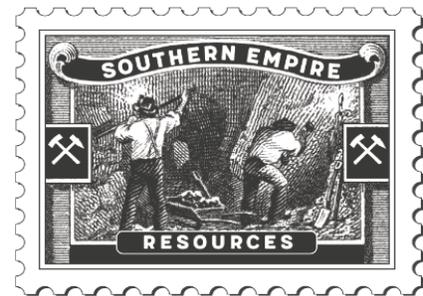


Southern Empire Resources Corp.

Management's Discussion and Analysis

For the nine months ended July 31, 2020

Date of this MD&A Report: September 28, 2020



Overview:

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operation of Southern Empire Resources Corp. ("Southern Empire" or the "Company"; "we", "our", "its" or "us") has been prepared based upon information available as at September 28, 2020, and should be read in conjunction with the condensed interim financial statements and the notes thereto as at and for the three and nine months ended July 31, 2020, and the audited consolidated financial statements and notes thereto as at and for the year ended October 31, 2019. All financial data in this MD&A is reported in Canadian dollars and has been prepared in accordance with International Financial Reporting Standards ("IFRS").

Caution Regarding Forward-Looking Information:

Certain information contained in this MD&A may constitute forward-looking information, which is information regarding possible events, conditions or results of operations of Southern Empire that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results and financing activities and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves known and unknown risk, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Southern Empire believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to investment performance and our ability to generate taxable income from operations, market fluctuations, fluctuations in prices of commodities underlying our interests and equity investments, the strength of the Canadian, U.S. and other economies, foreign exchange fluctuations, political and economic conditions in the countries in which the interests of the Company's portfolio investments are located, and other risks included elsewhere in this MD&A under the headings "Risks" and "Financial Instruments" and in other public disclosure documents filed with certain Canadian securities regulatory authorities and available under Southern Empire's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although Southern Empire has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. Southern Empire undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Nature of Our Business:

Southern Empire was incorporated as Owl Capital Corp. pursuant to the *Business Corporations Act of British Columbia* on September 27, 2017 and is in the business of acquiring, exploring and developing mineral resource properties in North America.

Owl Capital Corp. was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”), until the completion of the Qualifying Transaction discussed below.

On March 18, 2020, Southern Empire completed its previously announced Qualifying Transaction by acquiring options to earn up to a 75% interest in the Oro Cruz Gold Project in California, an 85% interest in the Eastgate Gold Project in Nevada and a 4.93% equity interest in Bullfrog Gold Corp., an exploration stage company listed on the Canadian Securities Exchange and the OTC Markets.

Southern Empire’s principal project is the Oro Cruz Gold Project in Imperial County, California. Please refer to the “Exploration Projects” section below for the acquisition and project details.

Qualifying Transaction:

On March 18, 2020, the Company closed its Qualifying Transaction with Eros Resources Corp. (“Eros”) and Demerara Gold Corp. (“Demerara”), whereby the Company acquired options to earn up to a 75% interest in the Oro Cruz Gold Project in California, an 85% interest in the Eastgate Gold Project in Nevada and a 4.93% undiluted share capital interest in Bullfrog Gold Corp. (“Bullfrog”), an exploration stage company listed on the Canadian Securities Exchange and OTC Markets.

The pertinent business terms of the Qualifying Transaction were as follows:

- The Company issued 2,901,275 common shares to Eros with respect to the acquisition of a 45% interest in the Eastgate Gold Project;
- The Company issued 2,579,000 common shares to the shareholders of Demerara with respect to the acquisition of a 40% interest in the Eastgate Gold Project;
- The Company issued 8,545,000 shares to the shareholders of Demerara and 8,545,000 to Eros with respect to the acquisition of their exclusive options to acquire up to an aggregate 75% interest in the Oro Cruz Gold Project;
- The Company issued 2,856,665 shares to Eros with respect to the acquisition of 8,750,000 shares and 7,750,000 share purchase warrants in the capital of Bullfrog.

None of the Non-Arms Length Parties of Owl Capital Corp. had any direct or indirect interest in the Significant Assets nor were they insiders of Demerara or Eros. The Qualifying Transaction did not constitute a “Non-Arm’s Length Qualifying Transaction” as defined in Exchange Policy 2.4 and consequently Southern Empire did not require shareholder approval for the transaction.

Upon closing of the Qualifying Transaction, Owl Capital Corp. changed its name to Southern Empire Resources Corp. and was listed as a Tier 2 mining issuer on the TSX Venture Exchange having the trading symbol “SMP”.

In conjunction with closing the Qualifying Transaction, Southern Empire completed an oversubscribed, non-brokered private placement of 10,911,197 common shares at a price of \$0.30 per common share for gross proceeds of \$3,273,359; the securities issued pursuant to this private placement were subject to a hold period expiring on July 14, 2020.

Southern Empire commenced trading on the TSX Venture Exchange on March 24, 2020.

Performance Summary and Subsequent Events:

During the nine-month period ended July 31, 2020, Southern Empire:

- Completed a private placement raising a total of \$3,273,359 through the issuance of 10,911,197 common shares at a price of \$0.30 per share.
- Completed its Qualifying Transaction and, as such, acquired:
 - a. an option to earn a 75% interest in the Oro Cruz Gold Project,
 - b. a direct 85% interest in the Eastgate Gold Project, and
 - c. a 4.93% equity interest in Bullfrog Gold Corp.
- Commenced trading on the TSX Venture Exchange under the trading symbol “SMP”.
- Commenced trading on the Frankfurt Borse with the trading symbol “5RE”.
- Completed a private placement raising a total of \$4,021,930 through the issuance of 8,043,861 common shares a price of \$0.50 per share.
- Entered into an option agreement to earn a further 25% interest in the Oro Cruz Gold Project thus allowing for the ultimate acquisition of a 100% interest upon exercise of all underlying option agreements.

Completed a first-phase drill program totalling 906 metres (2,972 feet) of HQ-sized core on the Eastgate Gold Project.

- Entered into an agreement to acquire 100% of the common shares of MAS Gold Corp. (“MAS Gold”), a gold exploration company operating in Saskatchewan, Canada. The transaction is being completed via plan of arrangement and is subject to Exchange approval and the approval of the shareholders of MAS Gold.

Post-July 31, 2020 - Operations Updates

Oro Cruz Gold Project, Imperial County, California

In September 2020, Southern Empire acquired additional mineral dispositions for its Oro Cruz Gold Project when we purchased mining claims overlying the former gold producing American Girl Mine (see Southern Empire news release dated September 14, 2020). Highlights of this acquisition are:

- 100% ownership of 7 privately-owned, patented lode mining claims and 10 Bureau of Land Management (“BLM”) administered claims
- The addition of contiguous holdings totaling 116 ha (287 acres) that include the formerly producing American Girl gold mine operations that produced more than 500,000 oz gold from four underground and four open pit deposits
- Presents significant exploration potential for underground high-grade, oxide gold mineralization
- The acquired claims are subject to no royalty interests
- The acquired claims cover historical mine waste dumps which may, at current gold prices, present an opportunity to develop a resource in a manner similar to the conversion of waste dumps to resources by Equinox Gold Corp. at their nearby Mesquite Gold Mine

Pursuant to a Purchase and Sale Agreement and subject to acceptance by the Exchange, Southern Empire will acquire a 100% interest in the American Girl mine property by paying a total of USD \$330,000 to Mackenzie Corporation, a Nevada entity controlled by Dale Wallster, the CEO and a director of Southern Empire. As a result, the transaction is subject to Multilateral Instrument 61-101 – *Protection of Minority Holders in Special Transactions*. The transaction was reviewed and unanimously approved by Southern Empire’s Board of Directors. The acquisition will be exempt from the formal valuation and minority approval requirements of Multilateral Instrument 61-101 – *Protection of Minority Holders in Special Transactions* as the fair market value of the transaction and the consideration paid will

not exceed 25% of Southern Empire's market capitalization. The consideration paid to Mackenzie Corporation was equal to its original acquisition costs of the property.

Eastgate Gold Project, Churchill County, Nevada

The 2020 Eastgate drill program successfully intercepted the target vein structure in all core holes drilled, however failed to confirm historical RC drill results at the Double Eagle vein system. Results ranged to a high of 338 ppb gold (Au), although most samples returned values of less than 50 ppb Au (see Southern Empire news release dated September 12, 2020).

Outlook:

Since the completion of the Qualifying Transaction on March 18, 2020, Southern Empire has aggressively acted to advance its gold projects located in the southwestern United States. Having raised \$7,295,289 to date, Southern Empire is now well financed to undertake its 2020 exploration and development goals. Southern Empire fully intends to complete, or be in the process of completing, exploration drill programs on its assets in California, Nevada and Saskatchewan, pending the successful completion of the transaction with MAS Gold Corp.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease, which has continued to spread, and its adverse public health developments, has negatively affected workforces, economies and financial markets globally, leading to an economic downturn. It is not possible for Southern Empire to predict the duration or magnitude of the pandemic and its effects on our business or results of our operations at this time.

MAS Gold Corp. Transaction:

On July 13, 2020, Southern Empire announced it had entered into an agreement to acquire MAS Gold Corp. ("MAS Gold"). The transaction is being completed via plan of arrangement (the "Arrangement") and is subject to Exchange approval, and the approval of the shareholders of MAS Gold. Under the terms of the Arrangement, Southern Empire will issue 5,828,090 common shares to the shareholders of MAS Gold in exchange for 100% of the common shares of MAS Gold. This transaction received an interim order from the Supreme Court of British Columbia and is proceeding to a MAS Gold shareholder vote on October 20, 2020.

The Arrangement will result in Southern Empire acquiring interests in two road-accessible, advanced-stage gold deposits located approximately 60 kilometres west of SSR Mining Inc.'s Seabee/Santoy gold operations in the La Ronge Gold Belt of Saskatchewan. Specifically:

- The North Lake gold deposit, located on the Preview-North property, has an inferred mineral resource estimated at 417,000 troy ounces of gold (oz Au) contained in 14.11 million tonnes (t) grading 0.92 grams per tonne (g/t Au).
- The Greywacke North gold deposit, located 33 kilometres northeast of the North Lake gold deposit, contains a mineral resource of 95,600 oz Au comprised an indicated mineral resource of 255,500 tonnes grading 9.92 g/t Au and an inferred mineral resource of 59,130 tonnes grading 7.42 g/t Au, at a cut-off grade of 5 g/t Au.

Located in Saskatchewan, Canada, a region that is repeatedly acknowledged as one of the best mining jurisdictions in the world, both the Greywacke North and the North Lake deposits have significant potential for resource expansion. Excellent exploration potential also exists for the Preview North property, which hosts the Point gold deposit, along with the Henry Lake and Elizabeth Lake properties contained within MAS.

Resource Project Overviews:

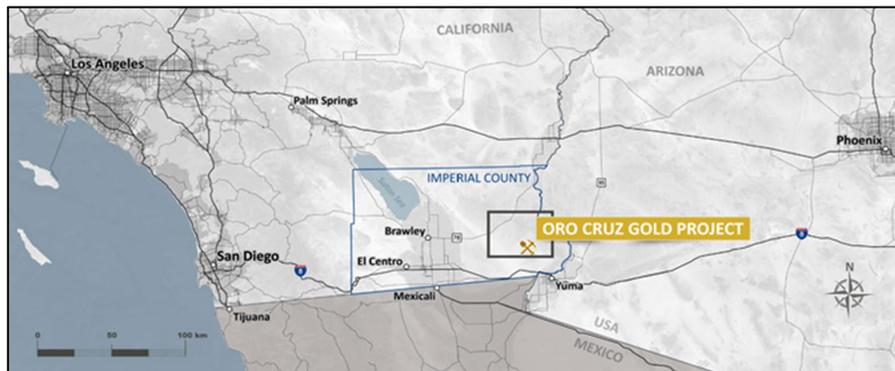
David Tupper, Vice President of Exploration, is Southern Empire's designated Qualified Person (QP) for this MD&A within the meaning of National Instrument 43-101 and has reviewed and approved the technical information described herein.

Oro Cruz Gold Project, Imperial County, California, USA:

The Oro Cruz Gold Project incorporates a large portion of the historically significant Tumco Gold Mining District, located on the western side of the Cargo Muchacho Mountains in southeastern California where gold placers were first worked by Spanish colonists in the 1780's.

Historical gold mining on the Oro Cruz Property occurred from 1890 to 1916 and again from 1932 to 1941, producing greater than 150,000 troy ounces gold. The property includes the Oro Cruz open pit and underground mine-site (formerly the Golden Cross Mine) which was operated from 1995 to 1996 as part of the American Girl Mining Joint Venture (AGMJV), producing roughly 61,000 troy ounces of gold from oxide ore before operations were suspended due to the downturn in gold prices.

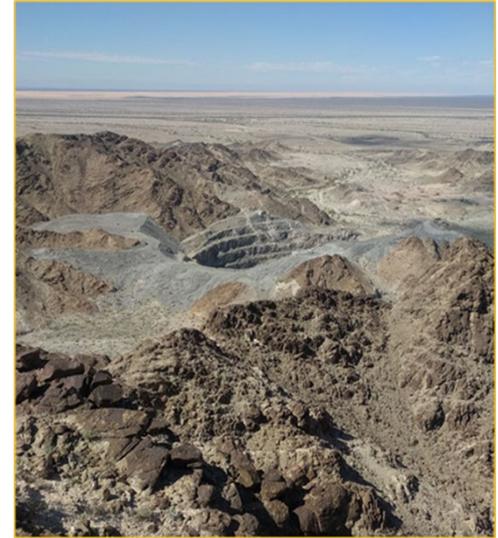
The Oro Cruz Gold Project is in Imperial County, southeast California, approximately 25 kilometres (15.5 miles) northwest of Yuma, Arizona. The Oro Cruz mine, situated on the Property, is a former gold (Au) producer within the historical Cargo Muchacho - Tumco Mining District (also referred to as the Hedges Mining District) approximately 14 miles southeast of the currently operating Mesquite gold mine of Equinox Gold Corp. The Oro Cruz open pit is accessed by 34.4 km (21.4 miles) of paved road; west via Interstate Highway 8 from Yuma, north along County Road S34 (Ogilby Road) and then east by 2.4 km of unimproved BLM Route 668.



Location Map: Oro Cruz Gold Project, Imperial County, California

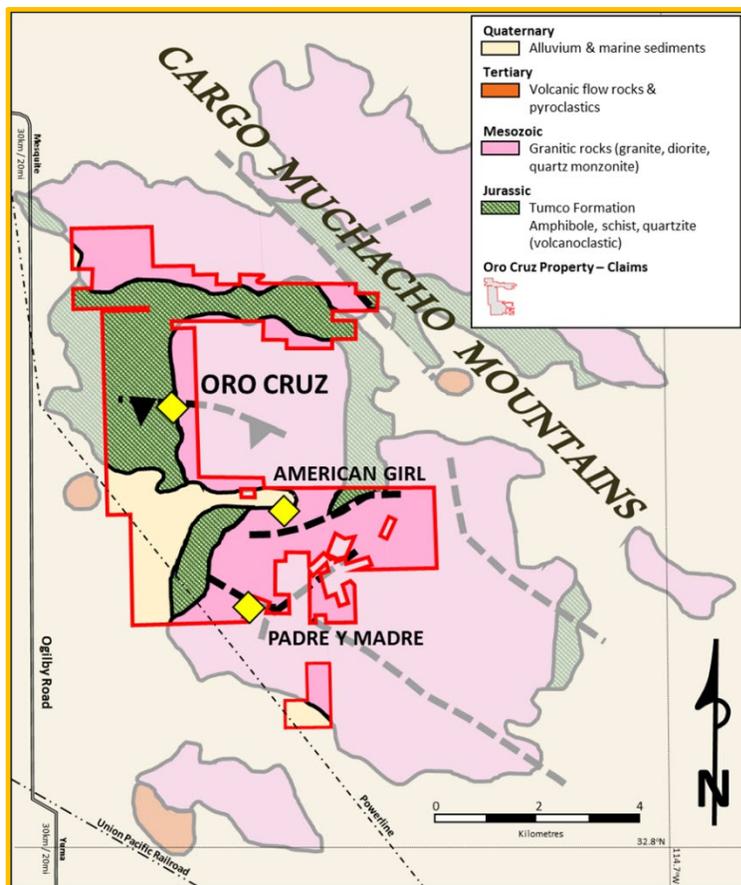
The Oro Cruz Gold Project totals approximately 2,783 hectares (ha; 6,877 acres) and is currently comprised of a total of 271 BLM unpatented lode mining claims totaling roughly 2,160 ha (5,338 acres), 13 BLM unpatented placer mining claims totaling roughly 105 ha (260 acres) within Township and Range: T14S R20E, T14S R21E and T15S R21E (San Bernardino Meridian). The property also includes two State of California Mineral Prospecting Permits covering state administered land also within Imperial County and covering a total of approximately 488 ha (1,208 acres; S.36, Township 14S, Range 20E and S.16, T.15S R.21E, San Bernardino Base & Meridian).

Lode and placer claims are administered by the U.S. Bureau of Land Management (BLM) on federally owned lands. The unpatented mining claims (new and historic) are all in good standing with all holding fees paid for the current year. The claims will remain in effect for as long as the claim holding fees are paid to both the U.S. government and Imperial County. The claims must also be maintained by ensuring that the claim posts and location notices are properly upright and visible. The Mineral Prospecting Permits are maintained by annual fee payable to the California State Lands Commission for two years (extendable to three years) and can be upgraded to Mineral Extraction Leases, subject to applicable state and federal regulation.



Oro Cruz Mine Pit: View to West

The Oro Cruz and nearby American Girl gold deposits are located in the Cargo Muchacho Mountains which form an isolated, northwest trending range roughly 30 kilometres long and 20 kilometres wide that is surrounded on all sides by dissected pediment and a vast area of various alluvial deposits. This mountain range is comprised of a package of amphibolite-facies metamorphic rocks that include Jurassic gneiss and schist (derived from the volcanoclastic Tumco Formation) and several large, slightly younger Jurassic diorite, granodiorite and granite intrusive bodies (Tosdal & Wooden 2015). The Jurassic rocks are cut by numerous pegmatites with a significantly younger Late Cretaceous age. The prevailing structural fabric is a NW-striking, SW-dipping ductile foliation, which parallels the Chocolate Mountain Thrust to the east.

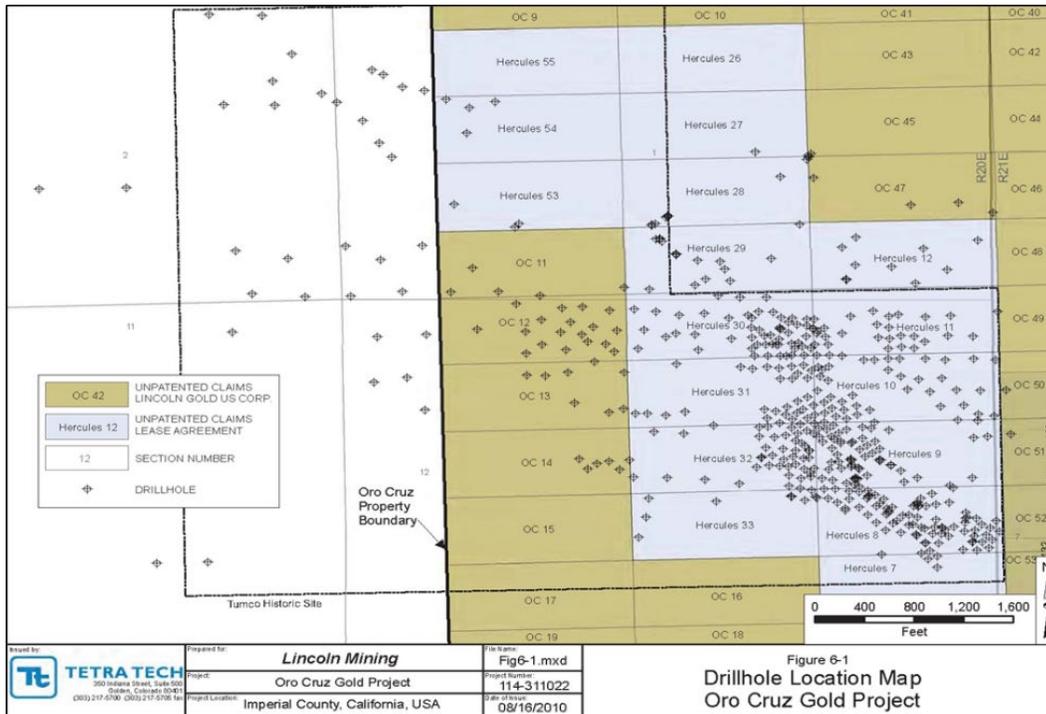


The Oro Cruz gold deposits are considered northern constituents of the Caborca Orogenic Gold Belt, a roughly 600 kilometre-long trend of gold deposits related to the Cretaceous to early Eocene Laramide Orogeny that extends south to central Sonora State in Mexico. Gold mineralization at Oro Cruz is typical of detachment (listric) fault hosted gold deposits in the region with wide zones of quartz, magnetite and copper oxides emplaced along low-angle ($\pm 25^\circ$) hanging wall or footwall structures. Detachment faults are low-angle normal faults of regional extent that have accommodated significant regional extension by upward movement of the footwall and may host massive replacements, stockworks and veins.

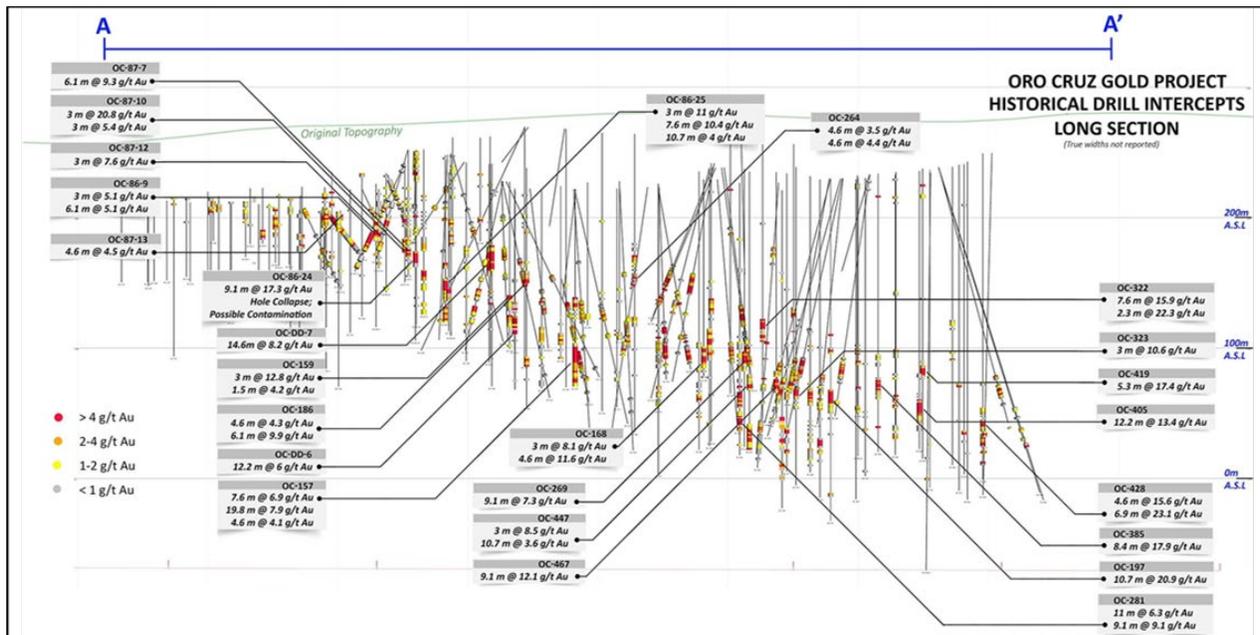
Example of such deposits near Oro Cruz include the nearby American Girl, Madre y Padre and Picacho mines and the Copperstone mine in Arizona. Examples in Mexico include La Choya, Quitovac, Noche Buena and La Herradura.

Regional Geology of the Cargo Muchacho Mountains

Extensive historical drilling completed at the Oro Cruz Gold Project from 1985 to 1988 by Texas Gulf (76 Reverse Circulation (“RC”) holes totalling 7,188 metres (23,584 ft)) and from 1990 to 1991 by the AGMJV (182 RC holes totalling 23,186 metres (76,070 ft) and 9 core holes totalling 1,524 metres (5,000 ft)) successfully delineated the Crown open pit and Oro Cruz open pit and underground oxide-hosted, heap leachable resources that were later mined during 1995 and 1996. Slumping gold prices forced the early termination of operations at Oro Cruz, leaving both resources in the ground and numerous partially tested exploration targets. The current drill hole database totals 491 drill holes.



Location Map of Known Existing Drill Holes – Oro Cruz Gold Project



Long-section through the Oro Cruz deposit showing density of historical drilling (looking northeast)

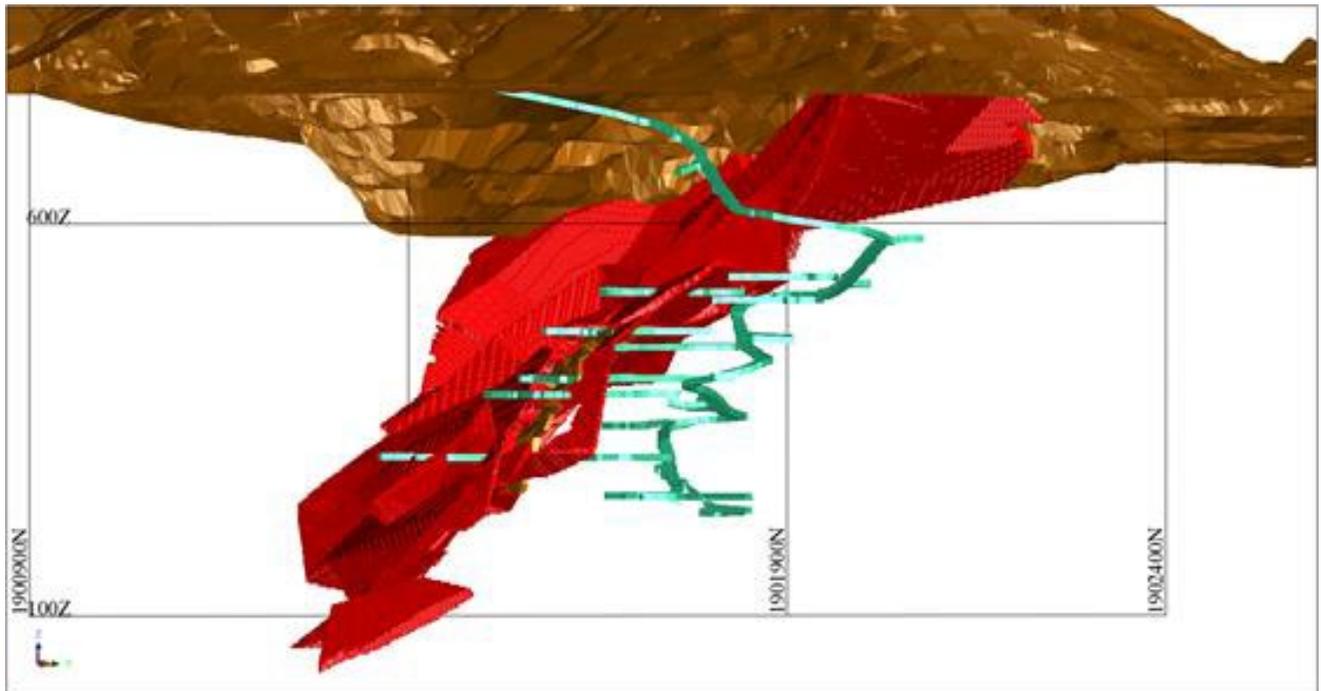
During 1995-96, the AGMJV completed a 2.4 kilometre decline plus various sub-levels, draw points and manways to facilitate underground mining at Oro Cruz.

To date, a current NI 43-101 compliant resource estimate does not exist. While a significant amount of exploration and operational data exist for the Oro Cruz Gold Project, this data does not currently meet the requirements for development of a resource estimate in the indicated or measured category as set forth by the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards for Mineral Resources and Mineral Reserves.

In 2011, Lincoln Mining Corporation reported a historical inferred resource estimate totaling 341,800 ounces gold based on 4,386,000 tonnes averaging 2.20 grams gold per tonne (“g Au/t”) at a cutoff grade of 0.68 g Au/t (4,835,000 tons at 0.07 ounces gold per ton; “oz Au/ton”). This historical inferred resource estimate is disclosed in a technical report dated April 29, 2011 prepared for Lincoln Mining Corporation by Tetra Tech Inc. and is available on SEDAR. The historical mineral resource estimate, termed “inferred mineral resource”, which is a category set out in NI 43-101, was based on previous drill hole, underground channel samples and blasthole assays, and calculated using ordinary kriging to estimate gold grades in 10 foot x 10 foot x 5 foot blocks. Accordingly, Southern Empire considers this historical estimate as relevant as it represents key targets for exploration work by Southern Empire. However a Qualified Person has not done sufficient work to classify the historical estimate as a current mineral resource and Southern Empire is not treating this historical estimate as current mineral resources.

Adjacent to the Oro Cruz Gold Project are the historically past-producing American Girl and Padre y Madre gold mines. Gold was again produced from these properties in 1988 through 1996 by the AGMJV.

Ten exploration targets have been identified on the Oro Cruz Property and good potential exists for both the extension of known gold mineralization and the discovery of new gold-bearing zones. Pan concentrates and gravel samples suggest potential for placer deposits. Magnetic anomalies are thought to be associated with elevated magnetite in the siliceous, gold-bearing zones.



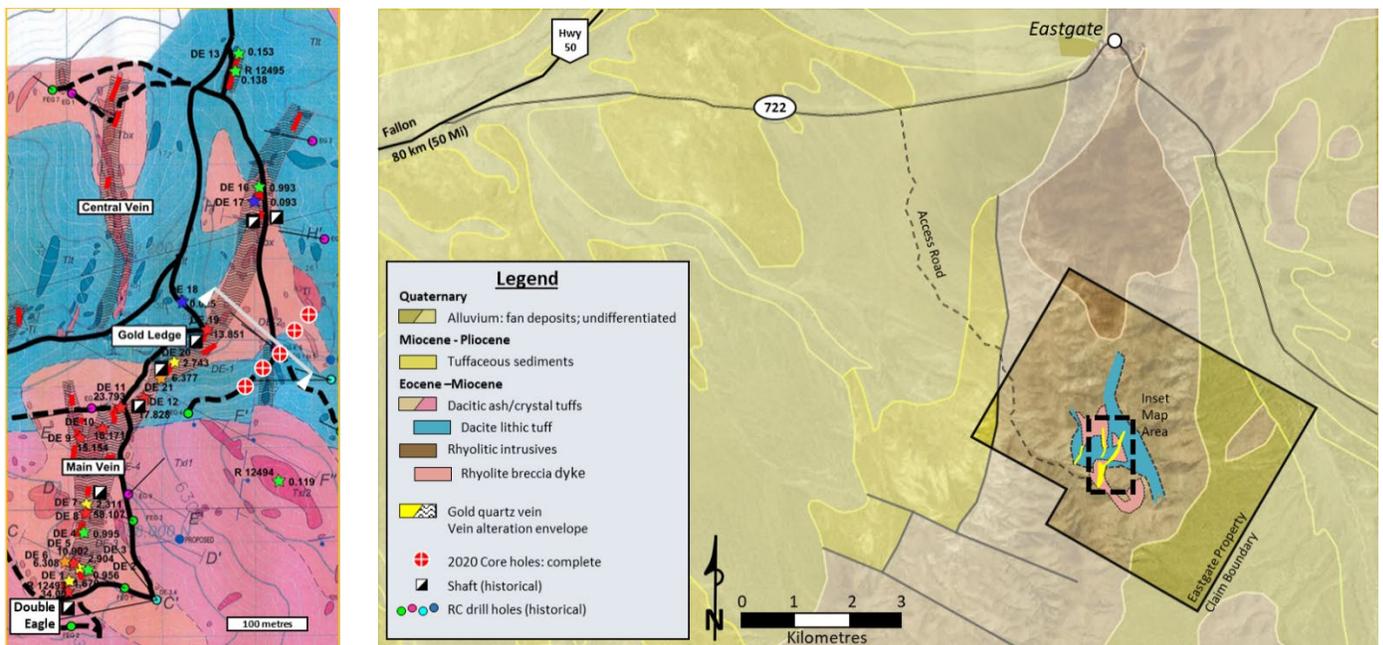
**Oblique View of Oro Cruz Mineralized Zone with Topography and Existing Development
(Red = Mineralized Zone, Green/Blue = Existing Underground Development, Brown = Topography)**

Eastgate Gold Project, Churchill County, Nevada, USA:

The Eastgate Gold Project is 85% owned by Southern Empire and comprises 101 unpatented lode mining claims covering roughly 817 hectares (2,020 acres) located approximately 81 kilometres (50 miles) southeast of the city of Fallon in Churchill County, Nevada.

The Eastgate property remains a target for a high-grade gold/silver deposit hosted by a system of multiple, steeply dipping, subparallel low-sulphidation, quartz-adularia epithermal veins occurring throughout the property. Intermittent small scale, narrow-vein production occurred, between 1908 and 1920 and from 1935 to 1957, at the Double Eagle and Gold Ledge mines on the property. Eastgate is located roughly 24 km (15 miles) northeast of the Bell Mountain Gold Project currently undergoing final mine permitting by Eros Resources Corp., a company that owns approximately 22% of Southern Empire.

The Eastgate area is underlain by felsic to intermediate Tertiary volcano-sedimentary rocks that are intruded subvolcanic intrusive breccia and dykes. Gold-silver mineralized, low sulphidation, quartz±calcite veins occur within multiple 10 to 40 metre-wide zones of intense argillic alteration that follow north-northwest to north trending structures.



Eastgate Gold Project: Regional and Property Geology

In June 2020, Southern Empire completed six HQ-size core drill holes totalling 906 metres (2,972 feet), with the first two holes testing a section where the 1990 Cabot RC holes were drilled. Southern Empire's first-pass core drilling program of the Double Eagle high-grade gold/silver epithermal vein system, one of several vein systems at Eastgate, was designed to accomplish the following specific goals:

- Test the zone of historical RC drill assay results reported by past operators of the property, including both on section with historical holes and to within 55 metres (180 feet) both northeast and southwest along strike.
- Collect specific and correlative analytical, structural and lithological information of the vein system while incorporating accurate down hole survey control that only core drilling can provide.

The 2020 drill program successfully intercepted the target vein structure in all holes, however failed to confirm historical RC drill results at the Double Eagle vein system. Results ranged to a high of 338 ppb gold, although most samples returned values of less than 50 ppb Au.

The 2020 core drilling intersected quartz mineralization, including quartz pseudomorphs after calcite, calcite and trace, fine sulphides within broad zones of clay alteration in all six holes. Analytical metallic screening of select samples indicated that the gold occurs primarily in the coarser fraction, however, does not provide any explanation for the comparatively low 2020 assay results. Hole EG20-01 was drilled to intersect the vein system within approximately 3 metres (10 feet) of historical RC hole EG-04 intercept that reportedly assayed 4.57 metres of 11.8 g Au/t (15 feet of 0.343 oz Au/ton), although the EG-04 was subject to a lack of both surface and downhole survey control during the 1999 drilling. Recoveries from the 2020 drilling averaged 93%; no recovery data is available from the historical RC holes.

Results of Operations:

The condensed interim financial statements reflect the financial condition of Southern Empire's business for the nine month period ended July 31, 2020. Significant events during the period that impacted the financial results of the Company, some of which are discussed above in the performance summary, are:

- Completion of the Qualifying Transaction regarding the addition of the Oro Cruz Gold Project, Eastgate Gold Project and its shareholding position in Bullfrog.
- Completion of a concurrent private placement, raising \$3,273,359 through the issuance of 10,911,197 common shares.
- Completion of a private placement, raising \$4,021,930 through the issuance of 8,043,861 common shares.
- Completion of an initial exploration drilling program at Eastgate
- The signing of an agreement to acquire MAS Gold Corp.
- Exploration and travel restrictions due to COVID-19

During the nine months ended July 31, 2020, Southern Empire had a net income of \$248,331 as compared to a net loss of \$67,648 in the same period of 2019.

Significant expenditures included:

- Management and consulting fees of \$338,024 (2019 - \$nil)
- Stock based compensation of \$936,147 (2019 - \$nil)
- Unrealized gain on marketable securities of \$1,895,754 (2019 - \$nil)
- Business and investor relations expense of \$255,458 (2019 - \$nil)

Summary of Quarterly Results:

The following is a summary of quarterly results, as published:

	(\$) Three Months Ended			
	July 31, 2020	April 30, 2020	January 31, 2020	October 31, 2019
Net and comprehensive income (loss)	911,131	(664,143)	(18,157)	(55,146)
Basic and diluted income (loss) per share	0.02	(0.03)	(0.00)	(0.01)
Working capital	8,168,077	4,030,953	508,396	165,353

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

Liquidity:

Southern Empire's mineral exploration and development activities do not provide a source of income for the Company and, as such, the Company has a history of losses, working capital deficiencies and an accumulated deficit. However, given the nature of our business, the results of operations as reflected in the statements of net income (loss) and income (loss) per share do not provide a complete interpretation of Southern Empire's valuation.

During the nine-month period ended July 31, 2020, Southern Empire completed a private placement in conjunction with the closing of the Qualifying Transaction, raising \$3,273,359 through the issuance of 10,911,197 common shares at a price of \$0.30 and a subsequent private placement raising \$4,021,930 through the issuance of 8,043,861 common shares at a price of \$0.50.

As at July 31, 2020, Southern Empire had working capital of \$8,168,077. This balance included a cash balance of \$5,235,103 (2019 - \$235,911), marketable securities with a fair value of \$2,778,054 (2019 - \$nil) and accounts receivable and prepaids of \$241,911 (2019 - \$nil) to settle current liabilities of \$86,991 (2019 - \$15,412).

Southern Empire continues to investigate additional projects and financing opportunities and to maintain liquidity in the future we will consider raising capital via additional share issuances, debt funding, joint venture arrangements or a combination of these options. To date, Southern Empire has financed its operations through the issuance of common shares.

Operating activities:

Southern Empire does not generate cash from its operating activities. Net cash used by the Company for operating activities for the period ended July 31, 2020 was \$1,089,984, compared to \$64,732 in the same period of 2019.

Investing activities:

During the period ended July 31, 2020, Southern Empire used cash of \$910,519 exploring its properties compared to \$nil in 2019.

Financing activities:

During the period ended July 31, 2020, Southern Empire generated \$6,844,788 (net of financing costs) through the issuance of 18,955,058 common shares.

Transactions with related parties:

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of Southern Empire. The Company has determined that key management personnel consists of members of the Board of Directors and corporate officers, including the Chief Executive Officer, Chief Financial Officer and Vice-President Exploration.

During the period ended July 31, 2020, the Company had the following transactions with key personnel:

Nine months ended July 31,	2020	2019
Management fees	\$ 251,000	-
Share-based compensation	\$ 936,147	-
Total	\$ 1,187,147	-

As at July 31, 2020, \$149,975 (2019 - \$nil) was included in accounts payable and accrued liabilities owing to directors, officers, and companies controlled or affiliated with directors and officers of Southern Empire in relation to fees and reimbursement of expenses.

Changes in Accounting Policies:**New accounting standards adopted effective November 1, 2019:**

IFRS 16 – Leases is a new standard that became effective for the Company on November 1, 2019.

IFRS 16 specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The adoption of IFRS 16 did not have a significant impact on the financial statements as Southern Empire does not have any leases.

Financial instruments and risk management:

For disclosure purposes, all financial instruments measured at fair value are categorized into one of three hierarchy levels, described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as in prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth Southern Empire’s financial assets measured at fair value by level within the fair value hierarchy.

July 31, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$ 5,235,103	\$ -	\$ -	\$ 5,235,103
Investments	\$ 2,100,000	\$678,054	\$ -	\$ 2,778,054

October 31, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$ 390,818	\$ -	\$ -	\$ 390,818

Southern Empire may hold various forms of financial instruments. The nature of these instruments and Southern Empire’s operations expose the Company to concentration risk, credit risk, currency risk, price risk, commodity price risk and liquidity risk. Southern Empire manages its exposure to these risks by operating in a manner that minimizes its risk exposure to the extent practical.

- a) **Concentration risk** – as at July 31, 2020, all of Southern Empire’s cash is held at one Canadian national financial institution. As a result, the Company is exposed to all of the risks associated with those institutions. Concentration risk also exists in marketable securities because Southern Empires investment portfolio consists of the securities of one issuer.
- b) **Credit risk** – Southern Empire is exposed to credit risk, which is the risk that a counterparty will fail to perform an obligation or settle a liability, resulting in financial loss to the Company. The Company manages exposure to credit risk by adopting credit risk guidelines that limit transactions according to counterparty credit worthiness. The maximum exposure associated with accounts receivable is the carrying value.
- c) **Currency risk** –Southern Empire’s operations in the United States expose the Company to currency risk, by which it is subject to fluctuations in exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. Southern Empire does not have material monetary assets or liabilities in foreign currencies.
- d) **Price risk** – Southern Empire’s investments designated as fair value through profit or loss (“FVTPL”) are traded on the Canadian Securities Exchange. A 1% change in the quoted share price would not significantly impair the fair value of the investment. The change would be recorded through profit or loss.
- e) **Commodity price risk** – The value of Southern Empire’s exploration and evaluation assets is related to the price of commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside the Company’s control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.
- f) **Liquidity risk** – Currently, Southern Empire’s capital is not sufficient to meet its long-term business requirements when taking into account cash flows from operations (nil) and the Company’s holdings of cash and cash equivalents. Future operations or exploration programs may require additional financing primarily through equity markets, through joint venture partnerships or the sale of assets.

Disclosure Controls and Procedures:

There have been no significant changes to Southern Empire's internal controls over financial reporting for the most recent period that would have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. Internal controls are continually being reviewed and assessed.

Risk Factors Associated with Resource Issuers:

An investment in Southern Empire involves various risks. The following is a brief discussion of the main risk factors that may have a material effect on our business and on your investment in our common shares. Additional risks not currently known to us or that we currently deem immaterial may also impair our business operations.

a) Reliance on Management:

Shareholders must rely on the discretion, knowledge and expertise of the Company's management to properly plan, execute and achieve the business objectives of Southern Empire.

b) Exploration Stage Company

Subsequent to the completion of the Qualifying Transaction, Southern Empire is now engaged in the business of acquiring, exploring and developing mineral properties with the objective of locating economic mineral deposits. The Oro Cruz Gold Project in California and the Eastgate Gold Project in Nevada remain at an early stage. A number of gold-mineralized zones have been identified on these projects and they are in various stages of exploration. Development of Southern Empire's properties will only follow upon obtaining satisfactory exploration results. There can be no assurance that Southern Empire's existing or future exploration programs will result in the discovery of commercially viable mineral deposits. Further, there can be no assurance that, even if a mineral deposit is located, it can be commercially mined.

c) Mineral Exploration and Development

The exploration for, and development of metals and mineral deposits is highly speculative in nature and involves a great degree of financial and other risks over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mineral deposit or ore body may result in significant rewards, few properties which are explored are ever ultimately developed into producing mines. Substantial funding is required to establish ore reserves by drilling, sampling and other techniques and to subsequently engineer, design and construct mining and processing facilities. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), availability of financing, costs of financing, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of minerals, environmental protection and indigenous rights). The effect of each of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on Southern Empire.

d) Mining Operations and Insurance

Mining operations generally involve a high degree of risk. Southern Empire's operations are subject to all of the hazards and risks normally encountered in mineral exploration and development. Such risks include unusual and unexpected geological formations, seismic activity, rock bursts, cave-ins, and other conditions involved in the drilling and removal of material, environmental hazards, industrial accidents and periodic interruptions due to adverse weather conditions, labour disputes, and political unrest. The occurrence of any of the foregoing could result in damage to, or destruction of, mineral properties or interests, production facilities, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability and adverse government action. Southern Empire does not currently carry insurance against these risks and there is no assurance that such insurance will be available in the future, or if available, at economically feasible premiums or acceptable terms. The potential costs associated with liabilities not covered by insurance or excess insurance coverage may cause substantial delays and require significant capital outlays.

e) No Operating History and Financial Resources

Southern Empire does not have an operating history and has no operating revenues and is unlikely to generate any in the foreseeable future. It anticipates that its existing cash resources, following any proposed private placements, will be sufficient to cover its projected funding requirements for the ensuing year. If its exploration program is successful, additional funds will be required for further exploration to define economic deposits and to bring such deposits to production. Additional funds will also be required for Southern Empire to acquire and explore other mineral interests. Southern Empire has limited financial resources and there is no assurance that sufficient additional funding will be available to it fulfill its obligations or for further exploration and development, on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause Southern Empire to forfeit its interests in some or all of its properties or to reduce or terminate its operations.

f) Government Regulation

The current or future operations of Southern Empire, including exploration and development activities and the commencement and continuation of commercial production, require licenses, permits or other approvals from various federal, state/provincial and local governmental authorities and such operations are or will be governed by laws and regulations relating to prospecting, development, mining, production, exports, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters. There can be no assurance, however, that Southern Empire will obtain on reasonable terms, or at all, the permits and approvals, and the renewals thereof, which it may require for the conduct of its current or future operations or that compliance with applicable laws, regulations, permits and approvals will not have an adverse effect on any mining project which Southern Empire may undertake. Possible future environmental and mineral tax legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays to Southern Empire's planned exploration and operations, the extent of which cannot be predicted.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

g) Competition

The mineral exploration, development and mining business is competitive in all of its phases. Southern Empire competes with numerous other companies and individuals, including competitors having greater financial, technical and other resources, in the search for, and the acquisition of attractive mineral properties. Southern Empire's ability to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable prospects for mineral exploration or development. There is no assurance that Southern Empire will be able to compete successfully with others in acquiring such prospects.

h) Title to Property

Southern Empire is taking precautions to ensure that legal titles to its property interests are properly recorded. There can be no assurance that Southern Empire will be able to secure the grant or the renewal of exploration permits or other tenures on terms satisfactory to it, or that governments in the jurisdictions in which the properties are situated will not revoke or significantly alter such permits or other tenures or that such permits and tenures will not be challenged or impugned. Third parties may have valid claims underlying portions of Southern Empire's interests, and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect exists, it is possible that Southern Empire may lose all or part of its interest in the properties to which such defects relate.

i) Permitting and Regulatory Risks

Amendments to current laws, regulations and permits governing operations and activities of mining companies could have a material adverse impact on Southern Empire. As well, policy changes and political pressures within and on federal, territorial, and First Nation governments having jurisdiction over or dealings with the Company could change the implementation and interpretation of such laws, regulations and permits, also having a material adverse impact on Southern Empire. Such impacts could result in one or more increases in capital expenditures or reduction or delays in further exploration activities.

j) Environmental Risks and Hazards

All phases of Southern Empire's field operations are subject to environmental regulation in the jurisdictions in which the Company intends to operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, and provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of such regulation may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which generally requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the viability or profitability of operations. Environmental hazards may exist on the properties in which Southern Empire holds interests or on properties that will be acquired which are unknown to Southern Empire at present and which have been caused by previous or existing owners or operators of the properties.

k) Commodity Prices

The price of Southern Empire's securities, its financial results and exploration, development and mining activities may in the future be significantly adversely affected by declines in the price of base and/or precious metals & other minerals. Metal and mineral prices fluctuate widely and are affected by numerous factors beyond Southern Empire's control such as the sale or purchase of metals and minerals by various dealers, government agencies and financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand; production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection and international political and economic trends, conditions and events. As these prices fluctuate widely, future serious price declines could cause continued exploration, development and mining of Southern Empire's properties to be economically impracticable.

Further, reserve calculations and life-of-mine plans using significantly lower metals and minerals prices could result in material write-downs of Southern Empire's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

l) Price Volatility

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Any quoted market for Southern Empire's securities will be subject to such market uncertainties, volatility and fluctuations and the value of such securities may be affected accordingly.

m) Key Executives

Southern Empire is dependent on the services of key executives and a small number of highly-skilled and experienced consultants and personnel, whose contributions to the operations of Southern Empire are likely to be of importance. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration and development personnel involved. Due to the relatively small size of Southern Empire, the loss of these persons or Southern Empire's inability to attract and retain additional skilled employees or consultants may adversely affect its business and future operations. Southern Empire does not currently carry any key-man life insurance on any of its executives. The directors and officers of Southern Empire only devote part of their time to the affairs of Southern Empire.

n) Potential Conflicts of Interest

Certain directors and officers of Southern Empire are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of Southern Empire. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of Southern Empire. Directors and officers of Southern Empire with conflicts of interest are subject to and do follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

Dividends:

Southern Empire has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to deploy available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of Southern Empire and will, from time to time, depend on Southern Empire's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of Southern Empire deem relevant.

Nature of the Securities:

The purchase of Southern Empire's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. Southern Empire's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in Southern Empire's securities should not constitute a major portion of an investor's portfolio.

Outstanding Share Data:

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

All share information is reported as of September 28, 2020:

Type of Security	Number	Exercise Price (\$)	Expiry Date
Issued and outstanding common shares	50,906,800		
Issued and outstanding preferred shares	0		
Stock options	4,250,000	\$0.30	March 18, 2025
Total – Fully-diluted	55,156,800		

Additional Information:

Additional information about Southern Empire's shares capital can be found in note 6 of the Notes to the Financial Statements for the Three and Nine months ended July 31, 2020 and Years Ended October 31, 2019 and 2018, a copy of which may be found on SEDAR at www.sedar.com.