



**EMPRESS**  
RESOURCES

**Empress Resources Corp.**

**Management's Discussion and Analysis  
Quarterly Highlights**

**For the six months ended September 30, 2019**

(Expressed in Canadian dollars)

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The following is management’s discussion and analysis – quarterly highlights (“MD&A”) of the results of operations and financial condition of Empress Resources Corp. (the “Company” or “Empress”) for the six months ended September 30, 2019 and up to the date of this MD&A, and has been prepared to provide material updates to the business operations, financial condition, liquidity and capital resources of the Company since its last management’s discussion and analysis for the fiscal year ended March 31, 2019 (the “Annual MD&A”).

This MD&A should be read in conjunction with the Annual MD&A and the audited financial statements for the year ended March 31, 2019, together with the notes thereto, and the accompanying unaudited condensed interim financial statements and related notes thereto for the six months ended September 30, 2019 (the “Financial Report”).

All financial information in this MD&A is derived from the Company’s Financial Report prepared in accordance with International Financial Reporting Standards (“IFRS”) and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The effective date of this MD&A is November 26, 2019.

## **DESCRIPTION OF COMPANY**

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 the registered and records office of the Company is located at Unit 1 – 15782 Marine Drive, White Rock, BC, Canada, V4B 1E6.

The Company is primarily focused on the identification and investment in opportunities in precious metals mining projects, specifically those in production and at a late stage of development.

## **OPERATIONAL HIGHLIGHTS**

Empress is focused on building a portfolio of investment opportunities in precious metals mining companies, concentrating on finding partners with development and production stage projects who require additional non-dilutive capital. Empress will bring a financially disciplined approach to invest in these cost-effective operations with strong experienced management teams and excellent exploration potential. Empress focuses on streams and royalties but may employ other investment instruments, including equity, bridge loans, secured loans, unsecured loans, convertible debentures, warrant and options, net profits interests and other hybrid instruments. The management team is supported in these efforts by its significant shareholders, Endeavour Financial Limited (Cayman) (“Endeavour Financial”) and Terra Capital Natural Resource Fund (“Terra Capital”).

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The Board of Directors (all of whom are independent) consists of:

- David Rhodes – Managing Director of Endeavour Financial
- Paul Mainwaring – Associate Director of Endeavour Financial
- Jeremy Bond – Chief Investment Officer and founder of Terra Capital
- Duncan Gordon

The management team consists of:

- Alexandra Woodyer Sherron – President & Chief Executive Officer
- Dan O'Brien – Chief Financial Officer
- Doris Meyer – Corporate Secretary

During the six months ended September 30, 2019 and up to the date of this MD&A, the Company completed a number of cost-cutting measures including:

- In April 2019, the Company terminated its four-year agreement with SGG Consulting Ltd. ("SGG") in exchange for the cash payment of \$150,000 in lieu of twelve months' notice. SGG had been engaged to provide the Company with additional financial and technical expertise.
- In April 2019, the Company terminated its four-year agreement with Endeavour Financial Limited (Cayman) ("Endeavour Financial") in exchange for the issuance of 750,000 common shares in lieu of twelve months' notice. Endeavour Financial had been engaged to provide the Company with additional financial and technical expertise.
- In April 2019, the Company ceased paying director fees.
- In June 2019, the Company terminated the lease on its Vancouver office space.
- 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. On August 13, 2019, the Company and Endeavour filed a Response to Civil Claim and a Counterclaim seeking judgment for (a) \$667,994 and (b) damages. On September 19, 2019, Mr. Husband filed a Response to Counterclaim opposing the judgment sought. The Company now believes that a settlement is probable and accordingly has recorded a provision of \$200,000 of project evaluation and business development fees, which is included in trade and other payables as at September 30, 2019.

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## **TRENDS**

The Company is primarily focused on precious metals mining projects, specifically those in production and at a late stage of development.

Issues of seasonality or market fluctuations have a minor impact on the expenditure patterns. The Company expenses its exploration, project investigation and general and administration costs, and these amounts are included in the net loss for each quarter. The Company's treasury, in part, determines the levels of activities.

The level of the Company's project investigation expenditures is largely determined by the strength of the resource capital and commodity markets and its ability to obtain investor support for its activities.

## **RESULTS OF OPERATIONS**

During the six months ended September 30, 2019, the Company recorded a net loss of \$500,084 (2018 – \$657,780).

The significant changes between the current period and the comparative period are discussed below:

**Consulting fees** for the six months ended September 30, 2019 were \$98,608 compared to \$423,415 in the prior period. Consulting fees in the current period included \$25,000 (2018 – \$Nil) paid to the Chief Executive Officer, \$15,000 (2018 - \$30,000) paid to the former Chief Executive Officer, \$45,000 (2018 – \$37,500) paid for the services of the Chief Financial Officer, Corporate Secretary and related services and \$13,608 (2018 - \$Nil) to the executive assistant to the Chief Executive Officer. Consulting fees in the prior period also included \$107,982 paid to Endeavour Financial and \$227,933 paid to a third party, who became a related party in July 2018.

**Professional fees** for the for the six months ended September 30, 2019 were \$62,304 compared to \$11,575 in the prior period. Professional fees included legal fees of \$58,629 related to the cost to prepare and file a Response to Civil Claim and a Counterclaim pursuant to the contingent liability fully described in Note 12 of the Financial Report.

**Project evaluation and business development fees** for the six months ended September 30, 2019 were \$405,000 compared to \$125,000 in the prior period. As described above, the Company engaged SGG and Endeavour Financial to provide the Company with financial and technical expertise for a fee of \$12,500 per month. In April 2019, these agreements were terminated and upon termination, the Company paid \$180,000 in termination fees as described above. As described above, the Company recorded a provision of \$200,000 of project evaluation and business development fees.

**Rent** for the six months ended September 30, 2019 was \$32,550 compared to \$16,500 in the prior period. In June 2019, the Company terminated its office lease in exchange for the surrender of the deposit of \$16,275.

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**LIQUIDITY AND CAPITAL RESOURCES**

The Company began the fiscal period with \$2,532,706 cash. During the six months ended September 30, 2019, the Company expended \$458,201 on operating activities, net of working capital changes, to end at September 30, 2019 with \$2,074,505 cash.

The Company has not generated revenues from operations and as at September 30, 2019 had an accumulated deficit of \$10,157,609 and working capital of \$1,863,745. Management estimates that these funds will provide the Company with sufficient financial resources to carry out currently planned operations through the next twelve months. However, should the Company be successful in negotiating the acquisition of one or more investments 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.

**RELATED PARTY TRANSACTIONS**

The Company had no other related party transactions other than those incurred in the normal course of business as disclosed in the Financial Report.

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

The Company has no deferred exploration and evaluation assets to report in the Financial Report.

**SHARE CAPITAL**

Outstanding share data as at the date of this MD&A is as follows:

	Common Shares Issued and Outstanding	Common Share Purchase Warrants	Common Share Purchase Options
<b>Balance at September 30, 2019 and the date of this MD&amp;A</b>	60,737,940	49,001,720	-

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This MD&A may include or incorporate by reference certain statements or disclosures that constitute "forward-looking information" under applicable securities laws. All information, other than statements of historical fact, included or incorporated by reference in this MD&A that addresses activities, events or developments that the Company or its management expects or anticipates will or may occur in the future constitute forward-looking information. Forward-looking information is provided through statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur or continue. These forward-looking statements are based on certain assumptions and analyses made by the Company and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

Although the Company believes such forward-looking information and the expectations expressed in them are based on reasonable assumptions, investors are cautioned that any such information and statements are not guarantees of future realities and actual realities or developments may differ materially from those projected in forward-looking information and statements. Whether actual results will conform to the expectations of the Company is subject to a number of risks and uncertainties, including those risk factors discussed elsewhere in the MD&A and the Annual MD&A. In particular, if any of the risk factors materialize, the expectations, and the predictions based on them, the Company may need to be re-evaluated. Consequently, all of the forward-looking information in this MD&A and the documents incorporated herein by reference is expressly qualified by these cautionary statements and other cautionary statements or factors contained herein or in documents incorporated by reference herein, and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences for the Company.

Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. Unless otherwise required by law, the Company expressly disclaims any intention and assumes no obligation to update or revise any forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change, whether as a result of new information, future events or otherwise, and the Company does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information.

**ADDITIONAL INFORMATION**

Additional information relating to the Company is available at [www.sedar.com](http://www.sedar.com).