

# **OWL CAPITAL CORP.**

CONDENSED INTERIM FINANCIAL STATEMENTS  
(Unaudited - expressed in Canadian Dollars)  
For the Three and Six Months Ended April 30, 2019 and 2018

**OWL CAPITAL CORP.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited - expressed in Canadian Dollars)

	Notes	April 30, 2019 \$	October 31, 2018 \$
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		298,936	298,937
<b>Total assets</b>		<b>298,936</b>	<b>298,937</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	6	56,566	12,496
<b>EQUITY</b>			
Share capital	5	359,856	358,202
Contributed surplus	5	10,027	10,600
Deficit		(127,513)	(82,361)
<b>Total</b>		<b>242,370</b>	<b>286,441</b>
<b>Total liabilities and equity</b>		<b>298,936</b>	<b>298,937</b>

Nature of operations and going concern (Note 1)

**Approved by the Board of Directors**

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"Robert McMorran" Director

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"James Hutton" Director

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

**OWL CAPITAL CORP.**  
**CONDENSED INTERIM STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS**  
For the Three and Six Months Ended April 30, 2019 and 2018  
(Unaudited - expressed in Canadian Dollars)

	Notes	Three months ended		Six months ended	
		2019	April 30, 2018	2019	April 30 2018
		\$	\$	\$	\$
Expenses					
Professional fees	6	16,784	11,498	18,151	17,501
Filing and listing fees		24,195	1,290	26,774	11,719
Office expenses		208	87	227	222
Net and comprehensive loss for the period		(41,187)	(12,875)	(45,152)	(29,442)
Basic and diluted loss per share		(0.01)	(0.00)	(0.01)	(0.01)
Weighted average number of shares outstanding		6,228,010	4,220,001	6,226,032	3,861,990

**OWL CAPITAL CORP.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
For the Six Months Ended April 30, 2019 and 2018  
(Unaudited - expressed in Canadian Dollars)

	Number of shares	Amount \$	Contributed Surplus \$	Subscriptions received \$	Deficit \$	Total \$
<b>Balance, October 31, 2017</b>	<b>2,600,001</b>	<b>130,001</b>	-	<b>15,000</b>	<b>(5,963)</b>	<b>139,038</b>
Shares issued during the period	1,620,000	81,000	-	(15,000)	-	66,000
Loss for the period	-	-	-	-	(29,442)	(29,442)
<b>Balance, April 30, 2018</b>	<b>4,220,001</b>	<b>211,001</b>	-	-	<b>(35,405)</b>	<b>175,596</b>
Shares issued during the period	2,000,000	200,000	-	-	-	200,000
Cash issue costs	-	(42,199)	-	-	-	(42,199)
Finders' warrants	-	(10,600)	10,600	-	-	-
Loss for the period	-	-	-	-	(46,956)	(46,956)
<b>Balance, October 31, 2018</b>	<b>6,220,001</b>	<b>358,202</b>	<b>10,600</b>	-	<b>(82,361)</b>	<b>286,441</b>
Shares issued during the period	10,812	1,654	(573)	-	-	1,081
Loss for the period	-	-	-	-	(45,152)	(45,152)
<b>Balance, April 30, 2019</b>	<b>6,230,813</b>	<b>359,856</b>	<b>10,027</b>	-	<b>(127,513)</b>	<b>242,370</b>

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

**OWL CAPITAL CORP.**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
For the Six Months Ended April 30, 2019 and 2018  
(Unaudited - expressed in Canadian Dollars)

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash flow provided by (used in)		
<b>Operating activities</b>		
Loss for the period	(45,152)	(29,442)
Changes in non-cash working capital items		
GST receivable	-	(1,381)
Prepays	-	(12,000)
Accounts payable and accrued liabilities	44,070	6,272
	(1,082)	(36,551)
<b>Financing activity</b>		
Proceeds from issuance of shares	1,081	66,000
	1,081	66,000
Change in cash and cash equivalents during the period	(1)	29,449
Cash and cash equivalents – beginning of the period	298,937	144,979
Cash and cash equivalents – end of the period	298,936	174,428

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the Three and Six Months Ended April 30, 2019 and 2018  
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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Owl Capital Corp. (“Owl” or the “Company”) 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 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 (the “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”.

As at April 30, 2019 the Company had no business operations, an accumulated deficit and its only significant asset was cash. The ability of the Company to fund potential future operations and commitments is dependent upon its ability to obtain additional financing. There is no assurance that the Company will complete a Qualifying Transaction or be able to finance such an investment or acquisition. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of material uncertainty that may give rise to significant doubt as to the Company’s ability to continue as a going concern.

If the going concern assumption was not appropriate for these condensed interim financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported loss and the balance sheet classifications used, and such adjustments could be material.

**2. BASIS OF PRESENTATION**

**Statement of Compliance**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the period ended October 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the audited financial statements for the period ended October 31, 2018 except as outlined in Note 3.

These condensed interim financial statements were approved by the Board of Directors for use on June 28, 2019.

**3. ADOPTION OF NEW ACCOUNTING STANDARDS AND 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

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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.

**IFRS 9, Financial Instruments**

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and became effective for the Company on November 1, 2018. IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities; impairment methodology for financial instruments; and general hedge accounting. IFRS 9 has specific requirements for whether debt instruments are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election is made to measure them at fair value through other comprehensive income, which results in changes in fair value not being recycled to the income statement. The adoption of this standard did not have a material measurement or disclosure impact on the Company's financial statements.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

**Recognition and Classification**

The Company recognized a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at November 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	<b>Original classification IAS 39</b>	<b>New classification IFRS 9</b>
Cash	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

The Company did not restate prior periods as there was no impact at the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on November 1, 2018.

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## **Measurement**

### **Financial assets at FVTOCI**

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

### **Financial assets and liabilities at amortized cost**

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

### **Financial assets and liabilities at FVTPL**

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net (loss) income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

### **Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

## **Derecognition**

### **Financial assets**

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net (loss) income. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

### **Financial liabilities**

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets.

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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

For full details on the critical accounting estimates and judgements affecting the Company, please refer to the Company's annual financial statements and notes for the year ended October 31, 2018.

**5. SHARE CAPITAL**

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

**b) Issued:** 6,230,813 common shares issued and outstanding.

During the six months ended April 30, 2019 the Company issued 10,812 common shares for gross proceeds of \$1,081 pursuant to the exercise of warrants. The Company transferred \$573 of contributed surplus to share capital pursuant to the warrant exercise.

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.

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.

**c) Warrants**

	Number of Warrants	Weighted average exercise price \$
<b>Balance, October 31, 2017</b>	-	-
Issued	200,000	0.10
<b>Balance, October 31, 2018</b>	<b>200,000</b>	<b>0.10</b>
Exercised	(10,812)	0.10
<b>Balance, April 30, 2019</b>	<b>189,188</b>	<b>0.10</b>

As at April 30, 2019 the Company had 189,188 agent warrants outstanding and exercisable at \$0.10 per share. The warrants will expire on May 18, 2020 and have a weighted average remaining life of 1.05 years.

Subsequent to April 30, 2019, 6,250 warrants were exercised for proceeds of \$625.

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**d) Escrow Shares:**

Subject to an Escrow Agreement in accordance with the Exchange CPC Policy, 4,220,001 issued and outstanding common shares of the Company will be held in escrow. Subject to the said Policy, the escrowed common shares will be released from escrow as follows: 10% on the completion of Qualifying Transaction, and 15% on each of the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release.

**6. RELATED PARTY TRANSACTIONS**

As at April 30, 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 six months ended April 30, 2019 was \$nil. During the three and six months ended April 30, 2018 \$1,900 and \$3,703 respectively, was paid to Malaspina Consultants, a company that up to July 31, 2018, was controlled by Rob McMorrان, a director of the Company.

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

**7. PROPOSED QUALIFYING 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:

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- (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.

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").

## **8. FINANCIAL INSTRUMENTS**

### **Management of Capital**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of equity attributable to shareholders.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by its ability to compete for investors and associated financings.

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As a CPC the Company is subject to certain cash restrictions. Proceeds raised from the issuance of common shares under the prospectus may only be used to identify and evaluate assets or businesses for future investment, with the exception that no more than the lesser of 30% of the gross proceeds from the issuances of shares, or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative general expenses of the Company. The restrictions apply until completion of a Qualifying Transaction by the Company in accordance with Policy 2.4 of the Exchange.

### **Classification of Financial Instruments**

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

- Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs, other than Level 1 prices, in active markets for similar assets or liabilities, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

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

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

#### **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 April 30, 2019, all the Company's liabilities are due on demand. At April 30, 2019, the Company had working capital of \$242,370 (October 31, 2017 - \$286,441).