



Southern Empire

RESOURCES
CORP.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended

July 31, 2023

(Unaudited - Expressed in Canadian Dollars)

Notice of Non-review of Condensed Interim Consolidated Financial Statements

In accordance with the Canadian Securities Administrators' National Instrument 51-102 – Continuous Disclosure Obligations, Southern Empire Resources Corp. discloses that the accompanying condensed interim consolidated financial statements have been prepared by, and are the responsibility of, the Company's management.

The attached condensed interim consolidated financial statements for the three and nine months ended July 31, 2023 have been reviewed and approved by Southern Empire's Audit Committee and the Board of Directors but have not been reviewed by Southern Empire's auditors.

Southern Empire Resources Corp.
Statements of Financial Position
(See Note 1 – Nature of operations)

	July 31 2023	October 31 2022
ASSETS		
Current assets		
Cash	\$ 65,260	\$ 43,605
Equity investments, at fair value (Note 3)	422,757	2,933,421
Accounts receivable	78,767	55,548
Prepays and advances	69,230	37,536
	636,014	3,070,110
Non-current assets		
Reclamation bonds (5)	87,459	87,459
Equipment (4)	11,143	14,378
Exploration and evaluation assets (Note 5)	13,471,663	12,445,998
Total assets	\$ 14,206,279	\$ 15,617,945
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 522,764	\$ 520,653
Total liabilities	522,764	520,653
EQUITY		
Common shares (Note 7)	16,350,203	16,295,203
Contributed surplus (Note 7)	1,174,140	1,174,140
Deficit	(3,840,828)	(2,372,051)
Total equity	13,683,515	15,097,292
Total liabilities and equity	\$ 14,206,279	\$ 15,617,945

Approved on behalf of the Board

“Alex Heath”
Director

“Dale Wallster”
Director

The accompanying notes are an integral part of these financial statements

Southern Empire Resources Corp.
Statements of Loss and Comprehensive Loss

	For the three months ended July 31		For the nine months ended July 31	
	2023	2022	2023	2022
Expenses				
Amortization	1,078	1,540	3,235	4,621
Management and consulting fees (Note 6)	126,000	126,000	379,500	378,000
Business and investor relations	27,785	4,906	39,989	55,518
General and administration	22,140	15,903	67,774	57,539
Professional fees	7,191	5,575	20,506	39,729
Property research	5,360	5,240	11,362	21,634
Stock-based compensation (Note 6)	-	-	-	70,878
Transfer agent and listing fees	6,995	1,718	24,223	25,376
Travel and accomodation	19	-	1,565	-
Shareholder communications	6,456	3,500	13,731	10,385
	203,024	164,382	561,885	663,680
Other items				
Unrealized gain(loss) on marketable securities	(323,356)	(318,621)	(1,504,562)	110,006
Realized gain(loss) on sale of marketable securities	62,839	249,421	597,670	434,846
Net and comprehensive loss	\$ (463,541)	\$ (533,582)	\$ (1,468,777)	\$ (118,828)
Basic and diluted loss per share (Note 6)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ -
Weighted average number of common shares outstanding - diluted	66,522,800	63,372,800	65,864,581	63,372,800

The accompanying notes are an integral part of these financial statements

Southern Empire Resources Corp.
Statements of Changes in Equity

Attributable to the common shareholders

	Number of shares	Amount \$	Contributed Surplus	Deficit	Total Equity
Balance, October 31, 2022	50,906,800	\$ 14,850,332	\$ 1,117,442	\$(1,662,744)	\$ 14,305,030
Shares issued during the period	10,100,000	1,000,000	-	-	\$ 1,000,000
Cash issue costs	-	(15,344)	-	-	\$ (15,344)
Warrants exercised	1,566,000	234,535	-	-	\$ 234,535
Stock options exercised	200,000	22,000	-	-	\$ 22,000
Stock options granted	-	-	70,877	-	\$ 70,877
Shares issued for asset acquisition	500,000	60,000	-	-	\$ 60,000
Net loss	-	-	-	(118,828)	\$ (118,828)

Balance, July 31, 2022 **63,272,800** **\$ 16,151,523** **\$ 1,188,319** **\$(1,781,572)** **\$ 15,558,270**

	Number of shares	Amount \$	Contributed Surplus	Deficit	Total Equity
Balance, October 31, 2022	65,272,800	\$ 16,295,202	\$ 1,174,140	\$(2,372,050)	\$ 15,097,292
Stock options granted	-	-	-	-	\$ -
Shares issued in the period	-	-	-	-	\$ -
Share issue costs	-	-	-	-	\$ -
Shares issued for asset acquisition	1,750,000	55,000	-	-	\$ 55,000
Warrants exercised	-	-	-	-	\$ -
Stock options exercised	-	-	-	-	\$ -
Net income	-	-	-	(1,468,778)	\$ (1,468,778)

Balance, April 30, 2023 **67,022,800** **\$ 16,350,202** **\$ 1,174,140** **\$(3,840,828)** **\$ 13,683,515**

The accompanying notes are an integral part of these financial statements

Southern Empire Resources Corp.
Statements of Cash Flows

For the nine months ended July 31,	2023	2022
Cash flows from Operating Activities		
Net income (loss)	\$ (1,468,778)	\$ (118,828)
Items not affecting cash		
Amortization	3,235	4,621
Share-based compensation	-	-
Unrealized (gain) loss on equity investments	(597,670)	(434,846)
Realized (gain) loss on sale of marketable securities	1,504,562	(110,006)
Net changes in non-cash working capital items		
Accounts receivable	(23,219)	(27,912)
Prepays	(31,694)	12,847
Accounts payable and accrued liabilities	2,113	(259,210)
	(611,451)	(933,334)
Cash flows from Investing Activities		
Purchase of marketable securities	-	-
Sale of marketable securities	1,603,771	951,240
Increase in exploration and evaluation asset	(1,025,665)	(1,324,697)
	578,106	(373,457)
Cash flow from Financing Activities		
Issuance of common shares	55,000	1,301,192
	55,000	1,301,192
Net change in cash during the period	21,655	(5,599)
Cash, beginning of period	43,605	29,320
Cash, end of period	\$ 65,260	\$ 23,721

The accompanying notes are an integral part of these financial statements

Southern Empire Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months July 31, 2023 and 2022
(expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Southern Empire Resources Corp. (“Southern Empire” or the “Company”) is focused on the acquisition, exploration and evaluation of metals and minerals resource properties.

Southern Empire’s head office is at Suite 420 – 789 West Pender Street, Vancouver, British Columbia, Canada V6C 1H2.

As of July 31, 2023, Southern Empire’s exploration and development projects included the Pedro Gold Project in Durango State, México, the VLM Project in México, the Oro Cruz Project in California and the Eastgate Gold Project in Nevada, U.S.A. During the year ended October 31, 2022, Southern Empire added to its project portfolio in Mexico with the addition of the Centauro and La Loma Gold Projects.

As an exploration stage company, Southern Empire does not have revenues and historically has recurring operating losses. These annual consolidated financial statements are prepared on the basis that Southern Empire will continue as a going concern, which assumes the ability to continue in operation for the foreseeable future and to realize its assets and discharge its liabilities and commitments in the normal course of operations. As at July 31, 2023, Southern Empire had working capital of \$113,250 (October 31, 2022 - \$2,549,457). Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year based on the mandatory property expenditures required and corporate overhead. Any additional activities may require the need for additional equity financings. If the going concern assumption were not appropriate for these financial statements, it could be necessary to restate the Company’s assets and liabilities on a liquidation basis.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Basis of presentation, principals of consolidation and statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”) applicable to the preparation of interim financial statements, including International Accounting Standard 34 (“IAS 34”), Interim Financial Reporting.

Subsidiaries are entities controlled by the Company and are included in the consolidated financial statements from the date that control commences until the date that control ceases. These condensed interim consolidated financial statements include the accounts of Southern Empire and its wholly owned subsidiary, SMP Gold Corp., a company incorporated in Nevada, USA. All inter-company transactions

Southern Empire Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months July 31, 2023 and 2022
(expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

and balances were eliminated in preparing these financial statements. The accounting policies of subsidiaries are changed if necessary to align them with the policies adopted by Southern Empire.

These condensed interim consolidated financial statements should be read in conjunction with Southern Empire's annual audited financial statements for the years ended October 31, 2022 and 2021, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which are classified as fair value through profit or loss. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed interim consolidated financial statements were prepared by management and reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on June 28, 2023.

The functional currency of Southern Empire and its subsidiaries is the Canadian dollar. Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate in effect at the financial statement date. Exchange gains or losses arising from these translations are recognized in profit or loss for the reporting period.

3. MARKETABLE SECURITIES

As at July 31, 2023 and October 31, 2022, Southern Empire's investments consisted of equity interests in companies involved with gold exploration:

	July 31, 2023		October 31, 2022	
	Cost	FMV	Cost	FMV
Shares - Augusta Gold Corp.	\$ 384,926	\$ 415,857	\$ 1,327,443	\$ 2,924,221
Shares - Lincoln Gold Mining Inc.	\$ 25,300	\$ 6,900	\$ 25,300	\$ 9,200
	\$ 410,226	\$ 422,757	\$ 1,352,743	\$ 2,933,421

The Company acquired no additional marketable securities during the three and nine months ended July 31, 2023.

Southern Empire Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months July 31, 2023 and 2022
(expressed in Canadian dollars)

4. EQUIPMENT

	Computers and equipment
Cost:	
Balance at October 31, 2022 and July 31, 2023	\$ 33,534
Accumulated amortization:	
Balance at October 31, 2021	\$ 12,995
Amortization expense	6,161
Balance at October 31, 2022	19,156
Amortization expense	3,235
Balance at July 31, 2023	22,391
Total balance at October 31, 2022	\$ 14,378
Total balance at July 31, 2023	\$ 11,143

5. EXPLORATION AND EVALUATION ASSETS

Southern Empire classifies its exploration and evaluation gold properties into three geographical regions, namely California, Nevada and Mexico. The following is a summary of the properties:

	Oro Cruz	Eastgate	Pedro	VLM	Centauro	La Loma Mexico	Total
	California	Nevada	Mexico	Mexico	Mexico		
October 31, 2021	\$ 8,553,477	\$ 2,070,891	\$ 2,372	\$ -	\$ -	\$ -	\$10,626,740
Acquisition and renewal	123,094	-	39,500	80,948	-	-	243,542
Property maintenance	211,444	24,823	24,708	4,474	14,016	19,293	298,758
Geology & geophysics	9,641	-	66,388	2,315	26,525	28,763	133,632
Drilling & assay	1,270	-	386,207	-	-	-	387,477
Camp & fieldwork	126,257	261	29,399	503	-	-	156,420
Environmental & permitting	599,106	-	259	-	-	64	599,429
October 31, 2022	\$ 9,624,289	\$ 2,095,975	\$ 548,833	\$ 88,240	\$40,541	\$48,120	\$12,445,998
Acquisition and renewal	-	-	25,000	96,004	47,607	949	169,560
Property maintenance	134,537	-	59,104	12,352	81,265	1,569	215,467
Geology & geophysics	1,522	-	12,823	6,250	91,133	13,215	99,113
Drilling & assay	-	-	-	-	2,137	-	-
Camp & fieldwork	4,007	748	4,752	123	44,291	3,572	45,333
Environmental & permitting	377,680	-	-	-	5,023	-	217,087
July 31, 2023	\$ 10,142,036	\$ 2,096,723	\$ 650,513	\$ 202,969	\$311,997	\$67,425	\$13,471,663

Southern Empire Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months July 31, 2023 and 2022
(expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Oro Cruz Project, California, U.S.A.

Lincoln Gold US Corp. Option Agreements

Southern Empire acquired options to earn up to a 75% interest in the Oro Cruz Project, located in Imperial County, California. On June 22, 2020, Southern Empire entered into another option agreement to acquire the remaining 25% of the Oro Cruz Project from Ronald K. Netolitzky (“Netolitzky”), a director of Southern Empire, bringing its total potential interest to 100%. The Oro Cruz Project option agreements are summarized as follows:

Southern Empire has an option agreement with Lincoln Gold US Corp. (“Lincoln”) to acquire a total of a 75% interest in the Oro Cruz Project from Lincoln. The pertinent business terms of this option agreement are:

Cash payments to Lincoln:

- US\$ 10,000 initial payment (paid)
- US\$ 25,000 paid on or before February 15, 2020 (paid)
- US\$ 25,000 paid on or before February 15, 2021 (paid)
- US\$ 25,000 paid on or before February 15, 2022 (paid)*
- US\$ 25,000 paid on or before February 15, 2023 (paid)*

* Southern Empire settled the final two payments for a one-time payment of US\$41,000 pursuant to a settlement agreement dated April 7, 2021.

Cash payments to ADGIS, Inc. (“ADGIS”) who granted an underlying option (the “Hercules Claims”) to Lincoln:

- US\$ 50,000 by May 15, 2019 (paid)
- US\$ 50,000 by April 15, 2020 (paid)
- US\$ 100,000 by April 15, 2021 (paid)
- US\$ 100,000 by April 15, 2022 (paid)
- US\$ 100,000 by April 15, 2023 (paid)

Exploration expenditures:

- US\$ 200,000 exploration expenditures acknowledged as incurred to October 1, 2019 (incurred)
- US\$ 400,000 cumulative exploration expenditures to be incurred before October 1, 2020 (incurred)
- US\$ 700,000 cumulative exploration expenditures to be incurred before October 1, 2021 (incurred)
- US\$ 1,000,000 cumulative exploration expenditures to be incurred before October 1, 2022 (incurred)
- US\$ 1,600,000 cumulative exploration expenditures to be incurred before October 1, 2023 (incurred)

Royalties:

- 2% Net Smelter Return Royalty (“NSR”) from production within the Hercules Claims boundary (the “Hercules Royalty”)
- 1% NSR on production within a 1-mile radius of the Hercules Claims boundary (“Radius Royalty”)
- Southern Empire can reduce the Hercules Royalty by 0.5% and the Radius Royalty by 0.5% collectively with a cash payment of US\$500,000 to ADGIS.
- Southern Empire can reduce the Hercules Royalty by an additional 0.5% with an additional payment of US\$500,000 to ADGIS.

Southern Empire Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months July 31, 2023 and 2022
(expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Ronald K. Netolitzky Option Agreement

On June 22, 2020, Southern Empire entered into an option agreement with Netolitzky to acquire, at cost, the remaining 25% of the Oro Cruz Project in exchange for cash payments of \$440,000. On September 15, 2022, Southern Empire exercised its option and acquired the 25% interest from Netolitzky. Option payments paid were as follows:

- \$ 140,000 on TSX Venture Exchange approval (paid)
- \$ 100,000 on or before the first anniversary date, August 4, 2021 (paid)
- \$ 100,000 on or before the second anniversary date, August 4, 2022 (see amendment below)
- \$ 100,000 on or before the third anniversary date, August 4, 2023 (see amendment below)

During the year ended October 31, 2022, Southern Empire entered into an Amendment Agreement with Netolitzky, the chairman and a director of the Company, to amend the terms of June 22, 2020 option agreement that granted Southern Empire the option to acquire 25% of the Oro Cruz property in exchange for cash payments of \$440,000. Option payments totaling \$240,000 had been paid to Netolitzky. The terms of the Amendment Agreement allowed Southern Empire to exercise its option to acquire the 25% interest in Oro Cruz by issuing 2,000,000 common shares to Netolitzky in lieu of the final two option payments otherwise totaling \$200,000. On September 15, 2022, the Amendment Agreement and the transactions contemplated therein were accepted for filing by the Exchange and Southern Empire issued the 2,000,000 common shares (at a value of \$120,000) which were subject to restriction on resale for a period of four months from their date of issuance.

Oro Cruz - American Girl Mine Property

On September 14, 2020, Southern Empire executed a Purchase and Sale Agreement (the "PSA") to acquire, at cost, the American Girl Mine Property from Mackenzie Corporation, a company controlled by the President and CEO of Southern Empire. In accordance with the terms of the PSA, Southern Empire acquired a 100% interest in seven privately owned, patented mining claims and 10 Bureau of Land Management claims covering the former American Girl mine by paying a total of US\$330,000 to Mackenzie Corporation.

Eastgate Gold Project, Nevada, U.S.A.

Upon completion of the Qualifying Transaction, Southern Empire acquired an 85% interest in the Eastgate Gold Project, located in Churchill County, Nevada. The Eastgate Gold Project is subject to a 3% Net Smelter Royalty payable to Blue Ridge Gold LLC, a privately held company that was the original property vendor.

Southern Empire Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months July 31, 2023 and 2022
(expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Pedro Gold Project, Durango, México

On July 23, 2021, Southern Empire entered into an option agreement with Commander Resources Ltd. ("Commander") which allows Southern Empire to acquire a 100% beneficial interest in the Pedro Gold Project in northeastern Durango State, Mexico. Pursuant to the terms of the option agreement, to earn its interest Southern Empire must complete the following:

- \$25,000 cash payment and the issuance of 100,000 common shares of Southern Empire on the Execution Date (paid and issued at a value of \$14,500).
- On or before February 3, 2023, pay an additional \$125,000 or issuing such amount of common shares having a value of \$125,000*. (paid and issued at a value of \$125,000)
- On or before February 3, 2024, pay an additional \$250,000 or issuing such amount of common shares having a value of \$250,000.
- On or before February 3, 2025, pay an additional \$300,000 or issuing such amount of common shares having a value of \$300,000.
- Incurring exploration expenditures totaling \$1,500,000 as follows:
 - o \$ 400,000 by February 3, 2023 (incurred).
 - o \$ 1,100,000 by February 3, 2025.

* Subsequent to October 31, 2022, the Company paid \$25,000 and issued 1,000,000 common shares in settlement of the \$125,000.

Commander will retain a 2% NSR interest on future production from the Pedro Gold Project. The Exchange accepted the Pedro Gold Project option agreement for filing on February 3, 2022 (the "Execution Date").

VLM Project, México

On December 24, 2021, Southern Empire entered into an option agreement with Riverside Resources Inc. ("Riverside") that grants Southern Empire the opportunity to acquire a 100% interest in the VLM Project located in northwestern México.

Southern Empire may exercise its option to acquire a 100% interest in the VLM Project by:

- paying to Riverside a total of \$112,500 as follows:
 - o \$25,000 on signing (paid).
 - o an additional \$37,500 on or before January 12, 2023 (paid).
 - o an additional \$50,000 on or before January 12, 2024.
- issuing a total of 1,625,000 common shares as follows:
 - o 500,000 common shares on or before January 12, 2022 (issued at a value of \$55,000).
 - o An additional 550,000 common shares on or before January 12, 2023 (issued at a value of \$55,000).
 - o an additional 575,000 common shares on or before January 12, 2024.

Riverside will retain a NSR interest on future production from the VLM Project of 2.5% on precious metals and 1.75% on base metals. These royalties may be reduced to 1% on precious metal production and 0.5% on base metal production by payments of an additional \$4,000,000 within 10 years of the Exchange filing acceptance date.

Southern Empire Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months July 31, 2023 and 2022
(expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Centauro, Mexico

During the year ended October 31, 2022, Southern Empire acquired the option to earn 100% of the Centauro Gold Project located in Chihuahua, Mexico, from a Mexican vendor by way of an amending agreement with Commander, subject to a 3% NSR payable to the vendor, which can be reduced by 2% in exchange for a cash payment of US\$2,000,000. The terms of the Option Agreement are as follows:

Southern Empire may exercise its option to acquire a 100% interest in the Centauro Gold Project by:

- paying to the Mexican Vendor a total of USD\$750,000 as follows:
 - o US\$35,000 on signing (paid).
 - o an additional US\$40,000 on the one-year anniversary of signing.
 - o an additional US\$80,000 on the two-year anniversary of signing.
 - o an additional US\$295,000 on the three-year anniversary of signing.
 - o an additional US\$300,000 on the four-year anniversary of signing.
- incurring US\$800,000 of exploration expenditures as follows:
 - o \$100,000 in year-one of the option.
 - o an additional US\$200,000 in year-two of the option.
 - o an additional US\$250,000 in year-three of the option.
 - o an additional US\$250,000 in year-four of the option.
- issuing 1,500,000 common shares of Southern Empire to Commander as follows:
 - o 200,000 on signing (issued).
 - o an additional 200,000 on the one-year anniversary of signing.
 - o an additional 200,000 on the two-year anniversary of signing.
 - o an additional 400,000 on the three-year anniversary of signing.
 - o an additional 500,000 on the four-year anniversary of signing.

La Loma, Mexico

During the year ended October 31, 2022, Southern Empire acquired the La Loma Gold Project in Chihuahua, Mexico by staking.

Reclamation bonds

Southern Empire holds a \$79,755 (2021 - \$79,755) reclamation bond with the Bureau of Land Management with respect to its California properties and a \$7,704 (2021 - \$7,704) reclamation bond with the Bureau of Land Management with respect to its Nevada properties.

Southern Empire Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months July 31, 2023 and 2022
(expressed in Canadian dollars)

6. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of Southern Empire. Key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of key management personnel are as follows:

For the nine months ended July 31,	2023	2022
Management fees to officers	\$ 297,000	\$ 297,000
Stock based compensation	-	49,618
Total	\$ 297,000	\$ 346,618

As at July 31, 2023, \$253,846 (July 31, 2022 - \$ Nil) was included in accounts payable owing to directors, officers, and companies controlled or affiliated with directors and officers of Southern Empire in relation to fees and reimbursement of expenses.

7. SHARE CAPITAL

- a) Authorized: Unlimited common shares without par value.
Unlimited preferred shares issuable in series.
- b) Issued and outstanding: 67,022,800 common shares as at July 31, 2023
- c) Transactions:

On November 29, 2021, Southern Empire issued 10,000,000 units at a price of \$0.10 per unit, with each unit comprising one common share and one common share purchase warrant, for gross proceeds of \$1,000,000. Each warrant is exercisable for a period of three years from issuance at a price of \$0.15 per warrant. The Company incurred \$15,345 of share issue costs in connection with the financing.

On January 12, 2022, Southern Empire issued 500,000 common shares (at a value of \$55,000) to Riverside, in accordance with the option agreement on the VLM Project (Note 5).

On February 3, 2022, Southern Empire issued 100,000 common shares (at a value of \$14,500) to Commander Resources Ltd., in accordance with the option agreement on the Pedro Project (Note 5).

On February 15, 2022, 1,170,000 share purchase warrants were exercised at a price of \$0.15 per share.

On February 15, 2022, 100,000 stock options were exercised at a price of \$0.11 per share. Southern Empire transferred \$7,090 of contributed surplus to share capital pursuant to the option exercise.

On March 24, 2022, 100,000 stock options were exercised at a price of \$0.11 per share. The Company transferred \$7,090 of contributed surplus to share capital pursuant to the option exercise.

On March 30, 2022, 396,000 share purchase warrants were exercised at a price of \$0.15 per share.

On September 15, 2022, Southern Empire issued 2,000,000 common shares (at a value of \$120,000) to Netolitzky in accordance with the Amendment Agreement regarding the Oro Cruz property (Note 5).

Southern Empire Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months July 31, 2023 and 2022
(expressed in Canadian dollars)

7. SHARE CAPITAL (Continued)

On January 12, 2023, Southern Empire issued 550,000 common shares (at a value of \$55,000) to Riverside, in accordance with the option agreement on the VLM Project (Note 5).

d) Escrowed shares:

As at March 20, 2023, 4,447,031 common shares were released from escrow, and, as such no common shares are held in escrow as of July 31, 2023.

e) Stock options:

The Directors of Southern Empire adopted a stock option plan on March 13, 2020, as amended on July 26, 2022 (the "Option Plan"). The Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of Southern Empires' common shares issued and outstanding at the time such options are granted. Options to purchase common shares of the Company ("Options") may be granted under the Option Plan to such directors, officers, employees, management or consultants of Southern Empire and its affiliates, if any, as the Board of Directors may from time to time designate. The Option Plan provides that the number of common shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued common shares, if the individual is a director, officer or employee 2% of the issued common shares, if the individual is a consultant or is engaged in providing investor relations services, in a twelve-month basis, unless disinterested shareholder approval is obtained. All options granted under the Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from the date of termination other than for cause; or (iii) one year from the date of death or disability.

During the year ended October 31, 2021, Southern Empire granted 1,250,000 Options exercisable at a price of \$0.30 per option for a term of five years from the date of issuance to directors, officers, and consultants of Southern Empire. 1,150,000 of these options vested immediately and 100,000 of these options vested in four equal installments over 12 months. During the year ended October 31, 2021, the Company recorded \$181,295 of share-based payments.

During the year ended October 31, 2022, Southern Empire granted 1,000,000 Options exercisable at a price of \$0.11 per option for a term of five years from the date of issuance to director, officers and consultants of Southern Empire. These options vested immediately and during the year the Company recorded \$70,878 of share-based payments. During the year ended October 31, 2022, 200,000 of these options were exercised for cash proceeds of \$22,000.

Southern Empire Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months July 31, 2023 and 2022
(expressed in Canadian dollars)

7. SHARE CAPITAL (Continued)

The following weighted average assumptions were used for the valuation of stock options:

	July 31, 2023	October 31, 2022
Risk-free interest rate	1.69%	1.69%
Expected life of options	5 years	5 years
Annualized volatility	80%	80%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%
Weighted average fair value per option	\$ 0.07	\$0.07

The changes in the stock options for the period ended July 31, 2023 are as follows:

	Number	Weighted Average Exercise Price
Balance, October 31, 2021	4,250,000	\$ 0.30
Granted	1,250,000	\$ 0.30
Cancelled	(400,000)	\$ 0.30
Balance, October 31, 2022	5,100,000	\$ 0.30
Granted	1,000,000	\$ 0.11
Cancelled	(400,000)	\$ 0.30
Exercised	(200,000)	\$ 0.11
Balance, July 31, 2023	5,500,000	\$ 0.27

The balance of options outstanding as at July 31, 2023 is as follows:

Expiry Date	Number Outstanding	Number Exercisable	Exercise Price	Remaining Life - Years
March 18, 2025	3,470,000	3,470,000	\$0.30	1.63
February 16, 2026	730,000	730,000	\$0.30	2.75
March 11, 2026	100,000	100,000	\$0.30	2.61
June 10, 2026	400,000	400,000	\$0.30	2.86
January 18, 2027	700,000	700,000	\$0.11	3.47
February 2, 2027	100,000	100,000	\$0.11	3.52

Southern Empire Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months July 31, 2023 and 2022
(expressed in Canadian dollars)

7. SHARE CAPITAL (Continued)

f) Warrants

A summary of the outstanding and exercisable common share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, October 31, 2021 & 2022	8,434,000	\$ 0.15
Issued	-	-
Exercised	-	-
Balance, July 31, 2023	8,434,000	\$ 0.15

g) Per share amounts

For the nine months ended July 31,	2023	2022
Loss attributable to common shareholders	\$ (1,468,778)	\$414,754
Weighted average number of common shares - basic	65,864,581	60,009,079
Weighted average number of common shares - diluted	65,864,581	60,009,079
Loss per common share - basic	\$ (0.02)	\$0.01
Loss per common share - diluted	\$ (0.02)	\$0.01

All stock options and warrants were excluded from the diluted weighted average number of shares calculation for the periods ended July 31, 2023 and 2022, as their effect would have been anti-dilutive.

8. CAPITAL MANAGEMENT

Southern Empire includes equity in the definition of capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of Southern Empire's management to sustain future development of business.

Southern Empire's properties are in the exploration stage. As such, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, Southern Empire will spend its existing working capital and raise additional funds as needed.

Southern Empire will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable. There were no changes to the Company's approach to capital management during the three and nine months ended July 31, 2023 and 2022. Southern Empire is not subject to externally imposed capital requirements.

Southern Empire Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months July 31, 2023 and 2022
(expressed in Canadian dollars)

9. 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 are financial assets measured at fair value by level within the fair value hierarchy:

July 31, 2023	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$ 65,260	\$ -	\$ -	\$ 65,260
Marketable securities	\$ 422,757	\$ -	\$ -	\$ 422,757
Reclamation bonds	\$ 87,459	\$ -	\$ -	\$ 87,459
July 31, 2022	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$ 23,421	\$ -	\$ -	\$ 23,421
Marketable securities	\$ 3,686,303	\$ -	\$ -	\$ 3,686,303
Reclamation bonds	\$ 87,459	\$ -	\$ -	\$ 87,459

Southern Empire holds various forms of financial instruments. The nature of these instruments and the Company'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 exposure to the extent practical.

- a) Concentration risk – as at July 31, 2023, all of Southern Empire's cash is held at one Canadian national financial institution. As a result, the Company was exposed to all of the risks associated with those institutions. Concentration risk also exists in marketable securities because Southern Empires investment portfolio primarily 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 – Relates to Southern Empires operations in the United States and 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.

Southern Empire Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months July 31, 2023 and 2022
(expresses in Canadian dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

- d) Price risk – Southern Empire’s investments designated as FVTPL are publicly traded. A 1% change in the quoted share price would not significantly impair the fair value of the investment. Changes are 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 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 sufficient to meet business requirements in the next 12 months when taking into account cash flows from operations and the Company’s holdings of cash. Future operations or exploration programs may require additional financing primarily through equity markets, or through joint venture partnerships.

10. SUBSEQUENT EVENTS

Subsequent to the end of the period, on August 28, 2023, Southern Empire announced that it has entered into an agreement to acquire a 100% interest in the Suaqui Verde copper project in the mining-friendly state of Sonora, Mexico, via the acquisition of up to 100% of Cuprum Mining Corp., an arm’s-length private Canadian company. Consideration for the acquisition is as follows:

Timing	Cash payments	Common share issued	Exploration expenditure	Cumulative interest earned
Within 90 days of completion	\$500,000	7,500,000	-	10%
15-months from completion date	\$250,000	7,500,000	\$750,000	20%
30-months from completion date	\$500,000	-	\$750,000	30%
45-months from completion date	\$500,000	-	\$750,000	40%
60-months from completion date	\$750,000	-	\$1,000,000	100%
Total	\$2,500,000	15,000,000	\$3,250,000	100%

Southern Empire Resources Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months July 31, 2023 and 2022
(expressed in Canadian dollars)

10. SUBSEQUENT EVENTS (continued)

Subsequent to the end of the period, on August 28, 2023, Southern Empire granted 2,240,000 stock options. Of the stock options issued, 1,740,000 are exercisable at a price of \$0.07 per share, 100,000 are exercisable at a price of \$0.11 per share and 400,000 are exercisable at \$0.30 per share. All of the options have a term of five years from the date of the grant.

Subsequent to the end of the period, on September 5, 2023, Southern Empire announced that its exploration permits at Oro Cruz had been approved by the US Department of the Interior's Bureau of Land Management.

Subsequent to the end of the period, on September 18, 2023, Southern Empire announced that it has received permitting from Mexico's Ministry of Environment and Natural Resources for 30 exploration drill hole sites at the Centauro gold project, located in the state of Chihuahua, Mexico.