SOUTHERN ENERGY CORP. ANNOUNCES Q4 AND YEAR END 2020 FINANCIAL AND OPERATING RESULTS AND CLOSING OF EQUITY FINANCING AND DEBT RESTRUCTURING

Calgary, Alberta – May 3, 2021 – Southern Energy Corp. ("**Southern**" or the "**Company**") (SOU: TSXV) today announces the release of its financial and operating results for the fourth quarter and year ended December 31, 2020. The Company also announces the completion of its previously announced non-brokered private placement (the "**Private Placement**") for gross proceeds of C$5.5 million and the restructuring of its indebtedness through the payout and discharge of the existing credit facility ("**Old Facility**") with a cash payment of US$8.0 million, plus accrued interest, financed through a new senior secured term loan of up to US$8.5 million ("**New Facility**") and a portion of the proceeds from the Private Placement, such that Southern's outstanding first lien debt balance was reduced from US$12.7 million to US$5.5 million.

Southern is an established producer with natural gas and light oil assets in Mississippi and Alabama characterized by a stable, low-decline production base, a significant low-risk drilling inventory and strategic access to the best commodity pricing in North America. Selected financial and operational information is outlined below and should be read in conjunction with the Company's audited consolidated financial statements (the "**Financial Statements**") and related management's discussion and analysis (the "**MD&A**") for the fourth quarter and year ended December 31, 2020 and annual information form (the "**AIF**") for the year ended December 31, 2020, which are available on the Company's website at www.southernenergycorp.com and have been filed on SEDAR. All figures referred to in this news release are denominated in Canadian dollars, unless otherwise noted.

2020 Highlights

- Adjusted funds flow from operations[1] totaled $1.0 million in Q4 2020 and was $3.6 million in 2020, 3% higher than in 2019.
- Production averaged 13,626 Mcfe/d[2] (91% natural gas) in Q4 2020, 11% lower than Q4 2019 due to natural declines. Full year 2020 production averaged 12,857 Mcfe/d[3] (92% natural gas), a 2% increase over 2019 due to the impact of a strategic acquisition in 2019 partially offset by the temporary shut-in of production that began in March 2020 and resumed in June 2020, as well as natural declines.
- Bank indebtedness at December 31, 2020 was reduced by $0.5 million (US$0.4 million) during Q4 2020 and by $1.1 million (US$0.8 million) through 2020, while net debt[1] decreased by $1.9 million year-over-year, evidence of the Company's continued focus on capital preservation and strategic utilization of excess adjusted funds flow from operations[1].
- At December 31, 2020, Southern had positive adjusted working capital[1] of $1.4 million excluding royalty payables and bank debt.
- Per unit production and operating costs were reduced by 10% to $1.13/Mcfe in Q4 2020 compared to Q4 2019, and by 15% year-over-year to $1.25/Mcfe, reflecting the Company's focus on

[1] See "Non-IFRS Measures" under "Reader Advisory" below".
[2] Q4/20 volumes comprised of 12,462 mcf/d conventional natural gas, 166 bbl/d light and medium crude oil and 28 bbl/d NGLs.
[3] Annual 2020 volumes comprised of 11,861 mcf/d conventional natural gas, 145 bbl/d light and medium crude oil and 21 bbl/d NGLs.

optimizing field equipment and well setups to maximize efficiencies.

- General and administrative ("**G&A**") costs were $1.1 million in Q4 2020, a 10% decrease compared to Q4 2019, and totaled $3.7 million in full year 2020, 18% lower than in 2019.
- Realized commodity prices for crude oil and natural gas in Q4 2020 averaged $51.27/bbl and $3.19/Mcf, respectively, ($74.73/bbl and $3.08/Mcf in Q4 2019), reflecting the beneficial pricing captured at US sales hubs which currently trade at a premium to Canadian benchmark prices.
- Capital expenditures remained conservative in 2020, with $236 thousand of maintenance capital invested in the field on existing operations to maintain the Company's low 12% decline rate, $117 thousand of which was spent in Q4 2020.
- Operating netbacks[1] averaged $1.83/Mcfe in Q4 2020, compared to $1.91/Mcfe in Q4 2019, while full year 2020 operating netbacks averaged $1.57/Mcfe compared to $1.82/Mcfe in 2019, reflecting lower petroleum and natural gas prices, partially offset by lower operating costs and a gain on derivatives.

Subsequent Events

- Retained Hannam & Partners, a leading London, England-based independent investment bank, along with Eight Capital, to consider, evaluate and implement financing alternatives with respect to possible acquisition opportunities in the U.S. Gulf Coast States. Hannam & Partners provides specialized advisory services and access to capital with sector expertise in natural resources and financial services.
- Added Mr. Paul Baay as a Special Advisor to the Board of Directors. Mr. Baay is a Director and President and Chief Executive Officer of Touchstone Exploration Inc. with over 25 years of experience leading oil and gas exploration and production companies.

"Maintaining financial discipline and cost controls throughout 2020 remained a priority for Southern and the team executed on that very well" said Ian Atkinson, Southern's President & CEO. "With the recent closing of our refinancing transaction and equity raise, Southern now has the financial flexibility to allocate capital to accretive acquisitions and ongoing development of our high-quality assets. With the recovery in commodity prices and expanding access to capital through our engagement with Hannam & Partners we expect 2021 to be a transformational year for Southern."

Financial & Operating Highlights

(000s, except $ per share)	Three months ended Dec 31, **2020**	**2019**	Year ended Dec 31, **2020**	**2019**
Petroleum and natural gas sales	**$ 4,510**	$ 5,525	**$ 13,922**	$ 19,129
Adjusted funds flow from operations[1]	**989**	1,437	**3,553**	3,437
Per share[2]	**0.00**	0.01	**0.02**	0.02
Net income (loss) from continuing operations	**3,735**	(7,787)	**(11,310)**	(10,896)
Per share[2]	**0.02**	(0.03)	**(0.05)**	(0.05)
Total net income (loss)	**3,735**	(7,787)	**(11,310)**	(10,873)
Per share[2]	**0.02**	(0.03)	**(0.05)**	(0.05)
Capital expenditures	**117**	189	**236**	22,943
Weighted average shares outstanding				
Basic	**220,770**	223,770	**220,770**	215,201
Fully diluted	**220,770**	223,770	**220,770**	215,201
As at period end				
Common shares outstanding				
Basic	**220,770**	220,770	**220,770**	220,770
Fully diluted	**220,770**	220,770	**220,770**	220,770
Total assets	**38,647**	49,176	**38,647**	49,176
Non-current liabilities	**12,907**	30,502	**12,907**	30,502
Net debt[1]	**$ 29,386**	$ 31,297	**$ 29,386**	$ 31,297

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

Outlook

To further support the Company's long-term sustainability, Southern has entered into fixed price hedges designed to provide added stability and further mitigate the effects of market volatility for the remainder of 2021. Hedges are currently in place on 5,100 Mcf/d of natural gas at an average price of US$2.45/Mcf through December 31, 2021. These hedge volumes equate to approximately 40% of the Company's current production. A complete list of contracts can be found within the Company's fourth quarter and year end 2020 MD&A.

For 2021, Southern plans a minor capital program of $300 thousand, which is expected to be directed to maintenance capital to sustain current production volumes. This capital program will be funded through excess adjusted funds flows from operations[1]. Southern believes that with its low-decline asset base, conservative capital and operating cost structure and meaningful torque to commodity price upside, the Company is well positioned to benefit from structural improvements in commodity markets as the global economy recovers from the COVID-19 pandemic. North American crude oil and natural gas prices in 2021 are expected to be supported by OPEC+ holding their previous supply cuts and industry caution surrounding the drilling of new wells.

Southern continues to see an increase in structural demand for natural gas in the US given the extreme cold temperatures experienced across North America in February 2021, which led to natural gas withdrawals that exceeded the five-year average for the month. The U.S. Energy Infrastructure Administration forecasts natural gas inventories exiting the first quarter of 2021 will be approximately

[1] See "Reader Advisories – Non-IFRS Measures".

13% lower than the five-year average, and when coupled with the continued strength of LNG imports to Asia, supports a robust natural gas pricing outlook. As exploration and production companies continue to allocate capital to dividends and share buybacks, rather than increasing production through drilling, it is expected that stronger gas prices will be supported for the next decade.

Southern's long-term strategy remains consistent throughout 2021 with an unwavering commitment to environmental, social and governance ("ESG") principles that support the development and consolidation of prolific reservoirs that are outside of the more expensive shale basins. Cost savings and financial discipline remain a priority through the continued enhancement of operations and the ongoing evaluation of opportunities to reduce operating and capital costs.

Private Placement

Pursuant to the Private Placement, Southern issued 136.6 million units ("**Units**") of the Company at a price of C$0.04 per Unit, with each Unit being comprised of one common share of Southern (each, a "**Common Share**") and one Common Share purchase warrant (each, a "**Warrant**"). Each Warrant entitles the holder to purchase one Common Share at a price of C$0.04 for a period of two years following the date of issuance. The Common Shares and Warrants are subject to a four month hold period under applicable securities laws in Canada and the rules and policies of the TSX Venture Exchange (the "**TSXV**"). In connection with the Private Placement and pursuant to the Temporary Relief Measures, the Company has agreed, subject to shareholder approval, to complete a consolidation of its Common Shares on or before December 31, 2021 such that the effective exercise price of the Warrants, on a post-consolidation basis, will be greater than C$0.05 per Common Share (the "**Consolidation**"). Warrants issued pursuant to the Private Placement will not be exercisable until the Consolidation has occurred. The Private Placement remains subject to final approval of the TSXV. Southern has paid eligible finders a cash commission in proportion to the gross proceeds received by Southern that resulted from such finder's efforts, subject to compliance with applicable securities laws. An aggregate of $147 thousand in finder's fees were paid to finders.

New Facility Details

The New Facility includes two tranches, US$5.5 million at closing (Tranche A) and US$3.0 million (Tranche B) available up to December 31, 2021, in multiple advances of no less than US$500 thousand each. The New Facility is secured against the oil and gas properties of Southern and bears interest of 12% per annum, paid monthly in arrears, maturing 36 months from closing.

The New Facility is subject to financial covenant calculations beginning June 30, 2021 and as at each quarter-end thereafter, related to an asset coverage ratio ("**ACR**") of at least 2:1. ACR is calculated as the ratio of (a) net present value, discounted at 12%, of proved developed producing oil and gas properties as determined by an independent qualified engineer, using a price deck based on forward commodity prices, to (b) 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 (a) Earnings Before Interest, Taxes, Depreciation, Amortization, and Exploration Expense ("**EBITDAX**"), to (b) scheduled principal payments and interest expense.

Repayments of principal outstanding amounts under the New Facility on the last day of the month, beginning on May 31, 2021, are computed as the sum of: (a) outstanding amount multiplied by 1/A, where A equals the number of whole or partial 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**") for the respective fiscal quarter. FCF is calculated as EBITDAX, less the aggregate of the facility principal and interest payments.

In connection with the New Facility, the Company issued 41,250,000 non-transferrable Common Share purchase warrants ("**Facility Warrants**") to the lender. Each Facility Warrant entitles the lender to purchase one Common Share at a price of C$0.05 until April 30, 2024, subject to early expiration in certain circumstances.

Southern used a portion of the proceeds from the Private Placement and the New Facility to repay and retire the Old Facility and will use the remaining proceeds for development activities and general working capital purposes.

Southern thanks all of its shareholders, employees and other stakeholders for their ongoing support and looks forward to providing updates on increased operational activities with the enhanced financial flexibility and broader exposure to new investors and pools of capital via an anticipated alternative exchange listing.

About Southern Energy Corp.

Southern Energy Corp. is an oil and natural gas exploration and production company. Southern has a primary focus on acquiring and developing conventional natural gas and light oil resources in the southeast Gulf States of Mississippi, Louisiana, and East Texas. Our management team has a long and successful history working together and have created significant shareholder value through accretive acquisitions, optimization of existing oil and natural gas fields and the utilization of re-development strategies utilizing horizontal drilling and multi-staged fracture completion techniques.

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***MCFE Disclosure**. Natural gas liquids volumes are recorded in barrels of oil (bbl) and are converted to a thousand cubic feet equivalent ("**Mcfe**") using a ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas volumes recorded in thousand cubic feet (Mcf) are converted to barrels of oil equivalent ("boe") using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Mcfe and boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl or a Mcfe conversion ratio of 1 bbl:6 Mcf is based in an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared with natural gas is significantly different from the energy equivalent of six to one, utilizing a boe conversion ratio of 6 mcf:1 bbl or a*

Mcfe conversion ratio of 1 bbl:6 Mcf may be misleading as an indication of value.

Throughout this press release, "crude oil" or "oil" refers to light and medium crude oil product types as defined by National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). References to "NGLs" throughout this press release comprise pentane, butane, propane, and ethane, being all NGLs as defined by NI 51-101. References to "natural gas" throughout this press release refers to conventional natural gas as defined by NI 51-101.

***Forward Looking Statements**. Certain information included in this press release constitutes forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this press release may include, but is not limited to, statements concerning the Company's asset base, future commodities pricing, the effect of market conditions and the COVID-19 pandemic on the Company's performance, future production levels, acquisition opportunities, costs/debt reducing activities, the Company's capital program for the remainder of 2021 and the funding thereof.*

The forward-looking statements contained in this press release are based on certain key expectations and assumptions made by Southern, including the receipt of required TSXV approvals, the timing of and success of future drilling, development and completion activities, the performance of existing wells, the performance of new wells, the availability and performance of facilities and pipelines, the geological characteristics of Southern's properties, the characteristics of the its assets, the successful application of drilling, completion and seismic technology, benefits of current commodity pricing hedging arrangements, prevailing weather conditions, prevailing legislation affecting the oil and gas industry, commodity prices, royalty regimes and exchange rates, the application of regulatory and licensing requirements, the availability of capital, labour and services, the creditworthiness of industry partners and the ability to source and complete asset acquisitions.

Although Southern believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Southern can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), constraint in the availability of services, negative effects of the current COVID-19 pandemic, commodity price and exchange rate fluctuations, changes in legislation impacting the oil and gas industry, adverse weather or break-up conditions and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. These and other risks are set out in more detail in Southern's MD&A and AIF.

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

***Future Oriented Financial Information**. Any financial outlook or future oriented financial information in this press release, as defined by applicable securities legislation, has been approved by management of Southern. Readers are cautioned that any such future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein. The Company and its management believe that the prospective financial information has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future activities or results.*

***Non-IFRS Measures.** This press release provides certain financial measures that do not have a standardized meaning prescribed by IFRS. These non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Adjusted funds flow from operations, operating netback, adjusted working capital and* *net debt are not recognized measures under IFRS. Readers are cautioned that these non-IFRS measures should not be construed as alternatives to other measures of financial performance calculated in accordance with IFRS. These non- IFRS measures provide additional information that management believes is meaningful in describing the Company's operational performance, liquidity and capacity to fund capital expenditures and other activities. Management uses adjusted funds flow from operations as a key measure to assess the ability of the Company to finance operating activities, capital expenditures and debt repayments. Management considers operating netback an important measure to evaluate its operational performance, as it demonstrates field level profitability relative to current commodity prices. Management monitors adjusted working capital and net debt as part of its capital structure in order to fund current operations and future growth of the Company. Southern's method of calculating these measures may differ from other companies and accordingly, they may not be comparable to measures used by other companies. Adjusted funds flow from operations is calculated based on cash flow from operative activities before changes in non-cash working capital and cash decommissioning expenditures. Net debt is defined as long-term debt plus adjusted working capital surplus or deficit. Operating netback equals total oil and natural gas sales less royalties, production taxes, operating expenses, transportation costs and realized gain / (loss) on derivatives. Adjusted working capital is calculated as current assets less current liabilities, removing current derivative assets/liabilities, the current portion of bank debt, and the current portion of lease liabilities. Please refer to the MD&A for additional information relating to non-IFRS measures, which is available on the Company's website at www.southernenergycorp.com and filed on SEDAR.*

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