Management's Discussion and Analysis of

SOUTHERN ENERGY CORP.

For the three and nine months ended September 30, 2020 and 2019

(Canadian Dollars)

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of financial results is provided by the management of Southern Energy Corp. ("Southern" or the "Company") and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 and 2019 (the "Financial Statements"), which have been prepared in accordance with IAS 34 – *Interim Financial Reporting* of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Company's presentation and functional currency is the Canadian dollar. The functional currency of the Company's United States ("US") subsidiaries is the US dollar, and its results and balance sheet items are translated to Canadian dollars for the purposes of this MD&A and the Financial Statements, in accordance with the Company's foreign currency translation accounting policy.

This MD&A is dated November 30, 2020.

Overview

Southern is a natural gas and light oil producer with assets in Mississippi and Alabama (the "Southeast Gulf States") characterized by a stable, low-decline production base, a significant low-risk drilling inventory and strategic access to the best commodity pricing in North America. Southern's mission is to build a socially responsible and environmentally conscious light oil and natural gas company in the Southeast Gulf States through the consolidation and development of prolific reservoirs outside of the expensive shale basins. In these areas, Southern has access to major pipelines, significant Company-owned infrastructure, year-round access to drill, and the ability to shift focus between natural gas or crude oil development as commodity prices fluctuate; all factors that contribute to mitigating corporate risk. Southern's goal is to continually grow shareholder value through strategic, accretive acquisitions and organic growth opportunities.

The Company's management team has a long and successful history of working together as a team and have created significant shareholder value through high-quality engineering and geoscience work. Southern's head office is located in Calgary, Alberta, Canada.

Operational Update

On June 12, 2020, Southern resumed production from its Mechanicsburg assets, which had been shut-in due to a third-party pipeline force majeure event since March 2020 (see March 26, 2020 press release for additional information). The resumption of production from the Mechanicsburg assets materially improves Southern's sustainability as these assets accounted for approximately 25% of the corporate Q3 2020 production volumes and corporate Operating Netback (see "*Reader Advisories – Non-IFRS Measures*"), excluding realized derivatives.

THIRD QUARTER HIGHLIGHTS

- Reduced bank indebtedness by US$0.5 million ($0.6 million) while net debt (see "*Reader Advisories – Non-IFRS Measures*") decreased by $0.9 million compared to Q2 2020.

- Southern generated $1.1 million of Adjusted Funds Flow from Operations (see "*Reader Advisories – Non-IFRS Measures*") in Q3 2020, which was equal to the same period in 2019.

- Southern realized average production of 13,215 Mcfe/d (92% natural gas) during Q3 2020, a 17% decrease from the same period in 2019.

- Production and operating costs were $1.20/Mcfe in Q3 2020, a decrease of 7% from the same period in 2019.

- At September 30, 2020, Southern had positive adjusted working capital (see "*Reader Advisories – Non-IFRS Measures*") of $1.2 million excluding royalty payables and bank debt.

- Recorded general and administrative costs of $861 thousand in Q3 2020, which was $195 thousand (18%) lower compared to the same period in 2019.

- Southern's realized oil and natural gas prices for Q3 2020 averaged $50.37/bbl and $2.49/Mcf (Q3 2019 - $76.42/bbl and $2.76/Mcf), respectively, reflecting the benefit of pricing at US sales hubs, which currently trade at a premium to Canadian benchmark prices.

Summary of Financial Information

(000s, except $ per share)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Petroleum and natural gas sales	$ 3,537	$ 5,145	$ 9,412	$ 13,604
Adjusted funds flow from operations (2)	1,136	1,143	2,564	2,000
Per share (1)	0.01	0.01	0.01	0.01
Net loss from continuing operations	(2,958)	(1,081)	(15,045)	(3,109)
Net loss per share from continuing operations				
Per share (1)	(0.01)	(0.00)	(0.07)	(0.01)
Total net loss	(2,958)	(1,081)	(15,045)	(3,086)
Total net loss per share				
Per share (1)	(0.01)	(0.00)	(0.07)	(0.01)
Capital expenditures	78	595	119	22,754
Weighted average shares outstanding				
Basic	220,770	223,770	220,770	212,321
Fully diluted	220,770	223,770	220,770	212,321
As at period end				
Common shares outstanding				
Basic	220,770	223,770	220,770	223,770
Fully diluted	220,770	223,770	220,770	223,770
Total assets	36,290	59,602	36,290	59,602
Non-current liabilities	12,583	12,493	12,583	12,493
Net debt (2)	$ 30,719	$ 32,130	$ 30,719	$ 32,130

Notes:
(1) Basic and fully diluted weighted average shares outstanding.
(2) See "*Reader Advisories – Non-IFRS Measures*".

Discontinued Operations

On May 2, 2019, Southern disposed of all of its Canadian oil and natural gas assets for $0.5 million (the "Disposition"). As a result of the Disposition, the Canadian assets are presented as discontinued operations for the three and six months ended June 30, 2019, unless otherwise noted. Throughout this MD&A, references to discontinued operations will include Nil values for Q3 2020 and nine months ended September 30, 2020, as the Disposition was completed on May 2, 2019.

Asset Acquisition

In 2019, Southern further solidified our strategy of becoming a pure US Southeast Gulf States player by successfully closing a strategic acquisition ("Acquisition") in our existing core area. The Acquisition, which was completed on June 14, 2019, consisted of high netback, low decline, operated natural gas assets in the State of Mississippi.

Production Summary

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Daily production from continuing operations				
Oil (bbl/d)	153	198	138	180
NGLs (bbl/d)	27	34	19	39
Natural gas (Mcf/d)	12,135	14,440	11,660	10,439
Production from continuing operations (Mcfe/d)	**13,215**	**15,832**	**12,602**	**11,753**
Production from discontinued operations (Mcfe/d)	**-**	**-**	**-**	**127**
Total production (Mcfe/d)	**13,215**	**15,832**	**12,602**	**11,880**
Percentage of natural gas	**92%**	**91%**	**93%**	**89%**

Production from continuing operations averaged 13,215 Mcfe/d in Q3 2020 and 12,602 Mcfe/d for the first nine months of 2020, a decrease of 17% from Q3 2019 and an increase of 7% from the first nine months of 2019. The decrease in Q3 2020 compared to the same period in 2019 was primarily due to natural decline as minimal maintenance capital was incurred in 2020. The increase for the nine months ended 2020 compared to the same period in 2019 was mostly due to the additional volumes from the Acquisition, partially offset by natural declines.

Petroleum and Natural Gas Revenues and Pricing Summary

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
(000s)				
Oil	$ 709	$ 1,392	$ 1,923	$ 3,864
NGLs	45	91	112	374
Natural gas	2,783	3,662	7,377	9,366
Revenue from continuing operations	3,537	5,145	9,412	13,604
Revenue from discontinued operations	-	-	-	334
Total revenue	**$ 3,537**	**$ 5,145**	**$ 9,412**	**$ 13,938**

In Q4 2019, Southern adjusted how transportation expenses were being recorded as the majority of the petroleum and natural gas production was, and continues to be, sold at the wellhead. This adjustment resulted in lower transportation expenses offset by lower petroleum and natural gas revenues and higher royalty expenses. The adjustments had no impact to the Operating Netback or Cash Flow from Operations (see "*Reader Advisories – Non-IFRS Measures*"). Prior quarters have been restated for comparison purposes.

Realized commodity prices for continuing operations

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Oil ($/bbl)	$ 50.37	$ 76.42	$ 50.86	$ 78.63
NGLs ($/bbl)	18.12	29.09	21.51	35.13
Natural gas ($/Mcf)	2.49	2.76	2.31	3.29
Combined ($/Mcfe)	**$ 2.91**	**$ 3.53**	**$ 2.73**	**$ 4.24**
Benchmark prices				
Crude oil – LLS ($/bbl)	$ 56.53	$ 79.95	$ 53.86	$ 84.05
Crude oil – LLS (US$/bbl)	42.42	60.56	40.17	63.21
Crude oil – WTI ($/bbl)	54.52	74.51	51.40	75.82
Crude oil – WTI (US$/bbl)	40.92	56.45	38.34	57.03
Natural gas – HH ($/MMbtu)	2.84	3.08	2.59	3.42
Natural gas – HH (US$/MMbtu)	2.14	2.33	1.92	2.57
Exchange rate ($/US$)	$ 1.33	$ 1.32	$ 1.35	$ 1.33

Southern sells the majority of its oil and natural gas at the wellhead. Southern receives Louisiana Light Sweet ("LLS") pricing (less adjustments for proximity and quality) for its oil, and Henry Hub ("HH") pricing (less minor proximity adjustments) for its natural gas.

In Q3 2020 Southern realized an oil price of $50.37/bbl which was a decrease of 34% from the same period in 2019. For the first nine months of 2020, Southern's realized oil price decreased 35% compared to the same period in 2019. While volatility and downward pressure in oil prices continued during Q3 2020 due to COVID-19, oil prices began to stabilize from the extreme lows in Q2 2020 due to rapidly dropping drilling rig counts, supply curtailments from OPEC and non-OPEC countries, and increased oil demand as economies began some easing of mandated lockdowns. Since the end of Q1 2020, the LLS differentials to West Texas Intermediate ("WTI") have remained extremely tight. The LLS premium to WTI averaged US$1.50/bbl in Q3 2020 and US$1.83/bbl for the first nine months of 2020, compared to US$4.11/bbl and US$6.18/bbl, respectively, for the same periods in 2019.

Southern realized a price of $2.49/Mcf in Q3 2020 and $2.31/Mcf during the first nine months of 2020, a decrease of 10% and 30%, respectively, from the same periods in 2019. HH pricing had been challenged during the first half of 2020, primarily due to strong supply growth from the associated natural gas in the Permian combined with weaker global LNG demand as a result of Covid-19 related demand destruction following warm winters in Europe and Asia. However, this has changed dramatically due to the demand destruction of oil caused by COVID-19 and the large reduction in rig counts resulting from lower oil prices. Southern believes the decrease in new oil and gas wells being drilled should be beneficial to natural gas prices over the medium to long term. This has been evident as the calendar 2021 strip pricing for HH is currently trading at an average of US$2.82/MMBtu. The U.S. natural gas market dynamic is rapidly changing with significant production declines of more than 10 Bcf/d of U.S gas production to date year-on -year at the same time as new record U.S. LNG exports of more than 10 Bcf/d.

Royalties

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
(000s)				
Oil	$ 142	$ 308	$ 393	$ 846
NGLs	8	22	20	86
Natural gas	552	722	1,502	1,830
Royalties from continuing operations	702	1,052	1,915	2,762
Royalties from discontinued operations	-	-	-	54
Total royalties	**$ 702**	**$ 1,052**	**$ 1,915**	**$ 2,816**
Royalties as a % of revenue	**19.8%**	**20.4%**	**20.3%**	**20.3%**

Royalties from continuing operations were $702 thousand in Q3 2020 and $1.9 million for the first nine months of 2020, a decrease of 33% and 31%, respectively, from the same periods in 2019. The decrease is primarily due to lower LLS and HH prices. Q3 2020 royalties as a percentage of revenue were inline with the corporate average of 20% as the Mechanicsburg assets, which have lower royalty rates compared to Southern's other assets, came back online in June 2020 (see "Operational Update", above). Southern expects royalties as a percentage of revenue to continue to be approximately 20% for the remainder of 2020.

Production, Operating and Transportation Expenses

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
(000s)				
Operating expenses	$ 1,242	$ 1,567	$ 3,890	$ 4,220
Production taxes	211	308	565	816
Transportation expense	80	110	145	280
Total from continuing operations	1,533	1,985	4,600	5,316
Total from discontinued operations	-	-	-	61
Total production, operating and transportation	**$ 1,533**	**$ 1,985**	**$ 4,600**	**$ 5,377**

Field expenses from continuing operations were $1.5 million ($1.26/Mcfe) in Q3 2020, which were 23% lower on a dollar basis or a decrease of $0.11/Mcfe compared to the same period in 2019. For the first nine months of 2020, field expenses from continuing operations were $4.6 million ($1.33/Mcfe), which were 14% lower or a decrease of $0.33/Mcfe compared to the same period in 2019. Southern continuously analyzes opportunities to reduce operating costs by streamlining business processes and optimizing field equipment and well setups. Through lower negotiated transportation fees ($0.27/Mcf) as well as operational and employee synergies in combination with the Acquisition, Southern has demonstrated its ability to drive down field costs in order to insulate the Company from the current depressed commodity price environment.

In April 2020, Southern applied for and received US$112 thousand from the Paycheck Protection Program ("PPP"), which was part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") that was signed into law on March 26, 2020. The CARES Act was a $2.2 trillion economic stimulus bill in response to the economic fallout of the COVID-19 pandemic in the United States. The PPP was specifically aimed towards small businesses to provide resources to maintain staffing and payroll levels through the initial period of the pandemic. The PPP was designed as a low interest rate loan for approximately 2.5 months of payroll expenses, with the ability to be forgiven, interest and tax free, if certain criteria are met. On November 6, 2020, Southern was advised from its lender that the Small Business Administration (the "SBA") had approved forgiveness on the full amount of the loan.

Q3 2020 production taxes of $211 thousand (6.0% as a percentage of revenue) and $565 thousand for the nine months ended September 30, 2020, were related to a 6% severance tax charged by the State of Mississippi on all oil and natural gas production. Horizontal wells that are drilled receive a severance tax relief at a rate of 1.3% for: (a) a period not to exceed thirty months from the date of the first sale of production from the wells; or (b) until the well reaches payout status, whichever occurs first. Payout is deemed to have occurred on the first day of the next month after gross revenues, less royalties and severance taxes, equal the cost to drill and complete the well.

Transportation expenses of $80 thousand ($0.06/Mcfe) and $145 thousand ($0.04/Mcfe) for Q3 2020 and the first nine months of 2020, respectively, are related to pipeline fees at Mechanicsburg for the transportation of Southern's natural gas volumes to the sales meter (approximately $0.25/Mcf). Q3 2020 was 27% lower than Q3 2019, due to 10% lower natural gas volumes at Mechanicsburg. For the nine months ended September 30, 2020, transportation expenses were 49% lower than the same period in 2019, primarily due to the Mechanicsburg field being down for the majority of Q2 2020 (see "*Operational Update*", above).

Operating Netback

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	**2019**	**2020**	**2019**
($/Mcfe)				
Petroleum and natural gas revenue	$ 2.91	$ 3.53	$ 2.73	$ 4.24
Royalties	(0.58)	(0.72)	(0.55)	(0.86)
Production and operating	(1.20)	(1.29)	(1.29)	(1.57)
Transportation costs	(0.06)	(0.08)	(0.04)	(0.09)
Realized gain on derivatives	0.57	0.19	0.64	0.06
Operating netback per Mcfe (1)	**$ 1.64**	**$ 1.63**	**$ 1.49**	**$ 1.78**
Operating netback % of revenue (1)	**56%**	**46%**	**55%**	**42%**

Notes:
(1) See "*Reader Advisories – Non-IFRS Measures*".

Southern's operating netback of $1.64/Mcfe in Q3 2020 was essentially flat compared to Q3 2019. Lower HH and LLS prices in Q3 2020 were offset with lower royalty expenses, higher realized derivative gains and Southern's focus on lowering operating costs on an absolute and per Mcfe basis.

Southern's operating netback was $1.49/Mcfe for the first nine months of 2020, which was $0.29/Mcfe lower than the same period of 2019. The decrease was primarily due to lower realized petroleum and natural gas prices, partially offset by lower operating costs from the Acquisition assets and a gain on derivatives.

Southern recorded a realized gain on derivatives of $0.7 million and $2.2 million in Q3 2020 and the first nine months of 2020, respectively, demonstrating Southern's ability, through its strong hedge position, to maintain positive cashflow through the current volatile commodity price environment.

General & Administrative and Transaction Costs

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
(000s)				
General and administrative	$ 861	$ 1,056	$ 2,546	$ 3,220
Transaction costs	-	192	-	580
Total from continuing operations	861	1,248	2,546	3,800
Total from discontinued operations	-	-	-	150
Total	**$ 861**	**$ 1,248**	**$ 2,546**	**$ 3,950**

General and administrative costs were $861 thousand in Q3 2020 and $2.5 million for the first nine months of 2020, a decrease of 18% and 21%, respectively, from the same period in 2019. The decrease is primarily attributable to lower payroll, consulting and financial advisor fees as well as subsidy funds received from the Government of Canada in 2020. Southern is focused on reducing corporate spending in order to protect the financial position of the Company.

The Government of Canada passed the Canada Emergency Wage Subsidy ("CEWS") as part of its COVID-19 Economic Response Plan. The program is effective from March 15, 2020 to June 2021 and provides a wage subsidy, based on certain criteria, to eligible businesses. For the nine months ended September 30, 2020, Southern recorded a subsidy of $147 thousand from the CEWS program.

As previously disclosed in the March 26, 2020 press release, Southern has implemented cost saving measures by reducing corporate salaries by 20% and eliminating all non-essential business expenditures.

The majority of the transaction costs are related to the December 19, 2018 acquisition of Gulf Pine Energy Partners, LP ("Gulf Pine").

Financing Expense

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
(000s)				
Bank Interest	$ 196	$ 303	$ 641	$ 711
Convertible debenture interest	163	163	484	193
Lease interest	9	14	30	46
Accretion	273	117	501	152
Total from continuing operations	641	597	1,656	1,102
Total from discontinued operations	-	-	-	6
Total finance expense	**$ 641**	**$ 597**	**$ 1,656**	**$ 1,108**

Finance expenses from continuing operations increased 7% and 50% in Q3 and the first nine months of 2020, respectively, compared to the same periods in 2019. The increase was primarily a result of the interest on the Debentures that were issued on June 14, 2019 to fund the Acquisition. For more information on the Debentures, see "*Liquidity, Capital Resources and Going Concern – Debenture Financing*" below. Accretion expenses in Q3 2020 include $67 thousand related to the amortization of transaction costs incurred with the execution of the Amended Credit Agreement (as defined below). See *"Liquidity, Capital Resources and Going Concern"*, for further details. Bank interest was $107 thousand and $70 thousand lower in Q3 2020 and the first nine months of 2020, respectively, compared to the same periods in 2019, primarily due the debt repayments made in Q3 2020 and lower effective interest rates. The effective interest rate, excluding commitment and other fees, was 4.5% for the nine months ended September 30, 2020 compared to 5.7% for the same period in 2019.

Share-based Compensation

Southern recorded share-based compensation of $46 thousand and $237 thousand in Q3 2020 and the first nine months of 2020, respectively, compared to $100 thousand and $112 thousand in the same periods in 2019, relating to the stock option issuance on June 20, 2019. For more information, see "*Shareholders' Equity – Stock Option Plan*".

Depletion, Depreciation and Amortization

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
(000s)				
Depletion	$ 1,157	$ 1,698	$ 3,419	$ 3,701
Depreciation	97	96	289	288
Total from continuing operations	1,254	1,794	3,708	3,989
Total from discontinued operations	-	-	-	39
Total depletion, depreciation and amortization	**$ 1,254**	**$ 1,794**	**$ 3,708**	**$ 4,028**

Depletion expense from continuing operations was $1.2 million ($0.95/Mcfe) in Q3 2020, a decrease of 32% on a dollar basis and 19% on a per Mcfe basis, compared to Q3 2019 ($1.17/Mcfe). Depletion expense from continuing operations was $3.4 million ($0.99/Mcfe) for the first nine months of 2020, a decrease of 8% on a dollar basis and a decrease of 14% on a per Mcfe basis, compared to the same period in 2019 ($1.15/Mcfe). The main factors impacting depletion were the non-cash impairment charges recorded in both the first quarter of 2020 and the fourth quarter of 2019.

Depreciation expense is related to the Right-of-Use assets associated with the office space lease.

Impairment

At September 30, 2020, Southern did not identify any indicators of impairment or impairment reversal for any of its cash generating units ("CGUs").

At March 31, 2020, Southern determined that the significant decrease in oil prices in March 2020 and Southern's market capitalization falling below the net assets of the Company were indications of impairment. Southern estimated the recoverable amount of all CGUs at March 31, 2020 and determined that the carrying value of the Central Mississippi ("CMS") and the Smackover ("SO") CGUs exceeded their recoverable amounts. A non-cash impairment charge of $10.4 million was recorded in the condensed consolidated interim statements of loss and comprehensive loss.

The Company estimated the recoverable amounts as fair value less costs of disposal, using the net present value of the cash flows from proved developed producing oil and gas reserves of each CGU, and a 10% discount rate. The proved developed producing oil and gas reserves were based on reserves estimated by Southern's independent reserves evaluator at December 31, 2019, and revised price estimates at March 31, 2020.

From January 1, 2020 to March 31, 2020, independent reserve engineer price estimates for 2020 have decrease 50% and 19% and decreased 23% and 9% on average over the next 10-year outlook for oil and natural gas respectively.

Changes in any of the key judgements, such as a revision in reserves, changes in forecast commodity prices, foreign exchange rates, capital or operating costs would impact the estimated recoverable amount. As at March 31, 2020, a 1% increase in the assumed discount rate would reduce the estimated recoverable amounts of the impaired CGUs by $0.8 million while a 5% decrease in commodity price forecasts would reduce the estimated recoverable amounts by $2.2 million.

Capital Expenditures, Property Acquisitions and Dispositions

The following table summarizes capital spending, excluding non-cash items:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
(000s)				
Acquisitions	$ -	$ 449	$ -	$ 21,324
Drilling and completions	-	36	-	449
Geological and geophysical	-	-	-	153
Facilities, equipment and pipelines	78	110	119	824
Other	-	-	-	4
Total Capital Expenditures	**78**	**595**	**119**	**22,754**
Net dispositions	**-**	**-**	**(338)**	**(504)**
Total Capital	**$ 78**	**$ 595**	**$ (219)**	**$ 22,250**

Capital expenditures of $119 thousand for the nine months ended September 30, 2020 were related to maintenance capital in the field on existing operations. Southern has a minimal capital program of $0.1 million for the remainder 2020, consisting entirely of maintenance capital to support the low corporate average decline rate of approximately 12%.

On May 28, 2020, Southern disposed of a non-core Canadian royalty asset, with a carrying value of $Nil, for net proceeds of $338 thousand.

Shareholders' Equity

Share Capital

The authorized share capital of the Company consists of an unlimited number of voting common shares ("Common Shares") and an unlimited number of preferred shares.

The following table reflects the Company's outstanding Common Shares at September 30, 2020 and December 31, 2019:

	Number of Shares	Share Capital
Balance at December 31, 2019	220,770,279	$ 35,441
Balance at September 30, 2020	**220,770,279**	**$ 35,441**

Warrants

At September 30, 2020, 19,306,667 Recap Warrants (as defined in the Financial Statements) had vested as the Market Price (as defined in the Financial Statements) had exceeded $0.15. See Note 6 of the Financial Statements for further information.

Stock Option Plan

The following table reflects the Company's outstanding options to purchase Common Shares at September 30, 2020 and December 31, 2019:

	Number of stock options	Weighted average exercise price
Balance at December 31, 2019	19,400,000	$ 0.10
Balance at September 30, 2020	**19,400,000**	**$ 0.10**

	Outstanding and Exercisable	
Exercise price	**Number of stock options**	**Weighted average remaining life (years)**
$ 0.10	19,400,000	3.7
$ 0.10	**19,400,000**	**3.7**

Liquidity, Capital Resources and Going Concern

Due to the current low commodity price environment and COVID-19 pandemic, Southern continues to review all options to improve the financial strength of the Company. As previously disclosed, the Company implemented and continues cost saving measures by reducing corporate salaries by 20%, field salaries by 10%, and eliminating all non-essential business expenditures. Southern will continue to prioritize the deleveraging of the balance sheet through utilizing excess cash flow to repay the outstanding debt balance. In addition to the cost saving measures noted, Southern will further manage liquidity by evaluating additional opportunities to reduce both operating and capital field expenditures, unwinding of in the money derivative contracts, sale of non-core oil and gas assets and looking for alternative sources of financing. To date, Southern has displayed the ability to generate free cash flow even in a low commodity price environment and continues to service the Company's Senior Secured Credit Facility (the "Credit Facility").

With the support of the current lender, Southern entered into the Amended and Restated Credit Agreement in respect of the Credit Facility on July 20, 2020 (the "Amended Credit Agreement"). See "*Credit Facility*", below, for more information.

On October 6, 2020, Southern entered into the first amendment to the Amended Credit Agreement (the "First Amendment"). The First Amendment postponed the next redetermination and the maturity of the Non-Conforming Facility (as defined below) to November 1, 2020. See "*Credit Facility*", below, for more information.

On November 24, 2020, Southern entered into the second amendment to the Amended Credit Agreement (the "Second Amendment"). The Second Amendment included: (a) a waiver for the non compliance of the leverage ratio financial covenant as at September 30, 2020; an extension of the maturity of the Non-Conforming Facility to February 1, 2021, which is the same date as the maturity of the Conforming Facility (as defined below); and (c) redetermined the borrowing base limit at US$13.3 million (US$8.5 million Conforming Facility and US$4.8 million Non-Conforming Facility) to account for debt repayments made during the year. See "*Credit Facility*", below, for more information.

Southern continues to prudently pay down the Credit Facility each month as per the requirements of the Amended Credit Agreement and has made the following debt repayments subsequent to September 30, 2020:

Date of repayment	**(US$000s)**	**($000s)**
October 1, 2020	$ 100	$ 132
November 2, 2020	150	196
Total amount repaid since September 30, 2020	**$ 250**	**$ 328**
Balance as at November 27, 2020	**$ 13,300**	**$ 17,746**

On September 30, 2020, excluding the current portion of the bank debt, lease obligations and the current derivative assets and liabilities, Southern had an adjusted working capital deficiency (see "*Reader Advisories – Non-IFRS Measures*") of $4.6 million. The adjusted working capital deficiency is primarily a result of $5.8 million (US$4.3 million) of non-interest bearing royalty payables related to unresolved title or ownership issues not expected to be settled within the operating cycle unless claimants demand repayment and provide proof of ownership. Excluding the royalty payables, Southern would have positive adjusted working capital of $1.2 million. These amounts are accumulated from the inception of oil and gas operations and will be resolved in accordance with industry standards over time. The royalty suspense account is made up of balances from approximately 5,600 royalty holders with over 96% of the balances being greater than 120 days, 43% of the balance being greater than 10 years. The royalty holders have deficiencies with their accounts that precludes Southern from making payments.

Southern's net debt (see "*Reader Advisories – Non-IFRS Measures*") was $30.7 million at September 30, 2020. This compares to a net debt balance of $31.3 million at December 31, 2019. Southern was able to reduce the debt balance by US$0.5 million during the first nine months of 2020 even with the current challenging economic climate, due to the COVID-19 pandemic and volatile commodity prices. Southern continues to focus on capital preservation and utilizing excess adjusted funds flows from operations (see "*Reader Advisories – Non-IFRS Measures*") to paydown the bank debt.

Southern was able to fund the minimal capital expenditures of $119 thousand for the first nine months of 2020 through excess adjusted funds flows from operations (see "*Reader Advisories – Non-IFRS Measures*"). While it is too early to know the full extent of the impacts the COVID-19 pandemic may have, Southern has taken a cautious approach to future expenditures in order to ensure capital preservation. Southern has a minor capital program of $0.1 million planned for the remainder of 2020, directed towards maintenance capital to sustain current production. This capital program will be funded through excess adjusted funds flows from operations (see "*Reader Advisories – Non-IFRS Measures*").

To manage risk through volatile commodity prices, Southern has fixed price hedges on production of 6,000 Mcf/d of natural gas at an average price of US$2.55/Mcf through December 31, 2020. These hedge volumes equate to approximately 45% of its current production. On April 27, 2020, Southern entered into a buy-back swap for 75 Bbl/d of oil production. By entering into this transaction, in combination with the existing two oil swaps, Southern will realize proceeds of US$68 thousand per month for the remainder of 2020. Southern has also hedged approximately 45% of its budgeted 2021 natural gas production at an average price of US$2.45/Mcf through December 2021. See "*Risk Management – Commodity Derivative Contracts*" below for specific details on Southern's hedge positions.

Credit Facility

Southern Energy Corp. (Delaware), one of the wholly-owned subsidiaries of Southern, continues to hold the existing Credit Facility. The Credit Facility is secured against the oil and gas properties of Southern. At September 30, 2020, Southern had US$13.6 million ($18.1 million) drawn on the Credit Facility, which has been paid down by US$250 thousand ($328 thousand) subsequent to quarter end, as described above. On July 20, 2020, as part of a bank redetermination, Southern entered into the Amended Credit Agreement. Details of the Amended Credit Agreement, as amended by the First Amendment and Second Amendment, include:

- Borrowing base limit set to US$13.3 million; comprised of a US$8.5 million conforming borrowing base facility (the "Conforming Facility") and a US$4.8 million non-conforming borrowing base facility (the "Non-Conforming Facility").
- Non-Conforming Facility has a coupon 50 basis points above existing Credit Facility rates.
- Beginning July 26, 2020, and continuing every month, the Non-Conforming Facility is reduced by the greater of US$100 thousand or Bank EBITDAX less maintenance capital expenditures.
- Upon execution of the Amended Credit Facility, Southern made a principal repayment of US$100 thousand.
- The Non-Conforming Facility and the Conforming Facility have the same maturity date of February 1, 2021.
- Amendments to the Credit Facility financial covenants, which are summarized below:

Financial covenant	**Jun 30, 2020**	**Sep 30, 2020**	**Dec 31, 2020**	**Mar 31, 2021**
Leverage ratio (Debt / Bank EBITDAX)	4.60	4.00	3.75	3.50
Interest coverage ratio (Bank EBITDAX / Cash Interest)	2.75	2.75	2.75	2.75
Current ratio (Current Assets / Current Liabilities)	0.95	1.00	1.00	1.00

Subsequent to September 30, 2020, Southern entered into the First Amendment and Second Amendment to the Amended Credit Agreement. See the above discussion under *"Liquidity, Capital Resources and Going Concern"*, for further details. The November 1, 2020 bank redetermination was completed and the borrowing base has been confirmed at US$13.3 million (US$8.5 million Conforming Facility and US$4.8 million Non-Conforming Facility) to account for debt repayments made during the year. As the maturity date of the Credit Facility is less than twelve months from September 30, 2020, the outstanding bank debt has been classified under current liabilities.

With the execution of the Amended Credit Agreement, interest on borrowings under the Credit Facility is determined by reference to the Eurodollar Rate, and includes a minimum rate of 1.0%, plus a margin that ranges from 2.5% to 3.5%. As part of the Amended Credit Agreement, Southern will pay an additional 0.5% per annum on balances that exceed the Conforming Facility. Upon execution of the Second Amendment, Southern will pay an additional 2.0% per annum on all outstanding borrowings until the

February 1, 2021 maturity of the Amended Credit Agreement. During the nine months ended September 30, 2020, the effective interest rate, excluding commitment and other fees, was 4.5%.

The financial covenants of the Credit Facility, calculated quarterly, include covenants which relate to a maximum leverage ratio (Debt / Bank EBITDAX), minimum interest coverage ratio (Bank EBITDAX / Cash Interest) and minimum current ratio (Current Assets / Current Liabilities).

Below are the financial covenant calculations based on the Amended Credit Agreement for September 30, 2020:

Financial covenant	Limit	As at Sep 30, 2020	As at Dec 31, 2019
Leverage ratio (Debt / Bank EBITDAX)	Maximum 4.00	4.53	3.32
Interest coverage ratio (Bank EBITDAX / Cash Interest)	Minimum 2.75	3.31	4.86
Current ratio (Current Assets / Current Liabilities)	Minimum 1.00	1.34	1.44

The financial covenants include financial measures defined within the Amended Credit Agreement that are not defined under IFRS. These financial measures are defined by the Amended Credit Agreement as follows:

- Debt includes only the Credit Facility drawings at the period end.
- Bank EBITDAX is defined as Earnings before Interest, Taxes, Depreciation, Depletion, Amortization, Exploration Expenses and other non-cash charges such as, Impairment, Unrealized (gain) / loss on derivatives, Stock-based compensation and Foreign exchange (gain) / loss.
- Current Assets is calculated by taking the total current assets from the consolidated statement of financial position less the current derivative asset and adding the unused portion of the available Credit Facility.
- Current Liabilities is calculated by taking the total current liabilities from the consolidated statement of financial position less the current derivative liability, the current portion of the lease liability, royalties payable balances greater than one year and the current bank debt.

As discussed under "*Liquidity, Capital Resources and Going Concern*", the Second Amendment included a waiver for non-compliance of the leverage ratio covenant as at September 30, 2020, until the next quarterly calculation. If future profitability or available liquidity is not sufficient to meet the Company's operating and debt servicing obligations as they come due, management's plans include reducing expenditures and pursuing additional asset dispositions or alternative financing arrangements. For more information, see "*Liquidity, Capital Resources and Going Concern*".

Debenture Financing

On June 14, 2019, Southern closed the sale of 8,069 convertible debentures (the "Debentures") at a price of $1,000 per Debenture and received net proceeds of $7.3 million (the "Debenture Financing"), which was used to finance the Acquisition.

Contractual Obligations and Commitments

The Company is, or will be, obligated to pay various costs associated with operations incurred in the normal course of business. All such contractual obligations reflect market conditions prevailing at the time of contract and none are with related parties. The Company believes it has adequate sources of capital to fund all contractual obligations as they come due. The following table lists the Company's obligations with a fixed term as at September 30, 2020:

	Total	2020	2021	2022	Thereafter
Bank debt[(1)]	$ 18,074	$ -	$ 18,074	$ -	$ -
Convertible debentures[(2)]	8,069	-	-	8,069	-
Lease obligations[(3)]	535	111	424	-	-
Total	**$ 26,678**	**$ 111**	**$ 18,498**	**$ 8,069**	**$ -**

Notes:
(1) Credit Facility has a maturity date of February 1, 2021.
(2) Convertible debentures have a maturity date of June 30, 2022.
(3) The lease obligations relate to the Canadian office lease that is accounted for under IFRS 16.

Off-balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition, including, without limitation, the Company's liquidity and capital resources.

Risk Management

The business risks the Company is exposed to are those inherent in the oil and gas industry as well as those governed by the individual nature of Southern's operations. These risks include but are not limited to:

- volatility of commodity prices;
- global pandemics such as COVID-19;
- reservoir quality and uncertainty of reserves estimates;
- geological and engineering risks;
- operating hazards and other difficulties inherent in the exploration for and production of oil and gas;
- timing and success of integrating the business and operations of acquired companies and assets;
- the uncertainty of discovering commercial quantities of new reserves;
- interest rate and foreign exchange risks;
- competition;
- credit risk related to non-payment for sales contracts or non-performance by counterparties to contracts, including derivative financial instruments and physical sales contracts;
- environmental impact risk;
- future legislative and regulatory changes;
- changing royalty regimes;
- business interruptions due to unexpected events;

- the ability to raise required capital on acceptable terms;
- access to markets; and
- risk of interruption or failure of information technology systems and data.

All of these risks influence the controls and management at the Company.

Southern manages these risks by:

- attracting and retaining a team of highly-qualified and motivated professionals who have a vested interest in the success of the Company;
- operating properties in order to maximize opportunities;
- employing risk management instruments to minimize exposure to volatility of commodity prices;
- maintaining a comprehensive property loss and business interruption insurance program to reduce risk;
- implementing cyber security protocols and procedures to reduce the risk of a significant breach of the Company's information technology systems and related data; and
- maintaining strict environmental, safety and health practices.

For additional details on the risks relating to Southern's business, see "*Risk Factors*" in the Company's most recent Annual Information Form for the year ended December 31, 2019 (the "AIF"), which is available on SEDAR at www.sedar.com.

Commodity Derivative Contracts

Southern utilizes oil and natural gas derivative contracts to mitigate its exposure to commodity price risk associated with future oil and natural gas production. Typical derivative contracts could consist of options, in the form of price floors, collars or three-way collars and fixed-price swaps. The derivative financial instruments are recorded on the Consolidated Statement of Financial Position as either an asset or a liability measured at fair value. Southern does not apply hedge accounting to its commodity derivative contracts; accordingly, changes in the fair value of these instruments are recognized in the Consolidated Statement of Loss and Comprehensive Loss in the period of change.

Southern had the following commodity derivative contracts in place as at September 30, 2020:

Natural Gas	Volume	Pricing (US$)
Fixed Price Swap		
October 1, 2020 – December 31, 2020	1,000 MMBtu/d	NYMEX – HH $2.600/MMBtu
October 1, 2020 – December 31, 2020	1,500 MMBtu/d	NYMEX – HH $2.748/MMBtu
October 1, 2020 – December 31, 2020	2,000 MMBtu/d	NYMEX – HH $2.575/MMBtu
October 1, 2020 – December 31, 2020	1,500 MMBtu/d	NYMEX – HH $2.253/MMBtu
January 1, 2021 – December 31, 2021	1,500 MMBtu/d	NYMEX – HH $2.575/MMBtu
January 1, 2021 – December 31, 2021	3,600 MMBtu/d	NYMEX – HH $2.402/MMBtu

Crude Oil	Volume	Pricing (US$)
Fixed Price Swap		
October 1, 2020 – December 31, 2020	50 bbl/d	WTI $55.25/bbl
October 1, 2020 – December 31, 2020	25 bbl/d	WTI $56.45/bbl

On April 27, 2020, Southern entered into a buy-back swap for 75 Bbl/d of oil production. By entering into this transaction, in combination with the existing two oil swaps, Southern will realize proceeds of US$68 thousand per month for the remainder of 2020.

Eight Quarter Analysis

(000s) **Three months ended**	**Sep 30 2020**	**Jun 30 2020**	**Mar 31 2020**	**Dec 31 2019**	**Sep 30 2019**	**Jun 30 2019**	**Mar 31 2019**	**Dec 31 2018**
Revenue	$ 3,537	$ 2,478	$ 3,397	$ 5,525	$ 5,145	$ 4,207	$ 4,252	$ 806
Net loss from continuing operations	(2,958)	(1,871)	(10,216)	(7,787)	(1,081)	(354)	(1,674)	(2,160)
Per share, basic and diluted	(0.01)	(0.01)	(0.05)	(0.03)	(0.00)	(0.00)	(0.01)	(0.05)
Total net loss	(2,958)	(1,871)	(10,216)	(7,787)	(1,081)	(308)	(1,697)	(2,368)
Per share, basic and diluted	$ (0.01)	$ (0.01)	$ (0.05)	$ (0.03)	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.05)

Significant factors and trends that have impacted the Company's results during the above periods include:

- Volatility in commodity prices and the resultant effect on revenue and net loss;
- On December 19, 2018, Southern purchased the units of Gulf Pine. The above revenue and net loss from continuing operations for the quarter ending December 31, 2018 reflect the twelve days of production from the acquired assets;
- On May 2, 2019, Southern disposed of all of its Canadian assets and operating results for prior periods have been classified as discontinued operations;
- On June 14, 2019, Southern closed a strategic Acquisition, which contributed revenue of $361 thousand and an operating netback of $216 thousand in Q2 2019;
- Southern recorded transaction costs of $1.1 million for the fourth quarter of 2018, $165 thousand for the first quarter of 2019 and $233 thousand for the second quarter of 2019 related to the recapitalization and acquisition of Gulf Pine in December 2018; and
- On December 31, 2019, Southern recorded an impairment expense of $6.7 million for the CMS CGU.
- On March 31, 2020, Southern recorded an impairment expense of $10.4 million for the CMS and SO CGUs. For more information, see the "*Impairment*" section above.
- On May 28, 2020, Southern disposed of a non-core Canadian royalty asset resulting in a gain on disposal of $338 thousand.
- On June 12, 2020, Southern resumed production from its Mechanicsburg assets, which had been shut-in since March 2020, due to a force majeure event, see the "*Operational Update*" section above.
- At September 30, 2020, improved natural gas strip pricing for Q4 2020 and calendar 2021 resulted in an unrealized loss on derivatives of $2.0 million.

READER ADVISORIES

Disclosure Regarding Forward-Looking Statements and Future Oriented Financial Information

Certain statements and information contained within this MD&A may constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. These statements include, without limitation, statements regarding the status of development or expenditures relating to Southern's business, plans to fund current activities and indebtedness, future operations, future compliance with Credit Facility covenants, future strategic acquisitions, future oil and natural gas production estimates and weighting, future financial position, resolution of adjusted working capital deficiencies, expected royalties as a percentage of revenue, strategies to improve the Company's financial position and the success thereof, benefits from government stimulus loans and subsidies including PPP and CEWS, future revenues, operational and employee synergies and cost savings from the Acquisition, resolution of title ownership issues in respect of royalty payables and planned capital expenditures. Forward-looking statements are often, but not always identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "estimate", "potential", "could", or the negative of such terms or other comparable terminology. Southern has made a number of assumptions in the preparation of these forward-looking statements including, without limitation, future commodity prices, future foreign exchange rates, expected production and costs, estimated reserves of oil and natural gas, the ability to obtain equipment and services in a timely and efficient manner, drilling results, the ability to obtain financing on acceptable terms, ability to comply with ongoing obligations under credit facilities, allocation of capital resources, the impact of increasing competition, the continuation of the current tax, royalty and regulatory regimes and deterioration in general economic conditions, including the actions of oil and gas producing countries and the impact of COVID-19. Readers should not place undue reliance on forward-looking statements, which are subject to a multitude of risks and uncertainties that could cause actual results, future circumstances or events to differ materially from those projected in the forward-looking statements. These risks include, but are not limited to, the material uncertainties and risks described under the headings "Risk Management" and "Non-IFRS Measures", risks associated with the oil and gas industry in general such as operational risks in development, exploration and production, uncertainty of reserves estimates, environmental impact risks, market demand, competition, commodity price, interest rate and exchange rate volatility, credit risk, the need for additional capital and the effect of capital market conditions and other factors, government regulation, the potential dilutive effects of any financing, the timing of exploration and development, the timing and costs of obtaining regulatory approvals, estimates regarding capital requirements and future revenues, the timing and amount of tax credits, adverse effects on general economic conditions in Canada, the United States and globally, including due to the recent outbreak of COVID-19 and other risks detailed from time to time in Southern's public disclosure documents.

Readers are cautioned that the foregoing list of risk factors is not exhaustive. The risk factors above should be considered in the context of current economic conditions, increased supply resulting from evolving exploitation methods, the attitude of lenders and investors towards corporations in the energy industry, potential changes to royalty and taxation regimes and to environmental and other government regulations, the condition of financial markets generally, as well as the stability of joint venture and other business partners, all of which are outside the control of the Company. Also to be considered, are increased levels of political uncertainty and possible changes to existing international trading agreements and relationships. Legal challenges to asset ownership, limitations to rights of access and adequacy of pipelines or alternative methods of getting production to market may also have a significant effect on the Company's business. Additional information on these and other factors that could affect the business, operations or financial results of the Company are included in reports on file with applicable securities regulatory authorities, including but not limited to the Company's AIF for the year ended December 31, 2019, which may be accessed on the Company's SEDAR profile at www.sedar.com or on the Company's website at www.southernenergycorp.com.

This MD&A also contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Southern's increasing operating netbacks and Adjusted Funds Flow from Operations due to the Acquisition and anticipated operating expense savings due to the Acquisition, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs and the assumptions outlined under "Non-IFRS Measures".

The forward-looking statements and FOFI contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

Significant Judgments and Estimates

Management is required to make judgments, assumptions and estimates in the application of IFRS that have a significant impact on the Company's financial results. Significant judgments in the financial statements include going concern, financing arrangements, impairment indicators, asset acquisition and joint arrangements. Significant estimates in the financial statements include income taxes and deferred taxes, commitments, provision for future decommissioning obligations, exploration and evaluation assets and accruals. In addition, the Company uses estimates for numerous variables in the assessment of its assets for impairment purposes, including oil and natural gas prices, exchange rates, discount rates, cost estimates and production profiles. By their nature, all of these estimates are subject to measurement uncertainty, may be beyond management's control and the effect on future consolidated financial statements from changes in such estimates could be significant.

Non-IFRS Measures

This MD&A contains terms commonly used in the oil and natural gas industry, such as adjusted funds flow from operations, operating netback, adjusted working capital and net debt. These terms are not defined by IFRS and therefore may not be comparable to similar measures presented by other companies. Readers are cautioned that these non-IFRS measures should not be construed as alternatives to other measures of financial performance calculated in accordance with IFRS. The non-IFRS measures and their manner of reconciliation to IFRS financial measures are discussed below. These non-IFRS measures provide additional information that management believes is meaningful in describing the Company's operational performance, liquidity and capacity to fund capital expenditures and other activities. Management uses adjusted funds flow from operations as a key measure to assess the ability of the Company to finance operating activities, capital expenditures and debt repayments. Management considers operating netback an important measure to evaluate its operational performance, as it demonstrates field level profitability relative to current commodity prices. Management monitors adjusted working capital and net debt as part of its capital structure in order to fund current operations and future growth of the Company.

"Adjusted Funds Flow from Operations"

Adjusted funds flow from operations is calculated based on cash flow from operating activities before changes in non-cash working capital and cash decommissioning expenditures. The reconciliation between funds flow from operations and cash flow from operating activities, as defined by IFRS, is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Cash flow from operating activities	$ 686	$ 2,313	$ 1,729	$ 2,163
Change in non-cash working capital	444	(1,175)	828	(174)
Cash decommissioning expenses	6	5	7	11
Adjusted Funds Flow from Operations(1)	**$ 1,136**	**$ 1,143**	**$ 2,564**	**$ 2,000**

Notes:
(1) Excludes results from discontinued operations.

"Operating Netback"

Operating Netback is calculated as oil and natural gas sales less royalties, production taxes, operating expenses, transportation costs and realized gain (loss) on derivatives.

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Revenue	$ 3,537	$ 5,145	$ 9,412	$ 13,604
Royalties	(702)	(1,052)	(1,915)	(2,762)
Production and operating	(1,453)	(1,875)	(4,455)	(5,036)
Transportation costs	(80)	(110)	(145)	(280)
Realized gain (loss) on derivatives	695	283	2,213	206
Operating netback(1)	**$ 1,997**	$ 2,391	**$ 5,110**	$ 5,732

Notes:
(1) Excludes results from discontinued operations.

"Adjusted Working Capital" and "Net Debt"

The following tables outline Southern's calculation of adjusted working capital and net debt:

	As at Sep 30, 2020	As at Dec 31, 2019	As at Sep 30, 2019
Current assets	$ 3,627	$ 4,013	$ 5,013
Current liabilities	(27,380)	(8,726)	(28,868)
Remove:			
Current derivative assets	(292)	(819)	(602)
Current portion of lease liabilities	476	382	388
Current portion of bank debt	17,960	-	19,865
Current derivative liabilities	1,033	105	8
Adjusted working capital deficiency	**$ (4,576)**	**$ (5,045)**	**$ (4,196)**

	As at Sep 30, 2020	As at Dec 31, 2019	As at Sep 30, 2019
Bank debt – face value	$ (18,074)	$ (18,183)	$ (19,865)
Convertible debentures – face value	(8,069)	(8,069)	(8,069)
Adjusted working capital deficiency	(4,576)	(5,045)	(4,196)
Net debt	**$ (30,719)**	**$ (31,297)**	**$ (32,130)**

Abbreviations

bbl/d	barrels per day
Mcf/d	thousand cubic feet per day
Mcfe/d	thousand cubic feet equivalent per day
MMBtu/d	million British thermal units per day
boe/d	barrels of oil equivalent per day
NGLs	natural gas liquids
Gas	natural gas
Liquids	oil and NGLs
NYMEX – HH	New York Mercantile Exchange – Henry Hub
WTI	West Texas Intermediate
LLS	Louisiana Light Sweet

Barrel of Oil Equivalent and Thousand Cubic Feet Equivalent

Natural gas liquids volumes are recorded in barrels of oil (bbl) and are converted to a thousand cubic feet equivalent ("Mcfe") using a ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas volumes recorded in thousand cubic feet (Mcf) are converted to barrels of oil equivalent ("boe") using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Mcfe and boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl or a Mcfe conversion ratio of 1 bbl: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. In addition, given that the value ratio based on the current price of oil as compared with natural gas is significantly different from the energy equivalent of six to one, utilizing a boe conversion ratio of 6 mcf:1 bbl or a Mcfe conversion ratio of 1 bbl:6 Mcf may be misleading as an indication of value.

Additional Information

Additional information about the Company can be obtained by contacting the Company at Suite 2400, 333 7th Avenue SW, Calgary, Alberta T2P 2Z1 or by email at info@southernenergycorp.com. Additional information, including the Company's audited financial statements for the years ended December 31, 2019 and 2018 and AIF is also available on SEDAR at www.sedar.com or www.southernenergycorp.com.