



EMPRESS
RESOURCES

Empress Resources Corp.

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

For the nine months ended December 31, 2019

(Expressed in Canadian dollars)

Empress Resources Corp.
Management’s Discussion and Analysis
For the nine months ended December 31, 2019

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 nine months ended December 31, 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 nine months ended December 31, 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 February 25, 2020.

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.

PROPOSED TRANSACTION

In February 2020, the Company and Alto Ventures Ltd (“Alto”) entered into a non-binding letter agreement (the “LOI”) 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”,

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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.

New Alto

On completion of the Transaction (exclusive of any proceeds of the New Alto Financing), it is expected that New Alto will have approximately \$1,250,000 in cash and will have debts which do not exceed \$40,000.

New Alto will hold all of the mineral properties held by Alto, including the Oxford Lake property in Manitoba, the Empress and Beardmore area properties in Ontario and the Destiny property in Quebec.

New Alto's Board of Directors will consist of Duncan Gordon (Chairman), Richard Mazur, Jeremy Bond, David Rhodes, and Michael Bandrowski. Michael Bandrowski will be the CEO.

New Empress

On completion of the Transaction (exclusive of any proceeds of the New Empress Financing), it is expected that New Empress will have approximately \$250,000 in cash and will have no debt.

New Empress will also acquire from Alto all of the royalties currently held by Alto plus some newly created royalties on Alto's properties and will hold a portfolio of up to ten royalties on properties in Ontario, Quebec and Manitoba.

New Empress will also acquire a portfolio of marketable securities from Alto with an approximate value of \$250,000.

New Empress's Board of Directors will consist of Alexandra Woodyer Sherron, David Rhodes, Paul Mainwaring, Jeremy Bond, Richard Mazur, and an additional nominee of Alto. Alexandra Woodyer Sherron will be the CEO & President.

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Other Terms

The LOI provides that it shall be a condition of closing the Transaction that New Empress will meet the TSX-V's initial listing requirements for an Investment Issuer. Management of Empress (and if applicable, Alto) will sign voting support agreements to vote in favour of the Transaction and the parties will also seek voting support agreements from significant shareholders to support management for a minimum of two years.

RESULTS OF OPERATIONS

During the nine months ended December 31, 2019, the Company recorded a net loss of \$885,176 (2018 – \$841,634).

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

Consulting fees for the nine months ended December 31, 2019 were \$139,440 compared to \$485,915 in the prior period. The higher consulting fees in the prior period were due to one-time fees of \$107,982 paid to Endeavour Financial and \$252,933 paid to a third party, who became a related party in July 2018.

Professional fees for the for the nine months ended December 31, 2019 were \$82,668 compared to \$14,010 in the prior period. Professional fees include legal fees of \$61,494 related to the settlement of the contingent liability fully described in Note 12 of the Financial Report.

Project evaluation and business development fees for the nine months ended December 31, 2019 were \$205,000 compared to \$200,000 in the prior period.

- The Company paid \$162,500 (2018 - \$100,000) 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.
- The Company paid \$42,500 (2018 - \$100,000) 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.

Rent for the nine months ended December 31, 2019 was \$32,550 compared to \$35,605 in the prior period. In June 2019, the Company terminated its office lease in exchange for the surrender of the deposit of \$16,275.

Loss on settlement of contingent liability – On November 27, 2019, the Company settled a civil claim for consideration of \$295,000 which was paid in December 2019.

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LIQUIDITY AND CAPITAL RESOURCES

The Company began the fiscal period with \$2,532,706 cash. During the nine months ended December 31, 2019, the Company expended \$828,099 on operating activities, net of working capital changes, to end at December 31, 2019 with \$1,704,607 cash.

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 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
Balance at December 31, 2019 and the date of this MD&A	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.