

# OWL CAPITAL CORP.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information, prepared as of September 27, 2019 should be read in conjunction with the unaudited condensed interim financial statements of Owl Capital Corp. ("the Company" or "Owl") for the three and nine months ended July 31, 2019, together with the audited financial statements of the Company for the year ended October 31, 2018. The referenced financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. All amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information relating to the Company and its operations is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### FORWARD-LOOKING STATEMENTS

The Company's condensed interim financial statements for the three and nine months ended July 31, 2019, and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators.

It is important to note that, unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of September 27, 2019.

Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions.

Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A.

Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

### COMPANY DESCRIPTION

Owl Capital Corp. was incorporated under the Business Corporations Act of British Columbia on September 27, 2017. The Company is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The Company's principal business is to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction ("Qualifying Transaction") in accordance with Policy 2.4 of the Exchange. The Company's head office is located at 880 – 580 Hornby Street, Vancouver, BC V6C 3B6.

On May 18, 2018, the Company completed its Initial Public Offering ("IPO") issuing 2,000,000 common shares of the Company at a price of \$0.10 per share for gross proceeds of \$200,000. The Company's common shares were listed on the Exchange on May 18, 2018 under the symbol "OCC.P".

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### PROPOSED TRANSACTION

On April 24, 2019 the Company announced it had entered into a term sheet (the "Agreement") with Eros Resources Corp. ("Eros") and Demerara Gold Corp. ("Demerara") whereby Owl will acquire all of their rights, titles and interest in the Oro Cruz Property, located in Imperial County, California and the Eastgate Property located in Churchill County, Nevada from Eros and Demerara, respectively as well as a 5.58% undiluted equity interest in Bullfrog Gold Corp., an exploration stage company ("Bullfrog") from Eros (the "Transaction"). The Transaction constitutes a Qualifying Transaction pursuant to the Exchange Policy 2.4 – Capital Pool Companies, upon completion of the Transaction the Company will change its name to Southern Empire Resources Corp.

Pursuant to the Transaction, the Company will acquire:

- (a) From Demerara, Demerara's entire right, title and interest, being an undivided 40% interest, in the Eastgate Property, Churchill County, Nevada;
- (b) From Eros, Eros' entire right, title and interest, being an undivided 45% interest, in the Eastgate Property;
- (c) From each of Demerara and Bell Mountain Exploration Corp. ("**Bell**", a wholly-owned subsidiary of Eros), the assignment of a Letter Agreement dated February 28, 2019 with Lincoln Mining Corp. and Lincoln Gold US Corp. pursuant to which each of Demerara and Bell may acquire a 37.5% interest (aggregate 75% interest) in the Oro Cruz Property, Imperial County, California; and
- (d) From Eros, 8,750,000 shares and 7,750,000 share purchase warrants in the capital of Bullfrog. Bullfrog owns, leases and options various unpatented and patented claims that comprise of the gold focused Bullfrog Project near Beatty in Nye County, Nevada.

In consideration, Owl will issue a total of 25,426,940 common shares as follows:

- (a) 2,579,000 shares to Demerara with respect to the acquisition of a 40% interest in the Eastgate Property;
- (b) 2,901,275 shares to Eros with respect to the acquisition of a 45% interest in the Eastgate Property;
- (c) 8,545,000 shares to Demerara and 8,545,000 shares to be issued to Eros with respect to the acquisition of an exclusive option to acquire an aggregate 75% interest in the Oro Cruz Property;
- (d) 2,856,665 shares to Eros with respect to the acquisition of 8,750,000 shares and 6,750,000 share purchase warrants in the capital of Bullfrog; incorporated in the state of Delaware with its shares quoted on the OTCQB board of the OTC Market Platform

Upon closing of the Transaction and the Financing (as described below), the total issued and outstanding shares of Owl will be approximately 39,800,000, of which Demerara will own 11,124,000 common shares, being 27.9%, and Eros will own 14,302,940 shares, being 35.9%. Demerara is controlled by Dale Wallster. Demerara has the right to distribute to its shareholders all the shares received from Owl.

None of the Non-Arms Length Parties to Owl has any direct or indirect interest in the Significant Assets nor are they insiders of the Demerara or Eros. The Transaction does not constitute a "Non-Arm's Length Qualifying Transaction" as defined in Exchange Policy 2.4 and consequently Owl is not required to obtain shareholder approval for the transaction.

The Transaction is subject to the entry into a Definitive Agreement, customary closing conditions and acceptance of the TSX Venture Exchange.

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In conjunction with closing the transaction, Owl expects to complete a proposed non-brokered private placement financing of up to 8,153,059 common shares (each a "Share") at a price of \$0.30 per Share for gross proceeds of up to \$2,500,000 (the "Offering").

### RESULTS OF OPERATIONS

#### Nine months ended July 31, 2019

The Company recorded a loss of \$67,648 (\$0.01 per share) for the nine months ended July 31, 2019 compared to loss of \$60,123 for the nine months ended July 31, 2018. The increase in loss is primarily due to a decrease in professional fees and listing fees during the period ended July 31, 2019.

#### Three months ended July 31, 2019

The Company recorded a loss of \$22,496 (\$0.01 per share) for the three months ended July 31, 2019 compared to loss of \$30,681 for the three months ended July 31, 2018. The decrease is primarily due to filing and listing fees of \$2,289 during the period ended July 31, 2019 compared to \$10,300 during the period ended July 31, 2018. The filing and listing fees during the period ended July 31, 2019 include Exchange sustaining fees and initial filing fees pursuant to the proposed Qualifying Transaction.

### SUMMARY OF QUARTERLY RESULTS

A summary of the Company's quarterly results since September 27, 2017 (date of incorporation) is as follows:

	Three Months Ended (\$)			
	July 31, 2019	April 30, 2019	January 31, 2019	October 31, 2018
Loss and comprehensive loss	(22,496)	(41,187)	(3,965)	(16,275)
Basic and diluted loss per share*	(0.00)	(0.01)	(0.00)	(0.00)
Working capital	220,499	242,370	283,276	286,441

	Three Months Ended (\$)			
	July 31, 2018	April 30, 2018	January 31, 2018	October 31, 2017
Loss and comprehensive loss	(30,681)	(12,875)	(16,567)	(5,963)
Basic and diluted loss per share*	(0.01)	(0.00)	(0.00)	(0.00)
Working capital	302,716	175,596	188,471	139,038

### LIQUIDITY AND CAPITAL RESOURCES

Company's aggregate operating, investing, and financing activities during the nine months ended July 31, 2019 resulted in a decrease in its cash balance from \$298,937 at October 31, 2018 to \$235,911 at July 31, 2019. The Company's working capital at July 31, 2019 was \$220,499 compared to working capital of \$286,441 at October 31, 2018.

The Company has no long-term debt.

### FINANCING ACTIVITIES AND CAPITAL EXPENDITURES

During the nine months ended July 31, 2019, 17,062 broker warrants were exercised for proceeds of \$1,706.

On May 18, 2018, the Company completed its IPO issuing 2,000,000 common shares of the Company at a price of \$0.10 per share for gross proceeds of \$200,000. In connection with the IPO, the Company entered into an Agency Agreement with Haywood Securities Inc. (the "Agent"). The Company paid an aggregate of \$42,199 in cash commission, corporate finance fee, legal and other expenses incurred by the Agent. In addition, the Company granted 200,000 non-transferable warrants to the Agent entitling the Agent to purchase common shares at a price of \$0.10 per share, the agent warrants expire on May 18, 2020.

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On December 10, 2017, the Company issued a total of 1,620,000 common shares at a price of \$0.05 per share for gross proceeds of \$81,000.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

### **RELATED PARTY TRANSACTIONS**

As at July 31, 2019, the Company had \$nil (October 31, 2018 - \$nil) in accounts payable and accrued liabilities owing to related parties. Compensation paid or accrued to key management or companies controlled by key management personnel during the three and nine months ended July 31, 2019 was \$nil. During the three and nine months ended July 31, 2018 \$1,516 and \$5,219 respectively, was paid to Malaspina Consultants, a company that up to July 31, 2018, was controlled by Rob McMorran, a director of the Company.

All transactions with related parties have occurred in the normal course of operations.

### **CHANGES IN ACCOUNTING POLICIES**

New accounting standards adopted effective November 1, 2018

#### **IFRS 9 Financial Instruments**

The IASB has issued a new standard, IFRS 9, Financial Instruments ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires that a single impairment method be used, replacing the multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. The adoption of this standard did not have a material measurement or disclosure impact on the Company's financial statements.

New accounting standards issued but not yet effective

#### **IFRS 16 Leases**

This standard replaces IAS 17 Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The mandatory effective date for the Company is for the annual period beginning on November 1, 2019. The Company has initially assessed that there will be no material reporting changes as a result of adopting this new standard.

### **FINANCIAL INSTRUMENTS**

#### **Classification of Financial Instruments**

The Company's financial instruments consist of cash, accounts payable and accrued liabilities. The Company designated its cash as loans and receivables, which are measured at amortized cost. The accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The risks associated with financial assets and liabilities are detailed/discussed below:

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## Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with the Bank of Montreal. Accordingly, the Company believes it is not exposed to significant credit risk.

## Interest Rate Risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is limited at present as the Company's assets and liabilities are earning or incurring interest at market rates or where they are non-interest bearing or have fixed interest rates they have short terms to maturity.

## Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. As at July 31, 2019, all of the Company's liabilities are due on demand. At July 31, 2019 the Company had working capital of \$220,499 (October 31, 2018 - \$286,441).

## OUTSTANDING SHARE DATA

Authorized:      Unlimited common shares without par value.  
                         Unlimited preferred shares issuable in series.

All share information is reported as of September 27, 2019 in the following table:

Type of Security	Number	Exercise Price (\$)	Expiry Date
Issued and outstanding common shares	6,237,063	N/A	N/A
Broker Warrants	182,938	0.10	May 18, 2020
Total	6,420,001		

## RISKS AND UNCERTAINTIES

The Company is currently in the process of identifying and evaluating assets or businesses in order to complete a Qualifying Transaction and has no source of revenue. The Company is not permitted to carry on any other business other than the identification and evaluation of assets or business to complete a Qualifying Transaction.

There can be no assurance the Company will successfully identify an assets or businesses to complete a Qualifying Transaction or have the necessary financial resources to complete a Qualifying Transaction. There can be no assurance that the Company will be able to successfully obtain the necessary financing in the future on terms acceptable to the Company or at all.

## DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim financial statements for the three and nine months ended July 31, 2019 and this accompanying MD&A (together the Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at [www.sedar.com](http://www.sedar.com).