



Empress Royalty Corp.

Financial Statements

**For the period from incorporation on March 2, 2020
to June 30, 2020**

(Expressed in Canadian dollars)

NOTICE TO READER

These financial statements of Empress Royalty Corp. have been prepared by management and approved by 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 financial statements, notes to the financial statements or the related Management's Discussion and Analysis.

Empress Royalty Corp.Statement of Financial Position
(Expressed in Canadian dollars)

		June 30, 2020
	<i>Note</i>	
ASSETS		
Current assets		
Cash		\$ 1
		\$ 1
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	4	\$ 1
Reserve		350
Deficit		(350)
		\$ 1
Nature of operations and going concern	1	
Subsequent events	7	

These financial statements are approved for issue by the Board of Directors of the Company on August 26, 2020.

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 financial statements

Empress Royalty Corp.

Statement of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Period from incorporation on March 2, 2020 to June 30, 2020		
	<i>Note</i>		
Expenses			
Incorporation costs	5	\$	350
Loss and comprehensive loss for the period		\$	(350)

The accompanying notes are an integral part of these financial statements

Empress Royalty Corp.
Statement of Cash Flows
(Expressed in Canadian dollars)

	Period from incorporation on March 2, 2020 to June 30, 2020
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CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Loss for the period	\$ (350)
Net cash used in operating activities	(350)
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CASH FLOWS FROM (TO) FINANCING ACTIVITIES	
Incorporation share issued for cash	1
Incorporation costs paid by Empress Resources	350
Net cash provided by financing activities	351
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Increase in cash for the period	1
Cash, beginning of period	-
Cash, end of period	\$ 1
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Supplementary information	
Interest paid	\$ -
Income taxes paid	-
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The accompanying notes are an integral part of these financial statements

Empress Royalty Corp.Statement of Changes in Equity
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Reserve	Deficit	Total Shareholders' Equity
Balance, March 2, 2020	-	\$ -	\$ -	\$ -	\$ -
Share issued for cash on incorporation	1	1	-	-	1
Comprehensive loss for the period	-	-	350	(350)	-
Balance, June 30, 2020	1	\$ 1	\$ 350	\$ (350)	\$ 1

The accompanying notes are an integral part of these financial statements

Empress Royalty Corp.

Notes to the Financial Statements

For the period from incorporation on March 2, 2020 to June 30, 2020

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Empress Royalty Corp. (the “Company”) was incorporated under the laws of British Columbia, Canada on March 2, 2020. 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.

On July 7, 2020, the Company completed an arrangement with Empress Resources Corp. (“Empress Resources”) and Alto Ventures Ltd. (“Alto”) in which the Company issued Empress Resources 5,000,000 common shares for gross proceeds of \$250,000; and the Company issued Alto 4,615,384 common shares for 13 net smelter return (“NSR”) royalties and certain marketable securities (Note 7).

On July 7, 2020, the Company became a reporting issuer in BC and Alberta.

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. As at June 30, 2020, the Company had working capital of only \$1 however, subsequent to June 30, 2020, the Company completed financings for gross proceeds of \$1,750,000 (Note 7). Management estimates that these funds may not provide the Company with sufficient financial resources to carry out future operations through the next twelve months. Additional financing will be required by the Company to complete its 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. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

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.

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

Empress Royalty Corp.

Notes to the Financial Statements

For the period from incorporation on March 2, 2020 to June 30, 2020

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVTOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVTOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is classified as FVTPL.

Empress Royalty Corp.

Notes to the Financial Statements

For the period from incorporation on March 2, 2020 to June 30, 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)*Impairment*

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade and other payables are classified as other financial liabilities and carried on the statement of financial position at amortized cost. For the period presented, the Company does not have any derivative financial liabilities.

Share capital

The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Empress Royalty Corp.

Notes to the Financial Statements

For the period from incorporation on March 2, 2020 to June 30, 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, and there is the intention to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is probable that the related tax benefit will be realized.

New standards, interpretations and amendments not yet effective

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

4. SHARE CAPITAL

Authorized

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

Issued and outstanding

On March 2, 2020, the date of incorporation, the Company issued one common share at a price of \$1.

Empress Royalty Corp.

Notes to the Financial Statements

For the period from incorporation on March 2, 2020 to June 30, 2020

(Expressed in Canadian dollars)

5. RELATED PARTY TRANSACTIONS

Empress Resources paid the incorporation costs of the Company which amounts are not repayable by the Company to Empress Resources. Accordingly, these amounts have been included in the reserve account of the Company.

6. INCOME TAXES

The Company has Canadian income tax losses of \$350 which are available to reduce future taxable income for the next 20 years. The potential benefits of income tax losses have not been recognized in the accounts.

7. SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the Company completed the following transactions:

- On July 7, 2020, the Company completed an arrangement with Empress Resources and Alto in which:
 - the Company issued Empress Resources 5,000,000 common shares for gross proceeds of \$250,000; and
 - the Company issued Alto 4,615,384 common shares valued at \$230,769 for 13 NSR royalties and certain marketable securities.

Subsequent to completing the arrangement Empress Resources distributed all its shares of the Company to its shareholders, and Alto distributed all of its shares of the Company to its shareholders, so that at the time of closing the shareholders of Empress Resources held 52% of the shares of the Company and the shareholders of Alto held 48% of the shares of the Company.

- On August 12, 2020, the Company completed the first tranche of a non-brokered private placement through the issuance of 20,116,538 common shares at a price of \$0.05 per share for gross proceeds of \$1,005,827.
- On August 25, 2020, the Company completed the second and final tranche of the non-brokered private placement through the issuance of 9,883,462 common shares at a price of \$0.05 per share for gross proceeds of \$494,173.