SOUTHERN ENERGY CORP.
ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2020

April 30, 2021

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GLOSSARY

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

"**2018 Private Placement**" means the non-brokered private placement of Common Shares and 2018 Units for aggregate gross proceeds of $18,011,000.

"**2018 Units**" means units of the Corporation issued as part of the 2018 Private Placement, each 2018 Unit being comprised of one Common Share and one Performance Warrant.

"**2019 Acquisition**" has the meaning ascribed thereto in "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2019*".

"**2021 Private Placement**" means the non-brokered private placement of Units for aggregate gross proceeds of up to $6,000,000.

"**2021 Units**" means units of the Corporation issued as part of the 2021 Private Placement, each 2021 Unit being comprised of one Common Share and one Unit Warrant.

"**ABCA**" means the *Business Corporations Act* (Alberta), as amended from time to time.

"**Amended Credit Agreement**" has the meaning ascribed thereto in "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2020*".

"**AIF**" means this annual information form dated April 30, 2021, for the financial year ended December 31, 2020.

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

"**BLM**" means the U.S. Department of the Interior – Bureau of Land Management.

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

"**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.

"**Credit Facility**" has the meaning ascribed thereto in "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2020*".

"**Debentures**" has the meaning ascribed thereto in "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2020*".

"**EPA**" means the United States Environmental Protection Agency.

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

"**Fifth Amendment**" has the meaning ascribed thereto in "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2019*".

"**First Amendment**" has the meaning ascribed thereto in "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2020*".

"**Fourth Amendment**" has the meaning ascribed thereto in "*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2019*".

"**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 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.

"**New Facility**" has the meaning ascribed thereto in "*General Development of the Business – Three-Year History – Recent Developments*".

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

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations*.

"**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, 2020, with a preparation date of February 16, 2021.

"**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.

"**OPEC**" means the Organization of Petroleum Exporting Countries, and "**OPEC+**" refers to OPEC plus Russia, Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, South Sudan and Sudan.

“**Options**” means options to acquire Common Shares granted pursuant to the Stock Option Plan.

“**Performance Warrants**” means the Common Share performance warrants issued as part of the 2018 Private Placement.

“**2018 Private Placement**” means the non-brokered private placement of Common Shares and 2018 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 the Corporation and the Initial Investor Group dated November 12, 2018.

“**Shareholders**” means the holders of Common Shares.

“**Second Amendment**” has the meaning ascribed thereto in “*General Development of the Business – Three-Year History – Financial Year Ended December 31, 2020*”.

“**Southern**” or “**Corporation**” means Southern Energy Corp., a corporation existing under the ABCA.

“**Southern Delaware**” means Southern Energy Corporation, a corporation existing under the laws of Delaware, a wholly-owned subsidiary of the Corporation.

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

“**TSXV**” means the TSX Venture Exchange.

“**Unit Warrants**” has the meaning ascribed thereto in “*General Development of the Business – Recent Developments*”.

“**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
bbl/d	barrels per day	Mcf/d	thousand cubic feet per day
NGLs	natural gas liquids	MMBTU	million British Thermal Units
Boe/d	barrels of oil equivalent per day	Tcf	Trillion cubic feet

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.
CO_2	Carbon dioxide.

GHG	Greenhouse gas emissions.
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.
NYMEX	Henry Hub, the reference price paid in U.S. dollars at Erath, Louisiana for natural gas.

CURRENCY

All currency amounts ($) expressed herein, unless otherwise indicated, are expressed in Canadian dollars. Any references to "US$" refer to U.S. dollars.

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:
- adverse effects on general economic conditions in Canada, the United States and globally, including due to the COVID-19 pandemic;
- the ability of management to execute its business plan;
- volatility in market prices for oil and natural gas, including due to the recent actions of OPEC+;
- 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 plus probable reserves.

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:

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

(b) 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: (a) proved locations; and (b) probable locations. Proved locations and probable locations are derived from NSAI's reserves evaluation effective December 31, 2020 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) 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.

"**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

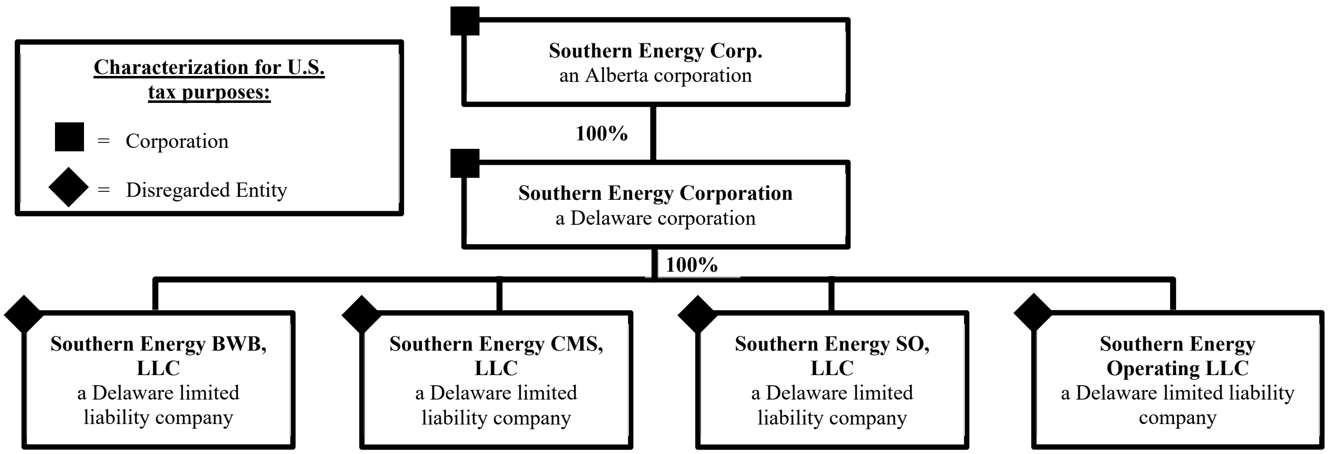
Name, Address and Incorporation

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 December 31, 2018, 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 2, 2019, the name of the Corporation was changed to “Southern Energy Corp.”. On January 7, 2020, the Corporation continued out of the federal jurisdiction of Canada under the CBCA to the provincial jurisdiction of Alberta under the ABCA.

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 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5.

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

On February 1, 2021, Southern entered into the third amendment (the "**Third Amendment**") to the Amended Credit Agreement (the "**Amended Credit Agreement**"). The Third Amendment extended the maturity of both the conforming borrowing base facility (the "**Conforming Facility**") and non-confirming borrowing base facility (the "**Non-Conforming Facility**") from February 1, 2021 to February 12, 2021.

On February 12, 2021, Southern entered into the fourth amendment to the Amended Credit Agreement (the "**Fourth Amendment**"). The Fourth Amendment included: (a) a waiver for the noncompliance of the leverage ratio financial covenant as at December 31, 2020; and (b) an extension of the maturity of the Conforming and Non-Conforming Facilities to April 30, 2021.

On April 22, 2021, Southern initiated the 2021 Private Placement of up to 150.0 million of the 2021 Units of the Company at a price of $0.04 per 2021 Unit, for aggregate gross proceeds of up to $6.0 million. Each 2021 Unit is comprised of one Common Share and one Common Share purchase warrant (the "**Unit Warrants**").

On April 30, 2021, Southern Energy Corp. (Delaware) closed a transaction to retire the existing senior secured credit facility (the "**Credit Facility**") with a cash settlement payment of US$8.0 million, plus accrued interest. The US$8.0 million settlement was financed through a new senior secured term loan of up to $8.5 million (the "**New Facility**"). The New Facility is secured by the oil and gas properties of Southern. Details of the New Facility include:

- Tranche A: US$5.5 million at closing
- Tranche B: US$3.0 million available up to December 31, 2021, in multiple advances of no less than US$500 thousand each
- Maturity of 36 months from closing date
- Interest of 12% per annum, paid monthly in arrears on the last day of the month

- Issued 41,250,000 Warrants equivalent to 30% of Tranche A with an exercise price of $0.05 per share and an expiry date on the earlier of: (a) a liquidity event resulting in the sale of Southern Energy Corp. (Delaware); or (b) the maturity date of the New Facility
- Beginning on May 31, 2021, repayments of the principal amount outstanding under the New Facility will be computed as the sum of: (a) outstanding amount multiplied by 1/A, where A equals the number of whole or part months remaining to the maturity date plus 12 months; and (b) on the last day of the second month following each fiscal quarter, the amount by which 50% of positive free cash flow ("FCF") (as described below) for the respective fiscal quarter. FCF is calculated as Earnings Before Interest, Taxes, Depreciation, Amortization, and Impairment ("EBITDAX"), less the aggregate of the New Facility principal and interest payments
- Beginning June 30, 2021 and as at each quarter-end thereafter, financial covenant calculation related to an asset coverage ratio ("ACR") of at least 2:1. ACR is calculated as the ratio of the net present value of proved developed producing oil and gas properties as determined by an independent qualified engineer, using a price deck based on the forward commodity prices, discounted at 12% to the principle amount outstanding under the New Facility
- Beginning September 30, 2021, and for each quarter-end thereafter, Southern Energy Corp. (Delaware) shall maintain a total debt service coverage ratio ("DSCR") of greater than 1.25:1. DSCR is the ratio of EBITDAX to scheduled principal payments and interest expense

Three-Year History

Financial Year Ended December 31, 2020

On December 31, 2020, the holders of Southern's outstanding 8% convertible unsecured debentures (the "**Debentures**") agreed to an in-kind payment of accrued interest due on December 31, 2020 in the amount of $322,760.00 through the issuance of additional Debentures in the principal amount of $320,000 and a cash payment of $2,760. Other than the in-kind interest payment in respect of interest due on December 31, 2020, the terms of the Debentures remain unchanged. The additional Debentures have the same terms as the outstanding Debentures, with interest beginning to accrue on the additional Debentures on December 31, 2020. For more information on the Debentures, see "*Description of Share Capital – Debentures*", below.

On November 24, 2020, Southern Delaware entered into the second amendment (the "**Second Amendment**") to the Amended Credit Agreement in respect of the credit agreement providing Southern with a Credit Facility. 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; 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.

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 to November 1, 2020.

On July 20, 2020, as part of a bank redetermination, Southern Delaware entered into the Amended Credit Agreement in respect of the Credit Facility. The Amended Credit Agreement outlined the total borrowing base of US$13.9 mullion. comprised of a US$8.5 million Conforming Facility and a US$5.4 million Non-Conforming Facility. The Non-Conforming Facility has a coupon 50 basis points above Conforming Facility rates. Beginning July 26, 2020 and continuing every month, the Non-Conforming Facility will be reduced by the greater of US$100 thousand or Bank EBITDAX (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) less maintenance capital expenditures.

On January 7, 2020, the Corporation continued out of the federal jurisdiction of Canada under the CBCA to the provincial jurisdiction of Alberta under the ABCA.

Financial Year Ended December 31, 2019

On November 27, 2019, as part of a semi-annual borrowing base review, Southern Delaware entered into a fifth amendment (the "**Fifth Amendment**") to the Credit Facility. The Fifth Amendment included a reduction to the borrowing base from US$17.0 million ($22.2 million) to US$15.0 million ($19.9 million). On January 1, 2020, the borrowing base began to reduce monthly by US$250 thousand ($330 thousand) until the completion of the next borrowing base review scheduled for March 1, 2020, pursuant to the Fifth Amendment. As part of the Fifth Amendment, the current ratio covenant calculation, beginning with the test period ending December 31, 2019 and ending with the test period of December 31, 2020, excludes royalty suspense balances that are at least one year old, as at the test period date. The February 1, 2021 maturity date of the Credit Facility remained the same with the execution of the Fifth Amendment.

On June 14, 2019, Southern Delaware entered into a fourth amendment (the "**Fourth Amendment**") to the Credit Facility. The Fourth Amendment included an increase to the borrowing base related to the closing of the 2019 Acquisition (as defined below) from US$12.5 million ($16.4 million) to US$17.0 million ($22.2 million), a quarterly borrowing base reduction beginning on September 1, 2019 of US$0.9 million ($1.2 million) and amendments to the covenant calculations. The changes to the borrowing base under the Fifth Amendment superseded these changes under the Fourth Amendment.

On June 14, 2019, the Corporation closed an acquisition with an arm's length private company to acquire assets in Mississippi, including the royalty suspense obligations related thereto, for cash consideration of US$14.7 million ($19.7 million), including customary adjustments of US$1.8 million ($2.4 million) for the period between February 1, 2019 to June 14, 2019 (the "**2019 Acquisition**"). The 2019 Acquisition represented a continuation of Southern's strategy to develop conventional light oil and natural gas resources in the southeast Gulf States of Mississippi and Alabama.

On June 14, 2019, Southern closed the sale of 8,069 Debentures at a price of $1,000 per Debenture and received net proceeds after issuance costs of $7.3 million, which was used to finance the 2019 Acquisition. For more information on the Debentures, see "*Description of Share Capital – Debentures*", below.

On June 7, 2019, the Corporation closed a rights offering to Shareholders (the "**Rights Offering**"). Under the Rights Offering, Shareholders subscribed for and purchased an aggregate of 19,413,306 Common Shares at a price of $0.10 per Common Share, resulting in net proceeds after issuance costs of approximately $1.9 million to the Corporation.

On May 2, 2019, the Corporation closed the sale of all its remaining Canadian oil and natural gas assets for $0.5 million, positioning Southern as a pure-play U.S. exploration and production company.

On January 2, 2019, the name of the Corporation was changed from "Standard Exploration Ltd." to "Southern Energy Corp."

Financial Year Ended December 31, 2018

On December 31, 2018, 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 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 2018 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-Consolidation basis) for aggregate gross proceeds of $18,011,000. Contemporaneous with the closing of the 2018 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.

Significant Acquisitions

During the fiscal year ended December 31, 2020, the Corporation did not complete any significant acquisitions as defined in NI 51-102.

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. The Corporation aims to build a high margin asset base of sufficient scale with significant low risk drilling inventory that continues to generate free cash flow. To accomplish this goal, Southern balances two primary growth drivers: (a) adding accretive proved developed producing acquisitions; and (b) executing low risk development drilling to achieve organic reserves growth. During periods of weaker commodity pricing, the Corporation will employ a disciplined acquisition strategy to add low decline assets that are synergistic with existing operations at attractive metrics, while paying only for proved developed producing reserves. During periods of stronger commodity pricing, Southern will focus on the infill development of our existing large-scale drilling inventory within assets exhibiting historically low recovery factors.

Southern's principal properties are the Central Mississippi Assets (approximately 31,000 acres). The Central Mississippi Assets contain oil and gas production at Gwinville, Mechanicsburg, Williamsburg and Mount Olive, Mississippi. For further information, see "*Description of Assets – Central Mississippi Assets*", below.

As part of its acquisition growth strategy, Southern continues to strategically evaluate oil and gas properties throughout the southeastern United States that will result in meaningful reserve and production additions. Southern seeks to add high-quality, long-life reservoirs in proven growth areas that offer existing infrastructure, opportunities for meaningful operating cost reductions, low cost oil and gas drilling opportunities 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.

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. For more information, see "*Industry Conditions – Recent Developments*".

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.

Employees

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

Description of Principal Assets

Southern has an interest in approximately 34,400 net acres of land located in Mississippi and Alabama. There are a total of 230 net producing wells comprising approximately 2,400 boe/d (approximately 9% oil and NGL) of working interest production and 90 net non-producing wells.

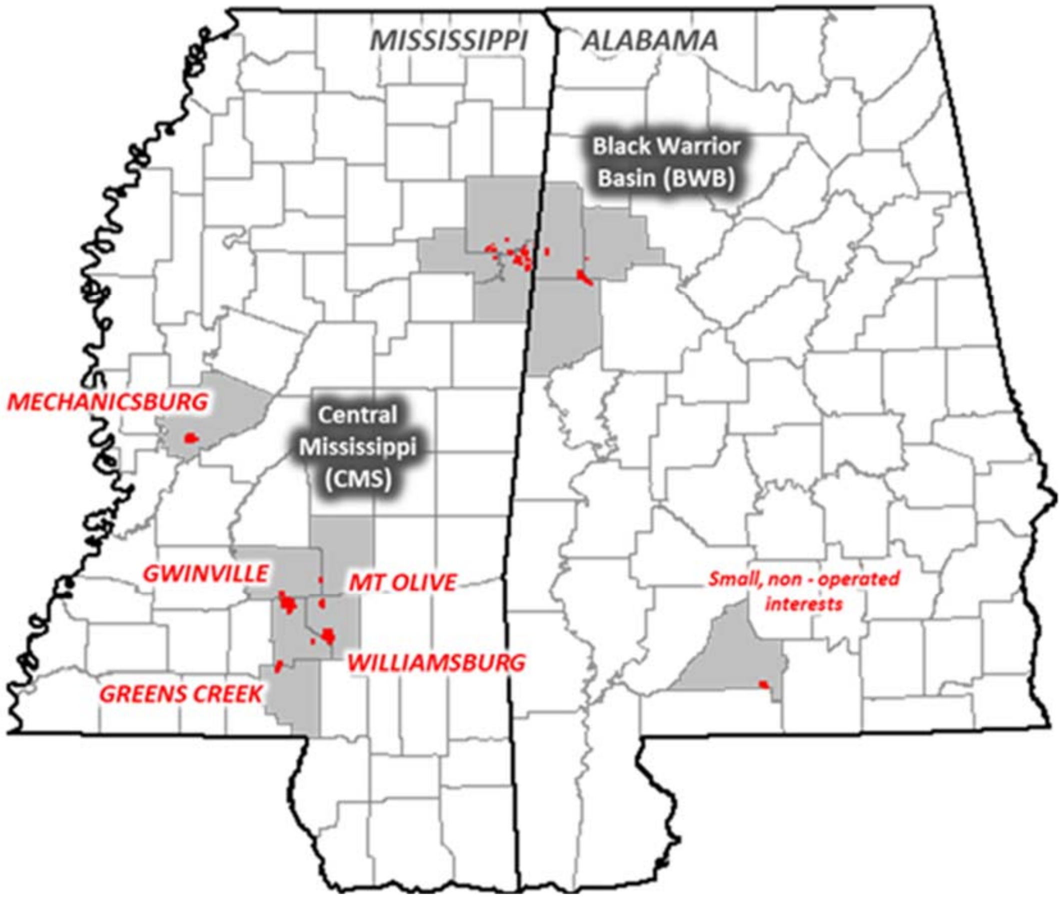


Figure 1: Map of Southern's interests in Mississippi and Alabama

Southern's principal assets are the 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 have 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 31,000 net acres of mineral rights in Central Mississippi, the majority of which are held by production. There are 221 net producing wells comprising approximately 2,350 boe/d of working interest production along with 82 shut-in wells.

[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.

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

For more information, see "*Other Oil and Gas Information – Oil and Gas Properties*", below.

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 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 the reserve definitions contained in NI 51-101 and the COGE Handbook. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which Southern believes is important to the readers of this information. 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.

The properties evaluated are located in the States of Mississippi and Alabama, U.S. The Corporation previously owned an asset in the Province of Alberta, Canada, as described in the Corporation's December 31, 2018 reserves report, however it was subsequently sold in 2019. **All monetary values are expressed in Canadian dollars, unless stated otherwise. Numbers may not add due to rounding.**

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	-	-	161.5	126.1	182.9	145.3	75.3	61.1	28,904.1	22,732.1	5,237.1	4,121.2
Proved Developed Non-Producing	-	-	66.4	51.9	94.5	73.1	18.1	14.7	11,622.9	9,002.4	2,116.2	1,640.1
Proved Undeveloped	-	-	-	-	312.2	254.5	158.4	129.1	15,686.2	12,787.5	3,085.0	2,514.9
Total Proved	**-**	**-**	**227.9**	**178.0**	**589.6**	**472.9**	**251.8**	**204.9**	**56,213.2**	**44,522.0**	**10,438.2**	**8,276.1**
Probable	-	-	60.3	47.7	87.7	70.0	26.4	21.4	6,465.0	5,055.6	1,251.9	981.7
Total Proved Plus Probable	**-**	**-**	**288.2**	**225.7**	**677.3**	**542.9**	**278.2**	**226.3**	**62,678.2**	**49,577.6**	**11,690.1**	**9,257.8**

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	45,576	35,734	29,671	25,567	22,599	7.20	1.20
Proved Developed Non-Producing	19,115	11,337	7,859	5,812	4,461	4.79	0.80
Proved Undeveloped	31,319	19,735	12,487	7,803	4,695	4.97	0.83
Total Proved	**96,011**	**66,807**	**50,017**	**39,183**	**31,755**	**6.04**	**1.01**
Probable	18,737	11,260	7,468	5,362	4,094	7.61	1.27
Total Proved Plus Probable	**114,747**	**78,066**	**57,485**	**44,545**	**35,849**	**6.21**	**1.03**

Note:
1. Unit values are based on Corporation 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	45,576	35,734	29,671	25,567	22,599	7.20	1.20
Proved Developed Non-Producing	15,644	9,279	6,432	4,757	3,651	3.92	0.65
Proved Undeveloped	26,089	16,439	10,402	6,500	3,911	4.14	0.69
Total Proved	**87,309**	**61,452**	**46,504**	**36,824**	**30,161**	**5.62**	**0.94**
Probable	14,819	8,905	5,610	4,241	3,238	5.71	0.95
Total Proved Plus Probable	**102,128**	**70,357**	**52,114**	**41,065**	**33,399**	**5.63**	**0.94**

Note:

1. Unit values are based on Corporation 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	141,902	30,076	6,944	-	4,727	54,579	45,576	-	45,576
Total Proved	**297,443**	**61,413**	**14,600**	**36,109**	**5,675**	**83,635**	**96,011**	**8,702**	**87,309**
Total Proved Plus Probable	**339,159**	**70,269**	**16,654**	**36,443**	**5,758**	**95,288**	**114,747**	**12,620**	**102,128**

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	-	-	-
	Light/Medium Oil	2,428	19.26	3.21
	Condensate	2,866	19.73	3.29
	NGL	584	9.56	1.59
	Conventional Natural Gas	23,791	6.28	1.05
Total: Proved Developed Producing		**29,671**	**7.20**	**1.20**
Total Proved				
	Heavy Oil	-	-	-
	Light/Medium Oil	2,950	16.57	2.76
	Condensate	7,489	15.84	2.64
	NGL	1,584	7.73	1.29
	Conventional Natural Gas	37,994	5.12	0.85
Total: Total Proved		**50,017**	**6.04**	**1.01**
Total Proved Plus Probable				
	Heavy Oil	-	-	-
	Light/Medium Oil	3,893	17.25	2.87
	Condensate	8,786	16.18	2.70
	NGL	1,781	7.87	1.31
	Conventional Natural Gas	43,026	5.21	0.87
Total: Total Proved Plus Probable		**57,485**	**6.21**	**1.03**

Notes:

1. Unit values are based on Corporation Net Reserves.

PRICING ASSUMPTIONS

The following pricing assumptions were provided by taking an average of four qualified Canadian reserves evaluator pricing forecasts. All evaluators are independent of the Corporation.

Forecast prices used in estimates, effective January 1, 2021:

Year	Exchange Rate (USD/CAD)	WTI Cushing Oklahoma (C$/bbl)	NYMEX Henry Hub (C$/MMBTU)
Forecast			
2021	0.76	60.98	3.64
2022	0.77	66.52	3.73
2023	0.78	70.98	3.79
2024	0.79	73.11	3.88
2025	0.79	74.58	3.95
2026	0.79	76.08	4.02
2027	0.79	77.59	4.10
2028	0.79	79.15	4.19
2029	0.79	80.73	4.27
2030	0.79	82.34	4.36
Thereafter	0.79	+ 2.0%/Year	+ 2.0%/Year

Forecast case oil (heavy and light/medium), condensate, and NGL prices are based on the above forecast of WTI prices 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 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, 2020, against such reserves as at December 31, 2019 (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, 2019	-	-	-	240.0	53.8	293.9	627.30	95.40	722.70
Extensions and Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	30.1	8.1	38.0	(3.2)	(4.9)	(8.1)
Acquisitions	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	(14.6)	(1.6)	(16.2)	(9.1)	(2.8)	(11.9)
Production	-	-	-	(27.6)	-	(27.6)	(25.4)	-	(25.4)
December 31, 2020	**-**	**-**	**-**	**227.9**	**60.3**	**288.2**	**589.6**	**87.7**	**677.3**

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, 2019	288.10	29.30	317.30	61,279.80	7,532.20	68,812.00	11,368.7	1,433.9	12,802.6
Extensions and Improved Recovery	-	-	-	-	-	-	-	-	-
Technical Revisions	(23.4)	(2.8)	(26.1)	498.4	(988.3)	(489.8)	86.5	(164.3)	(77.8)
Acquisitions	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	(5.2)	(0.1)	(5.3)	(1,223.0)	(78.9)	(1,301.9)	(232.7)	(17.6)	(250.4)
Production	(7.7)	-	(7.7)	(4,342.0)	-	(4,342.0)	(784.3)	-	(784.3)
December 31, 2020	**251.8**	**26.4**	**278.2**	**56,213.2**	**6,465.0**	**62,678.2**	**10,438.2**	**1,251.9**	**11,690.1**

The reserve changes in the Economic Factors category refer to downward pricing adjustments between the two reporting periods.

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. For more information, see "*Notes on Reserves Data and Other Oil and Natural Gas Information*".

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, 2018	-	-	-	-	343.9	343.9	156.5	156.5	18,564.6	18,564.6	3,594.5	3,594.5
December 31, 2019	-	-	-	-	-	312.2	-	167.9	-	15,762.6	-	3,107.2
December 31, 2020	-	-	-	-	-	312.2	-	158.4	-	15,686.2	-	3,085.0

Probable Undeveloped Reserves

Probable reserves are generally reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production. The majority of these reserves are planned to be on stream within a two-year timeframe. All probable reserves in the NSAI Report relate to proved projects (i.e. higher recovery assumptions). For more information, see "*Notes on Reserves Data and Other Oil and Natural Gas Information*".

SUMMARY OF PROBABLE 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, 2018	-	-	-	-	-	-	-	-	-	-	-	-
December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
December 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-

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, 2020.

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

	Year				
Reserves Category	**2021 (M$)**	**2022 (M$)**	**2023 (M$)**	**2024 (M$)**	**2025 (M$)**
Proved Developed Producing	-	-	-	-	-
Proved Developed Non-Producing	318	2,527	2,949	289	-
Proved Undeveloped	-	8,492	17,239	-	-
Total Proved	**318**	**11,019**	**20,188**	**289**	**-**
Probable	-	329	-	-	-
Total Proved Plus Probable	**318**	**11,348**	**20,188**	**289**	**-**

All Future Development Costs are attributed to Southern's 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 table sets forth the number of wells in which the Corporation held a working interest as at December 31, 2020:

	Oil		Gas	
Property Description	**Gross**	**Net**	**Gross**	**Net**
USA				
Black Warrior Basin - AL				
Producing	-	-	5	5
Non-Producing	-	-	-	-
Smackover - AL				
Producing	1	0	-	-
Non-Producing	-	-	-	-
Black Warrior Basin - MS				
Producing	4	4	-	-
Non-Producing	5	5	3	3
Gwinville - MS				
Producing	-	-	188	180
Non-Producing	-	-	57	55
Greens Creek - MS				
Producing	-	-	1	1
Non-Producing	-		2	2
Magee - MS				
Producing	3	1	-	-
Non-Producing	3	3	-	-
Mechanicsburg - MS				
Producing	-	-	15	15
Non-Producing	-	-	5	5
Mount Olive E - MS				
Producing	-	-	4	4
Non-Producing	-		-	-
Williamsburg - MS				
Producing	-	-	20	19
Non-Producing	-	-	19	18
MS - Other				
Producing	1	0	2	2
Non-Producing	1	0	-	-
Total	**18**	**13**	**321**	**307**
Producing	**9**	**5**	**235**	**225**
Non-Producing	**9**	**8**	**86**	**82**

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 mean the aggregate number of wells obtained by multiplying each gross well by Southern percentage working interest therein.

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 12,000 gross (approximately 12,000 net) acres of developed land that is mostly held by production. These petroleum and natural gas interests contain a total of 245 gross (235 net) operated wells (180 producing and 55 non-producing). Production from this property is from the Selma Chalk and Eutaw formations and is approximately 500 Boe/d (company working interest) as at December 31, 2020.

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 that is mostly held by production. These petroleum and natural gas interests contain a total of 20 gross (20 net) operated wells (15 producing and 5 non-producing). Production from this property is from the Lower Cotton Valley formation and is approximately 500 Boe/d (company working interest) as at December 31, 2020.

Mount Olive, Mississippi

The Mount Olive property is located in Township 9N, Range 16W in Covington County, Mississippi, and was acquired in June 2019. The Corporation holds a greater than 85% working interest in approximately 1,400 gross (approximately 1,400 net) acres of land that is mostly held by production. These petroleum and natural gas interests contain a total of 4 gross (4 net) operated wells (all producing). Production from this property is from the Eutaw formation and is approximately 800 Boe/d (company working interest) as at December 31, 2020.

Greens Creek, Mississippi

The Greens Creek property is located in Township 5N, Range 19W in Jefferson-Davis and Marion Counties, Mississippi, and was acquired in June 2019. The Corporation holds a greater than 90% average working interest in approximately 2,500 gross (approximately 2,500 net) acres of developed land that is mostly held by production. These petroleum and natural gas interests contain a total of 3 gross (3 net) operated wells (1 producing and 2 non-producing). Production from this property is from the Hosston formation and is approximately 125 Boe/d (company working interest) as at December 31, 2020.

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 400 gross (approximately 400 net) acres of developed land that is mostly held by production. These petroleum and natural gas interests contain a total of 4 gross (4 net) operated wells (1 producing and 3 non-producing). Production from this property is from the Sligo and Hosston formations and is approximately 50 Boe/d (company working interest) as at December 31, 2020.

Williamsburg, Mississippi

The Williamsburg property is located in Township 7N, Range 16W in Covington County, Mississippi. The Corporation holds a greater than 98% working interest in approximately 9,500 gross (approximately 9,500 net) acres of developed land that is mostly held by production. These petroleum and natural gas interests contain a total of 39 gross (37 net) operated wells (19 producing and 18 non-producing). Production from this property is from the Sligo and Hosston formations and is approximately 160 Boe/d (company working interest) as at December 31, 2020.

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 3,800 gross (approximately 3,800 net) acres of land. These petroleum and natural gas interests contain a total of 17 gross (17 net) operated wells (9 producing and 8 non-producing). Production from this property is from the Sanders and Lewis formations and is approximately 40 Boe/d (company working interest) as at December 31, 2020.

Properties With No Attributed Reserves

The Corporation has an interest in 1,472 gross and 1,472 net acres of undeveloped lands as at December 31, 2020. The undeveloped lands have no work commitments and the Corporation is reviewing viable opportunities.

Property	Gross Acreage (Acres)	Net Acreage (Acres)
USA		
Alabama		
BWB	439	439
Mississippi		
BWB	913	812
Total:	**1,352**	**1,251**

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 12, "*Financial Instruments and Financial Risk Management*", to Southern's audited consolidated financial statements for the year ended December 31, 2020 which have been filed on SEDAR (www.sedar.com).

Additional Information Concerning Abandonment and Reclamation Costs

The Corporation performs an annual review of its forecasted 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$)
2021	-	-	-
2022	102	102	102
2023	162	162	162
2024	181	181	181
2025	216	216	188
2026	287	291	263
2027	289	289	293
2028	216	216	245
2029	345	345	313
2030	316	375	362
2031	414	414	465
2032	220	229	229
2033	258	297	184
2034	235	266	202
2035	142	142	153
Subtotal:	3,383	3,524	3,341
Remainder:	1,344	2,151	2,417
Total:	**4,727**	**5,675**	**5,758**

Tax Horizon

Based on the tax attributes of Southern, income taxes may become payable in 2023 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, 2020 related to exploration, development, and evaluation expenditures and property and equipment:

Year ended Dec. 31, 2020	Property Acquisition Costs			
Country	Proved Properties (M$)	Unproved Properties (M$)	Exploration Costs (M$)	Development Costs (M$)
United States	-	-	-	236

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 in which the Corporation drilled during the most recent financial year:

	Exploratory Wells		Development Wells	
Activity	**Gross**	**Net**	**Gross**	**Net**
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 2021 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 - 2021											
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	**-**	**-**	**68.1**	**52.7**	**69.5**	**55.0**	**25.6**	**20.7**	**11,313.5**	**8,836.2**	**2,048.8**	**1,601.1**
Gwinville	-	-	-	-	3.1	2.4	-	-	2,559.7	2,021.8	**429.7**	**339.4**
Mechanicsburg	-	-	-	-	32.2	26.1	24.0	19.5	2,372.1	1,928.3	**451.5**	**367.0**
Mount Olive	-	-	-	-	14.7	11.2	-	-	3,910.8	2,967.4	**666.5**	**505.8**
Probable	**-**	**-**	**1.4**	**1.1**	**7.7**	**6.1**	**1.3**	**1.0**	**290.0**	**226.5**	**58.7**	**46.0**
Total Proved Plus Probable	**-**	**-**	**69.5**	**53.8**	**77.2**	**61.1**	**26.9**	**21.7**	**11,603.5**	**9,062.8**	**2,107.5**	**1,647.1**

Production History

The following tables set 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:

Total Company	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Company Gross Production				
Heavy Oil (bbl/d)	-	-	-	-
L/M Oil (bbl/d)	85	80	78	87
Condensate (bbl/d)	59	36	75	79
NGL (bbl/d)	22	8	27	28
Natural Gas (Mcf/d)	11,785	11,054	12,135	12,462
Boe/d	**2,130**	**1,967**	**2,203**	**2,271**
Average Prices				
Heavy Oil ($/bbl)				
L/M Oil ($/bbl)	58.02	40.57	49.30	51.36
Condensate ($/bbl)	62.36	40.37	51.44	51.19
NGL ($/bbl)	30.15	9.52	18.26	26.49
Natural Gas ($/Mcf)	2.38	2.03	2.49	3.19
$/boe	**17.52**	**13.85**	**17.45**	**21.58**

Royalties

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Royalties ($)	691,239	521,378	702,325	911,646
$/boe	3.57	2.91	3.47	4.36
Percent of Revenue (%)	20.4%	21.0%	19.9%	20.2%

Operating Expenses

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Operating Expense ($)	1,493,389	1,219,738	1,320,919	1,221,780
$/boe	7.70	6.82	6.52	5.85
Percent of Revenue (%)	44.0%	49.2%	37.4%	27.1%

Severance Tax

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Severance Tax ($)	203,461	151,032	211,338	271,868
$/boe	1.05	0.84	1.04	1.30
Percent of Revenue (%)	6.0%	6.1%	6.0%	6.0%

Netbacks

($/boe, except for production)	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Production *(boe/d)*	2,130	1,967	2,203	2,271
Revenue	17.52	13.85	17.45	21.58
Royalties	3.57	2.91	3.47	4.36
Operating Expense	7.70	6.82	6.52	5.85
Severance Tax	1.05	0.84	1.04	1.30
Operating Netback	**5.20**	**3.28**	**6.42**	**10.07**

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, 2020 for each product type:

Field	2020 Company Gross					
	Heavy Oil bbl/d	L/M Oil bbl/d	Condensate bbl/d	NGL bbl/d	Natural Gas Mcf/d	Total boe/d
USA						
Alabama						
Brooklyn (Non-Op)	-	12	-	2	15	17
Gentry Creek	-	-	-	-	97	16
Mississippi						
Greens Creek	-	-	5	-	849	147
Gwinville	-	-	4	-	3,094	519
Magee	-	36	-	-	-	36
Maple Branch	-	27	-	-	-	27
Mechanicsburg	-	-	27	19	1,910	364
Mount Olive	-	-	19	-	4,487	767
MS - Other	-	7	-	-	616	110
Williamsburg	-	-	7	-	794	139
Total	**-**	**83**	**62**	**21**	**11,862**	**2,143**

INDUSTRY CONDITIONS

Recent Developments

Since early 2020, worldwide oversupply of oil, a lack of available storage capacity and decreased demand due to the actual and anticipated impact of the novel coronavirus ("**COVID-19**") have had a significant impact on the price of oil. In an effort to stabilize global oil markets, OPEC and a number of other oil producing countries announced an agreement to cut oil production by approximately 10 million bbls/d in April 2020. This agreement contributed to rebalancing global oil markets by achieving approximately 99.5% compliance with the agreed production adjustment commitments. However, economic recovery has slowed due to a resurgence of COVID-19 and newly emerging virus variants in major economies. For more information, see "*Risk Factors – Commodity Price Volatility*" and "*Risk Factors – Public Health Crises*".

Outlined below are some of the principal aspects of the legislation, regulations, agreements, orders, directives and a summary of other pertinent conditions that impact the oil and gas industry in the United States, specifically in the states of Mississippi and Alabama, where Southern's assets are primarily located.

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 its 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. Southern's 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 Southern can produce from its wells and may limit the number of wells or the locations at which Southern can drill. Regulatory requirements and compliance relative to the oil and gas industry increase Southern's costs of doing business and, consequently, affect 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 2021 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, among other things, increased demand and competition and the current COVID-19 pandemic (discussed in "*Recent Development*", above).

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. Southern's 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 Southern cannot predict when or if any such proposals or proceedings might become effective and their effect or impact, if any, on Southern's 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. Management does not believe that Southern 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. Southern 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 U.S. is predominantly owned by private owners. The 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 U.S. state has put into force 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 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 the U.S., both federal and state authorities have in recent years proposed new regulations to limit the emission of GHGs as part of climate change initiatives. For example, both 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 GHGs 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.

Southern's oil and natural gas production, saltwater disposal operations, injection of CO_2, and the processing, handling and disposal of materials such as hydrocarbons and naturally occurring radioactive materials ("**NORM**") are subject to stringent regulation. The Corporation 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 its operations. Changes in, or more stringent enforcement of, environmental laws and other laws applicable to Southern's 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 Southern's oil and gas exploration, development and production operations. These include, among others: (a) regulations adopted by the EPA and various state agencies regarding approved methods of disposal for certain hazardous and nonhazardous wastes; (b) 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; (c) 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 CO_2; (d) 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; (e) the *Resource Conservation and Recovery Act*, which is the principal federal statute governing the treatment, storage and disposal of hazardous wastes; (f) the *Endangered Species Act* and counterpart state legislation, which protects certain species (and their related habitats); and (g) 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.

The U.S. was 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 (the "**Paris Agreement**"). 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 EPA has issued GHG emissions regulations pursuant to the *Clean Air Act* that establish a reporting program for CO_2, methane and other GHG emissions. It has also established a permitting program for certain large GHG emissions sources. Earlier this year the United States rejoined the Paris Agreement.

With respect to reporting GHG emissions, on November 30, 2010, the EPA published a final rule that expands its rule on mandatory reporting of GHG emissions to include owners and operators of petroleum and natural gas systems with GHG emissions above certain threshold levels (25,000 tons or more of GHG emissions per year). With respect to permitting, there has been considerable uncertainty surrounding regulation of methane emissions in the United States. As described in the *Environmental Regulation* section, in 2012 and 2016, the EPA published final regulations under the *Clean Air Act* establishing new source performance standards ("**NSPS**") for reduction of volatile organic compounds and methane from certain new, modified or reconstructed oil and natural gas facility sources. The EPA under former President Trump's administration took several measures to delay or restrict implementation of those standards, including publishing in September 2020 final rule policy and technical amendments to the NSPS, for stationary sources of air emissions. In particular, the policy amendments removed the transmission and storage sector from the regulated source category and rescinded methane and volatile organic compound requirements for the remaining sources, and the technical amendments included changes to fugitive emissions monitoring and repair schedules for gathering and boosting compressor stations and low-production wells, recordkeeping and reporting requirements. Various states, industry groups and environmental groups are challenging both the 2016 rules and the 2020 rules (that sought to roll back the 2016 rules). On January 20, 2021, President Biden issued an executive order directing the EPA to reconsider the technical amendments and issue a proposed rule suspending, revising or rescinding those amendments by no later than September 2021. The EPA also might reconsider the policy amendments. While the 2012, 2016 and 2020 rules have applied to certain new, modified or reconstructed sources, the executive order also directed the establishment of new methane and volatile organic compound standards applicable to existing oil and natural gas operations, including the production, transmission, processing and storage segments. There is uncertainty in the industry regarding whether the EPA has authority under Section 111 of the *Clean Air Act* to make such regulations applicable to existing sources instead of new 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.

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 available under the Corporation's SEDAR profile at www.sedar.com 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 OPEC and 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. Concerns over global economic conditions, fluctuations in interest rates and foreign exchange rates, stock market volatility, energy costs, geopolitical issues, OPEC+ actions, inflation, the availability and cost of credit, the deceleration of economic growth in the People's Republic of China, trade disputes between the United States and the People's Republic of China, civil unrest in Venezuela and Iran and the outbreak of COVID-19 have contributed to increased economic uncertainty and diminished expectations for the global economy. 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.

Public Health Crises

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic has negatively impacted the Canadian, US, and global economies; disrupted

Canadian, US, and global supply chains; disrupted financial markets; contributed to a decrease in interest rates; resulted in ratings downgrades, credit deterioration and defaults in many industries; forced the closure of many businesses, led to loss of revenues, increased unemployment and bankruptcies; and necessitated the imposition of quarantines, physical distancing, business closures, travel restrictions, and sheltering-in-place requirements in Canada, the US, and other countries. If the pandemic is prolonged, including through subsequent waves, or if additional variants of COVID-19 emerge which are more transmissible or cause more severe disease, or if other diseases emerge with similar effects, the adverse impact on the economy could worsen. Moreover, it remains uncertain how the macroeconomic environment, and societal and business norms will be impacted following this COVID-19 pandemic. Unexpected developments in financial markets, regulatory environments, or consumer behaviour may also have adverse impacts on our results, business, financial condition or liquidity, for a substantial period of time.

Southern's business, operations and financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, and/or business plans may, in particular, and without limitation, be adversely impacted as a result of the COVID-19 pandemic and/or decline in commodity prices as a result of:

the shut-down of facilities or the delay or suspension of work on major capital projects due to workforce disruption or labour shortages caused by workers becoming infected with COVID-19, or government or health authority mandated restrictions on travel by workers or closure of facilities or worksites;

- suppliers and third-party vendors experiencing similar workforce disruption or being ordered to cease operations;
- reduced cash flows resulting in less funds from operations being available to fund capital expenditure budgets;
- reduced commodity prices resulting in a reduction in the volumes and value of reserves;
- crude oil storage constraints resulting in the curtailment or shutting in of production;
- counterparties being unable to fulfill their contractual obligations on a timely basis or at all;
- the inability to deliver products to customers or otherwise get products to market caused by border restrictions, road or port closures or pipeline shut-ins, including as a result of pipeline companies suffering workforce disruptions or otherwise being unable to continue to operate; and
- the ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets, commodity prices and/or a change in market fundamentals.

The COVID-19 pandemic has also created additional operational risks for the Corporation, including the need to provide enhanced safety measures for employees and customers; comply with rapidly changing regulatory guidance; address the risk of, attempted fraudulent activity and cybersecurity threat behaviour. Southern is also exposed to human capital risks due to issues related to health and safety matters, and other environmental stressors as a result of measures implemented in response to the COVID-19 pandemic, as well as the potential for a significant proportion of Southern's employees, including key executives, to be unable to work effectively, because of illness, quarantines, sheltering-in-place arrangements, government actions or other restrictions in connection with the pandemic.

The extent to which the COVID-19 pandemic continues to impact the Corporation's results, business, financial condition or liquidity will depend on future developments in Canada, the US and globally, including the development and widespread availability of efficient and accurate testing options, and effective treatment options or vaccines. Despite the approval of certain vaccines by the regulatory bodies in Canada and the US, the ongoing evolution of the development and distribution of an effective vaccine also continues to raise uncertainty.

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. In particular, the recent global outbreak of COVID-19 has adversely effected lending and capital markets. See "*Public Health Crises*", above.

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, including those outlined in "*Commodity Price Volatility*", above. 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.

The North American Free Trade Agreement ("**NAFTA**") has been renegotiated and on November 30, 2018, Canada, the U.S. and Mexico signed the Canada-United States-Mexico Agreement ("**USMCA**") which has replaced NAFTA. The USMCA was ratified by Mexico's Senate in June 2019, by the United States' Senate in January 2020 and by the Canadian Parliament in March 2020. The former U.S. administration also took action with respect to reduction of regulation which affected relative competitiveness of other jurisdictions. The newly-inaugurated Biden administration in the US has indicated that it will roll-back certain policies of the former administration, and has revoked TC Energy Corporation's Keystone XL Presidential pipeline permit. The Biden administration also put a hold on issuance or approval of new oil and natural gas leases and drilling permits on U.S. federal lands. While it is unclear which other legislation or policies of the former administration will be rolled-back and if such roll-backs will be a priority of the new administration in light of the ongoing COVID-19 pandemic, any future actions taken by the new U.S. administration could have a negative impact on the United States economy and on the businesses, financial conditions, results of operations and the valuation of oil and natural gas companies operating in the United States, including the Corporation.

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. The Biden administration and Congress of the United States may implement other proposals affecting the oil and gas industry, 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. See *"Trade Relations"*, above.

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 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 ABCA.

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 357,395,279 Common Shares and nil preferred shares are issued and outstanding.

The holders of Common Shares are entitled to dividends as and when declared by the Board, a right to one vote per Common Share at meetings of the 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 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.

Debentures

As of the date hereof, 8,389 Debentures are issued and outstanding. The Debentures will mature and be repayable on June 30, 2022 (the "**Maturity Date**") and 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 made on December 31, 2019. At the Corporation's election, interest on the Debentures on the date it is payable can be settled: (a) in cash; (b) by delivering freely tradeable, treasury Common Shares to a trustee for sale, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares; or (c) any combination of (a) and (b) above. At the holder's option, the Debentures are convertible into Common Shares at any time prior to the close of business on the earlier of the business day immediately preceding (a) the Maturity Date, or (b) if called for redemption (as described below), the date specified for redemption by the Corporation, 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 contained in the indenture governing the Debentures. 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 Corporation, 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 are direct, subordinated unsecured obligations of the Corporation, subordinated to any senior indebtedness of the Corporation, including the Credit Facility, and ranking equally with one another and with all other existing and future subordinated unsecured indebtedness of the Corporation to the extent subordinated on the same terms.

The Debentures are not redeemable by the Corporation prior to June 30, 2020. On or after June 30, 2020 and prior to June 30, 2021, the Debentures will be redeemable by the Corporation, 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 Corporation, 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.

On December 31, 2020, the holders of the Debentures agreed to an in-kind payment of accrued interest due on December 31, 2020 in the amount of $322,760 through the issuance of additional Debentures in the principal amount of $320,000 and a cash payment of $2,760. See *"General Developments of the Business – Three-Year History – Financial Year Ended December 31, 2020"*, above.

Performance Warrants

As at the date hereof, 57,920,000 Performance Warrants are issued and outstanding. 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 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) or the Common Shares are acquired for cash or for the securities of a company listed on a recognized stock exchange (other than the TSXV). As at the date hereof, 19,306,667 Performance Warrants have vested as the Market Price has exceeded $0.15.

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 ($)	Low ($)	Volume
Jan-20	0.04	0.03	2,694,200
Feb-20	0.03	0.02	13,742,000
Mar-20	0.02	0.01	3,063,600
Apr-20	0.02	0.01	3,833,800
May-20	0.04	0.01	3,323,700
Jun-20	0.04	0.03	4,226,500
Jul-20	0.04	0.03	2,422,300
Aug-20	0.03	0.02	1,144,500

Sep-20	0.03	0.02	1,025,000
Oct-20	0.03	0.02	2,013,000
Nov-20	0.05	0.02	9,369,400
Dec-20	0.04	0.03	3,567,100

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 31, 2020	Debentures	320	$0.125[1]

Notes:
1. Represents the conversion price to convert the Debentures into Common Shares.

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[1]
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 from November 2014 to December 2018. Prior thereto, Mr. Atkinson was a founder and Senior Executive Officer of Athabasca Oil Corporation ("**Athabasca**").	28,475,000 (7.97%)
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.	1,750,000 (0.49%)
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 (0.14%)
Erin Buschert *Calgary, Alberta* Vice President, Land	N/A	Vice President, Land of the Corporation. Ms. Buschert was a co-founder of Gulf Pine LP and Vice	750,000 (0.21%)

Name, Residence and Position	Director Since	Principal Occupation During the Last Five Years	Number and Percentage of Common Shares[(1)]
		President, Land since 2014. Prior thereto, Ms Buschert was Manager of Land for Saskatchewan and Manitoba at Crescent Point Energy Corp. ("**Crescent Point**")	
Jim McFadyen *Calgary, Alberta* Vice President, Operations	N/A	Vice President, Operations of the Corporation. Mr. McFadyen was a co-founder of Gulf Pine LP and Vice President, Operations since 2014. Prior thereto, Mr. McFadyen was Operations Manager at Athabasca.	1,625,000 (0.45%)
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.	2,787,500 (0.78%)
Sanjib Gill *Calgary, Alberta* Corporate Secretary	N/A	Partner at Stikeman Elliott LLP. Prior thereto, Mr. Gill was a Partner at McCarthy Tétrault LLP.	-
Bruce Beynon[(2)] *Calgary, Alberta* Director and Chairman of the Board	December 19, 2018	President of Tiburon Exploration Corporation since December 2018. Executive Vice President, Exploration and Corporate Development at Baytex Energy Corp. from August 2018 to December 2018. Prior thereto, the President of Raging River Exploration Inc. from June 2017 to August 2018 and Executive Vice President from February 2012 to June 2017.	2,875,000 (0.80%)
Michael G. Kohut[(3)(4)] *Calgary, Alberta* Director	December 19, 2018	Senior Vice President and Chief Financial Officer at Hammerhead Resources Inc. since January 2019 and is the Chairman of the board of directors at Big Rock Brewery Inc. Prior thereto, Mr. Kohut 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 (0.70%)

Name, Residence and Position	Director Since	Principal Occupation During the Last Five Years	Number and Percentage of Common Shares[(1)]
Tamara MacDonald[(2)(3)] *Calgary, Alberta* Director	December 19, 2018	Director of Spartan Delta Corp since December 2019. Prior thereto, Senior Vice President, Corporate and Business Development of Crescent Point from October 2004 to July 2018.	1,000,000 (0.28%)
Andrew McCreath[(3)(4)] *Toronto, Ontario* Director	December 19, 2018	Chief Executive Officer and Chief Investment Officer of Forge Asset Management since 2012.	1,000,000 (0.28%)
C. Neil Smith[(2)(3)] *Calgary, Alberta* Director	December 19, 2018	President of WCF Holdings Corp. since January 2019. Prior thereto, Mr. Smith was the Chief Operating Officer at Crescent Point from January 2013 to June 2018.	1,875,000 (0.52%)
R. Steven Smith[(3)(4)] *Calgary, Alberta* Director	December 11, 2018	Director of Karve Energy Inc. and Jasper Brewing Inc. Prior thereto, Mr. Smith was a Director of Broadview Energy Inc. from 2014 to 2019 and the Chief Financial Officer for the last 2 years. He was a Portfolio Manager and Chief Financial Officer at NCM Investments from 2007 to 2017.	7,250,000 (2.03%)

Notes:
1. Information provided as of the date hereof.
2. Messrs. Neil Smith (Chair), Beynon and Ms. MacDonald form Southern's Reserves, Health, Safety and Environment Committee.
3. Messrs. Steven Smith (Chair), Neil Smith, McCreath, Kohut and Ms. MacDonald form Southern's Corporate Governance and Compensation Committee.
4. Messrs. Kohut (Chair), McCreath and Steven Smith form Southern's Audit Committee.

As of the date hereof, the directors and officers of the Corporation as a group, beneficially own, or exercise control or direction over, an aggregate of approximately 52,387,500 Common Shares representing approximately 14.66% 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.

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.

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 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 ABCA. See also "*Risk Factors*".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as provided below, 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 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.

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

On May 23, 2019, the Corporation entered into an agreement with a syndicate of agents co-led by Laurentian Bank Securities Inc. ("**LBS**"), Canaccord Genuity Corp. and Eight Capital, and including Haywood Securities Inc., Desjardin Securities Inc. and Cormark Securities Inc., relating to the offering of Debentures completed on June 14, 2019. As of the date hereof, LBS owns approximately 11.69% of the Common Shares on a partially-diluted basis assuming the conversion of the Debentures held by LBS into Common Shares. LBS received $127,000 of Debentures as a fee for the Debenture offering.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Corporation is Odyssey Trust Company, 1230 – 300 5th Avenue S.W., Calgary, Alberta T2P 3C4.

MATERIAL CONTRACTS

Other than the Amended Credit Agreement and the First Amendment and Second Amendment thereto, 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 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.

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

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, 2020. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2020, 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, 2020, 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, 2020	United States	Nil	57,485,100	Nil	57,485,100

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
February 16, 2021

(*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 30, 2021