



Southern Empire

RESOURCES
CORP.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021

Form 51-102F1

Management's Discussion and Analysis for Southern Empire Resources Corp.

Date of this Management's Discussion and Analysis Report: September 30, 2021

NOTE TO READER

This Management's Discussion and Analysis ("MD&A") focuses on the financial condition and results of operation of Southern Empire Resources Corp. ("Southern Empire" or the "Company"; "we", "our", "its" or "us"; formerly Owl Capital Corp.) and is a narrative explanation of how we performed during the period covered by the associated financial statements and of our future prospects.

This MD&A, which has been prepared based upon information available as at September 29, 2021, supplements but does not form part of the financial statements of Southern Empire and should be read in conjunction with the condensed interim consolidated financial statements and the notes thereto as at and for the three and nine months ended July 31, 2021 and the audited consolidated financial statements and the notes thereto as at and for the years ended October 31, 2020 and 2019.

All financial data in this MD&A is reported in Canadian dollars unless otherwise noted and has been prepared in accordance with International Financial Reporting Standards (“IFRS”), as established by the International Accounting Standards Board (“IASB”).

FORWARD-LOOKING INFORMATION

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 regarding our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves known and unknown risks, 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 that 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 Southern Empire’s investments are located, and other risks included elsewhere in this MD&A under the headings “Risks and Uncertainties” and “Financial Instruments and Risk Management” and in other public disclosure documents filed with certain Canadian securities regulatory authorities and available under Southern Empire’s profile on the Canadian Securities Administrators’ System for Electronic Document Analysis and Retrieval (“SEDAR”) 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.

INTRODUCTION

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 metal and mineral resource properties in North America.

Owl Capital Corp. was a Capital Pool Company, as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"), until the completion of its Qualifying Transaction as discussed below. Upon closing of the Qualifying Transaction, on March 18, 2020, Owl Capital Corp. changed its name to Southern Empire Resources Corp. and was listed as a Tier 2 mining issuer on the Exchange having the trading symbol "SMP". Southern Empire's common shares also trade on the Frankfurt Börse (symbol "5RE") and on the OTC Markets (symbol "SMPEF").

Southern Empire's principal exploration project is the Oro Cruz Project in Imperial County, California. Please refer to the "Mineral Properties and Exploration" discussion below for acquisition and other project details.

Qualifying Transaction:

On March 18, 2020 the Company completed its previously announced Qualifying Transaction with Eros Resources Corp. ("Eros") and Demerara Gold Corp. ("Demerara") whereby the Company acquired 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 marketable securities in Augusta Gold Corp. ("Augusta", formerly Bullfrog Gold Corp., an exploration stage company) from Eros. Upon completion 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 Exchange having the trading symbol "SMP".

Pursuant to the Qualifying Transaction, Southern Empire acquired:

- a. From Eros, Eros's entire right, title and interest, being an undivided 45% interest in the Eastgate Property;
- b. From Demerara, Demerara's entire right, title and interest, being an undivided 40% interest, in the Eastgate Property, Churchill County, Nevada;
- 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 could acquire a 37.5% interest (aggregate 75% interest) in the Oro Cruz Property, Imperial County, California.

In consideration, the Company issued 25,426,940 common shares as follows:

- a. 2,901,275 shares to Eros with respect to the acquisition of a 45% interest in the Eastgate Property;
- b. 2,579,000 shares to Demerara with respect to the acquisition of a 40% interest in the Eastgate Property;
- c. 8,545,000 shares to Demerara and 8,545,000 shares to Eros with respect to the acquisition of an exclusive option to acquire and aggregate 75% interest in the Oro Cruz Property;
- d. 2,856,665 shares to Eros with respect to the acquisition of the 8,750,000 common shares and 7,750,000 common share purchase warrant in Augusta.

None of the Non-Arms Length Parties of Owl Capital Corp. had any direct or indirect interest in the Significant Assets acquired in the Qualifying Transaction, 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.

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 that expired on July 14, 2020.

HIGHLIGHTS AND RECENT DEVELOPMENTS

For more details regarding the following highlights, please refer to the news releases available on [Southern Empire’s website](#) and on [SEDAR](#).

Performance Summary and Subsequent Events:

Since its inception, Southern Empire:

- Completed a private placement, as part of the Qualifying Transaction, raising a total of \$3,273,759 through the issuance of 10,899,197 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 Project,
 - b. a direct 85% interest in the Eastgate Gold Project, and
 - c. 8,750,000 common shares and 7,750,000 common share purchase warrants of Augusta Gold Corp. (formerly Bullfrog Gold Corp.)
- At the time of the Qualifying Transaction, granted 4,250,000 incentive stock options to Directors, Officers and Consultants. Each option is exercisable for the purchase of one common share for a period of five years at a price of \$0.30 per share.
- Commenced trading on the TSX Venture Exchange with the trading symbol “SMP” on March 24, 2020.
- Commenced trading on the Frankfurt Börse with the trading symbol “5RE”.
- Became quoted on the OTC Markets with the symbol “SMPEF” and engaged a market maker.
- Completed a private placement raising a total of \$4,021,515 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 Project thus allowing for the ultimate acquisition of a 100% interest upon exercise of all option agreements.
- Completed a first-phase drill program totalling 906 metres (2,972 feet) of HQ-sized core on the Eastgate Gold Project.
- Pursuant to a Purchase and Sale Agreement and subject to Exchange acceptance (received on March 4, 2021), acquired additional mineral dispositions for the Oro Cruz Project by purchasing mining claims overlying the former gold producing American Girl Mine (see Southern Empire news

release dated September 14, 2020) for cash consideration of US\$330,000. Highlights of this acquisition are:

- 100% ownership of seven privately-owned, patented lode mining claims and ten 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
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- Completed a 925 line-kilometre, low-level magnetic and radiometric airborne survey over the Oro Cruz property.
 - Completed an initial 20-hole sonic drilling program; ten holes each on the American Girl and Padre y Madre historical heap leach pads at the Oro Cruz Project.
 - Completed a 75 square kilometer airborne LiDAR survey of its Oro Cruz Project.
 - Completed an underground mine safety survey of the Oro Cruz mine workings.
 - Completed a LiDAR survey of the Oro Cruz Cross Mine underground workings.
 - Completed a 10 line-kilometre Induced Polarization geophysical survey over the Oro Cruz gold deposit by Zonge International.
 - Received a positive decision letter from the U.S. Bureau of Land Management regarding a Plan of Operations at the Oro Cruz Project.
 - Announced the appointment of Mr. Andrew Davidson, Mr. Alex Heath and Mr. P. E. (Ted) Kavanagh to the Board of Directors.
 - Granted an additional 1,150,000 incentive stock options to Directors, Officers and Consultants and cancelled 300,000 options to a consultant. Each option is exercisable for the purchase of one common share for a period of five years at a price of \$0.30 per share.
 - Exercised all remaining warrants in Augusta Gold Corp., and now holds approximately 3.9% of the common shares of Augusta.
 - Initiated a complete review and compilation of the geophysical, LiDAR and geological databases by Condor Consultants.
 - Initiated extractive metallurgical test work on sonic drill samples from the historical Padre y Madre and American Girl heap leach pads
 - Based upon the geophysical review provided by Condor Consultants, a number of previously untested targets were identified, including along the southeast plunging extension of the Oro Cruz zone.
 - The work to complete the Mine Plan of Operations, the National Environmental Protection Act/California Environmental Quality Act (NEPA/CEQA) permitting document required prior to

commencement of surface and underground drilling work, has advanced significantly with the completion of all surface biological and cultural field surveys.

- Entered into an option agreement with Commander Resources Ltd. on July 27, 2021, allowing Southern Empire to acquire a 100% beneficial interest in the Pedro Gold Project in northeastern Durango State, México

Outlook:

Since the completion of the Qualifying Transaction on March 18, 2020, Southern Empire has aggressively acted to advance its exploration and development projects located in the southwestern United States. With \$4,532,729 in working capital as at July 31, 2021, Southern Empire is well financed to achieve its 2021 goals. Southern Empire will continue to advance the permitting on its Oro Cruz Project in California, with a view to starting its initial Reverse Circulation (“RC”) and core drill programs in April of 2022.

A global pandemic related to COVID-19 was declared by the World Health Organization in March 2020. The current and expected impacts on global commerce have been and are anticipated to continue to be far-reaching. To date, globally, there has been significant volatility in commodity prices and foreign exchange rates, restrictions on the conduct of business in many jurisdictions, including travel restrictions, and supply chain disruptions. There is significant ongoing global uncertainty surrounding COVID-19 and the extent and duration of the impact it may have.

The areas of judgment and estimation uncertainty for the Company which may be impacted by COVID-19 include estimates used to determine the recoverability of exploration and evaluation assets. The impact of COVID-19 on the global economic environment, and the local jurisdictions in which Southern Empire operates, could result in changes to our operations and outcomes different from our expectations. Such impacts could be material.

MINERAL PROPERTIES AND EXPLORATION

Resource Project Overviews:

The scientific and technical information contained in this MD&A has been prepared, reviewed and approved by David Tupper, P.Geol. (British Columbia), Southern Empire's Vice President of Exploration and a Qualified Person (“QP”) within the context of Canadian Securities Administrators' National Instrument 43-101; Standards of Disclosure for Mineral Projects (NI 43-101).

Oro Cruz Project, Imperial County, California, USA:

The Oro Cruz Project incorporates a large portion of the western side of the Cargo Muchacho Mountains in Imperial County, southeastern California where gold placers were first worked by Spanish colonists in the 1780's.

The Oro Cruz Project is approximately 25 kilometres (15.5 miles) northwest of the city of Yuma, Arizona (2019 population 96,349). The Oro Cruz (or “Cross”) and American Girl mine areas, situated on the Property, are former open pit and underground gold (“Au”) producers within the historically significant 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.

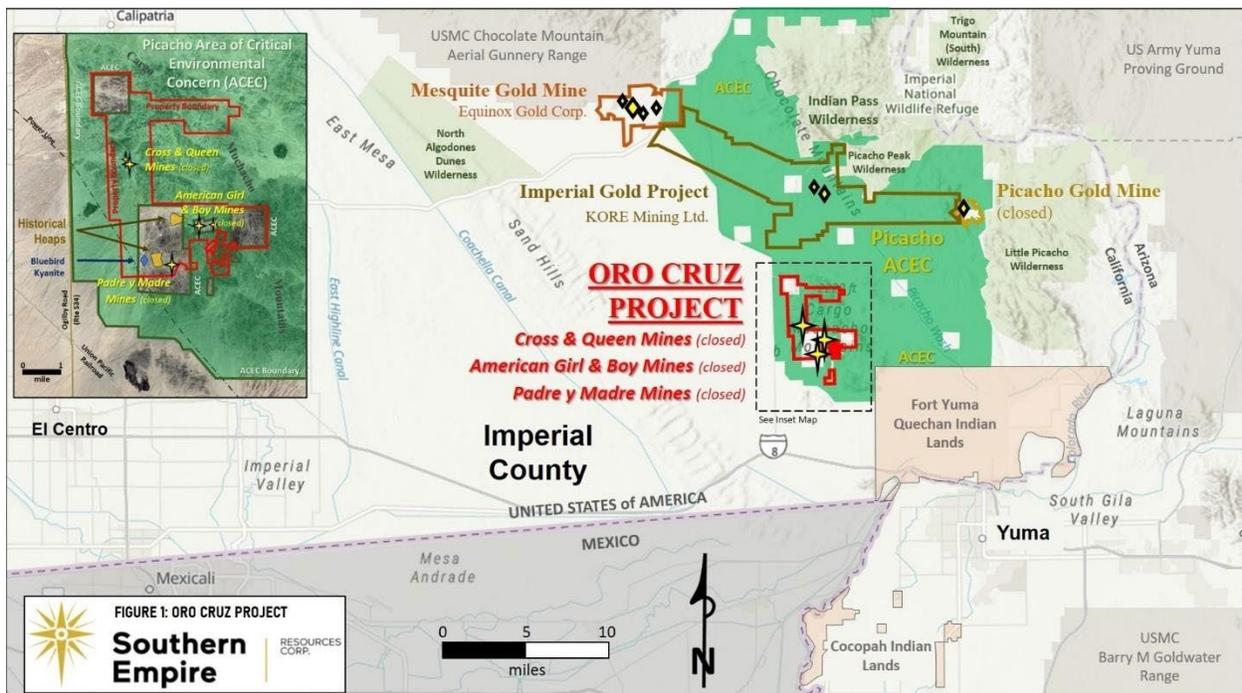
Subsequent to the early Spanish placer mining, gold production from the Oro Cruz Property occurred from 1890 to 1916 and again from 1932 to 1941, with production estimated to be greater than 150,000 troy ounces gold. The Oro Cruz Property includes the Cross and American Girl open pit and underground mines, which were operated from 1987 to 1996 as part of the American Girl Mining Joint Venture (“AGMJV”). The

Cross open pit and underground mines produced about 61,000 troy ounces of gold from oxide ore before operations were suspended due to the downturn in gold prices in the mid- to late-1990s.

The Oro Cruz Property is accessed by 34.4 km (21.4 miles) of paved road; west via Interstate Highway 8 from Yuma, AZ, then north along County Highway S34 (“Ogilby Road”) and then east by 2.4 km of unimproved BLM Route 668. A high-voltage power line crosses the property.

The Oro Cruz 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 (5,344 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) and 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, held under option from Lincoln Gold Mining Inc. and Ronald K. Netolitzky. In addition, Southern Empire has acquired a 100% ownership interest in 7 patented lode mining claims and 10 BLM administered claims holdings totaling 116 ha (287 acres) that include the formerly producing American Girl gold mine operations.

Lode and placer claims located on federally owned lands are administered by the United States Department of the Interior’s BLM. The unpatented mining claims (new and historical) 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 fees 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.



Location Map: Oro Cruz Project, Imperial County, California

The Oro Cruz and nearby American Girl and Padre y Madre gold deposits are located in the Cargo Muchacho Mountains which form an isolated, northwest trending range approximately 30 kilometres long and 20 kilometres wide that is surrounded on all sides by dissected pediment and various alluvial deposits.

This mountain range comprises 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.



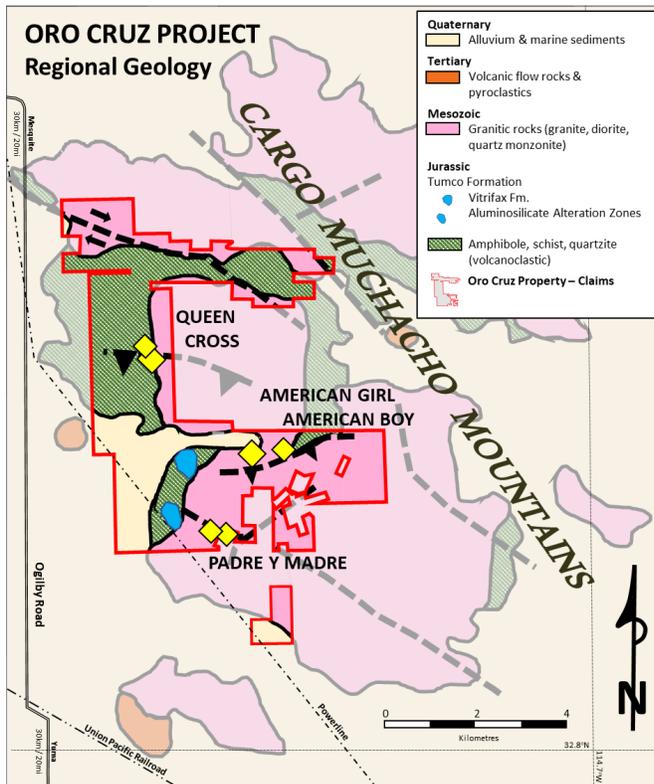
American Girl Mine Area: Historical Heap Leach Pad in background



Cross Mine Open Pit

The Oro Cruz Property 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. Examples of such deposits near the Oro Cruz Property include the nearby Picacho mine and the Copperstone mine in Arizona. Examples in Mexico include Fresnillo plc's Noche Buena and La Herradura mines, and the La Choya and Quitovac deposits.

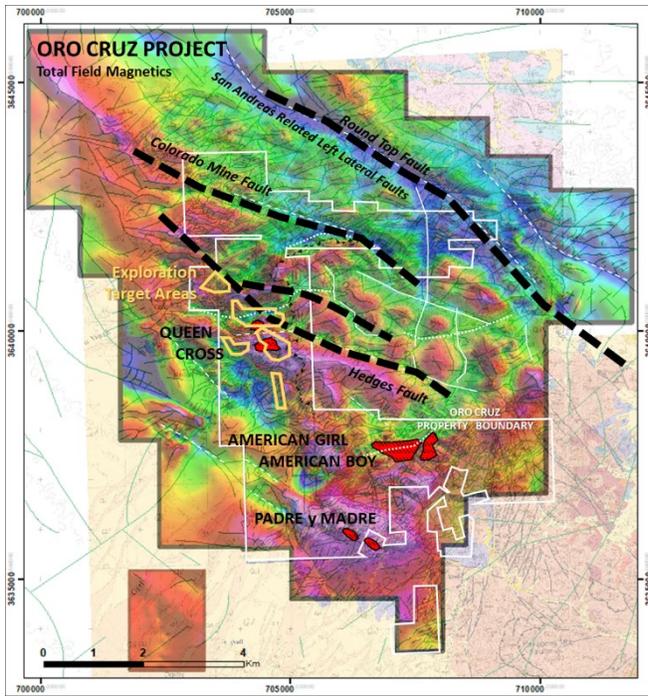
Gold mineralization at Oro Cruz is hosted by a Laramide-age thrust-sense shear zone that was reactivated during subsequent brittle faulting.



Regional Geology of the Cargo Muchacho Mountains

Gold is associated with primary magnetite, quartz, and epidote, with most of the original sulphide minerals having been altered to secondary copper and iron oxides along brittle structures associated with the Laramide Orogeny.

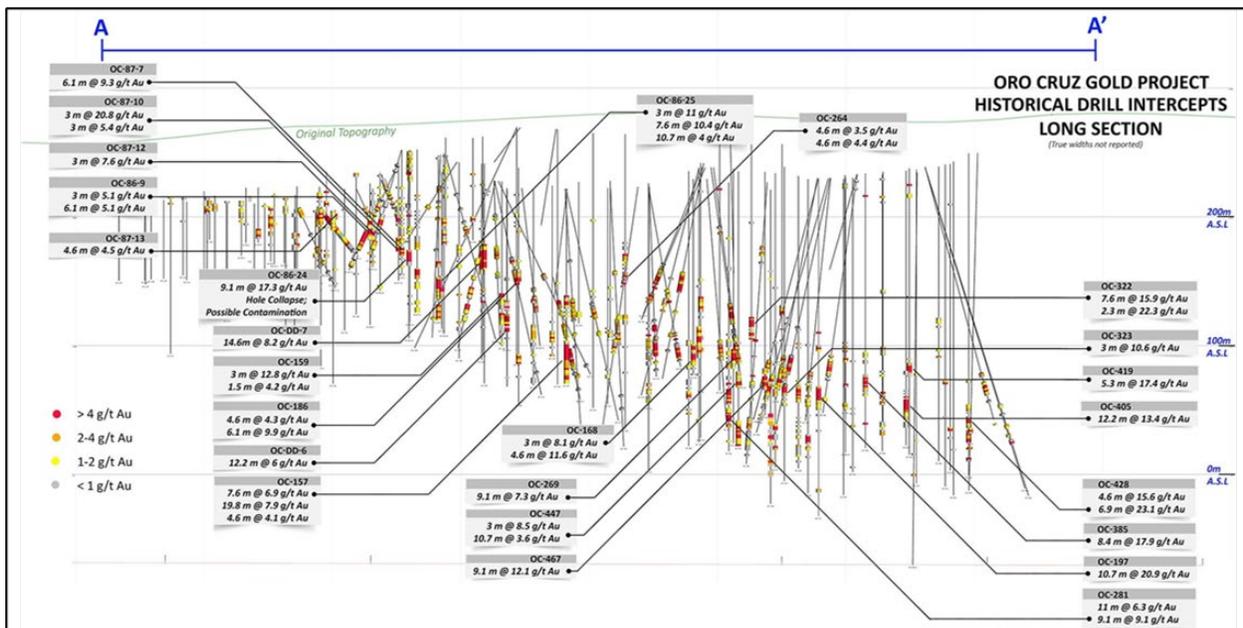
Extensive historical drilling has been completed in the Oro Cruz Project area and includes 124,359 metres (408,000 feet) in 1,417 Reverse Circulation and core holes by Newmont in the 1980's. At the Cross and Queen mine sites, between 1985 and 1991, Texas Gulf completed 76 RC holes totalling 7,188 metres (23,584 ft), and the AGMJV completed 182 RC holes totalling 23,186 metres (76,070 ft) and 9 core holes totalling 1,524 metres (5,000 ft) to successfully delineate the Queen open pit and Cross open pit and underground oxide-hosted, heap leachable resources that were later mined during 1995 and 1996, producing 61,000 ounces of gold.



2020 Regional Total Magnetics Survey

Slumping gold prices forced the early termination of operations at Oro Cruz in November of 1996, leaving both resources in the ground and numerous partially tested exploration targets. The current total drill hole database for the Cross mine area is based on 491 drill holes.

Prior to Oro Cruz gold production during 1995-96, the AGMJV completed a 2.4 kilometre decline plus various sub-levels, draw points and manways to facilitate underground mining of higher grade, oxide gold mineralization at Oro Cruz.



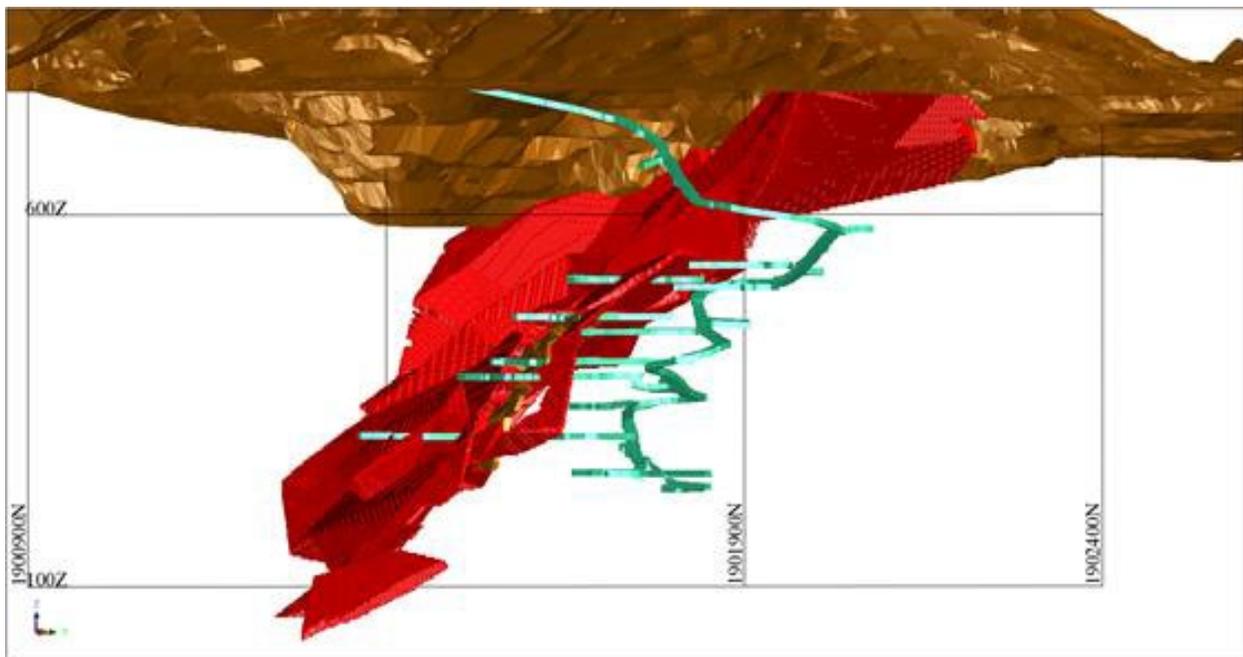
Long-section through the Cross deposit showing density of historical drilling (looking northeast)

A current NI 43-101 resource estimate does not exist for the Oro Cruz Project. While a significant amount of exploration and operational data exist for the Oro Cruz 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 Gold Mining Inc. (formerly Lincoln Mining Corporation) reported an 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 presents key targets for further 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 mine area are the historically past-producing American Girl and Padre y Madre gold mines. In excess of 500,000 ounces of gold was produced from these properties in 1988 through 1996 by the AGMJV. Southern Empire acquired the American Girl mine property in 2020.

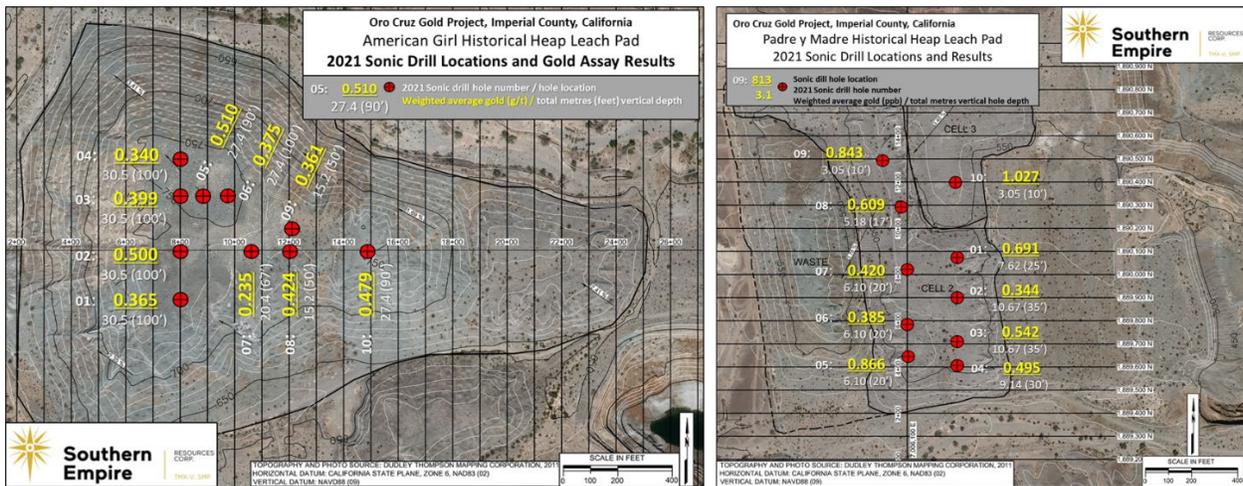
Currently, ten exploration target areas have been identified on the Oro Cruz Project and significant potential exists for both the extension of known gold mineralization and the discovery of new gold-bearing zones. Pan concentrates and gravel samples suggest potential for placer deposits. Magnetic anomalies are thought to be associated with elevated magnetite content associated with 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)**

Two large heap leach facilities were established as part of the AGMJV operations between 1987 and 1996. A twenty-hole sonic drilling program completed in February 2021 successfully outlined significant residual

gold values remaining in these historical, decommissioned heaps. Southern Empire has contracted Blue Coast Research Ltd. in Parksville, BC and SGS Canada Inc. (Lakefield) to undertake initial metallurgical testing to assess the potential for gold recovery from the heaps.



American Girl and Padre y Madre Historical Heap Leach Sites: Gold Weighted Average Sonic Drilling Results

The Oro Cruz Property is also host to several kyanite deposits that were mined in the 1940's. Kyanite is an aluminosilicate industrial mineral used in refractory and thermal shield applications, such as blast furnace linings, brake shoes and even atmosphere re-entry vehicles. Southern Empire plans to undertake an assessment of the kyanite potential of the property.



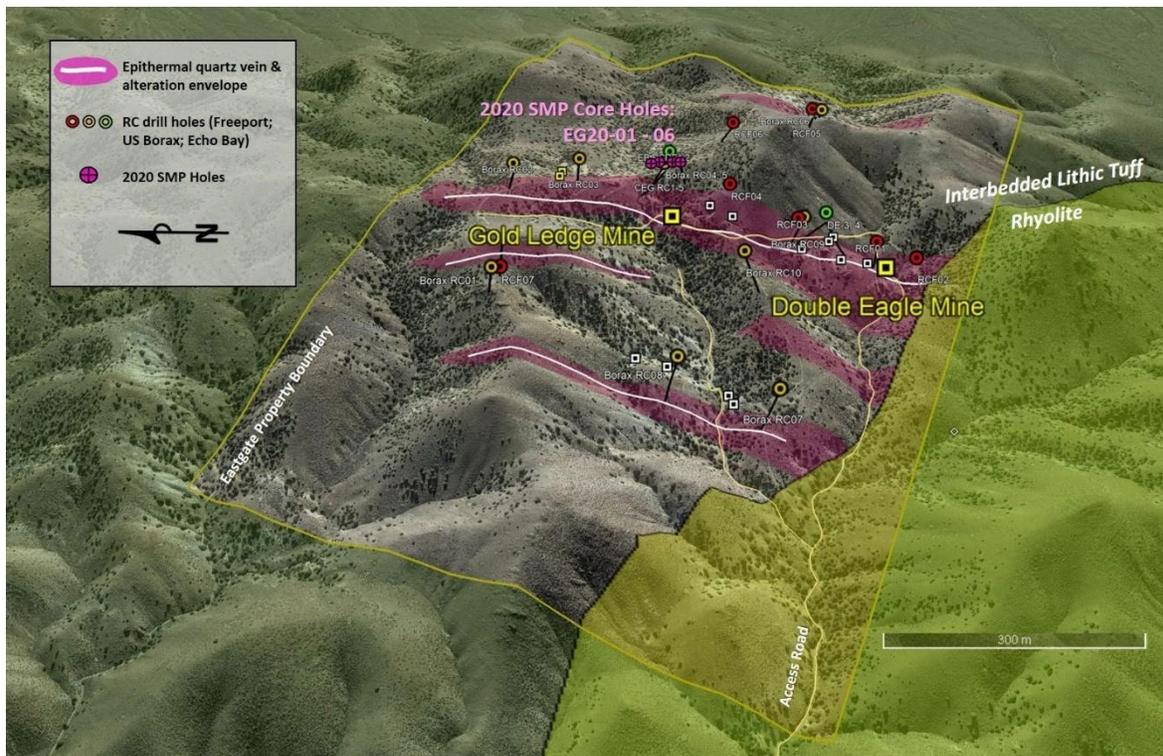
Vitrifax Hill Kyanite Deposit

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 (6.5 km south of Route 2). 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 18% of Southern Empire.

The Eastgate area is underlain by felsic to intermediate Tertiary volcano-sedimentary rocks that are intruded subvolcanic intrusive breccia and dykes.

On the Eastgate 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 where gold-silver mineralized, low sulphidation, quartz-adularia ± calcite epithermal veins occur within multiple 10- to 40-metre-wide zones of intense argillic alteration that follow subparallel, steeply dipping north-northwest to north trending structures.



Eastgate Gold Project: Property Geology (Oblique View to East)

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 of the Double Eagle high-grade gold/silver epithermal vein system, one of several vein systems at Eastgate, where in 1990 RC holes were drilled and intersected promising gold values. Southern Empire's first-pass core drilling program 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 but failed, however, to confirm historical RC drilling gold assay results at the Double Eagle vein system; 2020 assay 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, it did 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), noting that the projection of RC hole EG-04 was uncertain owing 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. Although Southern Empire's initial drill results from 2020 were disappointing, these vein systems remain as targets for high-grade gold/silver deposits.

Pedro Gold Project, Durango, Mexico

On July 27, 2021 Southern Empire announced that it had entered into an option agreement (the “Pedro Agreement”) with Commander Resources Ltd. (“Commander”) allowing Southern Empire to acquire a 100% beneficial interest in the Pedro Gold Project in northeastern Durango State, México.

Located in the Mapimí mineral district, the approximately 1,788-hectare (4,418 acres) Pedro Gold Project covers private ranch lands located approximately 80 km (50 miles) west-northwest of the city of Torreón (metropolitan area population ~1,500,000) and 30 km west of Mapimí (population ~5,700). Mapimí is the site of the historical La Ojuela high-grade silver mine, which in 1887 was the first operating mine of Compañía Minera de Peñoles, now Industrias Peñoles, S.A.B. de C.V.

Year-round access to the Pedro Gold Project is by paved Mexican Federal Highway 30 and secondary gravel roads.

Pursuant to the Pedro Agreement, Southern Empire may, at its election and over a 3-year period, acquire a 100% beneficial interest in Minera BRG, S.A. de C.V., the Mexican subsidiary of Commander that owns a 100% interest in mineral tenements, by:

- (a) paying CAD \$25,000 and issuing 100,000 common shares to Commander on the Completion Date;
- (b) on or before the first anniversary of the Completion Date, either paying to Commander an additional CAD \$125,000 or issuing to Commander such number of Shares of Southern Empire having a value CAD \$125,000;
- (c) on or before the second anniversary of the Completion Date, either paying to Commander an additional CAD \$250,000 or issuing to Commander such number of Shares of Southern Empire having a value CAD \$250,000;
- (d) on or before the third anniversary of the Completion Date, either paying to Commander an additional CAD \$300,000 or issuing to Commander such number of Shares of Southern Empire having a value CAD \$300,000; and
- (e) incurring Exploration Expenditures totalling CAD \$1,500,000 as follows:
 - (i) CAD \$400,000 by the first anniversary of the Completion Date; and
 - (ii) incurring an additional CAD \$1,100,000 by the third anniversary of the Completion Date

Commander will retain a 2% Net Smelter Return Royalty interest on future production from the Pedro Gold Project. The obligations of Southern Empire pursuant to the Agreement are subject to:

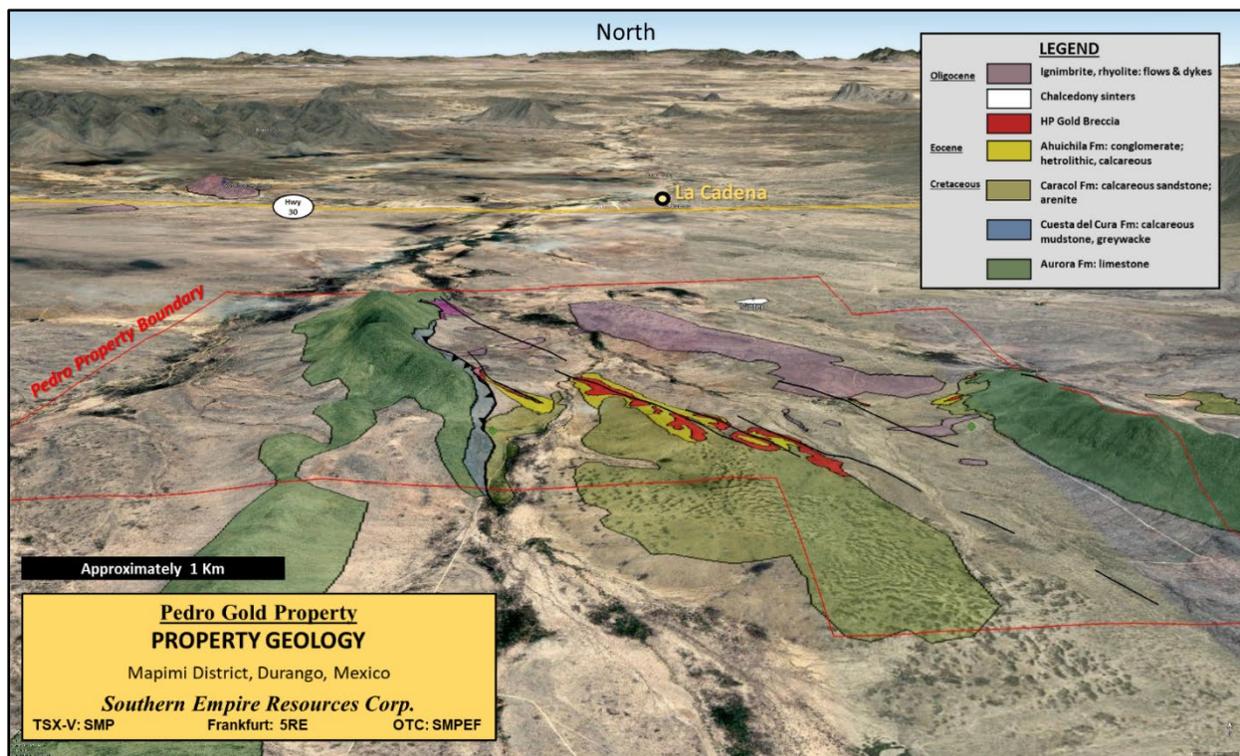
- (a) acceptance by the TSX Venture Exchange of any and all filings required to be made in respect of the Agreement and/or the subject matter; and,
- (b) a satisfactory title opinion on the mineral concessions including the identification of any encumbrances, reclamation costs and environmental liabilities.

Geology and Exploration History of the Pedro Gold Project Area

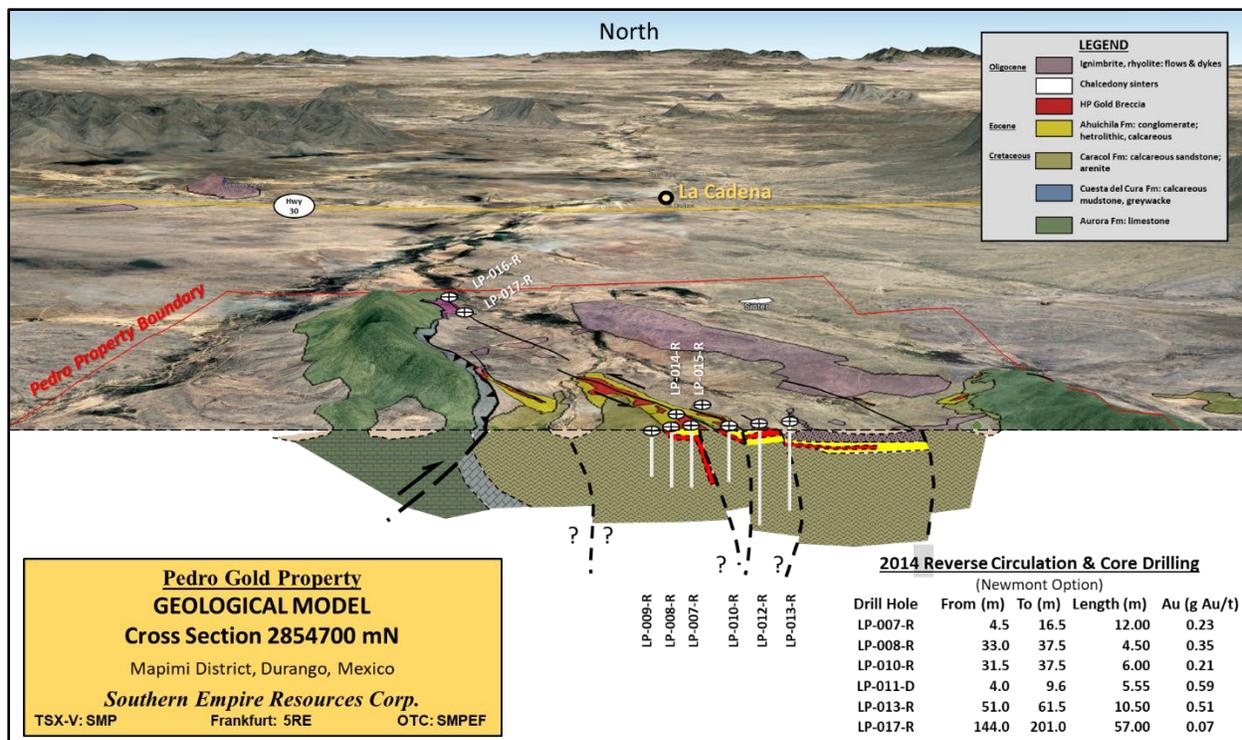
The Pedro Gold Project covers prospective geology including the HP Breccia, an epithermal gold system discovered in 2012 by regional grass roots prospecting. The HP Breccia occurs throughout a 4,000 m by 1,000 m area outlined at surface by a combined gold (>10 ppb) and arsenic (> 100 ppm) soil anomaly coincident with extensive outcrops of Au-bearing, hematite-stained, silica-rich hydrothermal breccias hosted by conglomerates of the Tertiary-age Ahuichila Formation (sandstone, tuffaceous sandstone and conglomerate) (see **Figure 1** below). Selected surface grab samples from prominent silica-rich ridges (featuring angular chalcedony fragments and silicified sedimentary rocks within an angular, coarse breccia) returned up to 2.26 grams gold/tonne (“g Au/t”). Portions of the soil anomaly are underlain by older carbonate rocks of the Aurora and Cuesta Del Cura Formations where partially outlined soil geochemical anomalies indicate potential for additional gold zones.

A drill program comprising 11 mostly vertical drill holes totalling 1,744 m (5,722 feet), of which two holes (409 m) were cored and the remaining drilled by reverse circulation, was completed in 2014 by Newmont de Mexico, S.A. de C.V (“Newmont”), a wholly owned subsidiary of Newmont Mining Corporation. This drill program was specifically designed to test for Carlin-style gold mineralization associated with the Caracol Formation (interbedded to interlaminated sandstone, shale, siltstone and minor limestone), which underlies the Ahuichila Formation conglomerates and did not target the outcropping epithermal breccias. Newmont’s drilling did, however, encounter gold within epithermal breccias including in hole LP-013-R which returned 10.5 metres grading 0.51 g Au/t from oxidized, silicified conglomerate of the Ahuichila formation.

Newmont’s 2014 drill results reflect the results from surface sampling and show that gold associated with the Ahuichila Formation basal conglomerate with no Au values detected within Newmont’s primary drill target, the underlying Caracol Formation(source: Bearing Lithium Corp. News Release, July 3, 2014). No source or feeder structure for the Ahuichila conglomerate stratabound gold has been identified by drilling and such systems will be targeted by future Southern Empire drill programs.



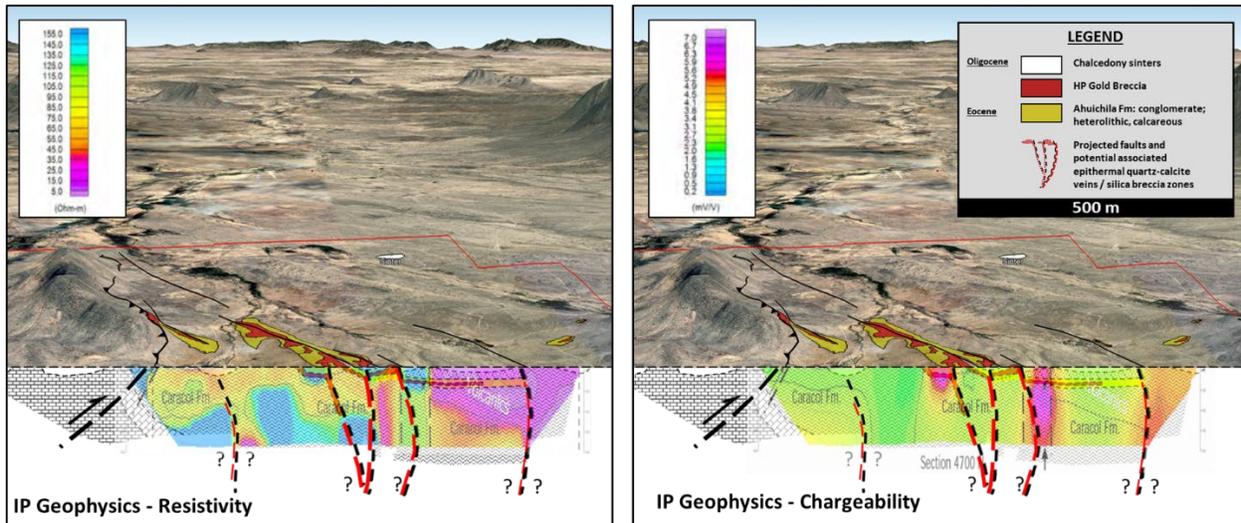
Pedro Project property geology; oblique view to north.



Cross section 2854700N showing 2014 drilling

In late 2019, Commander undertook a 70 line-kilometre Induced Polarization (“IP”) survey outlining targets, which show elevated resistivity with low to moderate chargeability, that correlate with known, surface-exposed Au zones found along the basal contact of the Ahuichila Formation conglomerate. The IP also outlined other zones having a distinguished, deep vertical expression reflecting possible structures that are interpreted to be feeder veins to the surface Au zones. The IP survey also outlined targets beneath post-mineral cover, suggesting a much larger footprint to the known Au mineralized system.

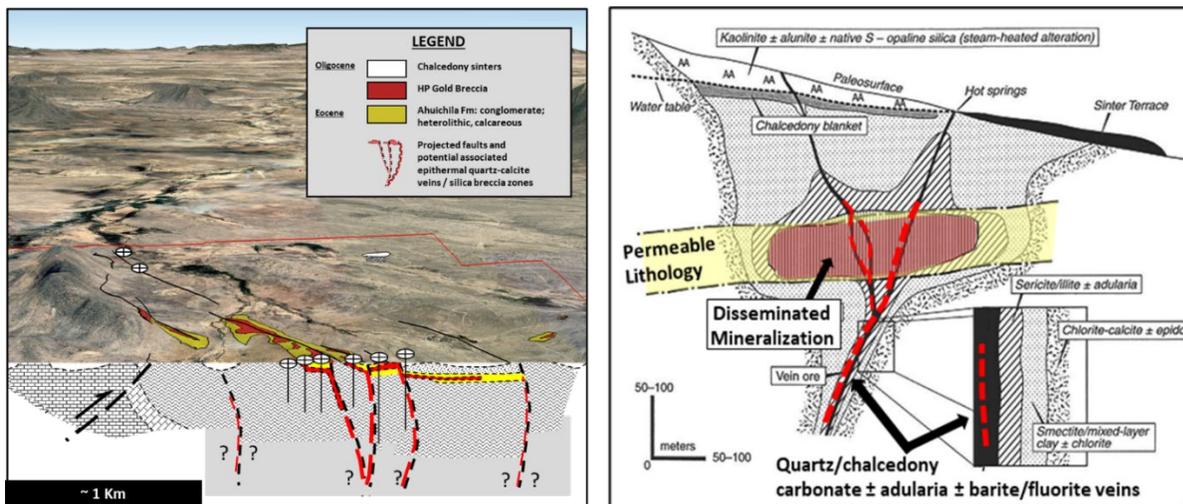
A re-interpretation of the Pedro property geology, 2014 drilling and 2019 IP survey results, based on low-sulphidation, epithermal vein deposit modelling (Jeff Hedenquist, 2000) provides strong support for continued drill exploration work on the property targeting a high-grade, fault hosted feeder vein system (see **Figure 4**). Southern Empire plans to target these deeper feeder structures in its planned and permitted 2021 drill program. An initial program of up to 10 core holes is planned on the property commencing in Q3 of 2021.



Pedro Gold Property
DEPOSIT MODEL & INDUCED POLARIZATION
Cross Section 2854700 mN
 Mapimi District, Durango, Mexico
Southern Empire Resources Corp.
 TSX-V: SMP Frankfurt: 5RE OTC: SMPEF

~ 1 Km

Pedro Property Cross Section 2845700N showing chargeability and resistivity induced polarization survey; looking North.



Hedenquist, 2000

Pedro Gold Property
EPITHERMAL VEIN DEPOSIT MODEL
Cross Section 2854700 mN
 Mapimi District, Durango, Mexico
Southern Empire Resources Corp.
 TSX-V: SMP Frankfurt: 5RE OTC: SMPEF

Pedro Project epithermal vein deposit model and targets (after Hedenquist, 2000)

FINANCIAL & CORPORATE DEVELOPMENTS

RESULTS OF OPERATIONS

The following table sets forth selected financial information for the nine months ended July 31, 2021 and the audited financial statements for the years ended October 31, 2020 and 2019:

Period ended	July 31, 2021	October 31, 2020	October 31, 2019
Income (loss)	\$ (932,142)	\$ 156,647	\$ (122,794)
Income (loss) per share	\$ (0.02)	\$ 0.00	\$ (0.02)
Total assets	\$ 15,231,825	\$ 15,882,659	\$ 415,012
Long-term debt	Nil	Nil	Nil
Cash dividends paid	Nil	Nil	Nil

The condensed interim consolidated financial statements reflect the financial condition of Southern Empire's business for the three and nine months ended July 31, 2021. Significant events that have impacted the financial results of the Company over the last 12 months, some of which are discussed above in the performance summary, are:

- Completion of the Qualifying Transaction and the acquisition of option interests in the Oro Cruz Project, the Eastgate Gold Project and its equity position in Augusta:
- Completion of a private placement, concurrent with the Qualifying Transaction, raising \$3,273,759 through the issuance of 10,899,197 common shares at \$0.30 per share:
- Completion of a private placement, raising \$4,021,515 through the issuance of 8,043,861 common shares at \$0.50 per share:
- Completion of an initial exploration core drilling program at Eastgate; and
- Permitting delays, exploration delays and travel restrictions due to COVID-19.

During the nine months ended July 31, 2021, Southern Empire had a net loss of \$932,142 as compared to a loss of \$248,331 in the nine months ended July 31, 2020.

Significant expenditures included:

- Management and consulting fees of \$378,000 (2020 - \$338,024)
- Unrealized gain on marketable securities of \$42,812 (2020 - \$1,895,754)
- Business and investor relations expense of \$294,356 (2020 - \$255,458)
- Professional fees expense of \$25,079 (2020 - \$78,413)
- Stock based compensation expense of \$181,295 (2020 - \$936,147)

SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected quarterly financial results reported by Southern Empire:

	(\$) Three Months Ended			
	July 31, 2021	April 30, 2021	January 31, 2021	October 31, 2020
Income (loss) and comprehensive income (loss)	(1,579,315)	(1,622,160)	2,269,333	(72,184)
Basic and diluted income (loss) per share	(0.03)	(0.03)	0.04	(0.00)
Working capital	4,532,729	6,274,399	8,644,197	7,061,382
	(\$) Three Months Ended			
	July 2020	31, 2020	April 30, 2020	January 31, 2020

Income (loss) and comprehensive income (loss)	911,131	(664,143)	(18,157)	(55,146)
Basic and diluted income (loss) per share	0.02	(0.02)	(0.00)	(0.01)
Working capital	8,168,077	4,030,953	508,396	165,353

Three-month period ended July 31, 2021 and 2020:

For the three months ended July 31, 2021, Southern Empire recorded a net loss of \$1,579,315 (2020 – net income of \$911,131). This was driven by an unrealized loss on marketable securities of \$1,338,650. Expenditures were reduced in most other categories.

LIQUIDITY AND CAPITAL RESOURCES

Southern Empire's mineral exploration and development activities do not provide a source of income for the Company and, as such, the Company may incur losses and an accumulated deficit. However, given the nature of our business, the results of operations as reflected in the statements of income (loss) and comprehensive income (loss) do not provide a complete interpretation of Southern Empire's valuation.

During the year ended October 31, 2020, Southern Empire completed a private placement in conjunction with the closing of the Qualifying Transaction, raising \$3,273,759 through the issuance of 10,899,197 common shares at a price of \$0.30 per share and a subsequent private placement raising \$4,021,515 through the issuance of 8,043,861 common shares at a price of \$0.50 per share.

As at July 31, 2021, Southern Empire had working capital of \$4,532,729. This balance included a cash balance of \$26,952 (October 31, 2020 - \$3,667,214), marketable securities with a fair value of \$4,604,863 (October 31, 2020 - \$3,216,760) and accounts receivable and prepaid expenses and advances of \$78,714 (October 31, 2020 - \$322,097) to settle current liabilities of \$244,747 (October 31, 2020 - \$144,689).

To date, Southern Empire has financed its operations through the issuance of common shares.

Operating activities:

Net cash used by the Company for operating activities for the nine months ended July 31, 2021 was \$522,190, compared to cash used of \$1,089,984 in the nine months ended July 31, 2020.

Investing activities:

During the nine months ended July 31, 2021, Southern Empire used cash of \$3,118,072, principally for the exploration of its properties and in exercising its warrant in Augusta Gold Corp., compared to \$910,519 in 2020.

Financing activities:

During the nine months ended July 31, 2021, Southern Empire generated \$nil through the issuance of common shares, compared to \$6,844,788 for the nine months ended July 31, 2020.

PROPOSED TRANSACTIONS

Southern Empire continues to investigate additional project and financing opportunities. 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. There are currently no other transactions that should be disclosed.

TRANSACTIONS WITH RELATED PARTIES

Key management compensation:

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 consist of members of the Board of Directors and corporate officers. The remuneration of key management personnel are as follows:

<u>Months ended July 31,</u>	<u>2021</u>	<u>2020</u>
Management and consulting fees	7,000	52,000
Director based compensation	3,380	33,013
	<u>0,380</u>	<u>15,013</u>

As at July 31, 2021, \$nil (2020 - \$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.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial assets and liabilities:

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:

- a. Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. 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
- c. 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.

<u>July 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Cash	\$ 26,952	\$ -	\$ -	\$ 26,952
Marketable securities	\$4,601,022	\$ 3,840	\$ -	\$ 4,604,862
Reclamation bonds	\$ 87,459	\$ -	\$ -	\$ 87,459

Oct. 31, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$3,667,214	\$ -	\$ -	\$ 3,667,214
Marketable securities	\$2,410,800	\$ 805,960	\$ -	\$ 3,216,760
Reclamation bonds	\$ 79,755	\$ -	\$ -	\$ 79,755

Southern Empire holds 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, 2021, 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 Empire's investment portfolio consists of the securities of two issuers held at one Canadian brokerage house.
- b. **Credit risk** – The Company 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 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 marketable securities designated as fair value through profit or loss ("FVTPL") are publicly traded. 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 operations, 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 sufficient to meet its business requirements in the next 12 months when taking into account cash flows from operations and the Company's holdings of cash and marketable securities. Future operations or exploration programs may require additional financing primarily through equity markets, debt financings or through joint venture partnerships.

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 reviewed and assessed.

RISKS AND UNCERTAINTIES

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 metal and mineral deposits. The Oro Cruz 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 continuing 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 metal and mineral deposits. Further, there can be no assurance that, even if a metal or mineral deposit is discovered, located or acquired, that it can be commercially mined.

c. Mineral Exploration and Development

The exploration for, and development of metal 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 mining 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 exploration, development and mining business is competitive in all of its phases. Southern Empire competes with many 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.

I. 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.

o. COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and its related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. To date, COVID-19 has resulted in restricted travel for Southern Empire personnel and some delays and disruptions of Southern Empire's regulatory, permitting and exploration efforts.

p. 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.

OTHER REQUIREMENTS

Additional Disclosure for Toronto Stock Exchange Venture Issuers Without Significant Revenue:

Additional disclosure concerning Southern Empire's general and administrative expenses and exploration and evaluation assets is provided in Southern Empire's consolidated audited financial statements for the years ended October 31, 2020 and October 31, 2019, available on [SEDAR](#).

Commitments:

None, other than as disclosed in our description of exploration and evaluation assets

Nature of Southern Empire's 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.

As of September 29, 2021, the following common shares, stock options and share purchase warrants were outstanding:

Type of Security	Number	Exercise Price (\$)	Expiry Date
Issued and outstanding common shares	50,906,800		
Stock options	3,850,000	\$0.30	March 18, 2025
	750,000	\$0.30	February 16, 2026
	100,000	\$0.30	March 11, 2026
	400,000	\$0.30	June 10, 2026
Warrants	nil		
Total	56,006,800		

Additional information about Southern Empire's share capital can be found in note 7 of the Financial Statements for the three and nine months ended July 31, 2021 and 2020, a copy of which may be found on [SEDAR](#).

APPROVAL

The Board of Directors of Southern Empire Resources Corp. has approved the disclosure contained in this MD&A.

ADDITIONAL INFORMATION

Additional information can be obtained at www.smp.gold, on [SEDAR](#) or by contacting:

Southern Empire Resources Corp.

Attention: Lubica Keighery
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Telephone: +1 (778) 889-5476
Website: www.smp.gold Email: lubica@smp.gold

Southern Empire Resources Corp.

/s/ "Dale Wallster"

Dale Wallster

Chief Executive Officer

Southern Empire Resources Corp.

/s/ "Andrew Davidson"

Andrew Davidson

Chief Financial Officer