SOUTHERN ENERGY CORP.
ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2018

April 3, 2019

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GLOSSARY

Certain terms and abbreviations used in this annual information form are defined below:

"**AIF**" means this annual information form dated April 3, 2019, for the financial year ended December 31, 2018.

"**Black Warrior Basin Assets**" means the oil and gas assets located in Lowndes and Monroe Counties, Mississippi, and Lamar, Alabama, respectively.

"**CBCA**" means the *Canada Business Corporations Act*, as amended from time to time.

"**Central Mississippi Assets**" means the oil and gas assets located in Covington, Hinds, Jasper, Jefferson Davis, Jones, Lawrence, Marion, Simpson, Smith, and Yazoo Counties, Mississippi

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook, as amended from time to time, maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

"**Common Shares**" means common shares in the capital of the Corporation.

"**Consolidation**" means the share consolidation of the Corporation on the basis of one post-Consolidation Common Share for every 5 pre-Consolidation Common Shares.

"**Equity Purchase Agreement**" means the equity purchase and sale agreement among Standard Exploration Ltd., Gulf Pine GP, Gulf Pine LP and the beneficial holders of the Gulf Pine Shares and Gulf Pine Units dated as of November 12, 2018.

"**Gulf Pine GP**" means Gulf Pine Energy Partners GP, LLC, a limited liability corporation formed under the laws of the State of Delaware.

"**Gulf Pine LP**" means Gulf Pine Energy Partners, LP, a limited partnership formed under the laws of the State of Delaware.

"**Gulf Pine Shares**" means common shares in the capital of Gulf Pine GP.

"**Gulf Pine Units**" means the Series A limited partnership units of Gulf Pine LP.

"**Initial Investor Group**" means Ian Atkinson, Calvin Yau, Chris Birchard and Gary McMurren.

"**New Board**" means Ian Atkinson, Bruce Beynon, Mike G. Kohut, Tamara MacDonald, Andrew McCreath, C. Neil Smith and R. Steven Smith.

"**New Executives**" means Ian Atkinson – President and Chief Executive Officer, Calvin Yau – Vice President, Finance and Chief Financial Officer, Chris Birchard – Vice President, Geoscience, Gary McMurren – Vice President, Engineering and Sanjib Gill – Corporate Secretary.

"**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

"**NSAI**" means Netherland, Sewell and Associates Inc., independent petroleum consultants.

"**NSAI Report**" means the report prepared by NSAI, evaluating the crude oil, natural gas and natural gas liquids reserves of Southern, as at December 31, 2018, with a preparation date of March 15, 2019.

"**Old Board**" means the board of directors of the Corporation prior to the completion of the Reorganization.

"**Old Executives**" means the officers of the Corporation, prior to the completion of the Reorganization.

"**Private Placement**" means the non-brokered private placement of Common Shares and Units for aggregate gross proceeds of $18,011,000.

"**Reorganization**" means the reorganization and reconstitution of the Corporation's management and board of directors and the completion of the Private Placement upon the terms and conditions set forth in the Reorganization and Investment Agreement.

"**Reorganization and Investment Agreement**" means the reorganization and investment agreement among Standard Exploration Ltd. and the Initial Investor Group dated as of November 12, 2018.

"**Southern**" or "**Corporation**" means Southern Energy Corp., a corporation incorporated under the CBCA.

"**Southern Board**" means the board of directors of Southern.

"**Southern Options**" means options to acquire Common Shares under the Stock Option Plan.

"**Southern Shareholders**" means the holders of Common Shares.

"**Stock Option Plan**" means the stock option plan of Southern.

"**TSXV**" means the TSX Venture Exchange.

"**Unit**" means units of the Corporation, each unit being comprised of one Common Share and one Common Share performance warrant.

"**U.S.**" or "**United States**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia.

ABBREVIATIONS

In this AIF, the abbreviations set forth below have the following meanings:

bbl	barrel	Mcf	thousand cubic feet
Mbbl	thousand barrels	MMcf	million cubic feet
MMbbl	million barrels	Mcf/d	thousand cubic feet per day
bbl	barrels per day	MMBTU	million British Thermal Units
NGLs	natural gas liquids	Bcf	billion cubic feet
Boe/d	barrels of oil equivalent per day	GJ	gigajoule
Tcf	Trillion cubic feet		

AECO	A natural gas storage facility located at Suffield, Alberta.
API	American Petroleum Institute.
°API	An indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light crude oil.
boe	Barrel of oil equivalent on the basis of 1 boe to 6 Mcf of natural gas. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
Mcfe	1,000 cubic feet of gas equivalent.
Mboe	1,000 barrels of oil equivalent.
M$	Thousands of dollars.
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade.

CONVERSIONS

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471
Gigajoules	Mmbtu	0.949
Mmbtu	Gigajoules	1.055

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this AIF constitute forward-looking statements. The use of any of the words “anticipate”, “intend”, “continue”, “estimate”, “expect”, “may”, “will”, “plan”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve 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 statements. Southern believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forwarding-looking statements speak only as of the date of this AIF. In particular, this AIF may contain forward-looking statements pertaining to the following:

- the performance characteristics of the Corporation’s oil and natural gas properties;
- oil and natural gas production levels;
- capital expenditure programs and estimates;
- the quantity of oil and natural gas proved and probable reserves;
- projections of market prices and operating costs;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions, exploration and development;
- treatment under governmental regulatory and royalty regimes and tax laws; and
- the ability to remediate sites and remedy spills, releases or emissions of various substances that may be produced in association with the Corporation’s petroleum and natural gas operations.

Although management of Southern believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this AIF:

- general economic conditions in Canada, the United States and globally;
- the ability of management to execute its business plan;
- volatility in market prices for oil and natural gas;
- risks and liabilities inherent in oil and natural gas industry, including environmental regulation;
- uncertainties associated with estimating oil and natural gas reserves, production, costs and expenses;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- actions taken by governmental authorities, including increases in taxes and changes in government regulations and incentive programs;
- risks inherent in marketing operations, including credit risk;
- incorrect assessments of the value of acquisitions;

- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- changes in income tax laws and incentive programs relating to the oil and natural gas industry;
- unanticipated operating events which could reduce production or cause production to be shut-in or delayed;
- hazards such as fire, explosion, blowouts, cratering and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury;
- insufficient storage or transportation capacity;
- encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations;
- the ability to add production and reserves through development and exploration activities;
- the possibility that government policies or laws, including laws and regulations related to the environment, may change or governmental approvals may be delayed or withheld;
- failure to obtain industry partner and other third party consents and approvals, as and when required;
- stock market volatility and market valuations;
- competition for, among other things, capital, acquisition of reserves, undeveloped land and skilled personnel;
- inability to identify and complete potential acquisitions and/or failure to achieve anticipated benefits from such acquisitions;
- inability to add production and reserves through development and exploration activities;
- termination of or failure to extend existing licenses by regulatory or governmental authorities;
- the availability of capital on acceptable terms or at all;
- failure to realize anticipated benefits of acquisitions; and
- the other factors discussed under "*Risk Factors*".

Statements relating to "reserves" and "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

With respect to forward-looking statements contained in this AIF, Southern has made assumptions regarding, among other things:

- the legislative and regulatory environments of the jurisdictions where the Corporation carries on business or has operations;
- commodity prices and royalty regimes;
- the impact of increasing competition;
- availability of skilled labour;

- timing and amount of capital expenditures;
- the price of oil and natural gas;
- conditions in general economic and financial markets;
- royalty rates and future operating costs; and
- the Corporation's ability to obtain additional financing on satisfactory terms.

Southern has included the above summary of assumptions and risks related to forward-looking information provided in this AIF in order to provide investors with a more complete perspective on Southern's current and future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this AIF are expressly qualified by this cautionary statement. Except as required by applicable securities laws, Southern does not undertake any obligation or is not under any duty to publicly update or revise any forward-looking statements. Readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this AIF.

Non-IFRS Measures

Certain financial measures in this document do not have a standardized meaning as prescribed by IFRS and are therefore considered non-IFRS measures. These measures, such as netbacks, may not be comparable to similar measures presented by other issuers. The additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. Netback is calculated by deducting royalties paid and production costs, including transportation costs, from prices received, excluding the effects of hedging.

NOTES ON RESERVES DATA AND OTHER OIL AND NATURAL GAS INFORMATION

Caution Respecting Reserves Information

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The recovery and reserve estimates of oil, natural gas liquids and natural gas reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein. The estimated future net revenue from the production of the Corporation's natural gas and petroleum reserves does not represent the fair market value of the Corporation's reserves.

Caution Respecting BOE

In this AIF, the abbreviation BOE means a barrel of oil equivalent on the basis of 1 BOE to 6 Mcf of natural gas when converting natural gas to BOEs. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf to 1 BOE is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency conversion ratio of 6 Mcf to 1 BOE, utilizing a conversion ratio of 6 Mcf to 1 BOE may be misleading as an indication of value.

Reserves Categories

"**Reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be economically recoverable from discovered resources, from a given date forward, based on (a) analysis of drilling, geological, geophysical, and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

"**Proved**" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"**Developed Producing**" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"**Developed Non-Producing**" reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

"**Undeveloped**" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned. In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recorded from specific wells, facilities and completion intervals in the pool and their respective development and production status.

"**Probable**" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves. The following terms, used in the preparation of the Evaluator's Report (as defined herein) and this document have the following meanings:

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- For proved reserves, at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimation; and

- For proved plus probable reserves, at least a 50 percent probability that the quantities actually recovered will equal or exceed the estimation.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Drilling Locations

This AIF discloses drilling inventory in two categories: (i) proved locations; and (ii) probable locations. Proved locations and probable locations are derived from NSAI's reserves evaluation effective December 31, 2018 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Of the 6 drilling locations identified herein, all are net proved locations. The drilling locations on which the Corporation actually drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, commodity prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

Additional Definitions

The following terms, used in the preparation of the NSAI Report in accordance with NI 51-101 and this AIF, have the following meanings:

"**Associated gas**" means the gas cap overlying a crude oil accumulation in a reservoir.

"**Crude oil**" or "**Oil**" means a mixture that consists mainly of pentanes and heavier hydrocarbons, which may contain sulphur and other non-hydrocarbon compounds, that is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated. It does not include solution gas or natural gas liquids.

"**Development costs**" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;

(b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;

(c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

(d) provide improved recovery systems.

"**Development well**" means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

"**Exploration costs**" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as "prospecting costs") and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as "geological and geophysical costs");

(b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defense, and the maintenance of land and lease records;

(c) dry hole contributions and bottom hole contributions;

(d) costs of drilling and equipping exploratory wells; and

(e) costs of drilling exploratory type stratigraphic test wells.

"**Exploratory well**" means a well that is not a development well, a service well or a stratigraphic test well.

"**Field**" means an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field that are separated vertically by intervening impervious strata or laterally by local geologic barriers, or both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "structural feature" and "stratigraphic condition" are intended to denote localized geological features, in contrast to broader terms such as "basin", "trend", "province", "state", "play" or "area of interest".

"**Future prices and costs**" means future prices and costs that are:

(a) generally accepted as being a reasonable outlook of the future;

(b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Corporation is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

"**Future income tax expenses**" means future income tax expenses estimated (generally, year-by-year):

(a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;

(b) without deducting estimated future costs (for example, Crown royalties) that are not deductible in computing taxable income;

(c) taking into account estimated tax credits and allowances (for example, royalty tax credits); and

(d) applying to the future pre-tax net cash flows relating to the reporting issuer's oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.

"**Future net revenue**" means the estimated net amount to be received with respect to the development and production of reserves (including synthetic oil, coal bed methane and other non-conventional reserves) estimated using constant prices and costs or forecast prices and costs.

"**Gross**" means:

(a) in relation to the Corporation's interest in production or reserves, its "Company gross reserves", which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Corporation;

(b) in relation to wells, the total number of wells in which the Corporation has an interest, and

(c) in relation to properties, the total area of properties in which the Corporation has an interest.

"**Natural gas**" means the lighter hydrocarbons and associated non-hydrocarbon substances occurring naturally in an underground reservoir, which under atmospheric conditions are essentially gases but which may contain natural gas liquids. Natural gas can exist in a reservoir either dissolved in crude oil (solution gas) or in a gaseous phase (associated gas or non-associated gas). Non-hydrocarbon substances may include hydrogen sulphide, carbon dioxide and nitrogen.

"**Natural gas liquids**" means those hydrocarbon components that can be recovered from natural gas as liquids including, but not limited to, ethane, propane, butanes, pentanes plus, condensate and small quantities of non-hydrocarbons.

“**Net**” means:

(a) in relation to the Corporation’s interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interests in production or reserves;

(b) in relation to the Corporation’s interest in wells, the number of wells obtained by aggregating the Corporation’s working interest in each of its gross wells; and

(c) in relation to the Corporation’s interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation.

“**Non-associated gas**” means an accumulation of natural gas in a reservoir where there is no crude oil.

“**Operating costs**” or “**production costs**” means costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities.

“**Production**” means recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas.

“**Property**” includes:

(a) fee ownership or a lease, concession, agreement, permit, licence or other interest representing the right to extract oil or gas subject to such terms as may be imposed by the conveyance of that interest;
(b) royalty interests, production payments payable in oil or gas, and other non-operating interests in properties operated by others; and
(c) an agreement with a foreign government or authority under which a reporting issuer participates in the operation of properties or otherwise serves as “producer” of the underlying reserves (in contrast to being an independent purchaser, broker, dealer or importer).

A property does not include supply agreements, or contracts that represent a right to purchase, rather than extract, oil or gas.

“**Property acquisition costs**” means costs incurred to acquire a property (directly by purchase or lease or indirectly by acquiring another corporate entity with an interest in the property), including:

(a) costs of lease bonuses and options to purchase or lease a property;

(b) the portion of the costs applicable to hydrocarbons when land including rights to hydrocarbons is purchased in fee;
(c) brokers’ fees, recording and registration fees, legal costs and other costs incurred in acquiring properties.

“**Proved property**” means a property or part of a property to which reserves have been specifically attributed.

"**Reservoir**" means a porous and permeable underground formation containing a natural accumulation of producible oil or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

"**Service well**" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for combustion.

"**Solution gas**" means natural gas dissolved in crude oil.

"**Stratigraphic test well**" means a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as (a) exploratory type" if not drilled into a proved property; or (b) "development type", if drilled into a proved property. Development type stratigraphic wells are also referred to as "evaluation wells".

"**Support equipment and facilities**" means equipment and facilities used in oil and gas activities, including seismic equipment, drilling equipment, construction and grading equipment, vehicles, repair shops, warehouses, supply points, camps, and division, district or field offices.

"**Unproved property**" means a property or part of a property to which no reserves have been specifically attributed.

"**Well abandonment costs**" means costs of abandoning a well and surface lease reclamation. They do not include costs of abandoning the gathering system, suspended wells, batteries, plants, or processing facilities.

CORPORATE STRUCTURE

Name, Address and Incorporation

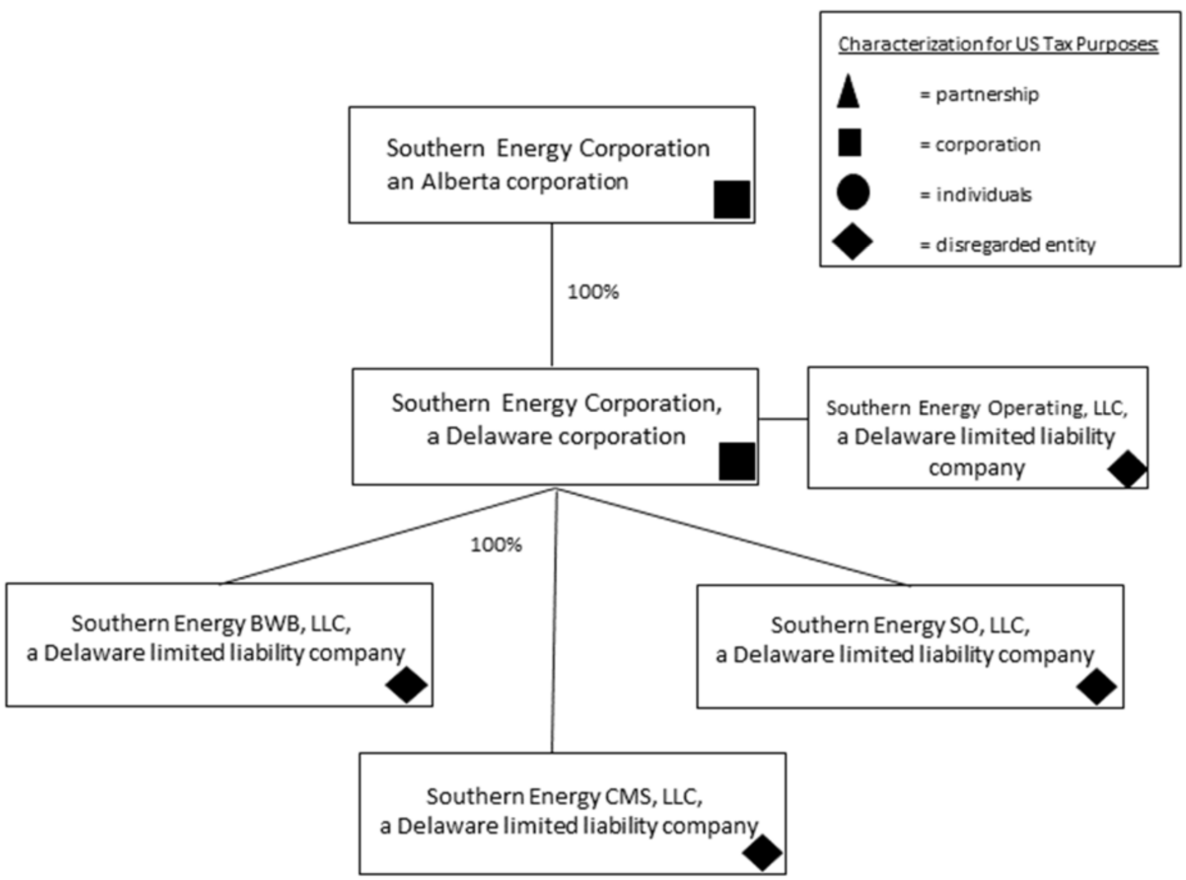
The Corporation was incorporated as 7015321 Canada Limited pursuant to the provisions of the CBCA on July 22, 2008. On August 15, 2008, the name of the Corporation was changed to "MAX Minerals Ltd.". On October 8, 2010, the name of the Corporation was changed to "Standard Exploration Ltd.".

On January 4, 2019, the name of the Corporation was changed from "Standard Exploration Ltd." to "Southern Energy Corp.". See "*General Development of the Business – Recent Developments*".

The head office of the Corporation is located at 2400, 333 – 7th Avenue S.W., Calgary, Alberta T2P 2Z1 and the registered office of the Corporation is located at 4000, 421 - 7 Avenue S.W., Calgary, Alberta, T2P 4K9.

Intercorporate Relationships

The following diagram describes the inter-corporate relationships among the Corporation and its subsidiaries as of the date hereof:



GENERAL DEVELOPMENT OF THE BUSINESS

Recent Developments

Name Change and Consolidation

On January 3, 2019, the issued and outstanding Common Shares were consolidated on the basis of one post-consolidated Common Share for every five pre-consolidated Common Shares.

On January 4, 2019, the name of the Corporation was changed from “Standard Exploration Ltd.” to “Southern Energy Corp.” and the Corporation’s post-consolidated Common Shares began trading on the TSXV under the symbol “SOU”.

Three-Year History

Financial Year Ended December 31, 2018

On November 12, 2018, the Corporation entered into the Reorganization and Investment Agreement with the Initial Investor Group pursuant to which the parties established the terms and conditions upon which the Corporation would complete the Private Placement and the Old Board and Old Executives would resign and be replaced by the New Board and New Executives.

On December 19, 2018, the Corporation issued an aggregate of 57,920,000 Units and 122,190,000 Common Shares (each, on a post-Consolidated basis) for aggregate gross proceeds of $18,011,000. Contemporaneous with the closing of the Private Placement, the appointment of the New Executives and New Board was completed and the Old Board and Old Executives resigned.

On November 12, 2018, the Corporation entered into the Equity Purchase Agreement with Gulf Pine GP, Gulf Pine LP, and the beneficial holders of the Gulf Pine Units and the Gulf Pine Shares. Pursuant to the Equity Purchase Agreement, the parties established the terms and conditions upon which the Corporation would acquire the all of the issued and outstanding Gulf Pine Units and the Gulf Pine Shares.

On December 19, 2018, the Corporation completed the acquisition of the issued and outstanding Gulf Pine Units and Gulf Pine Shares for aggregate cash consideration of USD$3,425,100. A business acquisition report in respect of the acquisition, dated February 28, 2019, is available on the Corporation’s SEDAR profile at www.sedar.com.

Financial Year Ended December 31, 2017

On April 7, 2017, the Corporation completed a disposition of assets at Claresholm, Alberta to a private company for cash proceeds net of selling costs of $370,500.

Financial Year Ended December 31, 2016

During the financial year ended December 31, 2016, there were no significant acquisitions, dispositions or conditions that influenced the general development of the Corporation.

DESCRIPTION OF THE BUSINESS OF THE CORPORATION

The business of the Corporation is focused on building value through the consolidation, development and exploration of oil and gas assets in the southeastern United States. Southern's immediate focus is to: (a) develop the Gwinville gas field, one of the largest gas discoveries in Mississippi, by applying management's knowledge and leveraging experience with horizontal drilling and multi-stage fracture completions; and (b) develop the Williamsburg Cotton Valley oil pool.

Southern has extensive engineering, geological, geophysical, technical, financial and operational experience and valuable knowledge of oil and gas operations in the southeastern United States. Its principal properties consist of the Black Warrior Basin Assets (approximately 30,000 acres) and the Central Mississippi Assets (approximately 29,000 acres). The Black Warrior Basin Asset contains oil production at the Maple Branch prospect. The Central Mississippi Asset contains oil and gas production at Gwinville, Mechanicsburg and Williamsburg.

As part of its growth strategy, Southern continues to strategically evaluate and explore for oil and gas properties that will result in meaningful reserve and production additions. Southern deploys capital to high-quality, long-life reservoirs in proven growth areas that offer existing infrastructure, low cost oil and gas drilling opportunities, year-round access and operational control.

Specialized Skill and Knowledge

Southern relies on the specialized skill and knowledge of its permanent staff to compile, interpret and evaluate technical data, drill and complete wells, design and operate production facilities and numerous additional activities required to explore for and produce oil and natural gas. From time to time, Southern employs consultants and other service providers to provide complementary experience and expertise to carry out its oil and natural gas operations effectively. It is the belief of management that its officers and employees, who have significant technical, operational and financial experience in the oil and gas industry, hold the necessary skill sets to successfully execute Southern's business strategy in order to achieve its corporate objectives.

Competitive Conditions

The oil and natural gas industry is intensely competitive in all of its phases. Southern competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Southern's competitors include resource companies which have greater financial resources, staff and facilities than those of Southern. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. See "*Risk Factors*".

Cyclical and Seasonal Nature of Industry

Southern's financial performance and financial condition will be dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have an adverse effect on Southern's financial condition. See "*Risk Factors*".

Environmental

Southern will operate in compliance with applicable existing environmental laws and regulations and is not aware of any proposed environmental legislation or regulations with which it would not be in material compliance. Procedures are put in place to ensure that the utmost care is taken in the day-to-day management of Southern's oil and gas properties. However, in the future, the natural resources industry may become subject to more stringent environmental protection rules. This could increase the cost of doing business and may have a negative impact on future earnings. See "*Risk Factors*".

Employees

As at the end most recent financial year-end, Southern had thirteen employees in Canada and seven in the United States.

Drilling Activity

Southern has drilled three producing wells. One horizontal oil well was drilled at the Maple Branch asset in the Black Warrior Basin in the State of Mississippi in 2016. Two vertical gas wells were drilled at the Mechanicsburg asset in the Interior Salt Basin in the State of Mississippi in 2017.

Location of Production

Southern has approximately 1,650 Boe/d of production (14% oil/NGLs and 86% natural gas), the majority coming from the Central Mississippi and Black Warrior Basin areas of Mississippi. See "*Description of Assets*".

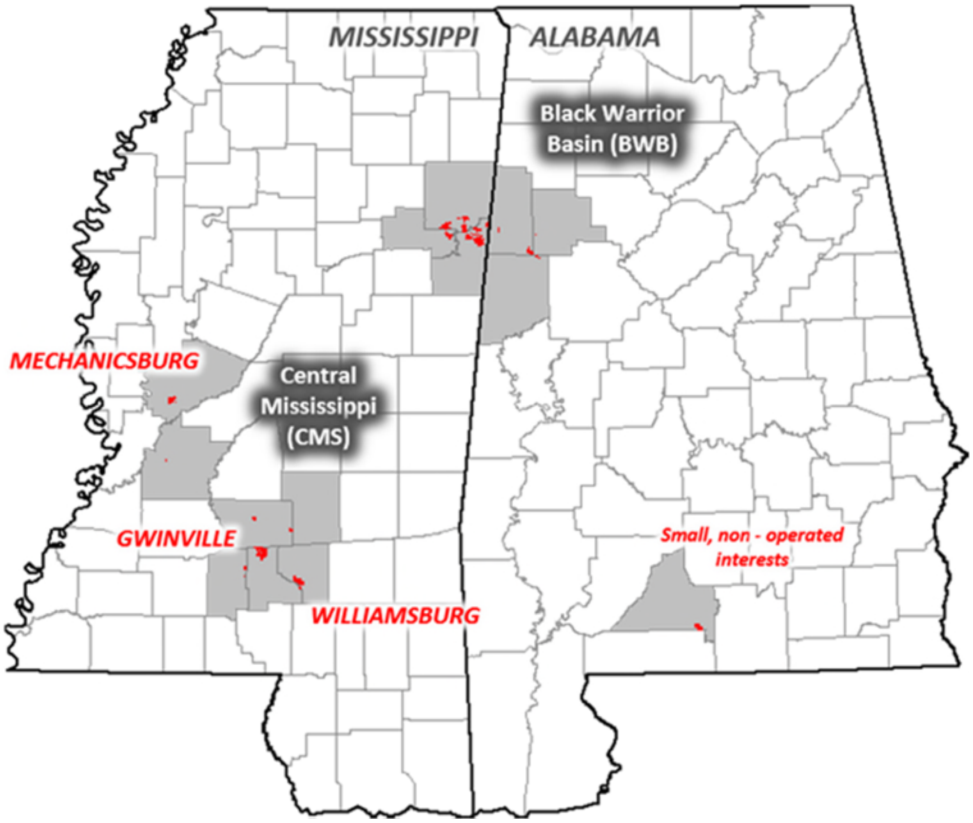
Location of Wells

Southern has an interest in 342 (324.2 net) wells in the U.S., all of which are located in Covington, Jefferson-Davis, Jones, Lawrence, Lowndes, Monroe, Simpson, Smith, Yazoo counties of Mississippi and in the Conecuh and Lamar counties of Alabama. Southern also has an interest in 10 (8.2 net) wells in Canada located in the Chin Coulee field in southeastern Alberta.

Description of Assets

Southern has an interest in approximately 59,000 net acres of land located in Mississippi and Alabama.

Southern's assets are comprised mainly of two operated, high working interest properties located in Mississippi and Alabama: the Central Mississippi Assets and the Black Warrior Basin Assets. There is a total of 254 producing wells comprising approximately 1,700 boe/d (approximately 14% oil and NGL) of working interest production and 88 non-producing wells on approximately 59,000 net acres of mineral rights ownership.



Central Mississippi Assets

The Mississippi Interior Salt Basin ranks as one of the most productive basins in the Gulf Coast region with cumulative production of over 1.5 billion Bbls of oil and 8 Tcf of gas. Major structural features affecting strata in the area are salt structures, normal faults and basement ridges which were created by salt flowage and extensional rift tectonics. Movement of the Jurassic Louann Salt serves as the principal trapping mechanism and has produced a complex array of structures including pillows, anticlines, domes, piercements and graben systems. Terrigenous clastic sediments derived from northern sources dominate the Upper Jurassic (Smackover, Haynesville and Cotton Valley) and Lower Cretaceous sections (Hosston, Sligo, Rodessa and Paluxy), while Upper Cretaceous strata (Lower Tuscaloosa, Eutaw and Selma Chalk) are represented by sandstones, shales, marls and chalks of a coastal plain environment. Excellent reservoir quality and numerous structural traps has resulted in a basin that continues to deliver stacked pay targets and an opportunity to extend known fields with the use of modern log analysis techniques and 3D seismic.[1]

Southern currently holds approximately 29,000 net acres of mineral rights in Central Mississippi, the majority of which are held by production. There are 240 producing wells comprising approximately 1,620 boe/d of working interest production along with 82 shut-in wells.

The majority of the production and wellbores in the Central Mississippi Assets are concentrated in three fields: Mechanicsburg, Gwinville and Williamsburg.

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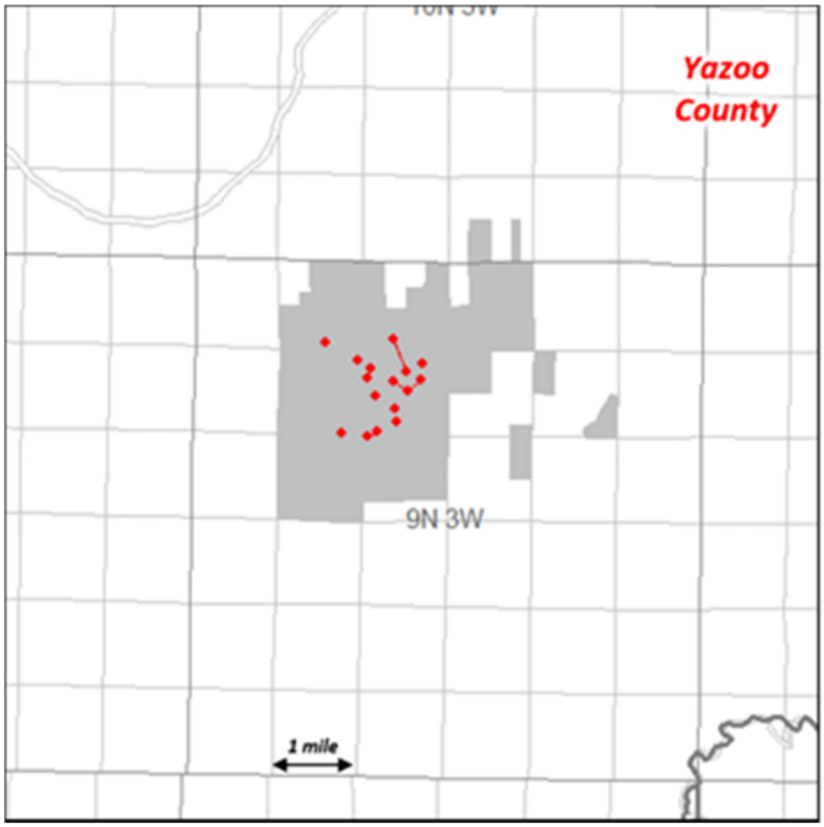
[1] Sources: Mississippi Oil and Gas Board, http://www.ogb.state.ms.us/ and I.H.S. Markit Production data, https://ihsmarkit.com/index.html.

Mechanicsburg Field

Southern currently produces approximately 775 boe/d (15% oil and NGL) from 13 Cotton Valley producing gas wells. There are seven shut-in gas wells. The field (wells and gas processing plant) is 100% operated, and the average well working interest is greater than 99%. The field is covered by a 53 square mile 3D seismic survey which was shot by a previous operator in 2010. Southern holds approximately 3,400 net acres, the majority of which is held by production.



The lower Cotton Valley formation in Mechanicsburg is at a depth of between 12,500 and 13,000 feet, and has been developed vertically due to net pay thicknesses of typically over 200 feet. Typical wells produce two to five MMcf/d after stimulation, with estimated ultimate recoverable reserves of two to five Bcf, along with approximately 20 bbl/MMcf of free condensate and 8 bbl/MMcf of NGL production.[2]

In the fourth quarter of 2017, two successful vertical Cotton Valley Wells were drilled and completed for approximately US$4.0 million each.

Gwinville Field

Southern currently produces approximately 525 boe/d (1% oil) from 195 Selma Chalk or Eutaw producing gas wells. There are 50 shut-in gas wells. The field (wells and gas compression/dehydration equipment) is 100% operated, and the average well working interest is greater than 95%. The field is covered by a 48 square mile 3D seismic survey which was shot by a previous operator in 2008. Southern holds approximately 12,100 net acres, the majority of which is held by production.

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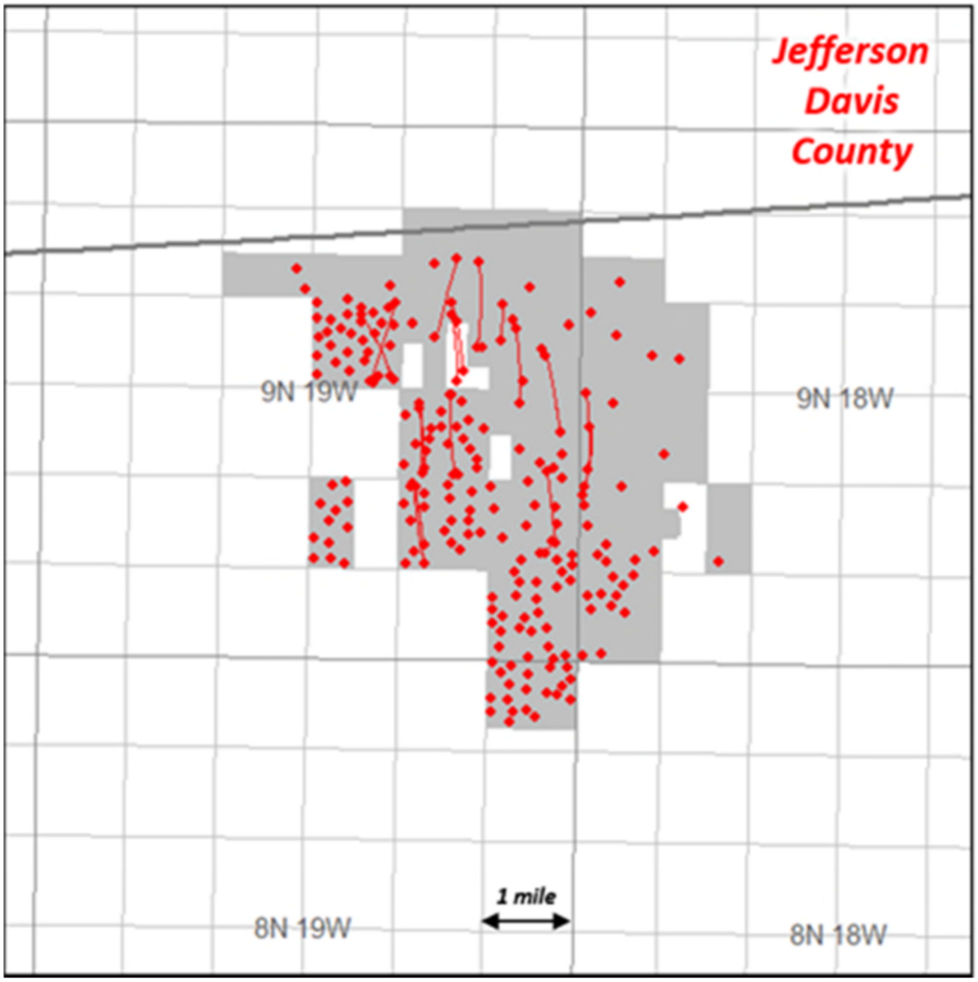
[2] *Ibid*, note 1.



The Selma Chalk formation in Gwinville is at a depth of between 6,500 and 6,800 feet, while the Eutaw formation is at a depth of between 7,600 and 7,800 feet. Both zones were originally developed vertically, however a previous operator began drilling horizontal wells into each formation in 2006 with positive results. The field has produced approximately 130 Bcf of gas to-date from the Selma Chalk. Typical horizontal wells produced 2 to 5 MMcf/d after stimulation, with estimated ultimate recoverable reserves of 1.5 to 2.5 Bcf, along with approximately 3 bbl/MMcf of free condensate production. The horizontal, multi-stage fracture technology at the time was not advanced as these wells typically only had 3 to 5 stages and utilized low proppant concentrations of only 300 to 600 lb/foot.[3]

The Gwinville field is Mississippi's largest historic gas producer with over 1.5 Tcf produced from several productive, stacked reservoirs (Lower Tuscaloosa production over 1.2 Tcf).[4]

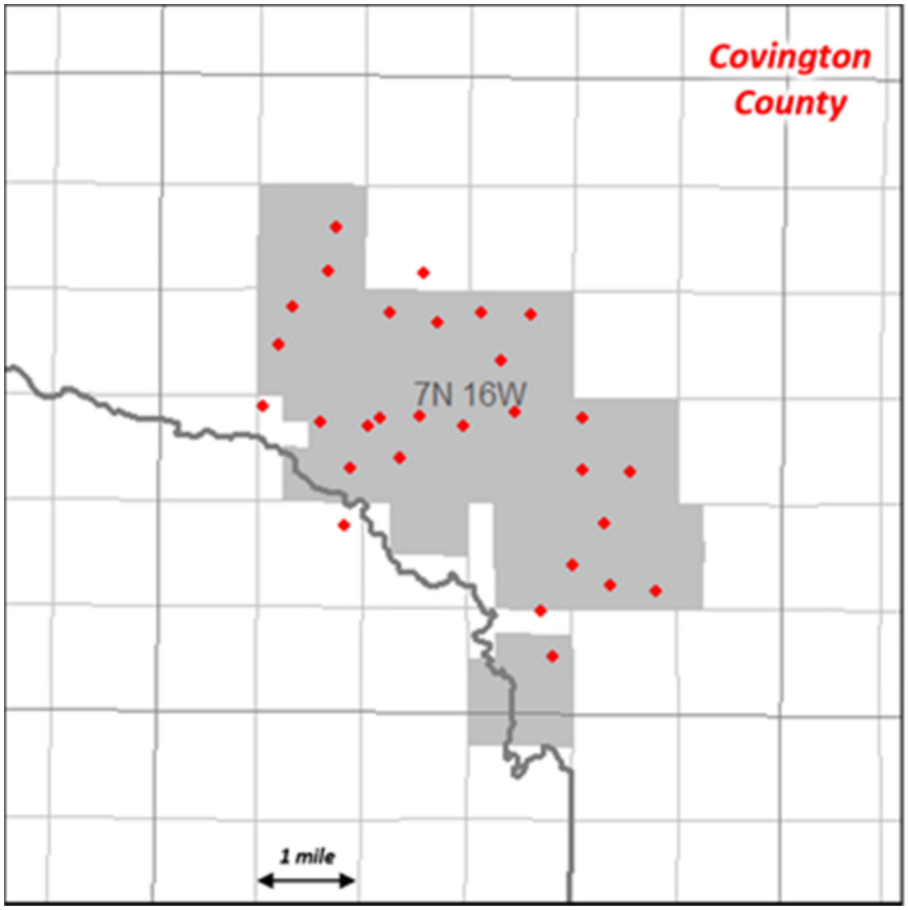
Williamsburg Field

Southern currently produces approximately 160 boe/d (6% oil) from 26 Sligo/Hosston producing gas wells. There are 13 shut-in gas wells. The field (wells and gas processing plant) is 100% operated, and

[3] *Ibid*, note 1.

[4] *Ibid,* note 1.

the average well working interest is 100%. Southern holds approximately 9,500 net acres, the majority of which is held by production.



The Sligo/Hosston formations in Williamsburg are at a depth of between 14,700 and 15,200 feet and have been developed with vertical wells. The field has produced over 80 Bcf of gas and 1.1 MMbbl oil to-date.[5] On this large structure only two wells have penetrated the deeper Cotton Valley formation and only one was completed on this structure. The completed well has produced 1 Bcf of gas and 18 Mbbl of oil since 2008. Area operators have been successfully exploring and developing Cotton Valley reservoirs in the immediate counties surrounding the Williamsburg field.

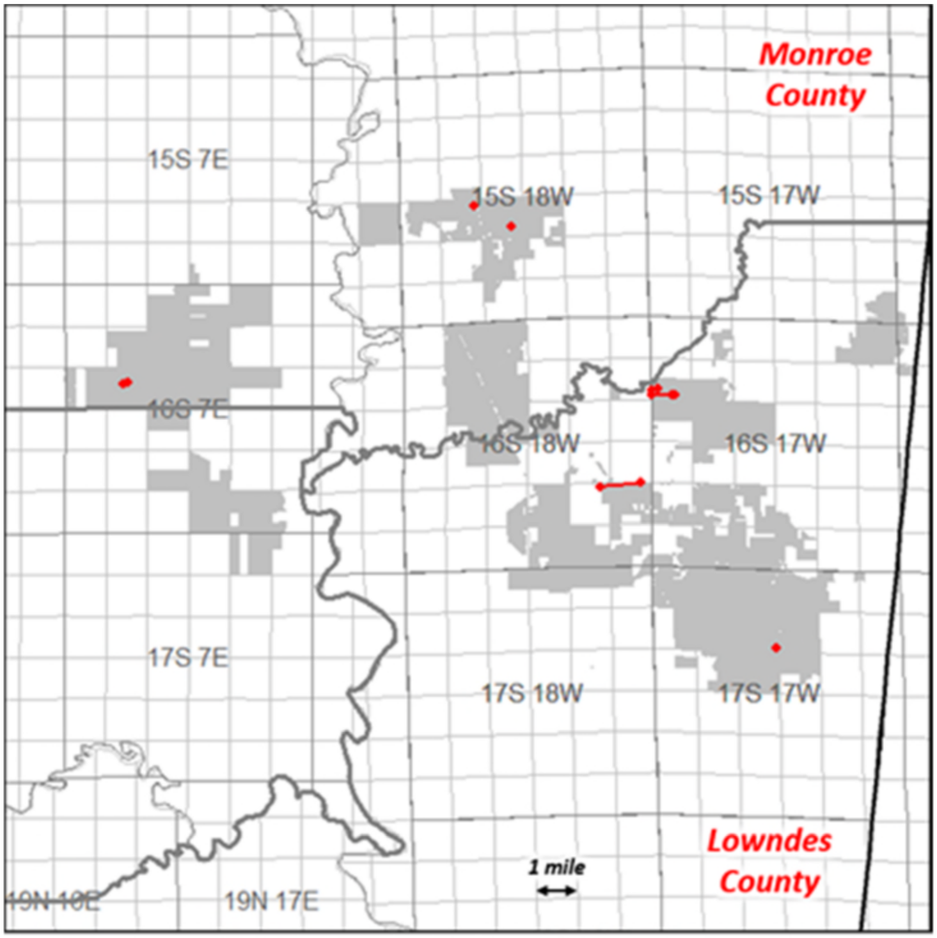
Black Warrior Basin Assets

The Black Warrior Basin of northwestern Alabama and northeastern Mississippi is a foreland basin, containing Paleozoic aged sedimentary rocks, in the major structural re-entrant between the Appalachian and Ouachita Fold and Thrust Belts. Complexly block faulted Paleozoic strata (Lewis, Sanders, Carter and Pottsville sandstones) dipping southwesterly away from the Nashville Dome constitute the main framework for the basin.

The Black Warrior Basin underwent significant development in the 1970's and 80's, and mainly for gas targets. Depth of the productive Pennsylvanian and Mississippian zones is relatively shallow at 4,000-

[5] *Ibid*, note 1.

6,000 feet. Over 1 Tcf of gas has been produced from the roughly 23,000 square mile basin, but only 10 MMbbl of oil has been discovered and produced. With the advancement of horizontal drilling and completion technology, operators have been coming back to the basin over the past 10 years to test the lower permeability sands and shales in the basin for oil production.[6]



Southern holds over 30,000 net acres of mineral rights in the Black Warrior Basin, with approximately 10% of that held by production. In 2019, approximately 19,100 acres are coming up for extension or expiry, and another 3,400 acres scheduled for 2020. There are 10 producing wells (5 oil and 5 gas) making approximately 60 boe/d of working interest production along with 6 shut-in wells.

A Lewis horizontal well was drilled in the first quarter of 2016 which tested over 600 bbl/d of oil and 500 Mcf/d of gas and produced greater than 55 Mbbl of oil in the first 12 months of production.

Conecuh County, Alabama, Assets

Southern holds a low, non-operated, working interest in four oil wells in southern Alabama that accounts for approximately 20 boe/d of working interest production. Southern's ownership is in the wellbores only, with no mineral right ownership in this asset.

6 *Ibid*, note 1.

Chin Coulee, Alberta, Canada, Assets

Southern holds a 100% working interest in four oil (three producing) wells and one water injection well in southeastern Alberta that accounts for approximately 47 boe/d of working interest heavy oil production. The producing wells hold 480 acres of active Crown mineral rights.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Reserves Data (Forecast Prices and Costs)

The reserves data set forth below (the "**Reserves Data**") is based upon a report prepared by NSAI, evaluating the crude oil, natural gas and NGL reserves of Southern, as at December 31, 2018, with a preparation date of March 15, 2019 (the "**NSAI Report**"). The Reserves Data summarizes the crude oil, NGL and natural gas reserves of the Corporation and the net present values of future net revenue for these reserves using forecast prices and costs. The NSAI Report has been prepared in accordance with the standards contained in the COGE Handbook and NI 51-101. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which Southern believes is important to shareholders and investors. The Corporation engaged NSAI to provide an evaluation of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

The net present value of future net revenue attributable to the Corporation's reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, and well abandonment costs for only those wells assigned reserves by NSAI. It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. The recovery and reserve estimates of the Corporation's crude oil, NGL and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and NGL reserves may be greater than or less than the estimates provided herein. Readers should note that the totals in the following tables may not add due to rounding.

The properties evaluated are located in the Province of Alberta, and the States of Mississippi and Alabama.

All monetary values are expressed in Canadian dollars, unless stated otherwise.

SUMMARY OF OIL AND GAS RESERVES
(Forecast Costs and Prices)

	Company Reserves											
Total Company	**Heavy Oil (Mbbl)**		**Light and Medium Oil (Mbbl)**		**Condensate (Mbbl)**		**NGL (Mbbl)**		**Conventional Natural Gas (MMcf)**		**Total Oil Equivalent (Mboe)**	
Reserves Category	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Proved Developed Producing	138.5	118.4	175.9	135.8	231.8	186.4	129.1	103.8	27,528.7	21,918.9	5,263.4	4,197.6
Proved Developed Non-Producing	-	-	67.5	52.7	100.1	77.9	22.4	18.2	12,387.9	9,575.9	2,254.7	1,744.8
Proved Undeveloped	-	-	-	-	343.9	279.2	156.5	127.6	18,564.6	15,053.8	3,594.5	2,915.8
Total Proved	**138.5**	**118.4**	**243.4**	**188.5**	**675.9**	**543.5**	**307.9**	**249.6**	**58,481.2**	**46,548.6**	**11,112.6**	**8,858.1**
Probable	35.3	31.9	30.1	24.1	70.1	56.5	23.4	18.9	3,519.7	2,814.6	745.5	600.5
Total Proved Plus Probable	**173.9**	**150.2**	**273.4**	**212.6**	**746.0**	**600.0**	**331.3**	**268.5**	**62,000.9**	**49,363.2**	**11,858.1**	**9,458.5**

	Company Reserves											
Canada	**Heavy Oil (Mbbl)**		**Light and Medium Oil (Mbbl)**		**Condensate (Mbbl)**		**NGL (Mbbl)**		**Conventional Natural Gas (MMcf)**		**Total Oil Equivalent (Mboe)**	
Reserves Category	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Proved Developed Producing	138.5	118.4	-	-	-	-	-	-	-	-	138.5	118.4
Proved Developed Non-Producing	-	-	-	-	-	-	-	-	-	-	-	-
Proved Undeveloped	-	-	-	-	-	-	-	-	-	-	-	-
Total Proved	**138.5**	**118.4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**138.5**	**118.4**
Probable	35.3	31.9	-	-	-	-	-	-	-	-	35.3	31.9
Total Proved Plus Probable	**173.9**	**150.2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**173.9**	**150.2**

	Company Reserves											
USA	**Heavy Oil (Mbbl)**		**Light and Medium Oil (Mbbl)**		**Condensate (Mbbl)**		**NGL (Mbbl)**		**Conventional Natural Gas (MMcf)**		**Total Oil Equivalent (Mboe)**	
Reserves Category	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Proved Developed Producing	-	-	175.9	135.8	231.8	186.4	129.1	103.8	27,528.7	21,918.9	5,124.9	4,079.2
Proved Developed Non-Producing	-	-	67.5	52.7	100.1	77.9	22.4	18.2	12,387.9	9,575.9	2,254.7	1,744.8
Proved Undeveloped	-	-	-	-	343.9	279.2	156.5	127.6	18,564.6	15,053.8	3,594.5	2,915.8
Total Proved	**-**	**-**	**243.4**	**188.5**	**675.9**	**543.5**	**307.9**	**249.6**	**58,481.2**	**46,548.6**	**10,974.1**	**8,739.7**
Probable	-	-	30.1	24.1	70.1	56.5	23.4	18.9	3,519.7	2,814.6	710.2	568.6
Total Proved Plus Probable	**-**	**-**	**273.4**	**212.6**	**746.0**	**600.0**	**331.3**	**268.5**	**62,000.9**	**49,363.2**	**11,684.2**	**9,308.3**

NET PRESENT VALUE SUMMARY

NET PRESENT VALUES OF FUTURE NET REVENUE BEFORE INCOME TAXES DISCOUNTED AT (%/YEAR) (Forecast Costs and Prices)

	Net Present Value of Future Net Revenue						
Total Company	Before Income Taxes, Discounted at (%/year)					Unit Value Before Income Tax, Discounted at 10%/year	
Reserves Category	0% (M$)	5% (M$)	10% (M$)	15% (M$)	20% (M$)	$/boe	$/Mcfe
Proved Developed Producing	64,968	47,135	37,118	30,797	26,466	8.84	1.47
Proved Developed Non-Producing	26,539	15,709	10,631	7,717	5,850	6.09	1.02
Proved Undeveloped	54,523	36,577	25,687	18,461	13,426	8.81	1.47
Total Proved	**146,030**	**99,421**	**73,436**	**56,974**	**45,741**	**8.29**	**1.38**
Probable	17,398	9,366	5,684	3,797	2,741	**9.47**	**1.58**
Total Proved Plus Probable	**163,428**	**108,787**	**79,120**	**60,771**	**48,482**	**8.36**	**1.39**

	Net Present Value of Future Net Revenue						
Canada	Before Income Taxes, Discounted at (%/year)					Unit Value Before Income Tax, Discounted at 10%/year	
Reserves Category	0% (M$)	5% (M$)	10% (M$)	15% (M$)	20% (M$)	$/boe	$/Mcfe
Proved Developed Producing	5,040	3,535	2,673	2,139	1,786	22.57	3.76
Proved Developed Non-Producing	-	-	-	-	-	-	-
Proved Undeveloped	-	-	-	-	-	-	-
Total Proved	**5,040**	**3,535**	**2,673**	**2,139**	**1,786**	**22.57**	**3.76**
Probable	1,879	735	339	182	111	**10.63**	**1.77**
Total Proved Plus Probable	**6,918**	**4,269**	**3,012**	**2,322**	**1,897**	**20.05**	**3.34**

	Net Present Value of Future Net Revenue						
USA	Before Income Taxes, Discounted at (%/year)					Unit Value Before Income Tax, Discounted at 10%/year	
Reserves Category	0% (M$)	5% (M$)	10% (M$)	15% (M$)	20% (M$)	$/boe	$/Mcfe
Proved Developed Producing	59,929	43,600	34,446	28,657	24,680	8.44	1.41
Proved Developed Non-Producing	26,539	15,709	10,631	7,717	5,850	6.09	1.02
Proved Undeveloped	54,523	36,577	25,687	18,461	13,426	8.81	1.47
Total Proved	**140,990**	**95,887**	**70,763**	**54,835**	**43,956**	**8.10**	**1.35**
Probable	15,519	8,632	5,345	3,614	2,629	**9.40**	**1.57**
Total Proved Plus Probable	**156,510**	**104,518**	**76,109**	**58,450**	**46,585**	**8.18**	**1.36**

Note:
1. Unit values are based on Company Net Reserves.

NET PRESENT VALUE SUMMARY

NET PRESENT VALUES OF FUTURE NET REVENUE AFTER INCOME TAXES DISCOUNTED AT (%/YEAR) (Forecast Costs and Prices)

	Net Present Value of Future Net Revenue						
Total Company	After Income Taxes, Discounted at (%/year)					Unit Value After Income Tax, Discounted at 10%/year	
Reserves Category	0% (M$)	5% (M$)	10% (M$)	15% (M$)	20% (M$)	$/boe	$/Mcfe
Proved Developed Producing	59,105	42,869	33,748	27,993	24,051	8.04	1.34
Proved Developed Non-Producing	21,531	12,745	8,625	6,260	4,746	4.94	0.82
Proved Undeveloped	44,556	29,891	20,991	15,087	10,971	7.20	1.20
Total Proved	**125,192**	**85,505**	**63,364**	**49,340**	**39,769**	**7.15**	**1.19**
Probable	14,132	7,550	4,559	3,036	2,187	-	-
Total Proved Plus Probable	**139,324**	**93,054**	**67,924**	**52,376**	**41,956**	**7.18**	**1.20**

	Net Present Value of Future Net Revenue						
Canada	After Income Taxes, Discounted at (%/year)					Unit Value After Income Tax, Discounted at 10%/year	
Reserves Category	0% (M$)	5% (M$)	10% (M$)	15% (M$)	20% (M$)	$/boe	$/Mcfe
Proved Developed Producing	5,040	3,535	2,673	2,139	1,786	22.57	3.76
Proved Developed Non-Producing	-	-	-	-	-	-	-
Proved Undeveloped	-	-	-	-	-	-	-
Total Proved	**5,040**	**3,535**	**2,673**	**2,139**	**1,786**	**22.57**	**3.76**
Probable	1,879	735	339	182	111	10.63	1.77
Total Proved Plus Probable	**6,918**	**4,269**	**3,012**	**2,322**	**1,897**	**20.05**	**3.34**

	Net Present Value of Future Net Revenue						
USA	After Income Taxes, Discounted at (%/year)					Unit Value After Income Tax, Discounted at 10%/year	
Reserves Category	0% (M$)	5% (M$)	10% (M$)	15% (M$)	20% (M$)	$/boe	$/Mcfe
Proved Developed Producing	54,065	39,334	31,076	25,854	22,266	7.62	1.27
Proved Developed Non-Producing	21,531	12,745	8,625	6,260	4,746	4.94	0.82
Proved Undeveloped	44,556	29,891	20,991	15,087	10,971	7.20	1.20
Total Proved	**120,152**	**81,970**	**60,692**	**47,201**	**37,983**	**6.94**	**1.16**
Probable	12,253	6,815	4,220	2,854	2,076	7.42	1.24
Total Proved Plus Probable	**132,405**	**88,785**	**64,912**	**50,054**	**40,059**	**6.97**	**1.16**

Note:

1. Unit values are based on Company Net Reserves.

FUTURE NET REVENUE (UNDISCOUNTED)

Total Company Reserves Category	Company Revenue (M$)	Burden and NPI (M$)	Property and Severance Tax (M$)	Development Costs (M$)	Abandonment Costs (M$)	Operating Expense (M$)	Future Net Revenue (M$)	Income Tax (M$)	Future Net Revenue After Income Tax (M$)
Proved Developed Producing	186,904	37,536	8,860	-	3,513	72,027	64,968	5,863	59,105
Total Proved	**397,153**	**80,251**	**19,122**	**40,935**	**4,481**	**106,336**	**146,030**	**20,838**	**125,192**
Total Proved Plus Probable	**432,458**	**86,847**	**20,672**	**40,935**	**4,570**	**116,007**	**163,428**	**24,104**	**139,323**

Canada Reserves Category	Company Revenue (M$)	Burden and NPI (M$)	Property and Severance Tax (M$)	Development Costs (M$)	Abandonment Costs (M$)	Operating Expense (M$)	Future Net Revenue (M$)	Income Tax (M$)	Future Net Revenue After Income Tax (M$)
Proved Developed Producing	9,468	1,275	-	-	181	2,973	5,040	-	5,040
Total Proved	**9,468**	**1,275**	**-**	**-**	**181**	**2,973**	**5,040**	**-**	**5,040**
Total Proved Plus Probable	**13,221**	**1,613**	**-**	**-**	**210**	**4,480**	**6,918**	**-**	**6,918**

USA Reserves Category	Company Revenue (M$)	Burden and NPI (M$)	Property and Severance Tax (M$)	Development Costs (M$)	Abandonment Costs (M$)	Operating Expense (M$)	Future Net Revenue (M$)	Income Tax (M$)	Future Net Revenue After Income Tax (M$)
Proved Developed Producing	177,436	36,261	8,860	-	3,333	69,055	59,929	5,863	54,065
Total Proved	**387,685**	**78,975**	**19,122**	**40,935**	**4,300**	**103,364**	**140,990**	**20,838**	**120,152**
Total Proved Plus Probable	**419,237**	**85,234**	**20,672**	**40,935**	**4,360**	**111,528**	**156,510**	**24,104**	**132,405**

FUTURE NET REVENUE BY PRODUCT TYPE

Reserves Category	Production Group	Future Net Revenue Before Income Tax, Discounted at 10%/year (M$)	Unit Value Before Income Tax, Discounted at 10%/year ($/boe)	Unit Value Before Income Tax, Discounted at 10%/year ($/Mcfe)
Proved Developed Producing				
	Heavy Oil	1,880	15.88	2.65
	Light/Medium Oil	3,238	23.84	3.97
	Condensate	4,418	23.70	3.95
	NGL	1,499	14.44	2.41
	Conventional Natural Gas	26,083	7.14	1.19
Total: Proved Developed Producing		**37,118**	**8.84**	**1.47**
Total Proved				
	Heavy Oil	1,751	14.79	2.46
	Light/Medium Oil	4,484	23.79	3.96
	Condensate	11,928	21.95	3.66
	NGL	3,448	13.81	2.30
	Conventional Natural Gas	51,826	6.68	1.11
Total: Total Proved		**73,436**	**8.29**	**1.38**
Total Proved Plus Probable				
	Heavy Oil	2,419	16.10	2.68
	Light/Medium Oil	5,050	23.75	3.96
	Condensate	13,192	21.99	3.66
	NGL	3,711	13.82	2.30
	Conventional Natural Gas	54,749	1.11	0.18
Total: Total Proved Plus Probable		**79,120**	**8.36**	**1.39**

Notes:
1. Unit values are based on Company Net Reserves.
2. All heavy oil reserves and value are in Canada; the remaining reserves and value are all in the U.S.

PRICING ASSUMPTIONS

The following pricing assumptions were provided by GLJ Petroleum Consultants (GLJ), a qualified Canadian reserves evaluator independent of the Corporation.

Forecast Prices used in Estimates, effective January 1, 2019:

Year	Exchange Rate (USD/CAD)	WTI Cushing Oklahoma (C$/bbl)	NYMEX Henry Hub (C$/MMBTU)
Forecast			
2019	0.75	75.00	4.00
2020	0.77	81.82	4.09
2021	0.79	84.81	4.24
2022	0.81	86.42	4.32
2023	0.82	88.41	4.43
2024	0.83	90.91	4.48
2025	0.83	93.94	4.57
2026	0.83	97.46	4.67
2027	0.83	99.42	4.76
2028	0.83	101.40	4.85
Thereafter	0.83	+ 2.0%/Year	+ 2.0%/Year

Forecast case oil (heavy and light/medium), condensate, and NGL prices are based on the above forecast of NYMEX Cushing, Oklahoma, West Texas Intermediate prices prepared by GLJ and are adjusted by field for quality, transportation fees and market differentials. Forecast Case gas prices are based on the above forecast of NYMEX Henry Hub prices prepared by GLJ and are adjusted by field for energy content, transportation fees and market differentials.

RECONCILIATION OF CHANGES IN RESERVES

Reserves Reconciliation

The following table sets forth a reconciliation of the changes in the Corporation's gross reserves as at December 31, 2018, against such reserves as at December 31, 2017 (summarized in the tables above) based on the forecast price and cost assumptions evaluated in accordance with NI 51-101 definitions:

Total Company	Heavy Oil			Light/Medium Oil			Condensate		
Factors	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)
December 31, 2017	94.0	24.0	118.0	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-
Extensions	-	-	-	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	61.7	11.3	73.1	-	-	-	-	-	-
Acquisitions	-	-	-	290.2	30.1	320.2	710.3	70.1	780.4
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-
Production	17.2	-	17.2	46.8	-	46.8	34.4	-	34.4
December 31, 2018	**138.5**	**35.3**	**173.9**	**243.4**	**30.1**	**273.4**	**675.9**	**70.1**	**746.0**

Total Company	NGL			Conventional Natural Gas			Total BOE		
Factors	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Proved (Mboe)	Gross Probable (Mboe)	Gross Proved Plus Probable (Mboe)
December 31, 2017	-	-	-	-	-	-	94.0	24.0	118.0
Discoveries	-	-	-	-	-	-	-	-	-
Extensions	-	-	-	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-	61.7	11.3	73.1
Acquisitions	325.1	23.4	348.5	62,006.7	3,519.7	65,526.4	11,660.0	710.2	12,370.1
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-
Production	17.2	-	17.2	3,525.5	-	3,525.5	703.2	-	703.2
December 31, 2018	**307.9**	**23.4**	**331.3**	**58,481.2**	**3,519.7**	**62,000.9**	**11,112.6**	**745.5**	**11,858.1**

Canada	Heavy Oil			Light/Medium Oil			Condensate		
Factors	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)
December 31, 2017	94.0	24.0	118.0	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-
Extensions	-	-	-	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	61.7	11.3	73.1	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-
Production	17.2	-	17.2	-	-	-	-	-	-
December 31, 2018	**138.5**	**35.3**	**173.9**	**-**	**-**	**-**	**-**	**-**	**-**

Canada	NGL			Conventional Natural Gas			Total BOE		
Factors	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Proved (Mboe)	Gross Probable (Mboe)	Gross Proved Plus Probable (Mboe)
December 31, 2017	-	-	-	-	-	-	94.0	24.0	118.0
Discoveries	-	-	-	-	-	-	-	-	-
Extensions	-	-	-	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-	61.7	11.3	73.1
Acquisitions	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	17.2	-	17.2
December 31, 2018	**-**	**-**	**-**	**-**	**-**	**-**	**138.5**	**35.3**	**173.9**

USA	Heavy Oil			Light/Medium Oil			Condensate		
Factors	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)
December 31, 2017	-	-	-	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-
Extensions	-	-	-	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	290.2	30.1	320.2	710.3	70.1	780.4
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-
Production	-	-	-	46.8	-	46.8	34.4	-	34.4
December 31, 2018	**-**	**-**	**-**	**243.4**	**30.1**	**273.4**	**675.9**	**70.1**	**746.0**

USA	NGL			Conventional Natural Gas			Total BOE		
Factors	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Proved (Mboe)	Gross Probable (Mboe)	Gross Proved Plus Probable (Mboe)
December 31, 2017	-	-	-	-	-	-	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-
Extensions	-	-	-	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-	-	-	-
Acquisitions	325.1	23.4	348.5	62,006.7	3,519.7	65,526.4	11,660.0	710.2	12,370.1
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-
Production	17.2	-	17.2	3,525.5	-	3,525.5	686.0	-	686.0
December 31, 2018	**307.9**	**23.4**	**331.3**	**58,481.2**	**3,519.7**	**62,000.9**	**10,974.1**	**710.2**	**11,684.2**

Southern acquired its U.S. properties on December 19, 2018, which properties were not included in the December 31, 2017 reserves report. The positive technical revisions in Canada relate to improved performance from the Chin Coulee asset.

ADDITIONAL INFORMATION RELATING TO RESERVES DATA

Undeveloped Reserves

The following discussion generally describes the basis on which Southern attributes proved and probable undeveloped reserves and its plans for developing those undeveloped reserves.

Proved Undeveloped Reserves

Proved undeveloped reserves are generally those reserves related to wells that have been tested and not yet tied-in, wells drilled near the end of the fiscal year or wells further away from gathering systems. In addition, such reserves may relate to planned infill-drilling locations. The majority of these reserves are planned to be on stream within a two-year timeframe.

SUMMARY OF PROVED UNDEVELOPED RESERVES
(Forecast Prices & Costs)

	Company Gross Reserves											
	Heavy Oil (Mbbl)		Light and Medium Oil (Mbbl)		Condensate (Mbbl)		NGL (Mbbl)		Conventional Natural Gas (MMcf)		Total Oil Equivalent (Mboe)	
Year	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total
December 31, 2016	-	-	-	-	-	-	-	-	-	-	-	-
December 31, 2017	-	-	-	-	-	-	-	-	-	-	-	-
December 31, 2018	**-**	**-**	**-**	**-**	**343.9**	**343.9**	**156.5**	**156.5**	**18,564.6**	**18,564.6**	**3,594.5**	**3,594.5**

Probable Undeveloped Reserves

Probable reserves are generally reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production. All probable reserves in the NSAI Report relate to proved projects (i.e. higher recovery assumptions).

SUMMARY OF PROBABLE UNDEVELOPED RESERVES
(Forecast Prices & Costs)

	Company Gross Reserves											
	Light and Medium Oil (Mbbl)		Light and Medium Oil (Mbbl)		Condensate (Mbbl)		NGL (Mbbl)		Conventional Natural Gas (MMcf)		Total Oil Equivalent (Mboe)	
Year	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total	Attributed	Current Total
December 31, 2016	-	-	-	-	-	-	-	-	-	-	-	-
December 31, 2017	-	-	-	-	-	-	-	-	-	-	-	-
December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-

Significant Factors or Uncertainties

The evaluated oil and gas properties of the Corporation have no material extraordinary risks or uncertainties beyond those which are inherent of an oil and gas producing company. Some of these risks are noted below.

The process of estimating reserves is complex. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and natural gas prices and costs change. Estimates are reviewed and revised, either upward or downward, as warranted by newly acquired information.

The evaluation and drilling of hydrocarbon targets may be curtailed, delayed or cancelled by the unavailability or prevailing cost of drilling rigs or technical contractors, mechanical difficulties, adverse weather and ocean conditions, environmental issues, political or social unrest, technical hazards, such as unusual or unexpected formations or pressures or because of issues related to compliance with government regulations or requirements. Drilling may result in unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though yielding some hydrocarbons, are not sufficiently productive to economically justify commercial development. Furthermore, the successful completion of a well does not assure a profit on investment or the recovery of drilling, completion and operating costs.

Future Development Costs

The following table shows the development costs anticipated in the next five years, which have been deducted in the estimation of the Corporation's future net revenues of the reserves evaluated in the NSAI Report for the year ended December 31, 2018.

Future Development Costs
Estimated Using Forecast Prices and Costs (Undiscounted)

	Year				
Reserves Category	2019 (M$)	2020 (M$)	2021 (M$)	2022 (M$)	2023 (M$)
Proved Developed Producing	-	-	-	-	-
Proved Developed Non-Producing	583	3,137	2,612	-	324
Proved Undeveloped	8,704	17,295	3,748	-	-
Total Proved	**9,287**	**20,432**	**6,360**	**-**	**324**
Probable	-	-	-	-	-
Total Proved Plus Probable	**9,287**	**20,432**	**6,360**	**-**	**324**

All Future Development Costs are attributed to the U.S. assets. Southern will use internally-generated cash flow, as well as combination of debt and equity financings to fund these future capital programs. The costs for these external sources of funding will be dependent on market conditions at the time of the financings.

OTHER OIL AND GAS INFORMATION

Oil and Gas Properties

The following is a description of Southern's operations and principal operating areas as of December 31, 2018, all of which are onshore. The U.S. properties were acquired with the acquisition of Gulf Pine which was effective as of December 19, 2018.

Chin Coulee, Alberta

The Chin Coulee property is located in Township 007, Range 15 W4M in the Province of Alberta. The Corporation holds a 100% working interest in 256 gross (256 net) hectares of developed land. These petroleum and natural gas interests contain a total of 4 gross (4 net) operated wells (3 producing and 1 non-producing). Production from this property is from the Sawtooth formation and is approximately 45 barrels of oil equivalent per day (company working interest) as at December 31, 2018 (company fiscal year-end).

Gwinville, Mississippi

The Gwinville property is located in Township 9N, Ranges 18-19W in Jefferson-Davis County, Mississippi. The Corporation holds a greater than 95% working interest in approximately 12,100 gross (approximately 12,100 net) acres of developed land. These petroleum and natural gas interests contain a total of 245 gross (231 net) operated wells (195 producing and 50 non-producing). Production from this property is from the Selma Chalk and Eutaw formations and is approximately 640 barrels of oil equivalent per day (company working interest) as at December 31, 2018.

Mechanicsburg, Mississippi

The Mechanicsburg property is located in Township 9N, Range 3W in Yazoo County, Mississippi. The Corporation holds a greater than 98% working interest in approximately 3,400 gross (approximately 3,400 net) acres of developed land. These petroleum and natural gas interests contain a total of 20 gross (20 net) operated wells (13 producing and 7 non-producing). Production from this property is from the Lower Cotton Valley formation and is approximately 700 barrels of oil equivalent per day (company working interest) as at December 31, 2018.

Magee, Mississippi

The Magee property is located in Township 10N, Range 17W in Simpson County, Mississippi. The Corporation holds a greater than 98% working interest in approximately 700 gross (approximately 700 net) acres of developed land. These petroleum and natural gas interests contain a total of 4 gross (4 net) operated wells (4 producing). Production from this property is from the Sligo and Hosston formations and is approximately 60 barrels of oil equivalent per day (company working interest) as at December 31, 2018.

Williamsburg, Mississippi

The Williamsburg property is located in Township 7N, Range 16W in Covington County, Mississippi. The Corporation holds a 100% working interest in approximately 9,500 gross (approximately 9,500 net) acres of developed land. These petroleum and natural gas interests contain a total of 39 gross (39 net) operated wells (25 producing and 14 non-producing). Production from this property is from the Sligo and Hosston formations and is approximately 200 barrels of oil equivalent per day (company working interest) as at December 31, 2018.

Black Warrior Basin, Mississippi & Alabama

The Black Warrior Basin property is primarily located in Lowndes and Monroe Counties, Mississippi and Lamar County, Alabama. The Corporation holds a greater than 98% working interest in approximately 29,700 gross (approximately 29,300 net) acres of land (approximately 3,600 acres developed). These petroleum and natural gas interests contain a total of 16 gross (16 net) operated wells (10 producing and 6 non-producing). Production from this property is from the Sanders and Lewis formations and is approximately 50 barrels of oil equivalent per day (company working interest) as at December 31, 2018.

Oil and Gas Wells

The following table sets forth the number of wells in which the Corporation held a working interest as at December 31, 2018.

	Oil		Gas	
Property Description	**Gross**	**Net**	**Gross**	**Net**
Canada				
Chin Coulee - AB				
Producing	3	3		
Non-Producing	1	1		
Fincastle - AB				
Producing				
Non-Producing			1	1
Berry Creek - AB				
Producing				
Non-Producing			1	0.25
Harmattan - AB				
Producing				
Non-Producing			1	0.7
Crossfield - AB				
Producing				
Non-Producing			1	0.25
Reagan - AB				
Producing				
Non-Producing	2	2		
USA				
Black Warrior Basin - AL				
Producing	-	-	5	5
Non-Producing	-	-	-	-
Smackover - AL				
Producing	4	0.2	-	-
Non-Producing	-		-	-
Black Warrior Basin - MS				
Producing	5	5	-	-
Non-Producing	3	3	3	3
Mechanicsburg - MS				
Producing	-	-	13	13
Non-Producing	-	-	7	7
Gwinville - MS				
Producing	-	-	195	183
Non-Producing	-	-	50	48
Williamsburg - MS				
Producing	-	-	25	25
Non-Producing	-	-	14	14
Magee - MS				
Producing	4	4	-	-
Non-Producing	-		-	-
MS - Other				
Producing	3	3	-	-
Non-Producing	11	11	-	-
Canada Total	**6**	**6.0**	**4**	**2.2**
USA Total	**30**	**26.2**	**312**	**298.0**
Total	**36**	**32.2**	**316**	**300.2**
Producing	**19**	**15.2**	**238**	**226.0**
Non-Producing	**17**	**17.0**	**78**	**74.2**

Notes:

1. "Gross" wells mean the number of wells in which Southern has a working interest or a royalty interest that may be converted into a working interest.

2. "Net" wells means the aggregate number of wells obtained by multiplying each gross well by Southern percentage working interest therein.

Properties With No Attributed Reserves

The Corporation has an interest in 16,175 gross and 15,179 net acres of undeveloped lands as at December 31, 2018. The undeveloped lands have no work commitments and the Corporation is reviewing viable opportunities. Southern does not expect any of the mineral rights in these unproved properties to expire in 2019.

Property	Gross Acreage (Acres)	Net Acreage (Acres)
Canada		
Alberta		
Crossfield	256	64
Harmattan	256	189
Taber North	256	128
Reagan	256	256
USA		
Montana		
Reagan	1357	1357
Alabama		
Star	410	369
Mississippi		
Belle Boyd	1,425	1,425
Grange	720	532
Hamilton	1,848	1,848
McKinley Creek	1,211	932
Merit	976	976
Strong	7,204	7,103
Total Canada:	**1,024**	**637**
Total USA:	**15,151**	**14,542**
Total:	**16,175**	**15,179**

Forward Contracts

We are exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. A variety of derivative instruments may be used by us from time to time to reduce our exposure to fluctuations in commodity prices and foreign exchange rates. We are exposed to losses in the event of default by the counterparties to these derivative instruments. We manage this risk by contracting with large, well-capitalized counterparties.

We may use certain financial instruments to hedge exposure to commodity price fluctuations on a portion of our future crude oil and natural gas production. For further information, see "Risk Factors – Hedging".

Details of commodity price contracts in respect of Southern's hedging activities can be found in Note 11, "Financial Instruments and Financial Risk Management", to Southern's audited consolidated financial statements for the year ended December 31, 2018 which have been filed on SEDAR (www.sedar.com).

Additional Information Concerning Abandonment and Reclamation Costs

The Corporation performs an annual review of its forecast abandonment and site reclamation ("**Abandonment**") costs. These costs are estimated utilizing the Mississippi and Alabama Oil and Gas Board Rule Books and the Alberta Energy Regulator's abandonment and liability calculation spreadsheet as a basis, but the Corporation's review is further augmented with adjustments on an individual well and facility basis. The review considers the following factors in assessing liability: well depth, nature of the production stream, the nature, location and condition of the surface lease, age of the well and/or facility, number of zones to be abandoned, and presence of salvageable equipment such as tanks, tubing, and rods. The Abandonment cost determined is net of salvage.

Total Abandonment costs are included in the reserves data summarized as follows:

Year	Proved Developed Producing (M$)	Total Proved (M$)	Total Proved Plus Probable (M$)
2019	-	-	-
2020	34	34	34
2021	54	54	54
2022	53	53	53
2023	116	116	116
2024	47	47	39
2025	179	179	180
2026	212	212	148
2027	153	153	116
2028	259	287	353
2029	309	313	334
2030	268	276	237
2031	272	272	241
2032	218	256	226
2033	262	424	262
Subtotal:	2,437	2,677	2,393
Remainder:	1,077	1,804	2,177
Total:	**3,513**	**4,481**	**4,570**

Tax Horizon

Based on the tax attributes of Southern, income taxes may become payable in 2020 depending on the level of capital spending undertaken by the Corporation.

Costs Incurred

The following table summarizes the capital expenditures related to the Corporation's activities for the year ended December 31, 2018 related to exploration, development, and evaluation expenditures and property and equipment:

Year ended Dec. 31, 2018	Property Acquisition Costs			
Country	Proved Properties (M$)	Unproved Properties (M$)	Exploration Costs (M$)	Development Costs (M$)
Canada	-	-	-	-
United States	33,334	-	-	1

The Corporation has no interests in or expenditures for non-conventional oil and gas properties.

Exploration and Development Activities

The following table sets forth the number of wells which the Corporation drilled during the most recent financial year.

	Exploratory Wells		Development Wells	
Activity	Gross	Net	Gross	Net
Canada				
Oil Wells	-	-	-	-
Gas Wells	-	-	-	-
Service Wells	-	-	-	-
Dry Holes	-	-	-	-
Total Wells	-	-	-	-
USA				
Oil Wells	-	-	-	-
Gas Wells	-	-	-	-
Service Wells	-	-	-	-
Dry Holes	-	-	-	-
Total Wells	-	-	-	-
Company Total	**-**	**-**	**-**	**-**

Notes:
1. "Gross Wells" are the total number of wells in which the Corporation has an interest.
2. "Net Wells" are the number of wells obtained by aggregating the Corporation's working interest in each of its gross wells.

The Corporation will continue to develop its lands where Southern operates its activities.

Production Estimates

The following table discloses for each product type the total volume of production estimated by NSAI for 2019 in the estimates of future net revenue from the forecast case of proved plus probable reserves disclosed above under the heading "Oil and Natural Gas Reserves and Net Present Value of Future Net Revenue".

	Company Gross - 2019											
Total Company	**Heavy Oil (bbl/d)**		**Light and Medium Oil (bbl/d)**		**Condensate (bbl/d)**		**NGL (bbl/d)**		**Conventional Natural Gas (Mcf/d)**		**Total Oil Equivalent (boe/d)**	
Reserves Category	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Total Proved	**42.6**	**35.1**	**74.4**	**57.4**	**89.1**	**71.9**	**46.1**	**37.1**	**8,876.6**	**7,086.9**	**1,731.7**	**1,382.7**
Gwinville	-	-	-	-	3.9	3.1	-	-	3,262.6	2,576.9	**547.7**	**432.6**
Mechanicsburg	-	-	-	-	68.5	55.8	40.2	32.8	4,239.7	3,453.4	**815.4**	**664.2**
Probable	**0.1**	**0.0**	**2.9**	**2.3**	**4.9**	**3.9**	**1.1**	**0.8**	**134.9**	**107.7**	**31.4**	**25.1**
Total Proved Plus Probable	**42.7**	**35.1**	**77.3**	**59.7**	**94.0**	**75.9**	**47.1**	**38.0**	**9,011.5**	**7,194.6**	**1,763.1**	**1,407.7**

	Company Gross - 2019											
Canada	**Heavy Oil (bbl/d)**		**Light and Medium Oil (bbl/d)**		**Condensate (bbl/d)**		**NGL (bbl/d)**		**Conventional Natural Gas (Mcf/d)**		**Total Oil Equivalent (boe/d)**	
Reserves Category	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Total Proved	**42.6**	**35.1**	-	-	-	-	-	-	-	-	**42.6**	**35.1**
Chin Coulee	42.6	35.1	-	-	-	-	-	-	-	-	**42.6**	**35.1**
Probable	**0.1**	**0.0**	-	-	-	-	-	-	-	-	**0.1**	**0.0**
Total Proved Plus Probable	**42.7**	**35.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42.7**	**35.1**

	Company Gross - 2019											
USA	**Heavy Oil (bbl/d)**		**Light and Medium Oil (bbl/d)**		**Condensate (bbl/d)**		**NGL (bbl/d)**		**Conventional Natural Gas (Mcf/d)**		**Total Oil Equivalent (boe/d)**	
Reserves Category	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Total Proved	-	-	**74.4**	**57.4**	**89.1**	**71.9**	**46.1**	**37.1**	**8,876.6**	**7,086.9**	**1,689.1**	**1,347.6**
Gwinville	-	-	**-**	**-**	**3.9**	**3.1**	**-**	**-**	**3,262.6**	**2,576.9**	**547.7**	**432.6**
Mechanicsburg	-	-	**-**	**-**	**68.5**	**55.8**	**40.2**	**32.8**	**4,239.7**	**3,453.4**	**815.4**	**664.2**
Probable	-	-	**2.9**	**2.3**	**4.9**	**3.9**	**1.1**	**0.8**	**134.9**	**107.7**	**31.3**	**25.0**
Total Proved Plus Probable	-	-	**77.3**	**59.7**	**94.0**	**75.9**	**47.1**	**38.0**	**9,011.5**	**7,194.6**	**1,720.4**	**1,372.6**

Production History

The following tables sets forth certain information in respect of production, product prices received, royalties, production costs and netbacks received by the Corporation, by Country, for each quarter of its most recently completed financial year. The Corporation’s U.S. assets were acquired on December 19, 2018.

Total Company	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Company Gross Production				
Heavy Oil (bbl/d)	43	48	49	48
L/M Oil (bbl/d)	-	-	-	15
Condensate (bbl/d)	-	-	-	10
NGL (bbl/d)	-	-	-	4
Natural Gas (Mcf/d)	-	-	-	1,059
Boe/d	43	48	49	254
Average Prices				
Heavy Oil ($/bbl)	48.06	63.19	61.02	22.51
L/M Oil ($/bbl)	-	-	-	75.48
Condensate ($/bbl)	-	-	-	76.95
NGL ($/bbl)	-	-	-	43.90
Natural Gas ($/Mcf)	-	-	-	6.33
$/boe	48.06	63.19	61.02	38.83

Royalties

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Royalties ($)	24,146	44,366	71,482	166,088
$/boe	6.18	10.13	15.81	7.12
Percent of Revenue (%)	13	16	26	18

Operating Expenses

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Operating Expense ($)	63,115	70,980	84,263	324,250
$/boe	16.16	16.20	18.63	13.90
Percent of Revenue (%)	34	26	31	36

Severance Tax

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Severance Tax ($)	-	-	-	46,577
$/boe	-	-	-	2.00
Percent of Revenue (%)	-	-	-	5

Netbacks

($/boe, except for production)	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Production *(boe/d)*	43	48	49	254
Revenue	48.06	63.19	61.02	38.83
Royalties	6.18	10.13	15.81	7.12
Operating Expense	16.16	16.20	18.63	13.90
Severance Tax	-	-	-	2.00
Operating Netback	**25.72**	**36.86**	**26.58**	**15.81**

Canada	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Company Gross Production				
Heavy Oil (bbl/d)	43	48	49	48
L/M Oil (bbl/d)	-	-	-	-
Condensate (bbl/d)	-	-	-	-
NGL (bbl/d)	-	-	-	-
Natural Gas (Mcf/d)	-	-	-	-
Boe/d	43	48	49	48
Average Prices				
Heavy Oil ($/bbl)	48.06	63.19	61.02	22.51
L/M Oil ($/bbl)	-	-	-	-
Condensate ($/bbl)	-	-	-	-
NGL ($/bbl)	-	-	-	-
Natural Gas ($/Mcf)	-	-	-	-
$/boe	48.06	63.19	61.02	22.51

Royalties

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Royalties ($)	24,146	44,366	71,482	17,773
$/boe	6.18	10.13	15.81	4.01
Percent of Revenue (%)	13	16	26	18

Operating Expenses

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Operating Expense ($)	63,115	70,980	84,263	75,945
$/boe	16.16	16.20	18.63	17.15
Percent of Revenue (%)	34	26	31	76

Severance Tax

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Severance Tax ($)	-	-	-	-
$/boe	-	-	-	-
Percent of Revenue (%)	-	-	-	-

Netbacks

($/boe, except for production)	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Production *(boe/d)*	43	48	49	48
Revenue	48.06	63.19	61.02	22.51
Royalties	6.18	10.13	15.81	4.01
Operating Expense	16.16	16.20	18.63	17.15
Severance Tax	-	-	-	-
Operating Netback	**25.72**	**36.86**	**26.58**	**1.35**

USA	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Company Gross Production				
Heavy Oil (bbl/d)	-	-	-	-
L/M Oil (bbl/d)	-	-	-	15
Condensate (bbl/d)	-	-	-	10
NGL (bbl/d)	-	-	-	4
Natural Gas (Mcf/d)	-	-	-	1,059
Boe/d	-	-	-	205
Average Prices				
Heavy Oil ($/bbl)	-	-	-	-
L/M Oil ($/bbl)	-	-	-	75.48
Condensate ($/bbl)	-	-	-	76.95
NGL ($/bbl)	-	-	-	43.90
Natural Gas ($/Mcf)	-	-	-	6.33
$/boe	-	-	-	42.66

Royalties

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Royalties ($)	-	-	-	148,315
$/boe	-	-	-	7.85
Percent of Revenue (%)	-	-	-	18

Operating Expenses

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Operating Expense ($)	-	-	-	248,305
$/boe	-	-	-	13.14
Percent of Revenue (%)	-	-	-	31

Severance Tax

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Severance Tax ($)	-	-	-	46,577
$/boe	-	-	-	2.47
Percent of Revenue (%)	-	-	-	6

Netbacks

($/boe, except for production)	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Production *(boe/d)*	-	-	-	205
Revenue	-	-	-	42.66
Royalties	-	-	-	7.85
Operating Expense	-	-	-	13.14
Severance Tax	-	-	-	2.47
Operating Netback	**-**	**-**	**-**	**19.20**

Production Volume by Field

The following table discloses for each important field and in total, the Corporation's production volume for the year ended December 31, 2018 for each product type:

Field	2018 Company Gross					
	Heavy Oil bbl/d	L/M Oil bbl/d	Condensate bbl/d	NGL bbl/d	Natural Gas Mcf/d	Total boe/d
Canada						
Alberta						
Chin Coulee	48	-	-	-	-	48
USA						
Alabama						
Brooklyn (Non-Op)	-	1	-	-	1	1
Gentry Creek/Lubbub	-	-	-	-	3	1
Mississippi						
Belle Boyde	-	-	-	-	1	-
Gwinville	-	-	-	-	110	19
Magee	-	2	-	-	-	2
Maple Branch	-	1	-	-	-	1
Mechanicsburg	-	-	2	1	118	23
Williamsburg	-	-	-	-	34	6
Total	**48**	**4**	**2**	**1**	**267**	**100**

INDUSTRY CONDITIONS

Legislation and Regulation

The oil and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation and marketing) imposed by legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas, all of which should be carefully considered by investors in the oil and natural gas industry. It is not expected that any of these controls or regulations will affect the operations of the Corporation in a manner materially different than they would affect other oil and natural gas producers of similar size. All current legislation is a matter of public record and the Corporation is unable to predict what additional legislation or amendments may be enacted.

The Corporation owns oil and natural gas properties and related assets in the United States and Canada. Our operations are subject to various types of regulation at the federal, state, provincial and local levels. Such regulation includes requiring permits for drilling wells; maintaining bonding requirements in order to drill or operate wells and regulating the location of wells; the method of drilling and casing wells; the surface use and restoration of properties upon which wells are drilled; the plugging and abandoning of wells; and the composition or disposal of chemicals and fluids used in connection with operations. Our operations are also subject to various conservation laws and regulations. These include regulation of the size of drilling, spacing or proration units and the density of wells that may be drilled in those units, and the unitization or pooling of oil and gas properties. In addition, federal and state conservation laws, which establish maximum rates of production from oil and gas wells, generally prohibit or restrict the venting or flaring of natural gas and impose certain requirements regarding the ratability of production. The effect of these laws and regulations may limit the amount of oil and natural gas we can produce from our wells and may limit the number of wells or the locations at which we can drill. Regulatory requirements and compliance relative to the oil and gas industry increase our costs of doing business and, consequently, affect our profitability.

Availability of Services

The availability of services and personnel necessary to carry out the reactivation, re-entry, optimization and abandonment operations that form a substantial portion of the Corporation's planned 2019 development program is reasonably healthy. The Corporation will take necessary steps to adjust its program in the event external conditions arise that may constrain availability of services and personnel due to increased demand and competition.

Pricing and Marketing

The producers of oil and natural gas are entitled to negotiate sales contracts directly with purchasers, with the result that the market determines the price of oil. Oil prices are primarily based on worldwide supply and demand. The specific price depends in part on quality, prices of competing fuels, distance to market, the value of refined products, the supply/demand balance, and contractual terms of sale.

The transportation of, and certain sales with respect to, natural gas in interstate commerce are heavily regulated by agencies of the U.S. federal government and are affected by, among other things, the availability, terms and cost of transportation. Notably, the price and terms of access to pipeline transportation are subject to extensive U.S. federal and state regulation. The Federal Energy Regulatory Commission ("**FERC**") is continually proposing and implementing new and/or modified rules and regulations affecting the natural gas industry, some of which may adversely affect the availability and reliability of interruptible transportation service on interstate pipelines. Our ability to transport and sell oil and natural gas is dependent on certain pipelines whose rates, terms and conditions of service are subject to FERC regulation. Additional proposals and proceedings that might affect the natural gas industry are considered from time to time by the United States Congress, FERC, state regulatory bodies and courts, and we cannot predict when or if any such proposals or proceedings might become effective and their effect or impact, if any, on our operations.

The prices and terms of access to intrastate pipeline transportation are subject to state regulation. FERC has proposed and implemented new rules and regulations affecting gas transportation in recent years. We do not believe that we will be affected by any such rules or changes to existing rules in a manner materially different than any other similarly situated natural gas producer.

Rates and service conditions for the interstate transportation of oil and natural gas liquids are also regulated by FERC. In general, these rates must be cost-based or based on an indexing system of transportation rates that allows pipelines to take an annual inflation-based rate increase. FERC has also established market-based rates and settlement rates as alternative forms of ratemaking in certain circumstances. We cannot predict with any certainty what effect, if any, these regulations will have, but other factors being equal, the regulations may, over time tend to increase transportation costs which may have the effect of reducing net prices for oil and natural gas liquids.

Land Tenure and Royalties

Crude oil and natural gas located in the western Canadian provinces are owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences and permits for varying periods and on conditions set forth in provincial legislation, including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned, and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Crude oil and natural gas located in the U.S. is predominantly owned by private owners. The U.S. Department of the Interior - Bureau of Land Management ("**BLM**"), and the state in which the minerals are located also may hold ownership to such rights. These owners, from governmental bodies to private individuals, grant rights to explore for and produce oil and gas pursuant to leases, licenses and permits for varying periods and on conditions including requirements to perform specific work or make payments. As to those rights held by private owners, all terms and conditions may be negotiated. For those rights held by governmental agencies, typically the terms and conditions of the oil and gas lease have been predetermined by each governing or regulatory body.

A lease generally may be continued after the initial term provided certain minimum levels of exploration or production have been achieved and all lease rentals have been timely paid, subject to certain exceptions. To develop minerals, including oil and natural gas, it is necessary for the mineral estate owner to have access to the surface estate. Under common law, the mineral estate is considered the "dominant" estate with the right to extract minerals subject to reasonable use of the surface.

Each jurisdiction has developed and adopted its own statutes that operators must follow both prior to and following drilling, including notification requirements and the obligation to provide compensation for lost land use and surface damage. The surface rights required for pipelines and facilities are generally governed by leases, easements, rights-of-way, permits or licenses granted by landowners or governmental authorities.

In addition to federal regulations, each province in Canada and each U.S. state have statutes and regulations which govern oil and gas lease terms, including tenure, royalties, production rates and other provisions. Oil and gas lessees are often required to pay annual rental payments to comply with federal, state, provincial and private lease provisions until production begins or the lease term expires. Upon commencement of production, royalties and production taxes are paid on revenue received from oil and natural gas produced from federal, state and private lands. The royalty and production tax regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than federal and state lands in the United States are determined by negotiations between the private mineral owner and the lessee. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date and the type or quality of the produced product. Other royalties and royalty-like interests are from time to time carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties or net profits or net carried interests.

From time to time, the federal and provincial governments in Canada and the federal and state governments in the U.S. have established incentive programs which have included royalty rate or production tax reductions (including for specific wells), royalty holidays, and tax credits for the purpose of encouraging oil and natural gas exploration or enhanced planning projects. If applicable, oil and natural gas royalty holidays, reductions and tax credits would effectively reduce the amount of royalties paid by oil and gas producers to the applicable governmental entities.

Environmental Regulation

In Alberta, the Alberta Energy Regulator ("**AER**") is the single regulator of energy development in Alberta and oversees all aspects of the regulatory process, including application and exploration, construction and development, abandonment, reclamation, and remediation activities. The AER oversees compliance with the *Oil and Gas Conservation Act*, *Public Lands Act* and the *Mines and Minerals Act*, the *Water Act* and the *Environmental Protection and Enhancement Act* by oil and gas operators.

In the U.S., both federal and state authorities have in recent years proposed new regulations to limit the emission of greenhouse gasses as part of climate change initiatives. For example, both the United States Environmental Protection Agency (the "**EPA**") and the BLM have issued regulations for the control of methane emissions. The EPA has promulgated regulations requiring permitting for certain sources of greenhouse gas emissions and the reduction of methane and volatile organic compound emissions from the oil and gas sector. Enforcement of these regulations may impose additional costs related to compliance with new emission limits, as well as inspections and maintenance of several types of equipment used in our operations.

Our oil and natural gas production, saltwater disposal operations, injection of CO2, and the processing, handling and disposal of materials such as hydrocarbons and naturally occurring radioactive materials ("**NORM**") are subject to stringent regulation. We could incur significant costs, including cleanup costs resulting from a release of product, third-party claims for property damage and personal injuries or penalties and other sanctions as a result of any violations or liabilities under environmental laws and regulations or other laws and regulations applicable to our operations. Changes in, or more stringent enforcement of, environmental laws and other laws applicable to our operations could also result in delays or additional operating costs and capital expenditures.

Various federal, state and local laws and regulations controlling the discharge of materials into the environment, or otherwise relating to the protection of the environment and human health, directly impact our oil and gas exploration, development and production operations. These include, among others, (1) regulations adopted by the EPA and various state agencies regarding approved methods of disposal for certain hazardous and nonhazardous wastes; (2) the Comprehensive Environmental Response, Compensation, and Liability Act and analogous state laws that regulate the removal or remediation of previously disposed wastes (including wastes disposed of or released by prior owners or operators), property contamination (including groundwater contamination), and remedial plugging operations to prevent future contamination; (3) the Clean Air Act and comparable state and local requirements already applicable to our operations and new restrictions on air emissions from our operations, including greenhouse gas emissions and those that could discourage the production of fossil fuels that, when used, ultimately release CO2; (4) the Oil Pollution Act of 1990, which contains numerous requirements relating to the prevention of, and response to, oil spills into waters of the United States; (5) the Resource Conservation and Recovery Act, which is the principal federal statute governing the treatment, storage and disposal of hazardous wastes; (6) the Endangered Species Act and counterpart state legislation, which protects certain species (and their related habitats); and (7) state regulations and statutes governing the handling, treatment, storage and disposal of NORM and other wastes.

Climate Change Regulation

Climate change legislation at each of the provincial, state and federal levels has the potential to significantly affect the oil and gas industry regulatory environment and impose significant financial obligations.

Both Canada and the U.S. were part of the United Nations Framework Convention on Climate Change ("**UNFCCC**") meeting in Paris in 2015. A binding commitment was signed by all panel countries that set a target of no more than a two-degree Celsius warming of the earth based on GHG levels in the atmosphere. This commitment to limit warming may increase provincial, state and federal GHG regulatory rigour as country-level emissions will be reviewed periodically in subsequent meetings to assess alignment with the targets agreed upon. In June of 2017, the U.S. announced its intention to withdraw from the Paris Agreement, delivering written notice of such to the United Nations on August 4, 2017.

Although the United States announced its withdrawal from the Paris Agreement, federally, the U.S. EPA has issued GHG emissions regulations pursuant to the *Clean Air Act* that establish a reporting program for CO2, methane and other GHG emissions. It has also established a permitting program for certain large GHG emissions sources. While the United States Congress has considered numerous legislative initiatives to reduce or tax GHG emissions, to date, no laws in that regard have been enacted. On a state level, some states have enacted laws concerning GHG emissions. However, many of them are being challenged.

The Government of Canada is working toward the two-degree target on a sector by sector basis, but has yet to finalize regulations pertaining to the oil and gas sector. As part of its commitment under the Paris Agreement, the Canadian federal government developed the Pan-Canadian Framework on Clean

Growth and Climate Change in 2016, together with provincial (except Saskatchewan, Ontario and Manitoba as these provinces have recently announced their intention to withdraw) and territorial leaders in consultation with Canada's Indigenous Peoples, to meet Canada's emission target while enabling economic growth.

RISK FACTORS

There are a number of inherent risks associated with the exploration and production of oil and gas reserves. Many of these risks are beyond the control of the Corporation. Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings before making an investment decision.

The risks described below are not the only risks facing the Corporation. Additional risks not presently known to Southern or that Southern currently deems immaterial may also impair Southern's business operations. If any of the following risks actually occur, Southern's business, financial condition and financial performance could be materially and adversely affected.

Nature of the Business

An investment in Southern should be considered highly speculative due to the nature of Southern's involvement in the exploration for, and the acquisition, production and marketing of, oil and natural gas reserves and its current stage of development. Oil and gas operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by Southern.

Commodity Price Volatility

Southern's financial performance and financial condition are dependent on the prevailing prices of crude oil and natural gas. Crude oil and natural gas prices have fluctuated widely in the recent past and are subject to fluctuations in response to relatively minor changes in supply, demand, market uncertainty and other factors that are beyond the Corporation's control. Crude oil and natural gas prices are impacted by a number of factors including, but not limited to: the global supply of and demand for crude oil and natural gas; global economic conditions; the actions of the Organization of Petroleum Exporting Countries ("**OPEC**"); government regulation; political stability; the ability to transport crude to markets; developments related to the market for liquefied natural gas; the availability and prices of alternate fuel sources; and weather conditions. In addition, significant growth in crude production volumes has resulted in pressure on transportation and pipeline capacity, resulting in fluctuations in the price of oil and natural gas. All of these factors are beyond the Corporation's control and can result in a high degree of price volatility.

Fluctuations in the price of commodities may impact the value of Southern's assets and the ability to maintain its business and to fund growth projects. Prolonged periods of commodity price depression and volatility may also negatively impact Southern's ability to meet guidance targets and meet all of its financial obligations as they come due. Any substantial and extended decline in the price of oil and gas would have an adverse effect on Southern's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on Southern's business, financial condition, results of operations, prospects and the level of expenditures for the development of oil and natural gas reserves, including delay or cancellation of existing or future drilling or development programs or curtailment in production.

Any material or sustained decline in prices could result in a reduction of Southern's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in reduced production of oil or gas and a reduction in the volumes of Southern's reserves. Southern might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Southern's expected net production revenue and a reduction in its oil and gas acquisition, development and exploration activities.

Crude oil and natural gas prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies and OPEC actions. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, bank borrowings available to Southern may, in part, be determined by Southern's borrowing base. A sustained material decline in prices from historical average prices could reduce Southern's borrowing base, therefore reducing the bank credit available to Southern which could require that a portion, or all, of Southern's bank debt be repaid.

Southern will conduct regular assessments of the carrying value of its assets. If crude oil and natural gas prices decline significantly and remain at low levels for an extended period of time, the carrying value of Southern's assets may be subject to impairment.

Capital Lending Markets

As a result of recent economic uncertainties in the oil and gas industry and, in particular, the lack of risk capital available to the junior resource sector, Southern, along with other junior resource entities, may have reduced access to bank debt and to equity. As future capital expenditures will be financed out of funds generated from operations, bank borrowings, if available, and possible issuances of debt or equity securities, Southern's ability to fund future capital expenditures is dependent on, among other factors, the overall state of lending and capital markets and investor and lender appetite for investments in the energy industry, generally, and Southern's securities in particular.

To the extent that external sources of capital become limited, unavailable or available only on onerous terms, Southern's ability to invest and to maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Markets and Marketing

The marketability and price of crude oil and natural gas that may be acquired or discovered by Southern is, and will continue to be, affected by numerous factors beyond its control. Southern's ability to market its crude oil and natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. Southern may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and gas business.

Exploration and Production Risks

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on exploration by Southern will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The long term commercial success of Southern depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that Southern will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Southern may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow outs, cratering, sour gas releases, fires, spills or leaks. These risks could result in personal injury, loss of life, and environmental or property damage. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial conditions.

Fiscal, Royalty Regimes and Exchange Rates

In addition to federal regulation, most U.S. states have legislation and regulations which govern land tenure, drilling and construction permits, royalties, production rates, environmental protection and other matters. The applicable royalty regime is a significant factor in the profitability of oil and natural gas production.

As of the date hereof, there are no significant restrictions on the repatriation of capital and distribution of earnings that will affect Southern’s U.S. operations. There can be no assurance, however, that restrictions on repatriation of capital or distributions of earnings will not affect Southern in the future.

Amendments to domestic or foreign taxation laws and regulations in the countries in which Southern will have assets or operations which alter tax rates and/or capital allowances could have a material adverse impact on Southern.

Southern is subject to the risk that currencies will not be convertible at satisfactory rates, that fluctuations in the conversion rates between Canadian and U.S. currencies may result in higher general and administrative expenses or may not accurately reflect the relative value of goods and services available or required. Funds raised through equity issuances are generally raised in Canadian dollars whereas the majority of Southern's expenditures will be typically incurred in other currencies and therefore currency fluctuations could have a material impact on Southern's results of operations. The exchange rates between the Canadian and U.S. currencies have varied substantially recently. Southern does not currently anticipate using exchange rate derivatives to manage exchange rate risks.

Trade Relations

World-wide political and economic risks seem to be intensifying and there are added risks and uncertainties around the impact of new policies proposed by the U.S. government, including, but not limited to, the renegotiation of international trade agreements; the potential changes to U.S. trade policies; and tax reform. Major developments in these areas could have a material adverse effect on Southern.

Further, unlegislated proposals from the government of the United States have contemplated prohibitive actions against foreign businesses competing in the United States economy. It is uncertain whether the government of the United States will proceed with any proposed or contemplated actions, or the effects those actions may have on Southern.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time.

Numerous executive, legislative and regulatory proposals affecting the oil and gas industry could be introduced by various federal and state authorities. While it is currently anticipated that the President and Congress of the United States will attempt to move away from the trend of proposing stricter standards and increasing oversight and regulation at the federal level, it is possible that other proposals affecting the oil and gas industry could be enacted or adopted in the future, which could result in increased costs or additional operating restrictions that could have an effect on demand for oil and natural gas or prices at which it can be sold.

Insurance

Southern's involvement in the exploration for and development of oil and gas properties may result in Southern becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although Southern will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, Southern may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to Southern. The occurrence of a significant event that Southern is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Southern's financial position, results of operations or prospects.

Project Risks

Southern is expected to manage and participate in a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Project cost estimates may not be accurate due to a lack of history of comparable projects. Furthermore, significant project cost over runs could make a project uneconomic.

Southern's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond Southern's control, including: the availability of processing capacity; the availability and proximity of pipeline capacity; the availability of storage capacity; the supply of and demand for oil and natural gas; the availability of alternative fuel sources; the effects of inclement weather; the availability of drilling and related equipment; unexpected cost increases; accidental events; currency fluctuations; changes in regulations; the availability and productivity of skilled labour; and the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, Southern could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Substantial Capital Requirements and Liquidity

Southern anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If Southern's future revenues or reserves decline, Southern may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash flow from operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Southern. Moreover, future activities may require Southern to alter its capitalization significantly. The inability of Southern to access sufficient capital for its operations could have material adverse effect on Southern's financial condition, results of operations or prospects.

Competition

Southern will actively compete for acquisitions, exploration leases, licences and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than Southern. Southern's competitors will include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators.

The oil and gas industry is highly competitive. Southern's competitors for the acquisition, exploration, production and development of oil and natural gas properties, and for capital to finance such activities include companies that have greater financial and personnel resources available to them than Southern.

Southern's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Cost of New Technologies

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before Southern. There can be no assurance that Southern will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by Southern or implemented in the future may become obsolete. In such case, Southern's business, financial condition and results of operations could be materially adversely affected. If Southern is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could be materially adversely affected.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise. Southern's actual interest in properties may vary from its records. If a title defect does exist, it is possible that Southern may lose all or a portion of the properties to which the title defect relates, which may have a material adverse effect on Southern's business, financial condition, results of operations and prospects. There may be valid challenges to title, or proposed legislative changes which affect title, to the oil and natural gas properties Southern controls that, if successful or made into law, could impair Southern's activities on them and result in a reduction of the revenue received by Southern.

Vendors of oil and gas interests have not in the past and may not in the future warranty title to assets acquired by Southern in the United States. The nature of the oil and gas leasing and title regime in the U.S. basins in which Southern will hold an interest is such that interests in large tracts of acreage may be represented by hundreds or thousands of leases and obtaining absolute confirmation of chain of title would be time consuming and expensive. Southern will conduct such title reviews in connection with its principal properties as it believes are commensurate with the value of such properties and will conduct an extensive title review of a particular area prior to commencement of drilling. However, there can be no assurance of title. Title may be subject to unregistered liens and other defects which, if affecting a core area, could have a material adverse effect on Southern, its financial condition, results of operations and prospects.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, state, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Southern to incur costs to remedy such discharge. No assurance can be given that the application of environmental laws to the business and operations of Southern will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Southern's financial condition, results of operations or prospects.

Reserve and Resource Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids resources, reserves and cash flows to be derived therefrom, including many factors beyond Southern's control. In estimating reserves, the chance of commerciality is effectively 100%. For prospective resources, the chance of commerciality will be the product of the chance that a project will result in a discovery of petroleum or natural gas and the chance that an accumulation will be commercially developed. There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

The reserve and associated cash flow information and estimates represent estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. Southern's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. Further, the evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluation.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

Actual future net revenue from Southern's assets will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and revenues derived therefrom will vary from the estimates, and such variations could be material.

There are numerous uncertainties inherent in estimating quantities of resources, including many factors beyond Southern's control, and no assurance can be given that the indicated level of resources will be realized. In general, estimates of recoverable resources are based upon a number of factors and assumptions made as of the date on which the resource estimates were determined, such as geological and engineering estimates which have inherent uncertainties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable natural gas and the classification of such resources based on risk of recovery prepared by different engineers or by the same engineers at different times may vary substantially.

Geological risking of prospective resources addresses the probability of success for the discovery of petroleum; this risk analysis is conducted independently of probabilistic estimates of petroleum volumes and without regard to the chance of development. Principal risk elements of the petroleum system include: (i) trap and seal characteristics; (ii) reservoir presence and quality; (iii) source rock capacity, quality and maturity; and (iv) timing, migration and preservation of petroleum in relation to trap and seal formation. Geological risk assessment is a highly subjective process dependent upon the experience and judgment of the evaluators.

Estimates with respect to resources that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of resources, rather than upon actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same resources based upon production history will result in variations, which may be material, in the estimated resources.

Resources estimates may require revision based on actual production experience. Market price fluctuations of natural gas prices may render uneconomic the recovery of the resources.

Climate Change

Southern's exploration and production facilities and other operations and activities will emit greenhouse gases and Southern may be required to comply with greenhouse gas emissions legislation at the state or federal level. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on Southern and its operations and financial condition.

Reserve Replacement

Southern's future oil and natural gas reserves, production, and cash flows to be derived therefrom will be dependent on Southern successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves Southern may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Southern's reserves will depend not only on Southern's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that Southern's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

Southern is expected to make acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as realizing the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Southern. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management of Southern will assess the value and contribution of individual properties and other assets. In this regard, non-core assets are expected to be periodically disposed of, so that Southern can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of Southern, if disposed of, could realize less than their carrying amount on the financial statements of Southern.

Operational Dependence

Other companies may operate some of the assets in which Southern will have an interest. In such cases, Southern will have limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect Southern's financial performance. Southern's return on assets operated by others may therefore depend upon a number of factors that may be outside of Southern's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Reliance on Key Personnel

Southern's success will depend in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on Southern's business, financial condition, results of operations and prospects. Southern may not have any key person insurance in effect. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Southern will be able to attract and retain all personnel necessary for the development and operation of its business.

Management of Growth

Southern may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of Southern to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Southern to deal with this growth could have a material adverse impact on its business, operations and prospects.

Expiration of Licences and Leases

Southern's properties are expected to be held in the form of licences and leases and working interests in licences and leases. If Southern or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of Southern's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on Southern's results of operations and business.

Permits and Licences

The operations of Southern may require licences and permits from various governmental authorities. There can be no assurance that Southern will be able to obtain all necessary licences and permits that may be required to carry out exploration and development at its properties.

Additional Funding Requirements

Southern's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, Southern may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause Southern to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If Southern's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect Southern's ability to expend the necessary capital to replace its reserves or to maintain its production. If Southern's cash flow from operations and current cash balance is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on favorable terms.

Variations in Foreign Exchange Rates and Interest Rates

Future Canadian/United States exchange rates could impact the future value of Southern's reserves as determined by independent evaluators. In addition, an increase in interest rates could result in a significant increase in the amount Southern pays to service debt. Variations in foreign exchange rates and interest rates could have a material adverse impact on the business and operations of the Corporation.

Issuance of Debt

From time to time, Southern may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase Southern's debt levels above industry standards. The level of Southern's indebtedness from time to time could impair Southern's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. Southern's ability to meet its debt service obligations will depend on Southern's future operations which will be subject to prevailing industry conditions and other factors, many of which are beyond the control of Southern. As certain of the indebtedness of Southern would bear interest at rates which fluctuate with prevailing interest rates, increases in such rates would increase Southern's interest payment obligations and could have a material adverse effect on Southern's financial condition and results of operations. Further, Southern's indebtedness would be secured by substantially all of Southern's assets. In the event of a violation by Southern of any of its loan covenants or any other default by Southern on its obligations relating to its indebtedness, the lender could declare such indebtedness to be immediately due and payable and, in certain cases, foreclose on Southern's assets. In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Hedging

From time to time, Southern may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, Southern will not benefit from such increases.

Availability of Drilling Equipment and Access Restrictions

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Southern and may delay exploration and development activities.

Litigation

In the normal course of Southern's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to Southern and as a result, could have a material adverse effect on Southern's assets, liabilities, business, financial condition and results of operations.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of Western Canada and the United States. Southern is not aware that any claims have been made in respect of its assets; however, if a claim arose in respect of such assets, or any of Southern's future properties or assets, and was successful, such claim may have a material adverse effect on Southern's business, financial condition, results of operations and prospects.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, Southern may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put Southern at competitive risk and may cause significant damage to its business. The harm to Southern's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, Southern will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Conflicts of Interest

Directors and officers of Southern may also be directors and officers of other oil and gas companies involved in oil and gas exploration and development, and conflicts of interest may arise between their duties as officers and directors of Southern and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with and are subject to such other procedures and remedies as apply under the CBCA.

Dilution

Southern may make future acquisitions or enter into financings or other transactions involving the issuance of its securities which may be dilutive.

Seasonality

The level of activity in the oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Southern's operations may be subjected to adverse weather conditions such as hurricanes, flooding and tropical storms in and around the Gulf of Mexico that can damage oil and natural gas facilities and delivery systems and disrupt operations, which can also increase costs and have a negative effect on Southern's results of operations.

There can be no assurance that these seasonal factors will not adversely affect the timing and scope of Southern's exploration and development activities, which could in turn have a material adverse impact on Southern's business, operations and prospects.

Third Party Credit Risk

Southern may be exposed to third party credit risk through its contractual arrangements with current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to Southern, such failures could have a material adverse effect on Southern and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in Southern's ongoing capital program, potentially delaying the program and the results of such program until Southern finds a suitable alternative partner.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. Southern cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on Southern's business, financial condition, results of operations and cash flows.

Expansion into New Activities

In the future, Southern may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets, and as a result may face unexpected risks or alternatively, significantly increase Southern's exposure to one or more existing risk factors, which may in turn result in Southern's future operational and financial conditions being adversely affected.

Forward Looking Information May Prove to be Inaccurate

Investors are cautioned not to place undue reliance on forward looking information. By its nature, forward looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found herein under the heading "*Special Note Regarding Forward Looking Statements*" above.

DIVIDENDS

The Corporation has not declared or paid any dividends for each of the three most recently completed financial years. It is the intention of the Corporation to retain any earnings to finance the growth and development of the Corporation's business, and, therefore the Corporation does not anticipate paying any dividends in the immediate or foreseeable future.

DESCRIPTION OF SHARE CAPITAL

As of the date hereof, Southern is authorized to issue an unlimited number of preferred shares and Common Shares, of which 204,356,973 Common Shares are issued and outstanding as fully paid and non-assessable.

The holders of Common Shares are entitled to dividends as and when declared by the Southern Board, a right to one vote per Common Share at meetings of the Southern Shareholders and, upon liquidation, to share in the remaining assets of Southern as are distributable to such holders.

Preferred shares may be issued by the Corporation from time to time in one or more series and the Southern Board may fix the number of preferred shares which is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each such series. The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Corporation be entitled to preference over the Common Shares.

Stock Option Plan

Southern has implemented the Stock Option Plan for directors, officers, employees, and consultants of Southern, and of its subsidiaries and affiliates, if any, in accordance with the rules and policies of the TSXV. The purpose of the Stock Option Plan, is to advance the interests of Southern by encouraging the directors, officers, employees and consultants of Southern, and of its subsidiaries and affiliates, if any, to acquire Common Shares, thereby increasing their proprietary interest in Southern, encouraging them to remain associated with Southern and furnishing them with additional incentive in their efforts on behalf of Southern in the conduct of its affairs.

The maximum number of Common Shares issuable pursuant to the Stock Option Plan and all other security based compensation arrangements of Southern is 10% of the Common Shares outstanding from time to time, subject to the following additional limitations:

(a) the aggregate number of Common Shares reserved for issuance to any one person under the Stock Option Plan, together with all other security based compensation arrangements of Southern, must not exceed 5% of the then outstanding Common Shares (on a non-diluted basis);

(b) in the aggregate, no more than 10% of the issued and outstanding Common Shares (on a non-diluted basis) may be reserved at any time for insiders under the Stock Option Plan, together with all other security based compensation arrangements of Southern;

(c) the number of securities of Southern issued to insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Common Shares;

(d) options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Common Shares of Southern in any 12 month period to any one consultant of Southern (or any of its subsidiaries); and

(e) options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Common Shares of Southern in any 12 month period to persons employed to provide investor relations activities. Southern Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than ¼ of the options vesting in any three month period.

The period during which a Southern Option is exercisable may not exceed ten years from the date such Southern Option is granted. All Southern Options are non-assignable and non-transferrable unless otherwise specifically provided for in the Stock Option Plan. Southern Options may be exercised at a price that shall be fixed by the Southern Board at the time that the Southern Option is granted. The price which the Common Shares may be acquired upon exercise of a Southern Option may not be less than the price permitted under the rules of any stock exchange on which the Common Shares are listed. The Southern Option vesting provisions are determined by the Southern Board at the time of grant.

If prior to the exercise of a Southern Option, the holder ceases to be a director, officer, employee or consultant of Southern for any reason other than death, the Southern Option may be exercised within the earlier of up to 90 days after such cessation or the expiry of the option, but only to the extent that the holder was entitled to exercise the option at the date of cessation. In the case of the death of an optionee, the Southern Option may be exercised within the earlier of up to 12 months after such death or the expiry of the Southern Option, but only to the extent that the holder was entitled to exercise the Southern Option at the date of death.

The Southern Board may terminate or discontinue the Stock Option Plan at any time without the consent of the participants under the Stock Option Plan provided that such termination or discontinuance shall not alter or impair any option previously granted under the Stock Option Plan.

MARKET FOR SECURITIES AND TRADING HISTORY

The Common Shares are listed on the TSXV under the symbol “SOU”. The following table sets forth the price range and trading volume of the Common Shares as reported by the TSXV for the periods indicated.

Period	High ($)[(1)]	Low ($)[(1)]	Volume[(1)]
Jan-18	0.04	0.015	29,218,653
Feb-18	0.015	0.01	3,990,933
Mar-18	0.025	0.01	3,814,712

Period	High ($)(1)	Low ($)(1)	Volume(1)
Apr-18	0.015	0.01	2,234,214
May-18	0.015	0.01	3,149,299
Jun-18	0.015	0.01	200,225
Jul-18	0.015	0.01	747,758
Aug-18	0.015	0.01	4,713,532
Sep-18	0.015	0.005	9,299,476
Oct-18	0.02	0.01	4,180,889
Nov-18	0.04	0.015	25,278,218
Dec-18(2)	0.035	0.025	2,641,050

Notes:

(1) Figures provided on a pre-Consolidated basis.

(2) The Common Shares were halted from trading from December 17, 2018 to January 4, 2019.

PRIOR SALES

During the twelve months preceding the date hereof, no securities have been issued by the Corporation that are outstanding but not listed or quoted on a marketplace, except as set forth below.

Date of Issuance	Class of Securities	Number of Securities Issued	Exercise Price
December 19, 2018	Performance Warrant(1)	57,920,000(2)	$0.10

Notes:

(1) Each Performance Warrant entitles the holder to purchase one Common Share at a price of $0.10 for a period of five years. The Performance Warrants will vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the Common Shares (the "**Market Price**") equaling or exceeding $0.15, an additional one-third upon the Market Price equaling or exceeding $0.20 and a final one-third upon the Market Price equaling or exceeding $0.25. In addition, in the event the Market Price equals or exceeds $0.40, each Performance Warrant shall be exercisable for 1.5 Common Shares, provided that, at the time of exercise in respect of the additional 0.5 of a Common Share per Performance Warrant, the Common Shares are listed on the facilities of a recognized stock exchange (other than the TSXV), the Common Shares are acquired for cash or for the securities of a company listed on a recognized stock exchange (other than the TSXV).

(2) Number of securities issued after giving effect to the Consolidation.

DIRECTORS AND OFFICERS

The name, municipality of residence, shareholdings and principal occupation for the past 5 years of each of the Corporation's directors and senior officers are as follows. The term of office for each director named below will expire at the next annual meeting of shareholders of the Corporation.

Name, Residence and Position	Director Since	Principal Occupation During the Last Five Years	Number and Percentage of Common Shares(4)
Ian Atkinson *Calgary, Alberta* Director, President and Chief Executive Officer	December 11, 2018	President and Chief Executive Officer of the Corporation. Mr. Atkinson was the founder, President and Chief Executive Officer of Gulf Pine LP since 2014. Prior thereto, Mr. Atkinson was a founder and Senior Executive Officer of Athabasca Oil Corporation ("**Athabasca**").	10,000,000 (4.89%)

Name, Residence and Position	Director Since	Principal Occupation During the Last Five Years	Number and Percentage of Common Shares[4]
Calvin Yau *Calgary, Alberta* Vice President, Finance and Chief Financial Officer	N/A	Vice President, Finance and Chief Financial Officer of the Corporation. Mr. Yau was a co-founder of Gulf Pine LP and Vice President, Finance and Chief Financial Officer since 2014. Prior thereto, Mr. Yau was the Vice President, Finance and Chief Financial Officer of Dixie Energy Trust.	1,500,000 (0.73%)
Chris Birchard *Calgary, Alberta* Vice President, Geoscience	N/A	Vice President, Geosciences of the Corporation. Mr. Birchard was a co-founder of Gulf Pine LP and Vice President, Geosciences since 2014. Prior thereto, Mr. Birchard was the Senior Geologist and Team Lead at Athabasca.	500,000 (0.24%)
Gary McMurren *Calgary, Alberta* Vice President, Engineering	N/A	Vice President, Engineering of the Corporation. Mr. McMurren was a co-founder of Gulf Pine LP and Vice President, Engineering since 2014. Prior thereto, Mr. McMurren was the Director of Light Oil at Athabasca.	1,750,000 (0.86%)
Sanjib Gill *Calgary, Alberta* Corporate Secretary	N/A	Mr. Gill's principal occupation during the last five years has been practicing law as a partner of McCarthy Tétrault LLP, primarily in the areas of corporate finance, mergers and acquisitions.	-
Bruce Beynon[3] *Calgary, Alberta* Director and Chairman of the Board	December 19, 2018	Mr. Beynon was the Executive Vice President, Exploration and Corporate Development at Baytex Energy Corp. and the President of Raging River Exploration Inc. until August 2018. Prior thereto, Mr. Beynon has held executive positions with Compass Petroleum Partnership, Peloton Exploration Corp., Espoir Exploration Corp. and KeyWest Energy Inc.	1,500,000 (0.73%)
Michael G. Kohut[1][2] *Calgary, Alberta* Director	December 19, 2018	Mr. Kohut is the Senior VP and CFO at Hammerhead Resources since January 2019 and is the Chairman of the Board at Big Rock Brewery Inc. He was the Vice President of Finance at Paramount Resources Ltd. from November, 2017 to April 2018. Mr. Kohut was the Chief Financial Officer of Trilogy Energy Corp. from June 2006 to October 2017.	2,500,000 (1.22%)
Tamara MacDonald[1][3] *Calgary, Alberta* Director	December 19, 2018	Ms. MacDonald was most recently the Senior Vice President, Corporate and Business Development of Crescent Point Energy Corp. ("**Crescent Point**"). Prior thereto, Ms. MacDonald worked with NCE Petrofund Corp., Merit Energy Ltd., Tarragon Oil & Gas Ltd. and Northstar Energy Corp.	1,000,000 (0.49%)
Andrew McCreath[1][2] Toronto, Ontario Director	December 19, 2018	Mr. McCreath is a CFA with over 30 years of experience in the investment community including the last 20 years as a Portfolio Manager. Mr. McCreath has managed Sentry Diversified Total Return Fund and Sentry Market Neutral LP. Mr. McCreath is also the Market Commentator on BNN Bloomberg TV.	1,000,000 (0.49%)

Name, Residence and Position	Director Since	Principal Occupation During the Last Five Years	Number and Percentage of Common Shares[4]
C. Neil Smith[1][3] *Calgary, Alberta* Director	December 19, 2018	Mr. Smith was the Chief Operating Officer at Crescent Point where he was responsible for all aspects of the company's capital budget, safe operations, reserves management and acquisition evaluations as well as corporate operations risk management analysis and social responsibility reporting.	1,500,000 (0.73%)
R. Steven Smith[1][2] Calgary, Alberta Director	December 11, 2018	Mr. Smith is currently a Director of Arrow Exploration Corp., Karve Energy Inc., and Jasper Brewing Inc. He was previously the CFO and a Director of Broadview Energy Inc. and before that, a Portfolio Manager and CFO at NCM Investments. Mr. Smith has held executive roles at Canadian Pioneer Petroleum Ltd., Poco Petroleums Ltd., Renaissance Energy, and Pan East Petroleum Corp.	5,000,000 (2.45%)

Notes:

(1) Messrs. Steven Smith (Chair), Neil Smith, McCreath, Kohut and Ms. MacDonald form Southern's Corporate Governance and Compensation Committee.
(2) Messrs. Kohut (Chair), McCreath and Steven Smith form Southern's Audit Committee.
(3) Messrs. Neil Smith (Chair), Beynon and Ms. MacDonald form Southern's Reserves, Health, Safety and Environment Committee.
(4) Information provided after giving effect to the Consolidation.

The directors and officers of the Corporation as a group, beneficially own, or exercise control or direction over, an aggregate of approximately 26,250,000 million Common Shares representing approximately 13% of the issued and outstanding Common Shares.

The information as to Common Shares beneficially owned, directly or indirectly or over which control or direction is exercised, is based upon information furnished to the Corporation by each of the individuals listed above.

Corporate Cease Trade Orders or Bankruptcies

Other than as set forth below, no director or officer of Southern, has, within ten years before the date hereof, been a director or officer of any person or company that, while such person was acting in that capacity:

(a) was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days; or

(b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Michael Kohut

Mr. Kohut was a director of Great Prairie Energy Services Inc. ("**Great Prairie**") on January 22, 2016 when it applied for and obtained an order from the Court of Queen's Bench of Alberta under the Companies' Creditors Arrangement Act. Mr. Kohut resigned as a director of Great Prairie on January 22, 2016.

Sanjib Gill

Mr. Gill was the Corporate Secretary of Action Energy Corp., a corporation engaged in the exploration, development and production of oil and gas in Western Canada. Action Energy Corp. was placed into receivership on October 28, 2009 by its major creditor and Mr. Gill resigned as the Corporate Secretary immediately thereafter.

Penalties or Sanctions

No director or officer of Southern, has been:

(a) subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered material.

Personal Bankruptcies

No director or officer of Southern, has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the its assets.

Conflicts of Interest

There are potential conflicts of interest to which some of the directors or officers of Southern will be subject in connection with the operations of Southern. Some of the directors or officers are engaged in and will continue to be engaged in companies or businesses which may be in competition with the business of Southern. Accordingly, situations may arise where some or all of the directors or officers will be in direct competition with Southern. Conflicts, if any, will be subject to the procedures and remedies as provided under the CBCA. See also "*Risk Factors*".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as set forth below, to the knowledge of the Corporation, there are no legal proceedings or regulatory actions material to the Corporation to which the Corporation is a party, or was a party to during the most recently completed financial year, or of which any of its properties is the subject matter, or was the subject matter of during the most recently completed financial year, nor are there any such proceedings known to the Corporation to be contemplated. There have been no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority and the Corporation has not entered to any settlement agreements with a court or securities regulatory authority.

The Corporation is aware of the Alberta Court of Queen's Bench Action No. 1504-01668, James McGuigan v. Canadian Energy Exploration Inc. and Standard Exploration Ltd., originally filed in February of 2015 (the "**Action**"). The Action relates to a dissent claim by the plaintiff in connection with the arrangement between Canadian Energy Exploration Inc. and Standard Exploration Ltd which closed on October 22, 2012. The Corporation has agreed to make an offer to pay the plaintiff a monetary amount equal to the fair value of the shares that are the subject of the dissent claim by July 31, 2019. Expert reports in respect of the fair value of the shares are to be served by the Corporation by October 31, 2019 and by the plaintiff by December 31, 2019.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Sanjib Gill, the Corporate Secretary of the Corporation, is a partner of the national law firm McCarthy Tétrault LLP, which law firm rendered legal services to the Corporation.

Other than as set out above, there are no material interests, direct or indirect, of directors or executive officers of the Corporation, or any shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares, or any other Informed Person (as defined in National Instrument 51-102 ("**NI 51-102**")) or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial that has materially affected or would materially affect the Corporation or any of its subsidiaries.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Corporation is Computershare Trust Company of Canada, 600, 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8.

MATERIAL CONTRACTS

The Corporation has not entered into any material contracts within the most recently completed financial year or before the most recently completed financial year which are still in effect.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year other than NSAI, independent reserve evaluators, MNP LLP ("**MNP**"), the Corporation's former auditors and Deloitte LLP ("**Deloitte**"), the Corporation's auditors.

None of the principals of NSAI had any registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation or of the Corporation's associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter or to be received by them.

MNP is independent of the Corporation in accordance with the rules of professional conduct of the Chartered Professional Accountants of Alberta.

Deloitte is independent of the Corporation in accordance with the rules of professional conduct of the Chartered Professional Accountants of Alberta.

CORPORATE GOVERNANCE PRACTICES

In accordance with National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and National Policy 58-201 – *Corporate Governance Guidelines* ("**NP 58-201**"), issuers are to disclose the corporate governance practices that they have adopted. NP 58-201 provides guidance on corporate governance practices. The Corporation is also subject to NI 52-110, which has been adopted in each of the Canadian provinces and territories and which prescribes certain requirements in relation to audit committees.

The Board is responsible for the governance of the Corporation. The Board and the Corporation's management consider good corporate governance to be central to the effective and efficient operation of the Corporation. Below is a discussion of the Corporation's approach to corporate governance.

Corporate Governance and Compensation Committee

The Board has established a Corporate Governance and Compensation Committee. The members of the Corporate Governance and Compensation Committee are Messrs. Steven Smith, Neil Smith, McCreath, Kohut and Ms. MacDonald. Mr. Steven Smith is the Chairman of the Corporate Governance and Compensation Committee. The Corporate Governance and Compensation Committee is comprised entirely of non-management members of the Board.

The Corporate Governance and Compensation Committee is responsible for proposing new director nominees to the Board and for assessing current directors on an ongoing basis. The committee is also responsible for the Corporation's response to and implementation of the guidelines set forth from time to time by any applicable regulatory authorities.

Independence of Members of Board

The Board currently consists of seven directors, six of whom are independent based upon the tests for independence set forth in NI 52-110. Messrs. Beynon, Steven Smith, Neil Smith, McCreath and Kohut and Ms. MacDonald are independent. Mr. Atkinson is not independent by virtue of serving as President and Chief Executive Officer of the Corporation.

Board Oversight

The Board exercises its independent supervision over the Corporation's management through a combination of formal meetings of the Board as well as informal discussions amongst the Board members. The independent directors can also hold scheduled meetings at which non-independent directors and members of management are not in attendance. Where matters arise at Board meetings which require decision making and evaluation that is independent of management and interested directors, the meeting breaks into an *in-camera* session among the independent and disinterested directors.

Directorships in Other Reporting Issuers

As of the date hereof, the following directors hold directorships in other reporting issuers:

Name of Director	Reporting Issuer
Mr. Kohut	Big Rock Brewery Inc. (Chair)
Mr. R. Steven Smith	Arrow Exploration Corp.

Board Mandate

The Board has adopted a written mandate, attached hereto as Schedule A, that summarizes, among other things, the Board's duties and responsibilities. The Board is responsible for the overall stewardship of the Corporation and dealing with issues which are pivotal to determining the Corporation's strategy and direction. The Board has directly, and through the appointment of certain committees, put in place an effective system for monitoring the implementation of corporate strategies. The Board is not involved in the day to day operations of the Corporation, as these operations are conducted by the Corporation's management. The Board meets regularly to consider and approve the strategic objectives of the Corporation and management plans designed to accomplish those objectives. Where appropriate, key management personnel and professional advisors are invited to attend Board meetings to speak to these issues. The Board also meets as necessary to consider specific developments and opportunities as they arise, including asset acquisitions and dispositions and financing proposals. The Board approves, among other things, all issuances of securities of the Corporation, the appointment of officers, the entering into of lines of credit or other significant borrowing activities and all significant transactions. The Board considers, but has no formal policies, concerning management development and succession and risk management.

Essential to strategic planning is assessing and understanding business risks and related control systems. The Board helps set limits with respect to business risks, to the extent they can be managed, and approves strategies for minimizing risks. Implementations of these strategies are then monitored by the Board. The Board, through the Audit Committee, requires management of the Corporation to put into place systems to address financial risks and to periodically report to the Board on these systems and risks.

Management has implemented procedures to provide reasonable assurance of effective communication with the Corporation's shareholders and the public. The Corporation's management is responsible for the issuance of press releases and communications with the financial community. The Board reviews and approves all principal continuous disclosure documents, the release of interim and annual financial statements, annual information forms, prospectuses and information circulars.

The Corporate Governance and Compensation Committee is responsible for monitoring the governance systems of the Corporation with a view to ongoing improvements, reviewing the composition of the Board and developing criteria for new Board appointments. The Corporate Governance and Compensation Committee also acts as a nominating committee for new directors, oversees and approves the Corporation's compensation plans and evaluates overall Board effectiveness.

Position Descriptions

The Board has developed a written position description for the Chairman of the Board and the Chief Executive Officer of the Corporation, but has not developed a written position description for the Chairman of the Audit Committee.

The Chair of each committee of the Board schedules meetings of the committee and organizes and presents agendas for such meetings.

The Board, in conjunction with management, sets the Corporation's annual objectives which become the objectives against which the Chief Executive Officer's performance is measured. The Board has plenary power; any responsibility which is not delegated to management or a Board committee remains with the Board.

Orientation and Continuing Education

While the Corporation does not have a formal orientation and training program, new members of the Board are provided with:

(a) a copy of the policies and mandates of the Board and its committees and copies of the Corporation's corporate governance policies, which provides information respecting the functioning of the Board;

(b) access to recent, publicly filed documents of the Corporation;

(c) access to management; and

(d) access to legal counsel in the event of any questions relating to the Corporation's compliance and other obligations.

Members of the Board are encouraged to communicate with management, legal counsel and, where applicable, auditors and technical consultants of the Corporation, to keep themselves current with industry trends and developments and changes in legislation with management's assistance; and to attend related industry seminars and visit the Corporation's operations. Board members have full access to the Corporation's records.

Ethical Business Conduct

In establishing its corporate governance practices, the Board has been guided by applicable Canadian securities legislation and the guidelines of the TSXV for effective corporate governance, including NP 58-201. The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interests of its Shareholders, but that it also promotes effective decision making at the Board level.

Additionally, in order to encourage and promote a culture of ethical business conduct, the Board has adopted a Code of Business Conduct and Ethics (the "**Code**") wherein directors, officers and employees of the Corporation and others are provided with a mechanism by which they can raise complaints regarding financial and regulatory reporting, internal accounting controls, auditing or health, safety and environmental matters or any other matters and raise concerns about any violations of the Code in a confidential and, if deemed necessary, anonymous process. Interested Shareholders may obtain a copy of the Code upon request by contacting the Corporation at Suite 2400, 333 – 7th Avenue S.W., Calgary, Alberta T2P 2Z1.

The Board has instructed its management and employees to abide by the Code and to bring any breaches of the Code to the attention of the Corporate Governance and Compensation Committee. Compliance with the Code is monitored primarily through the reporting process within the Corporation's organizational structure.

It is a requirement of applicable corporate law that directors who have an interest in a transaction or agreement with the Corporation promptly disclose that interest at any meeting of the Board at which the transaction or agreement will be discussed and abstain from discussions and voting in respect to same if the interest is material. The Code imposes a similar disclosure requirement on all non-director representatives of the Corporation and requires such persons to report such conflict to the executive officer to whom that person reports in the course of his employment responsibilities, or, in the case of a senior executive officer, to the Audit Committee and fully inform such person or the committee, as applicable, of the facts and circumstances related to the conflict or potential conflict. The representative is prohibited from taking any further action in respect of the matter or transaction giving rise to such conflict or potential conflict unless and until he is authorized to do so by his reporting officer or the Audit Committee.

Nomination of Directors

The Corporate Governance and Compensation Committee has responsibility for identifying potential Board candidates. The Corporate Governance and Compensation Committee assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the oil and gas industry are consulted for possible candidates. The Board has adopted a written charter setting forth the responsibilities, powers and operations of the Corporate Governance and Compensation Committee, which include considering and recommending candidates to fill new positions on the Board, reviewing candidates recommended by shareholders, conducting inquiries into the backgrounds and qualifications of candidates, recommending the director nominees for approval by the Board and the Shareholders, considering conflicts of interests, recommending members and chairs of the committees, reviewing the performance of directors and the Board, establishing director retirement policies and establishing and implementing an orientation and education program for new members of the Board . The Corporate Governance and Compensation Committee has the power to retain outside advisors as it considers necessary for the proper functioning of the committee, at the Corporation's expense. The Corporate Governance and Compensation Committee meets at least once annually and otherwise as requested by the Board or considered desirable by the Chair of the Corporate Governance and Compensation Committee.

Compensation

The Corporation's Corporate Governance and Compensation Committee reviews and makes recommendations to the Board concerning the compensation of the Corporation's directors, officers and employees, which includes the review of the Corporation's executive compensation and other human resource philosophies and policies, the review and administration of the Corporation's bonuses, stock options and any share purchase plan, the review of and recommendations regarding the performance of the Chief Executive Officer of the Corporation and preparing and submitting a report for inclusion in annual continuous disclosure documents as required.

The responsibilities, powers and operations of the Corporate Governance and Compensation Committee, in respect of compensation include: reviewing the adequacy and form of any compensation program for executive officers, reviewing the adequacy and form of non-employee directors' compensation, reviewing and creating a position description for the Chief Executive Officer, evaluating the Chief Executive Officer's performance in light of corporate goals and objectives, making recommendations to the Board with respect to the Chief Executive Officer's compensation, setting criteria for selecting new directors, recommending to the Board the size of the Board, the appropriate composition of the board and eligible individuals for election to the Board, a majority of whom shall be independent, recommending to the Board the appropriate committee structure, committee mandates, composition and membership, reviewing and recommending to the Board a set of corporate governance policies, practices and principles aimed at fostering a healthy governance culture at the Corporation.

Audit Committee

Please see the discussion under the heading "*Audit Committee*".

Reserves, Healthy, Safety and Environment Committee

The members of the Reserves, Health, Safety and Environment Committee (the "**Reserves Committee**") are Messrs. Neil Smith and Beynon and Ms. MacDonald. Mr. Neil Smith is the Chairman of the Reserves Committee. The Reserves Committee's responsibilities include, but are not limited to: (a) reviewing management's recommendations for the appointment of independent engineers; (b) reviewing the independent engineering reports and considering the principal assumptions upon which such reports are based; (c) reviewing management's input into the independent engineering report and key assumptions used; (d) reviewing the reserve additions and reserve revisions which occur from one report to the next and seeking the independent engineer's input and management's input with respect to why these revisions have occurred; (e) reviewing the information supplied to the independent engineers with respect to the constant price case, operating costs, royalty burdens, required capital expenditures, recovery rates, decline rates and other matters; (f) annually reviewing the appropriateness of, and updating, the Corporation's environmental policies, management systems and programs and reporting to the Board thereon; (g) ensuring that the Corporation has the necessary tools to measure its business units' environmental performance and compliance with applicable regulatory standards; (h) reviewing the environmental performance and, whenever relevant, any non-compliance situation of the Corporation's business units, to recommend the required corrective measures; (i) ensuring that environmental risk management procedures and emergency response measures are in place and are periodically updated and distributed within the Corporation; (j) assessing the environmental risks and emergency situations brought to its attention to recommend the required corrective measures; (k) immediately communicating any incident giving rise to significant environmental risks to the Board; (l) recommending to the Board that the Corporation exercise due diligence with respect to non-compliance situations, environmental risks or emergency situations brought to its attention; (m) reviewing and reporting to the Board on all legal notices or civil, penal and/or criminal prosecutions brought to its attention; (n) recommending to the Board measures, including necessary investments, taking into account available technologies and economic and financial restraints, to ensure compliance with regulatory standards and the Corporation's environmental policies and programs; (o) analyzing all environmental matters brought to its attention and deemed relevant or that the Board specifically asks the committee to review; and (p) reporting to the Board on the Corporation's environmental policies, programs and situation and make appropriate recommendations.

Assessments

The Board is responsible to assess, on an ongoing basis, its overall performance and that of its committees. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. The review will identify any areas where the directors of the Corporation or management believe that the Board could make a better collective contribution to overseeing the affairs of the Corporation. The Board is also responsible for regularly assessing the effectiveness and contribution of each director, having regard to the competencies and skills each director is expected to bring to the Board. The Board relies on informal evaluations of the effectiveness through both formal and informal communications with Board members and through participation with other Board members on committees and matters relating to the Board.

AUDIT COMMITTEE

The Audit Committee is a committee of the Board to which the Board delegates its responsibility for oversight of the financial reporting process. The Audit Committee is also responsible for managing, on behalf of the Shareholders, the relationship between the Corporation and the external auditor.

Pursuant to NI 52-110, the Corporation is required to disclose certain information with respect to its Audit Committee, as summarized below.

Audit Committee Charter

The Corporation's Audit Committee charter (the "**Audit Committee Charter**") was adopted by the Board, and is attached hereto as Schedule B. The mandate of the Audit Committee is to oversee and provide assistance in financial reporting, financial policies and internal controls as well as to work with the external auditors to ensure the accuracy of the Corporation's financial disclosures. The Audit Committee must pre-approve all non-audit services to be provided by an external auditor.

Composition of the Audit Committee

As of the date hereof, the Audit Committee is comprised of:

Name of Director	Independent (Yes/No)(1)	Financially Literate (Yes/No)
Mr. Kohut (Chairman)	Yes	Yes
Mr. McCreath	Yes	Yes
Mr. Steven Smith	Yes	Yes

Note:

(1) As defined in NI 52-110.

Relevant Education and Experience

Collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Audit Committee Charter. Each member of the Audit Committee has:

(a) an understanding of the accounting principles used by the Corporation to prepare its financial statements;

(b) the ability to assess the general application of those principles in connection with the accounting for estimates, accruals and provisions;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising individuals engaged in such activities; and

(d) an understanding of internal controls and procedures for financial reporting.

Mr. Kohut is the Chairman of the Audit Committee. Mr. Kohut is also the Chairman of the Board at Big Rock Brewery Inc. and the Senior Vice President and Chief Financial Officer at Hammerhead Resources. Prior thereto, he was the Vice President of Finance at Paramount Resources Ltd. from November, 2017 to April 2018 and the Chief Financial Officer of Trilogy Energy Corp. from June 2006 to October 2017.

Mr. McCreath is a Chartered Financial Analyst with over 30 years of experience in the investment community including the last 20 years as a Portfolio Manager. Mr. McCreath has managed Sentry Diversified Total Return Fund and Sentry Market Neutral LP. Mr. McCreath is also the Market Commentator on BNN Bloomberg TV.

Mr. Smith brings more than 35 years of business experience, including in excess of 20 years investment management experience as a Portfolio Manager and Research Analyst. He started his career in the oil and gas industry in finance with management and executive roles at companies including Canadian Pioneer, Poco Petroleums, Renaissance Energy, and Pan East Petroleum before becoming an equity analyst. Mr. Smith is a CA, CPA and is currently a Director of Arrow Exploration Corp., Karve Energy Inc., and Jasper Brewing Inc. He was previously the CFO and a Director of Broadview Energy Inc. and before that, a Portfolio Manager and CFO at NCM Investments.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board to review the performance of the Corporation's external auditors, and approve in advance the provision of services other than audit services and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Corporation. The Audit Committee is authorized to approve any non-audit services or additional work, which the Chairman of the Audit Committee deems as necessary.

External Auditor Service Fees (By Category)

The fees for auditor services billed by the Corporation's external auditors for the last two fiscal years are as follows:

Financial Year Ending December 31	Audit Fees(1)	Audit-related Fees(2)	Tax Fees(3)	All Other Fees(4)
2018	$75,000	$91,057	$-	$-
2017	$19,900	-	$1,500	-

Notes:

(1) Audit fees are the aggregate fees billed by the Corporation's auditor for audit services.

(2) Audit-related fees are the aggregate fees billed for assurance and related services by the Corporation's auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statement and are not disclosed under "Audit fees".

(3) Tax fees are the aggregate fees billed for professional services rendered by the Corporation's auditor for tax compliance, tax advice and tax planning.

(4) All other fees are the aggregate fees billed for services provided by the Corporation's auditor other than the services reported under "Audit fees", "Audit-related fees" and "Tax fees".

Reliance on Certain Exemptions

The Corporation is relying on the exemption in section 6.1 of NI 52-110.

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans is contained in the Corporation's information circular for the Corporation's most recent shareholders meeting that involved the election of directors. Additional financial information is contained in the Corporation's financial statements and the related management's discussion and analysis.

Additional copies of this AIF and the materials listed in the preceding paragraph are available on SEDAR at www.sedar.com and upon request by contacting the Corporation at its offices at 2400, 333 – 7th Avenue S.W., Calgary, Alberta T2P 2Z1 or by phone at 587-287-5400.

FORM 51-101F2 - REPORT ON RESERVES DATA

BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

To the board of directors of Southern Energy Corp. (the "**Company**"):

1. We have evaluated the Company's reserves data as at December 31, 2018. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2018, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2018, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management.

Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate) (C$)			
			Audited	**Evaluated**	**Reviewed**	**Total**
Netherland, Sewell & Associates Inc.	December 31, 2018	Canada and United States	Nil	79,120,300	Nil	79,120,300

6. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our report.

8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

NETHERLAND, SEWELL & ASSOCIATES, INC.
Texas Registered Engineering Firm F-2699
Dallas, Texas, USA
March 15, 2019

(signed) "C.H. (Scott) Rees III"
C.H. (Scott) Rees III, P.E.
Chairman and Chief Executive Officer

FORM 51-101F3 - REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management of Southern Energy Corp. (the "**Company**") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data.

Netherland, Sewell & Associates, Inc., independent qualified reserves evaluators, has evaluated the Company's reserves data. The report of the independent qualified reserves evaluators will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Company has:

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluators;

(b) met with the independent qualified reserves evaluators to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluators.

The Reserves Committee of the board of directors of the Company has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors of the Company has, on the recommendation of the Reserves Committee, approved:

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluators on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

(signed) "Ian Atkinson"
Ian Atkinson
President & Chief Executive Officer

(signed) "Gary McMurren"
Gary McMurren
Vice President, Engineering

(signed) "C. Neil Smith"
C. Neil Smith
Director & Chair of the Reserves Committee

(signed) "Bruce Beynon"
Bruce Beynon
Director & Chair of the Board

April 3, 2019

SCHEDULE A

SOUTHERN ENERGY CORP.
BOARD OF DIRECTORS MANDATE

SOUTHERN ENERGY CORP.
BOARD OF DIRECTORS MANDATE

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1. GENERAL

The Board of Directors (the "**Board**") of Southern Energy Corp. (the "**Corporation**") is responsible for the stewardship of the Corporation's affairs and the activities of management of the Corporation in the conduct of day to day business, all for the benefit of its shareholders.

The primary responsibilities of the Board are:

(a) to maximize long term shareholder value;

(b) to approve the strategic plan of the Corporation;

(c) to ensure that processes, controls and systems are in place for the management of the business and affairs of the Corporation and to address applicable legal and regulatory compliance matters;

(d) to maintain the composition of the Board in a way that provides an effective mix of skills and experience to provide for the overall stewardship of the Corporation;

(e) to ensure that the Corporation meets its obligations on an ongoing basis and operates in a safe and reliable manner; and

(f) to monitor the performance of the management of the Corporation to ensure that it meets its duties and responsibilities to the shareholders.

2. COMPOSITION AND OPERATION

The number of directors shall be not less than the minimum and not more than the maximum number specified in the Corporation's articles and shall be set from time to time within such limits by resolutions of the shareholders or of the Board as may be permitted by law. Directors are elected to hold office for a term of one year. At least 25 percent of the directors must be Canadian residents. The Board will analyze the application of the "independent" standard as such term is referred to in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, to individual members of the Board on an annual basis and disclose that analysis. The Board will in each year appoint a chairperson of the Board (the "**Chair**").

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility of managing its own affairs including selecting its Chair, nominating candidates for election to the Board, constituting committees of the Board and determining compensation for the directors. Subject to the articles and by-laws of the Corporation and the *Canada Business Corporations Act* (the "**CBCA**"), the Board may constitute, seek the advice of, and delegate certain powers, duties and responsibilities to, committees of the Board.

3. MEETINGS

The Board shall have a minimum of four regularly scheduled meetings per year. Special meetings are called as necessary. Occasional Board trips are scheduled, if possible, in conjunction with regular Board meetings, to offer directors the opportunity to visit sites and facilities at different operational locations. A quorum for a meeting of the Board shall consist of a simple majority of the members of the Board.

The Board will schedule executive sessions where directors meet with or without management participation at each regularly-scheduled meeting of the Board.

4. SPECIFIC DUTIES

(a) Oversight and Overall Responsibility

In fulfilling its responsibility for the stewardship of the affairs of the Corporation, the Board shall be specifically responsible for:

(i) providing leadership and direction to the Corporation and management with the view to maximizing shareholder value. Directors are expected to provide creative vision, initiative and experience in the course of fulfilling their leadership role;

(ii) satisfying itself as to the integrity of the Chief Executive Officer (the "**CEO**") and other senior officers of the Corporation and ensuring that a culture of integrity is maintained throughout the Corporation;

(iii) approving the significant policies and procedures by which the Corporation is operated and monitoring compliance with such policies and procedures, and, in particular, compliance by all directors, officers and employees with the provisions of the Code of Business Conduct and Ethics;

(iv) reviewing and approving material transactions involving the Corporation, including the acquisitions and dispositions of material assets by the Corporation and material capital expenditures by the Corporation;

(v) approving budgets, monitoring operating performance and ensuring that the Board has the necessary information, including key business and competitive indicators, to enable it to discharge this duty and take any remedial action necessary;

(vi) establishing methods by which interested parties may communicate directly with the Chair or with the independent directors as a group and cause such methods to be disclosed;

(vii) developing written position descriptions for the Chair and for the chair of each Board committee; and

(viii) making regular assessments of the Board and its individual members, as well as the effectiveness and contributions of each Board committee.

(b) Legal Requirements

(i) The Board has the oversight responsibility for meeting the Corporation's legal requirements and for properly preparing, approving and maintaining the Corporation's documents and records.

(ii) The Board has the statutory responsibility to:

A. manage the business and affairs of the Corporation;

B. act honestly and in good faith with a view to the best interests of the Corporation;

C. exercise the care, diligence and skill that responsible, prudent people would exercise in comparable circumstances; and

D. act in accordance with its obligations contained in the CBCA and the regulations thereto, the articles and by-laws of the Corporation, and other relevant legislation and regulations.

(iii) The Board has the statutory responsibility for considering the following matters as a full Board which in law may not be delegated to management or to a committee of the Board:

A. any submission to the shareholders of a question or matter requiring the approval of the shareholders;

B. the filling of a vacancy among the directors or in the office of auditor;

C. the appointment of additional directors;

D. the issuance of securities except in the manner and on the terms authorized by the Board;

E. the declaration of dividends;

F. the purchase, redemption or any other form of acquisition of shares issued by the Corporation, except in the manner and on the terms authorized by the Board;

G. the payment of a commission to any person in consideration for such person's purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any shares of the Corporation;

H. the approval of management proxy circulars;

I. the approval of any financial statements to be placed before the shareholders of the Corporation at an annual general meeting; and

J. the adoption, amendment or repeal of any by-laws of the Corporation.

(c) Independence

The Board shall have the responsibility to:

(i) implement appropriate structures and procedures to permit the Board to function independently of management (including, without limitation, through the holding of meetings at which non-independent directors and management are not in attendance, if and when appropriate);

(ii) implement a system which enables an individual director to engage an outside advisor at the expense of the Corporation in appropriate circumstances; and

(iii) provide an orientation and education program for newly appointed members of the Board.

(d) Strategy Determination

The Board shall:

(i) adopt and annually review a strategic planning process and approve the corporate strategic plan, which takes into account, among other things, the opportunities and risks of the Corporation's business; and

(ii) annually review operating and financial performance results relative to established strategy, budgets and objectives.

(e) Managing Risk

The Board has the responsibility to identify and understand the principal risks of the Corporation's business, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure that appropriate systems are in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

(f) Appointment, Training and Monitoring of Senior Management

The Board shall:

(i) appoint the CEO and other senior officers of the Corporation, approve (upon recommendations from the Corporate Governance and Compensation Committee) their compensation, and monitor and assess the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value;

(ii) ensure that a process is established that adequately provides for succession planning including the appointment, training and monitoring of senior management;

(iii) establish limits of authority delegated to management; and

(iv) develop a written position description for the CEO.

(g) Reporting and Communication

The Board has the responsibility to:

(i) verify that the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;

(ii) verify that the financial performance of the Corporation is reported to shareholders, other security holders and regulators on a timely and regular basis;

(iii) verify that the financial results of the Corporation are reported fairly and in accordance with International Financial Reporting Standards from time to time;

(iv) verify the timely reporting of any other developments that have a significant and material impact on the value of the Corporation;

(v) report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year; and

(vi) develop appropriate measures for receiving stakeholder feedback.

(h) Monitoring and Acting

The Board has the responsibility to:

(i) review and approve the Corporation's financial statements and oversee the Corporation's compliance with applicable audit, accounting and reporting requirements;

(ii) verify that the Corporation operates at all times within applicable laws and regulations to the highest ethical and moral standards;

(iii) approve and monitor compliance with significant policies and procedures by which the Corporation operates;

(iv) monitor the Corporation's progress towards its goals and objectives and to work with management to revise and alter its direction in response to changing circumstances;

(v) take such action as it determines appropriate when the Corporation's performance falls short of its goals and objectives or when other special circumstances warrant; and

(vi) verify that the Corporation has implemented appropriate internal control and management information systems.

(i) Other Activities

The Board may perform any other activities consistent with this mandate, the articles and by-laws of the Corporation and any other governing laws as the Board deems necessary or appropriate including, but not limited to:

(i) preparing and distributing the schedule of Board meetings for each upcoming year;

(ii) calling meetings of the Board at such time and such place and providing notice of such meetings to all members of the Board in accordance with the by-laws of the Corporation; and

(iii) ensuring that all regularly-scheduled Board meetings and committee meetings are properly attended by directors. Directors may participate in such meetings by conference call if attendance in person is not possible.

(j) Code of Business Conduct and Ethics

The Board shall be responsible to adopt a "Code of Business Conduct and Ethics" for the Corporation which shall address:

(i) conflicts of interest;

(ii) the protection and proper use of the Corporation's assets and opportunities;

(iii) the confidentiality of information;

(iv) fair dealing with various stakeholders of the Corporation;

(v) compliance with laws, rules and regulations; and

(vi) the reporting of any illegal or unethical behaviour.

5. BOARD COMMITTEES

The Board shall at all times maintain: (a) an Audit Committee; (b) a Reserves, Health, Safety and Environment Committee; and (c) a Corporate Governance and Compensation Committee, each of which must report to the Board. Each such committee must operate in accordance with the by-laws, applicable law, its committee charter and the applicable rules of any stock exchange on which the shares are traded. The Board may also establish such other committees as it deems appropriate and delegate to such committees such authority permitted by its by-laws and applicable law, and as the Board sees fit. The purpose of the Board committees is to assist the Board in discharging its responsibilities. Notwithstanding the delegation of responsibilities to a Board committee, the Board is ultimately responsible for matters assigned to the committees for determination. Except as may be explicitly provided in the charter of a particular committee or a resolution of the Board, the role of a Board committee is to review and make recommendations to the Board with respect to the approval of matters considered by the committee.

6. DIRECTOR ACCESS TO MANAGEMENT

The Corporation shall provide each director with complete access to the management of the Corporation, subject to reasonable advance notice to the Corporation and reasonable efforts to avoid disruption to the Corporation's management, business and operations. Prior to any director of the Corporation initiating a discussion with any employee of the Corporation, including management, such director shall have the obligation to provide notice to the Chair and the Chief Executive Officer of the Corporation that the director intends on initiating such a discussion.

7. DIRECTOR COMPENSATION

The Board, upon recommendation of the Corporate Governance and Compensation Committee, will determine and review the form and amount of compensation to directors.

SCHEDULE B

SOUTHERN ENERGY CORP.
AUDIT COMMITTEE CHARTER

SOUTHERN ENERGY CORP.
AUDIT COMMITTEE CHARTER

I. THE BOARD OF DIRECTORS' MANDATE FOR THE AUDIT COMMITTEE

The Board of Directors (the "**Board**") has responsibility for the stewardship of Southern Energy Corp. (the "**Corporation**"). To discharge that responsibility, the Board is obligated by the *Canada Business Corporations Act* to supervise the management of the business and affairs of the Corporation. The Board's supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Corporation's business and affairs.

Public financial reporting and disclosure by the Corporation are fundamental to the Corporation's business and affairs. The objective of the Board's monitoring of the Corporation's financial reporting and disclosure is to gain reasonable assurance of the following:

(a) that the Corporation complies with all applicable laws, regulations, rules, policies and other government requirements, regulatory agencies and stock exchanges, if applicable, relating to financial reporting and disclosure;

(b) that the accounting principles, significant judgements and disclosures which underlie or are incorporated in the Corporation's financial statements are appropriate in the prevailing circumstances;

(c) that the Corporation's quarterly and annual financial statements are accurate within a reasonable level of materiality and present fairly the Corporation's financial position and performance in accordance with generally accepted accounting principles; and

(d) that appropriate information concerning the financial position and performance of the Corporation is disseminated to the public, to the extent required by applicable securities laws, in a timely manner in accordance with corporate and securities law and with stock exchange regulations, if applicable.

The Board is of the view that the monitoring of the Corporation's financial reporting and disclosure policies and procedures cannot be reliably met unless the following activities (the "**Fundamental Activities**") are, in all material respects, conducted effectively:

(a) the Corporation's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Corporation's financial transactions and are consistent with internal financial controls implemented by companies of similar size and peer group as the Corporation;

(b) the internal financial controls are regularly assessed for effectiveness and efficiency consistent with assessments performed by company's of similar size and peer group as the Corporation;

(c) the Corporation's quarterly and annual financial statements are properly prepared by management to comply with International Financial Reporting Standards ("IFRS"); and

(d) the Corporation's quarterly and annual financial statements are reported on by an external auditor appointed by the shareholders of the Corporation.

To assist the Board in its monitoring of the Corporation's financial reporting and disclosure and to conform to applicable corporate and securities law, the Board has established the Audit Committee (the "**Committee**") of the Board.

The role of the Committee is to assist the Board in its oversight of the integrity of the financial and related information of the Corporation, including its consolidated financial statements, the internal controls and procedures for financial reporting and the processes for monitoring compliance with legal and regulatory requirements and to review the independence, qualifications and performance of the external auditor of the Corporation. Management is responsible for establishing and maintaining those controls, procedures and processes and the Committee is appointed by the Board to review and monitor them.

II. COMPOSITION OF COMMITTEE

The Committee shall be appointed annually by the Board and consist of at least three members from among the directors of the Corporation, each of whom shall be an independent director (as determined under applicable laws). Officers of the Corporation, who are also directors, may not serve as members of the Committee.

The Board shall designate the Chair of the Committee.

In the event of a vacancy arising in the Committee or a loss of independence of any member, the Committee will fill the vacancy within six months or by the following annual shareholders' meeting if sooner.

III. Reliance on Experts

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon:

(a) financial statements of the Corporation represented to him by an officer of the Corporation or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles; and

(b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

IV. Limitations on Committee's Duties

In contributing to the Committee's discharging of its duties under its terms of reference ("**Terms of Reference**"), each member of the Corporation shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in these Terms of Reference is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to endeavor to gain reasonable assurance (but not to ensure) that the Fundamental Activities are being conducted effectively and that the objectives of the Corporation's financial reporting are being met and to enable the Committee to report thereon to the Board.

V. Audit Committee Terms of Reference

The Committee's Terms of Reference outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. Terms of Reference reflect the following:

- Operating Principles;
- Operating Procedures; and
- Specific Responsibilities and Duties.

While the Committee has the responsibilities set forth in its Terms of Reference, it is not the duty of the Committee to prepare the financial statements, plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with IFRS and applicable rules and regulations. Primary responsibility for the financial reporting, information systems, risk management, and disclosure controls and internal controls of the Corporation is vested in management.

1. Operating Principles

The Committee shall fulfill its responsibilities within the context of the following principles:

(a) Committee Values

The Committee expects the management of the Corporation to operate in compliance with corporate policies; reflecting laws and regulations governing the Corporation; and to maintain strong financial reporting and control processes.

(b) Communications

The Committee and members of the Committee expect to have direct, open and frank communications throughout the year with management, other Committee chairs, the external auditors, and other key Committee advisors or Corporation staff members as applicable.

(c) Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that may be lawfully delegated.

(d) Financial Literacy

All Committee members should be sufficiently versed in financial matters to read and understand the Corporation's financial statements and also to understand the Corporation's accounting practices and policies and the major judgements involved in preparing the financial statements.

(e) Annual Audit Committee Work Plan

The Committee, in consultation with management and the external auditors, shall develop an annual Committee work plan responsive to the Committee's responsibilities as set out in these Terms of Reference. In addition, the Committee, in consultation with management and the external auditors, shall participate in a process for review of important financial topics that have the potential to impact the Corporation's financial disclosure.

The work plan will be focused primarily on the annual and interim financial statements of the Corporation; however, the Committee may at its sole discretion, or the discretion of the Board, review such other matters as may be necessary to satisfy the Committee's Terms of Reference.

(f) Meeting Agenda

Committee meeting agendas shall be the responsibility of the Chair of the Committee in consultation with Committee members, senior management and the external auditors.

(g) Committee Expectations and Information Needs

The Committee shall communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditors at a reasonable time in advance of meeting dates.

(h) Access to Committee

Representatives of the external auditor and management of the Corporation shall have access to the Committee each in the absence of the other.

(i) External Resources

To assist the Committee in discharging its responsibilities, the Committee may at its discretion, in addition to the external auditors, at the expense of the Corporation, retain one or more persons having special expertise, including independent counsel.

(j) In Camera Meetings

At the discretion of the Committee, the members of the Committee shall meet in private session with the external auditors. In addition, at the discretion of the Committee, the members of the Committee shall meet in private with the management of the Corporation, without the auditors being present at such meeting.

(k) Reporting to the Board

The Committee, through its Chair, shall report after each Committee meeting to the Board at the Board's next regular meeting.

(l) The External Auditors

The Committee expects that, in discharging their responsibilities to the shareholders, the external auditors shall report directly to and be accountable to the Board through the Committee. The external auditors shall report all material issues or potentially material issues, either specific to the Corporation or to the financial reporting environment in general, to the Committee.

2. **Operating Procedures**

(a) The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chair, upon the request of two members of the Committee or at the request of the external auditors.

(b) A quorum shall be a majority of the members.

(c) Unless the Committee otherwise specifies, the Secretary (or his or her deputy) of the Corporation shall act as Secretary of all meetings of the Committee.

(d) In the absence of the Chair of the Committee, the members shall appoint an acting Chair.

(e) A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Corporation in a timely fashion.

(f) Notice of the time and place of every meeting shall be given in writing by any means of transmitted or recorded communication, including facsimile, email or other electronic means that produces a written copy, to each member of the Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member of the Committee may in any manner waive a notice of the meeting. Attendance of a member of the Committee at a meeting constitutes waiver of notice of the meeting, except where a member of the Committee attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called for.

(g) Committee meeting agendas shall be the responsibility of the Chair of the Committee in consultation with the other members of the Committee, senior management and the external auditors.

(h) Subject to any statute or the articles and by-laws of the Corporation, the Committee shall fix its own procedures at meetings, keep records of its proceedings and report to the Board when the Committee may deem appropriate (but not later than the next regularly scheduled meeting of the Board).

3. **Specific Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall:

(a) **Financial Reporting**

(i) Review, prior to public release, the Corporation's annual and quarterly financial statements with management and the external auditors with a view to gaining reasonable assurance that the statements are (A) accurate within reasonable levels of materiality, (B) complete, and (C) represent fairly the Corporation's financial position and performance in accordance with IFRS. The Committee shall report thereon to the Board before such financial statements are approved by the Board;

(ii) Receive from the external auditors reports of their review of the annual and quarterly financial statements and any management letters issued to the management of the Corporation;

(iii) Receive from management a copy of the representation letter provided to the external auditors and receive from management any additional representations required by the Committee;

(iv) Review, prior to public release, to the extent required pursuant to applicable securities laws, and, if appropriate, recommend approval to the Board, of news releases, to the extent required pursuant to applicable securities laws, and reports to shareholders issued by the Corporation with respect to the Corporation's annual and quarterly financial statements;

(v) Review and, if appropriate, recommend approval to the Board of prospectuses, material change disclosures of a financial nature, management discussion and analysis, annual information forms and similar disclosure documents that may be issued by the Corporation; and

(vi) Review and validate procedures for the receipt, retention and resolution of complaints received by the Corporation from any party regarding accounting, auditing or internal controls. For greater certainty, the Committee's responsibilities in this area will not include complaints about minor operational issues. (Examples of minor operational issues include late payment of invoices, minor disputes over accounts owing or receivable, revenue and expense allocations and other similar items characteristic of the normal daily operations of the accounting department of an oil and gas company.)

(b) **Accounting Policies**

(i) Review with management and the external auditors the appropriateness of the Corporation's accounting policies, disclosures, reserves, key estimates and judgements, including changes or variations thereto.

(ii) Obtain reasonable assurance that they are in compliance with IFRS from management and external auditors and report thereon to the Board.

(iii) Review with management and the external auditors the apparent degree of conservatism of the Corporation's underlying accounting policies, key estimates and judgements and provisions along with quality of financial reporting.

(iv) Participate, if requested, in the resolution of disagreements, between management and the external auditors.

(v) Review with management the policies and procedures used for the categorization of flow-through expenditures and the qualification of such expenditures to satisfy the Corporation's existing obligations.

(c) **Risk and Uncertainty**

(i) Acknowledging that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing the Corporation, determine the Corporation's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:

A. reviewing with management the Corporation's tolerance for financial risks;

B. reviewing with management its assessment of the significant financial risks facing the Corporation;

C. reviewing with management the Corporation's policies and any proposed changes thereto for managing those significant financial risks; and

D. reviewing with management its plans, processes and programs to manage and control such risks.

(ii) Review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;

(iii) Review foreign currency, interest rate and commodity price risk mitigation strategies, including the use of derivative financial instruments;

(iv) Review the adequacy of insurance coverages maintained by the Corporation; and

(v) Review regularly with management, the external auditors and the Corporation's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these matters have been disclosed in the financial statements.

(d) **Financial Controls and Control Deviations**

(i) Review the plans of the external auditors to gain reasonable assurance that the evaluation and testing of applicable internal financial controls is comprehensive, coordinated and cost-effective;

(ii) Receive regular reports from management and the external auditors on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto;

(iii) Institute a procedure that will permit any employee, including management employees, to bring to the attention of the Chair of the Committee, under conditions of confidentiality, concerns relating to financial controls and reporting which are material in scope and which cannot be addressed, in the employee's judgement, through existing reporting structures in the Corporation; and

(iv) Receive and periodically assess reports from management on the policies and procedures used to asses and ensure the adequacy of controls over financial information disclosed to the public, which is extracted or derived from the Corporation's financial statements.

(e) **Compliance with Laws and Regulations**

(i) Review regular reports from management and others (e.g. external auditors) with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements including:

A. tax and financial reporting laws and regulations;

B. legal withholding requirements; and

C. other laws and regulations which expose directors to liability.

(ii) Review the filing status of the Corporation's tax returns, flow-through share renunciation filings and those of its subsidiaries.

(f) **Relationship with External Auditors**

(i) Recommend to the Board the nomination of the external auditors;

(ii) Approve the remuneration and the terms of engagement of the external auditors as set forth in the Engagement Letter. The Chair of the Committee has the authority to pre-approve non-audit services which may be required from time to time;

(iii) Review the performance of the external auditors annually or more frequently as required;

(iv) Receive annually from the external auditors an acknowledgement in writing that the shareholders, as represented by the Board and the Committee, are their primary client;

(v) Receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the Corporation;

(vi) Review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, and the materiality levels which the external auditors propose to employ;

(vii) Meet with the external auditors in the absence of management to determine, inter alia, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;

(viii) Establish effective communication processes with management and the Corporation's external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee; and

(ix) Establish a reporting relationship between the external auditors and the Committee such that the external auditors can bring directly to the Committee matters that, in the judgement of the external auditors, merit the Committee's attention. In particular, the external auditors will advise the Committee as to disagreements between management and the external auditors regarding financial reporting and how such disagreements were resolved.

(g) **Other Responsibilities**

(i) After consultation with the Chief Financial Officer and the external auditors, consider at least annually, of the quality and sufficiency of the Corporation's accounting and financial personnel and other resources;

(ii) Approve in advance non-audit services, including tax advisory and compliance services, provided by the external auditors. However, the Committee can establish a threshold amount for fees for non-audit services to be provided by the external auditors without advance approval of the Committee. The nature of such services and the associated cost will be provided to the Committee at the next following meeting;

(iii) Investigate any matters that, in the Committee's discretion, fall within the Committee's duties;

(iv) Perform such other functions as may from time to time be assigned to the Committee by the Board;

(v) Review and update the Terms of Reference on a regular basis for approval by the Board; and

(vi) The Committee will review disclosures regarding the organization and duties of the Committee to be included in any public document, including quarterly and annual reports to shareholders, information circulars and annual information forms.