SOUTHERN ENERGY CORP. TERMINATES BOUGHT DEAL EQUITY FINANCING AND ANNOUNCES $8.0 MILLION CONVERTIBLE DEBENTURE FINANCING IN CONNECTION WITH PREVIOUSLY ANNOUNCED STRATEGIC ASSET ACQUISITION IN THE SOUTHERN UNITED STATES

NOT FOR DISTRIBUTION IN THE UNITED STATES. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF U.S. SECURITIES LAW.

Calgary, Alberta – May 23, 2019 – Southern Energy Corp. ("**Southern**" or the "**Company**") (SOU: TSXV) announces that it has elected not to proceed with its underwritten public offering of subscription receipts, which was previously disclosed in the Company's press release dated April 25, 2019 (the "**Public Offering**"). The Company has withdrawn its short form prospectus filed in connection with the Public Offering on May 2, 2019 with the securities regulatory authorities in all provinces of Canada (except Québec). In addition, the Company is pleased to announce that it has entered into an agreement with a syndicate of agents co-led by Laurentian Bank Securities Inc., Canaccord Genuity Corp. and Eight Capital, and including Haywood Securities Inc., Desjardin Securities Inc. and Cormark Securities Inc. (collectively, the "**Agents**"), pursuant to which the Agents have agreed to offer for sale to the public, on a best efforts basis, up to 8,000 convertible debentures (the "**Debentures**") of Southern at a price of $1,000 per Debenture for aggregate gross proceeds of up to $8 million (the "**Debenture Financing**").

"Southern is focused on consolidating assets in the southeastern United States where commodity prices are more favourable than what we currently see in Canada", said Ian Atkinson, President & CEO of Southern. "Our natural gas assets attract NYMEX gas prices and our oil assets attract a price that is premium to West Texas Intermediate".

THE PRIVATE PLACEMENT

The Debentures will have a coupon of 8.00% per annum, and a conversion price of $0.125 per common share of Southern (a "**Common Share**"). The Company has granted the Agents an over-allotment option to offer for sale up to an additional $1.2 million aggregate principal amount of the Debentures, on the same terms, exercisable in whole or in part at any time up to 48 hours prior to the Closing Date (as defined herein). The Debentures will be issued pursuant to a debenture indenture (the "**Indenture**") to be dated as of the Closing Date.

The Debentures will mature and be repayable on June 30, 2022 (the "**Maturity Date**") and will accrue interest at the rate of 8.00% per annum payable semi-annually in arrears on December 31 and June 30 of each year (each an "**Interest Payment Date**"), with the first such payment to be made December 31, 2019. The Debentures will be repaid in cash at maturity, subject to earlier redemption by the Company as described below.

At the holder's option, the Debentures will be convertible into Common Shares at any time prior to the close of business on the earlier of the business day immediately preceding (i) the Maturity Date, or (ii) if called for redemption, the date specified for redemption by the Company, at a conversion price of $0.125 per Common Share, subject to adjustment in certain events. This represents a conversion rate of approximately 8,000 Common Shares for each $1,000 principal amount of Debentures, subject to the operation of certain anti-dilution provisions expected to be contained in the Indenture. Holders who convert their Debentures will receive accrued and unpaid interest for the period from the date of the last Interest Payment Date prior to the date of conversion to the date of conversion. In addition to the foregoing, in the event of a change of control of the Company, subject to certain terms and conditions, holders of Debentures will be entitled to convert their Debentures and, subject to certain limitations, receive, in addition to the number of Common Shares they would otherwise be entitled to receive, an additional number of Common Shares per $1,000 principal amount of Debentures.

The Debentures will be direct, subordinated unsecured obligations of the Company, subordinated to any senior indebtedness of the Company, including the Company's senior secured credit facility, and ranking equally with one another and with all other existing and future subordinated unsecured indebtedness of the Company to the extent subordinated on the same terms.

The Debentures will not be redeemable by the Company prior to June 30, 2020. On or after June 30, 2020 and prior to June 30, 2021, the Debentures will be redeemable by the Company, in whole or in part, from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to 105% of their principal amount plus accrued and unpaid interest, if any. On or after June 30, 2021 and prior to the Maturity Date, the Debentures will be redeemable by the Company, in whole or in part, from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to 102.5% of their principal amount plus accrued and unpaid interest, if any.

The Debentures will be offered for sale to purchasers in (i) all of the provinces of Canada pursuant to available private placement exemptions and such other international jurisdictions as mutually agreed to by the Agents and the Company, and (ii) the United States on a private placement basis pursuant to exemptions from the registration requirements of U.S. securities laws. The securities issued and sold in the Debenture Financing will be subject to a four month hold period under applicable securities legislation. The Debenture Financing is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange and the applicable securities regulatory authorities. The net proceeds of the Debenture Financing will be used to fund the Acquisition (as defined herein). The Debenture Financing is expected to close on or about June 7, 2019 (the "**Closing Date**").

THE ACQUISITION

As previously announced on April 25, 2019, the Company's wholly-owned subsidiary, Southern Energy CMS, LLC, has entered into an agreement with an arm's length private company to acquire assets in the State of Mississippi (the "**Assets**") for cash consideration of US$16.5 million ($22.0 million), subject to customary adjustments (the "**Acquisition**"). The Acquisition will be fully funded through a combination of the proceeds from the Debenture Financing, availability under the Company's current and expected increased debt facility, and cash on hand. With an effective date of January 31, 2019, closing of the Acquisition is expected to occur on or about June 7, 2019, subject to customary closing conditions and regulatory approvals.

The Assets include high-quality, low-decline, operated production of approximately 1,000 boe/d (97% gas) with control of strategic facilities and infrastructure that are highly complementary to Southern's existing Mississippi operations. The Acquisition represents a continuation of Southern's strategy to develop conventional and unconventional light oil and natural gas resources in Mississippi, Alabama and Louisiana (the "**Southeast Gulf States**").

Strategic Rationale and Benefits of the Acquisition

The Acquisition strengthens Southern's business model and complements its existing operations while sharpening its focus on growing natural gas production and reserves in the Southeast Gulf States. The Assets are characterized by very low base decline of less than 5%. Upon the completion of the Acquisition, management expects to optimize volumes with minimal capital expenditure.

Pro forma, Southern's production is anticipated to exceed 2,550 boe/d (10% oil and liquids) which is an increase of over 65%.

Acquisition highlights and anticipated associated benefits include:

- minimal capital requirements to potentially optimize base production;
- opportunity to convert probable reserves to proved developed producing ("**PDP**") at no cost to Southern due to continued strong well performance in the Mount Olive East Field, which is characterized by stable, low decline natural gas production;
- potential to capitalize on operational synergies associated with Southern's existing assets at Gwinville and Williamsburg;
- owned and operated infrastructure in two new core areas that offer potential oil drilling into the Cotton Valley formation; and
- based on the report in respect to the Assets prepared by Netherland, Sewell & Associates, Inc. ("**NSAI**") dated effective January 31, 2019, the Acquisition materially enhances the Company's reserves as follows:
  - 2.42 MMboe of PDP reserves, an increase of 46% over Southern's year end 2018 reserves; and
  - after completion of the Acquisition, Southern will have PDP reserves of 7.68 MMboe.

SUMMARY OF THE ASSETS

Total purchase price(1)	$22.0 million
Current production	1,000 boe/d (3% oil & liquids)
Annual decline rate(2)	< 5%
Land position	~4,500 net acres

Reserves(3)

Category	**Reserves (MMboe)**	**Reserves ($)(5)**
PDP (3)	2.42 MMboe	$21.4 million
Proved (3)	2.45 MMboe	$22.4 million
Proved plus probable ("**P+P**") (3)	3.01 MMboe	$27.6 million
P+P RLI (4)	8.25 years	

Key Asset Metrics

Current production	$22,000 per boe/d
PDP reserves (3)(5)	$9.10 per boe
Proved reserves (3)(5)	$9.00 per boe
P+P reserves (3)(5)	$7.30 per boe
PDP reserves (3)(5)	1.02x
Proved reserves (3)(5)	0.98x
P+P reserves (3)(5)	0.80x
PDP reserves accretion (3)	46%
P+P reserves accretion (3)	25%

Notes:

1. Subject to customary adjustments for a transaction of this nature.
2. Based on 2018 actual production.
3. Company Gross Reserves. Reserves were prepared by NSAI dated effective January 31, 2019 using GLJ Petroleum Consultants Ltd.'s January 1, 2019 forecast prices and costs in accordance with National Instrument 51-101 – Standards of Disclosure of Oil and Gas Activities and the Canadian Oil and Gas Evaluation Handbook (the "**NSAI Report**"). Company Gross Reserves means the working interest reserves

of the Assets before the calculation of royalties, and before the consideration of the vendor's royalty interests. Estimates of future net revenue do not represent fair market value.

4. The reserve life index ("**RLI**") is calculated by dividing P+P reserves estimated at 3.01 MMboe with estimated current production of 1,000 boe/d. RLIs are not necessarily comparable between different issuers as there may be variation in calculation methodology. Management views RLI as a useful measure of the length of time the reserves would be produced at the estimated rate of production.
5. Reserves are calculated before income tax and discounted at 10% per year.

ABOUT SOUTHERN ENERGY CORP.

Southern Energy Corp. is an oil and natural gas exploration and production company. Southern has a primary focus on developing conventional and unconventional light oil and natural gas resources in the Southeast Gulf States of Mississippi, Alabama, and Louisiana. Our management team has extensive experience with developing assets through the utilization of horizontal drilling and multi-staged fracture completion techniques. We have a long and successful history of working together as a team and have created significant shareholder value through high quality engineering and geoscience work.

Contact Information
For further information, please contact:

Southern Energy Corp.
Suite 2400, 333 – 7th Avenue S.W.
Calgary, Alberta T2P 2Z1

Ian Atkinson, President & CEO
Tel: (587) 287-5401

or

Calvin Yau, V.P. Finance & CFO
Tel: (587) 287-5402

www.southernenergy.ca

READER ADVISORY

This press release is not an offer of the securities for sale in the United States. The securities offered have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any U.S. state securities laws and may not be offered or sold in the United States absent registration or an available exemption from the registration requirement of the U.S. Securities Act and applicable U.S. state securities laws. This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

BOE Disclosure. *The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6mcf:1bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in the report are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.*

Forward Looking Statements. *Certain information included in this press release constitutes forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this press release may include, but is not limited to, statements concerning timing of the Acquisition and the Debenture Financing, amount of the purchase price of the Acquisition, expected number of future drilling locations related to the Acquisition, the anticipated closing date of the Debenture Financing, the use of proceeds from the Debenture Financing, the terms of the Debenture Financing, the timing, amount and availability of the expected increase to the Company's debt facility, reserve estimates, future production levels, decline rates, future operational and technical synergies resulting from the Acquisition and future acquisition opportunities.*

The forward-looking statements contained in this press release are based on certain key expectations and assumptions made by Southern, including expectations and assumptions concerning the receipt of all approvals and satisfaction of all conditions to the completion of the Acquisition and the Debenture Financing, the timing of and success of future drilling, development and completion activities, the performance of existing wells, the performance of new wells, the availability and performance of facilities and pipelines, the geological characteristics of Southern's properties, the characteristics of the Assets, the successful integration of the Assets into Southern's operations, the successful application of drilling, completion and seismic technology, prevailing weather conditions, prevailing legislation affecting the oil and gas industry, commodity prices, royalty regimes and *exchange rates, the application of regulatory and licensing requirements, the availability of capital, labour and services, the creditworthiness of industry partners and the ability to source and complete asset acquisitions.*

Although Southern believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Southern can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), constraint in the availability of services, commodity price and exchange rate fluctuations, changes in legislation impacting the oil and gas industry, adverse weather or break-up conditions and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. These and other risks are set out in more detail in Southern's Annual Information Form for the year ended December 31, 2018.

Forward-looking information is based on a number of factors and assumptions which have been used to develop such information, but which may prove to be incorrect. Although Southern believes that the expectations reflected in its forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because Southern can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this press release, assumptions have been made regarding and are implicit in, among other things, the timely receipt of any required regulatory approvals and the satisfaction of all conditions to the completion of the Acquisition and the Debenture Financing. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.

The forward-looking information contained in this press release is made as of the date hereof and Southern undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward-looking information contained in this press release is expressly qualified by this cautionary statement.

Non-IFRS Measures. *This press release contains a term commonly used in the oil and natural gas industry, RLI, that does not have a standardized meaning prescribed by IFRS. This non-IFRS financial measure may not be comparable to similar measures presented by other issuers. Readers are cautioned that these non-IFRS measures should not be construed as an alternative to other measures of financial performance calculated in accordance with IFRS. RLI provides additional information that management believes is meaningful in describing the Assets' and the Company's operational performance. Management views RLI as a useful measure of the length of time the Company's reserves would be produced at the estimated rate of production. RLI is calculated by dividing proved plus probable reserves estimated at 3.01 MMboe with estimated current production of 1,000 boe/d. RLIs are not necessarily comparable between different issuers as there may be variation in calculation methodology.*

Reserves Information. *Both the NSAI Report and the report 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 (the "**Southern Reserves Report**") were prepared by NSAI using the same pricing assumptions. Any other differences in assumptions between the NSAI Report and the Southern Reserves Report are not material. While the effective dates of the Southern Reserves Report and the NSAI Report are December 31, 2018 and January 31, 2019, respectively, variances in reserves values due to the different effective dates do not lead to materially misleading results when reserves are disclosed on a pro forma basis. Given the foregoing, management believes that pro forma estimates of reserves disclosed herein are not misleading with respect to assumptions, input data, professional judgment of the qualified reserves evaluator and produced volumes.*

All dollar figures included herein are presented in Canadian dollars, unless otherwise noted.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.