)
<b>Balance, September 30, 2021</b>	104,574,385	\$ 23,059,677	\$ 2,642,215	\$ (4,086,295)	\$ 21,615,597

	Number of Shares	Share Capital	Reserve	Deficit	Total Shareholders' Equity
<b>Balance, March 2, 2020</b>	-	\$ -	\$ -	\$ -	\$ -
Share issued for cash on incorporation	1	1	-	-	1
Arrangement with Empress Resources and Alto	9,615,384	480,769	22,366	-	503,135
Private placement	30,000,000	1,500,000	-	-	1,500,000
Comprehensive loss for the period	-	-	350	(409,912)	(409,562)
<b>Balance, September 30, 2020</b>	39,615,385	\$ 1,980,770	\$ 22,716	\$ (409,912)	\$ 1,593,574

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

## EMPRESS ROYALTY CORP.

### Notes to the Condensed Interim Financial Statements

For the twelve months ended September 30, 2021

(Unaudited – Expressed in Canadian dollars)

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#### 1. NATURE OF OPERATIONS

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Empress Royalty Corp. (the “Company”) is a publicly traded company incorporated under the laws of British Columbia, Canada on March 2, 2020. The Company commenced trading on the TSX Venture Exchange (“TSX-V”) on December 29, 2020 under the symbol EMPR. On February 19, 2021, the Company commenced trading on the OTCQB Venture Market in the United States under the symbol EMPYF. The corporate office and registered and records office of the Company is located at Unit 1 – 15782 Marine Drive, White Rock, BC, Canada, V4B 1E6.

In September 2021, the Company filed the required notice to change its financial year end from September 30 to December 31. The change in financial year end is being completed to align the Company’s financial statement reporting periods with its peer group. As a result of this change, the Company will have a transitional 15 month financial year ending December 31, 2021.

The Company is in the business of acquiring royalty and streaming interests in precious metal mines and mining projects. The Company is focussed on investing in precious metals royalty or streaming opportunities with small to mid-tier producing or development stage mining companies, where immediate or near-term revenue can be generated. The Company may also invest in new grass roots royalties.

These condensed interim 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. As at September 30, 2021, the Company had working capital of \$4,020,636. Management estimates that these funds will provide the Company with sufficient financial resources to carry out currently planned operations through the next twelve months. Additional financing may be required by the Company to complete its long-term strategic objectives and continue as a going concern. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s ability to raise funds or the impact on its investments.

Many mining projects, including some of the properties in which the Company holds a royalty or stream interest, could be impacted by the pandemic resulting in the slowdown of operations and other mitigation measures that impact production. If the operation or development of one or more of the properties in which the Company holds a royalty from which it receives or expects to receive significant revenue is slowed down or suspended as a result of the continuing COVID-19 pandemic or future pandemics or other public health emergencies, it may have a material adverse impact on the Company’s profitability, results of operations, financial condition and the trading price of the Company’s common shares on the TSX-V. These condensed interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

## **EMPRESS ROYALTY CORP.**

Notes to the Condensed Interim Financial Statements  
For the twelve months ended September 30, 2021  
(Unaudited – Expressed in Canadian dollars)

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### **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 (“IAS”) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

These condensed interim financial statements do not include all of the disclosures required for annual financial statements, and therefore should be read in conjunction with the audited financial statements for the period ended September 30, 2020.

#### **Change of year-end**

In September 2021, the Company filed the required notice to change its financial year end from September 30 to December 31 in order to align the Company’s financial statement reporting periods with its peer group. As a result of this change, the Company will have a transitional 15 month financial year ending December 31, 2021. Accordingly, these condensed interim financial statements are for the twelve months ended September 30, 2021 and for the period from incorporation on March 2, 2020 to September 30, 2020.

#### **Basis of measurement**

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

#### **Functional and presentation currency**

These condensed interim financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

#### **Use of accounting estimates, judgments and assumptions**

The preparation of the Company’s financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.



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

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**Use of accounting estimates, judgments and assumptions (continued)**

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 include, but are not limited to, the following:

Impairment of royalty and stream interests

In accordance with the Company's accounting policy, royalty and stream interests are evaluated on a periodic basis to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed, and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of a royalty and stream assets is measured at the higher of fair value less costs to sell and value in use. The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, the proportion of areas subject to royalty rights, commodity prices (considering current and historical prices, price trends and related factors), and reserves. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in profit or loss.

Share-based compensation

The stock option plan allows Company directors, employees, and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. 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. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based reserve to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

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.

## EMPRESS ROYALTY CORP.

### Notes to the Condensed Interim Financial Statements

For the twelve months ended September 30, 2021

(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 period ended September 30, 2020.

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

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

### 4. CASH AND CASH EQUIVALENTS

	September 30, 2020	September 30, 2019
Canadian dollar denominated deposits	\$ 693,092	\$ 1,481,196
US dollar denominated deposits	3,323,664	34,279
Gold stream credits	49,067	-
<b>Total</b>	<b>\$ 4,065,823</b>	<b>\$ 1,515,475</b>

### 5. MARKETABLE SECURITIES

In July 2020, the Company acquired certain publicly traded marketable securities. As at September 30, 2020, the marketable securities were measured at a fair value of \$228,657. During the twelve months ended September 30, 2021, the Company sold the marketable securities for gross proceeds of \$162,211 (net of commissions) and recorded a loss on sale of marketable securities of \$66,446.

## EMPRESS ROYALTY CORP.

Notes to the Condensed Interim Financial Statements

For the twelve months ended September 30, 2021

(Unaudited – Expressed in Canadian dollars)



### 6. ROYALTY AND STREAM INTERESTS

		Twelve months ended September 30, 2021	Period from incorporation on March 2, 2020 to September 30, 2020
	<b>Country</b>		
Beginning balance		\$ 1	\$ -
Acquisition of Canadian royalties	Canada	-	1
Acquisition of Pinos project royalty	Mexico	2,084,231	-
Acquisition of Manica project royalty	Mozambique	2,587,440	-
Acquisition of Tahuehueto project stream	Mexico	6,509,397	-
Acquisition of Sierra Antapite project stream	Peru	6,413,892	-
Ending balance		\$ 17,594,961	\$ 1

#### Canadian Royalties

In July 2020, the Company acquired a portfolio of net smelter return (“NSR”) royalties, all of which are on early-stage exploration properties located in Canada and range between 0.5% and 1%.

#### Pinos Project Royalty

In November 2020, the Company completed the acquisition of a combined 1% NSR royalty on Candelaria Mining Corp.’s (“Candelaria”) Pinos project in Mexico for an aggregate consideration of \$1,954,950 (US\$1,500,000) cash. The acquisition was a combination of a newly created 0.5% NSR royalty on the Pinos project from Candelaria for consideration of US\$750,000 and the purchase of a 0.5% NSR royalty on the Pinos project from an existing royalty holder for consideration of an additional US\$750,000. The Company paid transaction costs of \$90,182. The Company also paid Accendo Banco, S.A. (“Accendo”) (Note 13) a success fee of \$39,099 (US\$30,000).

#### Manica Project Royalty

In April 2021, the Company closed a royalty purchase agreement for the creation of a royalty on gold sales from Manica hard rock gold project, located in Mozambique and operated by Mutapa Mining & Processing LDA (“MMP”), for an aggregate consideration of \$2,514,400 (US\$2,000,000). Payments to the Company under the agreement are based on 2.25% of the revenues generated from the sale of gold from the project until a total of 95,000 oz of gold have been sold, and thereafter the percentage shall reduce to 0.75% and shall continue into perpetuity. The royalty is secured by a first ranking security interest in certain assets of MMP. The Company paid transaction costs of \$73,040.



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**6. ROYALTY AND STREAM INTERESTS (continued)**

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**Tahuehueto Project Stream**

In April 2021, the Company executed a streaming agreement on production from the Tahuehueto silver project, located in Mexico, owned and operated by Altaley Mining Corporation's (formerly Telson Mining Corporation) ("Altaley"). Pursuant to the streaming agreement, the Company has the right to acquire 100% of silver production at 20% of the related off-take price in cash up to 1,250,000 ounces, and thereafter may acquire 20% of production at 20% of the related off-take price in cash. The streaming agreement terminates 10 years from the date of initial production. In consideration, the Company paid \$6,228,500 (US\$5,000,000) in two tranches (\$2,458,400 (US\$2,000,000) paid in April 2021 and \$3,770,100 (US\$3,000,000) paid in July 2021). The Company paid transaction costs of \$155,447. The Company also paid Accendo (Note 13) a success fee of \$125,450 (US\$100,000).

**Sierra Antapite Project Stream**

In July 2021, as amended, the Company completed the execution of a gold streaming agreement on the Sierra Antapite mine in Peru owned by the private corporation Sierra Sun Group, through its 100% owned Peruvian company Sierra Antapite S.A.C. Mining Unit ("Sierra Antapite"). The stream is on gold production from the Sierra Antapite mine at 20% of the gold spot price based on 4.5% of gold production for the first 11,000 gold ounces and 1% thereafter for life of mine. The stream will be registered and secured against the mine. In consideration, the Company paid \$6,283,000 (US\$5,000,000) in July 2021 for 2.25% of gold production and a further US\$2,500,000 subsequent to September 30, 2021 for a total 3.375% of gold production. Once the Company pays the final US\$2,500,000, it will have a total 4.5% of gold production. The Company paid transaction costs of \$130,892.



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**7. 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 September 30, 2021, the Company had 104,574,385 common shares issued and outstanding (2020 – 39,615,385). A summary of changes in share capital and reserves is contained on the condensed interim statements of changes in shareholders equity for the periods ended September 30, 2021 and 2020.

During the twelve months ended September 30, 2021, the Company completed the following:

- On October 23 and November 10, 2020, the Company completed a non-brokered private placement in two tranches through the issuance of 32,000,000 common shares at a price of \$0.25 per share for gross proceeds of \$8,000,000. The Company paid cash finder's fees of \$160,125 and issued 154,000 finders' shares valued at \$38,500.
- On February 4, 2021, the Company filed a short form base shelf prospectus (the "Prospectus") to raise up to \$200,000,000. The Prospectus is valid for a 25-month period.
- On March 25, 2021, the Company completed a bought deal public offering offered pursuant to the Prospectus to raise gross proceeds of \$15,752,500 through the issuance of 31,505,000 units at a price of \$0.50 per unit. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.75 until March 25, 2023. The Company valued the warrants at \$1,575,250 using the residual value approach.

The Company paid cash commissions of \$1,031,975 and issued 854,550 broker warrants valued at \$190,834. Each broker warrant is exercisable into one common share at an exercise price of \$0.50 until March 25, 2023. The fair value of the broker warrants was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.23%; an expected volatility of 100%; an expected life of two years; a forfeiture rate of zero; and an expected dividend of zero. The Company also incurred cash share issue costs of \$300,409.

- On March 25, 2021, the Company completed a non-brokered private placement through the issuance of 1,300,000 units at a price of \$0.50 per unit for gross proceeds of \$650,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.75 until March 25, 2023. The Company valued the warrants at \$65,000 using the residual value approach.

## EMPRESS ROYALTY CORP.

Notes to the Condensed Interim Financial Statements

For the twelve months ended September 30, 2021

(Unaudited – Expressed in Canadian dollars)



### 7. SHARE CAPITAL (continued)

#### Escrow shares

As at September 30, 2021, the Company had 18,279,818 common shares remaining in escrow, and 2,476,692 seed shares remaining in pooling agreements, all to be released in stages over a period of 36 months from December 15, 2020.

#### Warrants

The continuity of share purchase warrants for the twelve months ended September 30, 2021 is as follows:

Expiry date	Exercise price	Balance, September 30, 2020	Granted	Exercised	Expired	Balance, September 30, 2021
March 25, 2023	\$ 0.50	-	854,550	-	-	854,550
March 25, 2023	\$ 0.75	-	16,402,500	-	-	16,402,500
		-	17,257,050	-	-	17,257,050
Weighted average exercise price	\$	-	\$ 0.74	\$	-	\$ 0.74

#### Stock options

In October 2020, the Board of Directors of the Company approved a rolling stock option plan ("the Stock Option Plan") which is applicable to directors, officers, employees and consultants. Under the Stock Option Plan, the total outstanding stock options that may be granted are limited to 10% of the outstanding common shares of the Company at any one time. The exercise price of an option shall not be less than the discounted market price at the time of granting as prescribed by the policies of the TSX-V. The maximum term of stock options is ten years from the grant date. Vesting terms are at the discretion of the directors. The Company did not grant any stock options under the Stock Option Plan.

In April 2021, the Company replaced the Stock Option Plan with an omnibus equity plan (the "Omnibus Equity Plan") to increase the flexibility in granting both short and long-term incentives, including stock options, deferred stock units and restricted share units (the "Awards") to directors, officers, employees and consultants of the Company. Under the Omnibus Equity Plan, the total Awards that may be granted are limited to 10% of the outstanding common shares of the Company at the time of issuance.

## EMPRESS ROYALTY CORP.

Notes to the Condensed Interim Financial Statements

For the twelve months ended September 30, 2021

(Unaudited – Expressed in Canadian dollars)



### 7. SHARE CAPITAL (continued)

#### Stock options (continued)

The continuity of stock options for the twelve months ended September 30, 2021 is as follows:

Expiry date	Exercise price	Balance, September 30,			Balance, September 30,	
		2020	Granted	Exercised	Expired	2021
April 19, 2026 *	\$ 0.50	-	8,400,000	-	-	8,400,000
August 1, 2022 **	\$ 0.50	-	500,000	-	-	500,000
		-	8,900,000	-	-	8,900,000
Weighted average exercise price	\$	-	\$ 0.50	\$	-	\$ 0.50

\* vest one-third on April 19, 2022, one-third on April 19, 2023, and one-third on April 19, 2024.

\*\* vest 25% on grant and 25% every three months thereafter.

As at September 31, 2021, 250,000 of the stock options are exercisable.

#### Share-based compensation

On April 19, 2021, the Company granted 8,400,000 stock options under the Omnibus Equity Plan to directors, officers, employees and consultants exercisable at a price of \$0.50 until April 19, 2026. The stock options were valued at a fair value of \$2,605,733 or \$0.31 per option, of which \$715,367 was recorded as share-based compensation during the twelve months ended September 30, 2021. The options granted vest equally over a three-year period. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.77%; an expected volatility of 100%; an expected life of five years; a forfeiture rate of zero; and an expected dividend of zero.

On April 19, 2021, the Company granted 500,000 stock options under the Omnibus Equity Plan to an investor relations consultant exercisable at a price of \$0.50 until August 1, 2022. The stock options were valued at a fair value of \$83,661 or \$0.17 per option, of which \$73,047 was recorded as share-based compensation during the twelve months ended September 30, 2021. The options granted vest 25% on grant and 25% every three months thereafter. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.77%; an expected volatility of 100%; an expected life of 1.28 years; a forfeiture rate of zero; and an expected dividend of zero.

## EMPRESS ROYALTY CORP.

### Notes to the Condensed Interim Financial Statements

For the twelve months ended September 30, 2021

(Unaudited – Expressed in Canadian dollars)



## 8. REVENUE

In July 2021, as amended, the Company completed the execution of a gold stream agreement on the Sierra Antapite mine in Peru (Note 6). The stream is on gold production from the Sierra Antapite mine at 20% of the gold spot price based on 4.5% of gold production for the first 11,000 gold ounces and 1% thereafter for life of mine. In July 2021, the Company acquired 2.25% of gold production and subsequent to September 30, 2021 increased its interest to 3.375% of gold production.

During the twelve months ended September 30, 2021, the Company earned stream revenue of \$71,266 and recorded cost of sales related to the 20% of \$14,253.

## 9. PROJECT EVALUATION EXPENSES

During the periods ended September 30, 2021 and 2020, the Company incurred certain expenditures to conduct due diligence and evaluate royalty and streaming opportunities with the potential for acquisition or investment.

			Three months ended September 30, 2021	Three months ended September 30, 2020	Twelve months ended September 30, 2021	Period from incorporation on March 2, 2020 to September 30, 2020			
Consulting fees	9	\$	114,669	\$	159,532	\$	453,978	\$	159,532
Professional fees			96,969		35,117		237,500		35,117
Travel			21,019		-		152,923		-
		\$	232,657	\$	194,649	\$	844,401	\$	194,649

**EMPRESS ROYALTY CORP.**

Notes to the Condensed Interim Financial Statements

For the twelve months ended September 30, 2021

(Unaudited – Expressed in Canadian dollars)

**10. RELATED PARTY TRANSACTIONS***Compensation of key management personnel*

Key management includes members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid, or payable, to key management personnel during the periods ended September 30, 2021 and 2020 are as follows:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Twelve months ended September 30, 2021	Period from incorporation on March 2, 2020 to September 30, 2020
Consulting fees				
Chief Executive Officer	\$ 45,000	\$ 45,000	\$ 187,500	\$ 45,000
Golden Oak *	37,500	37,500	150,000	37,500
	82,500	82,500	337,500	82,500
Director fees	7,500	7,500	33,125	7,500
Project evaluation expenses				
Endeavour Financial **	57,334	39,481	226,989	39,481
Director	57,334	120,051	226,989	120,051
	114,668	159,532	453,978	159,532
Share-based compensation	312,922	-	557,817	-
	\$ 312,922	\$ -	\$ 557,817	\$ -
Total	\$ 517,590	\$ 249,532	\$ 1,382,420	\$ 249,532

\* Golden Oak Corporate Services Ltd. ("Golden Oak") is a consulting company controlled by the Chief Financial Officer and the Corporate Secretary of the Company. The Chief Financial Officer and the Corporate Secretary are employees of Golden Oak and are not paid directly by the Company.

\*\* Endeavour Financial Limited (Cayman) and the Company have a director in common.

*Amounts due to related parties*

As at September 30, 2021, the Company had trade and other payables of \$122,972 (2020 - \$127,818) owing to related parties, being \$57,335 owing to a director for consulting fees, \$57,335 owing to Endeavour Financial for consulting fees, as well as \$5,559 owing to the Chief Executive Officer and \$2,743 owing to Golden Oak for the reimbursement of expenses. All amounts owed are unsecured and non-interest bearing.

## EMPRESS ROYALTY CORP.

Notes to the Condensed Interim Financial Statements

For the twelve months ended September 30, 2021

(Unaudited – Expressed in Canadian dollars)



### 11. SEGMENTED INFORMATION

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

As at September 30, 2021, the Company's business is the acquisition of mining royalty and streaming interests. The geographical breakdown of the Company's royalty and streaming interests is described in Note 6.

### 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Financial instruments

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

		September 30, 2021	September 30, 2020
Cash and cash equivalents	FVTPL	\$ 4,065,823	\$ 1,515,475
Receivables	FVTPL	14,290	8,779
Marketable securities	FVTPL	-	228,657
Trade and other payables	Amortized cost	(170,560)	(207,638)

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 approximates its fair value due to its short-term nature. Cash and cash equivalents and marketable securities are recorded at fair value using Level 1 of the fair value hierarchy.

## **EMPRESS ROYALTY CORP.**

Notes to the Condensed Interim Financial Statements

For the twelve months ended September 30, 2021

(Unaudited – Expressed in Canadian dollars)

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### **12. 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 period ended September 30, 2020.

### **13. COMMITMENTS**

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In August 2020, the Company entered into a strategic alliance agreement with Accendo pursuant to which the Company would pay a success fee of 0.5% to 2.0% on the acquisition of identified royalty or streaming opportunities in Mexico. The agreement terminated automatically without obligation on behalf of the Company, on September 30, 2021, the commencement date of the Accendo liquidation process.

In July 2021, the Company and Endeavour Financial broadened the scope of the Endeavour contract to include sourcing, review and negotiations of M&A and debt opportunities in exchange for a 2% success fee and no increase in monthly fees.

### **14. SUBSEQUENT EVENT**

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Subsequent to September 30, 2021, the Company funded an additional US\$2,500,000 on the Sierra Antapite gold stream in Peru (Note 6).