THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take or the contents of this document, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on the acquisition of shares and other securities. The whole of the text of this document should be read. You should be aware that an investment in Southern Energy Corp. (the "Company") involves a high degree of risk and prospective investors should also carefully consider the section entitled 'Risk Factors' set out in Part 2 of this document before taking any action.

This document, which comprises an admission document prepared in accordance with the rules of the AIM market of the London Stock Exchange, has been issued in connection with an application for admission to trading of the entire issued and to be issued common share capital of Southern Energy Corp. to trading on AIM. This document does not constitute an offer or any part of any offer of transferable securities to the public within the meaning of section 102B of the FSMA or otherwise. Accordingly, this document does not constitute a prospectus for the purposes of section 85 of the FSMA or otherwise, and has not been drawn up in accordance with the Prospectus Regulation Rules or filed with or approved by the Financial Conduct Authority or any other competent authority.

The Company, the Directors and the Proposed Director whose names and functions are set out on page 11 of this document, accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Company, the Directors and the Proposed Director (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. To the extent information has been sourced from a third party, such information has been accurately reproduced and, as far as the Company, the Directors and the Proposed Director are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading.

Application has been made for the Common Shares to be admitted to trading on AIM, the market operated by the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom's Financial Conduct Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies (the "AIM Rules") to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange and the TSXV have not examined or approved the contents of this document.

It is expected that Admission will become effective and dealings in the Common Shares will commence on AIM on 10 August 2021 (or such later date as the Company, Strand Hanson and the Brokers may agree).

Southern ENERGY

Southern Energy Corp.

(Existing under the laws of Alberta, Canada)

Admission to trading on AIM

Strand Hanson Limited

Nominated and Financial Adviser

H&P Advisory Limited

Joint Broker and Financial Adviser

Canaccord Genuity Limited

Joint Broker

This document does not constitute an offer or invitation to subscribe for or to purchase any securities in the Company. No Common Shares have been, or are proposed to be, offered to the public in connection with the application for admission to AIM.

Strand Hanson Limited ("**Strand Hanson**"), which is authorised and regulated by the FCA, is the Company's nominated adviser for the purposes of the AIM Rules and as such, its responsibilities are owed solely to the London Stock Exchange and are not owed to the Company, any Director, the Proposed Director or any other entity or persons. Strand Hanson will not be responsible to anyone other than the Company for providing the protection afforded to clients of Strand Hanson or for advising any other person in connection with Admission.

H&P Advisory Limited ("**Hannam & Partners**") and Canaccord Genuity Limited ("**Canaccord Genuity**") which are authorised and regulated by the FCA, are each acting exclusively for the Company and no one else in connection with their respective engagements as the Company's ongoing brokers. Neither Canaccord Genuity nor Hannam & Partners will be responsible to anyone other than the Company for providing the protections afforded to clients of Hannam & Partners and Canaccord Genuity or advising any other person on the contents of this document or any matter referred to herein.

In particular, the information contained in this document has been prepared solely for the purposes of Admission and is not intended to inform or be relied upon by any subsequent purchasers of Common Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them. Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Strand Hanson, Hannam & Partners or Canaccord Genuity as to the contents of this document and none of Strand Hanson, Hannam & Partners or Canaccord Genuity has not checked the contents of any part of this document for the accuracy of any information or opinions contained in this document or for any omissions of information.

In the United Kingdom, this document is directed only at (i) Qualified Investors who have professional experience in matters relating to investments falling within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO"); (ii) Qualified Investors who are high net worth companies, unincorporated associations or other bodies within the meaning of Article 49(2)(a) to (d) of the FPO; or (iii) persons to whom it may otherwise be lawfully communicated (each a "Relevant Person"). Any person who is not a Relevant Person must not act or rely on this document or any of its contents. Any investment or investment activity to which this document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. This document does not itself constitute an offer for sale or subscription of any securities in the Company.

This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, securities in any jurisdiction and, in particular, is not for publication or distribution in or into the United States, Canada, Australia, New Zealand, the Republic of South Africa, Japan nor in any country or territory where to do so may contravene local securities laws or regulations. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

No public offering of securities is being made in the United States. The Common Shares have not been registered under the US Securities Act nor under the applicable securities laws of any state of the United States, nor have they been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Further, the Common Shares have not been and will not be registered under the applicable securities laws of Australia, New Zealand, the Republic of South Africa or Japan.

The date of this document is 4 August 2021.

IMPORTANT INFORMATION

General

No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, Hannam & Partners, Canaccord Genuity or Strand Hanson or any of their respective affiliates, officers, directors, partners, employees or agents. Without prejudice to the Company's obligations under applicable laws and the AIM Rules, neither the delivery of this document nor any subscription or purchase made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

Prospective investors in the Company must not treat the contents of this document or any subsequent communications from the Company, Hannam & Partners, Canaccord Genuity or Strand Hanson or any of their respective affiliates, officers, directors, partners, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

If you are in any doubt about the contents of this document or the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser who is authorised under FSMA if you are in the United Kingdom, or, if you are outside the United Kingdom, from another appropriately authorised independent adviser.

The Company does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media or any other person, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person, regarding the Company or the Group. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

As required by the AIM Rules, the Company will update the information provided in this document, by means of a supplement to it, if a significant new factor that may affect the evaluation of the Group by prospective investors occurs prior to Admission or if it is noted that this document contains any mistake or substantial inaccuracy. This document, and any supplement thereto, will be made public in accordance with the AIM Rules.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation, by the Company, the Directors, the Proposed Director, Hannam & Partners, Canaccord Genuity, Strand Hanson or any of their respective representatives, that any recipient of this document should subscribe for or purchase any Common Shares. Prior to making any decision as to whether to subscribe for or purchase any Common Shares, prospective investors should read the entirety of this document and, in particular, the section headed "Risk Factors".

Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination (or an examination by the prospective investor's FSMA-authorised or other appropriate advisers) of the Company and the terms of this document, including the risks involved. Any decision to purchase Common Shares should be based solely on this document and the prospective investor's own (or such prospective investor's FSMA-authorised or other appropriate advisers') examination of the Company.

Hannam & Partners, Canaccord Genuity, Strand Hanson and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory or other services to, the Company or its affiliates, for which they would have received customary fees. Hannam & Partners, Canaccord Genuity, Strand Hanson and their respective affiliates may provide such services to the Company and any of its affiliates in the future.

Forward looking statements

Certain statements in this document are or may constitute forward looking statements, including statements about current beliefs and expectations of the Directors and the Proposed Director. In particular, the words "envisage", "projects", "expect", "anticipate", "estimate", "may", "should", "plan", "intend", "will", "would", "could", "target", "believe" and similar expressions (or in each case their negative and other variations or comparable terminology) can be used to identify forward looking statements. Such forward looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Company's expectations of external conditions and events, current business strategy, plans and the other objectives of management for future operations and estimates and projections of the Group's financial performance. Though the Directors and the Proposed Director believe these expectations to be reasonable at the date of this document, they may prove to be erroneous. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, achievements or performance of the Group, or the industry in which the Group operates, to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Prospective investors should read the risk factors set out in Part 2 of this document.

Any forward looking statement in this document speaks only as of the date it is made. Save as required by law or regulation or the AIM Rules, the Company undertakes no obligation to publicly release the results of any revisions to any forward looking statements in this document that may occur due to any change in the Company's expectations or in order to reflect events or circumstances after the date of this document.

Any forward looking statement in this document based on past or current trends or activities of the Group should not be taken as a representation or assurance that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will match or exceed the historical or published earnings of the Group.

Extraction of information from the Competent Person's Report

This document contains cross-references to information contained in the Competent Person's Report set out in Part 3 of this document. The Company confirms that the information which has been extracted from the Competent Person's Report has been accurately reproduced and that, so far as the Company is aware and is able to ascertain from the Competent Person's Report, no facts have been omitted which would render the extracts inaccurate or misleading. The Competent Person has reviewed the information contained in this document which relates to information contained in the Competent Person's Report and has confirmed in writing to the Company and Strand Hanson the information presented is accurate, balanced and complete and not inconsistent with the Competent Person's Report.

Figures

Various figures and percentages in tables in this document, including financial information, have been rounded and accordingly may not total. As a result of this rounding, the totals of data presented in this document may vary slightly from actual arithmetical totals of such data.

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 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.

Market, industry and economic data

Unless the source is otherwise identified, the market, economic and industry data and statistics in this Admission Document constitute the Directors' and the Proposed Director's estimates, using underlying data from independent third parties.

The Company obtained market and economic data and certain industry statistics from internal reports as well as from third party sources such as independent research commissioned by the Company, third party market research and publicly available information, as described in the footnotes to such information. The Company confirms that all such information set out in this Admission Document has been accurately reproduced and that, so far as it is aware and has been able to ascertain from information published by the third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this Admission Document, the source of such information has been identified.

The Company does not make any representation or warranty as to the accuracy or completeness of such information as set out in this Admission Document. Such third party information has not been audited or independently verified. None of Hannam & Partners, Canaccord Genuity and Strand Hanson has authorised the contents of, or any part of, this document and accordingly no liability whatsoever is accepted by Hannam & Partners, Canaccord Genuity or Strand Hanson for the accuracy or completeness of any market or industry data which is included in this document.

No incorporation of website information

The contents of the Company's website, any website mentioned in this document or any website directly or indirectly linked to these websites have not been verified and do not form part of this document and prospective investors should not rely on such information.

Interpretation

Certain terms used in this Admission Document, including capitalised terms and certain technical and other items, are defined in the section entitled "Definitions" and certain selected industry and technical terms used in this document are defined and explained in the section entitled "Glossary".

References to the singular in this Admission Document shall include the plural and vice versa where the context requires. Any references to time in this Admission Document are to British Summer Time ("BST") times, unless otherwise stated.

Unless otherwise indicated, all references in this document to "Pounds Sterling", "£", "GBP", "p" or "pence" are to the lawful currency of the United Kingdom, to "Dollars" or "C$" are to the lawful currency of Canada and to "US Dollars" or "US$" are to the lawful currency of the United States.

The Company prepares its financial statements in Canadian Dollars. Unless otherwise indicated, the financial information contained in this document has been expressed in Canadian Dollars.

NOTES ON RESERVES DATA AND OTHER OIL AND NATURAL GAS INFORMATION

Caution regarding 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 Company's natural gas and petroleum reserves does not represent the fair market value of the Company's reserves.

Caution regarding "boe"

In this document, 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. Boe may be a misleading term, 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.

"Possible" reserves are those additional reserves that are less certain than Probable reserves, and represent upside potential. Possible reserves have not been assessed by NSAI, in view of the high degree of development of the Group's assets with large numbers of wells and many decades of production history.

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 per cent. probability that the quantities actually recovered will equal or exceed the estimation; and

(b) for Proved plus Probable reserves, at least a 50 per cent. probability that the quantities actually recovered will equal or exceed the estimation.

A quantitative measure of the certainty levels for 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 document discloses drilling inventory for Proved locations. Proved locations are derived from the Competent Person's Report and account for drilling locations that have associated Proved reserves, as applicable. All of the drilling locations identified herein, are net Proved locations. Additional Probable drilling locations, being drilling locations associated with Probable reserves, may be identified but have not as the date of this document been considered. The drilling locations on which the Group 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.

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KEY STATISTICS

Number of Common Shares in issue and voting rights as at Admission*	361,297,054
Closing mid-market price on 2 August 2021 (being the Latest Practicable Date)	C$0.09
£:C$ exchange rate on 2 August 2021 (being the Latest Practicable Date)	£0.58:C$1
Estimated market capitalisation on Admission (based on the above mid-market share price and exchange rate)	£18.9m
Number of Warrants in issue as at the date of this document*	235,795,000
Number of Options in issue as at the date of this document*	19,400,000
Principal amount of convertible Debentures in issue as at the date of this document*	C$8,389,000**
Options expressed as a percentage of the Issued Share Capital	5.4%
Warrants expressed as a percentage of the Issued Share Capital	65.3%
ISIN for the Common Shares	CA8428131079
SEDOL for the Common Shares	BP381H9
Trading symbol for Common Shares on AIM	SOUC
Trading symbol for Common Shares on the TSXV	SOU
Legal Entity Identifier (LEI)	213800R25GL7J3EBJ698

* Assuming no Warrants or Options are exercised or Debentures converted between the date of this document and Admission.

** The Debentures convert at a rate of approximately 10,000 Common Shares for each C$1,000 principal amount of Debentures, and accordingly represent approximately 23.2% of the Issued Share Capital if fully converted.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	4 August 2021
Admission effective and commencement of dealings in the Common Shares on AIM	10 August 2021

References to times above are to London time unless otherwise stated. Each of the times and dates set out in the timetable above and mentioned throughout this document may be. In the event of a change, the Company will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates and the details of the new times.

DIRECTORS, PROPOSED DIRECTOR, SECRETARY AND ADVISERS

Directors	Ian Kenneth Atkinson *(President and Chief Executive Officer)* Bruce Michael Beynon *(Chairman)* Michael George Kohut Tamara Louise MacDonald Andrew Shatford McCreath Clifford Neil Smith Reginald Stevenson Smith
Proposed Director	John Joseph Nally
Company Secretary	Sanjib (Sony) Gill
Head Office	Suite 2400, 333- 7th Avenue S.W. Calgary Alberta T2P 2Z1
Registered Office	4300 Bankers Hall West, 888 – 3rd Street S.W. Calgary Alberta T2P 5C5
Company Website	www.southernenergycorp.com
Nominated & Financial Adviser	Strand Hanson Limited 26 Mount Row London W1K 3SQ
Joint Broker and Financial Adviser	H&P Advisory Limited 2 Park Street London W1K 2HX
Joint Broker	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR
Auditors to the Company	Deloitte LLP Suite 700, 850 – 2nd Street S.W. Calgary Alberta T2P 0R8
Reporting accountants to the Company	BDO LLP 55 Baker Street London W1U 7EU
Legal advisers to the Company (as to English law)	Hogan Lovells International LLP Atlantic House Holborn Viaduct, London EC1A 2FG

Legal advisers to the Company (as to Canadian law)	Stikeman Elliott LLP 4300 Bankers Hall West 888 3rd Street, S.W. Calgary Alberta T2P 5C5
Legal advisers to the Company (as to Mississippi and Alabama law)	Blair & Bondurant 1368 Old Fannin Road, Suite 300 Brandon, Mississippi 39047
Legal advisers to the Nominated Adviser	Fasken Martineau LLP 15th Floor 125 Old Broad Street London EC2N 1AR
Canadian Registrar and Transfer Agent	Odyssey Trust Company Stock Exchange Tower 1230 – 300 5th Avenue SW Calgary AB T2P 3C4
UK Depositary	Link Market Services Trustees Limited 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL
Registrar	Link Market Services (Guernsey) Limited Mont Crevelt House Bulwer Avenue St Sampson Guernsey GY2 4LH
Competent Person	Netherland, Sewell & Associates, Inc. Suite 3200 1301 McKinney Street Houston Texas 77010
PR advisers to the Company	Capital Market Communications Limited 3rd Floor Cannongate House 62-64 Cannon Street London EC4N 6AE

DEFINITIONS

The following words and expressions shall have the following meanings in this document unless the context otherwise requires:

£	Pounds sterling, the lawful currency of the United Kingdom
2018 Warrants	the Common Share performance warrants issued on 19 December 2018
2021 Warrants	the Common Share purchase warrants issued on 29 April 2021
ABCA	the Business Corporations Act (Alberta), as amended, including the regulations promulgated thereunder
Admission	the admission to trading of the entire issued and to be issued share capital of the Company on AIM, becoming effective as provided in Rule 6 of the AIM Rules
affiliate or **associate**	when used to indicate a relationship with a person or company, has the meaning set forth in the Securities Act (Alberta), as amended, including the regulations promulgated thereunder
AIM	AIM, the market of that name operated by the London Stock Exchange
AIM Rules	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) and those other rules of the London Stock Exchange which govern the admission of securities to trading on, and the regulation of AIM
Articles	the articles of continuance of the Company (as amended from time to time)
Audit Committee	the audit committee established by the Company
Black Warrior Basin Assets	the Group's current and former oil and gas assets located in Lowndes and Monroe Counties, Mississippi and Lamar and Pickens County, Alabama
BLM	the US Bureau of Land Management
Board	the board of directors of the Company from time to time
Brokers	Canaccord Genuity and Hannam & Partners
By Laws	the by-laws of the Company (as amended from time to time)
C$	Canadian dollars, the lawful currency of Canada
Canaccord Genuity	Canaccord Genuity Limited
Canadian Registrar and Transfer Agent	Odyssey Trust Company
Canadian Tax Act	the Income Tax Act (Canada), as amended, including the regulations promulgated thereunder

CBCA	the Canada Business Corporations Act, as amended from time to time
CDS	Clearing and Depositary Services Inc.
Central Mississippi Assets	the Group's oil and gas assets located in Covington, Hinds, Jasper, Jefferson Davis, Jones, Lawrence, Marion, Simpson, Smith and Yazoo Counties, Mississippi
certificated or **in certificated form**	in relation to a Common Share, recorded on the Company's register as being held in certificated form (that is not in CREST or CDS)
CGT	UK Capital Gains Tax
COBS	the FCA Handbook Conduct of Business Sourcebook
Common Shares	common shares in the share capital of the Company
Company	Southern Energy Corp., a public corporation continued under the laws of Alberta with corporate access number 2022386623
CPR or **Competent Person's Report**	the competent person's report prepared by NSAI dated 25 June 2021, estimating the proved and probable reserves and future revenue, as at 1 April 2021, in relation to the Group's assets
CREST	the computerised settlement system operated by Euroclear which facilitates the transfer of title to shares
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended from time to time, and any applicable rules made under those regulations
Custodian	Link Market Services Trustees (Nominees) Limited or a subsidiary or third party appointed by the Depositary
Debenture holders	the holders of Debentures
Debenture Indenture	means the indenture between the Company and Computershare Trust Company of Canada, as debenture trustee, dated 14 June 2019, relating to the Debenture Financing
Debentures	the 8 per cent. convertible unsecured debentures of the Company, each with a principal amount of C$1,000, constituted by an indenture between the Company and Computershare Trust Company of Canada, as debenture trustee, dated 14 June 2019
Deloitte Canada	Deloitte LLP, the auditors to the Company
Depositary	Link Market Services Trustees Limited
Depositary Agreement	the depositary agreement relating to the issue of the Depositary Interests, dated 30 July 2021
Depositary Deed Poll	the deed poll relating to the holding of Common Shares and the issue of the Depositary Interests, dated 30 July 2021, and made by the Depositary in favour of the DI Holders
Depositary Interests	the dematerialised depositary interests representing Common Shares to be admitted to trading on AIM and issued by the Depositary

DI Holder(s)	the holder(s) of a Depositary Interest, from time to time, pursuant to the Depositary Deed Poll
DI Register	the register of DI Holders
Directors	the directors of the Company whose names are set out in this document under the section Directors, Proposed Director, Company Secretary and Advisers
DSCR	debt service coverage ratio
DTR	the Disclosure Guidance and Transparency Rules sourcebook of the FCA
DTR5	Chapter 5 of the DTRs
EBITDAX	earnings before interest, taxes, depreciation, amortization, and impairment
EPA	the US Environmental Protection Agency
ESG	environment, social and governance matters
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST
FCA	the Financial Conduct Authority
FCF	free cash flow
FERC	the Federal Energy Regulatory Commission
FPO	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended
FSMA	the Financial Services and Markets Act 2000, as amended
GHG	greenhouse gas emissions
Great Prairie	Great Prairie Energy Services Inc
Group	the Company and the Subsidiaries;
Gulf Pine Acquisition	has the meaning given in Part 5, section 2.2
Gulf Pine GP	Gulf Pine Energy Partners GP, LLC
Gulf Pine LP	Gulf Pine Energy Partners, LP
Hannam & Partners	H & P Advisory Limited
HMRC	Her Majesty's Revenue and Customs
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
Introduction Agreement	the introduction agreement entered into between the Company, Strand Hanson and the Brokers on 4 August 2021 and summarized in Part 5, section 18.6
Invico	Invico Diversified Income Limited Partnership

Invico Credit Agreement	the credit agreement dated 30 April 2021 between Southern US and Invico
Invico Facility	the senior secured term loan of up to US$8.5 million supplied by Invico to the Company pursuant to the Invico Credit Agreement
Invico Warrants	has the meaning given in Part 5, section 5.23
Issued Share Capital	the 361,297,054 Common Shares in issue as at the date of Admission (assuming no Warrants or Options have been exercised and no Debentures have been converted between the date of this document and Admission)
Latest Practicable Date	2 August 2021
London Stock Exchange or **LSE**	London Stock Exchange plc
MAR	the UK version of the EU Market Abuse Regulation (2014/596) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time including by the Market Abuse (Amendment) (EU Exit) Regulations 2019
Member State	each Member State of the European Economic Area
MI 61-101	Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transaction of the Canadian Securities Administrators
MISB	Mississippi Interior Salt Basin
NI 45-102	National Instrument 45-102 – Resale of Securities of the Canadian Securities Administrators
NI 45-106	National Instrument 45-106 – Prospectus Exemptions of the Canadian Securities Administrators
NI 51-101	National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators
NI 51-102	National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators
NI 52-110	National Instrument 52-110 – Audit Committees of the Canadian Securities Administrators
NI 58-101	National Instrument 58-101 – Disclosure of Corporate Governance Practices of the Canadian Securities Administrators
NI 62-104	National Instrument 62 104 – Take-Over Bids and Issuer Bids
Nominated Adviser	Strand Hanson Limited
NSAI	Netherland, Sewell & Associates, Inc.
NSPS	new source performance standards
Official List	the official list of the FCA
OPEC	Organization of Petroleum Exporting Countries

OPEC+	OPEC plus Russia, Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, South Sudan and Sudan
Options	options to purchase Common Shares, granted pursuant to the Stock Option Plan
PCA	person closely associated as defined in article 3(26) of MAR
PDMR	a person discharging managerial responsibilities as defined in article 3(25) of MAR
Penco	Penco Oil and Gas Ltd.
Prospectus Regulation Rules	the Prospectus Regulation Rules of the FCA made pursuant to section 73A of the Financial Services and Markets Act 2000, as amended
Provinces	Alberta and British Columbia
QCA Code	QCA Corporate Governance Code published by the Quoted Companies Alliance, as amended from time to time
Qualified Investors	persons in Member States who are "qualified investors" in such Member State within the meaning of Article 2(e) of the EU Prospectus Regulation (2017/1129) or the United Kingdom within the meaning of the UK version of the EU Prospectus Regulation (2017/1129) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 (as amended and supplemented from time to time (including but, not limited to, by the UK Prospectus Amendment Regulations 2019 and The Financial Services and Markets Act 2000 (Prospectus) Regulations 2019))
Queens Assets	the Group's former oil and gas assets located in Escambia and Conecuh Counties, Alabama
Registered Holder	a holder of the Common Shares on the share register of Southern Energy maintained in Canada
Regulatory Information Service	one of the regulatory information services authorised by the FCA to receive, process and disseminate regulatory information in respect of listed companies
Roundtree Acquisition	has the meaning given in Part 5, section 2.3(h)
SDRT	UK Stamp Duty Reserve Tax
Share Register	the share register of Southern Energy maintained in Canada
Shareholders	holders of Common Shares
SO CGU	the Smackover Alabama CGU
Southern BWB	Southern Energy BWB, LLC, a limited liability company existing under the laws of the state of Delaware and wholly-owned subsidiary of Southern US
Southern CMS	Southern Energy CMS, LLC, a limited liability company existing under the laws of the state of Delaware and wholly-owned subsidiary of Southern US
Southern Energy	the Company

Southern Operating	Southern Energy Operating, LLC, a limited liability company existing under the laws of the state of Delaware and wholly-owned subsidiary of Southern US
Southern SO	Southern Energy SO, LLC, a limited liability company existing under the laws of the state of Delaware and wholly-owned subsidiary of Southern US;
Southern US	Southern Energy Corporation, a private corporation existing under the laws of the state of Delaware and wholly-owned subsidiary of the Company
Stock Option Plan	the Company's stock option plan
Strand Hanson	Strand Hanson Limited
Subsidiaries	the subsidiaries of the Company
TCB Credit Agreement	the credit agreement dated 1 February 2017 between Southern US and TCB and amended and restated as of 20 July 2020
TCB Facility	the previous senior secured credit facility of the Company, created pursuant to the TCB Credit Agreement, which includes the TCB Conforming Facility and TCB Non-Conforming Facility (as context requires)
TSXV	the TSX Venture Exchange
UK Corporate Governance Code	the principles of good governance and code of best practice issued by the UK Financial Reporting Council
uncertificated or **in uncertificated form**	a share or shares recorded on the register of members as being held in uncertificated form in CREST, entitlement to which by virtue of the Uncertificated Securities Regulations, may be transferred by means of CREST
United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland
Registrar	Link Market Services (Guernsey) Limited
United States or **US** or **USA**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
US$	American dollars, the lawful currency of the United States
US Securities Act	United States Securities Act of 1933 (as amended)
VAT	United Kingdom value added tax
Warrants	together, the 2018 Warrants and the 2021 Warrants

GLOSSARY OF TECHNICAL TERMS

API	American Petroleum Institute
API gravity and **°API**	an indication of the specific gravity of crude oil measured on the API gravity scale
best estimate	the middle value in a range of estimates considered to be the most likely. If based on a statistical distribution, this can be the mean, median or mode depending on usage
bbl or **barrel**	a unit of volume measurement used for petroleum and its products
bbls/d or **bopd**	barrels per day or barrels of oil per day
Bcf	billions of cubic feet
boe	barrel of oil equivalent, where 6,000 standard cubic feet of gas equals 1 bbl of oil
boe/d or **boepd**	barrels of oil equivalent per day
btu	British thermal unit, which is the heat required to raise the temperature of a one pound mass of water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit under specific conditions
CGU	cash generating units
CO2	carbon dioxide
Company Gross	in relation to interests in oil or gas production or reserves, those reserves attributable to the Group's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests
completion interval	the specific reservoir interval that is open to the borehole and connected to the surface facilities for production or injection
conventional	oil and gas extracted from the ground by traditional drilling methods
development well	a well drilled within the Proved reserves area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive in an attempt to recover Proved undeveloped reserves
ft	foot or feet, a unit of distance or length
Gross	in relation to interests in oil or gas production or reserves, those reserves attributable to the entire applicable oil & gas property, field or licence
held by production or **HBP**	a provision in an oil or natural gas property lease that allows the lessee to continue drilling activities on the property as long as it is producing a minimum paying amount of oil or gas, thereby extending the lessee's right to operate the property beyond the initial lease term
heavy crude oil	crude oil with an API gravity less than 20° API
hydrocarbon	a compound containing only the elements hydrogen and carbon, which may exist as a solid, liquid or gas. The term is mainly used as a catch-all description for oil, gas and condensate
licence	an exclusive right to explore for petroleum, usually granted by a national governing body
light crude oil	crude oil with an API gravity greater than 33° API

LNG	liquefied natural gas
Louisiana Light Sweet	a light, sweet crude oil produced from the Gulf of Mexico
Mbbl	thousands of barrels
Mboe	thousand barrels of oil equivalent
Mcf	thousands of cubic feet
Mcfe	thousand cubic feet of natural gas equivalent
Mcfed	thousand cubic feet of natural gas equivalent per day
MMbbl	millions of barrels of oil
MMcf	million standard cubic feet of natural gas
MMcfed	million standard cubic feet of natural gas equivalent per day
mD	millidarcy; a measure of rock permeability to fluids
medium crude oil	crude oil with an API gravity between 20-33°
natural gas	hydrocarbons that at a standard temperature of sixty degrees Fahrenheit (60ºF) and a standard pressure of one atmosphere are in a gaseous state, including wet mineral gas and dry mineral gas, casing head gas, residual gas remaining after separation treatment, processing, or extraction of liquid hydrocarbons
Net Attributable	in relation to the Company'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
NGLs	natural gas liquids
NORM	naturally occurring radioactive materials
NYMEX	Henry Hub, the reference price paid in US dollars at Erath, Louisiana for natural gas
oil equivalent	international standard for comparing the thermal energy of different fuels
operator	a company that has legal authority to drill wells and undertake production of oil and gas
prospect	a potential accumulation that is sufficiently well defined to be a viable drilling target. For a prospect, sufficient data and analyses exist to identify and quantify the technical uncertainties, to determine reasonable ranges of geologic chance factors and engineering and petrophysical parameters, and to estimate prospective resources
prospective resources	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and chance of development
Proved reserves or **1P**	the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions
Proved plus Probable reserves or **2P**	Proved reserves and 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

Proved Developed Non-Producing or **PDNP**	Proved developed reserves that are not expected to be recovered from completion intervals currently open in existing wells and able to produce to market and reserves that cannot be recovered through wells with existing equipment and operating methods
Proved Developed Producing or **PDP**	Proved developed reserves that are expected to be recovered from completion intervals currently open in existing wells and able to produce to market and reserves that can be recovered through wells with existing equipment and operating methods
Proved Undeveloped or **PUD**	Proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion
PV or **present value**	the present value of a future sum of money or stream of cash flows given a specific rate of return e.g. PV 18 means the present value at a discount rate of eighteen per cent. (18 per cent.)
recompletion	the completion for production of an existing well bore in another formation from that in which the well has been previously completed
recoverable	a description of hydrocarbon reserves that identifies them as technically or economically feasible to extract
reserves	those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions
reservoir	a subsurface body of rock having sufficient porosity and permeability to store and transmit fluids. A reservoir is a critical component of a complete petroleum system
resources	deposits of naturally occurring hydrocarbons which, if recoverable, include those volumes of hydrocarbons either yet to be found (prospective) or if found the development of which depends upon a number of factors (technical, legal and/or commercial) being resolved (contingent)
royalty	a percentage share of production, or the value derived from production, paid from a producing well
seismic	a survey method by which an image of the earth's subsurface is created through the generation of seismic waves by transmitting energy into the earth and analysis of their reflection from rock strata
tcf	trillions of cubic feet
trap	a configuration of rocks suitable for containing hydrocarbons and sealed by a relatively impermeable formation through which hydrocarbons will not migrate. Traps are described as structural traps (in deformed strata such as folds and faults) or stratigraphic traps (in areas where rock types change, such as unconformities, pinch outs and reefs)
undeveloped acreage	lease acreage on which wells have not been participated in or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether such acreage contains Proved reserves
working interest	a cost bearing interest which gives the owner the right to drill, produce, and conduct oil and gas operations on the property, as well as a right to a share of production therefrom
WTI	West Texas Intermediate, the underlying commodity of the Chicago Mercantile Exchange's oil futures contracts

PART 1

INFORMATION RELATING TO THE COMPANY

1. INTRODUCTION

Southern Energy is an established oil and gas producer headquartered and incorporated in Alberta, Canada, with oil and gas interests in properties located in the south-eastern United States, primarily in Mississippi.

The Group has controlling operated interests in properties covering approximately 30,000 net acres in the Mississippi Interior Salt Basin ("MISB"), which include its two principal properties Mechanicsburg and Mount Olive East, and approximately 1,200 net acres in the Black Warrior Basin. The majority of the Group's leases (97 per cent.) contain producing wells and are "held by production", requiring no additional drilling or operations for the Group to maintain its existing interest.

The Group currently has a working interest in 239 producing wells. Aggregate Gross production attributable to the Group's working interests is approximately 2,150 boe/d, predominantly comprised of 11.9 MMscf/d (1,985 boe/d) of gas production (Q1 2021 average) from conventional, low-decline, long-life reserves in fields with abundant infrastructure, low operating costs and premium commodity pricing. The majority of the Group's producing assets have a predictable and consistent production profile and have been on production for more than 10 years.

As at 1 April 2021, the Group's total Company Gross Proved (1P) gas reserves were 55.9 Bcf, with Net attributable of 44.2 Bcf. Proved plus Probable (2P) Company Gross gas reserves were 62.4 Bcf, with Net attributable of 49.4 Bcf. The corresponding liquids reserves (comprising oil, condensate and NGLs) were 1,063 Mbbl Gross, 851 Mbbl Net 1P, with 2P reserves of 1,236 Mbbl Gross, 988 Mbbl Net.

In addition to increasing production through acquisitions of further properties, the Group's portfolio also provides the opportunity to increase production through infill drilling on its existing properties.

The Company's Common Shares are listed on the TSX Venture Exchange ("TSXV") under the trading symbol "SOU".

2. HIGHLIGHTS AND STRATEGY

Southern Energy is focused on building value through the consolidation and development of gas and oil assets in south-eastern United States, where there are a series of mature basins with proven low-cost producing assets, with a current focus on the Mississippi Interior Salt Basin. The Group intends to increase its production base by over 25,000 boe/d over the next two years through continued asset consolidation and development, targeting conventional assets with low decline, long life, multi-zone organic growth potential ranging from 1,500 to 15,000 boe/d, which the Group is currently evaluating.

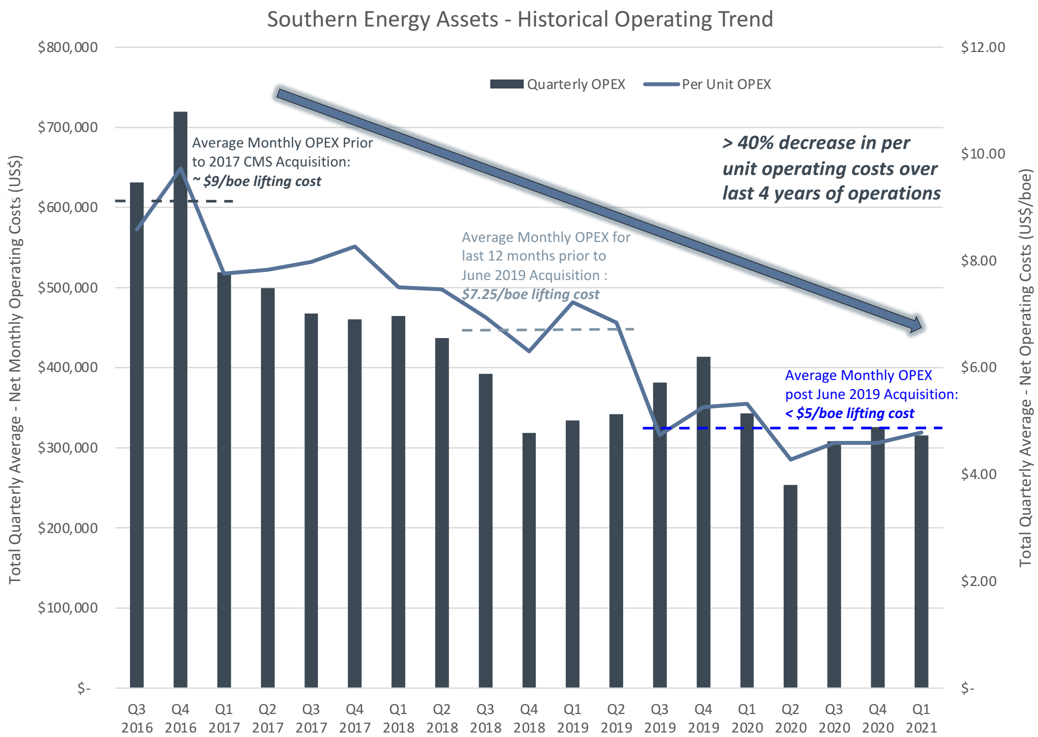
The Group aims to build a high-margin asset base of sufficient scale with significant low-risk drilling inventory that continues to generate free cash flow to deliver shareholder distributions over the medium term to long term. To accomplish this objective, the Board seeks to balance two primary growth drivers: (a) adding accretive Proved Developed Producing acquisitions; and (b) executing low-risk development drilling to achieve organic reserves growth.

During periods where the Board believes commodity prices are depressed, the Group employs a disciplined acquisition strategy to add low-decline assets that are synergistic with existing operations at attractive metrics to its portfolio, while paying only for Proved Developed Producing reserves. During periods of relatively stronger commodity pricing, the Board intends to focus on the infill development of the Group's existing large-scale drilling inventory within assets exhibiting historically low recovery factors.

As part of its acquisition growth strategy, the Group evaluates oil and gas properties throughout the south-eastern United States that will result in meaningful reserve and production additions. The Group seeks to add high-quality, long-life reservoirs in proven growth areas that offer existing infrastructure, opportunities for operating cost reductions, low-cost oil and gas drilling opportunities and operational control.

The Group has made two acquisitions in its focus area over the past four years, being the Gulf Pine Acquisition in December 2018 and the Roundtree Acquisition in June 2019, and has rigorously optimized production and operating costs over that time. While spending minimal maintenance capital on the assets, Southern Energy has lowered per unit operating costs by more than 40 per cent. over the past four years by employing proven strategies to maximize value in under-exploited assets (Figure 1). The Group sees similar opportunities on the larger consolidation opportunities that it is evaluating and is excited to implement these cost control strategies on a larger scale.

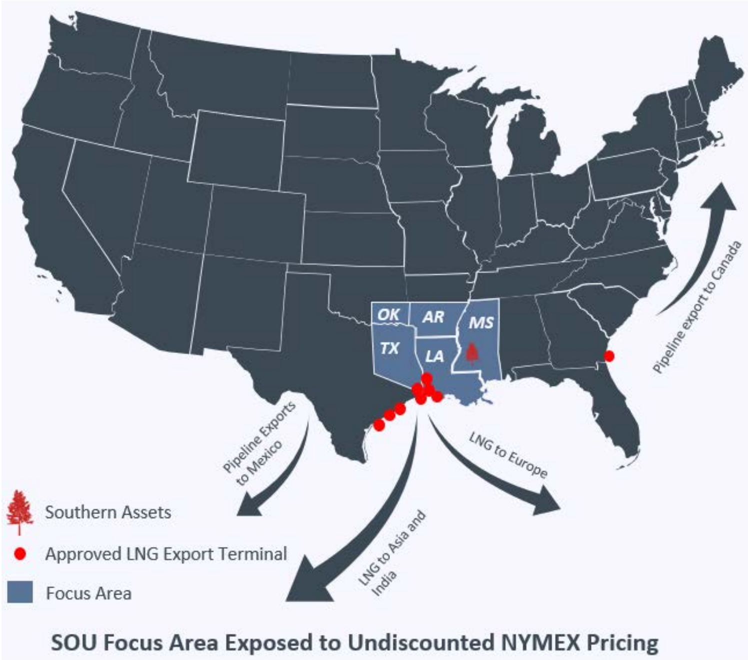
Figure 1: Chart showing historical quarterly average operating expenditure in respect of the Group's current asset base since Q3 2016 (Source: Company management)



Southern Energy leverages the specialised skill and knowledge of its Board and management team 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.

The south-eastern United States is strategically located near Henry Hub, which commands premium natural gas pricing. The Group currently sells the majority of its produced natural gas and oil at the wellhead pursuant to variable price contracts, where it receives Henry Hub pricing (less minor proximity adjustments) for its natural gas and Louisiana Light Sweet pricing (less adjustments for proximity and quality) for its oil. The Directors and the Proposed Director believe that the Group will benefit from its exposure to the expanding Gulf Coast LNG export market and the current tightening in the US gas supply/demand balance as shale gas growth has become largely unprofitable, LNG exports increase and an increasing market share for clean gas-fired power generation in the United States.

Figure 2: Map showing the Group's area of focus, the approximate location of its existing assets and its export channels (not to scale) (Source: Company management)



The Group's ESG objectives are supported by a low plug and abandonment liability on its existing assets and its focus on low emission natural gas assets in the Gulf Coast.

3. KEY INVESTMENT PROPOSITION

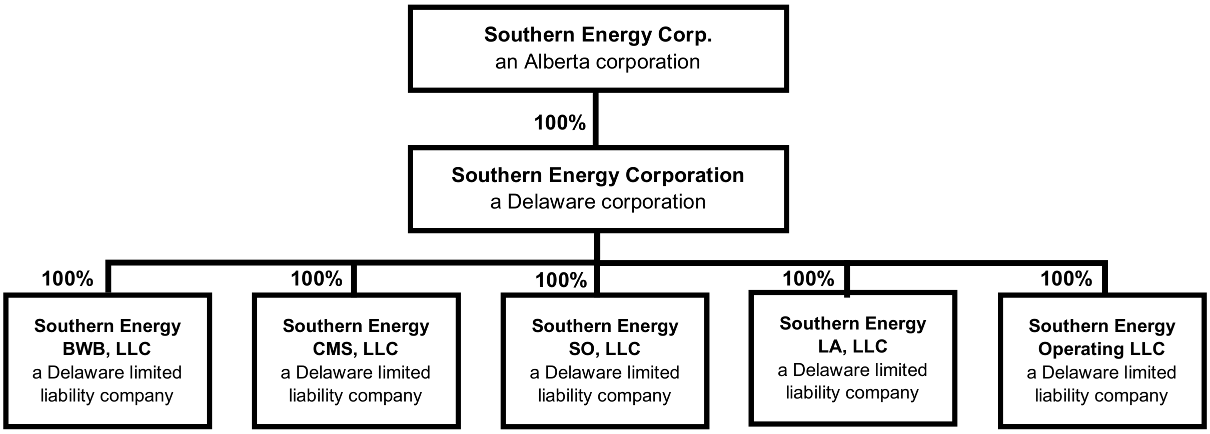
The key objective of the Group is to deliver long-term material value for its stakeholders through the growth and development of its oil and gas production portfolio. The Directors and the Proposed Director believe that an investment in the Company should be attractive to prospective investors for the following reasons:

- The Group intends to capitalise on its significant regional geologic database developed over the preceding seven years to build on the Group's existing strong base of long life, low decline (<12 per cent.) assets, which provide low risk and stable cash flows;
- The Board and management team have significant combined experience of over 60 years in the oil and gas industry and within the region in which they are operating, and are currently interested in approximately 16.7 per cent. of the Company's Common Shares;
- With minimal capital development on its assets, the Group has a track record of optimising the performance of its assets through rigorous operating cost savings and production, marketing and lift optimisations effected in an environmentally conscious and safety driven manner;
- The Group intends to make additional accretive acquisitions of Proved Developed Producing ("PDP") conventional assets with exposure to premium offtake pricing, following a disciplined consolidation strategy of acquiring low decline long life assets with multi-zone organic growth potential without paying value for extensive upside; and
- The Group's current portfolio provides the opportunity to pursue low-risk development drilling and reserves growth, where assets have historically been under-developed with relatively low historical recovery from vertical wells, and such characteristics would form part of the Group's criteria for future acquisitions.

4. GROUP STRUCTURE

Southern Energy is the ultimate holding company of the Group and has six subsidiaries, all of which are wholly owned, indirectly, by Southern Energy. Figure 3 below shows the corporate structure of the Group:

Figure 3: Corporate structure of the Group (Source: Company materials)

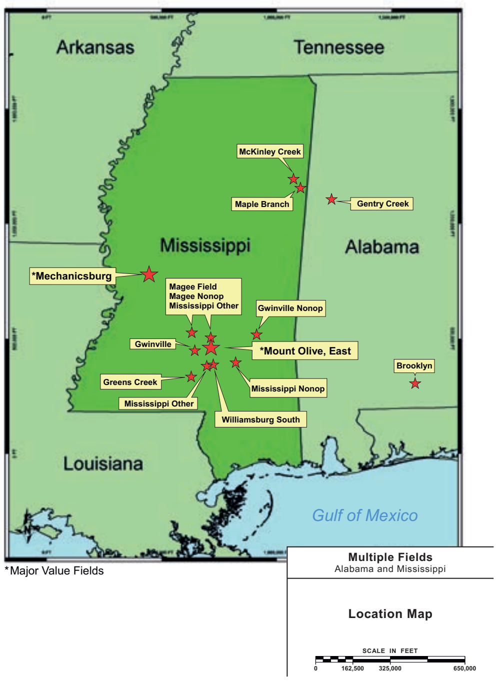


5. OVERVIEW OF THE COMPANY'S ASSETS

The Group currently has a working interest in 239 producing wells, of which there are 183 producing wells (PDP) and 39 non-producing well events (PDNP) to which reserves have been assigned (excluding the small "unitised" interest in an Alabama oilfield and the now disposed Black Warrior Basin Assets in Alabama) across the MISB and Black Warrior Basin, which host conventional, low-decline, long-life reserves in fields with abundant infrastructure, low operating costs and premium commodity pricing. The majority of the Group's producing assets have a predictable and consistent production profile and have been on production for more than 10 years, with the majority of production from the Group's assets being in the form of natural gas (approximately 91 per cent). In Q1 2021, average Company Gross production of natural gas is estimated to be 11.9 MMcf/d (9.3 MMcf/d net), with average Company Gross liquids production of 174 bbl/d (136 bbl/d net).

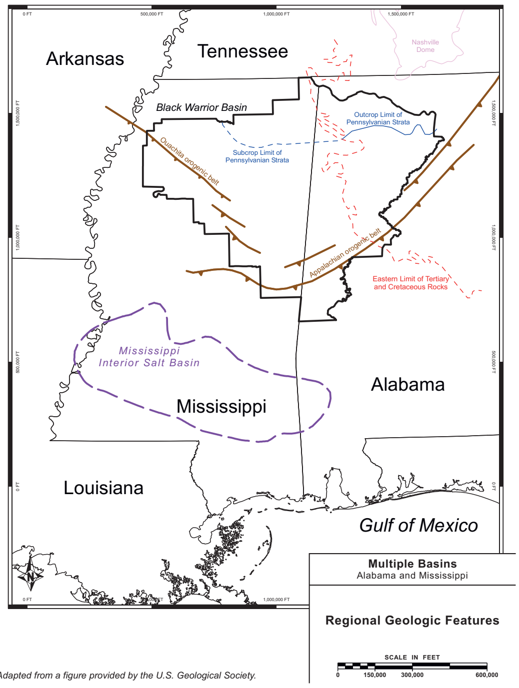
Further technical information on the Group's assets can be found in the Competent Persons Report ("CPR") produced by NSAI in Part 3 of this document.

Figure 4: Map showing the locations of the Group's assets* (Source: NSAI)



** Gentry Creek was sold in May 2021 for US$80,000, but is noted for reference as it is included in the Competent Persons Report*

Figure 5: Map showing the locations of the MISB and Black Warrior Basin



Adapted from a figure provided by the U.S. Geological Society.

Southern Mississippi – the Mississippi Interior Salt Basin

The Group's two main assets in the MISB are Mechanicsburg and Mount Olive East Fields, which comprise over 56 per cent. of the Group's Proved plus Probable (2P) reserves and approximately 60 per cent. of the present value of such reserves, with the remainder of the Group's assets in the MISB comprising a number of lower value fields, the most significant of which is Gwinville.

- Mechanicsburg Field – the Group is the operator of and owns an average 98.9 per cent. working interest in 3,425 held by production acres of land in the Mechanicsburg Field. The Mechanicsburg Field properties represent about 45 per cent. of the Group's Proved plus Probable (2P) developed reserves and contain approximately 26.8 Bcf of the Group's Proved plus Probable (2P) natural gas reserves, with corresponding liquids reserves of oil, condensate and NGL's of approximately 792 Mbbl. Average Company Gross production of natural gas from the Mechanicsburg Field properties in Q1 2021 was 2.2 MMcf/d, with combined liquids production of 55 bpd.

- Mount Olive East Field – the Group is the operator of and owns an average 93.8 per cent. working interest in 1,415 acres on the Mount Olive East Field. The Mount Olive East Field properties represent about 11 per cent. of the Group's Proved plus Probable (2P) developed reserves with approximately 7.7 Bcf of the Group's Proved plus Probable (2P) natural gas reserves, with minor corresponding condensate reserves of around 30 Mbbl. Average Company Gross gas production from the Mount Olive East Field properties in Q1 2021 was 4.3 MMcf/d, with condensate production of 17 bpd.

- Gwinville Field – this field, also largely operated by the Group, accounts for about 19 per cent. of the Group's total Proved plus Probable (2P) reserves, but only 11 per cent. of the asset value. Average Company Gross gas production from Gwinville in Q1 2021 was 3.0 MMcf/d from around 188 shallow, low productivity wellbores, and the Gwinville properties account for up to 26 per cent. of the Group's abandonment liabilities.

- Other MISB Mississippi Fields – the Company owns and operates production from a number of other fields in the MISB within 40 miles of Mount Olive East, including the Greens Creek and Williamsburg South gas fields, along with minor oil from the Magee oil field. These all produce from various Cretaceous reservoir sands. Average Company Gross production from these other MISB Mississippi Fields in Q1 2021 was 2.2 MMcf/d, with liquids production of 58 bbl/d of light/medium oil and condensate.

Southern Alabama

- Southern Energy holds a 0.6 per cent. interest in the NW Brooklyn oil production unit, which comprises 22 producing wells. The small unit interest has Proved plus Probable (2P) Company Gross liquid reserves of approximately 39 Mbbl (30 Mbbl Net attributable), with average Company Gross production in Q1 2021 estimated to be around 17 bbl/d of oil and NGLs, with minor gas.

NE Mississippi– the Black Warrior Basin

- The Company holds working interests in some small oil and gas producing assets in the Black Warrior Basin area of north-east Mississippi, with Proved plus Probable (2P) Company Gross liquids reserves of approximately 34Mbbl. The average Company Gross production for Q1 2021 was approximately 23bbl/d of liquids and 0.1MMcf/d from the Company's now disposed Alabama gas assets in the Black Warrior Basin.

Figure 6: Summary of the Group's asset interests as at 1 April 2021 (Source: NSAI)

Asset	*Operator*	*Working interest percentage (average)*	*Status*	*License Expiry Date*	*Licence Area (acres)*	*Company Gross *2P gas reserves (Bcf)*	*Company Gross *2P liquids reserves (Mbbl)*	*Company Gross Production Q1 2021 (avg) MMcf/d bbl/d*	*Royalty (%)*
MISB, Southern Mississippi									
Mechanicsburg	Southern	98.9%	Production	Held by production	3,425	26.8	793	2.2 55	16.9
Mount Olive East	Southern	93.8%	Production	Held by production	1,415	7.7	30	4.3 17	22.7
Gwinville	Southern	95.6%	Production	Held by production	11,979	13.4	16	3.0 4	19.8
Other MISB	Southern, plus others	93.9%	Production	Held by production	13,606	14.4	323	2.2 58	21.0
Other – Mississippi and Alabama									
NW Brooklyn	Pruet Production	0.6%	Production unit	Held by production	n/a	0.02	39	N/A 17	23.3
Black Warrior Basin properties	Southern	99.6%	Production	Held by production	3,226*	0.12*	34	0.1* 23	21.0

* The Company's gas producing interests in Alabama in the Black Warrior Basin, covering approximately 2,037 acres and containing gas reserves of approximately 0.123Bcf (Company Gross) and 5 PDP wells, were sold in May 2021 for US$80,000

6. GEOLOGY OF THE COMPANY'S ASSETS

Mississippi Interior Salt Basin

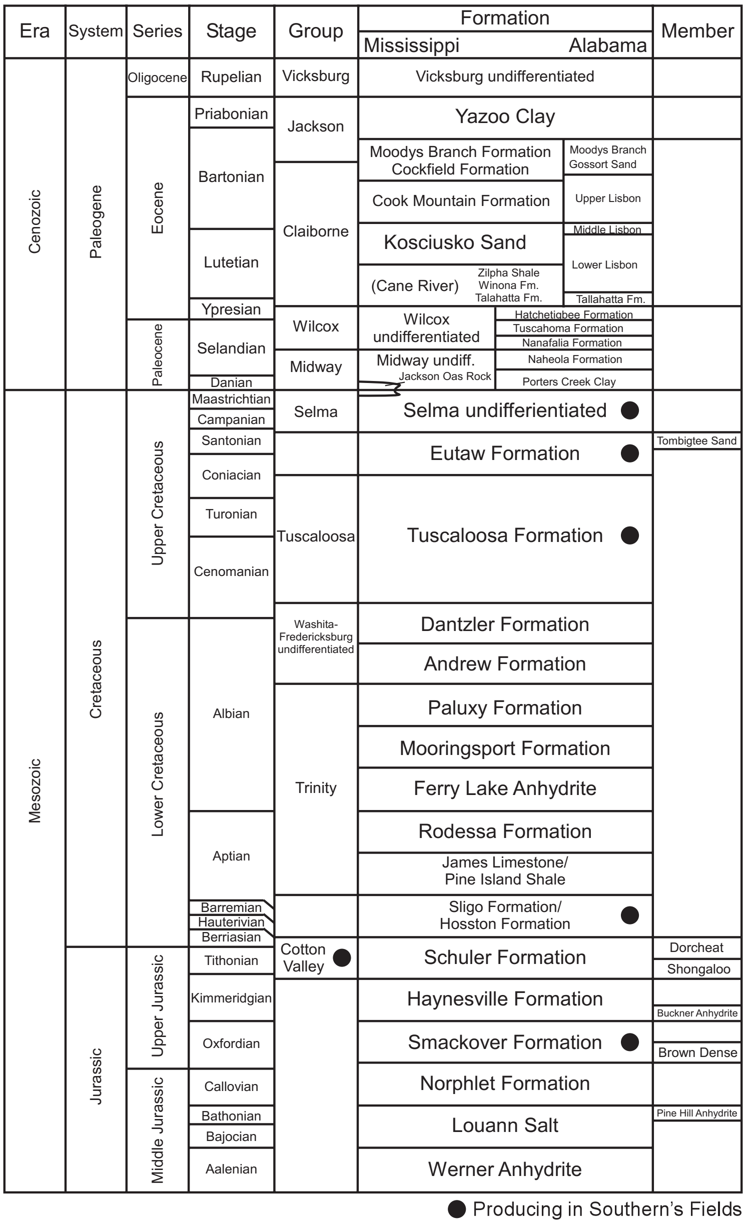
The majority of the Company's gas reserves and production are from Cretaceous and Jurassic reservoirs in MISB This is the most productive basin in the north-eastern Gulf Coast Region, having produced more than 1.5 billion barrels of oil and approximately 6.5 tcf of gas. Located on the north flank of the Gulf Coastal Plain, with an average width of 125 miles and covering a total area of 6,000 square miles it extends from north-eastern Louisiana to south-west Alabama. The basin comprises an interior tectonic depression with well-defined structural borders, which suggests that the subsidence was controlled, in part, by the basement structures inherited from the Mesozoic rift episode associated with the opening of the Gulf of Mexico.

The most productive reservoirs are Lower Cretaceous sandstones and carbonates, and Upper Cretaceous sandstones; the top producing formations being Tuscaloosa, Eutaw, Smackover, Hosston and Cotton Valley (see Figure 7). Principal structures within the basin include normal faults, local structural depressions, and a variety of salt features, including salt ridges, anticlines, piercement domes, withdrawal basin and turtle structures. The Mississippi Interior Salt Basin contains at least 53 Louann Salt piercement domes at depths of 6000 ft or less. Many these domes pierce Tertiary strata and extend to stratigraphic levels as high as the Miocene (Figure 8).

Depositionally, there is an unconformity at the top of the Jurassic Cotton Valley Group and another at the top of the Cretaceous which separates the marl and limestones of the Selma Group from the shales and sandstones above. Cretaceous strata in the basin are predominantly clastic, which differs from elsewhere in the US Gulf Coast, due to the large amounts of detrital material supplied from the Appalachian orogen to the northeast and the ancestral Mississippi River system.

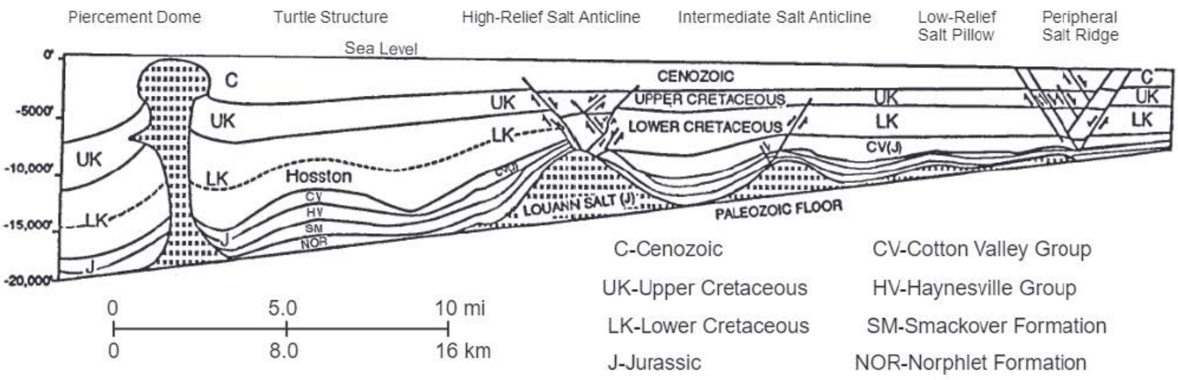
The Upper Jurassic Smackover carbonates are the oldest producing horizon in the basin and were deposited in a shallow ramp setting. Cotton Valley deposition is identified by fluviodeltaic systems that crossed the basin repeatedly. Above that, the Hosston, Rodessa, Paluxy and Tuscaloosa intervals were major delta complexes, and the Selma Group a transgressive shallow-marine deposit. The Ferry Lake Anhydrite is an important regional seal and marker horizon in the Lower Cretaceous.

Figure 7: Stratigraphic column – MISB, Mississippi and Alabama (Source: Figure 3 of the CPR, which can be found in Part 3 of this document)



Source: Bearden et al, Gulf Coast Association of Geological Societies Transactions, Volume L, 2000

Figure 8: Regional tectonic map and simplified downdip progression of salt structures, Mississippi Salt Basin and vicinity (Source: AAPG Bulletin, V. 81, No. 3 (March 1997))



Black Warrior Basin

The Black Warrior Basin of Lamar County, Alabama and Lowndes and Monroe Counties, Mississippi is a foreland basin located in the major structural re-entrant between the Appalachian orogenic belt to the southeast and the Ouachita orogenic belt to the southwest. The north margin of the basin is bounded by the Nashville dome. The basin extends about 190 miles north to south and 220 miles east to west and has a surface area of about 35,000 square miles.

Figure 9: Stratigraphic column – Black Warrior Basin, Alabama and Mississippi (Source: Figure 4 of the CPR, which can be found in Part 3 of this document)

Era	System	Series	Formation	Member
Cenozoic	Tertiary	Eocene	Claiborne Group	
		Paleocene	Wilcox Group	
			Midway Group	
Mesozoic	Cretaceous	Upper	Selma Group	
			Eutaw Group	
			Tuscaloosa Group	
Paleozoic	Pennsylvanian	Middle and Lower	Pottsville Formation	Coal Zones
				Nason Sandstone
				Fayette Sandstone
				Benton Sandstone
				Robinson Sandstone
				Chandler Sandstone
		-?—?—?		
	Mississippian	Upper	Parkwood Formation	Coats Sandstone
				Gilmer Sandstone
				Cooper Sandstone
				Millerella Limestone
				Millerella Sandstone
				Carter Sandstone ●
				Sanders Sandstone ●
			Bangor Limestone	
			Floyd Shale	Hartselle Sandstone
				Evans Sandstone
				Lewis Limestone
				Lewis Sandstone ●
			Tuscumbia Limestone	
		Lower	Fort Payne Chert	
	Devonian		Chattanooga Shale	
			unnamed cherty limestone	
	Silurian		undifferentiated rocks	
	Ordovician	Upper & Middle	undifferentiated rocks	
		-?—?—?		
		Middle	Stones River Group	
		Lower	Knox Group	
	Cambrian	Upper		
		Middle and Lower	Ketona Dolomite	
			Conasauga Formation	
			Rome Formation	

● Producing in Southern's Fields

7. THE COMPANY'S RESERVES AND PRODUCTION

The strategic approach of Southern Energy, and the value of the portfolio, is built primarily on the proven production from the large number of individual wells held, and to a large extent operated by, the Company. The Company typically holds high working interests in the leases, which are held by production and therefore not subject to expiry or relinquishment prior to depletion, subject to meeting minimal production thresholds.

The gas and combined liquids (oil, condensate and NGL) production profiles for the Company's portfolio are shown below (full details of these and other reserve evaluation data are set out in the CPR which is reproduced in Part 3 of this document). The Company's primary product is gas, with liquids accounting for approximately 10 per cent. of the reserves in energy equivalent (boe) terms.

Figure 10: Southern Energy's gas production decline curve (Source: NSAI)

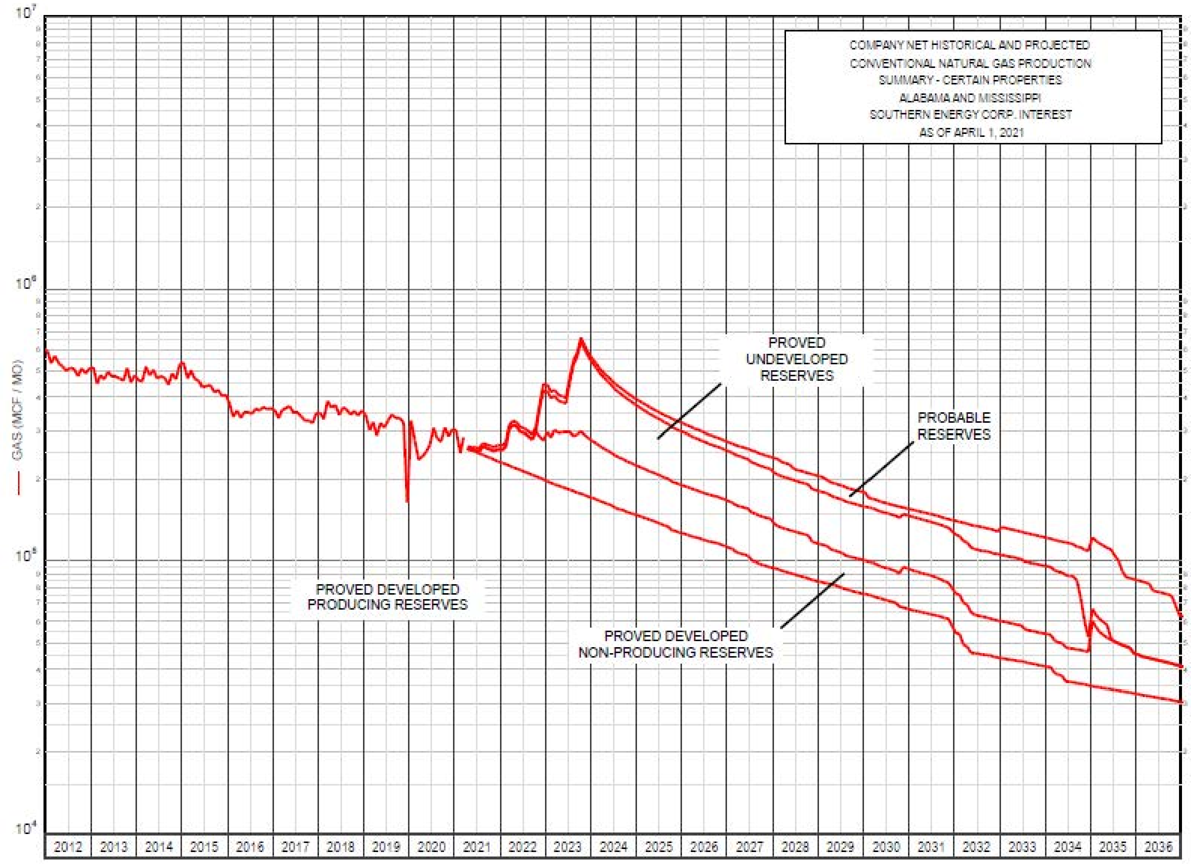
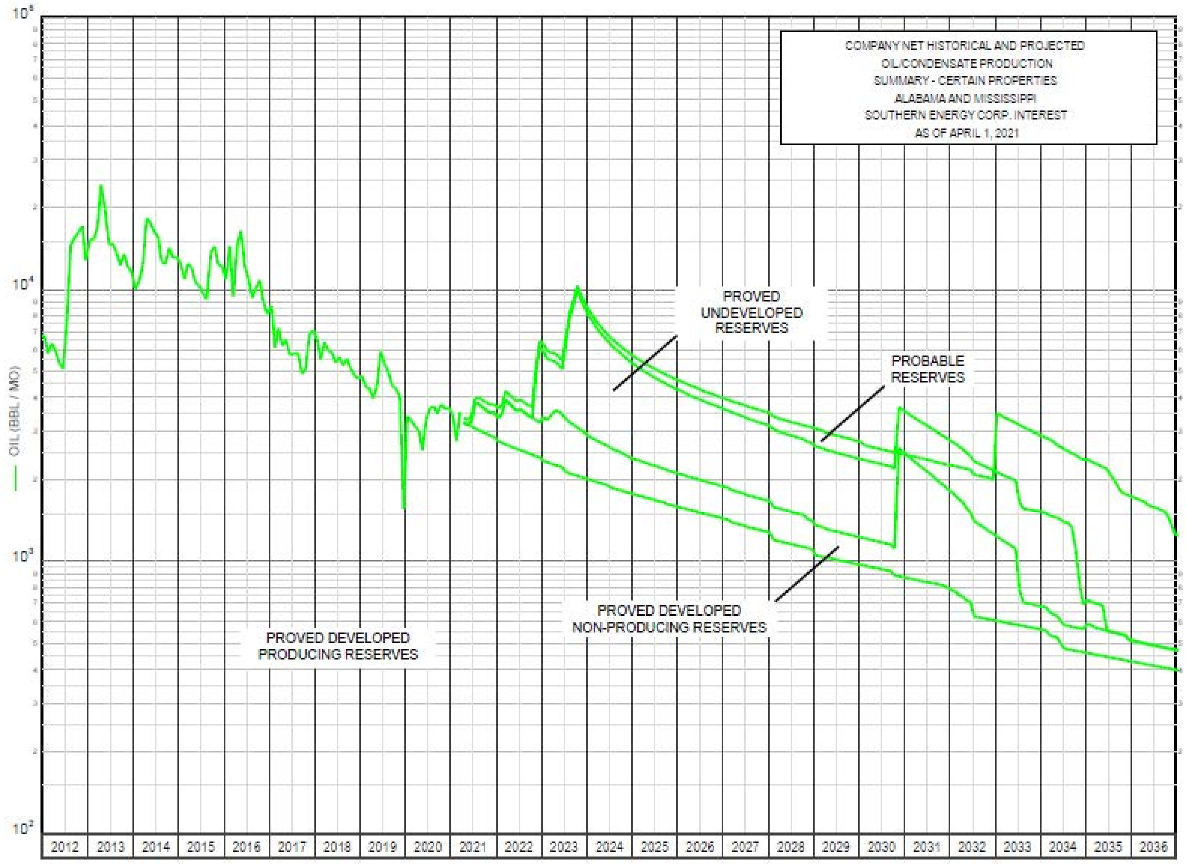


Figure 11: Southern Energy's oil and condensate production decline curve (Source: NSAI)



The lower line in each of the aggregated production profiles (Figures 10 and 11 above) is the projected decline in the currently active PDP wells, based on the decline analysis by NSAI. The first increment above this base case reflects the inclusion of well work projects that are not yet producing or are currently shut-in and are classified by NSAI as PDNP. The largest increment is the projected doubling (or more) of both gas and liquids production from 2022 to 2024, which reflects the drilling of up to six new infill wells in the productive Mechanicsburg Field (see Figure 16), resources which are classified by NSAI as Proved Undeveloped ("PUD") reserves. The Group is planning to execute 10 – 15 low risk workovers/recompletions on its base asset in the next 6 – 8 months. The program is anticipated to cost approximately US$500,000, and is expected to pay-out in less than six months while lowering the annual corporate decline to below ten per cent. for 2021.The final increment in the profiles represents the Probable reserves, derived from a "most likely" projection of the decline curves – thus it is equally likely that the actual remaining quantities projected to be recovered will be greater or less that the sum of the estimated Proved plus Probable Reserves. Possible reserves have not been assessed by NSAI, in view of the high degree of development in these fields with large numbers of wells and many decades of production history.

Figure 12: Well count and average Company Gross gas production (projected as at 1 April 2021), 2021-2022 (Source: NSAI)

	Production Wells	*Company Gross Production (MMscf/d)*	
Asset	*Active (PDP)****	*Remaining 2021 (avg)*	*2022 (avg)*
Mechanicsburg	11	2.15	1.95
Mount Olive East	4	3.71	2.98
Gwinville	151	2.52	2.30
Other MISB*	13	1.87	1.72
Black Warrior Basin****	9	0.10	0.08
NW Brooklyn	n/a**	n/a	n/a
Total	188	10.35	9.03

* Includes Williamsburg South, Greens Creek, Magee and other

** Small interest (0.6 per cent.) in production unit comprising 22 wells

*** PDP – proved developed producing well count includes only wells projected as producing at economic rates using the CPR Base Case conditions

**** Includes the Company's gas producing interests in Alabama in the Black Warrior Basin, covering approximately 2,037 acres and containing gas reserves of approximately 0.123Bcf (Company Gross) and 5 PDP wells, which were sold in May 2021 for US$80,000

The reserves, assessed by NSAI as of 1 April 2021, are shown in Figure 13 (Gas) and Figure 14 (Oil, condensate and NGL) below. These tables show the 100 per cent. "Field" reserve volumes, representing wellhead production before losses and shrinkage, and the Net Attributable Reserves at the point of sale.

The largest asset in the portfolio, Mechanicsburg, holds approximately 45 per cent. of the Net Attributable 2P gas reserves. The other fields in the Mississippi Interior Salt Basin (including Mount Olive East, Gwinville, Williamsburg South) account for the majority of the rest of the Company's gas reserves, while fields in the Black Warrior Basin contain less than 1 per cent. of gas and 3 per cent. of liquids net reserves. The small interest held by the Company in the NW Brooklyn Field oil unit (southern Alabama) represents just 3 per cent. of the Group's total liquids reserves.

Figure 13: Gross (100 per cent.) field gas reserves, and Net Attributable as at 1 April 2021 (Source: NSAI)

	100% Gross (Bcf)			*Net Attributable (Bcf)*			
Asset	*1P*	*2P*	*3P**	*1P*	*2P*	*3P**	*Primary Operator*
Mechanicsburg	29.988	32.757	32.757	19.974	21.816	21.816	Southern
Mount Olive East	5.641	8.04	8.04	4.088	5.827	5.827	Southern
Gwinville	15.231	15.839	15.839	10.08	10.513	10.513	Southern
Other MISB	15.954	17.857	17.857	9.986	11.086	11.086	Southern
Black Warrior*** Basin	0.356	0.356	0.356	0.098	0.098	0.098	Southern
NW Brooklyn	3.864	7.263	7.263	0.008	0.014	0.014	Non-Op
Total**	71.034	82.111	82.111	44.234	49.354	49.354	

* 'Possible' reserves upside not evaluated by NSAI

** Totals may not sum due to rounding

*** The Company's gas producing interests in Alabama in the Black Warrior Basin, covering approximately 2,037 acres and containing gas reserves of approximately 0.123Bcf (Company Gross) and 5 PDP wells, were sold in May 2021 for US$80,000

Figure 14: Gross (100 per cent.) field oil/condensate/NGL reserves, and Net Attributable as at 1 April 2021 (Source: NSAI)

	100% Gross (Mbbl)			*Net Attributable (Mbbl)*			
Asset	*1P*	*2P*	*3P**	*1P*	*2P*	*3P**	*Primary Operator*
Mechanicsburg	452.2	523.9	523.9	568.6	645.2	645.2	Southern
Mount Olive East	20.1	31.5	31.5	14.6	22.9	22.9	Southern
Gwinville	15.4	17.5	17.5	11.2	12.8	12.8	Southern
Other MISB	519.9	567.8	567.8	214.5	250.9	250.9	Southern
Black Warrior Basin***	34.4	34.4	34.4	26.1	26.1	26.1	Southern
NW Brooklyn	3192.7	5956.6	5956.6	16.2	30.2	30.2	Non-Op
Total**	4234.6	7131.7	7131.7	851.1	988.2	988.2	

* "Possible" reserves upside not evaluated by NSAI

** Totals may not sum due to rounding

*** The Company's gas producing interests in Alabama in the Black Warrior Basin, covering approximately 2,037 acres and containing gas reserves of approximately 0.123Bcf (Company Gross) and 5 PDP wells, were sold in May 2021 for US$80,000

8. FURTHER INFORMATION ON THE COMPANY'S KEY ASSETS

Mechanicsburg Field

The Mechanicsburg Field, located in Yazoo County, Mississippi, is the largest of the assets held by the Company, with over 45 per cent. of its 2P gas reserves (33 Bcf Gross for the field, with around 22 Bcf Net Attributable to the Company), plus 65 per cent. of its 2P liquids reserves (oil, condensate and NGLs). The Company has interests in numerous leases covering 3,425 acres, all of which are held by production and not subject to any relinquishment. The Company is the field operator, with an average 98.9 per cent. working interest.

The Mechanicsburg Field produces gas from the Jurassic Lower Cotton Valley Formation, a sequence of sandstones and shales 700 to 900 ft thick lying at around 12,200 ft depth, with gas trapped in a domal structure created by deep salt movement. The reservoir sands have moderate porosity (around 9 per cent.) but low permeability. Fracture stimulation treatment is effective, though some of the best wells are located over the crest of the structure where production is enhanced by natural micro-fracturing.

Numerous wells have been drilled in the Mechanicsburg Field over the years (see Figure 12), and there are currently 11 PDP wells projected to average around 2.65 MMcf/d in aggregate Gross field production (100 per cent.) for the remainder of 2021. These wells are on a steady managed decline, and are expected to produce around 8.7 Bcf over their remaining life of up to 15-20 years. Additional reserves have been assessed in existing wells which are currently not on production (2.2 Bcf), and in the "Probable" upside to the decline estimation (2.8 Bcf), but the Company believes that a much larger resource of over 19 Bcf can be developed through the drilling of up to six new infill wells on the field, offsetting existing production wells.

Initial development of the field utilized inefficient limited-entry completion designs leaving optimization and infill drilling potential where the company has ownership and control over the only gas processing facility in the area. The Group also owns a proprietary 3D seismic survey over the structure to aid in the selection of these infill locations. With a liquids content of > 23 bbl/MMscf (65 per cent. condensate) and expected ultimate gas recovery of 3.2 Bcf, these PUD locations have an average NPV10 of US$1.7 MM for a capital cost of US$3.2 MM.

Figure 15: Mechanicsburg Field – top Lower Cotton Valley Fm depth map (Source: NSAI)

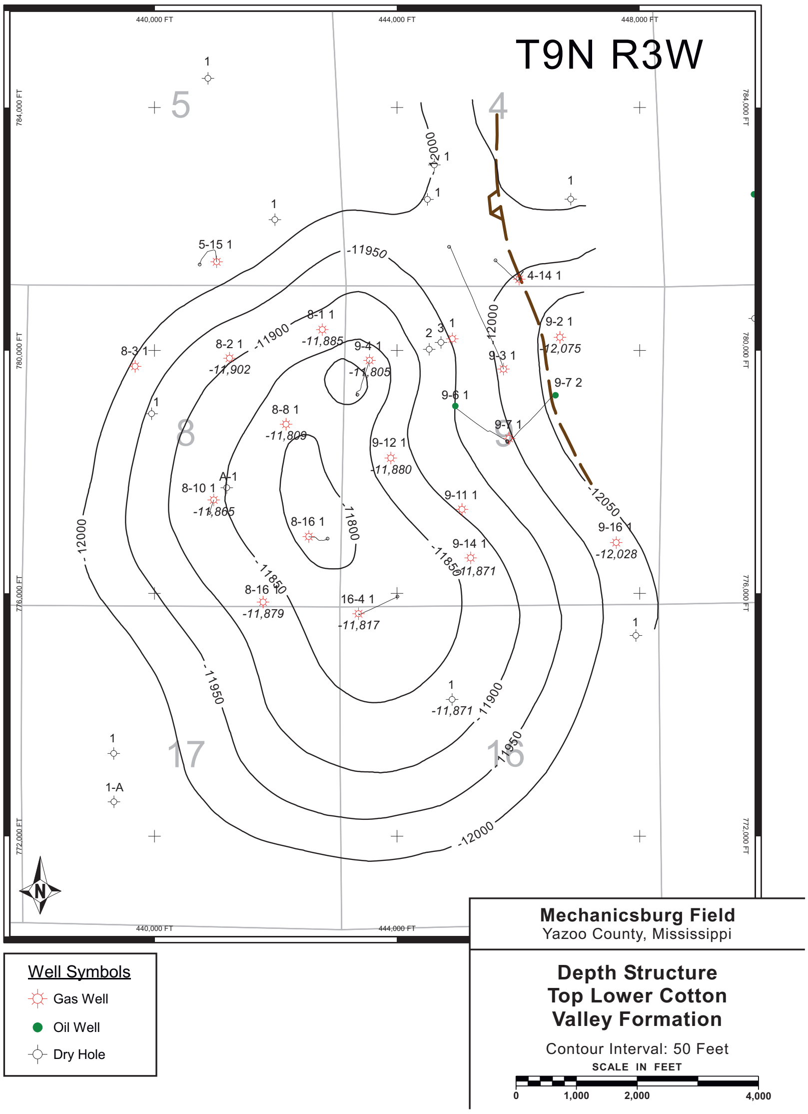
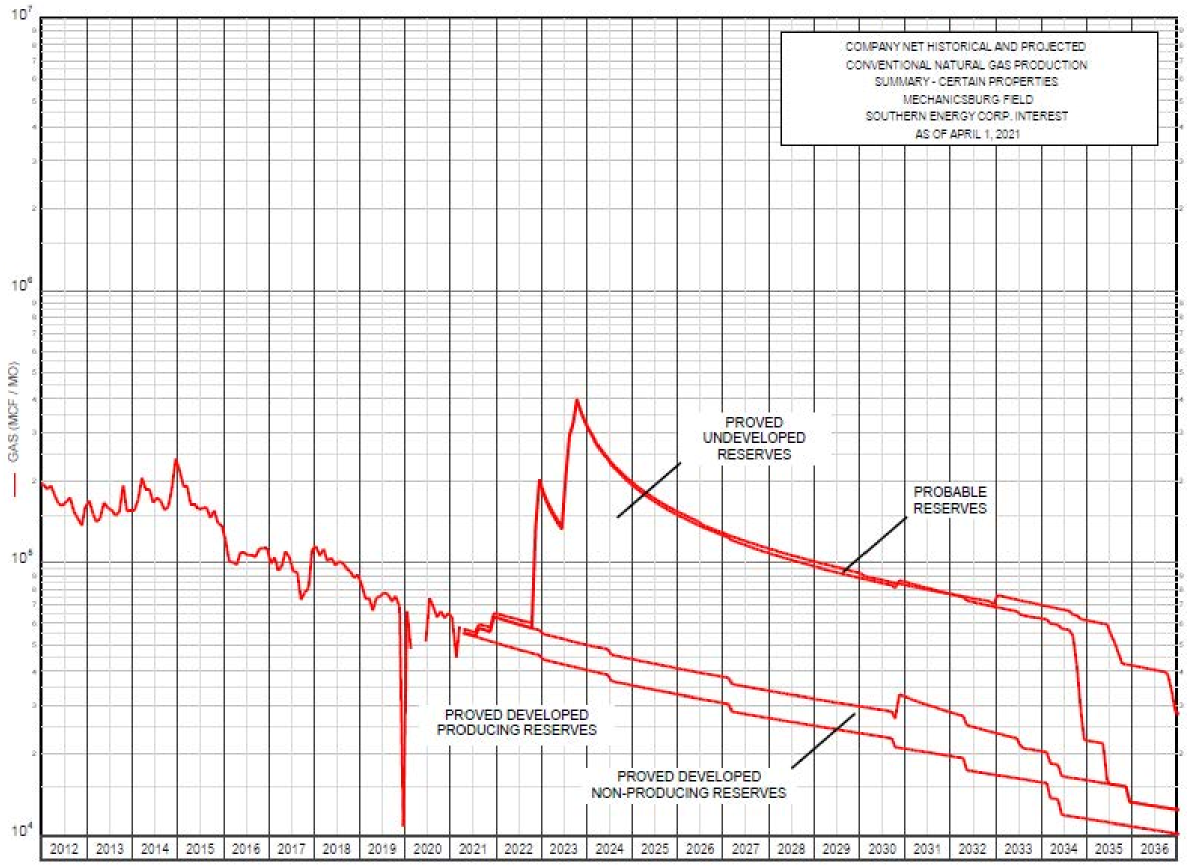


Figure 16: Mechanicsburg Field – gas production decline curve (Source: NSAI)



Mount Olive, East Field

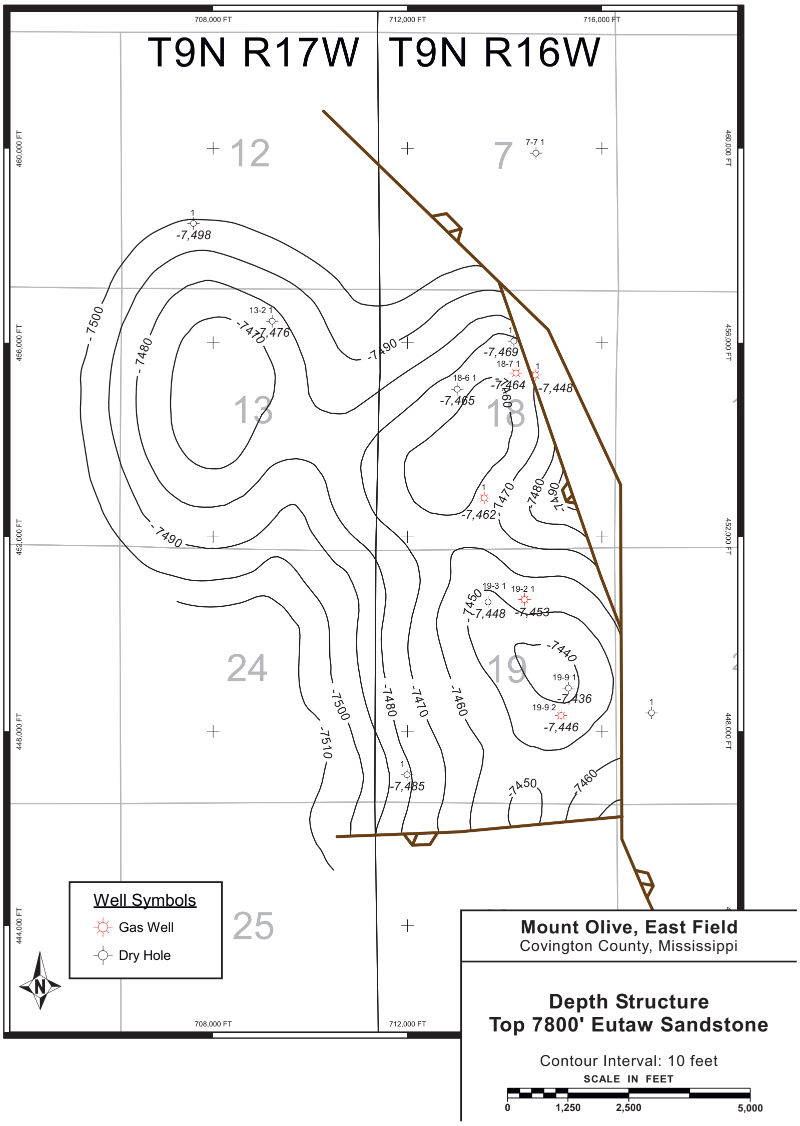
The Mount Olive East Field, in Covington County, Mississippi, is the second largest asset in the Group portfolio in value terms. The field has remaining Gross (100 per cent.) Proven plus Probable reserves of around 8.0 Bcf, with 5.8 Bcf Net Attributable to the Group, representing about 12 per cent. of the Group's gas reserves.

The Company's leases, covering 1,415 acres, are all held by production and are not subject to any relinquishment. The Company is operator, with an average 93.8 per cent. working interest across the field.

As elsewhere in the MISB, gas is trapped in structures created by deeper salt movement. In this case, gas production is from a number of distinct reservoir sands from within the Upper Cretaceous Eutaw Formation. The Gross interval is about 25 ft thick, lying at around 7,800 ft depth, with gas trapped in a faulted anticline created by deep salt movement. Gas pay zones are 4 to 8 ft thick. The reservoir sands have excellent porosity (around 20 per cent.) and are clean and highly permeable (over 700 mD), and can produce at high rates.

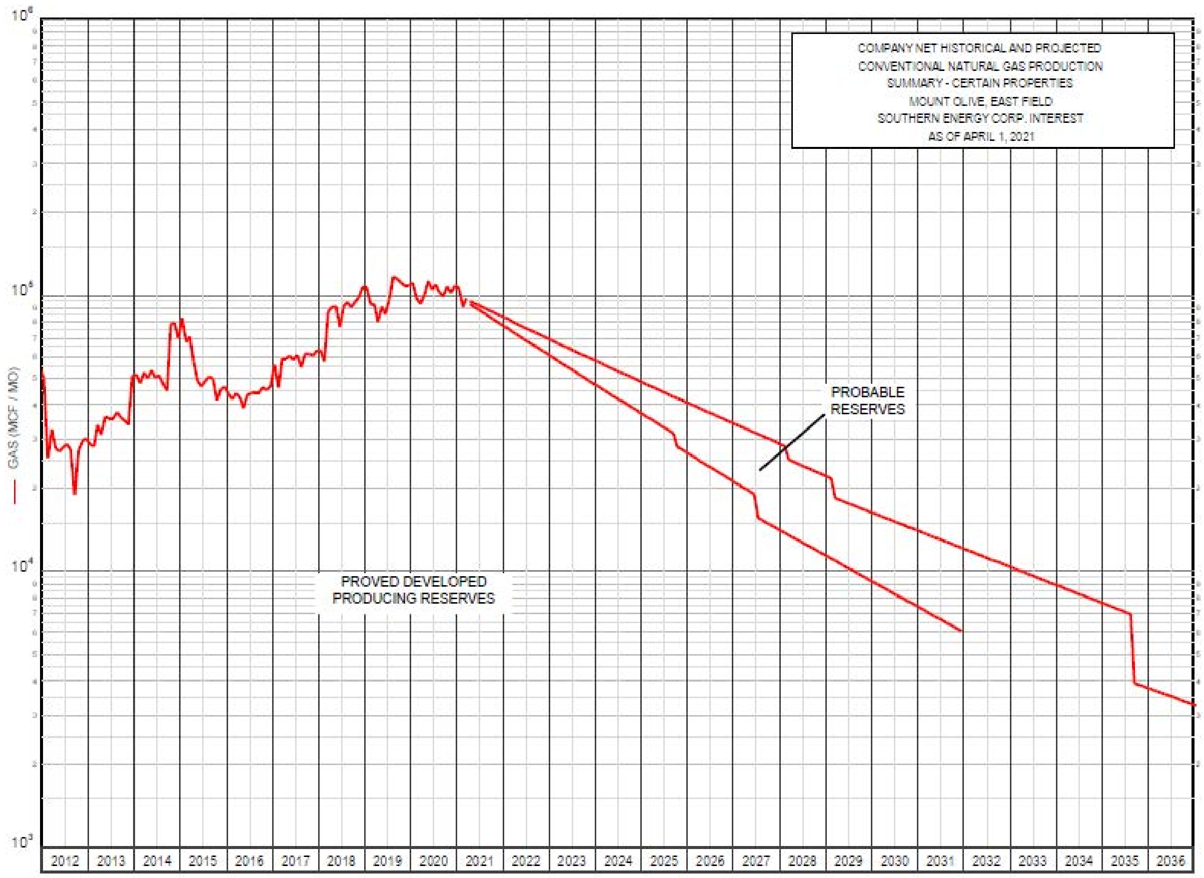
Gas production at Mount Olive East has not experienced any appreciable decline to date, as the wells are all produced at choked rates. Currently, two of the four wells in the field are utilizing wellsite compression while the others are flowing directly to the high pressure sales pipeline. There are currently four wells on production in the field, which produced approximately 4.3 MMscf/d (Company Gross) in aggregate in Q1 2021, and are on a managed decline path. There are no current plans for infill drilling or significant interventions.

Figure 17: Mount Olive East Field – top 7800' Eutaw Sandstone depth map (Source: NSAI)



Source: NSAI

Figure 18: Mount Olive East Production History (Source: NSAI)



Gwinville Field

Gwinville is Mississippi's largest historic gas producing field with multi-zone production of greater than 1.5 Tcf gas, with almost 1.2 Tcf coming from the Upper Cretaceous Tuscaloosa formation alone. Deeper production from Lower Cretaceous zones (Rodessa, Sligo and Hosston) total approximately 187 Bcf with very limited drilling on the structure.

The Company has land holdings of 11,979 acres across the field, at a high working interest (average 95.6 per cent.), and operates around 151 relatively low production PDP wells. These are currently producing about 2.5 MMscf/d in aggregate. Gross (100 per cent.) 2P Reserves are 15.8 Bcf, with 10.5 Bcf Net Attributable under the existing development, representing around 21 per cent. of the Company's total gas reserves. Upside potential is thought to exist with further infill drilling, and will be aided by the company's proprietary 3D seismic survey over the structure, although this potential has not been delineated at this stage.

Following the establishment of significant Tuscaloosa production, prior operators had identified gas potential in the overlying, low permeability Selma Chalk and City Bank formations (Upper Cretaceous). Initial drilling of hundreds of vertical wells began in the early 2000s by EOG Resources Inc., and Penn Virginia Corporation, mainly targeting the Selma Chalk which has greater than 1 Tcf of original gas in place on the structure. Due to the low porosity and permeability of the rock in the Selma Chalk and City Bank formations, horizontal wells with multi-stage fracturing were then tested as a more efficient method to improve recoveries between 2005 – 2010. A total of 24 horizontal wells were drilled and completed with promising initial results, although the technology at the time limited these "Generation 1" completions to 3 – 5 stages, and proppant concentrations below 800 lb/ft – both very low by modern standards.

Meanwhile, in the Baxterville field, roughly 40 miles to the south-east of Gwinville, operators were also developing the Selma Chalk reservoir with vertical wells and "Generation 1" horizontal wells. The two fields are very similar in aerial size, depth, reservoir thickness and reservoir quality with cumulative Selma production in Baxterville to-date of 135 Bcf, close to the 137 Bcf produced from Gwinville (less than 15 per cent. of the original gas in place). However, between 2013 – 2015, a private operator (Tellus Operating

Group LLC) began drilling and completing "Generation 2" horizontals with increased stages (12 – 14) and increased proppant concentrations (~ 1,200 lb/ft) with significantly improved results. The final wells tested in 2015 had IP30s of > 7 MMscf/d and have expected ultimate recoveries of ~ 4 Bcf per well.

Southern Energy believes that application of similar, or even more intensive "Generation 3" completions in Selma Chalk horizontal wells represents significant new development potential across the Gwinville Field acreage held by the Company. Further geoscience and engineering work is required to delineate this potential, and no Reserves or Contingent Resources have been defined at this time.

Further Cotton Valley Exploration and Development

Using Southern Energy's proprietary database of geologic and well data, based around its experience in the Mechanicsburg Field, the company has been actively studying the Jurassic Cotton Valley formation from Mississippi to east Texas. Here the formation is shallower and has potential for economic development in low permeability sections through modern horizontal drilling and completion techniques. An interesting oil play is developing along this trend, which the Company is actively evaluating and sees as an opportunity for future growth.

9. AGGREGATED RESERVES DATA

The following reserves data (the "Reserves Data") is extracted from the Competent Person's Report. The Reserves Data summarises the Group's crude oil, NGL and natural gas reserves and the net present values of future net revenue for these reserves using forecast prices and costs.

The Competent Person's Report evaluates Proved reserves and Proved plus Probable reserves. Possible reserves have not been assessed by NSAI, in view of the high degree of development in these fields with large numbers of wells and many decades of production history.

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.

All Probable reserves in the Competent Person's Report relate to Proved reserves projects.

The net present value of future net revenue attributable to the Group'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. 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 Group's crude oil, NGL and natural gas reserves are estimates only and actual crude oil, natural gas and NGL reserves may be greater than or less than these estimates.

Figure 19: Summary of reserves attributable to the Group's working interests as at 1 April 2021 (Source: page 76 of the CPR, which can be found in Part 3 of this document)

	Company Reserves							
	Light/Medium Oil (Mbbl)		Condensate (Mbbl)		NGL (Mbbl)		Conventional Natural Gas (MMcf)	
Category	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved Developed Producing	160.6	125.5	176.6	140.4	73.3	59.5	27,623.7	21,740.0
Proved Developed Non-Producing	67.0	52.3	97.4	75.3	18.1	14.7	12,558.9	9,706.8
Proved Undeveloped	0.0	0.0	312.2	254.5	158.4	129.1	15,686.2	12,787.5
Total Proved	227.5	177.7	586.2	470.2	249.7	203.2	55,868.8	44,234.4
Probable	64.3	50.9	83.0	66.1	24.6	20.0	6,558.6	5,119.4
Proved + Probable	291.9	228.7	669.3	536.4	274.4	223.2	62,427.5	49,353.8

Totals may not add because of rounding.

Figure 20: Summary of estimated future net revenue before income taxes at various discount rates as at 1 April 2021 (Source: page 77 of the CPR, which can be found in Part 3 of this document)

	Future Net Revenue Before Income Taxes (USM$)				
Category	Discounted at 0%	Discounted at 5%	Discounted at 10%	Discounted at 15%	Discounted at 20%
Proved Developed Producing	34,233.5	26,867.1	22,317.8	19,235.7	17,006.2
Proved Developed Non-Producing	15,195.3	9,283.0	6,579.5	4,954.9	3,859.7
Proved Undeveloped	24,440.2	15,633.1	10,047.1	6,386.2	3,920.5
Total Proved	73,869.0	51,783.3	38,944.3	30,576.9	24,786.4
Probable	14,560.5	8,820.0	5,878.3	4,233.0	3,239.4
Proved + Probable	88,429.5	60,603.2	44,822.6	34,809.9	28,025.7

Totals may not add because of rounding.

10. NATIONAL INDUSTRY LEGISLATION AND REGULATIONS

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 the Group'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 Southern Energy 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 Southern Energy is unable to predict what additional legislation or amendments may be enacted.

The Group 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 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. The Group'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 Energy can produce from its wells and may limit the number of wells or the locations at which Southern Energy can drill. Regulatory requirements and compliance relative to the oil and gas industry increase Southern Energy's costs of doing business and, consequently, affect profitability.

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 US 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 US federal and state regulation. The Federal Energy Regulatory Commission ("FERC") is continually proposing and implementing new 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 Energy'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 Energy cannot predict when or if any such proposals or proceedings might become effective and their effect or impact, if any, on Southern Energy'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 Energy 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 Energy 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 US 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 US 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 US 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

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 Energy's oil and natural gas production, saltwater disposal operations and the processing, handling and disposal of materials such as hydrocarbons and naturally occurring radioactive materials ("NORM") are subject to stringent regulation. Southern Energy could incur significant costs, including clean-up 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 Energy'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 Energy'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 non-hazardous 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 CO2; (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 state and federal levels has the potential to significantly affect the oil and gas industry regulatory environment and impose significant financial obligations.

The US 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 US announced its intention to withdraw from the Paris Agreement, delivering written notice of such to the United Nations on 4 August 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 CO2, methane and other GHG emissions. It has also established a permitting program for certain large GHG emissions sources. Earlier this year, the United States re-joined the Paris Agreement.

With respect to reporting GHG emissions, on 30 November 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 above, 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 20 January 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.

11. HISTORICAL FINANCIAL INFORMATION

Part 4 of this document contains:

(a) the unaudited consolidated interim financial statements for the Group as at and for the three months ended 31 March 2021 and 2020;

(b) the audited consolidated financial statements for the Group as at and for the years ended 31 December 2020 and 2019; and

(c) the audited consolidated financial statements for the Group as at and for the years ended 31 December 2019 and 2018.

12. CURRENT TRADING AND FUTURE STRATEGY OF THE GROUP

Since early 2020, worldwide oversupply of oil, a lack of available storage capacity and decreased demand due to the actual and anticipated impact of 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 per cent. 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.

Southern Energy believes that with its low-decline asset base, conservative capital and operating cost structure and meaningful torque to commodity price upside, it 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.

The Company believes that the availability of services and personnel necessary to carry out the reactivation, re-entry, optimization and abandonment operations that form a substantial portion of Southern Energy's planned 2021 development program is reasonably healthy. Southern Energy 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.

Southern Energy 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 US Energy Infrastructure Administration forecasts natural gas inventories exiting the first quarter of 2021 will be approximately 13 per cent. 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.

To further support Southern Energy's long-term sustainability, the Group has entered into fixed price swaps and costless collar hedges designed to provide added stability and further mitigate the effects of market volatility in commodity prices for the remainder of 2021 and 2022. Hedges are currently in place on 6,100 Mcf/d of natural gas at an average price of US$2.63/Mcf through to 31 December 2021 and 4,000 Mcf/d of natural gas at an average price of US$3.20/Mcf for the full year of 2022. For the period 1 Nov 2021 to 31 March 2022, a costless collar is in place with a price range of US$3.50 to US$5.10/Mcf. These hedge volumes equate to approximately 55 and 40 per cent. of Southern Energy's 2021 and 2022 production, respectively.

The Group has taken a cautious approach to expenditure in 2021 in order to ensure capital preservation and plans a minor capital program of $300,000 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.

Southern Energy's long-term strategy remains consistent throughout 2021 with an unwavering commitment to 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, negotiations with suppliers, as well as the ongoing evaluation of opportunities to reduce operating and capital costs.

The Group continues to prioritise the deleveraging of its balance sheet through utilising excess cash flow to repay its outstanding indebtedness. The Group continues to manage liquidity by evaluating additional opportunities to reduce both operating and capital field expenditures, sale of non core oil and natural gas assets, and looking for alternative sources of financing. In May 2021, the Company's gas producing interests in Alabama in the Black Warrior Basin were sold for US$80,000.

On 31 December 2020, Southern Energy had a royalty payable balance of C$5.6 million (US$4.4 million) of non-interest bearing royalty payables related to unresolved title or ownership issues not expected to be settled within the operating cycle unless claimants demand repayment and provide proof of ownership. These amounts are accumulated from the inception of oil and gas operations and will be resolved in accordance with industry standards over time. The royalty suspense account, in respect of royalty holders with deficiencies on their accounts which precludes Southern Energy from making payments, is made up of balances from approximately 5,500 royalty holders, with over 96 per cent. of the balances being greater than 120 days, 43 per cent. of the balance being greater than 10 years.

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

The Company estimated the recoverable amounts as fair value less costs of disposal, using the net present value of the cash flows from Proved Developed Producing oil and gas reserves of each of the Southern CMS CGU and SO CGU, and a 7 per cent. discount rate (equivalent to 10 per cent. pre-tax). The Proved Developed Producing oil and gas reserves were based on reserves estimated by Southern Energy's independent reserves evaluator at 31 December 2019, and revised price estimates at 31 March 2020.

As a result of an increase in the forward benchmark commodity prices at 31 December 2020 compared to 31 March 2020, Southern Energy estimated the recoverable amount of all CGUs at 31 December 2020. Southern Energy determined that the recoverable amounts of the Southern CMS CGU and SO CGU exceeded their carrying values. A non-cash impairment recovery of C$4.6 million was recorded in the Consolidated Statements of Loss and Comprehensive Loss.

The Company estimated the recoverable amounts as fair value less costs of disposal, using the net present value of the cash flows from Proved Developed Producing oil and gas reserves of each of the Southern CMS CGU and SO CGU, and a 7 per cent. discount rate (equivalent to 10 per cent. pre-tax), based on reserves estimated by Southern Energy's independent reserves evaluator at 31 December 2020.

Current Trading

During Q1 2021, Southern Energy realized average production of 12,922 Mcfe/d (92 per cent. natural gas), a 1 per cent. increase from the same period in 2020, demonstrating Southern's ability to maintain the existing low decline asset base with minimal maintenance capital expenditures.

In Q1 2021, Southern Energy realized an average oil price of C$71.24/bbl which represents an increase of 19 per cent. from the same period in 2020. Oil prices benefited from an improving global economy that was encouraged by the roll-out of COVID-19 vaccinations and an increasing sentiment that the end of pandemic related government shutdowns is near. Since the end of Q1 2020, the LLS premium to West Texas Intermediate ("WTI") has remained extremely tight. The LLS premium to WTI averaged US$2.12/bbl in Q1 2021, compared to US$2.80/bbl in Q1 2020.

Southern Energy realized an average price of C$3.57/Mcf in Q1 2021, a 50 per cent. increase from Q1 2020. Natural gas prices benefited from extreme cold temperatures in February 2021 that stretched across North America, resulting in gas withdrawals that were much larger than the five-year average for February. LNG exports also continued at record volumes as LNG demand increased in Asia beginning around the middle of 2020. High levels of LNG exports coupled with dramatic reductions in rig counts in the United States have helped to reduce the domestic natural gas inventory levels at the end of 2020 and into 2021. The Directors and the Proposed Director believe the decrease in new wells being drilled should be beneficial to natural gas prices over the medium to long term.

In April 2021, the Company completed a non-brokered private placement of Common Shares and warrants for gross proceeds of ~C$5.5 million and the restructuring of its indebtedness through the pay-out and discharge of its existing credit 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 (the "Credit Facility") and a portion of the proceeds from the private placement, such that the Group's outstanding first lien debt balance was reduced from US$12.7 million to US$5.5 million. The Group will use the remaining proceeds from the private placement for development activities and general working capital purposes.

On 30 June 2021, the Company amended the Debenture Indenture to (a) extend the maturity date of the Debentures by two years to 30 June 30, 2024; (b) decrease the conversion price for the Debentures from C$0.125 to C$0.10; and (c) allow the Company to satisfy its obligation to pay interest on the Debentures by, among other things, delivering freely tradeable common shares in the capital of the Company for distribution directly to the Debenture holders as a payment in-kind of accrued interest on the Debentures. On 14 July 2021, the Company issued 3,901,775 Common Shares as a payment-in-kind for accrued interest to 30 June 2021.

13. DIRECTORS, SENIOR MANAGEMENT AND KEY EMPLOYEES

The Directors and the Group's senior management have significant technical, operational and financial experience in the oil and gas industry.

As at the date of this document the Board comprises one Executive Director and six Non-Executive Directors. On Admission, the Board will comprise of one Executive Director and seven Non-Executive Directors.

In addition, Paul Baay, the Chief Executive Officer of Touchstone Exploration, which is traded on the TSX and AIM, and Jay Haber, a US based independent oil & gas M&A consultant and founder and president of Haber Resources Corp., are special advisers to the Board.

The details of the Directors, the Proposed Director, senior management and key employees are set out below.

The Board

Ian Kenneth Atkinson, aged 50 – President and Chief Executive Officer

Mr. Atkinson has been the founder of several private and public oil and gas companies with over 25 years of technical, executive and board of director experience. Mr. Atkinson was the founder, President and Chief Executive Officer of Gulf Pine since 2014. Prior thereto, Mr. Atkinson was a founder and Senior Executive Officer of Athabasca. At Athabasca, Mr. Atkinson was instrumental in the successful completion of Athabasca's initial public offering and a significant joint venture with PetroChina Company Limited. Mr. Atkinson holds a Master of Science degree in Engineering and an Institute of Corporate Directors (ICD.D) designation. Mr. Atkinson joined the Board in December 2018.

Bruce Michael Beynon, aged 57 – Non-Executive Chairman

Mr. Beynon is a professional geologist with over 30 years of oil and gas industry experience. Mr. Beynon was the Executive Vice President, Exploration and Corporate Development at Baytex Energy Corp. from August 2018 to December 2018 and President of Raging River Exploration Inc. until August 2018. Mr. Beynon also held executive positions with Compass Petroleum Partnership, Peloton Exploration Corp., Expoir Exploration Corp. and KeyWest Energy Inc. Mr. Beynon holds a Master of Science degree in Geology. Mr. Beynon joined the Board in December 2018

Michael George Kohut, aged 55 – Non-Executive Director

Mr. Kohut is the Senior Vice President and Chief Financial Officer at Hammerhead Resources Inc. and 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 and Chief Financial Officer of Trilogy Energy Corp. from June 2006 to October 2017. Mr. Kohut has over 25 years of experience in senior executive roles at various companies and on various boards of directors. Mr. Kohut holds a Bachelor of Commerce degree. Mr. Kohut joined the Board in December 2018.

Tamara Louise MacDonald, aged 51 – Non-Executive Director

Ms. MacDonald was most recently the Senior Vice President, Corporate and Business Development of Crescent Point. Ms. MacDonald has been involved in over 530 transactions totalling over C$14.5 billion. Ms. MacDonald has over 28 years of industry experience. Prior to Crescent Point, Ms. MacDonald worked with NCE Petrofund Corp., Merit Energy Ltd., Tarragon Oil & Gas Ltd. and Northstar Energy Corp. Ms. MacDonald currently sits on the boards of Spartan Delta Corp. and Equinor Canada. Ms. MacDonald holds a Bachelor of Commerce degree with a major in Petroleum Land Management and an Institute of Corporate Directors (ICD.D) designation. Ms. MacDonald joined the Board in December 2018.

Andrew Shatford McCreath, aged 65 – Non-Executive Director

Mr. McCreath has over 30 years of experience in the investment community including more than 20 years as a Portfolio Manager. Mr. McCreath is the Chief Executive Officer, Chief Investment Officer and Ultimate Designated Person of Forge First Asset Management, an alternative asset management firm in Toronto. Mr. McCreath is also the Market Commentator on BNN Bloomberg TV and host of "Weekly with Andrew McCreath". Mr. McCreath holds a Bachelor of Business Administration degree in Finance, a Master of Business Administration degree in Economics and a Chartered Financial Analyst (CFA) designation. Mr. McCreath joined the Board in December 2018.

Clifford Neil Smith, aged 59 – Non-Executive Director

Mr. Smith has over 30 years of technical, financial and international capital markets experience. Most recently, Mr. Smith was the Chief Operating Officer at Crescent Point where he was responsible for all aspects of the company's capital budget, safe operations, reserves management and acquisition evaluations as well as corporate operations risk management analysis and social responsibility reporting. He has a proven track record of creating shareholder value through the innovative development of assets in a safe and capital-efficient manner. Mr. Smith holds a Bachelor of Applied Science degree in Geological Engineering and a Master of Business Administration degree in Finance. Mr. Smith joined the Board in December 2018.

Reginald Stevenson Smith, aged 66 – Non-Executive Director

Mr. Smith is an independent businessman since April 2019 and is currently a Director of Karve Energy Inc. and Jasper Brewing Inc. He started his career in the oil and gas industry in finance with management, executive and director roles with companies including Canadian Pioneer Petroleum Ltd., Poco Petroleums Ltd., Renaissance Energy Ltd., Pan East Petroleum Corp. and most recently was the Chief Financial Officer and Director of Broadview Energy Inc. In addition to the oil and gas industry, Mr. Smith has 22 years in capital markets as Chief Financial Officer and Portfolio Manager with Norrep Capital Management Ltd. and Vice President and Director – Institutional Research at FirstEnergy Capital (now Stifel | FirstEnergy) and before that Orion Securities (now Macquarie Group). Mr. Smith holds a Business degree in Accounting, a Bachelor of Arts degree in English and Chartered Accountant (CA) and Chartered Professional Accountant (CPA) designations. Mr. Smith joined the Board in December 2018.

The Proposed Director

John Joseph Nally, aged 69 – Non-Executive Director

Mr. Nally has over 45 years' experience in the city including 18 years at Cenkos Securities PLC, a firm he co-founded. At Cenkos, Mr. Nally was an Executive Director and Head of Natural Resources and helped raise over £21 billion for small to medium sized companies since the firm's inception in 2004. Prior to founding Cenkos, Mr. Nally was a partner at Williams de Broe and is a full member of the London Stock Exchange. Mr. Nally graduated with a degree from the London School of Economics. It is proposed that Mr. Nally will join the Board upon Admission.

Interests in Common Shares

As at the Latest Practicable Date, the Directors and the Proposed Director were in aggregate interested, directly or indirectly, in 45,047,557 Common Shares, representing approximately 12.5 per cent. of the Issued Share Capital. Further details of the Directors' and the Proposed Director's shareholdings are set out in paragraph 7 of Part 5 of this document.

Senior management and key employees

Calvin Wai-Kit Yau, aged 42 – Vice President, Finance and Chief Financial Officer

Mr. Yau began his career at Grant Thornton LLP and has over 19 years' financial experience in the oil and gas industry. Mr. Yau was a co- founder and Vice President, Finance and Chief Financial Officer of Gulf Pine. Mr. Yau has served as Financial Controller for a number of public companies since 2007, including Bronco Energy Ltd, Waldron Energy Corporation and Molopo Energy limited. Mr. Yau is a member of the Institute of Chartered Accountants of Alberta.

Chris Birchard, aged 47 – Vice President, Geoscience

Mr. Birchard has over 20 years of exploration and management experience in the oil and gas industry and was a co-founder of Gulf Pine. He was formerly Senior Geologist/Team Lead at Athabasca Oil Corporation (Light Oil) and Vice President, Exploration at Bellamont Exploration Ltd. Mr. Birchard has previously held technical positions at Espoir Exploration Corp., Keywest Energy Ltd., Devon Canada and Anderson Exploration Ltd.

Erin Buschert, aged 46 – Vice President, Land

Ms. Buschert has over 20 years of land, mergers and acquisition and management experience in the oil and gas industry and was a co-founder of Gulf Pine and Vice President, Land. Prior thereto, Ms. Buschert was Manager of Land for Crescent Point Energy Corp and Real Resources Inc.

Jim McFadyen, aged 47 – Vice President, Operations

Mr. McFadyen has over 20 years of operational, drilling and completions and management experience in the oil and gas industry and was a co-founder of Gulf Pine and Vice President, Operations. Prior thereto, Mr. McFadyen was Operations Manager at Athabasca; previous operational roles at Fairborne Energy Ltd., Galleon Energy Inc. and Renaissance Energy Ltd.

Gary Patrick McMurren, aged 44 – Vice President, Engineering

Mr. McMurren has over 20 years of engineering, operational and management experience in the oil and gas industry and was a co-founder of Gulf Pine. Prior thereto, Mr. McMurren was the Director of Light Oil at Athabasca; previous engineering and operational roles at Galleon Energy Inc., ARC Resources Ltd., and Talisman Energy Inc.

14. SHARE OPTION PLAN

The Company has implemented the Stock Option Plan for directors, officers, employees, and consultants of Southern Energy, and of its subsidiaries, if any, and employees of a person or company which provides management services to Southern Energy or its subsidiaries (each, an "Optionee"), in accordance with the rules and policies of the TSXV.

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

Under the rules of the TSXV, the number of Common Shares reserved for issue under the Stock Option Plan shall not exceed 10 per cent. of Southern Energy's Common Shares in issue from time to time.

As at the Latest Practicable Date, there were 19,400,000 Common Shares reserved for issuance pursuant to the Stock Option Plan, representing approximately 5 per cent. of the Issued Share Capital prior to Admission.

Further details of the Stock Option Plan are set out in paragraph 12 of Part 5 of this document.

15. CORPORATE GOVERNANCE

The Board is responsible for the governance of Southern Energy. The Board and Southern Energy's management consider good corporate governance to be central to the effective and efficient operation of Southern Energy.

The Board is subject to and complies with the corporate governance requirements of the TSXV and applicable securities laws including, but not limited to NI 51-102, NI 52-110, NI 58-101 and TSXV Policy 3.1 – Directors, Officers, other Insiders and Personnel and Corporate Governance.

Southern Energy is not required to comply with the provisions of the UK Corporate Governance Code, issued from time to time by the Financial Reporting Council.

From Admission, the Company will continue to implement corporate governance practices and procedures consistent with those standards applied by public companies in Canada. These standards differ somewhat from those set out in the QCA Code. The Board believes that the Company complies with the QCA Code in all respects except as follows:

- The Company posts on its website most (but not all) of the information required by the QCA Code to be posted. Such information is available on SEDAR or summarised in documents filed on SEDAR. Following Admission, the Company intends to post or make available the required documents on its website.
- The specific time commitments of the directors of the Company are not disclosed and the plans for the evolution of the Company's corporate governance framework is not disclosed.

It is also noted that the Company only has one executive director on its Board, which is common practice in Canada and the United States but is not in line with common practice in the UK or with UK corporate governance guidelines. The Company's CFO, Calvin Yau, is in attendance at all Company Board meetings and the Board as a whole has access to the Company's senior management and are able to request attendance at Board meetings to the extent required.

The directors of the Company are responsible for overseeing and embedding effective internal controls and promoting a culture of positive business and operational risk management including to ensure that proper accounting records are maintained, and that the financial and other information upon which business decisions are made, and which is issued for publication, is reliable and that the assets of Southern Energy are safeguarded.

Corporate governance guidelines applicable to Southern Energy as a result of its listing on the TSXV recommend that the board of directors of a public company be constituted with a majority of individuals who qualify as "independent" directors. Under the guidelines, a Director is considered independent if he or she has no direct or indirect "material relationship" with Southern Energy, as defined in NI 52-110, which could, in the view of the Board, reasonably interfere with the exercise of that Director's independent judgement.

Of the current Directors and the Proposed Director, Ian Atkinson (the President and Chief Executive Officer) is an "insider" or a management director, and accordingly is not considered to be "independent" within the meaning of the relevant guidelines of the TSXV and Canadian securities laws. All other Directors and the Proposed Director are considered by the Board to be "independent" within the meaning of the relevant guidelines of the TSXV and Canadian securities laws. It is noted that the Company's independent directors hold equity interests or receive a proportion of their remuneration in the form of equity or equity derivatives, however such remuneration and equity interests are not deemed to impact their independence as defined in NI 52-110.

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

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

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

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

In order to encourage and promote a culture of ethical business conduct, the Board has adopted a Code of Business Conduct and Ethics (the "Code") wherein directors, officers and employees of Southern Energy and others are provided with a mechanism by which they can raise complaints regarding financial and regulatory reporting, internal accounting controls, auditing or health, safety and environmental matters or any other matters and raise concerns about any violations of the Code in a confidential and, if deemed necessary, anonymous process.

The Board currently has the following corporate governance procedures and policies in place:

Audit Committee

The purpose of the Audit Committee is to assist the Board in its oversight of the integrity of the financial and related information of the Company, including its consolidated financial statements, the internal controls and procedures for financial reporting and the processes for monitoring compliance with legal and regulatory requirements and to review the independence, qualifications and performance of the external auditor of the Company. Management is responsible for establishing and maintaining those controls, procedures and processes and the Audit Committee is appointed by the Board to review and monitor them. It is the objective of the Audit Committee to maintain free and open means of communications among the Board, the independent auditors and the financial and senior management of Southern Energy. The Audit Committee must pre-approve all non-audit services to be provided by an external auditor.

The Audit Committee is comprised of three members, all of whom are Independent Directors. The members of the Audit Committee at the date of this document are Mr. Kohut (Chairman), Mr. McCreath and Mr. Steven Smith. It is proposed that Mr. Nally will join the Audit Committee upon Admission. The Audit Committee meets at least four times annually or more frequently as circumstances dictate.

The duties of the Audit Committee include: (i) reviewing, prior to release, the annual and quarterly financial statements and other financial information provided by Southern Energy to regulatory authorities and the Shareholders; (ii) reviewing the effectiveness of Southern Energy's internal audit function and controls, including the appropriateness of Southern Energy's accounting policies; (iii) recommending to the Board the nomination of the external auditors, approving the remuneration and the terms of engagement of Southern Energy's external auditors and reviewing the performance of Southern Energy's external auditors annually; (iv) providing an avenue for internal reporting of financial wrong doing; (v) providing an open avenue of communication among Southern Energy's auditors, senior management and the Board; (vi) gaining reasonable assurances that financial risk is being effectively managed and controlled; and (vii) reviewing regular reports from management and others with respect to Southern Energy's compliance with laws and regulations having a material impact on the financial statements.

Corporate Governance and Compensation Committee

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

The Corporate Governance and Compensation Committee is comprised entirely of independent Directors. The members of the Corporate Governance and Compensation Committee at the date of this document are Mr. Steven Smith (Chairman), Mr. Neil Smith, Mr. McCreath, Mr. Kohut and Ms. McDonald. It is proposed that Mr. Nally joins the Corporate Governance and Compensation Committee upon Admission. The Corporate Governance and Compensation Committee meets at least once annually and otherwise as circumstances warrant.

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

The Corporate Governance and Compensation Committee has responsibility for identifying potential Board candidates. The Corporate Governance and Compensation Committee assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the oil and gas industry are consulted for possible candidates. The written charter of the Corporate Governance and Compensation Committee includes considering and recommending candidates to fill new positions on the Board, reviewing candidates recommended by Shareholders, conducting inquiries into the backgrounds and qualifications of candidates, recommending the director nominees for approval by the Board and the Shareholders, considering conflicts of interests, recommending members and chairs of the committees, reviewing the performance of directors of the Company and the Board, establishing director retirement policies and establishing and implementing an orientation and education program for new members of the Board.

The Corporate Governance and Compensation Committee reviews and makes recommendations to the Board concerning the compensation of Southern Energy's directors, officers and employees, which includes the review of Southern Energy's executive compensation and other human resource philosophies and policies, the review and administration of Southern Energy's bonuses, Options and any share purchase plan.

The responsibilities, powers and operations of the Corporate Governance and Compensation Committee, in respect of compensation include: (i) reviewing the adequacy and form of any compensation program for executive officers; (ii) reviewing the adequacy and form of non-employee directors' compensation; (iii) setting criteria for selecting new directors; (iv) recommending to the Board the size of the Board, the appropriate composition of the board and eligible individuals for election to the Board, a majority of whom shall be independent; (v) recommending to the Board the appropriate committee structure, composition and membership; and (vi) reviewing and recommending to the Board a set of corporate governance policies, practices and principles aimed at fostering a healthy governance culture at Southern Energy.

The Corporate Governance and Compensation Committee will also be responsible for overseeing the Group's compliance with the AIM Rules and MAR.

Reserves, Health, Safety and Environment Committee

The members of the Reserves, Health, Safety and Environment Committee at the date of this document are Mr. Neil Smith (Chairman), Mr. Beynon and Ms. MacDonald. The Reserves, Health, Safety and Environment Committee meets annually and otherwise as requested by the Board or as circumstances warrant. In addition, the Committee monitors the activities of the Company on a quarterly basis, or more frequently if circumstances dictate.

The Reserves, Health, Safety and Environment Committee's responsibilities include: (i) reviewing management's recommendations for the appointment of independent engineers; (ii) reviewing the independent engineering reports and considering the principal assumptions upon which such reports are based; (iii) reviewing management's input into the independent engineering report and key assumptions used; (iv) reviewing the reserve additions and reserve revisions which occur from one report to the next and seeking the independent engineer's input and management's input with respect to why these revisions have occurred; (v) reviewing the information supplied to the independent engineers with respect to the constant price case, operating costs, royalty burdens, required capital expenditures, recovery rates, decline rates and other matters; (vi) annually reviewing the appropriateness of, and updating, Southern Energy's environmental policies, management systems and programs and reporting to the Board thereon; (vii) ensuring that Southern Energy has the necessary tools to measure its business units' environmental performance and compliance with applicable regulatory standards; (viii) reviewing the environmental performance and, whenever relevant, any non-compliance situation of Southern Energy's business units, to recommend the required corrective measures; (ix) ensuring that environmental risk management procedures and emergency response measures are in place and are periodically updated and distributed within Southern Energy; (x) assessing the environmental risks and emergency situations brought to its attention to recommend the required corrective measures; (xi) immediately communicating any incident giving rise to significant environmental risks to the Board; (xii) recommending to the Board that Southern Energy exercise due diligence with respect to non-compliance situations, environmental risks or emergency situations brought to its attention; (xiii) reviewing and reporting to the Board on all legal notices or civil, penal or criminal prosecutions brought to its attention; (xiv) recommending to the Board measures, including necessary investments, taking into account available technologies and economic and financial restraints, to ensure compliance with regulatory standards and Southern Energy's environmental policies and programs; (xv) analysing all environmental matters brought to its attention and deemed relevant or that the Board specifically asks the committee to review; and (xvi) reporting to the Board on Southern Energy's environmental policies, programs and situation and make appropriate recommendations.

Corporate Disclosure and Insider Trading Policy

Southern Energy will amend its Corporate Disclosure and Insider Trading Policy with effect from Admission to ensure compliance with the share dealing provisions set out in article 19 of MAR and Rule 21 of the AIM Rules. The Corporate Disclosure and Insider Trading Policy applies to *inter alia* all directors and senior officers of the Group, employees who may be in possession of or have access to unpublished price-sensitive information concerning Southern Energy, their spouses, civil partners, children under 18 and any other person who is otherwise classified as a PDMR and their PCAs under MAR (together the "Designated Persons"). The Corporate Disclosure and Insider Trading Policy applies to the Designated Persons whether they are acting directly or through another person or company.

All dealings in securities in Southern Energy (including convertible securities) by the Designated Persons must be pre-cleared by the President and Chief Executive Officer or the Chief Financial Officer (or by the Chairman of the Audit Committee in the case of the President and Chief Executive Officer and Chief Financial Officer). Clearance will not be given during prohibited periods, defined as being:

- blackout periods: these are not regularly scheduled but prescribed from time to time by the Chief Executive Officer or Chief Financial Officer as a result of special circumstances, i.e. where Southern Energy or Designated Persons are in possession of any unpublished price-sensitive information concerning Southern Energy that is not generally known to the public or at any time it has become reasonably probable that such information will be required to be disclosed to the market under stock exchange policies and applicable legislations; blackout periods end on the opening of trading of the second trading day after the information has been made public and the market appropriately cleansed; and
- closed periods: being; (i) the period 30 days immediately preceding announcement of the Company's financial results (annual, half year and quarterly interims), or if shorter, the period from the end of the relevant financial period up to and including the time of announcement; (ii) any period where there exists unpublished price sensitive information in relation to the Common Shares and the proposed trading would take place after the time it has become reasonably probable that an announcement will be required; and (iii) any period when the Designated Person or the person responsible for granting clearance has reason to believe the trading would be in breach of the policy.

The Corporate Disclosure and Insider Trading Policy also states that the purchase of shares by Designated Persons should be for long term investment and not short term speculation. It therefore prohibits dealing in puts and calls, short selling and other such speculative behaviour, in relation to the Common Shares, and acquiring shares in a company which Southern Energy is contemplating acquiring or with whom they are otherwise negotiating significant business arrangements.

The Corporate Disclosure and Insider Trading Policy requires Designated Persons to make certain filings with SEDI and the FCA in relation to their trading in Common Shares. It also sets out the notification requirements for any related party of Southern Energy or the Group contemplating a related party transaction and the associated approval process.

16. COMMON SHARE CONSOLIDATION

In connection with the issuance in April 2021 of 136,625,000 warrants to purchase Common Shares at a price of C$0.04 per Common Share, the Company has agreed to undertake a consolidation of the Common Shares before 31 December 2021 so that the effective warrant exercise price, on a post-consolidation basis, is greater than C$0.05 per Common Share. The consolidation, which was approved by Shareholders at a special meeting on 7 July 2021 will take place post Admission and has been mandated by TSX to be effected by 31 December 2021. The consolidation is subject to the approval of both the TSX and the holders of the Common Shares.

17. DIVIDEND POLICY

The Company may, by ordinary resolution, declare dividends in accordance with the respective rights of the shareholders, but no dividend shall exceed the amount recommended by the Board.

The Company has not declared or paid any dividends for each of the three most recently completed financial years.

It is the intention of the Company to retain any earnings to finance the growth and development of the Company's business, and, therefore the Company does not anticipate paying any dividends in the immediate or foreseeable future. However, the Board is intending to implement a dividend to shareholders over the medium to long term time period as it executes the business strategy utilising the ordinary resolution dividend declaration policy referred above.

18. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

The Directors, the Proposed Director, Calvin Yau and Gary McMurren have each agreed with Southern Energy, Strand Hanson, Canaccord Genuity and Hannam & Partners not to dispose of their interests in Common Shares and of any securities convertible into shares in the Company (the "Derived Shares") held or acquired by them for a period of at least 12 months from the date of Admission (the "Lock-in").

In addition, the Directors, the Proposed Director, Calvin Yau and Gary McMurren have each agreed to only dispose of any interest held in Derived Shares for a period of 24 months following Admission, with the consent of, and through one or both of Canaccord Genuity or Hannam & Partners (the "Brokers") so as to ensure an orderly market in the Common Shares (the "OMA").

The Lock-In and OMA restrictions are subject to a number of exceptions, including, but not limited to, a disposal pursuant to; (i) an order made by a court with competent jurisdiction; (ii) a bona fide takeover bid made to all holders of the shares of Southern Energy or similar acquisition transaction; or (iii) with the prior consent of Strand Hanson and each of the Brokers.

The aggregate interests following Admission which shall be subject to the lock-in and orderly market arrangements, as described above, will amount to 49,585,057 Common Shares, representing approximately 13.7 per cent. of the Issued Share Capital prior to Admission.

19. OPTIONS, WARRANTS AND DEBENTURES

On Admission, there will be a total of 361,297,054 Common Shares, Warrants over 235,795,000 Common Shares and Options over 19,400,000 Common Shares in issue or outstanding.

Further details on the Warrants, Options and Debentures are provided in paragraph 5 or Part 5 of this Document.

20. REASONS FOR ADMISSION

The Directors and the Proposed Director are seeking to list Southern Energy's Common Shares on AIM both to provide access to capital via a broader investor base and to increase liquidity in Southern Energy's Common Shares. The Directors and the Proposed Director believe that the profile and status of Southern Energy will be enhanced by Admission.

21. ADMISSION, CREST, DEPOSITARY INTERESTS AND SETTLEMENT

Admission to AIM and dealings in Common Shares

Application will be made to the London Stock Exchange for the Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings, for normal settlement, will commence on 10 August 2021.

CREST and depositary interests

In order to be traded on AIM, securities must be able to be transferred and settled through the CREST system, a UK computerised paperless share transfer and settlement system operated by Euroclear, which allows shares and other securities, including Depositary Interests, to be held in electronic rather than in paper form. Securities issued by companies not incorporated in the UK, Ireland, Isle of Man or Channel Islands, such as Southern Energy, cannot be held electronically (i.e. in uncertificated form) or transferred in CREST. However, depositary interests representing underlying shares can allow securities to be dematerialised and settled electronically.

Accordingly, the Common Shares will not themselves be admitted to CREST. Instead, Southern Energy, through its Depositary, will have a facility whereby Depositary Interests, representing Common Shares, will be issued by the Depositary to persons who wish to hold the Common Shares in electronic form within the CREST system. Under the Depositary Deed Poll, the Depositary (or its Custodian) will hold Common Shares in certificated form on trust for shareholders and it will issue uncertificated Depositary Interests (on a one-for-one basis) representing those underlying Common Shares and provide the necessary custodian services. The relevant Shareholders will retain the beneficial interest in the Common Shares held through the Depositary Interest facility and voting rights, dividends or any other rights relating to those Common Shares will be passed on by the Depositary (or its nominee) in accordance with the terms of the Depositary Deed Poll. The Depositary Interests can then be held and settled within the CREST system in the same way as any other CREST security.

Each Depositary Interest will be treated as one Common Share for the purposes of determining eligibility for dividends and voting entitlements. In respect of any dividends declared, Southern Energy will provide the Depositary (or custodian, if appointed) with funds for the payment and the Depositary will transfer the money to the DI Holders. In respect of voting, the Depositary will cast votes in respect of the Common Shares as directed by the DI Holders which the relevant Common Shares represent.

The Depositary Interests will be created pursuant to and issued on the terms of the Depositary Deed Poll. Prospective DI Holders should note that they will have no rights in respect of the underlying Common Shares or the Depositary Interests representing them against CREST or its subsidiaries. The Depositary Interests will have the same ISIN as the underlying Common Shares and will not require a separate application for admission to trading on AIM.

A holder of the Common Shares on the share register of Southern Energy maintained in Canada (the "Share Register") (a "Registered Holder") will be able to do the following to obtain a Depositary Interest for its Common Shares; (a) if held directly, send in its Common Share certificates to the Canadian Registrar and Transfer Agent together with the relevant transfer form; or (b) if held in a nominee account, provide instructions to its broker who will then obtain a withdrawal of the Common Shares from the system of CDS Clearing and Depositary Services Inc. ("CDS"). In addition, the Registered Holder, either directly or through its broker, must complete a Depositary Interest issuance request form that may be obtained from the Canadian Registrar and Transfer Agent. The Canadian Registrar and Transfer Agent will then either cancel the Common Share certificate or the CDS position, as applicable, through a transfer of Common Shares to the custodian of the Depositary. After these steps, a Depositary Interest can be created and is then issued to the CREST participant that the holder, or the holder's broker, requested on the Depositary Interest issuance request form.

If a DI Holder wishes to cancel its Depositary Interest, it will either directly or through its broker instruct the applicable CREST participant to initiate a CREST withdrawal (where such withdrawal is sent to the Depositary) for the name that appears on the DI Register. The Depositary Interest will then be cancelled by the Depositary and the related Common Share will be transferred to the account on the DI Register by the Registrar. The Registrar will then send the Registered Holder a new Common Share certificate.

Details of the Depositary Deed Poll and the Depositary Agreement are set out in paragraphs 18.12 and 18.13 of Part 5 of this document.

Settlement

Application has been made for the Common Shares, in the form of Depositary Interests, to be admitted to CREST, with effect from Admission, and CREST has agreed to such admission. Accordingly, settlement of transactions in the Common Shares, in the form of Depositary Interests, following Admission may take place within the CREST system if relevant Shareholders so wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates in respect of Common Shares will still be able to do so.

22. SHARE ISSUES

Whilst the Company is not required under Canadian law to offer new Common Shares to existing Shareholders on a pre-emptive basis, as is required of companies incorporated under CA 2006, the Company is subject to a number of investor or minority protection provisions under the policies and rules of the TSXV. Additionally, the Company has undertaken to Strand Hanson (as nominated adviser to the

Company with effect from Admission), and will undertake in similar terms to the nominated adviser to the Company from time to time, pursuant to the Introduction Agreement that for as long as the Company's Common Shares are admitted to AIM and not admitted to trading on the TSXV or the TSX, the Company will not, without the prior written consent of Strand Hanson (or the replacement nominated adviser), issue new Common Shares accounting for more than 20 per cent. in aggregate of the share capital from time to time of the Company on a non-pre-emptive basis in any one year without the approval of Shareholders at a duly called general meeting.

While the Common Shares are posted and listed for trading the TSXV, the pricing of any private placement of Common Shares must be decided in accordance with Policy 4.1 – Private Placements of the TSXV, which mandates, among other things, that shareholder approval is required if the price per Common Share exceeds: (a) 25 per cent., if the Common Shares trade at or below C$0.50; (b) 20 per cent. if the Common Shares trade between C$0.51 and C$2.00; or (c) 15 per cent., if the Common Shares trade at a price above C$2.00.

Under the ABCA, no shareholder consent is required to issue shares pursuant to a public or private offering of securities by the Company. However, under the policies and rules of the TSXV, shareholder approval may be required if a private placement results in the creation of a "Control Person" (pursuant to Policy 4.1 – Private Placement of the TSXV). Further, minority shareholder approval may be required if the private placement constitutes a "related party transaction" pursuant to MI 61-101.

With respect to acquisitions and dispositions, shareholder approval is required under the policies and rules of the TSXV if: (a) the acquisition results in the creation of a "Control Person" (pursuant to Policy 4.1 – Private Placement of the TSXV); (b) the number of securities issued or issuable to insiders as a group as payment of the purchase price for an acquisition exceeds 10 per cent. of the number of outstanding securities of the Company on a non-diluted basis, prior to the closing date of the transaction; and/or (iii) if the transaction is a disposition, the transaction involves the sale of more than 50 per cent. of the Company's assets, business or undertaking. Further, minority shareholder approval may be required for an acquisition or disposition if it constitutes a "business combination" or "related party transaction" pursuant to MI 61-101.

23. DISCLOSURE AND TRANSPARENCY RULES

Following Admission, Southern Energy will comply with Rule 17 of the AIM Rules to announce any changes in a whole percentage point to the holding of any Shareholder holding three per cent. (3 per cent.) or more of the Common Shares or voting rights in Southern Energy. As Southern Energy is incorporated in Alberta, provisions have been incorporated into the Articles (and approved by Shareholders at the Special Meeting) which, to the extent possible, mirror the requirements of DTR 5, so as to enable the Board to request information from Shareholders in order to comply with the disclosure obligations under AIM Rule 17 and further disclosure requirements of certain transactions involving shares or "significant shareholders" (as defined in the AIM Rules) to disclose to Southern Energy their beneficial ownership of the Common Shares. Shareholders should consider their notification and disclosure obligations carefully as failure to make a disclosure to Southern Energy may result in disenfranchisement.

Due to the Company existing under the laws of the Province of Alberta, Canada, Shareholders will not be subject to any UK requirement to disclose to the Company their holdings of Common Shares. Under the ABCA, there are no statutory obligations on shareholders (other than insider and early warning reporting obligations) to disclose to the Company the level of their interests in Common Shares. However, Canadian early warning reporting obligations require any Shareholder to make certain disclosures when it acquires ownership or control or direction over voting or equity securities, or any other securities convertible into voting or equity securities, of any class of a public company that constitutes 10 per cent. or more of the outstanding securities of that class and acquisitions or dispositions of every 2 per cent. thereafter. Further, shareholders that acquire ownership or control or direction over voting or equity securities, or any other securities convertible into voting or equity securities, of any class of a public company that constitutes 10 per cent. or more of the outstanding securities of that class are required to file insider reports on SEDI and are required to report any changes to their holdings within five days of a change.

When acquiring shares in the Company, shareholders are entitled under Canadian securities laws to categorise themselves as "objecting" ("OBO") or "non-objecting" ("NOBO") shareholders. By registering as such through the entity through which they acquired their shares, such as a broker, bank, or trust company, OBOs are noting that they object to their interest and their details being disclosed to the Company, subject to the 10 per cent. threshold at which Canadian securities law makes disclosure mandatory. NOBOs do not object to their shareholdings and their details being disclosed to the Company. Rule 17 of the AIM Rules requires, among other things, that an AIM quoted company must notify the market of any changes of which it is aware to its shareholders' interests in 3 per cent. or more of the common shares and changes thereto (of any movements through a percentage point upwards or downwards).

At a special meeting of the shareholders of the Company held on 7 July 2021, Shareholders approved an amendment to the Articles to provide that, for so long as the Company has any Common Shares admitted to trading on AIM, all Shareholders having a holding in 3 per cent. or more of the Common Shares, will be required, with effect from Admission, to notify the Company of their holding and of any subsequent relevant changes to their holdings which changes shall include any increase or decrease to such holdings through any single percentage threshold. Notwithstanding the fact the Articles regulate the internal affairs of the Company and are binding on the Company and its shareholders (among others), they do not provide the Company with an effective remedy or recourse in the event shareholders do not comply with the amended notice and disclosure obligations under the Articles (as amended). As such, the Company will not necessarily be aware of holdings (or changes in holdings) that are required to be disclosed under the Articles to the extent shareholders do not comply with such obligations. Accordingly, the Company may not have the information necessary to enable it to announce these shareholdings in accordance with the requirements of rule 17 of the AIM Rules in such cases.

24. TAKEOVERS

NI 62-104 sets forth the Canadian take-over bid regime. NI 62-104 will apply to Southern Energy to the extent that it is party to a take-over bid made in Canada. The UK Takeover Code will not apply to Southern Energy on the basis that its registered office is outside the United Kingdom, the Channel Islands and the Isle of Man.

Securities laws of the Provinces include a comprehensive code governing both the reporting of the acquisition of significant shareholdings and the conduct of takeover bids which may apply to Southern Energy as a reporting issuer in certain Provinces. For these purposes, a person is deemed to own all shares and securities convertible into shares that are held directly or indirectly by, or over which control or direction is exercised by, such person and persons acting jointly or in concert with that person.

Under the securities laws of the Provinces, any person who directly or indirectly acquires beneficial ownership of, or the power to exercise control or direction over, shares (or securities convertible into shares) that, together with any shares held by that person, would constitute 10 per cent. or more of the outstanding shares, must forthwith issue a news release in Canada announcing, among other things, the number of such securities they hold and their intentions with respect to the securities of the relevant issuer.

A formal report (an "early warning report") setting forth details regarding the acquisition is also required to be filed with the Securities Commissions of the Provinces, within two business days of the acquisition of shares (or convertible securities) that results in the person holding 10 per cent. or more of such securities. If a person's beneficial ownership of, or control or direction over, shares (or securities convertible into shares) decreases to less than 10 per cent. of such securities, that person must issue a news release and file an early warning report disclosing the same information as described above.

Whenever a person who has filed an early warning report acquires or disposes beneficial ownership of, or acquires or ceases to have control over, 2 per cent. of Southern Energy's shares (including securities convertible into shares), or if there is a change in a material fact disclosed in a previously filed report, an additional report must be filed within the same time limits.

Any person who acquires or offers to acquire 20 per cent. or more of Southern Energy's shares (other than pursuant to an issuance from treasury) is deemed to be making a takeover bid. Generally, applicable Canadian securities laws provide that takeover bids must:

- be made available to all shareholders;
- be open for acceptance for a minimum of 105 days, subject to certain exceptions;
- require more than 50 per cent. of the applicable securities be deposited under the bid;
- offer identical consideration to all shareholders; and
- be made by a takeover bid circular containing prescribed information about the bidder and its intentions with respect to Southern Energy.

There are various statutory exemptions available from these rules. In particular, a person may acquire up to 5 per cent. of the Common Shares in any 12 month period at prices not in excess of "market price" (plus brokerage). Also, a person may acquire Common Shares from no more than five persons in private transactions at no more than 115 per cent. of "market price".

25. TAXATION

Information regarding certain taxation with respect to Common Shares and Admission is set out in paragraphs 13 and 14 of Part 5 of this document. These details are, however, intended only as a general guide to the current position under UK and Canadian taxation law. The tax consequences for each Shareholder of investing in the Company may depend upon the Shareholder's own tax position and upon the relevant laws of any jurisdiction to which the Shareholder is subject as well as the relevant laws of the Company's country of incorporation. Shareholders who are in doubt as to their tax position should consult their professional advisers immediately.

PART 2

RISK FACTORS

Any investment in the Company is subject to a number or risks. Accordingly, investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Common Shares and the Group including, in particular, the specific risks described below, before making any investment decision. The information below does not purport to be an exhaustive list nor are the risks set out in any order of priority. Investors should consider carefully whether an investment in the Common Shares is suitable for them in light of the information in this document and their personal circumstances. Before making any final decision, prospective investors in any doubt should consult with an independent adviser authorised under FSMA (or the corresponding legislation in the jurisdiction in which a prospective investor is resident) who specialises in advising on the acquisition of shares and other securities.

If any of the following risks were to materialise, the Company's business, financial position, results or future operations may be materially adversely affected. The market value of the Common Shares may go up or down and an investor may lose all or part of his or her investment. Additional risks and uncertainties not presently known to the Directors or the Proposed Director, or which the Directors or the Proposed Director currently deem immaterial, may also have an adverse effect upon the performance and value of the Company. Therefore the following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company.

An investment in the Company is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may arise therefrom (which may be equal to the whole amount invested). There can be no certainty that the Company will be able to implement successfully the strategy set out in the document. No representation is or can be made as to the performance of the Company and there can be no assurance that the Company will achieve its objectives.

In this Part 2, reference to the Company or to Southern Energy shall also, where the context admits, be deemed to be a reference to the Group.

RISKS RELATING TO THE GROUP AND ITS BUSINESS

Nature of the business

An investment in Southern Energy should be considered highly speculative due to the nature of the Group'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 the Group.

Commodity price volatility

The Group'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 Southern Energy'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 oil 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 Southern Energy'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 the Group'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 Energy's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Group'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 the Group'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 the Group's reserves. Southern Energy might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Group'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 the Group may, in part, be determined by the Group's borrowing base. A sustained material decline in prices from historical average prices could reduce the Group's borrowing base, therefore reducing the bank credit available to the Group which could require that a portion, or all, of its bank debt be repaid.

Southern Energy 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 the Group's assets may be subject to impairment.

Public health crises

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. It remains uncertain how the macroeconomic environment and societal and business norms will be impacted following this COVID-19 pandemic.

The Group's business, operations and financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, or business plans may, in particular, and without limitation, be adversely impacted as a result of the COVID-19 pandemic 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 fulfil 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 or a change in market fundamentals.

The COVID-19 pandemic has also created additional operational risks for the Group, 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.

The Group 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 the Group'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 Group'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.

Borrowings

The Group has incurred indebtedness to finance its operations and may incur further indebtedness in the future. The level of Southern Energy's indebtedness from time to time could impair its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise, especially if it is above industry standards.

The Group's ability to meet its debt service obligations will depend on its future operations which will be subject to prevailing industry conditions and other factors, many of which are beyond the control of Southern Energy. In addition, the Group will be required to comply with the financial and other covenants included in its borrowing facilities.

As certain of the indebtedness of Southern Energy may bear interest at rates which fluctuate with prevailing interest rates, increases in such rates would increase its interest payment obligations and could have a material adverse effect on its financial condition and results of operations.

Further, the Group's indebtedness is secured by substantially all of its assets. In the event of a violation by the Group of any of its loan covenants or any other default 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 the Group's assets.

Availability of capital

As a result of recent economic uncertainties in the oil and gas industry, the Group may have reduced access to bank debt and equity. In particular, the recent global outbreak of COVID-19 has adversely effected lending and capital markets.

Southern Energy anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As the Group intends that these capital expenditures will be financed out of funds generated from operations, bank borrowings, if available, and possible issuances of debt or equity securities, the Group's ability to fund the 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 Energy's securities in particular.

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

The Group's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times, meaning that the Group may require additional financing. Failure to obtain this financing on a timely basis or at all could cause the Group to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations.

Compliance with licences, contracts and other obligations

The Group's assets are held in the form of licences and leases and working interests in licences and leases. The Group's operations must be carried out in accordance with the terms of these licences, operating agreements, annual work programs and budgets together with any conditions incumbent on the Group at the time the relevant asset was acquired such as ongoing royalty and other rental payments. If the Group 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.

In addition, the operations of the Group require licences and permits from various governmental authorities. There can be no assurance that the Group will be able to obtain all necessary licences and permits that are required to carry out exploration and development at its properties. The permitting process can take significant time, meaning that exploration and development projects have a longer cycle time to completion than they might elsewhere.

Relevant legislation provides that fines may be imposed and a licence may be suspended or terminated if a licence holder, or party to a related agreement, fails to comply with its obligations under such licence or agreement, or fails to make timely payments of levies and taxes for the licensed activity, provide the required geological information or meet other reporting requirements.

It may from time to time be difficult to ascertain whether the Group has complied with obligations under licences as the extent of such obligations may be unclear or ambiguous and regulatory authorities in jurisdictions in which the Group does business, or in which it may do business in the future, may not be forthcoming with confirmatory statements that work obligations have been fulfilled, which can lead to further operational uncertainty.

In addition, the Group and its commercial partners, as applicable, have obligations to operate assets in accordance with specific requirements under their licences and related agreements, field development agreements, laws and regulations. If the Group or its partners were to fail to satisfy such obligations with respect to a specific field, the licence or related agreements for that field may be suspended, revoked or terminated.

Regulations and policies relating to licences and permits may change, be implemented in a way that the Group does not currently anticipate or take significantly greater time to obtain. These licences and permits are subject to numerous requirements, including compliance with the environmental regulations of the local governments.

The suspension, revocation, withdrawal or termination of any of the licences or related agreements pursuant to which the Group may conduct business, as well as any delays in the continuous development of or production at the Group's fields caused by the issues detailed above could materially and adversely affect the business, results of operations, financial condition or prospects. In addition, failure to comply with the obligations under the licences or agreements pursuant to which the Group conducts business, whether inadvertent or otherwise, may lead to fines, penalties, restrictions, withdrawal of licences and termination of related agreements.

Reliance on third parties

The Group's ability to market its crude oil and natural gas can depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. Various production, marketing and transportation conditions may cause delays in gas, natural gas liquids and oil production and adversely affect the Group's business.

The Group relies on gas and oil field suppliers and contractors to provide materials and services that facilitate its production activities, including plugging and abandonment contractors. Any competitive pressures on the oil field suppliers and contractors could result in a material increase of costs for the materials and services required to conduct the Group's business.

Where other companies operate assets in which the Group has an interest, Southern Energy will have limited ability to exercise influence over the operation of those assets or their associated costs. Therefore, the Group's return on assets operated by others may therefore depend upon a number of factors that may be outside its 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.

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 the Group and may delay exploration and development activities.

The Group and its off-takers rely upon the availability of pipeline and storage capacity systems, including such infrastructure systems that are owned and operated by third parties. As a result, the Group may be unable to access the infrastructure and systems which it currently uses or plans to use, or source alternatives or otherwise be subject to interruptions or delays in the availability of infrastructure and systems necessary for the delivery of its gas, natural gas liquids and oil to commercial markets. In addition, such infrastructure may be close to its design life and decisions may be taken to decommission such infrastructure or perform life extension work to maintain continued operations. Any of these events could result in disruptions to the Group's projects thereby impacting its ability to deliver gas, natural gas liquids and oil to commercial markets or may increasing the Group's costs associated with the production of gas, natural gas liquids and oil reliant upon such infrastructure/systems. For instance, a temporary shut-in occurred at the Group's Mechanicsburg asset from March 2020 to June 2020 due to a third-party pipeline force majeure event.

Further, the Group's off-takers could become subject to increased tariffs imposed by government regulators or the third-party operators or owners of the transportation systems available for the transport of the Group's gas, natural gas liquids and oil, which could result in decreased off-taker demand and downward pricing pressure.

If the Group is unable to access infrastructure systems facilitating the delivery of its gas, natural gas liquids and oil to commercial markets due to its contractors or primary off-takes being unable to access the necessary equipment or transportation systems, the Group's operations will be adversely affected. If the Group is unable to source the most efficient and expedient infrastructure systems for its assets then delivery of its gas, natural gas liquids and oil to the commercial markets may be negatively impacted, as may its costs associated with the production of gas, natural gas liquids and oil reliant upon such infrastructure and systems.

Exploration risks

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on exploration by the Group 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 Energy depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that Southern Energy will be able to locate satisfactory properties for acquisition or participation. Even when acquisitions or participations are identified, Southern Energy 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.

Production risks

The Group's gas and oil production operations are subject to numerous risks common to its industry, including, but not limited to, premature decline of reservoirs, incorrect production estimates, invasion of water into producing formations, geological uncertainties such as unusual or unexpected rock formations and abnormal geological pressures, low permeability of reservoirs, contamination of gas and oil, blowouts, oil and other chemical spills, explosions, fires, equipment damage or failure, natural disasters, uncontrollable flows of oil, gas or well fluids, adverse weather conditions, shortages of skilled labour, delays in obtaining regulatory approvals or consents, pollution and other environmental risks.

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.

Any of these events could lead to environmental damage, injury to persons or property and other species, failure to produce gas, natural gas liquids and oil in commercial quantities or an inability fully to produce reserves, all of which could cause substantial damage to the Group or its reputation and put at risk some or all its interests in licences, which enable the Group to produce, and could result in incurrence of fines or penalties, criminal sanctions potentially being enforced against the Group and its management, as well as other governmental and third-party claims. Consequent production delays and declines in field operating conditions and other adverse actions taken by third parties may result in the Group's revenue and cash flow levels being adversely affected.

Should any of these risks materialise, the Group could incur legal defence costs, remedial costs and substantial losses, including those due to injury or loss of life, human health risks, severe damage to or destruction of property, natural resources and equipment, environmental damage, unplanned production outages, clean-up responsibilities, regulatory investigations and penalties, increased public interest in the Group's operational performance and suspension of operations.

Operational, health and safety and environmental regulations and requirements

The Group operates in an industry that has certain hazardous risks and consequently is subject to comprehensive laws and regulations, especially with regard to the protection of health, safety and the environment. The terms of licences, permits, regulatory orders, or permissions may include more stringent operational, environmental or health and safety requirements.

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.

Any failure by the Group or one of its sub-contractors, whether inadvertent or otherwise, to comply with applicable legal or regulatory requirements or the terms of licenses or permits may give rise to civil, administrative or criminal liabilities, civil fines and penalties, delays or restrictions in acquiring or disposing of assets or delays in securing or maintaining the required permits, licences and approvals. A lack of regulatory compliance may even lead to denial or termination of licences the Group requires for operating its sites or could result in other operational restrictions or obligations.

Further, any environmental damage, loss of life, injury or damage to property caused by the Group's operations could damage its reputation in the areas in which it operates. Negative sentiment towards the Group could result in a lack of willingness of municipal authorities to grant the necessary licences or permits for the Group to operate its business and in opposition to the Group's further operations in the area. If the Group develops a reputation of having an unsafe work site it may also impact the Group's ability to attract and retain the necessary skilled employees and consultants to operate its business.

The Group's operations have the potential to impact soil, air and water quality, biodiversity and ecosystems. Obtaining development or production licences and permits may become more difficult or may be delayed due to governmental, regional or local environmental consultation, scientific studies, approvals or other considerations or requirements. Furthermore, third-parties such as environmental organizations may judicially contest licences and permits already granted by relevant authorities and operations may be subject to other administrative or judicial challenges.

New laws and regulations, new national executive orders, the imposition of more stringent requirements in licences, increasingly strict enforcement of, or new interpretations of, existing laws, regulations and licences, or the discovery of previously unknown contamination or hazards may require further high cost expenditures in order for the Group to achieve compliance or may result in a material increase in the cost of production or development activities or even a curtailment of production.

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 the Group's control.

In estimating reserves, the chance of commerciality is effectively assumed to be 100 per cent.. 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 Energy'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 production and revenues derived from the Group's assets will vary from the estimates, potentially materially, including as a result of 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.

There are numerous uncertainties inherent in estimating quantities of resources, including many factors beyond the Group's control, and no assurance can be given that the indicated level of resources will be realised. 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.

Abandoned royalties

The Group has a significant C$5.6 million (US $4.4 million) liability in respect of abandoned royalties in respect of its oil and gas leases in accordance with the laws of the State of Mississippi. Although the Group has taken legal advice from Mississippi counsel to support its treatment of the abandoned royalties, there can be no guarantee that such abandoned royalties will not be claimed or become payable to the State of Mississippi earlier than projected by the Group. If that were to occur in respect of a material portion of the abandoned royalties currently on Southern Energy's balance sheet, the Group's financial condition and working capital could be materially adversely affected.

Abandonment

The Group may become responsible for costs associated with abandoning and reclaiming wells, facilities and pipelines which it uses for the processing of gas and oil reserves.

Such abandonment costs will be incurred by the Group at the end of the operating life of some of the Group's properties. The ultimate abandonment costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, any shortage of plugging contractors, difficult terrain or weather conditions or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves, wells losing commercial viability sooner than forecasted or changes in laws and regulations or their interpretation.

As a result, there could be significant adjustments to provisions for abandonment established by the Group which would affect future financial results. The use of other funds to satisfy such abandonment costs may impair the Group's ability to focus capital investment in other areas of its business, which could materially and adversely affect the Group's business, results of operations, financial condition or prospects.

Title to assets

The Group's actual interest in its current or future properties may vary from its records. 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. If a title defect does exist, it is possible that Southern Energy may lose all or a portion of the properties to which the title defect relates, which may have a material adverse effect on the Group'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 Energy controls that, if successful or made into law, could impair the Group's activities on them and result in a reduction of the revenue received by Southern Energy.

Vendors of oil and gas interests have not in the past and may not in the future warrant title to assets acquired by Southern Energy in the United States. The nature of the oil and gas leasing and title regime in the US basins in which Southern Energy 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 Energy 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 Energy, its financial condition, results of operations and prospects.

Condition of assets

The Group seeks to optimise or refurbish producing assets where possible to maximise the efficiency of its operations while avoiding significant expenses associated with purchasing new equipment.

The Group's assets require ongoing maintenance to ensure continued operational integrity. There can be no guarantee that the Group's assets or the assets used by the Group will continue to operate without fault and not suffer material damage through, for example, wear and tear, severe weather conditions, natural disasters or industrial accidents. If the Group's assets or the assets used by the Group do not operate at or above expected efficiencies, the Group may be required to invest substantial expenditure beyond the amounts budgeted. Any material damage to these assets or significant capital expenditure on these assets for improvement or maintenance may have a material adverse effect on the Group's business, results of operations, financial condition or prospects. In addition, as with planned operating and capital expenditure, there is no guarantee that the amounts expended will ensure continued operation without fault or address the effects of wear and tear, severe weather conditions, natural disasters or industrial accidents.

Project risks

The Group manages and participates 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.

The Group's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond its 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, the Group could be unable to execute projects on time, on budget or at all, and may not be able effectively to market the oil and natural gas that it produces.

Insurance

The Group's involvement in the exploration for and development of oil and gas properties may result in the Group becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although the Group has insurance coverage and generally expects to 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 Energy 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 the Group. The occurrence of a significant event that the Group is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Group's financial position, results of operations or prospects.

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 Energy. There can be no assurance that the Group 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 utilised by Southern Energy or implemented in the future may become obsolete. In such case, the Group's business, financial condition and results of operations could be materially adversely affected. If Southern Energy is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could be materially adversely affected.

Climate change legislation, protests and reduced demand

Continued public concern regarding climate change, the extent to which it is caused by human activity and potential mitigation through regulation could have a material impact on the Group's business. International agreements, national and regional legislation, and regulatory measures to limit greenhouse gas ("GHG") emissions are currently in place or in various stages of discussion or implementation. Given that certain of the Group's operations are associated with emissions of GHGs, these and other GHG emissions-related laws, policies and regulations may result in substantial capital, compliance, operating and maintenance costs. The level of expenditure required to comply with these laws and regulations is uncertain and is expected to vary depending on the laws enacted by particular countries.

The emission reduction targets and other provisions of legislative or regulatory initiatives and policies enacted in the future by the United States or states in which the Group operates, could adversely impact the Group's business by imposing increased costs in the form of higher taxes or rises in the prices of emission allowances, limiting the Group's ability to develop new gas and oil reserves, transport hydrocarbons through pipelines or other methods to market, decreasing the value of the Group's assets, or reducing the demand for hydrocarbons and refined petroleum products.

In addition, the Group may be subject to activism from groups campaigning against fossil fuel extraction, which could affect the Group's reputation, disrupt its campaigns or programs, require the Group to incur significant, unplanned expense to respond or react to intentionally disruptive campaigns, result in limitations or restrictions on certain sources of funding (including investment from current or other potential investors as well as funding from commercial banks), create blockades to interfere with operations or otherwise negatively impact the Group's business or prospects.

Further, 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. The Group cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

Reserve replacement

The Group's future oil and natural gas reserves, production, and cash flows to be derived therefrom will be dependent on Southern Energy successfully acquiring or discovering new reserves.

Without the continual addition of new reserves, any existing reserves Southern Energy may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited.

The future increase in the Group's reserves will depend not only on its 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 the Group's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Acquisitions and disposals

The Group expects to make acquisitions and dispositions of businesses and assets. Achieving the benefits of these acquisitions will depend 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 the Group. 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.

In addition, the Group may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of Southern Energy 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 Energy to deal with this growth could have a material adverse impact on its business, operations and prospects.

The Group's management 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 Energy can focus its efforts and resources more efficiently. Depending on the state of the market, certain non-core assets, if disposed of, could realize less than their carrying amount on the financial statements of the Group.

Competition

The Group actively competes 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 Energy. The Group'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. The Group'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 Energy.

Southern Energy'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.

Reliance on key personnel

The Group's success depends in large measure on certain key personnel. Although the Group has key person insurance coverage, the loss of the services of such key personnel may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The Company's senior management may resign from their positions with the Company by providing 14 days' advance written notice, and accordingly may leave the Company on short notice. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Southern Energy will be able to attract and retain all personnel necessary for the development and operation of its business.

Hedging

From time to time, the Group 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, in that case, if commodity prices increase beyond the levels set in such agreements, the Group will not benefit from those increases.

Litigation

From time to time, the Group may be subject, directly or indirectly, to litigation arising out of its operations and the regulatory environments in its areas of operations.

Categories of litigation that the Group may face include actions by royalty owners over payment disputes, contract claims, personal injury claims and property related claims, including claims over property damage, trespass or nuisance.

Although the Group currently faces no material litigation, there can be no guarantee that the past, current or future actions of the Group will not result in litigation and/or potential liability for damages since there have been a number of cases where the rights and obligations of natural resource companies have been the subject of litigation and the oil and natural gas industry, as with all industries, may be subject to legal claims, both with and without merit, from time to time. Damages claimed under such litigation may be material or may be indeterminate, and the outcome of such litigation may materially impact the Group's business, results of operations, financial condition or prospects. While the Group assesses the merits of each lawsuit and defends itself accordingly, it may be required to incur significant expenses or devote significant resources to defending against litigation, even with respect to claims that have no merit. In addition, the adverse publicity surrounding litigation could have a material adverse effect on the Group's business.

Seasonality and weather conditions

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 Energy'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 Energy's results of operations.

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

IT and cyber-security

The Group depends on digital technology, among other things, to process and record financial and operating data; communicate with its employees and business partners; analyse seismic and drilling information; and estimate quantities of oil and gas resources and reserves. Accordingly, the Group is susceptible to cyber incidents (both deliberate and unintentional).

The unauthorised release, gathering, monitoring, misuse, loss or destruction of proprietary and other information could disrupt the Group's business plans and negatively impact its operations in a number of ways. As cyber threats continue to evolve, the Group may be required to expend significant additional resources to continue to modify or enhance its protective measures or to investigate and remediate any information security vulnerabilities.

Third party credit risk

The Group is exposed to third party credit risk through its contractual arrangements with joint venture partners, marketers of its petroleum and natural gas production, counterparts to its financial arrangements, including its hedging activities and other parties.

In the event that any such entity failed to meet its contractual obligations to the Group, such failures could have a material adverse effect on the Group 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 the Group's ongoing capital program, potentially delaying the program and the results of such program until Southern Energy finds a suitable alternative partner.

Exchange rates and capital repatriation

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

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

Taxation of the Group

There can be no certainty that the current taxation regime within which the Group currently operates or may operate in the future will remain in force or that the current levels of corporation taxation will remain unchanged.

For example, in the US certain localities maintain a severance or impact tax on the removal of oil and natural gas from the ground. Such tax rates may be increased or new severance or impact taxes implemented.

In addition, the Group has, to date, been able to offset its tax burden against net operating losses.

The nature and amount of tax which members of the Group expect to pay and the reliefs expected to be available to any member of the Group are each dependent upon several assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available.

In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Group. Any limitation in the availability of relief under these treaties, any change in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Group.

The Group is subject to income taxes in the US and Canada, and its domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions. The Group's effective tax rate could be adversely affected by changes in the mix of earnings and losses in countries with differing statutory tax rates, certain non-deductible expenses arising from stock option compensation, the valuation of deferred tax assets and liabilities and changes in federal, state or international tax laws and accounting principles.

As the Group's parent company is a Canadian entity with operations and assets in the US, any changes in US federal tax law or tax rulings unfavourable to the Group structure related to non US owned parent companies could negatively impact the Group's effective tax rate and cash flows.

RISKS RELATING TO THE COMMON SHARES

Active trading market

The liquidity of the Common Shares on AIM and the TSXV will be influenced by a large number of factors, some specific to the Group and its operations and others outside its control and unrelated to the Group's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Company, speculation about the Company in the press or the investment community, strategic actions by competitors, changes in market conditions and regulatory changes in any number of countries.

There is no current UK market for the Common Shares and no new Common Shares are being issued by the Company on Admission. There can be no guarantee that, following Admission, an active trading market for the Common Shares will develop on AIM or, if developed, that it will be maintained or that Admission will result in an increase in the liquidity of the Common Shares.

Dilution of holders of Common Shares

The Group may seek to raise financing to fund future acquisitions and other growth opportunities. The Company may, for these and other purposes, issue additional equity or convertible equity securities. As a result, existing holders of Common Shares may suffer dilution in their percentage ownership or the market price of the Common Shares may be adversely affected.

The Company has issued options under its Stock Option Plan and has issued the Warrants and the Debentures representing approximately 50 per cent. of the fully-diluted share capital of the Company. The Company may, in the future, issue further options, warrants or convertible debentures. The exercise or conversion of any such options, warrants or bonds would result in a dilution of the holdings of other Shareholders.

In addition, the Company may decide to offer additional Common Shares in the future. Subject to any applicable pre-emption rights, any future issues of Common Shares by the Company may have a dilutive effect on the holdings of Shareholders and could have a material adverse effect on the market price of Common Shares as a whole.

Consolidation of Common Shares

There can be no guarantee that the Company will complete the consolidation of its Common Shares which it has undertaken to complete before 31 December 2021 or, if it does, that the trading price of the Common Shares will increase as a result of the consolidation.

Changing investor sentiment

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, concerns of the impact of oil and gas operations on the environment, concerns of environmental damage relating to spills of petroleum products during transportation and concerns of indigenous rights, have affected certain investors' sentiments towards investing in the oil and gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in oil and gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Group, its management and employees. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in the Company or not investing in the Company at all. Any reduction in the investor base interested or willing to invest in the oil and gas industry and more specifically, the Company, may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares.

Investment risk

An investment in a quoted company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time or to lose their investment principal. Potential investors should also consider the risks that relevant to the industry in which the Group operates.

Application will be made for the Common Shares to be admitted to trading on AIM, a market primarily for emerging or smaller companies. The AIM Rules for Companies are less onerous than those of the Official List and an investment in shares that are traded on AIM may likely to carry a higher risk than an investment in shares listed on the Official List.

PART 3

COMPETENT PERSON'S REPORT

ESTIMATES
of
RESERVES AND FUTURE REVENUE
to the
SOUTHERN ENERGY CORP. INTEREST
in
CERTAIN OIL AND GAS PROPERTIES
located in
ALABAMA AND MISSISSIPPI
as of
APRIL 1, 2021

COMPETENT PERSON'S REPORT

Prepared in accordance with
CANADIAN NATIONAL INSTRUMENT 51-101

NSAI
NETHERLAND, SEWELL & ASSOCIATES, INC.
WORLDWIDE PETROLEUM CONSULTANTS
ENGINEERING • GEOLOGY
GEOPHYSICS • PETROPHYSICS

June 25, 2021

Mr. Gary McMurren
Southern Energy Corp.
333 7th Avenue SW, Suite 2400
Calgary AB T2P 2Z1
Canada

Dear Mr. McMurren:

In accordance with your request, we have estimated the proved and probable reserves and future revenue, as of April 1, 2021, to the Southern Energy Corp. (Southern) interest in certain oil and gas properties located in Alabama and Mississippi. The preparation date of this Competent Person's Report (report) is May 17, 2021; we did not consider any geological, engineering, or financial data for this evaluation after that date. This report has been prepared using escalated price and cost parameters specified by Southern, referred to as the Base Case, as discussed in subsequent paragraphs of this letter.

This report has been prepared in accordance with the AIM Rules for Companies, specifically to the content requirements in Appendix 2 and the summaries set out in Appendices 1 and 3 in the "Note for Mining and Oil & Gas Companies – June 2009", as well as in accordance with the definitions and guidelines set forth in Canadian National Instrument 51-101—Standards of Disclosure for Oil and Gas Activities and the Canadian Oil and Gas Evaluation Handbook (COGEH). However, this report does not contain all the supplemental data required by NI 51-101 and the COGEH. Definitions are presented immediately following this letter. Following the definitions are certificates of qualification for the primary evaluators who contributed to this report and a list of abbreviations used in this report. This report has been prepared for use by Southern in connection with its planned filing of an application for listing on the London Stock Exchange. In our opinion the assumptions, data, methods, and procedures used in the preparation of this report are appropriate for such purpose.

We estimate the company reserves to the Southern interest in these properties, as of April 1, 2021, to be:

	Company Reserves							
	Light/Medium Oil (Mbbl)		Condensate (Mbbl)		NGL (Mbbl)		Conventional Natural Gas (MMcf)	
Category	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved Developed Producing	160.6	125.5	176.6	140.4	73.3	59.5	27,623.7	21,740.0
Proved Developed Non-Producing	67.0	52.3	97.4	75.3	18.1	14.7	12,558.9	9,706.8
Proved Undeveloped	0.0	0.0	312.2	254.5	158.4	129.1	15,686.2	12,787.5
Total Proved	227.5	177.7	586.2	470.2	249.7	203.2	55,868.8	44,234.4
Probable	64.3	50.9	83.0	66.1	24.6	20.0	6,558.6	5,119.4
Proved + Probable	291.9	228.7	669.3	536.4	274.4	223.2	62,427.5	49,353.8

Totals may not add because of rounding.

We estimate the future net revenue before income taxes, discounted at 0, 5, 10, 15, and 20 percent, to the Southern interest in these properties, as of April 1, 2021, to be:

	Future Net Revenue Before Income Taxes (USM$)				
Category	Discounted at 0%	Discounted at 5%	Discounted at 10%	Discounted at 15%	Discounted at 20%
Proved Developed Producing	34,233.5	26,867.1	22,317.8	19,235.7	17,006.2
Proved Developed Non-Producing	15,195.3	9,283.0	6,579.5	4,954.9	3,859.7
Proved Undeveloped	24,440.2	15,633.1	10,047.1	6,386.2	3,920.5
Total Proved	73,869.0	51,783.3	38,944.3	30,576.9	24,786.4
Probable	14,560.5	8,820.0	5,878.3	4,233.0	3,239.4
Proved + Probable	88,429.5	60,603.2	44,822.6	34,809.9	28,025.7

Totals may not add because of rounding.

Oil, condensate, and natural gas liquids (NGL) volumes are expressed in thousands of barrels (Mbbl); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in millions of cubic feet (MMcf) at standard temperature and pressure bases. Oil equivalent volumes shown in this report are expressed in barrels of oil equivalent (BOE), determined using the ratio of 6 thousand cubic feet (Mcf) of gas to 1 barrel of liquids. BOE, or other applicable units of equivalency, may be misleading, particularly if used in isolation. Monetary values shown in this report are expressed in United States dollars (US$) or thousands of United States dollars (USM$).

Reserves categorization conveys the relative degree of certainty; reserves subcategorization is based on development and production status. No study was made to determine whether possible reserves, contingent resources, or prospective resources might be established for these properties. This report does not include any value that could be attributed to interests in undeveloped acreage beyond those tracts for which undeveloped reserves have been estimated. All reserves estimates presented in this report are limited to a 50-year life from the as-of date of this report.

As shown in the Table of Contents, this report includes summary projections of reserves and revenue by reserves category, a technical discussion, and pertinent figures.

Company gross revenue shown in this report is Southern's share of the gross (100 percent) revenue from the properties prior to any deductions. Future net revenue is after deductions for Southern's share of royalty burdens, property and mineral taxes, capital costs, abandonment and reclamation costs, and operating expenses but before consideration of any income taxes. For the purposes of this report, property and mineral taxes consist of production taxes. The future net revenue has been discounted at annual rates of 0, 5, 10, 15, and 20 percent to determine its present worth, which is shown to indicate the effect of time on the value of money. Future net revenue presented in this report, whether discounted or undiscounted, should not be construed as being the fair market value of the properties.

As requested, this report has been prepared using Base Case oil, condensate, NGL, and gas prices. Oil, condensate, and NGL prices are based on the average of four forecasts of NYMEX West Texas Intermediate near-month prices prepared by Canadian independent consultants and are adjusted by field for quality, transportation fees, and market differentials. Gas prices are based on the average of four forecasts of NYMEX Henry Hub near-month prices prepared by Canadian independent consultants and are adjusted by field for energy content, transportation fees, and market differentials. These average forecasts of prices are effective April 1, 2021. Sensitivities using Low and High Price Cases are further detailed in the Technical Discussion section of this report. All prices for the Base Case, before adjustments, along with escalation parameters are shown in the following table:

Period Ending	Oil, Condensate, and NGL Price (US$/bbl)	Gas Price (US$/MMBtu)
12-31-2021	59.25	2.75
12-31-2022	57.47	2.86
12-31-2023	56.02	2.92
12-31-2024	57.14	2.99
12-31-2025	58.29	3.05
12-31-2026	59.45	3.11
12-31-2027	60.65	3.17
12-31-2028	61.86	3.24
12-31-2029	63.09	3.30
12-31-2030	64.36	3.36

Thereafter, escalated 2 percent on January 1 of each year.

Operating costs used in this report are based on operating expense records of Southern. For the nonoperated properties, these costs include the per-well overhead expenses allowed under joint operating agreements along with estimates of costs to be incurred at and below the district and field levels. As requested, operating costs for the operated properties include only direct lease- and field-level costs. Operating costs have been divided into per-well costs and per-unit-of-production costs. For all properties, headquarters general and administrative overhead expenses of Southern are not included. Operating costs are held constant through December 31, 2021, and then escalated 2 percent on January 1 of each year throughout the lives of the properties. Sensitivities using Low and High Operating Expense Cases are further detailed in the Technical Discussion section of this report.

Capital costs used in this report were provided by Southern and are based on authorizations for expenditure and actual costs from recent activity. Capital costs are included as required for workovers, new development wells, and production equipment. Based on our understanding of future development plans, a review of the records provided to us, and our knowledge of similar properties, we regard these estimated capital costs to be reasonable. Abandonment and reclamation costs used in this report are Southern's estimates of reclamation costs and the costs to abandon the wells and production facilities, net of any salvage value. For leases that are projected to be active on or after April 1, 2021, net abandonment and reclamation costs are scheduled to be incurred 2 years after the end of the economic life of the lease. For leases that are projected to be no longer active or are uneconomic as of April 1, 2021, net abandonment and reclamation costs are scheduled to be incurred over the next 20 years. Capital costs and abandonment and reclamation costs are held constant through December 31, 2021, and then escalated 2 percent per year to the date of expenditure.

For the purposes of this report, we did not perform any field inspection of the properties, nor did we examine the mechanical operation or condition of the wells and facilities. Based on the information used in our analysis, it is our opinion that a field visit was not required and would not materially affect our evaluation. We have not investigated possible environmental liability related to the properties; therefore, our estimates do not include any costs due to such possible liability.

We have made no investigation of potential volume and value imbalances resulting from overdelivery or underdelivery to the Southern interest. Therefore, our estimates of reserves and future revenue do not include adjustments for the settlement of any such imbalances; our projections are based on Southern receiving its net interest share of estimated future gross production. Additionally, we have made no specific investigation of any firm transportation contracts that may be in place for these properties; our estimates of future revenue include the effects of such contracts only to the extent that the associated fees are accounted for in the historical field- and lease-level accounting statements.

The reserves shown in this report are estimates only and should not be construed as exact quantities. Proved reserves are those reserves which can be estimated with a high degree of certainty to be recoverable; probable reserves are those additional reserves which are less certain to be recovered than proved reserves. Possible reserves are those additional reserves which are less certain to be recovered than probable reserves. Estimates of reserves may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance. In addition to the primary economic assumptions discussed herein, our estimates are based on certain assumptions including, but not limited to, that the properties will be developed consistent with current development plans as provided to us by Southern, that the properties will be operated in a prudent manner, that no governmental regulations or controls will be put in place that would impact the ability of the interest owner to recover the reserves, and that our projections of future production will prove consistent with actual performance. If the reserves are recovered, the revenues therefrom and the costs related thereto could be more or less than the estimated amounts. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received for the reserves, and costs incurred in recovering such reserves may vary from assumptions made while preparing this report.

For the purposes of this report, we used technical and economic data including, but not limited to, well logs, geologic maps, well test data, production data, historical price and cost information, and property ownership interests. The reserves in this report have been estimated using deterministic methods; these estimates have been prepared in accordance with generally accepted petroleum engineering and evaluation principles set forth in the standards pertaining to the estimating and auditing of oil and gas reserves information included in the COGEH (COGEH Standards). We used standard engineering and geoscience methods, or a combination of methods, including performance analysis, volumetric analysis, and analogy, that we considered to be appropriate and necessary to classify, categorize, and estimate reserves in accordance with the COGEH definitions and guidelines. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

The data used in our estimates were obtained from Southern, public data sources, and the nonconfidential files of Netherland, Sewell & Associates, Inc. and were accepted as accurate. Supporting work data are on file in our office. We have not examined the titles to the properties or independently confirmed the actual degree or type of interest owned. The technical persons primarily responsible for preparing the estimates presented herein meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the COGEH

Standards. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties nor are we employed on a contingent basis.

Sincerely,

NETHERLAND, SEWELL & ASSOCIATES, INC.
Texas Registered Engineering Firm F-2699

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

By:
Chad E. Ireton, P.E. 115760
Vice President

Date Signed: June 25, 2021

CEI:NPD

By:
Edward C. Roy III, P.G. 2364
Vice President

Date Signed: June 25, 2021

PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

Excerpted from the Consolidated 3rd Edition of the Canadian Oil and Gas Evaluation Handbook Prepared by the Society of Petroleum Evaluation Engineers (Calgary Chapter), August 2018

1.3.2 Terminology: Resources and Reserves

Petroleum is defined as a naturally occurring mixture consisting predominantly of hydrocarbons in the gaseous, liquid, or solid phase. The term "Resources" encompasses all petroleum quantities that originally existed on or within the earth's crust in naturally occurring accumulations, including discovered and undiscovered (recoverable and unrecoverable) plus quantities already produced. Accordingly, the term "total Resource" is equivalent to Petroleum Initially-In-Place (PIIP) and it is recommended the term "PIIP" be used rather than "total Resources" to avoid any confusion that may result from the mixed historical usage of the term "Resource" to mean only the recoverable portion of PIIP.

The term Recoverable Resources is sometimes used to denote a sum of Reserves, Contingent Resources, and Prospective Resources.

1.3.3 Projects and Scenarios

The concepts of projects and scenarios are fundamental to COGEH.

A project is:

- A defined activity or set of activities for the discovery or recovery of oil or gas and related by-products.
- A project provides the basis for the assessment and classification of Resources.

A scenario is:

- A specific exploration or development plan for the execution of a project, with sufficient details (planned or assumed) to facilitate an estimate of potential volumes and the preparation of capital, production and operating cost forecasts to enable cash flow analysis.

The level of detail of a scenario will depend on the information available. Early in the life of a project, scenarios can vary widely with respect to recovery mechanism, facility capacities, construction methods, and development timing, etc.

1.3.4 Levels of Evaluation and Reporting

There are three important levels at which estimates are made and recorded for Resource management and reporting.

- **Resource (or Reserve) Entity:** The discrete part of an oil and gas asset for which a Resource estimate is prepared. For example, a Reserve entity may be an individual well zone, a group of well zones, or a pool. A Prospective Resource entity might be a play.
- **Property Resource Class (or Reserve):** In COGEH, "property" is a term used to describe a grouping of oil and gas Reserve entities in a common geographic area (e.g., a field). Properties are defined primarily for asset management purposes to facilitate functions such as production and financial accounting and land, contract, and records management. Property Reserve will typically, but not always, consist of the estimates for multiple Reserve entities.
- **Reported Resources (or Reserve):** The sum of all individual Resource estimates to be contained in a report. There are specific requirements for reported Reserve estimates for all Reserve entities in all properties presented in a Qualified Reserves Evaluator's (QRE) report. Reported Reserves commonly refers to the corporate total Reserves a company owns.

The evaluation process begins with estimating Resource at the entity level, following which the entity level estimates are aggregated to provide the total for properties, company, reporting or other enterprise.

1.3.5 The Petroleum Resource Management System and Resource Definitions

COGEH uses the SPE-PRMS classification (see Figure 1-1), for which:

- CLASS forms the vertical axis of the PRMS diagram and represents the COC. It describes the relative maturity of exploration and development projects. Assignment to a Class depends on the extent to which various conditions are satisfied.
- CATEGORY forms the horizontal axis of the PRMS framework and provides a measure of the uncertainty in estimates of a Resource CLASS.

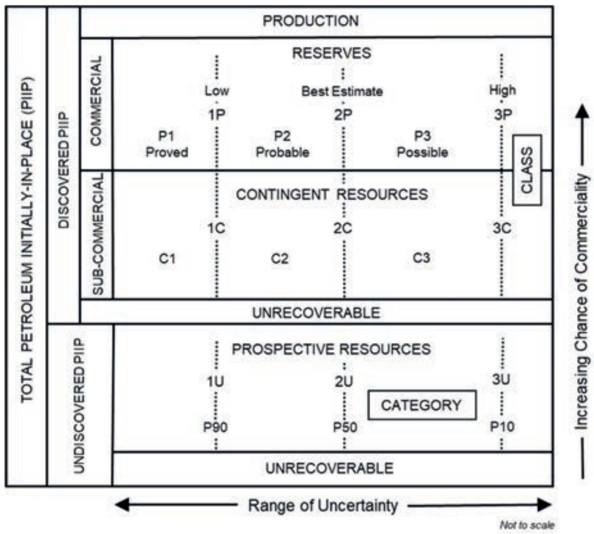


Figure 1-1 SPE-PRMS Resources Classification System

PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

Excerpted from the Consolidated 3rd Edition of the Canadian Oil and Gas Evaluation Handbook Prepared by the Society of Petroleum Evaluation Engineers (Calgary Chapter), August 2018

The following definitions relate to the subdivisions in the Resources classification framework of Figure 1-1 and use the primary nomenclature and concepts contained in the 2018 SPE-PRMS.

Total Petroleum Initially-In-Place (PIIP) is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations and is potentially producible. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered (equivalent to "total Resources").

Discovered PIIP (equivalent to discovered Resources) is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The Discovered PIIP includes production, Reserves, and Contingent Resources; the remainder is unrecoverable.

Production is the cumulative quantity of petroleum that has been recovered at a given date.

Although the volume of all fluid produced from a reservoir and measured at the wellhead is essential for reservoir engineering analyses, the production referred to in the PRMS classification is the volume of specific product types that is delivered to and measured at a specific reference point (a reference, sales or transfer point) that excludes any volumes that are not delivered at that point.

Reserves are estimated remaining quantities of commercially recoverable oil, natural gas, and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data, the use of established technology, and specified economic conditions, which are generally accepted as being reasonable. Reserves are further categorized according to the level of certainty associated with the estimates and may be sub-classified based on development and production status.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development (TUD) but are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are further categorized according to the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

Contingencies may include economic, environmental, social and political factors, regulatory matters, a lack of markets, and a prolonged timetable for development. Contingent Resources have a Chance of Development that is less than certain.

Undiscovered PIIP (equivalent to undiscovered Resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The potentially recoverable portion of Undiscovered PIIP is referred to as "Prospective Resources," the remainder as "unrecoverable."

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by applying future development projects. Prospective Resources have both an associated Chance of Discovery and a Chance of Development. Prospective Resources are further categorised according to the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

Unrecoverable is that portion of Discovered or Undiscovered PIIP quantities that is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

Resources may be unrecoverable because:

- There is no known technically viable recovery process for any portion of a Resource.
- Of other contingencies, including, but not limited, to lack of market access, regulatory approval, or social or environmental objections.

The sum of Reserves, Contingent Resources, and Prospective Resources is described as "Recoverable Resources" but has significant potential to be misunderstood. It is valuable for activities such as regional studies, but without an explanation and a full understanding of what it represents, it is inadequate for investment decisions. When a report includes an estimate of Recoverable Resources, it must specify:

- Which Resource classes are included: Reserves, Contingent Resource and/or Prospective Resource, and the relative proportions.
- Whether it is risked or un-risked with respect to Chance of Discovery and Chance of Development (e.g., Chance of Commerciality).
- The uncertainty Category for which the summation has been carried out. This should always include the sum of the Best estimates. The arithmetic summation of Low and, especially High estimates has significant potential to be misleading and is not recommended.

PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

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Regulatory agencies may forbid the disclosure of the sums of Reserves, risked or un-risked Contingent and Prospective Resource Classes because they can be misleading.

1.3.6 Project Maturity Sub-Classes

Project Maturity Sub-Classes (See Figure 1-2) describe the stage of an exploration or development project and correspond to the Chance of Commerciality (COC) of the project. The boundaries between the maturity sub-classes represent "decision gates" that reflect the actions (business decisions) required to move the project up the maturity "ladder" towards commercial production. The Project Maturity Sub-Classes are those of the SPE-PRMS with further guidance in Section 2.1.3.5 of the Petroleum Resources Management System, Revised, June 2018.

The use of Project Maturity Sub-Classes is relevant for all Resource Classes and is a recommended best practice. A report of a project maturity sub-class may be accompanied by an estimate of the probability of progressing to the next level of maturity.

Project Maturity Sub-Classes for Reserves are: On Production, Approved for Development and Justified for Development and describe those actions that progress identified Reserves associated with a defined project through final approvals to implementation and initiation of production and product sales.

Project Maturity Sub-Classes for Contingent Resources are: Development Pending, Development on Hold, Development Unclarified and Development Not Viable and are consistent with the 2018 PRMS.

Project Maturity Sub-Classes for Prospective Resources are: Play, Lead, Prospect. These classes describe a progression in each of which, potential accumulations are evaluated according to their Chance of Discovery and, assuming a discovery, the estimated quantities that would be recoverable under appropriate development projects.

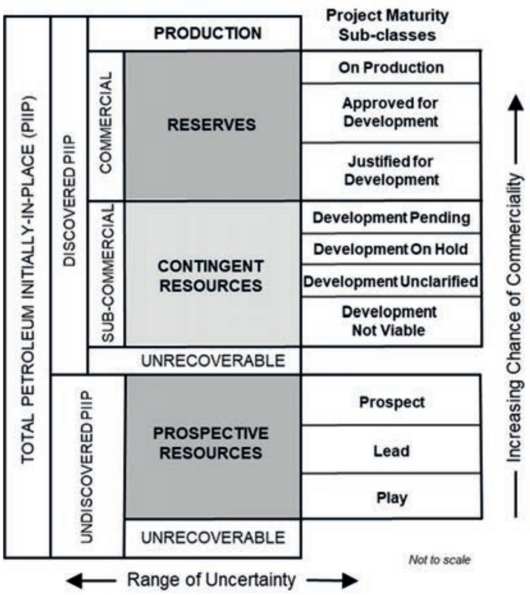

Figure 1-2 Sub-classes based on project maturity

1.3.7 Classification of Recoverable Resources

For petroleum quantities associated with simple conventional reservoirs, the divisions between the Resource Classes defined in Section 1.3.5 – The Petroleum Resource Management System and Resource Definitions may be clear, and the basic definitions alone may suffice for differentiation between classes. For example, the drilling and testing of a well in a simple structural accumulation may be sufficient to allow classification of the entire estimated recoverable quantity as Contingent Resources or Reserves. However, as the industry has trended toward the exploitation of more complex and costly petroleum sources, the divisions between Resource Classes have become less distinct, and accumulations may have several classes of Resources simultaneously. For example, in extensive "basin-centered" low-permeability gas plays, the division between all classes of remaining recoverable quantities, (e.g., Reserves, Contingent Resources, and Prospective Resources), may be highly interpretive. Consequently, additional guidance is necessary to promote consistency in classifying Resources. The following provides some clarification of the key criteria that delineate Resources.

1.3.7.1 Discovery Status

As shown in Figure 1-2, the Total PIIP is first sub-classified based on the discovery status of a petroleum accumulation. Discovered PIIP, production, Reserves, and Contingent Resources are associated with known accumulations. Recognition as a known accumulation requires the accumulation be penetrated by a well and have evidence of the existence of petroleum.

1.3.7.2 Commercial Status

Commercial status differentiates Reserves from Contingent Resources. The criteria that should be considered in determining commerciality includes:

- The project is economically viable;
- There is a market for the forecast sales quantities of production required to justify development;
- The necessary production, transportation facilities and access to infrastructure are available or can be made available;
- The regulatory, environmental, societal and political conditions will allow for the actual implementation of the recovery project being evaluated; and
- All required internal and external approvals are forthcoming. Evidence of this may include items such as signed contracts, budget approvals, and approvals for expenditures, etc.

PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

Excerpted from the Consolidated 3rd Edition of the Canadian Oil and Gas Evaluation Handbook Prepared by the Society of Petroleum Evaluation Engineers (Calgary Chapter), August 2018

1.3.7.3 Commercial Risk

Estimates of recoverable quantities are stated in terms of a product type delivered to a reference point (typically a custody transfer or sales point) derived from a development program, assuming commercial development. It must be recognized that Reserves, Contingent Resources, and Prospective Resources involve different risks associated with achieving commerciality. The likelihood that a project will achieve commerciality is referred to as the COC. The COC varies in different classes of Recoverable Resources as follows:

- **Reserves:** To be classified as Reserves, estimated recoverable quantities must be associated with a project(s) that is in a known accumulation with a COC that is effectively 100 percent.
- **Contingent Resources:** Have been discovered and are recoverable using established technology or potentially recoverable with TUD. But not all technically feasible development plans will be commercial. The commercial viability of a development project is dependent on the forecast of fiscal and other conditions over the life of the project. For Contingent Resources, the risk component relating to the likelihood that an accumulation will be commercially developed is referred to as the Chance of Development. For Contingent Resources the COC is equal to the Chance of Development.
- **Prospective Resources:** A Prospective Resource is an estimate of what may be recovered if a discovery is made and developed, but not all exploration projects will result in discoveries and not all discoveries will be developed. The chance that an exploration project will result in the discovery of petroleum is referred to as the Chance of Discovery. Thus, for an undiscovered accumulation the COC is the product of two risk components; the Chance of Discovery and the Chance of Development.

1.3.7.4 Economic Status

Demonstration of economic viability is a prerequisite for classification as a Reserve.

In examining the economic viability of Contingent Resources, the same fiscal conditions should be applied as in the estimation of Reserves, (e.g., specified economic conditions), which are generally accepted as being reasonable. By definition, Reserves are commercially (and hence economically) recoverable, but a Contingent Resources that has satisfied other relevant contingencies may or may not be economically viable and can be sub-classified by economic status:

- Economic Contingent Resources are those Contingent Resources that are currently economically recoverable.
- Sub-economic Contingent Resources are those Contingent Resources that are not currently economically recoverable.

The designation of a Contingent Resource as sub-economic implies there is a reasonable chance it could become economic within the foreseeable future. If this is not the case, the classification must be development not viable or unrecoverable Discovered PIIP.

Where evaluations are incomplete, such that it is premature to identify the economic viability of a project, it is acceptable to note that project economic status is undetermined (e.g., "Contingent Resource – economic status undetermined") and in which case the Project Maturity Sub-Class would be Development Unclarified.

Classification as a Prospective Resource implies an expectation of economic viability but the assessment of this is likely to be less rigorous than for Reserves or Contingent Resource.

1.3.7.5 Uncertainty Categories

Estimates of Resources always involve uncertainty, and the degree of uncertainty can vary widely between accumulations/projects and over the life of a project. Consequently, estimates of Resources should generally be quoted according to the level of confidence associated with the estimates. An understanding of statistical concepts and terminology is essential to understanding the confidence associated with Resource definitions and categories.

The range of uncertainty of estimated recoverable volumes may be represented by either deterministic scenarios or by a probability distribution. Resources should be provided as Low, Best, and High estimates as follows:

- **Low Estimate:** This is considered to be a conservative estimate of the quantity that will be recovered. It is likely the actual remaining quantities recovered will exceed the Low Estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) the quantities actually recovered will equal or exceed the Low Estimate.
- **Best Estimate:** This is considered to be the Best Estimate of the quantity that will be recovered. It is equally likely the actual remaining quantities recovered will be greater or less than the Best Estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the Best Estimate.
- **High Estimate:** This is considered to be an optimistic estimate of the quantity that will be recovered. It is unlikely the actual remaining quantities recovered will exceed the High Estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) the quantities actually recovered will equal or exceed the High Estimate.

PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

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1.3.8 Definitions of Reserves

The following Reserves definitions and guidelines are designed to assist evaluators in making Reserves estimates on a reasonably consistent basis and assist users of evaluation reports in understanding what such reports contain and, if necessary, in judging whether evaluators have followed generally accepted standards. The guidelines outline:

- general criteria for classifying Reserves,
- procedures and methods for estimating Reserves,
- confidence levels of individual entity and aggregate Reserves estimates,
- verification and testing of Reserves estimates.

The following definitions apply to both estimates of individual Reserves entities and the aggregate of Reserves for multiple entities.

1.3.8.1 Reserves Categories

Reserves are categorized according to the probability that at least a specific volume will be produced.

In a broad sense, Reserves categories reflect the following expectations regarding the associated estimates:

Reserves Category	Confidence Characterization
Proved (1P)	Low Estimate, Conservative
Proved + Probable (2P)	Best Estimate
Proved + Probable + Possible (3P)	High Estimate, Optimistic

1.3.8.1.1 Proved Reserves

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

1.3.8.1.2 Probable Reserves

Probable Reserves are those additional Reserves that are less certain to be recovered than Proved Reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved + Probable Reserves.

1.3.8.1.3 Possible Reserves

Possible Reserves are those additional Reserves that are less certain to be recovered than Probable Reserves. It is unlikely the actual remaining quantities recovered will exceed the sum of the estimated Proved + Probable + Possible Reserves.

Stand-alone Possible Reserves may be assigned to a property for which no Proved or Probable Reserves volumes have been assigned but would be rare. Circumstances for doing so could include any one or more of the following:

- Project economics are such that no Proved or Probable Reserves can be assigned, but on a Proved + Probable + Possible Reserves basis, the project is economically viable, and a development decision has been made (e.g., adding compression, expanding facilities, offshore development of a structure delineated mainly with seismic with only limited well control).
- Only minor expenditure is required to develop the Possible Reserves and development is likely to proceed in the near future (e.g., behind-pipe zones in a well, which have Proved or Probable Reserves in another interval).
- Possible Reserves may be assigned to an accumulation that is being evaluated if Proved or Probable Reserves have been assigned to an adjacent part of the same accumulation that is not part of the evaluation for which a report is being prepared.

In all these situations, there should be an intention to develop the stand-alone Possible Reserves within a reasonable time. A report should contain an explanation of the reason for the assignment of stand-alone Possible Reserves.

1.3.8.2 Development and Production Status

1.3.8.2.1 Developed Reserves

Developed Reserves are those Reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling and completing a well) to put the Reserves on production. The developed category may be sub-divided into Producing and Non-Producing.

- **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.

PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

Excerpted from the Consolidated 3rd Edition of the Canadian Oil and Gas Evaluation Handbook Prepared by the Society of Petroleum Evaluation Engineers (Calgary Chapter), August 2018

1.3.8.2.2 Undeveloped Reserves

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 and completing a well) is required to render them capable of production. They must fully meet the requirements of the Reserves category (Proved, Probable, Possible) to which they are assigned and expected to be developed within a limited time.

In multi-well pools, it may be appropriate to allocate total pool Reserves between the Developed and Undeveloped Sub-classes 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 recovered from specific wells, facilities, and completion intervals in the pool and their respective development and production status.

1.3.8.3 Levels of Certainty for Reported Reserves

The qualitative certainty levels contained in the definitions are applicable to "individual Reserves entities", which refers to the lowest level that Reserves calculations are performed, and to "Reported Reserves", which refers to the highest-level sum (aggregated quantity) of individual entity estimates for which Reserves estimates are presented. Reported Reserves should target the following levels of certainty under a specific set of economic conditions.

- At least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated Proved Reserves.
- At least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated Proved + Probable Reserves.
- At least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated Proved + Probable + Possible Reserves.

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, most Reserves estimates are 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.

NETHERLAND, SEWELL & ASSOCIATES, INC.

CERTIFICATE OF QUALIFICATION

I, Chad E. Ireton, Licensed Professional Engineer, 1301 McKinney Street, Suite 3200, Houston, Texas 77010, hereby certify:

I am an employee of Netherland, Sewell & Associates, Inc., which prepared a detailed analysis of certain oil and gas properties of Southern Energy Corp. The effective date of this evaluation is April 1, 2021.

I do not have, nor do I expect to receive, any direct or indirect interest in the securities of Southern Energy Corp. or its affiliated companies.

I attended the University of Tulsa, and I graduated in 2000 with a Bachelor of Science Degree in Petroleum Engineering; I am a Licensed Professional Engineer in the State of Texas, United States of America; and I have in excess of 20 years of experience in petroleum engineering studies and evaluations.

A personal field inspection of the properties was not made; however, such an inspection was not considered necessary in view of the information available from public information or records, the files of Southern Energy Corp., and the appropriate provincial or state regulatory authorities.

By: ____________________________
Chad E. Ireton, P.E.
Vice President
Texas License No. 115760

STATE OF TEXAS
C. E. IRETON
115760
LICENSED
PROFESSIONAL ENGINEER

June 25, 2021
Houston, Texas

NETHERLAND, SEWELL & ASSOCIATES, INC.

CERTIFICATE OF QUALIFICATION

I, Edward C. Roy III, Licensed Professional Geoscientist, 1301 McKinney Street, Suite 3200, Houston, Texas 77010, hereby certify:

I am an employee of Netherland, Sewell & Associates, Inc., which prepared a detailed analysis of certain oil and gas properties of Southern Energy Corp. The effective date of this evaluation is April 1, 2021.

I do not have, nor do I expect to receive, any direct or indirect interest in the securities of Southern Energy Corp. or its affiliated companies.

I attended Texas Christian University and graduated in 1992 with a Bachelor of Science Degree in Geology, and I attended Texas A&M University and graduated in 1998 with a Master of Science Degree in Geology; I am a Licensed Professional Geoscientist in the State of Texas, United States of America; and I have in excess of 23 years of experience in geological and geophysical studies and evaluations.

A personal field inspection of the properties was not made; however, such an inspection was not considered necessary in view of the information available from public information or records, the files of Southern Energy Corp., and the appropriate provincial or state regulatory authorities.

By: Edward C. Roy III
Edward C. Roy III, P.G.
Vice President
Texas License No. 2364

STATE OF TEXAS
E. C. ROY, III
GEOLOGY
2364
LICENSED
PROFESSIONAL GEOSCIENTIST

June 25, 2021
Houston, Texas

ABBREVIATIONS

%	percent
bbl	barrels
BOE	barrels of oil equivalent
BOE/d	barrels of oil equivalent per day
COGEH	Canadian Oil and Gas Evaluation Handbook
COGEH Standards	Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information included in the Canadian Oil and Gas Evaluation Handbook
LKG	lowest known gas
Mbbl	thousands of barrels
Mcf	thousands of cubic feet
MMBtu	millions of British thermal units
MMcf	millions of cubic feet
NGL	natural gas liquids
NSAI	Netherland, Sewell & Associates, Inc.
present worth	future net revenue discounted at 10 percent
report	Competent Person's Report
Southern	Southern Energy Corp.
US$	United States dollars
USM$	thousands of United States dollars

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SUMMARY PROJECTIONS OF RESERVES AND REVENUE

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SOUTHERN ENERGY CORP. INTEREST

SUMMARY - CERTAIN PROPERTIES
LOCATED IN ALABAMA AND MISSISSIPPI

TOTAL PROVED RESERVES

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	699.1	0.0	19.2	0.0	4,384.7	22.0	0.0	18.4	6.7	2,968.0	16.9	0.0	14.6	5.5	2,318.7	56.17	0.00	57.15	27.43	2.539
12-31-2022	742.1	0.0	38.2	0.0	6,487.0	23.2	0.0	36.6	12.0	4,736.1	17.9	0.0	28.8	9.8	3,698.1	54.44	0.00	55.39	27.17	2.666
12-31-2023	575.2	0.0	86.4	0.0	9,301.2	19.7	0.0	84.7	35.3	7,226.0	15.3	0.0	68.1	28.8	5,724.9	53.03	0.00	54.17	27.03	2.744
12-31-2024	434.5	0.0	83.4	0.0	8,534.6	15.2	0.0	82.1	36.1	6,694.0	11.8	0.0	66.2	29.4	5,317.0	54.24	0.00	55.33	27.62	2.818
12-31-2025	332.0	0.0	59.8	0.0	6,450.0	12.8	0.0	58.6	25.3	5,046.0	10.0	0.0	47.2	20.6	4,001.3	55.46	0.00	56.46	28.16	2.877
12-31-2026	257.6	0.0	48.6	0.0	5,332.0	11.5	0.0	47.6	20.5	4,178.4	9.0	0.0	38.2	16.7	3,312.4	56.65	0.00	57.60	28.73	2.939
12-31-2027	200.2	0.0	41.2	0.0	4,518.2	10.4	0.0	40.3	17.4	3,547.1	8.1	0.0	32.4	14.2	2,813.0	57.88	0.00	58.80	29.33	3.000
12-31-2028	154.9	0.0	35.9	0.0	3,789.4	8.5	0.0	35.2	15.3	2,977.9	6.7	0.0	28.3	12.5	2,367.5	59.14	0.00	60.01	29.93	3.071
12-31-2029	9.4	0.0	31.3	0.0	3,091.3	7.0	0.0	30.7	13.8	2,553.0	5.5	0.0	24.7	11.2	2,033.0	60.54	0.00	61.26	30.66	3.132
12-31-2030	12.3	0.0	28.1	0.0	2,756.4	10.1	0.0	27.6	12.7	2,275.7	8.0	0.0	22.2	10.3	1,813.5	62.14	0.00	62.53	31.28	3.193
12-31-2031	24.4	0.0	25.2	0.0	2,531.0	22.3	0.0	24.8	12.1	2,085.6	17.9	0.0	20.0	9.8	1,663.8	63.77	0.00	63.82	31.90	3.262
12-31-2032	16.6	0.0	21.7	0.0	2,041.4	14.7	0.0	21.5	10.8	1,686.7	11.8	0.0	17.3	8.8	1,352.6	65.03	0.00	65.17	32.54	3.337
12-31-2033	9.1	0.0	19.8	0.0	1,819.2	7.3	0.0	19.6	9.8	1,506.5	5.9	0.0	15.8	7.9	1,209.0	66.23	0.00	66.52	33.19	3.407
12-31-2034	4.3	0.0	16.0	0.0	1,510.1	3.5	0.0	15.8	7.7	1,250.4	2.8	0.0	12.8	6.3	1,002.1	67.25	0.00	67.87	33.86	3.478
12-31-2035	3.1	0.0	6.3	0.0	978.6	3.1	0.0	6.1	2.7	826.0	2.4	0.0	4.9	2.2	652.7	68.68	0.00	68.95	34.53	3.547
SUBTOTAL	3,474.8	0.0	561.2	0.0	63,525.3	191.3	0.0	549.7	238.3	49,557.4	149.9	0.0	441.5	194.0	39,279.6	58.58	0.00	58.47	29.25	2.938
REMAINING	160.4	0.0	38.2	0.0	7,508.9	36.2	0.0	36.5	11.4	6,311.5	27.8	0.0	28.7	9.3	4,954.8	79.52	0.00	82.84	37.59	4.429
TOTAL	3,635.2	0.0	599.4	0.0	71,034.2	227.5	0.0	586.2	249.7	55,868.8	177.7	0.0	470.2	203.2	44,234.4	61.86	0.00	59.96	29.63	3.105
CUM PROD	16,091.5	0.0	1,375.6	0.0	231,998.3															
ULTIMATE	19,726.8	0.0	1,975.0	0.0	303,032.5															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
ENDING			EQUIV	L/M OIL	HVY OIL	COND	NGL	NAT GAS	CRN/CGA ROYALTIES	BURDEN AND NPI	PROP AND MIN TAXES	COSTS CAPITAL	COSTS ABAND	OPER EXPENSE	UNDISC PERIOD	DISC @ 10.000% CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	217	173.59	1,977	1,233.0	0.0	1,051.2	184.4	7,532.6	0.0	2,180.9	492.1	266.4	0.0	2,558.5	4,503.3	4,350.6
12-31-2022	219	177.24	2,359	1,261.0	0.0	2,024.3	326.8	12,623.8	0.0	3,539.6	793.8	9,152.1	78.5	4,002.1	-1,330.3	3,328.8
12-31-2023	223	181.64	3,683	1,046.3	0.0	4,590.3	954.2	19,825.7	0.0	5,429.2	1,305.3	15,626.2	131.0	5,190.4	-1,265.6	2,309.3
12-31-2024	212	171.15	3,413	823.2	0.0	4,543.3	998.0	18,857.5	0.0	5,125.8	1,247.7	0.0	160.5	5,157.8	13,530.2	12,276.6
12-31-2025	195	157.17	2,569	709.4	0.0	3,310.3	713.0	14,514.7	0.0	3,938.8	949.6	0.0	151.5	4,530.9	9,676.6	18,746.0
12-31-2026	180	143.78	2,126	653.3	0.0	2,740.7	590.1	12,276.4	0.0	3,333.8	801.0	0.0	224.8	4,213.7	7,687.2	23,415.0
12-31-2027	171	135.11	1,806	604.7	0.0	2,370.5	510.5	10,640.9	0.0	2,894.2	695.4	0.0	205.5	3,900.3	6,431.2	26,965.8
12-31-2028	155	120.01	1,517	503.7	0.0	2,110.6	459.3	9,144.7	0.0	2,482.5	601.9	0.0	147.8	3,545.1	5,441.0	29,697.1
12-31-2029	119	106.25	1,307	423.1	0.0	1,883.4	422.0	7,995.4	0.0	2,165.3	527.5	0.0	242.3	3,153.8	4,634.9	31,811.1
12-31-2030	108	96.64	1,177	626.6	0.0	1,726.7	396.3	7,266.0	0.0	2,014.3	492.7	109.4	333.1	3,027.2	4,038.8	33,483.5
12-31-2031	96	85.17	1,114	1,421.1	0.0	1,582.7	384.7	6,802.2	0.0	2,032.3	501.6	0.0	297.6	2,967.6	4,391.5	35,139.9
12-31-2032	89	78.55	896	955.7	0.0	1,399.0	351.4	5,629.1	0.0	1,636.2	411.9	0.0	181.1	2,397.6	3,708.3	36,411.4
12-31-2033	79	69.87	788	486.0	0.0	1,302.0	323.8	5,132.9	0.0	1,419.7	358.2	0.0	198.4	2,219.5	3,048.9	37,363.2
12-31-2034	76	66.94	645	233.9	0.0	1,073.8	260.9	4,348.9	0.0	1,166.3	292.1	318.2	233.0	1,913.4	1,994.6	37,934.3
12-31-2035	66	57.81	410	210.7	0.0	420.9	92.3	2,929.6	0.0	760.8	177.6	0.0	142.8	1,478.5	1,093.8	38,217.5
SUBTOTAL				11,191.8	0.0	32,129.8	6,967.6	145,520.4	0.0	40,119.8	9,648.6	25,472.3	2,727.9	50,256.5	67,584.5	38,217.5
REMAINING				2,886.8	0.0	3,039.1	429.9	27,979.8	0.0	7,449.8	1,642.4	2,842.4	1,665.9	14,450.3	6,284.5	38,944.3
TOTAL OF 50.0 YRS				14,078.6	0.0	35,168.9	7,397.6	173,500.1	0.0	47,569.6	11,291.1	28,314.8	4,393.9	64,706.8	73,869.0	38,944.3

PRESENT WORTH PROFILE

DISC RATE %	CUM PW USM$
5.000	51,783.3
10.000	38,944.3
15.000	30,576.9
20.000	24,786.4
25.000	20,613.3
30.000	17,510.8
35.000	15,145.4
40.000	13,303.5
45.000	11,843.2
50.000	10,667.5

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Table I

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SOUTHERN ENERGY CORP. INTEREST

SUMMARY - CERTAIN PROPERTIES
LOCATED IN ALABAMA AND MISSISSIPPI

PROVED DEVELOPED PRODUCING RESERVES

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	669.9	0.0	18.0	0.0	4,182.5	17.6	0.0	17.3	6.4	2,832.0	13.7	0.0	13.7	5.2	2,212.9	56.25	0.00	57.16	27.35	2.537
12-31-2022	718.1	0.0	20.8	0.0	4,755.2	19.6	0.0	19.9	7.6	3,295.0	15.2	0.0	15.8	6.2	2,577.2	54.51	0.00	55.38	26.73	2.651
12-31-2023	554.5	0.0	17.4	0.0	4,015.2	16.6	0.0	16.7	6.6	2,822.2	12.9	0.0	13.2	5.4	2,209.8	53.10	0.00	53.91	26.19	2.715
12-31-2024	428.5	0.0	15.2	0.0	3,414.7	14.3	0.0	14.6	5.9	2,432.3	11.1	0.0	11.5	4.8	1,907.0	54.27	0.00	55.03	26.86	2.789
12-31-2025	332.0	0.0	13.4	0.0	2,910.4	12.8	0.0	12.8	5.3	2,099.3	10.0	0.0	10.2	4.3	1,648.3	55.46	0.00	56.18	27.53	2.853
12-31-2026	257.6	0.0	12.0	0.0	2,501.9	11.5	0.0	11.5	4.9	1,825.8	9.0	0.0	9.1	4.0	1,436.2	56.65	0.00	57.35	28.21	2.918
12-31-2027	200.2	0.0	10.6	0.0	2,128.5	10.4	0.0	10.1	4.3	1,563.4	8.1	0.0	8.1	3.5	1,232.0	57.88	0.00	58.55	28.87	2.983
12-31-2028	154.9	0.0	9.5	0.0	1,831.2	8.5	0.0	9.1	4.0	1,360.1	6.7	0.0	7.3	3.2	1,073.5	59.14	0.00	59.77	29.55	3.057
12-31-2029	9.4	0.0	8.7	0.0	1,489.3	7.0	0.0	8.4	3.7	1,219.0	5.5	0.0	6.7	3.0	962.7	60.54	0.00	61.02	30.66	3.119
12-31-2030	8.7	0.0	7.9	0.0	1,333.1	6.5	0.0	7.6	3.4	1,088.6	5.1	0.0	6.1	2.7	859.7	61.80	0.00	62.29	31.28	3.181
12-31-2031	8.0	0.0	7.0	0.0	1,182.4	6.0	0.0	6.7	3.0	962.5	4.7	0.0	5.4	2.4	760.3	63.09	0.00	63.57	31.90	3.250
12-31-2032	6.8	0.0	5.6	0.0	870.0	4.9	0.0	5.4	2.6	713.1	3.9	0.0	4.3	2.2	567.4	64.45	0.00	64.92	32.54	3.334
12-31-2033	5.7	0.0	5.0	0.0	778.3	3.9	0.0	4.9	2.4	642.0	3.1	0.0	3.9	2.0	510.9	65.84	0.00	66.26	33.19	3.404
12-31-2034	4.3	0.0	4.2	0.0	678.7	3.5	0.0	4.1	1.9	559.8	2.8	0.0	3.3	1.6	445.2	67.25	0.00	67.59	33.86	3.475
12-31-2035	3.1	0.0	3.7	0.0	614.6	3.1	0.0	3.6	1.7	508.3	2.4	0.0	2.9	1.3	404.1	68.68	0.00	68.96	34.53	3.548
SUBTOTAL	3,361.7	0.0	159.1	0.0	32,685.9	146.2	0.0	152.8	63.6	23,923.6	114.1	0.0	121.4	51.6	18,807.5	57.52	0.00	58.44	28.87	2.894
REMAINING	14.3	0.0	24.4	0.0	4,384.4	14.3	0.0	23.8	9.6	3,700.1	11.4	0.0	18.9	7.8	2,932.6	73.64	0.00	76.86	37.72	4.059
TOTAL	3,376.0	0.0	183.6	0.0	37,070.3	160.6	0.0	176.6	73.3	27,623.7	125.5	0.0	140.4	59.5	21,740.0	58.98	0.00	60.93	30.03	3.051
CUM PROD	16,091.5	0.0	1,240.9	0.0	217,923.7															
ULTIMATE	19,467.5	0.0	1,424.4	0.0	254,994.0															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS EQUIV	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
									CRN/CGA	BURDEN	PROP AND	COSTS		OPER	UNDISC	DISC @ 10.000%
ENDING	100%	CO GRS	BOE/d	L/M OIL	HVY OIL	COND	NGL	NAT GAS	ROYALTIES	AND NPI	MIN TAXES	CAPITAL	ABAND	EXPENSE	PERIOD	CUM
M-D-Y				USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	210	169.45	1,873	989.9	0.0	987.5	173.8	7,180.8	0.0	2,026.4	460.5	0.0	0.0	2,365.9	4,479.2	4,327.1
12-31-2022	203	163.58	1,634	1,067.9	0.0	1,103.0	202.8	8,730.4	0.0	2,403.1	547.0	0.0	78.5	3,057.7	5,017.7	8,790.1
12-31-2023	191	152.67	1,398	883.2	0.0	898.3	173.5	7,658.8	0.0	2,073.8	473.3	0.0	131.0	2,888.3	4,047.5	12,063.3
12-31-2024	180	142.18	1,203	775.2	0.0	800.8	158.2	6,780.1	0.0	1,828.6	418.3	0.0	160.5	2,745.6	3,361.3	14,534.9
12-31-2025	165	128.50	1,043	709.4	0.0	721.1	145.3	5,986.4	0.0	1,616.8	370.9	0.0	151.5	2,609.9	2,813.2	16,414.2
12-31-2026	150	115.19	910	653.3	0.0	659.8	137.6	5,326.2	0.0	1,440.4	332.1	0.0	221.5	2,498.7	2,284.2	17,800.4
12-31-2027	141	106.58	782	604.7	0.0	593.0	124.5	4,661.5	0.0	1,265.0	293.3	0.0	205.5	2,305.6	1,914.4	18,857.1
12-31-2028	125	91.49	678	503.7	0.0	546.2	117.5	4,156.1	0.0	1,118.1	260.7	0.0	147.8	2,121.4	1,675.7	19,698.6
12-31-2029	91	79.64	609	423.1	0.0	512.2	111.9	3,801.1	0.0	1,015.0	236.0	0.0	242.3	2,036.0	1,318.9	20,299.8
12-31-2030	82	71.65	545	399.2	0.0	475.2	105.5	3,461.8	0.0	929.7	216.1	0.0	287.6	1,966.9	1,041.5	20,731.3
12-31-2031	70	60.04	483	376.7	0.0	427.6	95.9	3,127.8	0.0	843.1	195.9	0.0	272.8	1,863.3	853.0	21,052.9
12-31-2032	64	54.35	360	316.2	0.0	350.7	86.2	2,377.5	0.0	639.4	153.1	0.0	174.7	1,363.9	799.5	21,326.8
12-31-2033	55	46.60	324	258.9	0.0	323.8	79.9	2,185.8	0.0	580.1	139.4	0.0	175.0	1,259.7	694.1	21,543.8
12-31-2034	53	44.67	282	233.9	0.0	277.2	64.7	1,945.5	0.0	514.6	123.2	0.0	208.8	1,109.1	565.5	21,703.3
12-31-2035	48	40.61	255	210.7	0.0	250.6	57.3	1,803.5	0.0	474.1	113.4	0.0	116.7	1,043.6	574.2	21,851.1
SUBTOTAL				8,406.1	0.0	8,927.0	1,834.7	69,183.3	0.0	18,768.2	4,333.2	0.0	2,574.3	31,235.7	31,439.8	21,851.1
REMAINING				1,055.0	0.0	1,826.3	363.6	15,022.9	0.0	3,775.4	887.2	0.0	1,050.6	9,760.9	2,793.7	22,317.8
TOTAL OF 47.0 YRS				9,461.1	0.0	10,753.4	2,198.3	84,206.2	0.0	22,543.6	5,220.4	0.0	3,624.9	40,996.6	34,233.5	22,317.8

PRESENT WORTH PROFILE	
DISC RATE %	CUM PW USM$
5.000	26,867.1
10.000	22,317.8
15.000	19,235.7
20.000	17,006.2
25.000	15,314.5
30.000	13,984.4
35.000	12,909.2
40.000	12,021.0
45.000	11,274.0
50.000	10,636.5

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Table II

NSAI NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SOUTHERN ENERGY CORP. INTEREST

SUMMARY - CERTAIN PROPERTIES
LOCATED IN ALABAMA AND MISSISSIPPI

PROVED DEVELOPED NON-PRODUCING RESERVES

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	29.2	0.0	1.2	0.0	202.2	4.4	0.0	1.1	0.4	136.0	3.3	0.0	0.9	0.3	105.8	55.85	0.00	57.09	28.80	2.588
12-31-2022	24.0	0.0	11.9	0.0	1,403.1	3.6	0.0	11.2	1.7	1,170.8	2.7	0.0	8.6	1.4	900.6	54.07	0.00	55.19	27.93	2.701
12-31-2023	20.7	0.0	15.3	0.0	2,014.3	3.1	0.0	14.4	1.5	1,714.5	2.3	0.0	11.1	1.2	1,322.8	52.62	0.00	53.68	27.23	2.761
12-31-2024	5.9	0.0	11.5	0.0	1,642.0	0.9	0.0	10.8	1.4	1,402.8	0.7	0.0	8.4	1.1	1,079.4	53.74	0.00	54.83	27.77	2.834
12-31-2025	0.0	0.0	9.4	0.0	1,276.5	0.0	0.0	8.8	1.3	1,086.4	0.0	0.0	6.8	1.0	836.4	0.00	0.00	56.00	28.33	2.894
12-31-2026	0.0	0.0	8.0	0.0	1,082.4	0.0	0.0	7.5	1.2	916.0	0.0	0.0	5.8	0.9	705.0	0.00	0.00	57.18	28.89	2.955
12-31-2027	0.0	0.0	6.9	0.0	941.1	0.0	0.0	6.5	1.1	792.9	0.0	0.0	5.0	0.9	610.3	0.00	0.00	58.39	29.48	3.015
12-31-2028	0.0	0.0	6.0	0.0	708.7	0.0	0.0	5.6	1.0	590.7	0.0	0.0	4.3	0.8	456.7	0.00	0.00	59.61	30.06	3.083
12-31-2029	0.0	0.0	4.5	0.0	496.3	0.0	0.0	4.3	0.9	425.0	0.0	0.0	3.3	0.8	329.3	0.00	0.00	60.90	30.66	3.145
12-31-2030	3.6	0.0	3.9	0.0	427.0	3.6	0.0	3.7	1.0	368.1	2.9	0.0	2.9	0.8	286.1	62.72	0.00	62.18	31.28	3.205
12-31-2031	16.4	0.0	3.4	0.0	438.7	16.3	0.0	3.2	1.5	375.2	13.2	0.0	2.5	1.2	293.8	64.01	0.00	63.49	31.90	3.272
12-31-2032	9.8	0.0	2.5	0.0	331.9	9.8	0.0	2.3	1.2	283.6	7.9	0.0	1.8	1.0	222.7	65.32	0.00	64.85	32.54	3.339
12-31-2033	3.4	0.0	2.0	0.0	260.0	3.4	0.0	1.9	0.9	222.6	2.8	0.0	1.5	0.7	174.7	66.66	0.00	66.22	33.19	3.408
12-31-2034	0.0	0.0	1.7	0.0	215.5	0.0	0.0	1.6	0.7	184.3	0.0	0.0	1.3	0.6	144.2	0.00	0.00	67.62	33.86	3.478
12-31-2035	0.0	0.0	1.8	0.0	316.5	0.0	0.0	1.7	0.6	278.7	0.0	0.0	1.3	0.5	216.7	0.00	0.00	68.72	34.53	3.543
SUBTOTAL	113.1	0.0	89.9	0.0	11,756.4	45.1	0.0	84.6	16.3	9,947.5	35.8	0.0	65.6	13.2	7,684.6	61.98	0.00	57.66	30.05	2.953
REMAINING	146.1	0.0	13.7	0.0	3,124.6	21.9	0.0	12.8	1.8	2,611.4	16.4	0.0	9.8	1.5	2,022.2	83.58	0.00	94.40	36.90	4.965
TOTAL	259.2	0.0	103.6	0.0	14,881.0	67.0	0.0	97.4	18.1	12,558.9	52.3	0.0	75.3	14.7	9,706.8	68.77	0.00	62.44	30.73	3.372
CUM PROD	0.0	0.0	134.8	0.0	14,074.6															
ULTIMATE	259.2	0.0	238.4	0.0	28,955.6															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
									CRN/CGA	BURDEN	PROP AND	COSTS		OPER	UNDISC	DISC @ 10.000%
ENDING			EQUIV	L/M OIL	HVY OIL	COND	NGL	NAT GAS	ROYALTIES	AND NPI	MIN TAXES	CAPITAL	ABAND	EXPENSE	PERIOD	CUM
M-D-Y	100%	CO GRS	BOE/d	US M$	US M$	US M$	US M$	US M$	US M$	US M$	US M$	US M$	US M$	US M$	US M$	US M$
12-31-2021	7	4.14	104	243.1	0.0	63.8	10.7	351.8	0.0	154.6	31.7	266.4	0.0	192.6	24.0	23.5
12-31-2022	14	11.66	580	193.1	0.0	616.6	47.7	3,162.8	0.0	931.1	190.6	2,624.1	0.0	831.7	-557.3	-476.0
12-31-2023	26	22.97	835	163.2	0.0	770.7	41.4	4,733.8	0.0	1,305.5	271.7	2,309.1	0.0	1,128.2	694.6	62.7
12-31-2024	26	22.97	675	47.9	0.0	592.4	38.2	3,975.4	0.0	1,069.7	221.1	0.0	0.0	1,069.1	2,294.0	1,751.8
12-31-2025	24	22.67	524	0.0	0.0	494.6	35.6	3,144.5	0.0	841.8	174.7	0.0	0.0	963.8	1,694.5	2,884.5
12-31-2026	24	22.59	442	0.0	0.0	429.6	33.4	2,706.6	0.0	726.6	150.6	0.0	3.3	917.3	1,371.7	3,718.0
12-31-2027	24	22.53	383	0.0	0.0	380.1	31.6	2,390.4	0.0	642.3	133.0	0.0	0.0	886.7	1,140.0	4,347.6
12-31-2028	24	22.52	287	0.0	0.0	334.2	30.0	1,821.1	0.0	494.1	104.1	0.0	0.0	773.3	813.7	4,756.2
12-31-2029	22	20.61	208	0.0	0.0	260.1	28.6	1,336.7	0.0	364.9	77.6	0.0	0.0	507.3	675.6	5,064.6
12-31-2030	20	19.00	191	227.4	0.0	229.6	32.1	1,180.0	0.0	363.0	80.2	109.4	45.6	478.6	592.3	5,308.3
12-31-2031	20	19.13	229	1,044.4	0.0	202.7	47.9	1,227.8	0.0	516.6	122.8	0.0	24.8	544.1	1,314.4	5,804.9
12-31-2032	19	18.20	165	639.5	0.0	151.5	38.4	946.9	0.0	363.3	86.5	0.0	6.4	489.7	830.4	6,090.5
12-31-2033	18	17.26	119	227.1	0.0	126.8	28.8	758.4	0.0	238.0	55.4	0.0	23.4	428.2	396.2	6,215.3
12-31-2034	17	16.27	91	0.0	0.0	110.5	23.1	641.1	0.0	167.3	37.3	318.2	24.1	365.2	-137.4	6,180.3
12-31-2035	17	16.20	134	0.0	0.0	115.6	21.4	987.3	0.0	248.4	53.8	0.0	26.1	399.1	396.9	6,283.2
SUBTOTAL				2,785.7	0.0	4,878.7	488.8	29,364.6	0.0	8,427.2	1,791.2	5,627.2	153.6	9,975.0	11,543.6	6,283.2
REMAINING				1,831.8	0.0	1,212.7	66.3	12,956.9	0.0	3,674.4	755.2	2,842.4	454.5	4,689.4	3,651.7	6,579.5
TOTAL OF 50.0 YRS				4,617.5	0.0	6,091.5	555.1	42,321.5	0.0	12,101.6	2,546.4	8,469.7	608.2	14,664.4	15,195.3	6,579.5

PRESENT WORTH PROFILE	
DISC RATE	CUM PW
%	US M$
5.000	9,283.0
10.000	6,579.5
15.000	4,954.9
20.000	3,859.7
25.000	3,076.7
30.000	2,495.4
35.000	2,051.8
40.000	1,705.7
45.000	1,430.8
50.000	1,209.1

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Table III

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SOUTHERN ENERGY CORP. INTEREST

SUMMARY - CERTAIN PROPERTIES
LOCATED IN ALABAMA AND MISSISSIPPI

PROVED UNDEVELOPED RESERVES

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00	0.000
12-31-2022	0.0	0.0	5.5	0.0	328.8	0.0	0.0	5.5	2.7	270.2	0.0	0.0	4.4	2.2	220.3	0.00	0.00	55.83	27.93	2.704
12-31-2023	0.0	0.0	53.7	0.0	3,271.6	0.0	0.0	53.7	27.2	2,689.3	0.0	0.0	43.8	22.1	2,192.3	0.00	0.00	54.38	27.23	2.764
12-31-2024	0.0	0.0	56.8	0.0	3,477.9	0.0	0.0	56.8	28.9	2,858.9	0.0	0.0	46.3	23.5	2,330.6	0.00	0.00	55.50	27.77	2.834
12-31-2025	0.0	0.0	37.0	0.0	2,263.1	0.0	0.0	37.0	18.8	1,860.3	0.0	0.0	30.1	15.3	1,516.5	0.00	0.00	56.65	28.33	2.894
12-31-2026	0.0	0.0	28.6	0.0	1,747.7	0.0	0.0	28.6	14.5	1,436.6	0.0	0.0	23.3	11.8	1,171.1	0.00	0.00	57.81	28.89	2.954
12-31-2027	0.0	0.0	23.7	0.0	1,448.6	0.0	0.0	23.7	12.0	1,190.8	0.0	0.0	19.3	9.8	970.7	0.00	0.00	59.01	29.48	3.014
12-31-2028	0.0	0.0	20.4	0.0	1,249.5	0.0	0.0	20.4	10.4	1,027.1	0.0	0.0	16.7	8.5	837.3	0.00	0.00	60.22	30.06	3.084
12-31-2029	0.0	0.0	18.1	0.0	1,105.8	0.0	0.0	18.1	9.2	908.9	0.0	0.0	14.7	7.5	741.0	0.00	0.00	61.45	30.66	3.144
12-31-2030	0.0	0.0	16.3	0.0	996.4	0.0	0.0	16.3	8.3	819.0	0.0	0.0	13.3	6.7	667.7	0.00	0.00	62.72	31.28	3.204
12-31-2031	0.0	0.0	14.9	0.0	909.9	0.0	0.0	14.9	7.6	747.9	0.0	0.0	12.1	6.2	609.7	0.00	0.00	64.01	31.90	3.271
12-31-2032	0.0	0.0	13.7	0.0	839.5	0.0	0.0	13.7	7.0	690.1	0.0	0.0	11.2	5.7	562.5	0.00	0.00	65.32	32.54	3.340
12-31-2033	0.0	0.0	12.8	0.0	780.9	0.0	0.0	12.8	6.5	641.9	0.0	0.0	10.4	5.3	523.3	0.00	0.00	66.66	33.19	3.410
12-31-2034	0.0	0.0	10.1	0.0	615.9	0.0	0.0	10.1	5.1	506.3	0.0	0.0	8.2	4.2	412.7	0.00	0.00	68.03	33.86	3.481
12-31-2035	0.0	0.0	0.8	0.0	47.5	0.0	0.0	0.8	0.4	39.0	0.0	0.0	0.6	0.3	31.8	0.00	0.00	69.42	34.53	3.554
SUBTOTAL	0.0	0.0	312.2	0.0	19,083.0	0.0	0.0	312.2	158.4	15,686.2	0.0	0.0	254.5	129.1	12,787.5	0.00	0.00	58.69	29.32	2.994
REMAINING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00	0.000
TOTAL	0.0	0.0	312.2	0.0	19,083.0	0.0	0.0	312.2	158.4	15,686.2	0.0	0.0	254.5	129.1	12,787.5	0.00	0.00	58.69	29.32	2.994
CUM PROD	0.0	0.0	0.0	0.0	0.0															
ULTIMATE	0.0	0.0	312.2	0.0	19,083.0															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS EQUIV	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
ENDING				L/M OIL	HVY OIL	COND	NGL	NAT GAS	CRN/CGA ROYALTIES	BURDEN AND NPI	PROP AND MIN TAXES	COSTS CAPITAL	COSTS ABAND	OPER EXPENSE	UNDISC PERIOD	DISC @ 10.000% CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	0	0.00	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12-31-2022	2	2.00	146	0.0	0.0	304.7	76.2	730.7	0.0	205.4	56.2	6,528.0	0.0	112.6	-5,790.6	-4,985.3
12-31-2023	6	6.00	1,450	0.0	0.0	2,921.3	739.3	7,433.1	0.0	2,050.0	560.3	13,317.1	0.0	1,173.9	-6,007.7	-9,816.7
12-31-2024	6	6.00	1,536	0.0	0.0	3,150.1	801.6	8,102.0	0.0	2,227.4	608.4	0.0	0.0	1,343.0	7,874.9	-4,010.1
12-31-2025	6	6.00	1,002	0.0	0.0	2,094.6	532.1	5,383.7	0.0	1,480.3	404.1	0.0	0.0	957.2	5,168.9	-552.7
12-31-2026	6	6.00	774	0.0	0.0	1,651.3	419.1	4,243.7	0.0	1,166.8	318.3	0.0	0.0	797.8	4,031.2	1,896.6
12-31-2027	6	6.00	642	0.0	0.0	1,397.5	354.4	3,588.9	0.0	986.9	269.1	0.0	0.0	708.0	3,376.8	3,761.1
12-31-2028	6	6.00	552	0.0	0.0	1,230.2	311.8	3,167.5	0.0	870.3	237.1	0.0	0.0	650.4	2,951.7	5,242.4
12-31-2029	6	6.00	490	0.0	0.0	1,111.1	281.4	2,857.7	0.0	785.4	213.9	0.0	0.0	610.5	2,640.4	6,446.7
12-31-2030	6	6.00	441	0.0	0.0	1,021.9	258.7	2,624.1	0.0	721.6	196.4	0.0	0.0	581.7	2,405.1	7,443.9
12-31-2031	6	6.00	403	0.0	0.0	952.4	240.9	2,446.6	0.0	672.6	183.0	0.0	0.0	560.3	2,224.1	8,282.1
12-31-2032	6	6.00	371	0.0	0.0	896.8	226.7	2,304.6	0.0	633.5	172.2	0.0	0.0	544.0	2,078.4	8,994.2
12-31-2033	6	6.00	346	0.0	0.0	851.3	215.1	2,188.7	0.0	601.5	163.4	0.0	0.0	531.6	1,958.7	9,604.2
12-31-2034	6	6.00	273	0.0	0.0	686.1	173.1	1,762.3	0.0	484.4	131.6	0.0	0.0	439.0	1,566.5	10,050.7
12-31-2035	1	1.00	21	0.0	0.0	54.7	13.6	138.7	0.0	38.3	10.4	0.0	0.0	35.7	122.7	10,083.2
SUBTOTAL				0.0	0.0	18,324.1	4,644.2	46,972.5	0.0	12,924.5	3,524.3	19,845.1	0.0	9,045.8	24,601.0	10,083.2
REMAINING				0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	160.8	0.0	-160.8	10,047.1
TOTAL OF 14.2 YRS				0.0	0.0	18,324.1	4,644.2	46,972.5	0.0	12,924.5	3,524.3	19,845.1	160.8	9,045.8	24,440.2	10,047.1

PRESENT WORTH PROFILE

DISC RATE %	CUM PW USM$
5.000	15,633.1
10.000	10,047.1
15.000	6,386.2
20.000	3,920.5
25.000	2,222.1
30.000	1,031.0
35.000	184.4
40.000	-423.2
45.000	-861.6
50.000	-1,178.2

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Table IV

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SOUTHERN ENERGY CORP. INTEREST

SUMMARY - CERTAIN PROPERTIES
LOCATED IN ALABAMA AND MISSISSIPPI

PROBABLE RESERVES

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	69.7	0.0	1.8	0.0	260.4	0.6	0.0	1.7	0.3	84.2	0.5	0.0	1.4	0.2	65.4	55.61	0.00	57.24	22.61	2.510
12-31-2022	228.7	0.0	3.2	0.0	495.1	1.6	0.0	3.1	0.5	198.3	1.3	0.0	2.4	0.4	153.1	53.56	0.00	55.44	22.00	2.614
12-31-2023	246.5	0.0	4.2	0.0	643.9	1.8	0.0	4.1	0.7	313.1	1.4	0.0	3.3	0.6	242.0	52.11	0.00	54.03	22.98	2.686
12-31-2024	249.4	0.0	3.9	0.0	638.7	1.9	0.0	3.8	0.8	303.7	1.4	0.0	3.0	0.6	234.8	53.28	0.00	55.15	23.57	2.747
12-31-2025	242.4	0.0	3.8	0.0	653.5	1.9	0.0	3.7	0.8	322.3	1.5	0.0	2.9	0.7	249.3	54.52	0.00	56.29	24.37	2.805
12-31-2026	229.3	0.0	3.6	0.0	651.2	1.9	0.0	3.5	0.7	333.1	1.5	0.0	2.8	0.5	257.0	55.78	0.00	57.43	24.18	2.856
12-31-2027	212.7	0.0	3.6	0.0	651.7	1.9	0.0	3.5	0.7	350.5	1.5	0.0	2.8	0.6	270.6	57.08	0.00	58.63	25.45	2.917
12-31-2028	194.3	0.0	3.5	0.0	653.2	1.9	0.0	3.4	0.7	370.5	1.5	0.0	2.7	0.6	285.4	58.37	0.00	59.83	26.35	3.008
12-31-2029	286.7	0.0	3.7	0.0	736.4	2.5	0.0	3.6	0.8	332.1	2.0	0.0	2.8	0.6	257.1	59.47	0.00	61.00	25.24	3.083
12-31-2030	238.9	0.0	2.6	0.0	524.7	-1.3	0.0	2.5	0.4	204.6	-1.1	0.0	2.0	0.3	157.8	0.00	0.00	62.35	22.19	3.122
12-31-2031	188.9	0.0	2.7	0.0	417.6	-14.2	0.0	2.7	0.0	152.6	-11.6	0.0	2.1	0.0	116.0	0.00	0.00	63.69	0.00	3.164
12-31-2032	163.9	0.0	3.8	0.0	618.2	-7.8	0.0	3.6	0.3	342.5	-6.4	0.0	2.8	0.3	262.1	0.00	0.00	64.89	24.85	3.260
12-31-2033	162.8	0.0	3.4	0.0	681.4	17.5	0.0	3.2	1.2	417.2	14.2	0.0	2.5	1.0	323.6	66.50	0.00	66.18	31.35	3.354
12-31-2034	57.9	0.0	5.4	0.0	652.0	14.6	0.0	5.2	2.2	493.0	11.8	0.0	4.1	1.8	387.2	67.93	0.00	67.75	33.55	3.441
12-31-2035	10.4	0.0	11.6	0.0	913.8	10.3	0.0	11.5	5.3	746.6	8.4	0.0	9.3	4.3	596.9	69.35	0.00	69.32	34.53	3.534
SUBTOTAL	2,782.6	0.0	60.9	0.0	9,192.0	35.3	0.0	59.0	15.5	4,964.3	27.7	0.0	46.9	12.6	3,858.2	64.28	0.00	61.96	29.44	3.103
REMAINING	29.1	0.0	24.4	0.0	1,884.9	29.1	0.0	24.0	9.1	1,594.4	23.2	0.0	19.2	7.4	1,261.1	78.54	0.00	76.39	37.21	4.035
TOTAL	2,811.7	0.0	85.3	0.0	11,076.9	64.3	0.0	83.0	24.6	6,558.6	50.9	0.0	66.1	20.0	5,119.4	70.78	0.00	66.15	32.32	3.333
CUM PROD	0.0	0.0	0.0	0.0	0.0															
ULTIMATE	2,811.7	0.0	85.3	0.0	11,076.9															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS EQUIV	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
ENDING				L/M OIL	HVY OIL	COND	NGL	NAT GAS	CRN/CGA ROYALTIES	BURDEN AND NPI	PROP AND MIN TAXES	COSTS CAPITAL	COSTS ABAND	OPER EXPENSE	UNDISC PERIOD	DISC @ 10.000% CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	0	0.00	61	33.6	0.0	98.7	6.8	211.2	0.0	76.3	17.6	0.0	0.0	12.5	243.9	234.3
12-31-2022	1	0.99	105	87.8	0.0	170.9	11.1	518.0	0.0	175.7	40.0	252.5	0.0	28.8	290.9	498.6
12-31-2023	2	1.99	161	92.3	0.0	221.2	17.0	840.7	0.0	260.6	58.5	0.0	0.0	124.4	727.7	1,086.6
12-31-2024	2	1.99	156	98.8	0.0	211.5	18.2	833.7	0.0	258.4	58.2	0.0	-21.1	113.9	752.7	1,638.3
12-31-2025	2	1.99	165	104.4	0.0	207.4	19.8	903.5	0.0	274.7	61.6	0.0	0.0	145.3	753.4	2,141.0
12-31-2026	3	2.84	169	108.6	0.0	200.4	15.9	950.9	0.0	286.2	63.3	0.0	0.0	176.7	749.6	2,595.7
12-31-2027	2	1.84	177	110.8	0.0	204.3	18.6	1,022.2	0.0	303.6	67.0	0.0	-19.2	257.4	747.1	3,007.6
12-31-2028	4	3.78	185	111.5	0.0	205.1	19.4	1,114.2	0.0	327.1	71.2	0.0	22.8	308.9	720.1	3,369.6
12-31-2029	27	4.97	170	150.3	0.0	217.1	19.2	1,023.4	0.0	313.7	70.5	0.0	-45.2	397.8	673.2	3,677.0
12-31-2030	27	5.01	98	-86.5	0.0	158.4	8.7	638.5	0.0	169.0	36.6	-109.4	-12.4	116.9	518.4	3,893.5
12-31-2031	25	3.06	38	-911.7	0.0	168.9	-4.1	483.0	0.0	-17.3	-12.3	0.0	16.0	80.8	-331.1	3,767.2
12-31-2032	27	4.90	145	-513.9	0.0	233.1	8.5	1,116.1	0.0	220.4	40.6	113.8	48.0	541.3	-120.3	3,726.1
12-31-2033	30	7.73	251	1,164.6	0.0	213.7	38.6	1,398.7	0.0	589.9	137.9	0.0	-49.2	692.0	1,445.0	4,175.3
12-31-2034	29	6.78	285	991.6	0.0	350.5	74.7	1,695.8	0.0	636.8	152.1	0.0	-70.2	886.3	1,507.5	4,600.1
12-31-2035	13	12.64	415	716.9	0.0	795.1	182.6	2,637.8	0.0	850.4	213.6	0.0	-10.6	1,069.8	2,209.2	5,170.2
SUBTOTAL				2,259.3	0.0	3,656.2	455.1	15,387.6	0.0	4,725.5	1,076.5	256.9	-141.1	4,953.0	10,887.3	5,170.2
REMAINING				2,284.7	0.0	1,835.4	338.2	6,445.6	0.0	2,251.9	528.9	0.0	205.6	4,244.3	3,673.1	5,878.3
TOTAL OF 47.8 YRS				4,543.9	0.0	5,491.6	793.3	21,833.2	0.0	6,977.4	1,605.4	256.9	64.5	9,197.3	14,560.5	5,878.3

PRESENT WORTH PROFILE

DISC RATE %	CUM PW USM$
5.000	8,820.0
10.000	5,878.3
15.000	4,233.0
20.000	3,239.4
25.000	2,597.6
30.000	2,158.5
35.000	1,843.0
40.000	1,607.0
45.000	1,424.4
50.000	1,279.3

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SOUTHERN ENERGY CORP. INTEREST

SUMMARY - CERTAIN PROPERTIES
LOCATED IN ALABAMA AND MISSISSIPPI

PROVED + PROBABLE RESERVES

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING M-D-Y	L/M OIL Mbbl	HVY OIL Mbbl	COND Mbbl	NGL Mbbl	NAT GAS MMcf	L/M OIL Mbbl	HVY OIL Mbbl	COND Mbbl	NGL Mbbl	NAT GAS MMcf	L/M OIL Mbbl	HVY OIL Mbbl	COND Mbbl	NGL Mbbl	NAT GAS MMcf	L/M OIL US$/bbl	HVY OIL US$/bbl	COND US$/bbl	NGL US$/bbl	NAT GAS US$/Mcf
12-31-2021	768.8	0.0	21.0	0.0	4,645.1	22.6	0.0	20.1	7.0	3,052.2	17.4	0.0	15.9	5.7	2,384.1	56.16	0.00	57.16	27.23	2.539
12-31-2022	970.8	0.0	41.3	0.0	6,982.1	24.8	0.0	39.6	12.6	4,934.4	19.2	0.0	31.2	10.2	3,851.2	54.38	0.00	55.39	26.96	2.664
12-31-2023	821.7	0.0	90.6	0.0	9,945.1	21.5	0.0	88.8	36.1	7,539.1	16.6	0.0	71.3	29.4	5,966.8	52.95	0.00	54.17	26.95	2.742
12-31-2024	683.9	0.0	87.4	0.0	9,173.3	17.0	0.0	86.0	36.9	6,997.7	13.2	0.0	69.2	30.1	5,551.8	54.13	0.00	55.33	27.54	2.815
12-31-2025	574.4	0.0	63.6	0.0	7,103.5	14.7	0.0	62.3	26.1	5,368.3	11.4	0.0	50.1	21.3	4,250.6	55.34	0.00	56.45	28.05	2.873
12-31-2026	486.9	0.0	52.2	0.0	5,983.3	13.5	0.0	51.1	21.2	4,511.5	10.5	0.0	41.0	17.3	3,569.4	56.53	0.00	57.59	28.59	2.933
12-31-2027	412.9	0.0	44.8	0.0	5,170.0	12.4	0.0	43.8	18.1	3,897.6	9.7	0.0	35.2	14.8	3,083.6	57.76	0.00	58.79	29.17	2.993
12-31-2028	349.2	0.0	39.5	0.0	4,442.6	10.4	0.0	38.6	16.1	3,348.4	8.1	0.0	31.0	13.1	2,652.8	59.00	0.00	60.00	29.77	3.064
12-31-2029	296.2	0.0	35.0	0.0	3,827.7	9.5	0.0	34.3	14.5	2,885.1	7.4	0.0	27.6	11.8	2,290.1	60.26	0.00	61.23	30.38	3.127
12-31-2030	251.3	0.0	30.8	0.0	3,281.2	8.8	0.0	30.2	13.1	2,480.3	6.9	0.0	24.2	10.6	1,971.3	61.55	0.00	62.52	31.01	3.188
12-31-2031	213.3	0.0	28.0	0.0	2,948.6	8.1	0.0	27.5	12.0	2,238.2	6.3	0.0	22.1	9.8	1,779.9	62.86	0.00	63.81	31.65	3.256
12-31-2032	180.5	0.0	25.5	0.0	2,659.6	6.9	0.0	25.1	11.1	2,029.2	5.4	0.0	20.2	9.1	1,614.8	64.21	0.00	65.13	32.31	3.325
12-31-2033	171.9	0.0	23.2	0.0	2,500.7	24.9	0.0	22.8	11.0	1,923.7	20.0	0.0	18.4	8.9	1,532.5	66.42	0.00	66.47	32.99	3.396
12-31-2034	62.2	0.0	21.4	0.0	2,162.2	18.1	0.0	21.0	9.9	1,743.4	14.6	0.0	16.9	8.1	1,389.4	67.80	0.00	67.84	33.79	3.468
12-31-2035	13.5	0.0	17.9	0.0	1,892.4	13.4	0.0	17.6	8.0	1,572.6	10.8	0.0	14.1	6.5	1,249.5	69.20	0.00	69.19	34.53	3.541
SUBTOTAL	6,257.4	0.0	622.1	0.0	72,717.3	226.5	0.0	608.7	253.8	54,521.6	177.6	0.0	488.4	206.5	43,137.8	59.47	0.00	58.80	29.26	2.953
REMAINING	189.5	0.0	62.6	0.0	9,393.8	65.3	0.0	60.5	20.5	7,905.9	51.0	0.0	47.9	16.7	6,215.9	79.07	0.00	80.26	37.42	4.349
TOTAL	6,447.0	0.0	684.7	0.0	82,111.1	291.9	0.0	669.3	274.4	62,427.5	228.7	0.0	536.4	223.2	49,353.8	63.85	0.00	60.72	29.87	3.129
CUM PROD	16,091.5	0.0	1,375.6	0.0	231,998.3															
ULTIMATE	22,538.5	0.0	2,060.3	0.0	314,109.4															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
									CRN/CGA	BURDEN	PROP AND	COSTS		OPER	UNDISC	DISC @ 10.000%
ENDING M-D-Y	100%	CO GRS	EQUIV BOE/d	L/M OIL USM$	HVY OIL USM$	COND USM$	NGL USM$	NAT GAS USM$	ROYALTIES USM$	AND NPI USM$	MIN TAXES USM$	CAPITAL USM$	ABAND USM$	EXPENSE USM$	PERIOD USM$	CUM USM$
12-31-2021	217	173.59	2,038	1,266.7	0.0	1,150.0	191.3	7,743.8	0.0	2,257.2	509.8	266.4	0.0	2,571.1	4,747.2	4,584.9
12-31-2022	220	178.23	2,464	1,348.8	0.0	2,195.2	337.9	13,141.8	0.0	3,715.3	833.8	9,404.5	78.5	4,030.9	-1,039.4	3,827.4
12-31-2023	225	183.63	3,844	1,138.7	0.0	4,811.5	971.2	20,666.4	0.0	5,689.9	1,363.8	15,626.2	131.0	5,314.8	-538.0	3,395.9
12-31-2024	214	173.14	3,569	921.9	0.0	4,754.8	1,016.2	19,691.2	0.0	5,384.2	1,305.9	0.0	139.4	5,271.7	14,282.9	13,914.9
12-31-2025	197	159.16	2,734	813.8	0.0	3,517.7	732.9	15,418.1	0.0	4,213.4	1,011.3	0.0	151.5	4,676.3	10,430.0	20,887.0
12-31-2026	183	146.63	2,295	761.9	0.0	2,941.1	606.1	13,227.3	0.0	3,620.1	864.3	0.0	224.8	4,390.5	8,436.8	26,010.7
12-31-2027	173	136.95	1,983	715.6	0.0	2,574.8	529.1	11,663.1	0.0	3,197.8	762.4	0.0	186.3	4,157.7	7,178.3	29,973.4
12-31-2028	159	123.79	1,703	615.3	0.0	2,315.7	478.7	10,258.8	0.0	2,809.6	673.1	0.0	170.6	3,854.0	6,161.1	33,066.7
12-31-2029	146	111.22	1,477	573.4	0.0	2,100.5	441.2	9,018.8	0.0	2,479.0	598.0	0.0	197.1	3,551.6	5,308.2	35,488.1
12-31-2030	135	101.65	1,275	540.1	0.0	1,885.1	405.0	7,904.5	0.0	2,183.3	529.3	0.0	320.7	3,144.1	4,557.3	37,377.0
12-31-2031	121	88.23	1,152	509.4	0.0	1,751.6	380.5	7,285.2	0.0	2,015.0	489.3	0.0	313.7	3,048.4	4,060.4	38,907.1
12-31-2032	116	83.45	1,042	441.9	0.0	1,632.1	359.9	6,745.2	0.0	1,856.6	452.5	113.8	229.1	2,938.9	3,588.0	40,137.6
12-31-2033	109	77.60	1,039	1,650.6	0.0	1,515.6	362.4	6,531.7	0.0	2,009.5	496.1	0.0	149.2	2,911.5	4,493.9	41,538.5
12-31-2034	105	73.72	930	1,225.6	0.0	1,424.3	335.6	6,044.7	0.0	1,803.1	444.2	318.2	162.8	2,799.7	3,502.1	42,534.4
12-31-2035	79	70.45	825	927.6	0.0	1,216.0	274.9	5,567.3	0.0	1,611.2	391.2	0.0	132.1	2,548.3	3,303.0	43,387.7
SUBTOTAL				13,451.1	0.0	35,786.0	7,422.7	160,907.9	0.0	44,845.3	10,725.2	25,729.2	2,586.9	55,209.4	78,471.8	43,387.7
REMAINING				5,171.4	0.0	4,874.5	768.1	34,425.4	0.0	9,701.8	2,171.3	2,842.4	1,871.5	18,694.6	9,957.7	44,822.6
TOTAL OF 50.0 YRS				18,622.5	0.0	40,660.5	8,190.8	195,333.3	0.0	54,547.0	12,896.5	28,571.6	4,458.4	73,904.1	88,429.5	44,822.6

PRESENT WORTH PROFILE

DISC RATE %	CUM PW USM$
5.000	60,603.2
10.000	44,822.6
15.000	34,809.9
20.000	28,025.7
25.000	23,210.9
30.000	19,669.4
35.000	16,988.5
40.000	14,910.5
45.000	13,267.7
50.000	11,946.7

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Table VI

TECHNICAL DISCUSSION

TECHNICAL DISCUSSION
PROVED AND PROBABLE RESERVES
ALABAMA AND MISSISSIPPI

1.0 GENERAL OVERVIEW

Netherland, Sewell & Associates, Inc. (NSAI) has estimated the proved and probable reserves and future revenue, as of April 1, 2021, to the Southern Energy Corp. (Southern) interest in certain oil and gas properties located in Alabama and Mississippi in the United States. A location map is shown on Figure 1.

This Competent Person's Report (report) has been prepared in accordance with the AIM Rules for Companies, specifically to the content requirements in Appendix 2 and the summaries set out in Appendices 1 and 3 in the "Note for Mining and Oil & Gas Companies – June 2009", as well as in accordance with the definitions and guidelines set forth in Canadian National Instrument 51-101—Standards of Disclosure for Oil and Gas Activities and the Canadian Oil and Gas Evaluation Handbook (COGEH).

For the purposes of this report, we used technical and economic data including, but not limited to, well logs, geologic maps, well test data, production data, historical price and cost information, and property ownership interests. The reserves in this report have been estimated using deterministic methods; these estimates have been prepared in accordance with generally accepted petroleum engineering and evaluation principles set forth in the standards pertaining to the estimating and auditing of oil and gas reserves information included in the COGEH. We used standard engineering and geoscience methods, or a combination of methods, including performance analysis, volumetric analysis, and analogy, that we considered to be appropriate and necessary to classify, categorize, and estimate reserves in accordance with the COGEH definitions and guidelines. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

2.0 REGIONAL GEOLOGY

Oil and gas production occurs in two distinct geologic regions across Alabama and Mississippi, the Mississippi Interior Salt Basin and the Black Warrior Basin. A map showing the regional geologic features is shown on Figure 2. The Mississippi Interior Salt Basin is the most productive basin in the northeastern Gulf Coast Region, with cumulative production of more than 1.5 billion barrels of oil and 6.5 trillion cubic feet of gas. This basin is located on the northern flank of the Gulf Coastal plain and covers a total area of approximately 6,000 square miles. The Mississippi Interior Salt Basin extends from northeastern Louisiana to southwestern Alabama, with an average width of 125 miles. The basin comprises an interior tectonic depression with well-defined structural borders, which suggests that the subsidence was controlled, in part, by the basement structures inherited from the Mesozoic rift episode associated with the opening of the Gulf of Mexico.

The most productive reservoirs are Lower Cretaceous sandstones and carbonates and Upper Cretaceous sandstones. A stratigraphic column of the Mississippi Interior Salt Basin is shown on Figure 3. The most prolific producing zones are the Selma Chalk; the Eutaw, Tuscaloosa, Sligo, and Hosston Formations; the Cotton Valley Group; and the Upper Jurassic Smackover Formation. Principal structures within the basin include normal faults, local structural depressions, and a variety of salt features including salt ridges, anticlines, piercement domes, withdrawal basins, and turtle structures. The geologic morphology is dominated by deep salt movement in much of the basin. The Mississippi Interior Salt Basin contains at least 53 Louann Salt piercement domes at depths of 6,000 feet or less. Many of these domes pierce Tertiary strata and extend to stratigraphic levels as young as the Miocene.

Smackover Formation carbonates are the oldest producing horizon in the basin and were deposited in a shallow ramp setting. Cotton Valley Group deposition is identified by fluviodeltaic systems that crossed the basin repeatedly. Above that, the Hosston, Rodessa, Paluxy, and Tuscaloosa intervals were major delta complexes, and the Selma Group was a transgressive shallow-marine deposit. Salt tectonism is the most significant process in the history of the basin and is the critical factor in the development of petroleum traps in the region. Louann Salt thickness is estimated to have reached 6,000 feet and the salt movement most likely began in the Late Jurassic.

The Black Warrior Basin is a foreland basin in Alabama and Mississippi bounded between the Ouachita orogenic belt to the southwest, the Appalachian orogenic belt to the southeast, and the Nashville Dome to the north. The basin is approximately 190 miles long from north to south and approximately 220 miles wide from east to west. Sediment thicknesses range from 7,000 to 31,000 feet and include sediments ranging from Paleozoic to Cenozoic in age. A stratigraphic column of the Black Warrior Basin is shown on Figure 4. Sediments dip gently to the southwest and contain numerous folds and basement-controlled faults throughout. Oil and gas accumulations are found in these basement-controlled faults, stratigraphic traps, or a combination of structural and stratigraphic traps.

The hydrocarbon-productive zones lie primarily in Upper Mississippian and Lower Pennsylvanian age fluvial, deltaic, and shallow-marine sandstone reservoirs. Production from Southern's properties is primarily from the Lewis and Sanders Sandstones in the Black Warrior Basin.

3.0 OVERVIEW OF ASSETS

As shown on Figure 5, Southern holds more than 33,000 net acres of mineral rights that are largely held by production in Alabama and Mississippi. Southern owns an interest in 244 gross producing wells and Southern produces approximately 2,200 barrels of oil equivalent per day of working interest production volumes. Production from these wells can be classified as conventional light oil and natural gas production.

The majority of the wellbores, production volumes, and reserves are concentrated in Mechanicsburg Field, Mount Olive, East Field, Gwinville Field, and Williamsburg South Field located in Central Mississippi. Figure 6 presents a table summarizing the proved reserves by field area for the Base Case and Figure 7 presents a table summarizing the proved plus probable reserves by field area for the Base Case.

4.0 RESERVES

Reserves are estimated remaining quantities of commercially recoverable oil, natural gas, and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data, the use of established technology, and specified economic conditions, which are generally accepted as being reasonable. Reserves are further categorized according to the level of certainty associated with the estimates and may be subclassified based on development and production status. Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. No study was made to determine whether possible reserves might be established for these properties.

We estimate the company reserves to the Southern interest in these properties, as of April 1, 2021, to be:

	Company Reserves							
	Light/Medium Oil (Mbbl)		Condensate (Mbbl)		NGL (Mbbl)		Conventional Natural Gas (MMcf)	
Category	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved Developed Producing	160.6	125.5	176.6	140.4	73.3	59.5	27,623.7	21,740.0
Proved Developed Non-Producing	67.0	52.3	97.4	75.3	18.1	14.7	12,558.9	9,706.8
Proved Undeveloped	0.0	0.0	312.2	254.5	158.4	129.1	15,686.2	12,787.5
Total Proved	227.5	177.7	586.2	470.2	249.7	203.2	55,868.8	44,234.4
Probable	64.3	50.9	83.0	66.1	24.6	20.0	6,558.6	5,119.4
Proved + Probable	291.9	228.7	669.3	536.4	274.4	223.2	62,427.5	49,353.8

Totals may not add because of rounding.

We estimate the future net revenue before income taxes, discounted at 0, 5, 10, 15, and 20 percent, to the Southern interest in these properties, as of April 1, 2021, to be:

	Future Net Revenue Before Income Taxes (USM$)				
Category	Discounted at 0%	Discounted at 5%	Discounted at 10%	Discounted at 15%	Discounted at 20%
Proved Developed Producing	34,233.5	26,867.1	22,317.8	19,235.7	17,006.2
Proved Developed Non-Producing	15,195.3	9,283.0	6,579.5	4,954.9	3,859.7
Proved Undeveloped	24,440.2	15,633.1	10,047.1	6,386.2	3,920.5
Total Proved	73,869.0	51,783.3	38,944.3	30,576.9	24,786.4
Probable	14,560.5	8,820.0	5,878.3	4,233.0	3,239.4
Proved + Probable	88,429.5	60,603.2	44,822.6	34,809.9	28,025.7

Totals may not add because of rounding.

Oil, condensate, and natural gas liquids (NGL) volumes are expressed in thousands of barrels (Mbbl); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in millions of cubic feet (MMcf) at standard temperature and pressure bases. Oil equivalent volumes shown in this report are expressed in barrels of oil equivalent (BOE), determined using the ratio of 6 thousand cubic feet (Mcf) of gas to 1 barrel of liquids. BOE, or other applicable units of equivalency, may be misleading, particularly if used in isolation. Monetary values shown in this report are expressed in United States dollars (US$) or thousands of United States dollars (USM$).

Future net revenue before and after deduction of estimated United States federal income taxes by reserves category for the Base Case is shown on Figure 8. These estimates are a simplification of current tax law and were not prepared by a tax accountant or lawyer. For the purposes of this report, property and mineral taxes consist of production taxes.

4.1 MAJOR VALUE FIELDS

Mechanicsburg and Mount Olive, East Fields comprise approximately 61 percent of the future net revenue before income taxes discounted at 10 percent (present worth) of the proved plus probable reserves and are considered major value fields.

4.1.1 Mechanicsburg Field

Southern is the operator of and owns an average 99 percent working interest in the properties located in Mechanicsburg Field, Yazoo County, Mississippi. A leasehold map is shown on Figure 9. Mechanicsburg Field makes up approximately 45 percent of Southern's company gross proved plus probable reserves and 43 percent of the present worth before income taxes.

We estimate the company reserves to the Southern interest in Mechanicsburg Field, as of April 1, 2021, to be:

	Company Reserves							
	Light/Medium Oil (Mbbl)		Condensate (Mbbl)		NGL (Mbbl)		Conventional Natural Gas (MMcf)	
Category	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved Developed Producing	0.0	0.0	85.0	69.0	71.3	57.9	7,058.1	5,734.9
Proved Developed Non-Producing	33.1	26.9	20.3	16.5	18.1	14.7	1,788.7	1,452.0
Proved Undeveloped	0.0	0.0	312.2	254.5	158.4	129.1	15,686.2	12,787.5
Total Proved	33.1	26.9	417.5	340.0	247.7	201.7	24,533.0	19,974.5
Probable	16.5	13.4	54.8	44.6	22.9	18.6	2,263.4	1,842.0
Proved + Probable	49.7	40.3	472.2	384.6	270.6	220.3	26,796.4	21,816.5

Totals may not add because of rounding.

We estimate the future net revenue before income taxes, discounted at 0 and 10 percent, to the Southern interest in Mechanicsburg Field, as of April 1, 2021, to be:

	Future Net Revenue Before Income Taxes (USM$)	
Category	Discounted at 0%	Discounted at 10%
Proved Developed Producing	8,612.4	5,380.8
Proved Developed Non-Producing	3,320.7	1,571.6
Proved Undeveloped	24,440.2	10,047.1
Total Proved	36,373.2	16,999.4
Probable	6,628.1	2,123.1
Proved + Probable	43,001.3	19,122.5

Totals may not add because of rounding.

4.1.1.1 Geology

Mechanicsburg Field is located in the Gulf Coast region of the United States and is situated in the west-central portion of the state of Mississippi, as shown on the location map on Figure 1. The field is located in an area known as the Mississippi Interior Salt Basin, the geologic morphology of which is dominated by deep salt movement. As the Jurassic Louann Salt flowed because of heat and pressure, it produced a complex array of structures including a deep-seated, salt-supported anticline that became Mechanicsburg Field upon discovery. A depth structure map is shown on Figure 10; the map is contoured on the top of the Lower Cotton Valley Formation, which is the productive formation in the field, and shows that the structure is a simple four-way closure with nearly 200 feet of relief.

The Jurassic Lower Cotton Valley Formation, encountered at approximately 12,200 feet measured depth, is the producing interval at Mechanicsburg Field. This is not a single sandstone but a thick sequence of interbedded sands and shales, with a gross thickness of approximately 700 to 900 feet across the field area. The terrigenous clastics that compose the productive interval are derived from sources to the north and are interpreted to be part of a fluvial-dominated delta system associated with the ancestral Mississippi River.

The productive sandstones within the field are of lower quality; therefore, fracture stimulation treatments are necessary to allow the wells to produce at commercial rates and quantities. Petrophysical analysis performed on the open-hole well logs shows that the productive sandstones have an average porosity of approximately 9 percent and an average water saturation of approximately 44 percent. Permeability in the productive sandstones typically ranges from 0.015 to 0.043 millidarcies. Microfracturing of the sandstones due to extensional forces at the crestal portion on the structure can result in enhanced performance of wells high on the structural closure.

4.1.1.2 Reserves Methodology

Proved developed producing reserves are based on performance analysis. Proved developed non-producing reserves are primarily based on performance analysis. Proved undeveloped reserves have been estimated for six future infill wells that will target the Lower Cotton Valley Formation. These wells will be drilled offset to existing producing wells. The proved undeveloped reserves are based on analogy and also include consideration for planned structural positioning for the target wells. Probable reserves have been estimated for incremental reserves above the estimates of proved reserves because of alternative decline curve projections primarily based on performance analysis.

Summary projections of reserves and revenue by reserves category are shown on Figures 11 to 16.

4.1.2 Mount Olive, East Field

Southern is the operator of and owns an average 94 percent working interest in the properties located in Mount Olive, East Field, Covington County, Mississippi. A leasehold map is shown on Figure 17. Mount Olive, East Field makes up approximately 11 percent of Southern's company gross proved plus probable reserves and 18 percent of the present worth before income taxes.

We estimate the company reserves to the Southern interest in Mount Olive, East Field, as of April 1, 2021, to be:

	Company Reserves			
	Condensate (Mbbl)		Conventional Natural Gas (MMcf)	
Category	Gross	Net	Gross	Net
Proved Developed Producing	19.3	14.6	5,391.4	4,088.1
Probable	10.9	8.3	2,286.5	1,738.9
Proved + Probable	30.2	22.9	7,677.9	5,827.0

We estimate the future net revenue before income taxes, discounted at 0 and 10 percent, to the Southern interest in Mount Olive, East Field, as of April 1, 2021, to be:

Category	Future Net Revenue Before Income Taxes (USM$) Discounted at 0%	Discounted at 10%
Proved Developed Producing	7,596.7	6,061.7
Probable	3,701.5	2,145.6
Proved + Probable	11,298.1	8,207.3

Totals may not add because of rounding.

4.1.2.1 Geology

Mount Olive, East Field is located in the Gulf Coast region of the United States and is situated in the south-central portion of the state of Mississippi, as shown on the location map on Figure 1. The field is located in an area known as the Mississippi Interior Salt Basin, the geologic morphology of which is dominated by deep salt movement. As the Jurassic Louann Salt flowed because of heat and pressure, it produced a complex array of structures including a deep-seated, salt-supported anticline that became Mount Olive, East Field upon discovery. A depth structure map is shown on Figure 18; the map is contoured on the top of the 7800' Eutaw Sandstone, which is the productive formation in the field. This structural interpretation shows that the field is composed of a north-to-south-trending anticline, which is bounded on the eastern and southern extents by normal faults.

The Upper Cretaceous Eutaw Sandstone, encountered at approximately 7,800 feet measured depth, is the producing interval at Mount Olive, East Field. This sandstone interval is approximately 25 feet thick and is composed of four distinct, fluvial marine members. Each of these members, the A, B, C, and D, has a unique depositional geometry. The net gas isopachs for each of these contributing members, mapped to lowest logged gas pay for each zone, are shown on Figures 19 through 22. The total net gas-bearing rock volume for the four members is estimated to be 14,100 acre-feet.

The Eutaw Sandstone is a fine-grained glauconitic sandstone. The presence of glauconite causes an increase in bound water and therefore a decrease in resistivity seen in well logs, causing difficulty in petrophysical analysis of the reservoir. It is estimated that the Eutaw Sandstone has an average porosity of approximately 20.4 percent and an average water saturation of approximately 20.0 percent. Sidewall core data indicate permeability in the well-developed, clean sandstone to be in excess of 700 millidarcies. The 7800' Eutaw Sandstone exhibits a normal pressure gradient.

4.1.2.2 Reserves Methodology

Proved developed producing reserves are based on a combination of performance analysis and volumetric analysis. All of the producing wells are completed to the Eutaw Formation. The historical production performance for each well was considered and the total proved developed producing reserves estimates were constrained by a limit of 80 percent recovery of the total Eutaw Formation estimated original gas-in-place to lowest logged gas pay. Probable reserves are based on performance analysis and have been estimated for incremental reserves above the estimates of proved reserves because of the likelihood of the producing wells to exceed the volumetric constraints imposed on the high-confidence proved projections.

Summary projections of reserves and revenue by reserves category are shown on Figures 23 to 25.

4.2 MINOR VALUE FIELDS

The minor value fields comprise over 39 percent of the present worth before income taxes of the proved plus probable reserves. The minor value field areas are Brooklyn, Gentry Creek, Greens Creek, Gwinville, Gwinville Nonop, Magee, Magee Nonop, Maple Branch, McKinley Creek, Mississippi Nonop, Mississippi Other, Williamsburg South, and Var Mississippi.

Summary projections of reserves and revenue by reserves category for the minor value fields are shown on Figures 26 to 31.

4.2.1 Gwinville Field

Gwinville Field is the largest minor value field making up approximately 19 percent of the total proved plus probable reserves and 11 percent of the present worth before income taxes. Southern is the operator of and owns an average of 95 percent working interest in the properties located in Gwinville Field. The abandonment liability for Gwinville Field makes up approximately 26 percent of Southern's total abandonment liability. Southern working interest production in Gwinville Field is over 500 barrels of oil equivalent per day from approximately 188 gross wellbores producing from the Selma Chalk and Eutaw Formation. Southern also owns an interest in approximately 57 non-producing gross wellbores in Gwinville Field.

5.0 ECONOMIC PARAMETERS

5.1 BASE CASE PRICES

As requested, this report has been prepared using Base Case oil, condensate, NGL, and gas prices. Oil, condensate, and NGL prices are based on the average of four forecasts of NYMEX West Texas Intermediate near-month prices prepared by Canadian independent consultants and are adjusted by field for quality, transportation fees, and market differentials. Gas prices are based on the average of four forecasts of NYMEX Henry Hub near-month prices prepared by Canadian independent consultants and are adjusted by field for energy content, transportation fees, and market differentials. These average forecasts of prices are effective April 1, 2021. All prices for the Base Case, before adjustments, along with escalation parameters are shown in the following table:

Period Ending	Oil, Condensate, and NGL Price (US$/bbl)	Gas Price (US$/MMBtu)
12-31-2021	59.25	2.75
12-31-2022	57.47	2.86
12-31-2023	56.02	2.92
12-31-2024	57.14	2.99
12-31-2025	58.29	3.05
12-31-2026	59.45	3.11
12-31-2027	60.65	3.17
12-31-2028	61.86	3.24
12-31-2029	63.09	3.30
12-31-2030	64.36	3.36

Thereafter, escalated 2 percent on January 1 of each year.

5.2 BASE CASE OPERATING COSTS

Operating costs used in this report are based on operating expense records of Southern. For the nonoperated properties, these costs include the per-well overhead expenses allowed under joint operating agreements along with estimates of costs to be incurred at and below the district and field levels. As requested, operating costs for the operated properties include only direct lease- and field-level costs. Operating costs have been divided into per-well costs and per-unit-of-production costs. For all properties, headquarters general and administrative overhead expenses of Southern are not included. Operating costs are held constant through December 31, 2021, and then escalated 2 percent on January 1 of each year throughout the lives of the properties.

5.3 CAPITAL AND ABANDONMENT COSTS

Capital costs used in this report were provided by Southern and are based on authorizations for expenditure and actual costs from recent activity. Capital costs are included as required for workovers, new development wells, and production equipment. Based on our understanding of future development plans, a review of the records provided to us, and our knowledge of similar properties, we regard these estimated capital costs to be reasonable. Abandonment and reclamation costs used in this report are Southern's estimates of reclamation costs and the costs to abandon the wells and production facilities, net of any salvage value. For leases that are projected to be active on or after April 1, 2021, net abandonment and reclamation costs are scheduled to be incurred 2 years after the end of the economic life of the lease. For leases that are projected to be no longer active or are uneconomic as of April 1, 2021, net abandonment and reclamation costs are scheduled to be incurred over the next 20 years. Capital costs and abandonment and reclamation costs are held constant through December 31, 2021, and then escalated 2 percent per year to the date of expenditure.

5.4 SENSITIVITY ANALYSIS

5.4.1 Price Sensitivities

As requested, Low and High Price Case sensitivities were prepared. Oil, condensate, NGL, and gas prices are 20 percent lower and higher than the prices used for the Base Case, respectively. For the purposes of these sensitivities, all other parameters are the same as those described in the letter included in this report. Prices for the Low and High Price Cases, before adjustments, are shown in the following table:

	Low Price Case		High Price Case	
Period Ending	Oil, Condensate, and NGL Price (US$/bbl)	Gas Price (US$/MMBtu)	Oil, Condensate, and NGL Price (US$/bbl)	Gas Price (US$/MMBtu)
12-31-2021	47.40	2.200	71.10	3.300
12-31-2022	45.98	2.291	68.96	3.437
12-31-2023	44.81	2.338	67.22	3.507
12-31-2024	45.71	2.394	68.57	3.590
12-31-2025	46.63	2.440	69.95	3.659
12-31-2026	47.56	2.486	71.34	3.729
12-31-2027	48.52	2.533	72.77	3.799
12-31-2028	49.49	2.590	74.23	3.885
12-31-2029	50.48	2.638	75.71	3.957
12-31-2030	51.49	2.687	77.23	4.030

Thereafter, escalated 2 percent on January 1 of each year.

A table of revenue and costs for the Base, Low, and High Price Cases is shown on Figure 32. We estimate the future net revenue before income taxes, discounted at 0 and 10 percent, to the Southern interest in these properties, as of April 1, 2021, for each case to be:

	Future Net Revenue Before Income Taxes (USM$)					
	Base Price Case		Low Price Case		High Price Case	
Category	Discounted at 0%	Discounted at 10%	Discounted at 0%	Discounted at 10%	Discounted at 0%	Discounted at 10%
Total Proved	73,869.0	38,944.3	38,584.4	20,820.0	116,276.3	58,976.8
Probable	14,560.5	5,878.3	8,940.5	4,005.2	23,870.3	7,782.0
Proved + Probable	88,429.5	44,822.6	47,524.9	24,825.3	140,146.6	66,758.8

Totals may not add because of rounding

5.4.2 Operating Expense Sensitivities

As requested, Low and High Operating Expense Case sensitivities were prepared. Per-well costs and per-unit-of-production costs are 10 percent lower and higher than the operating costs used for the Base Case, respectively. Operating costs are held constant through December 31, 2021, and then escalated 2 percent on January 1 of each year throughout the lives of the properties. For the purposes of these sensitivities, all other parameters are the same as those described in the letter included in this report.

A table of revenue and costs for the Base, Low, and High Operating Expense Cases is shown on Figure 33. We estimate the future net revenue before income taxes, discounted at 0 and 10 percent, to the Southern interest in these properties, as of April 1, 2021, for each case to be:

	Future Net Revenue Before Income Taxes (USM$)					
	Base Expense Case		Low Expense Case		High Expense Case	
Category	Discounted at 0%	Discounted at 10%	Discounted at 0%	Discounted at 10%	Discounted at 0%	Discounted at 10%
Total Proved	73,869.0	38,944.3	80,467.0	42,141.7	67,306.6	35,962.7
Probable	14,560.5	5,878.3	15,549.0	6,101.2	13,631.6	5,648.7
Proved + Probable	88,429.5	44,822.6	96,015.9	48,243.0	80,938.2	41,611.4

Totals may not add because of rounding

FIGURES

*Major Value Fields

Multiple Fields
Alabama and Mississippi

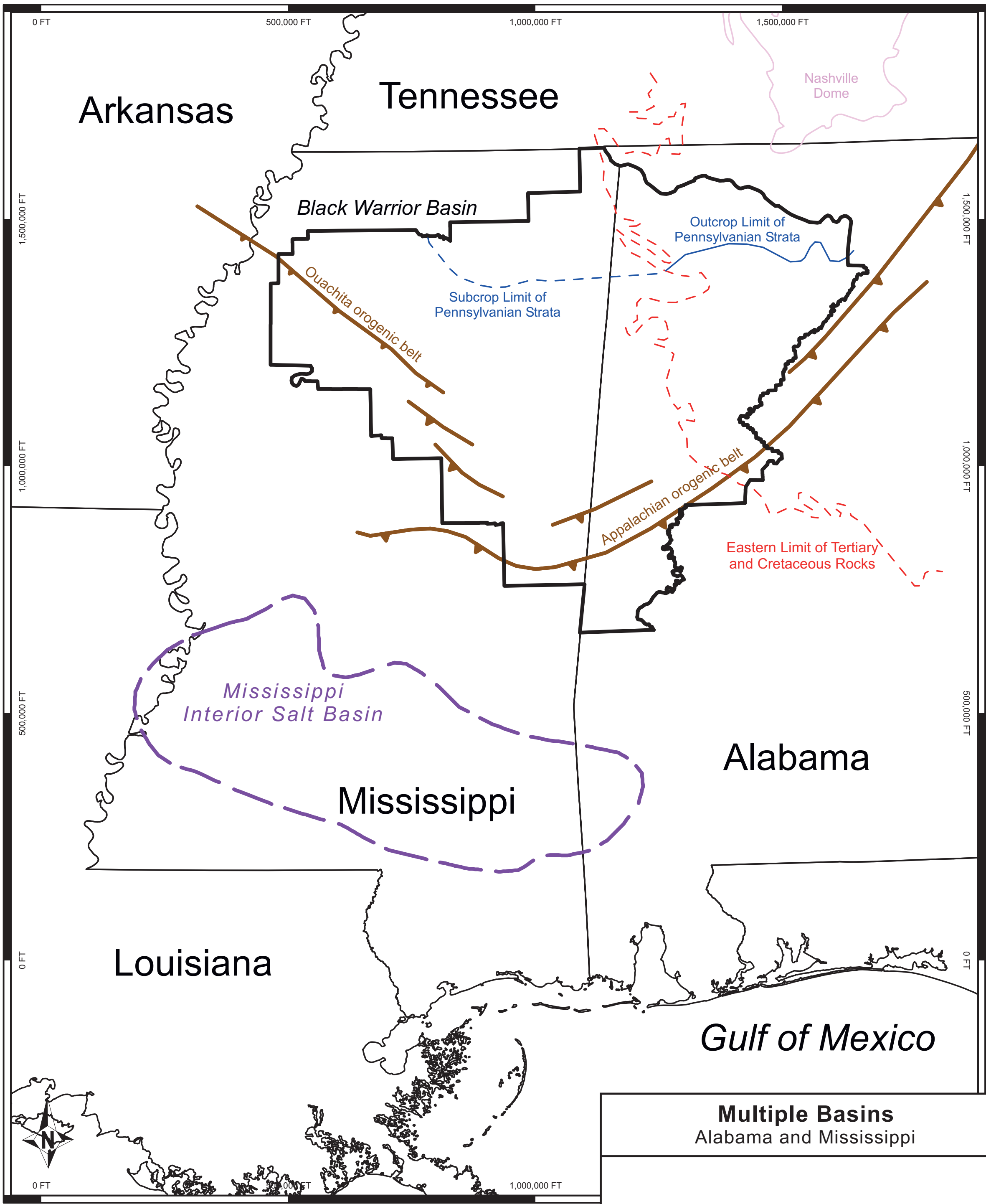
Location Map

SCALE IN FEET

0 162,500 325,000 650,000

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 1



Multiple Basins
Alabama and Mississippi

Regional Geologic Features

SCALE IN FEET
0 150,000 300,000 600,000

Adapted from a figure provided by the U.S. Geological Society.

NETHERLAND, SEWELL & ASSOCIATES, INC.

Stratigraphic Column
Mississippi Interior Salt Basin
Alabama and Mississippi

Era	System	Series	Stage	Group	Formation: Mississippi	Formation: Alabama	Member
Cenozoic	Paleogene	Oligocene	Rupelian	Vicksburg	Vicksburg undifferentiated		
		Eocene	Priabonian	Jackson	Yazoo Clay		
			Bartonian		Moodys Branch Formation Cockfield Formation	Moodys Branch Gossort Sand	
				Claiborne	Cook Mountain Formation	Upper Lisbon	
			Lutetian		Kosciusko Sand	Middle Lisbon	
					(Cane River) Zilpha Shale Winona Fm. Talahatta Fm.	Lower Lisbon Tallahatta Fm.	
			Ypresian	Wilcox	Wilcox undifferentiated	Hatchetigbee Formation Tuscahoma Formation Nanafalia Formation	
		Paleocene	Selandian	Midway	Midway undiff.	Naheola Formation	
			Danian		Jackson Oas Rock	Porters Creek Clay	
Mesozoic	Cretaceous	Upper Cretaceous	Maastrichtian Campanian	Selma	Selma undifferientiated ●		
			Santonian		Eutaw Formation ●		Tombigtee Sand
			Coniacian Turonian Cenomanian	Tuscaloosa	Tuscaloosa Formation ●		
		Lower Cretaceous	Albian	Washita-Fredericksburg undifferentiated	Dantzler Formation		
					Andrew Formation		
				Trinity	Paluxy Formation		
					Mooringsport Formation		
					Ferry Lake Anhydrite		
			Aptian		Rodessa Formation		
					James Limestone/ Pine Island Shale		
			Barremian Hauterivian		Sligo Formation/ Hosston Formation ●		
			Berriasian	Cotton Valley ●	Schuler Formation		Dorcheat Shongaloo
	Jurassic	Upper Jurassic	Tithonian				
			Kimmeridgian		Haynesville Formation		Buckner Anhydrite
			Oxfordian		Smackover Formation ●		Brown Dense
		Middle Jurassic	Callovian		Norphlet Formation		
			Bathonian		Louann Salt		Pine Hill Anhydrite
			Bajocian Aalenian		Werner Anhydrite		

● Producing in Southern's Fields

Adapted from a figure provided by Southern.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 3

Stratigraphic Column
Black Warrior Basin
Alabama and Mississippi

Era	System	Series	Formation	Member
Cenozoic	Tertiary	Eocene	Claiborne Group	
		Paleocene	Wilcox Group	
			Midway Group	
Mesozoic	Cretaceous	Upper	Selma Group	
			Eutaw Group	
			Tuscaloosa Group	
Paleozoic	Pennsylvanian	Middle and Lower	Pottsville Formation	Coal Zones
				Nason Sandstone
				Fayette Sandstone
				Benton Sandstone
				Robinson Sandstone
				Chandler Sandstone
		?—?—?		
	Mississippian	Upper	Parkwood Formation	Coats Sandstone
				Gilmer Sandstone
				Cooper Sandstone
				Millerella Limestone
				Millerella Sandstone
				Carter Sandstone ●
				Sanders Sandstone ●
			Bangor Limestone	
			Floyd Shale	Hartselle Sandstone
				Evans Sandstone
				Lewis Limestone
				Lewis Sandstone ●
			Tuscumbia Limestone	
		Lower	Fort Payne Chert	
	Devonian		Chattanooga Shale	
			unnamed cherty limestone	
	Silurian		undifferentiated rocks	
	Ordovician	Upper & Middle	undifferentiated rocks	
		?—?—?		
		Middle	Stones River Group	
		Lower	Knox Group	
	Cambrian	Upper	Knox Group	
		Middle and Lower	Ketona Dolomite	
			Conasauga Formation	
			Rome Formation	

● Producing in Southern's Fields

Adapted from a figure provided by the U.S. Geological Society.

SUMMARY OF ASSETS
SOUTHERN ENERGY CORP. INTEREST
LOCATED IN ALABAMA AND MISSISSIPPI
AS OF APRIL 1, 2021

State Field/Asset	Operator	Southern Working Interest[1] (%)	Status	Expiry Date	Net Leased Acreage[2] (Acres)	Current Southern Working Interest Production[3] (BOE/d)	Comments
Alabama							
Brooklyn	Pruet Production	0.6	Production	Held by Production	N/A	18	Southern owns less than 0.6 percent working interest in the NW Brooklyn Oil Unit
Gentry Creek	Southern Energy Corp.	99.7	Production	Held by Production	2,037	17	439 net acres are expected to expire in 2021 and 2022
Mississippi							
Greens Creek	Southern Energy Corp.	90.7	Production	Held by Production	2,453	142	
Gwinville	Southern Energy Corp.	95.6	Production	Held by Production	11,979	504	
Gwinville Nonop	Luarel Fuel Company; Denbury Offshore	5.4	Production	Held by Production	N/A	3	Southern owns an average working interest of less than 5.5 percent in 21 active wells
Magee	Southern Energy Corp.	56.5	Production	Held by Production	313	34	
Magee Nonop	Southern Energy Corp.	15.0	Production	Held by Production	N/A	3	Southern owns an average working interest of less than 15 percent in 6 active wells
Maple Branch	Southern Energy Corp.	99.5	Production	Held by Production	1,189	46	311 net acres are expected to expire in 2021 and 2022
Mechanicsburg	Southern Energy Corp.	98.9	Production	Held by Production	3,425	426	
Mississippi Other	Southern Energy Corp.	91.3	Production	Held by Production	1,363	94	
Mount Olive, East	Southern Energy Corp.	93.8	Production	Held by Production	1,415	735	
Williamsburg South	Southern Energy Corp.	94.3	Production	Held by Production	9,478	155	

(1) Working interest is the average working interest in producing wellbores.
(2) Net leased acreage has been provided by Southern; these values have not been independently confirmed.
(3) Current production is provided by Southern and is based on historical data from January through March 31, 2021.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 5

TOTAL PROVED RESERVES SUMMARY BY FIELD - BASE CASE
SOUTHERN ENERGY CORP. INTEREST
ALABAMA AND MISSISSIPPI
AS OF APRIL 1, 2021

Field	Reserves: Gross (100%) Light/Medium Oil (Mbbl)	Gross Heavy Oil (Mbbl)	Gross Condensate (Mbbl)	Gross NGL (Mbbl)	Gross Conventional Natural Gas (MMcf)	Company Gross Light/Medium Oil (Mbbl)	Company Gross Heavy Oil (Mbbl)	Company Gross Condensate (Mbbl)	Company Gross NGL (Mbbl)	Company Gross Conventional Natural Gas (MMcf)	Company Net Light/Medium Oil (Mbbl)	Company Net Heavy Oil (Mbbl)	Company Net Condensate (Mbbl)	Company Net NGL (Mbbl)	Company Net Conventional Natural Gas (MMcf)
Brooklyn	3,192.7	0.0	0.0	0.0	3,863.9	19.1	0.0	0.0	2.0	9.8	14.6	0.0	0.0	1.5	7.5
Gentry Creek	0.0	0.0	0.0	0.0	142.6	0.0	0.0	0.0	0.0	123.3	0.0	0.0	0.0	0.0	97.8
Greens Creek	0.0	0.0	18.2	0.0	3,689.2	0.0	0.0	15.4	0.0	2,476.3	0.0	0.0	11.9	0.0	1,903.1
Gwinville	0.0	0.0	15.0	0.0	14,346.4	0.0	0.0	14.3	0.0	12,842.3	0.0	0.0	11.2	0.0	10,053.0
Gwinville Nonop	0.0	0.0	0.4	0.0	884.7	0.0	0.0	0.0	0.0	29.0	0.0	0.0	0.0	0.0	27.2
Magee	245.9	0.0	0.0	0.0	164.5	121.8	0.0	0.0	0.0	0.0	95.7	0.0	0.0	0.0	0.0
Magee Nonop	128.9	0.0	0.0	0.0	58.9	19.3	0.0	0.0	0.0	0.0	14.5	0.0	0.0	0.0	0.0
Maple Branch	34.4	0.0	0.0	0.0	213.6	34.2	0.0	0.0	0.0	0.0	26.1	0.0	0.0	0.0	0.0
McKinley Creek	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mechanicsburg	33.3	0.0	418.9	0.0	29,987.9	33.1	0.0	417.5	247.7	24,533.0	26.9	0.0	340.0	201.7	19,974.5
Mississippi Nonop	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mississippi Other	0.0	0.0	26.8	0.0	3,115.8	0.0	0.0	25.2	0.0	2,522.6	0.0	0.0	20.4	0.0	2,037.4
Mount Olive, East	0.0	0.0	20.1	0.0	5,640.9	0.0	0.0	19.3	0.0	5,391.4	0.0	0.0	14.6	0.0	4,088.1
Williamsburg South	0.0	0.0	100.0	0.0	8,925.8	0.0	0.0	94.5	0.0	7,941.1	0.0	0.0	72.1	0.0	6,045.9
Var Mississippi	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	3,635.2	0.0	599.4	0.0	71,034.2	227.5	0.0	586.2	249.7	55,868.8	177.7	0.0	470.2	203.2	44,234.4

Field	Company Revenue: Light/Medium Oil (USM$)	Company Revenue: Heavy Oil (USM$)	Company Revenue: Condensate (USM$)	Company Revenue: NGL (USM$)	Company Revenue: Conventional Natural Gas (USM$)	Crown/CGA Royalties (USM$)	Burden and NPI (USM$)	Property and Mineral Taxes (USM$)	Capital Costs (USM$)	Abandonment Costs (USM$)	Operating Costs (USM$)	Future Net Revenue Before Income Taxes (USM$) Discounted at 0%	Future Net Revenue Before Income Taxes (USM$) Discounted at 10%
Brooklyn	1,030.2	0.0	0.0	11.9	27.2	0.0	249.6	82.1	0.0	3.1	229.0	505.4	420.4
Gentry Creek	0.0	0.0	0.2	0.0	350.8	0.0	72.5	27.8	0.0	110.3	209.1	(68.8)	(31.2)
Greens Creek	0.0	0.0	869.4	0.0	7,075.1	0.0	1,838.9	376.4	23.9	43.2	3,448.0	2,214.1	1,687.1
Gwinville	0.0	0.0	901.6	0.0	43,393.5	0.0	9,618.7	2,131.3	5,165.0	1,152.3	15,002.0	11,225.9	4,735.2
Gwinville Nonop	0.0	0.0	0.0	0.0	85.0	0.0	4.3	5.0	0.0	5.1	37.8	32.8	21.0
Magee	7,912.5	0.0	0.0	0.0	0.0	0.0	1,713.6	376.1	143.9	5.4	2,153.9	3,519.5	1,658.5
Magee Nonop	1,067.5	0.0	0.0	0.0	0.0	0.0	266.9	48.7	45.5	7.3	219.7	479.4	408.4
Maple Branch	1,930.0	0.0	0.0	0.0	0.0	0.0	460.6	89.3	0.0	27.5	1,038.8	313.8	255.5
McKinley Creek	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mechanicsburg	2,138.4	0.0	24,756.3	7,385.7	74,439.3	0.0	20,203.6	5,471.0	20,175.1	513.9	25,982.8	36,373.2	16,999.4
Mississippi Nonop	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mississippi Other	0.0	0.0	1,562.4	0.0	8,106.4	0.0	1,844.9	480.5	122.2	51.4	4,169.9	2,999.8	1,734.3
Mount Olive, East	0.0	0.0	1,085.7	0.0	14,345.9	0.0	3,730.9	723.1	0.0	90.8	3,290.2	7,596.7	6,061.7
Williamsburg South	0.0	0.0	5,993.2	0.0	25,677.0	0.0	7,565.1	1,479.7	2,639.1	491.0	8,925.6	10,569.7	5,792.7
Var Mississippi	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,892.6	0.0	(1,892.6)	(798.6)
Total	14,078.6	0.0	35,168.9	7,397.6	173,500.1	0.0	47,569.6	11,291.1	28,314.8	4,393.9	64,706.8	73,869.0	38,944.3

Totals may not add because of rounding.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 6

NETHERLAND, SEWELL & ASSOCIATES, INC.

PROVED + PROBABLE RESERVES SUMMARY BY FIELD - BASE CASE
SOUTHERN ENERGY CORP. INTEREST
ALABAMA AND MISSISSIPPI
AS OF APRIL 1, 2021

	Reserves														
	Gross (100%)					Company Gross					Company Net				
Field	Light/Medium Oil (Mbbl)	Heavy Oil (Mbbl)	Condensate (Mbbl)	NGL (Mbbl)	Conventional Natural Gas (MMcf)	Light/Medium Oil (Mbbl)	Heavy Oil (Mbbl)	Condensate (Mbbl)	NGL (Mbbl)	Conventional Natural Gas (MMcf)	Light/Medium Oil (Mbbl)	Heavy Oil (Mbbl)	Condensate (Mbbl)	NGL (Mbbl)	Conventional Natural Gas (MMcf)
Brooklyn	5,956.6	0.0	0.0	0.0	7,262.5	35.6	0.0	0.0	3.8	18.5	27.3	0.0	0.0	2.9	14.2
Gentry Creek	0.0	0.0	0.0	0.0	142.6	0.0	0.0	0.0	0.0	123.3	0.0	0.0	0.0	0.0	97.8
Greens Creek	0.0	0.0	23.9	0.0	4,743.3	0.0	0.0	20.2	0.0	3,169.6	0.0	0.0	15.5	0.0	2,435.8
Gwinville	0.0	0.0	17.1	0.0	14,954.1	0.0	0.0	16.4	0.0	13,400.2	0.0	0.0	12.8	0.0	10,485.5
Gwinville Nonop	0.0	0.0	0.4	0.0	884.7	0.0	0.0	0.0	0.0	29.0	0.0	0.0	0.0	0.0	27.2
Magee	277.2	0.0	0.0	0.0	183.7	153.0	0.0	0.0	0.0	0.0	120.5	0.0	0.0	0.0	0.0
Magee Nonop	128.9	0.0	0.0	0.0	58.9	19.3	0.0	0.0	0.0	0.0	14.5	0.0	0.0	0.0	0.0
Maple Branch	34.4	0.0	0.0	0.0	213.6	34.2	0.0	0.0	0.0	0.0	26.1	0.0	0.0	0.0	0.0
McKinley Creek	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mechanicsburg	49.9	0.0	474.0	0.0	32,756.6	49.7	0.0	472.2	270.6	26,796.4	40.3	0.0	384.6	220.3	21,816.5
Mississippi Nonop	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mississippi Other	0.0	0.0	26.8	0.0	3,115.8	0.0	0.0	25.2	0.0	2,522.6	0.0	0.0	20.4	0.0	2,037.4
Mount Olive, East	0.0	0.0	31.5	0.0	8,040.4	0.0	0.0	30.2	0.0	7,677.9	0.0	0.0	22.9	0.0	5,827.0
Williamsburg South	0.0	0.0	110.9	0.0	9,754.9	0.0	0.0	105.0	0.0	8,690.0	0.0	0.0	80.0	0.0	6,612.5
Var Mississippi	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	6,447.0	0.0	684.7	0.0	82,111.1	291.9	0.0	669.3	274.4	62,427.5	228.7	0.0	536.4	223.2	49,353.8

	Company Revenue											Future Net Revenue Before Income Taxes (USM$)	
Field	Light/Medium Oil (USM$)	Heavy Oil (USM$)	Condensate (USM$)	NGL (USM$)	Conventional Natural Gas (USM$)	Crown/CGA Royalties (USM$)	Burden and NPI (USM$)	Property and Mineral Taxes (USM$)	Capital Costs (USM$)	Abandonment Costs (USM$)	Operating Costs (USM$)	Discounted at 0%	Discounted at 10%
Brooklyn	1,973.6	0.0	0.0	22.8	53.1	0.0	478.5	157.3	0.0	3.5	408.4	1,001.8	735.2
Gentry Creek	0.0	0.0	0.2	0.0	350.8	0.0	72.5	27.8	0.0	110.3	209.1	(68.8)	(31.2)
Greens Creek	0.0	0.0	1,164.8	0.0	9,317.9	0.0	2,427.0	496.2	23.9	45.8	4,577.8	2,911.9	2,057.4
Gwinville	0.0	0.0	1,036.8	0.0	45,302.6	0.0	10,076.6	2,228.8	5,417.4	1,167.0	15,559.6	11,889.9	4,953.5
Gwinville Nonop	0.0	0.0	0.0	0.0	85.0	0.0	4.3	5.0	0.0	5.1	37.8	32.8	21.0
Magee	10,262.3	0.0	0.0	0.0	0.0	0.0	2,198.8	489.1	143.9	5.4	2,979.2	4,445.9	1,930.5
Magee Nonop	1,067.5	0.0	0.0	0.0	0.0	0.0	266.9	48.7	45.5	7.3	219.7	479.4	408.4
Maple Branch	1,930.0	0.0	0.0	0.0	0.0	0.0	460.6	89.3	0.0	27.5	1,038.8	313.8	255.5
McKinley Creek	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mechanicsburg	3,389.1	0.0	28,403.3	8,168.0	82,398.0	0.0	22,744.7	6,152.6	20,179.5	535.7	29,744.5	43,001.3	19,122.5
Mississippi Nonop	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mississippi Other	0.0	0.0	1,562.4	0.0	8,106.4	0.0	1,844.9	480.5	122.2	51.4	4,169.9	2,999.8	1,734.3
Mount Olive, East	0.0	0.0	1,736.1	0.0	21,100.8	0.0	5,505.0	1,070.1	0.0	98.0	4,865.8	11,298.1	8,207.3
Williamsburg South	0.0	0.0	6,756.9	0.0	28,618.7	0.0	8,467.3	1,651.1	2,639.1	508.8	10,093.3	12,016.0	6,226.9
Var Mississippi	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,892.6	0.0	(1,892.6)	(798.6)
Total	18,622.5	0.0	40,660.5	8,190.8	195,333.3	0.0	54,547.0	12,896.5	28,571.6	4,458.4	73,904.1	88,429.5	44,822.6

Totals may not add because of rounding.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 7

REVENUE, TAXES, AND COSTS (USM$) - BASE CASE
SOUTHERN ENERGY CORP. INTEREST
ALABAMA AND MISSISSIPPI
AS OF APRIL 1, 2021

Category	Company Gross Revenue	Burden and NPI	Property and Mineral Taxes	Capital Costs	Abandonment Costs	Operating Costs
Proved Developed Producing	106,618.9	22,543.6	5,220.4	0.0	3,624.9	40,996.6
Proved Developed Non-Producing	53,585.5	12,101.6	2,546.4	8,469.7	608.2	14,664.4
Proved Undeveloped	69,940.7	12,924.5	3,524.3	19,845.1	160.8	9,045.8
Total Proved	230,145.2	47,569.6	11,291.1	28,314.8	4,393.9	64,706.8
Probable	32,662.0	6,977.4	1,605.4	256.9	64.5	9,197.3
Proved + Probable	262,807.2	54,547.0	12,896.5	28,571.6	4,458.4	73,904.1

	Future Net Revenue Before United States Federal Income Taxes						Future Net Revenue After United States Federal Income Taxes				
Category	Discounted at 0%	Discounted at 5%	Discounted at 10%	Discounted at 15%	Discounted at 20%	United States Federal Income Taxes[1]	Discounted at 0%	Discounted at 5%	Discounted at 10%	Discounted at 15%	Discounted at 20%
Proved Developed Producing	34,233.5	26,867.1	22,317.8	19,235.7	17,006.2	0.0	34,233.5	26,867.1	22,317.8	19,235.7	17,006.2
Proved Developed Non-Producing	15,195.3	9,283.0	6,579.5	4,954.9	3,859.7	2,746.4	12,449.0	7,605.2	5,390.3	4,059.4	3,162.1
Proved Undeveloped	24,440.2	15,633.1	10,047.1	6,386.2	3,920.5	4,090.6	20,349.6	13,016.6	8,365.5	5,317.3	3,264.3
Total Proved	73,869.0	51,783.3	38,944.3	30,576.9	24,786.4	6,836.9	67,032.1	47,489.0	36,073.6	28,612.5	23,432.6
Probable	14,560.5	8,820.0	5,878.3	4,233.0	3,239.4	3,044.2	11,516.3	6,975.9	4,649.3	3,348.0	2,562.1
Proved + Probable	88,429.5	60,603.2	44,822.6	34,809.9	28,025.7	9,881.2	78,548.4	54,464.9	40,722.9	31,960.5	25,994.7

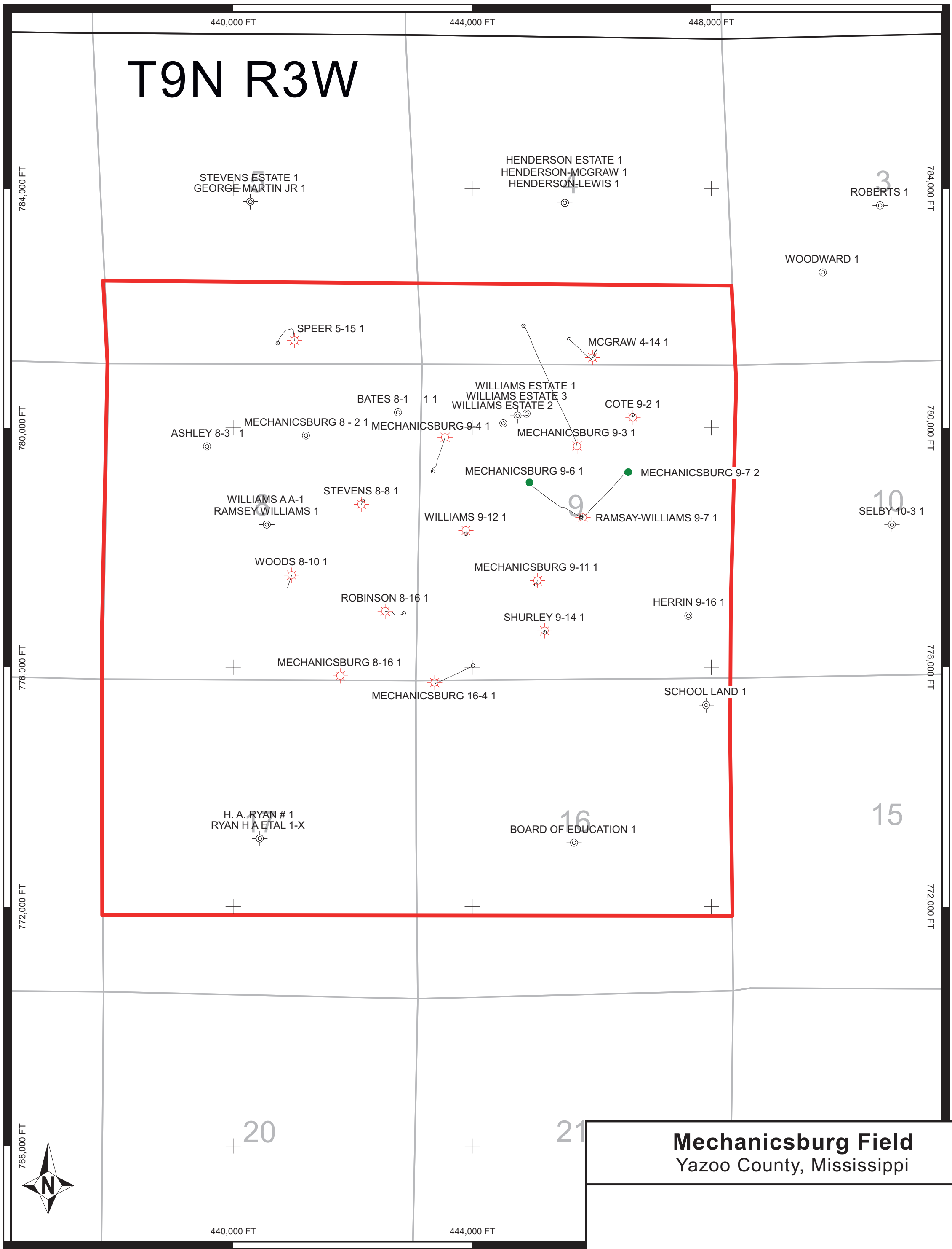
Totals may not add because of rounding.

[1] The estimated tax rate applied to taxable income is 21 percent. These estimates are a simplification of current tax law and were not prepared by a tax accountant or lawyer.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 8

NETHERLAND, SEWELL & ASSOCIATES, INC.



Mechanicsburg Field
Yazoo County, Mississippi

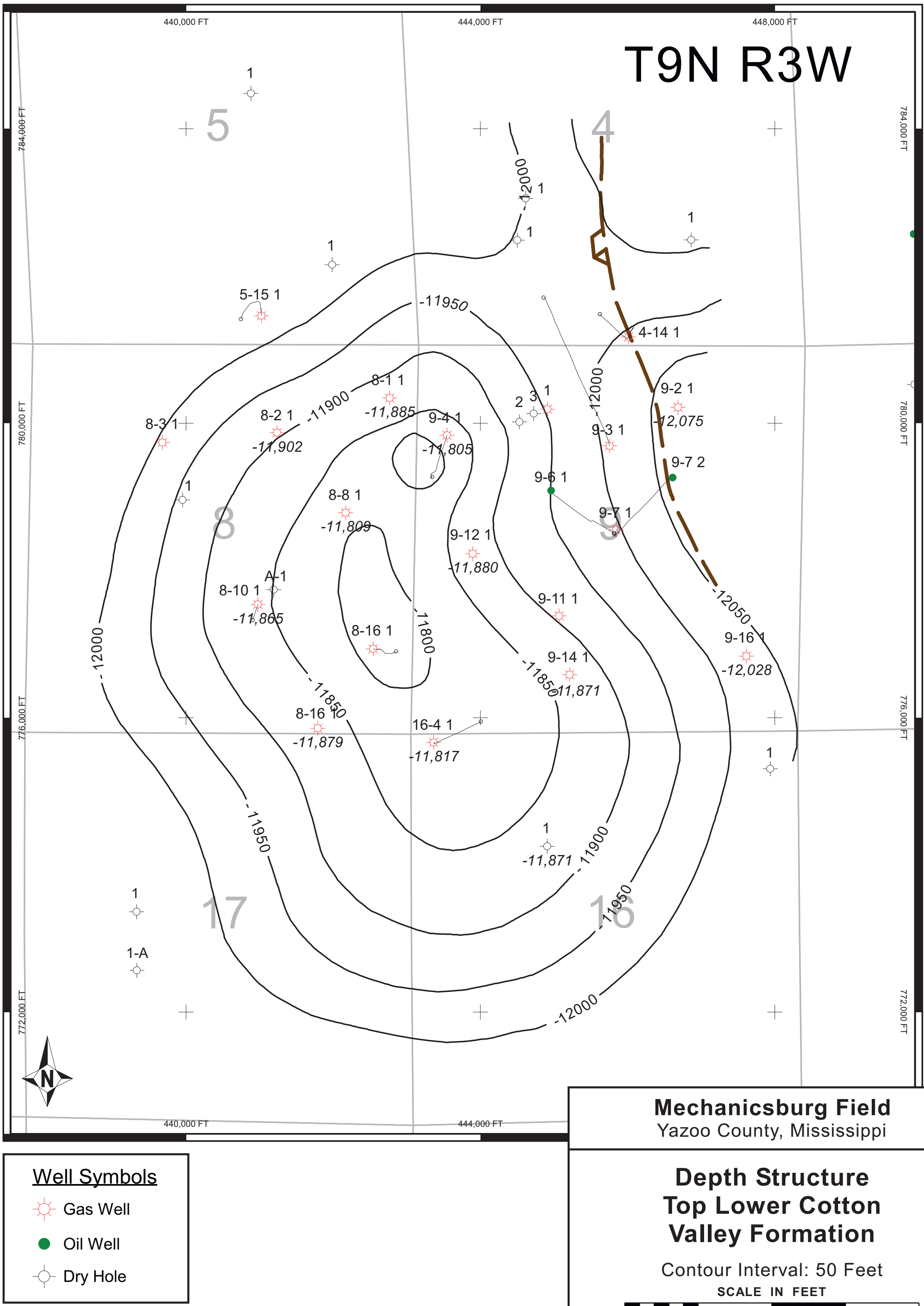
Leasehold Map

SCALE IN FEET
0 1,250 2,500 5,000

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 9

NETHERLAND, SEWELL & ASSOCIATES, INC.



Mechanicsburg Field
Yazoo County, Mississippi

Depth Structure
Top Lower Cotton
Valley Formation

Contour Interval: 50 Feet

SCALE IN FEET

0 1,000 2,000 4,000

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 10

NSAI NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SOUTHERN ENERGY CORP. INTEREST

TOTAL PROVED RESERVES

SUMMARY - CERTAIN PROPERTIES
MECHANICSBURG FIELD
YAZOO COUNTY, MISSISSIPPI

PERIOD ENDING M-D-Y	GROSS (100 PERCENT) RESERVES L/M OIL Mbbl	HVY OIL Mbbl	COND Mbbl	NGL Mbbl	NAT GAS MMcf	COMPANY GROSS RESERVES L/M OIL Mbbl	HVY OIL Mbbl	COND Mbbl	NGL Mbbl	NAT GAS MMcf	COMPANY NET RESERVES L/M OIL Mbbl	HVY OIL Mbbl	COND Mbbl	NGL Mbbl	NAT GAS MMcf	AVERAGE PRICES L/M OIL US$/bbl	HVY OIL US$/bbl	COND US$/bbl	NGL US$/bbl	NAT GAS US$/Mcf
12-31-2021	0.0	0.0	8.8	0.0	769.1	0.0	0.0	8.7	6.3	625.6	0.0	0.0	7.0	5.1	508.5	0.00	0.00	57.61	28.80	2.594
12-31-2022	0.0	0.0	17.4	0.0	1,411.3	0.0	0.0	17.2	11.6	1,149.6	0.0	0.0	14.0	9.4	935.0	0.00	0.00	55.83	27.93	2.704
12-31-2023	0.0	0.0	63.6	0.0	4,225.8	0.0	0.0	63.4	35.0	3,464.1	0.0	0.0	51.7	28.5	2,822.0	0.00	0.00	54.38	27.23	2.764
12-31-2024	0.0	0.0	65.4	0.0	4,334.0	0.0	0.0	65.3	35.9	3,553.8	0.0	0.0	53.2	29.2	2,895.3	0.00	0.00	55.50	27.77	2.834
12-31-2025	0.0	0.0	44.7	0.0	3,037.4	0.0	0.0	44.6	25.1	2,488.6	0.0	0.0	36.3	20.5	2,027.1	0.00	0.00	56.65	28.33	2.894
12-31-2026	0.0	0.0	35.7	0.0	2,466.5	0.0	0.0	35.6	20.4	2,019.6	0.0	0.0	29.0	16.6	1,644.7	0.00	0.00	57.81	28.89	2.954
12-31-2027	0.0	0.0	30.0	0.0	2,092.2	0.0	0.0	29.9	17.3	1,712.8	0.0	0.0	24.4	14.1	1,394.9	0.00	0.00	59.01	29.48	3.014
12-31-2028	0.0	0.0	26.3	0.0	1,846.3	0.0	0.0	26.2	15.3	1,511.2	0.0	0.0	21.3	12.4	1,230.6	0.00	0.00	60.22	30.06	3.084
12-31-2029	0.0	0.0	23.5	0.0	1,665.4	0.0	0.0	23.5	13.8	1,362.9	0.0	0.0	19.1	11.2	1,109.8	0.00	0.00	61.45	30.66	3.144
12-31-2030	3.6	0.0	21.3	0.0	1,533.3	3.6	0.0	21.2	12.7	1,254.7	2.9	0.0	17.3	10.3	1,021.6	62.72	0.00	62.72	31.28	3.204
12-31-2031	16.4	0.0	19.2	0.0	1,459.0	16.3	0.0	19.2	12.1	1,194.0	13.2	0.0	15.6	9.8	972.1	64.01	0.00	64.01	31.90	3.271
12-31-2032	9.8	0.0	17.6	0.0	1,306.7	9.8	0.0	17.6	10.8	1,069.3	7.9	0.0	14.3	8.8	870.6	65.32	0.00	65.32	32.54	3.340
12-31-2033	3.4	0.0	16.3	0.0	1,180.8	3.4	0.0	16.3	9.8	966.2	2.8	0.0	13.3	7.9	786.7	66.66	0.00	66.66	33.19	3.410
12-31-2034	0.0	0.0	13.0	0.0	933.3	0.0	0.0	13.0	7.7	763.1	0.0	0.0	10.6	6.3	621.3	0.00	0.00	68.03	33.86	3.481
12-31-2035	0.0	0.0	3.3	0.0	326.7	0.0	0.0	3.3	2.7	264.7	0.0	0.0	2.7	2.2	215.1	0.00	0.00	69.42	34.53	3.554
SUBTOTAL	33.3	0.0	406.1	0.0	28,587.9	33.1	0.0	404.9	236.3	23,400.3	26.9	0.0	329.8	192.4	19,055.3	64.53	0.00	58.79	29.44	2.993
REMAINING	0.0	0.0	12.7	0.0	1,400.0	0.0	0.0	12.5	11.4	1,132.8	0.0	0.0	10.2	9.3	919.2	0.00	0.00	75.68	37.59	3.882
TOTAL	33.3	0.0	418.9	0.0	29,987.9	33.1	0.0	417.5	247.7	24,533.0	26.9	0.0	340.0	201.7	19,974.5	64.53	0.00	59.30	29.81	3.034
CUM PROD	0.0	0.0	561.8	0.0	32,919.5															
ULTIMATE	33.3	0.0	980.7	0.0	62,907.4															

PERIOD ENDING M-D-Y	NUMBER OF ACTIVE COMPLETIONS 100%	CO GRS	COMPANY GROSS EQUIV BOE/d	COMPANY GROSS REVENUE L/M OIL USM$	HVY OIL USM$	COND USM$	NGL USM$	NAT GAS USM$	NET DEDUCTIONS/EXPENDITURES CRN/CGA ROYALTIES USM$	BURDEN AND NPI USM$	PROP AND MIN TAXES USM$	COSTS CAPITAL USM$	ABAND USM$	OPER EXPENSE USM$	FUTURE NET REVENUE BEFORE INCOME TAXES UNDISC PERIOD USM$	DISC @ 10.000% CUM USM$
12-31-2021	13	12.86	435	0.0	0.0	499.2	181.9	1,622.7	0.0	431.1	116.3	220.6	0.0	775.1	760.6	738.1
12-31-2022	15	14.86	604	0.0	0.0	961.6	324.2	3,108.5	0.0	820.1	221.8	6,528.0	0.0	1,269.9	-4,445.4	-3,050.9
12-31-2023	18	17.86	1,851	0.0	0.0	3,449.4	952.3	9,574.8	0.0	2,590.0	705.8	13,317.1	0.0	2,242.3	-4,878.8	-6,969.8
12-31-2024	18	17.86	1,895	0.0	0.0	3,624.1	996.5	10,071.4	0.0	2,721.8	741.4	0.0	21.1	2,363.8	8,843.9	-450.5
12-31-2025	17	16.86	1,327	0.0	0.0	2,526.9	711.9	7,202.1	0.0	1,935.8	526.5	0.0	0.0	1,934.5	6,044.2	3,591.5
12-31-2026	17	16.86	1,076	0.0	0.0	2,056.2	589.2	5,965.9	0.0	1,597.9	433.9	0.0	21.9	1,772.4	4,785.1	6,498.6
12-31-2027	17	16.86	912	0.0	0.0	1,766.6	509.8	5,162.5	0.0	1,380.6	374.6	0.0	0.0	1,617.8	4,065.9	8,743.4
12-31-2028	16	15.88	801	0.0	0.0	1,577.6	458.8	4,660.6	0.0	1,243.2	337.0	0.0	0.0	1,548.4	3,568.4	10,534.1
12-31-2029	16	15.88	724	0.0	0.0	1,441.8	422.0	4,285.0	0.0	1,141.6	309.3	0.0	22.8	1,511.2	3,163.8	11,976.9
12-31-2030	16	15.88	676	227.4	0.0	1,331.0	396.3	4,020.1	0.0	1,110.0	300.1	109.4	0.0	1,484.3	2,970.8	13,206.8
12-31-2031	16	15.89	676	1,044.4	0.0	1,228.2	384.7	3,905.9	0.0	1,221.6	328.8	0.0	0.0	1,488.8	3,524.0	14,536.2
12-31-2032	16	15.89	591	639.5	0.0	1,149.0	351.4	3,571.2	0.0	1,062.3	286.2	0.0	0.0	1,408.3	2,954.3	15,549.0
12-31-2033	15	14.89	522	227.1	0.0	1,086.6	323.8	3,294.4	0.0	916.5	247.3	0.0	0.0	1,324.6	2,443.5	16,311.3
12-31-2034	14	13.90	405	0.0	0.0	881.8	260.9	2,656.3	0.0	705.8	190.5	0.0	25.7	1,066.4	1,810.5	16,826.9
12-31-2035	7	6.90	137	0.0	0.0	226.8	92.3	940.8	0.0	236.3	63.1	0.0	26.1	607.1	327.4	16,912.1
SUBTOTAL				2,138.4	0.0	23,806.7	6,955.8	70,042.1	0.0	19,114.5	5,182.6	20,175.1	117.5	22,414.9	35,938.2	16,912.1
REMAINING				0.0	0.0	949.6	429.9	4,397.2	0.0	1,089.1	288.3	0.0	396.3	3,567.9	435.1	16,999.4
TOTAL OF 24.8 YRS				2,138.4	0.0	24,756.3	7,385.7	74,439.3	0.0	20,203.6	5,471.0	20,175.1	513.9	25,982.8	36,373.2	16,999.4

PRESENT WORTH PROFILE

DISC RATE %	CUM PW USM$
5.000	24,497.0
10.000	16,999.4
15.000	12,079.1
20.000	8,740.8
25.000	6,411.1
30.000	4,746.0
35.000	3,532.0
40.000	2,631.9
45.000	1,955.3
50.000	1,441.0

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 11

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SOUTHERN ENERGY CORP. INTEREST

PROVED DEVELOPED PRODUCING RESERVES

SUMMARY - CERTAIN PROPERTIES
MECHANICSBURG FIELD
YAZOO COUNTY, MISSISSIPPI

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	0.0	0.0	8.3	0.0	724.0	0.0	0.0	8.2	5.9	588.9	0.0	0.0	6.7	4.8	478.6	0.00	0.00	57.61	28.80	2.594
12-31-2022	0.0	0.0	9.7	0.0	873.3	0.0	0.0	9.6	7.2	710.1	0.0	0.0	7.8	5.8	577.2	0.00	0.00	55.83	27.93	2.704
12-31-2023	0.0	0.0	7.9	0.0	768.2	0.0	0.0	7.9	6.3	624.3	0.0	0.0	6.4	5.1	507.4	0.00	0.00	54.38	27.23	2.764
12-31-2024	0.0	0.0	7.0	0.0	687.9	0.0	0.0	6.9	5.6	558.8	0.0	0.0	5.6	4.6	454.1	0.00	0.00	55.50	27.77	2.834
12-31-2025	0.0	0.0	6.2	0.0	620.5	0.0	0.0	6.1	5.1	503.9	0.0	0.0	5.0	4.1	409.5	0.00	0.00	56.65	28.33	2.894
12-31-2026	0.0	0.0	5.7	0.0	577.2	0.0	0.0	5.6	4.7	468.6	0.0	0.0	4.6	3.8	380.8	0.00	0.00	57.81	28.89	2.954
12-31-2027	0.0	0.0	5.0	0.0	512.2	0.0	0.0	5.0	4.2	416.0	0.0	0.0	4.0	3.4	338.1	0.00	0.00	59.01	29.48	3.014
12-31-2028	0.0	0.0	4.6	0.0	474.4	0.0	0.0	4.6	3.9	385.3	0.0	0.0	3.7	3.2	313.1	0.00	0.00	60.22	30.06	3.084
12-31-2029	0.0	0.0	4.3	0.0	445.2	0.0	0.0	4.3	3.7	361.6	0.0	0.0	3.5	3.0	293.8	0.00	0.00	61.45	30.66	3.144
12-31-2030	0.0	0.0	3.9	0.0	411.3	0.0	0.0	3.9	3.4	334.1	0.0	0.0	3.2	2.7	271.5	0.00	0.00	62.72	31.28	3.204
12-31-2031	0.0	0.0	3.4	0.0	366.2	0.0	0.0	3.3	3.0	297.6	0.0	0.0	2.7	2.4	241.8	0.00	0.00	64.01	31.90	3.271
12-31-2032	0.0	0.0	3.0	0.0	323.1	0.0	0.0	2.9	2.6	262.4	0.0	0.0	2.4	2.2	213.2	0.00	0.00	65.32	32.54	3.340
12-31-2033	0.0	0.0	2.7	0.0	293.5	0.0	0.0	2.7	2.4	238.3	0.0	0.0	2.2	2.0	193.6	0.00	0.00	66.66	33.19	3.410
12-31-2034	0.0	0.0	2.1	0.0	233.6	0.0	0.0	2.1	1.9	189.1	0.0	0.0	1.7	1.6	153.6	0.00	0.00	68.03	33.86	3.481
12-31-2035	0.0	0.0	1.8	0.0	203.1	0.0	0.0	1.7	1.7	164.3	0.0	0.0	1.4	1.3	133.4	0.00	0.00	69.42	34.53	3.554
SUBTOTAL	0.0	0.0	75.7	0.0	7,513.7	0.0	0.0	74.8	61.6	6,103.4	0.0	0.0	60.8	50.1	4,959.9	0.00	0.00	58.99	29.58	2.974
REMAINING	0.0	0.0	10.3	0.0	1,177.6	0.0	0.0	10.1	9.6	954.7	0.0	0.0	8.2	7.8	775.1	0.00	0.00	76.01	37.72	3.896
TOTAL	0.0	0.0	86.0	0.0	8,691.3	0.0	0.0	85.0	71.3	7,058.1	0.0	0.0	69.0	57.9	5,734.9	0.00	0.00	61.02	30.68	3.099
CUM PROD	0.0	0.0	468.5	0.0	26,687.9															
ULTIMATE	0.0	0.0	554.4	0.0	35,379.2															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
									CRN/CGA	BURDEN	PROP AND	COSTS		OPER	UNDISC	DISC @ 10.000%
ENDING			EQUIV	L/M OIL	HVY OIL	COND	NGL	NAT GAS	ROYALTIES	AND NPI	MIN TAXES	CAPITAL	ABAND	EXPENSE	PERIOD	CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	11	10.89	410	0.0	0.0	475.1	171.2	1,527.5	0.0	406.8	109.8	0.0	0.0	729.6	927.6	896.0
12-31-2022	11	10.89	370	0.0	0.0	538.5	200.3	1,920.2	0.0	497.7	134.2	0.0	0.0	958.8	1,068.3	1,846.1
12-31-2023	10	9.89	324	0.0	0.0	427.3	171.6	1,725.7	0.0	435.4	117.3	0.0	0.0	875.4	896.5	2,570.8
12-31-2024	10	9.89	289	0.0	0.0	381.7	156.7	1,583.7	0.0	397.6	107.0	0.0	21.1	831.2	765.3	3,133.9
12-31-2025	9	8.89	261	0.0	0.0	346.6	144.1	1,458.3	0.0	365.3	98.2	0.0	0.0	789.9	695.6	3,598.5
12-31-2026	9	8.89	242	0.0	0.0	324.9	136.7	1,384.3	0.0	346.0	92.9	0.0	21.9	789.2	595.9	3,960.3
12-31-2027	9	8.89	215	0.0	0.0	293.6	123.8	1,253.9	0.0	313.2	84.1	0.0	0.0	725.0	549.0	4,263.3
12-31-2028	8	7.91	199	0.0	0.0	275.7	117.0	1,188.4	0.0	296.3	79.5	0.0	0.0	713.5	491.8	4,510.1
12-31-2029	8	7.91	187	0.0	0.0	262.5	111.9	1,136.8	0.0	283.2	76.0	0.0	22.8	716.0	413.2	4,698.3
12-31-2030	8	7.91	172	0.0	0.0	243.8	105.5	1,070.4	0.0	266.0	71.3	0.0	0.0	699.1	383.3	4,857.3
12-31-2031	7	6.93	153	0.0	0.0	213.2	95.9	973.4	0.0	240.2	64.4	0.0	0.0	641.1	336.8	4,984.2
12-31-2032	7	6.93	135	0.0	0.0	192.3	86.2	876.3	0.0	216.5	57.9	0.0	0.0	586.7	293.7	5,084.9
12-31-2033	6	5.93	123	0.0	0.0	177.8	79.9	812.4	0.0	200.7	53.6	0.0	0.0	560.7	254.9	5,164.4
12-31-2034	6	5.93	97	0.0	0.0	140.7	64.7	658.4	0.0	162.2	43.3	0.0	25.7	438.5	194.0	5,219.2
12-31-2035	4	3.93	84	0.0	0.0	120.9	57.3	583.7	0.0	143.1	38.1	0.0	0.0	388.9	191.7	5,268.6
SUBTOTAL				0.0	0.0	4,414.6	1,822.8	18,153.6	0.0	4,570.5	1,227.6	0.0	91.5	10,443.6	8,057.8	5,268.6
REMAINING				0.0	0.0	771.2	363.6	3,719.2	0.0	913.3	242.4	0.0	178.6	2,965.1	554.5	5,380.8
TOTAL OF 24.8 YRS				0.0	0.0	5,185.8	2,186.4	21,872.7	0.0	5,483.8	1,470.0	0.0	270.0	13,408.7	8,612.4	5,380.8

PRESENT WORTH PROFILE	
DISC RATE	CUM PW
%	USM$
5.000	6,630.7
10.000	5,380.8
15.000	4,539.9
20.000	3,942.6
25.000	3,499.0
30.000	3,157.6
35.000	2,886.9
40.000	2,667.0
45.000	2,484.9
50.000	2,331.5

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

Figure 12

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

PROVED DEVELOPED NON-PRODUCING RESERVES

SOUTHERN ENERGY CORP. INTEREST

SUMMARY - CERTAIN PROPERTIES
MECHANICSBURG FIELD
YAZOO COUNTY, MISSISSIPPI

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	0.0	0.0	0.4	0.0	45.1	0.0	0.0	0.4	0.4	36.7	0.0	0.0	0.3	0.3	29.8	0.00	0.00	57.61	28.80	2.594
12-31-2022	0.0	0.0	2.2	0.0	209.2	0.0	0.0	2.1	1.7	169.2	0.0	0.0	1.7	1.4	137.5	0.00	0.00	55.83	27.93	2.704
12-31-2023	0.0	0.0	1.9	0.0	186.0	0.0	0.0	1.9	1.5	150.5	0.0	0.0	1.5	1.2	122.3	0.00	0.00	54.38	27.23	2.764
12-31-2024	0.0	0.0	1.7	0.0	168.2	0.0	0.0	1.7	1.4	136.1	0.0	0.0	1.3	1.1	110.6	0.00	0.00	55.50	27.77	2.834
12-31-2025	0.0	0.0	1.5	0.0	153.8	0.0	0.0	1.5	1.3	124.4	0.0	0.0	1.2	1.0	101.1	0.00	0.00	56.65	28.33	2.894
12-31-2026	0.0	0.0	1.4	0.0	141.7	0.0	0.0	1.4	1.2	114.4	0.0	0.0	1.1	0.9	92.8	0.00	0.00	57.81	28.89	2.954
12-31-2027	0.0	0.0	1.3	0.0	131.4	0.0	0.0	1.3	1.1	106.1	0.0	0.0	1.0	0.9	86.1	0.00	0.00	59.01	29.48	3.014
12-31-2028	0.0	0.0	1.2	0.0	122.4	0.0	0.0	1.2	1.0	98.8	0.0	0.0	1.0	0.8	80.2	0.00	0.00	60.22	30.06	3.084
12-31-2029	0.0	0.0	1.1	0.0	114.5	0.0	0.0	1.1	0.9	92.4	0.0	0.0	0.9	0.8	75.0	0.00	0.00	61.45	30.66	3.144
12-31-2030	3.6	0.0	1.1	0.0	125.6	3.6	0.0	1.0	1.0	101.6	2.9	0.0	0.8	0.8	82.5	62.72	0.00	62.72	31.28	3.204
12-31-2031	16.4	0.0	1.0	0.0	182.9	16.3	0.0	1.0	1.5	148.5	13.2	0.0	0.8	1.2	120.6	64.01	0.00	64.01	31.90	3.271
12-31-2032	9.8	0.0	0.9	0.0	144.1	9.8	0.0	0.9	1.2	116.8	7.9	0.0	0.7	1.0	94.8	65.32	0.00	65.32	32.54	3.340
12-31-2033	3.4	0.0	0.9	0.0	106.3	3.4	0.0	0.9	0.9	86.0	2.8	0.0	0.7	0.7	69.8	66.66	0.00	66.66	33.19	3.410
12-31-2034	0.0	0.0	0.8	0.0	83.8	0.0	0.0	0.8	0.7	67.7	0.0	0.0	0.7	0.6	54.9	0.00	0.00	68.03	33.86	3.481
12-31-2035	0.0	0.0	0.8	0.0	76.1	0.0	0.0	0.7	0.6	61.4	0.0	0.0	0.6	0.5	49.9	0.00	0.00	69.42	34.53	3.554
SUBTOTAL	33.3	0.0	18.2	0.0	1,991.2	33.1	0.0	17.9	16.3	1,610.7	26.9	0.0	14.5	13.2	1,307.9	64.53	0.00	59.75	30.05	3.052
REMAINING	0.0	0.0	2.5	0.0	222.4	0.0	0.0	2.4	1.8	178.1	0.0	0.0	1.9	1.5	144.1	0.00	0.00	74.28	36.90	3.808
TOTAL	33.3	0.0	20.7	0.0	2,213.6	33.1	0.0	20.3	18.1	1,788.7	26.9	0.0	16.5	14.7	1,452.0	64.53	0.00	61.47	30.73	3.127
CUM PROD	0.0	0.0	93.3	0.0	6,231.5															
ULTIMATE	33.3	0.0	114.0	0.0	8,445.1															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
									CRN/CGA	BURDEN	PROP AND	COSTS		OPER	UNDISC	DISC @ 10.000%
ENDING			EQUIV	L/M OIL	HVY OIL	COND	NGL	NAT GAS	ROYALTIES	AND NPI	MIN TAXES	CAPITAL	ABAND	EXPENSE	PERIOD	CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	2	1.97	25	0.0	0.0	24.0	10.7	95.2	0.0	24.2	6.6	220.6	0.0	45.5	-167.0	-157.9
12-31-2022	2	1.97	88	0.0	0.0	118.4	47.7	457.6	0.0	116.9	31.5	0.0	0.0	198.4	276.9	88.3
12-31-2023	2	1.97	78	0.0	0.0	100.8	41.4	416.0	0.0	104.6	28.2	0.0	0.0	193.1	232.3	276.1
12-31-2024	2	1.97	70	0.0	0.0	92.2	38.2	385.6	0.0	96.7	26.0	0.0	0.0	189.6	203.7	425.8
12-31-2025	2	1.97	64	0.0	0.0	85.7	35.6	360.2	0.0	90.2	24.3	0.0	0.0	187.4	179.6	545.7
12-31-2026	2	1.97	59	0.0	0.0	80.0	33.4	337.9	0.0	85.1	22.7	0.0	0.0	185.5	158.0	641.6
12-31-2027	2	1.97	55	0.0	0.0	75.5	31.6	319.6	0.0	80.5	21.4	0.0	0.0	184.8	140.1	719.0
12-31-2028	2	1.97	51	0.0	0.0	71.6	30.0	304.7	0.0	76.6	20.4	0.0	0.0	184.5	124.8	781.6
12-31-2029	2	1.97	48	0.0	0.0	68.3	28.6	290.5	0.0	73.0	19.4	0.0	0.0	184.7	110.2	831.9
12-31-2030	2	1.97	62	227.4	0.0	65.3	32.1	325.5	0.0	122.4	32.4	109.4	0.0	203.5	182.5	905.6
12-31-2031	3	2.96	119	1,044.4	0.0	62.5	47.9	485.9	0.0	308.7	81.4	0.0	0.0	287.5	963.2	1,269.8
12-31-2032	3	2.96	86	639.5	0.0	59.9	38.4	390.2	0.0	212.3	56.0	0.0	0.0	277.6	582.1	1,470.0
12-31-2033	3	2.96	53	227.1	0.0	57.4	28.8	293.2	0.0	114.2	30.2	0.0	0.0	232.3	229.9	1,542.8
12-31-2034	2	1.97	35	0.0	0.0	55.0	23.1	235.6	0.0	59.1	15.7	0.0	0.0	188.8	50.1	1,557.0
12-31-2035	2	1.97	32	0.0	0.0	51.3	21.4	218.3	0.0	54.9	14.6	0.0	26.1	182.5	13.0	1,560.4
SUBTOTAL				2,138.4	0.0	1,068.0	488.8	4,916.0	0.0	1,619.5	430.7	330.0	26.1	2,925.6	3,279.3	1,560.4
REMAINING				0.0	0.0	178.4	66.3	678.0	0.0	175.8	45.9	0.0	57.0	602.8	41.4	1,571.6
TOTAL OF 20.8 YRS				2,138.4	0.0	1,246.5	555.1	5,594.1	0.0	1,795.3	476.7	330.0	83.0	3,528.3	3,320.7	1,571.6

PRESENT WORTH PROFILE	
DISC RATE %	CUM PW USM$
5.000	2,233.1
10.000	1,571.6
15.000	1,153.0
20.000	877.8
25.000	690.0
30.000	557.4
35.000	460.7
40.000	388.1
45.000	332.0
50.000	287.8

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 13

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SOUTHERN ENERGY CORP. INTEREST

PROVED UNDEVELOPED RESERVES

SUMMARY - CERTAIN PROPERTIES
MECHANICSBURG FIELD
YAZOO COUNTY, MISSISSIPPI

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00	0.000
12-31-2022	0.0	0.0	5.5	0.0	328.8	0.0	0.0	5.5	2.7	270.2	0.0	0.0	4.4	2.2	220.3	0.00	0.00	55.83	27.93	2.704
12-31-2023	0.0	0.0	53.7	0.0	3,271.6	0.0	0.0	53.7	27.2	2,689.3	0.0	0.0	43.8	22.1	2,192.3	0.00	0.00	54.38	27.23	2.764
12-31-2024	0.0	0.0	56.8	0.0	3,477.9	0.0	0.0	56.8	28.9	2,858.9	0.0	0.0	46.3	23.5	2,330.6	0.00	0.00	55.50	27.77	2.834
12-31-2025	0.0	0.0	37.0	0.0	2,263.1	0.0	0.0	37.0	18.8	1,860.3	0.0	0.0	30.1	15.3	1,516.5	0.00	0.00	56.65	28.33	2.894
12-31-2026	0.0	0.0	28.6	0.0	1,747.7	0.0	0.0	28.6	14.5	1,436.6	0.0	0.0	23.3	11.8	1,171.1	0.00	0.00	57.81	28.89	2.954
12-31-2027	0.0	0.0	23.7	0.0	1,448.6	0.0	0.0	23.7	12.0	1,190.8	0.0	0.0	19.3	9.8	970.7	0.00	0.00	59.01	29.48	3.014
12-31-2028	0.0	0.0	20.4	0.0	1,249.5	0.0	0.0	20.4	10.4	1,027.1	0.0	0.0	16.7	8.5	837.3	0.00	0.00	60.22	30.06	3.084
12-31-2029	0.0	0.0	18.1	0.0	1,105.8	0.0	0.0	18.1	9.2	908.9	0.0	0.0	14.7	7.5	741.0	0.00	0.00	61.45	30.66	3.144
12-31-2030	0.0	0.0	16.3	0.0	996.4	0.0	0.0	16.3	8.3	819.0	0.0	0.0	13.3	6.7	667.7	0.00	0.00	62.72	31.28	3.204
12-31-2031	0.0	0.0	14.9	0.0	909.9	0.0	0.0	14.9	7.6	747.9	0.0	0.0	12.1	6.2	609.7	0.00	0.00	64.01	31.90	3.271
12-31-2032	0.0	0.0	13.7	0.0	839.5	0.0	0.0	13.7	7.0	690.1	0.0	0.0	11.2	5.7	562.5	0.00	0.00	65.32	32.54	3.340
12-31-2033	0.0	0.0	12.8	0.0	780.9	0.0	0.0	12.8	6.5	641.9	0.0	0.0	10.4	5.3	523.3	0.00	0.00	66.66	33.19	3.410
12-31-2034	0.0	0.0	10.1	0.0	615.9	0.0	0.0	10.1	5.1	506.3	0.0	0.0	8.2	4.2	412.7	0.00	0.00	68.03	33.86	3.481
12-31-2035	0.0	0.0	0.8	0.0	47.5	0.0	0.0	0.8	0.4	39.0	0.0	0.0	0.6	0.3	31.8	0.00	0.00	69.42	34.53	3.554
SUBTOTAL	0.0	0.0	312.2	0.0	19,083.0	0.0	0.0	312.2	158.4	15,686.2	0.0	0.0	254.5	129.1	12,787.5	0.00	0.00	58.69	29.32	2.994
REMAINING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00	0.000
TOTAL	0.0	0.0	312.2	0.0	19,083.0	0.0	0.0	312.2	158.4	15,686.2	0.0	0.0	254.5	129.1	12,787.5	0.00	0.00	58.69	29.32	2.994
CUM PROD	0.0	0.0	0.0	0.0	0.0															
ULTIMATE	0.0	0.0	312.2	0.0	19,083.0															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
ENDING			EQUIV	L/M OIL	HVY OIL	COND	NGL	NAT GAS	CRN/CGA ROYALTIES	BURDEN AND NPI	PROP AND MIN TAXES	COSTS CAPITAL	COSTS ABAND	OPER EXPENSE	UNDISC PERIOD	DISC @ 10.000% CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	0	0.00	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12-31-2022	2	2.00	146	0.0	0.0	304.7	76.2	730.7	0.0	205.4	56.2	6,528.0	0.0	112.6	-5,790.6	-4,985.3
12-31-2023	6	6.00	1,450	0.0	0.0	2,921.3	739.3	7,433.1	0.0	2,050.0	560.3	13,317.1	0.0	1,173.9	-6,007.7	-9,816.7
12-31-2024	6	6.00	1,536	0.0	0.0	3,150.1	801.6	8,102.0	0.0	2,227.4	608.4	0.0	0.0	1,343.0	7,874.9	-4,010.1
12-31-2025	6	6.00	1,002	0.0	0.0	2,094.6	532.1	5,383.7	0.0	1,480.3	404.1	0.0	0.0	957.2	5,168.9	-552.7
12-31-2026	6	6.00	774	0.0	0.0	1,651.3	419.1	4,243.7	0.0	1,166.8	318.3	0.0	0.0	797.8	4,031.2	1,896.6
12-31-2027	6	6.00	642	0.0	0.0	1,397.5	354.4	3,588.9	0.0	986.9	269.1	0.0	0.0	708.0	3,376.8	3,761.1
12-31-2028	6	6.00	552	0.0	0.0	1,230.2	311.8	3,167.5	0.0	870.3	237.1	0.0	0.0	650.4	2,951.7	5,242.4
12-31-2029	6	6.00	490	0.0	0.0	1,111.1	281.4	2,857.7	0.0	785.4	213.9	0.0	0.0	610.5	2,640.4	6,446.7
12-31-2030	6	6.00	441	0.0	0.0	1,021.9	258.7	2,624.1	0.0	721.6	196.4	0.0	0.0	581.7	2,405.1	7,443.9
12-31-2031	6	6.00	403	0.0	0.0	952.4	240.9	2,446.6	0.0	672.6	183.0	0.0	0.0	560.3	2,224.1	8,282.1
12-31-2032	6	6.00	371	0.0	0.0	896.8	226.7	2,304.6	0.0	633.5	172.2	0.0	0.0	544.0	2,078.4	8,994.2
12-31-2033	6	6.00	346	0.0	0.0	851.3	215.1	2,188.7	0.0	601.5	163.4	0.0	0.0	531.6	1,958.7	9,604.2
12-31-2034	6	6.00	273	0.0	0.0	686.1	173.1	1,762.3	0.0	484.4	131.6	0.0	0.0	439.0	1,566.5	10,050.7
12-31-2035	1	1.00	21	0.0	0.0	54.7	13.6	138.7	0.0	38.3	10.4	0.0	0.0	35.7	122.7	10,083.2
SUBTOTAL				0.0	0.0	18,324.1	4,644.2	46,972.5	0.0	12,924.5	3,524.3	19,845.1	0.0	9,045.8	24,601.0	10,083.2
REMAINING				0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	160.8	0.0	-160.8	10,047.1
TOTAL OF 14.2 YRS				0.0	0.0	18,324.1	4,644.2	46,972.5	0.0	12,924.5	3,524.3	19,845.1	160.8	9,045.8	24,440.2	10,047.1

PRESENT WORTH PROFILE

DISC RATE %	CUM PW USM$
5.000	15,633.1
10.000	10,047.1
15.000	6,386.2
20.000	3,920.5
25.000	2,222.1
30.000	1,031.0
35.000	184.4
40.000	-423.2
45.000	-861.6
50.000	-1,178.2

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 14

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

PROBABLE RESERVES

SOUTHERN ENERGY CORP. INTEREST

SUMMARY - CERTAIN PROPERTIES
MECHANICSBURG FIELD
YAZOO COUNTY, MISSISSIPPI

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	0.0	0.0	1.0	0.0	26.7	0.0	0.0	1.0	0.2	21.7	0.0	0.0	0.8	0.2	17.6	0.00	0.00	57.61	28.80	2.594
12-31-2022	0.0	0.0	1.7	0.0	44.8	0.0	0.0	1.7	0.4	36.5	0.0	0.0	1.4	0.3	29.7	0.00	0.00	55.83	27.93	2.704
12-31-2023	0.0	0.0	2.5	0.0	72.0	0.0	0.0	2.5	0.6	58.8	0.0	0.0	2.1	0.5	47.9	0.00	0.00	54.38	27.23	2.764
12-31-2024	0.0	0.0	2.3	0.0	75.6	0.0	0.0	2.3	0.6	61.8	0.0	0.0	1.9	0.5	50.2	0.00	0.00	55.50	27.77	2.834
12-31-2025	0.0	0.0	2.1	0.0	81.1	0.0	0.0	2.1	0.7	66.1	0.0	0.0	1.7	0.5	53.8	0.00	0.00	56.65	28.33	2.894
12-31-2026	0.0	0.0	1.9	0.0	63.4	0.0	0.0	1.9	0.5	51.7	0.0	0.0	1.5	0.4	42.0	0.00	0.00	57.81	28.89	2.954
12-31-2027	0.0	0.0	1.9	0.0	73.6	0.0	0.0	1.9	0.6	59.6	0.0	0.0	1.5	0.5	48.4	0.00	0.00	59.01	29.48	3.014
12-31-2028	0.0	0.0	1.9	0.0	75.6	0.0	0.0	1.9	0.6	61.3	0.0	0.0	1.5	0.5	49.8	0.00	0.00	60.22	30.06	3.084
12-31-2029	0.0	0.0	1.8	0.0	72.0	0.0	0.0	1.8	0.6	58.3	0.0	0.0	1.5	0.5	47.4	0.00	0.00	61.45	30.66	3.144
12-31-2030	-3.6	0.0	1.5	0.0	30.2	-3.6	0.0	1.5	0.2	24.4	-2.9	0.0	1.2	0.2	19.9	0.00	0.00	62.72	31.28	3.204
12-31-2031	-16.4	0.0	1.7	0.0	-18.4	-16.3	0.0	1.7	-0.2	-15.5	-13.2	0.0	1.4	-0.1	-12.6	0.00	0.00	64.01	0.00	0.000
12-31-2032	-9.8	0.0	1.8	0.0	29.4	-9.8	0.0	1.7	0.2	23.7	-7.9	0.0	1.4	0.2	19.3	0.00	0.00	65.32	32.54	3.340
12-31-2033	15.8	0.0	1.4	0.0	138.3	15.7	0.0	1.4	1.1	113.1	12.7	0.0	1.1	0.9	92.0	66.66	0.00	66.66	33.19	3.410
12-31-2034	13.4	0.0	3.4	0.0	265.8	13.4	0.0	3.4	2.2	218.0	10.8	0.0	2.8	1.8	177.5	68.03	0.00	68.03	33.86	3.481
12-31-2035	9.4	0.0	10.1	0.0	637.6	9.4	0.0	10.1	5.3	523.8	7.6	0.0	8.2	4.3	426.8	69.42	0.00	69.42	34.53	3.554
SUBTOTAL	8.7	0.0	37.2	0.0	1,667.8	8.7	0.0	36.9	13.8	1,363.5	7.0	0.0	30.1	11.2	1,109.6	79.91	0.00	62.90	32.26	3.302
REMAINING	7.9	0.0	17.9	0.0	1,100.9	7.9	0.0	17.8	9.1	899.9	6.4	0.0	14.5	7.4	732.4	71.08	0.00	74.25	37.21	3.841
TOTAL	16.6	0.0	55.2	0.0	2,768.7	16.5	0.0	54.8	22.9	2,263.4	13.4	0.0	44.6	18.6	1,842.0	75.71	0.00	66.60	34.23	3.516
CUM PROD	0.0	0.0	0.0	0.0	0.0															
ULTIMATE	16.6	0.0	55.2	0.0	2,768.7															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
ENDING			EQUIV	L/M OIL	HVY OIL	COND	NGL	NAT GAS	CRN/CGA ROYALTIES	BURDEN AND NPI	PROP AND MIN TAXES	COSTS CAPITAL	COSTS ABAND	OPER EXPENSE	UNDISC PERIOD	DISC @ 10.000% CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	0	0.00	18	0.0	0.0	59.5	6.3	56.3	0.0	22.8	6.1	0.0	0.0	7.5	85.7	82.5
12-31-2022	0	0.00	22	0.0	0.0	95.3	10.3	98.7	0.0	38.2	10.2	0.0	0.0	13.7	142.2	208.6
12-31-2023	1	1.00	35	0.0	0.0	137.3	16.2	162.6	0.0	58.9	15.9	0.0	0.0	88.1	153.2	332.3
12-31-2024	1	1.00	36	0.0	0.0	127.1	17.3	175.0	0.0	59.5	16.0	0.0	-21.1	85.2	179.8	463.6
12-31-2025	1	1.00	38	0.0	0.0	120.4	18.9	191.4	0.0	61.7	16.6	0.0	0.0	93.9	158.5	569.3
12-31-2026	1	1.00	30	0.0	0.0	110.1	15.1	152.7	0.0	51.9	13.9	0.0	0.0	55.8	156.2	664.0
12-31-2027	0	0.00	34	0.0	0.0	112.2	17.7	179.7	0.0	58.1	15.5	0.0	0.0	81.7	154.4	749.2
12-31-2028	1	0.98	35	0.0	0.0	113.1	18.6	189.0	0.0	60.2	16.1	0.0	22.8	95.3	126.4	812.6
12-31-2029	1	0.98	33	0.0	0.0	110.6	18.1	183.4	0.0	58.5	15.6	0.0	-22.8	95.8	165.0	888.1
12-31-2030	1	0.98	6	-227.4	0.0	93.8	7.7	78.3	0.0	-9.1	-2.2	-109.4	0.0	23.5	49.7	910.7
12-31-2031	0	-0.01	-48	-1,044.4	0.0	108.8	-5.0	-50.6	0.0	-186.5	-48.9	0.0	0.0	-5.3	-750.6	626.6
12-31-2032	0	-0.01	-11	-639.5	0.0	114.3	7.8	79.2	0.0	-82.8	-21.5	113.8	24.2	56.7	-528.8	446.1
12-31-2033	1	1.00	101	1,045.1	0.0	90.6	37.9	385.7	0.0	292.7	77.3	0.0	0.0	166.5	1,022.9	764.2
12-31-2034	2	2.00	152	908.8	0.0	232.6	74.5	759.0	0.0	369.1	98.2	0.0	-25.7	366.1	1,167.1	1,092.2
12-31-2035	7	7.00	307	649.2	0.0	698.0	182.6	1,861.3	0.0	629.6	169.5	0.0	-26.1	609.3	2,008.7	1,610.7
SUBTOTAL				691.7	0.0	2,323.5	444.1	4,501.7	0.0	1,482.8	398.3	4.4	-48.6	1,833.8	4,290.4	1,610.7
REMAINING				559.0	0.0	1,323.4	338.2	3,457.0	0.0	1,058.2	283.4	0.0	70.4	1,927.9	2,337.7	2,123.1
TOTAL OF 27.1 YRS				1,250.7	0.0	3,647.0	782.3	7,958.8	0.0	2,541.1	681.7	4.4	21.8	3,761.7	6,628.1	2,123.1

PRESENT WORTH PROFILE

DISC RATE %	CUM PW USM$
5.000	3,591.3
10.000	2,123.1
15.000	1,372.5
20.000	966.1
25.000	732.2
30.000	588.9
35.000	495.4
40.000	430.8
45.000	383.6
50.000	347.5

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 15

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

PROVED + PROBABLE RESERVES

SOUTHERN ENERGY CORP. INTEREST

SUMMARY - CERTAIN PROPERTIES
MECHANICSBURG FIELD
YAZOO COUNTY, MISSISSIPPI

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	0.0	0.0	9.8	0.0	795.8	0.0	0.0	9.7	6.5	647.2	0.0	0.0	7.9	5.3	526.1	0.00	0.00	57.61	28.80	2.594
12-31-2022	0.0	0.0	19.1	0.0	1,456.1	0.0	0.0	18.9	12.0	1,186.1	0.0	0.0	15.4	9.7	964.7	0.00	0.00	55.83	27.93	2.704
12-31-2023	0.0	0.0	66.1	0.0	4,297.9	0.0	0.0	66.0	35.6	3,522.9	0.0	0.0	53.7	29.0	2,869.9	0.00	0.00	54.38	27.23	2.764
12-31-2024	0.0	0.0	67.7	0.0	4,409.6	0.0	0.0	67.6	36.5	3,615.5	0.0	0.0	55.1	29.7	2,945.5	0.00	0.00	55.50	27.77	2.834
12-31-2025	0.0	0.0	46.9	0.0	3,118.5	0.0	0.0	46.7	25.8	2,554.8	0.0	0.0	38.1	21.0	2,080.9	0.00	0.00	56.65	28.33	2.894
12-31-2026	0.0	0.0	37.6	0.0	2,529.9	0.0	0.0	37.5	20.9	2,071.3	0.0	0.0	30.5	17.0	1,686.7	0.00	0.00	57.81	28.89	2.954
12-31-2027	0.0	0.0	31.9	0.0	2,165.8	0.0	0.0	31.8	17.9	1,772.5	0.0	0.0	25.9	14.6	1,443.3	0.00	0.00	59.01	29.48	3.014
12-31-2028	0.0	0.0	28.2	0.0	1,921.9	0.0	0.0	28.1	15.9	1,572.5	0.0	0.0	22.9	12.9	1,280.4	0.00	0.00	60.22	30.06	3.084
12-31-2029	0.0	0.0	25.4	0.0	1,737.4	0.0	0.0	25.3	14.4	1,421.3	0.0	0.0	20.6	11.7	1,157.2	0.00	0.00	61.45	30.66	3.144
12-31-2030	0.0	0.0	22.8	0.0	1,563.5	0.0	0.0	22.7	12.9	1,279.1	0.0	0.0	18.5	10.5	1,041.5	0.00	0.00	62.72	31.28	3.204
12-31-2031	0.0	0.0	21.0	0.0	1,440.6	0.0	0.0	20.9	11.9	1,178.6	0.0	0.0	17.0	9.7	959.6	0.00	0.00	64.01	31.90	3.271
12-31-2032	0.0	0.0	19.4	0.0	1,336.1	0.0	0.0	19.3	11.0	1,093.0	0.0	0.0	15.7	9.0	889.9	0.00	0.00	65.32	32.54	3.340
12-31-2033	19.2	0.0	17.7	0.0	1,319.1	19.1	0.0	17.7	10.9	1,079.3	15.5	0.0	14.4	8.9	878.6	66.66	0.00	66.66	33.19	3.410
12-31-2034	13.4	0.0	16.4	0.0	1,199.1	13.4	0.0	16.4	9.9	981.1	10.8	0.0	13.3	8.1	798.7	68.03	0.00	68.03	33.86	3.481
12-31-2035	9.4	0.0	13.4	0.0	964.4	9.4	0.0	13.3	8.0	788.5	7.6	0.0	10.8	6.5	641.9	69.42	0.00	69.42	34.53	3.554
SUBTOTAL	42.0	0.0	443.3	0.0	30,255.7	41.8	0.0	441.9	250.0	24,763.7	33.9	0.0	359.9	203.6	20,164.9	67.71	0.00	59.14	29.59	3.010
REMAINING	7.9	0.0	30.7	0.0	2,500.9	7.9	0.0	30.4	20.5	2,032.7	6.4	0.0	24.7	16.7	1,651.6	71.08	0.00	74.84	37.42	3.864
TOTAL	49.9	0.0	474.0	0.0	32,756.6	49.7	0.0	472.2	270.6	26,796.4	40.3	0.0	384.6	220.3	21,816.5	68.25	0.00	60.14	30.19	3.075
CUM PROD	0.0	0.0	561.8	0.0	32,919.5															
ULTIMATE	49.9	0.0	1,035.8	0.0	65,676.0															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS EQUIV	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
ENDING				L/M OIL	HVY OIL	COND	NGL	NAT GAS	CRN/CGA ROYALTIES	BURDEN AND NPI	PROP AND MIN TAXES	COSTS CAPITAL	COSTS ABAND	OPER EXPENSE	UNDISC PERIOD	DISC @ 10.000% CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	13	12.86	453	0.0	0.0	558.7	188.2	1,679.0	0.0	453.9	122.5	220.6	0.0	782.6	846.3	820.6
12-31-2022	15	14.86	626	0.0	0.0	1,056.9	334.5	3,207.2	0.0	858.2	232.1	6,528.0	0.0	1,283.6	-4,303.2	-2,842.3
12-31-2023	19	18.86	1,887	0.0	0.0	3,586.7	968.5	9,737.3	0.0	2,648.9	721.6	13,317.1	0.0	2,330.4	-4,725.6	-6,637.5
12-31-2024	19	18.86	1,931	0.0	0.0	3,751.2	1,013.8	10,246.4	0.0	2,781.3	757.4	0.0	0.0	2,449.0	9,023.7	13.1
12-31-2025	18	17.86	1,365	0.0	0.0	2,647.3	730.8	7,393.5	0.0	1,997.5	543.1	0.0	0.0	2,028.4	6,202.6	4,160.8
12-31-2026	18	17.86	1,106	0.0	0.0	2,166.3	604.3	6,118.5	0.0	1,649.8	447.8	0.0	21.9	1,828.2	4,941.3	7,162.6
12-31-2027	17	16.86	946	0.0	0.0	1,878.8	527.5	5,342.2	0.0	1,438.7	390.1	0.0	0.0	1,699.5	4,220.3	9,492.6
12-31-2028	17	16.86	836	0.0	0.0	1,690.7	477.4	4,849.7	0.0	1,303.4	353.1	0.0	22.8	1,643.7	3,694.8	11,346.6
12-31-2029	17	16.86	758	0.0	0.0	1,552.4	440.0	4,468.5	0.0	1,200.2	324.9	0.0	0.0	1,607.0	3,328.8	12,865.0
12-31-2030	17	16.86	682	0.0	0.0	1,424.8	404.0	4,098.4	0.0	1,100.9	297.9	0.0	0.0	1,507.8	3,020.5	14,117.4
12-31-2031	16	15.88	628	0.0	0.0	1,336.9	379.7	3,855.3	0.0	1,035.0	279.9	0.0	0.0	1,483.6	2,773.4	15,162.7
12-31-2032	16	15.88	581	0.0	0.0	1,263.2	359.2	3,650.3	0.0	979.5	264.7	113.8	24.2	1,465.0	2,425.4	15,995.1
12-31-2033	16	15.89	623	1,272.2	0.0	1,177.1	361.7	3,680.1	0.0	1,209.2	324.6	0.0	0.0	1,491.1	3,466.4	17,075.5
12-31-2034	16	15.89	557	908.8	0.0	1,114.5	335.4	3,415.3	0.0	1,074.9	288.8	0.0	0.0	1,432.6	2,977.7	17,919.2
12-31-2035	14	13.89	444	649.2	0.0	924.8	274.9	2,802.0	0.0	865.9	232.5	0.0	0.0	1,216.4	2,336.1	18,522.8
SUBTOTAL				2,830.1	0.0	26,130.2	7,399.9	74,543.8	0.0	20,597.3	5,581.0	20,179.5	68.9	24,248.7	40,228.6	18,522.8
REMAINING				559.0	0.0	2,273.1	768.1	7,854.2	0.0	2,147.4	571.7	0.0	466.8	5,495.8	2,772.8	19,122.5
TOTAL OF 27.1 YRS				3,389.1	0.0	28,403.3	8,168.0	82,398.0	0.0	22,744.7	6,152.6	20,179.5	535.7	29,744.5	43,001.3	19,122.5

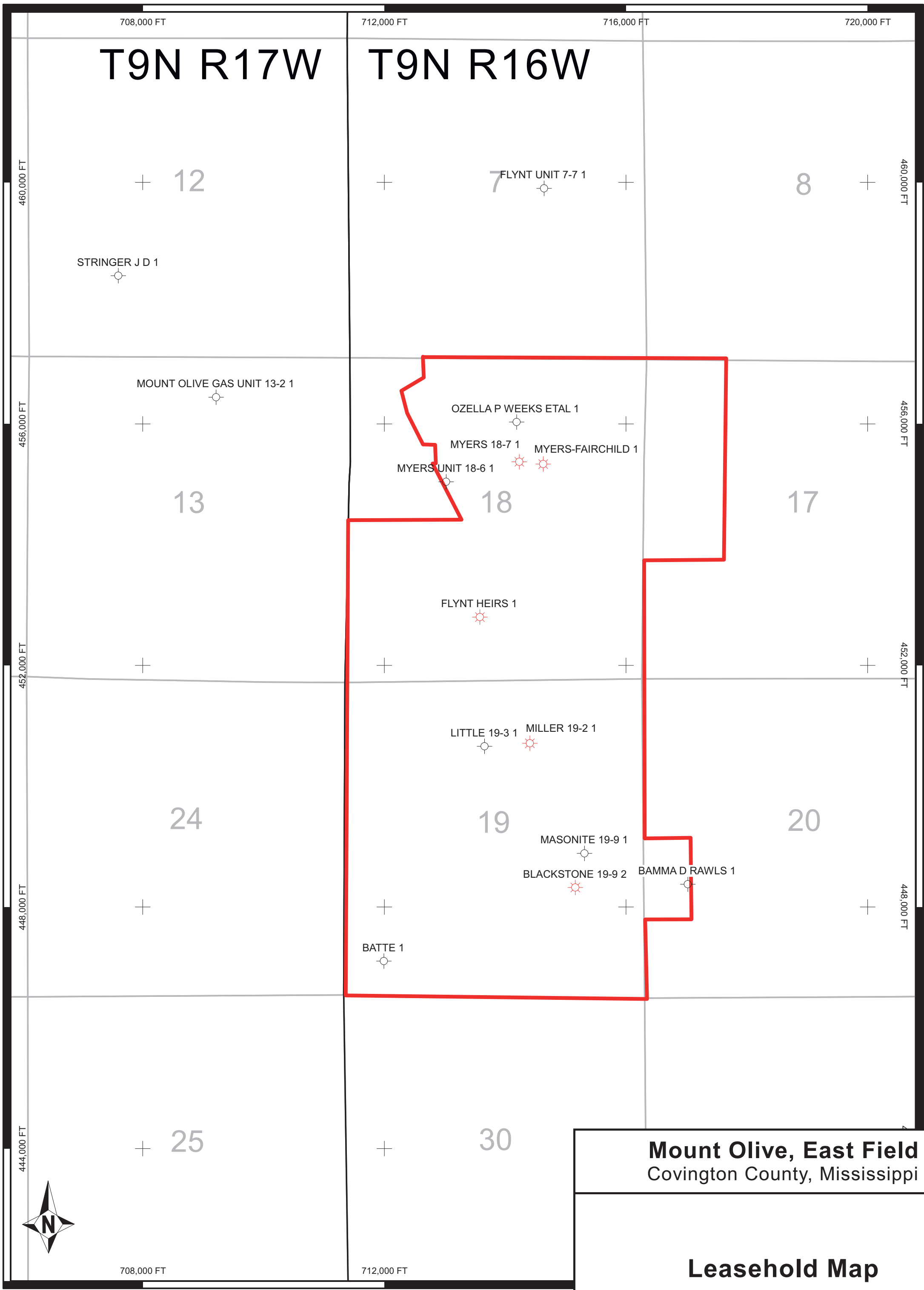
PRESENT WORTH PROFILE

DISC RATE %	CUM PW USM$
5.000	28,088.2
10.000	19,122.5
15.000	13,451.6
20.000	9,706.9
25.000	7,143.3
30.000	5,334.9
35.000	4,027.4
40.000	3,062.7
45.000	2,338.9
50.000	1,788.5

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 16



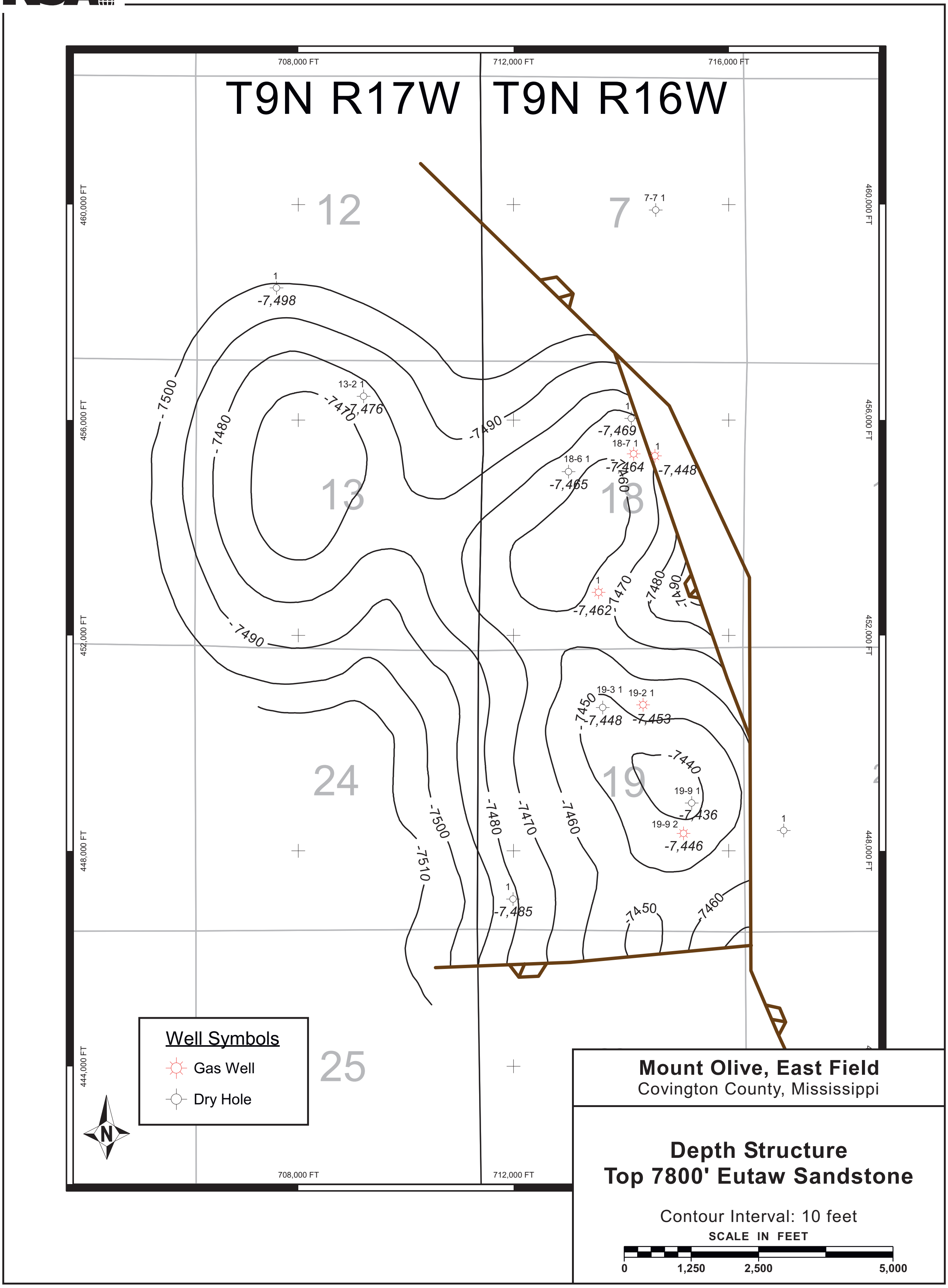
Mount Olive, East Field
Covington County, Mississippi

Leasehold Map

SCALE IN FEET
0 1,250 2,500 5,000

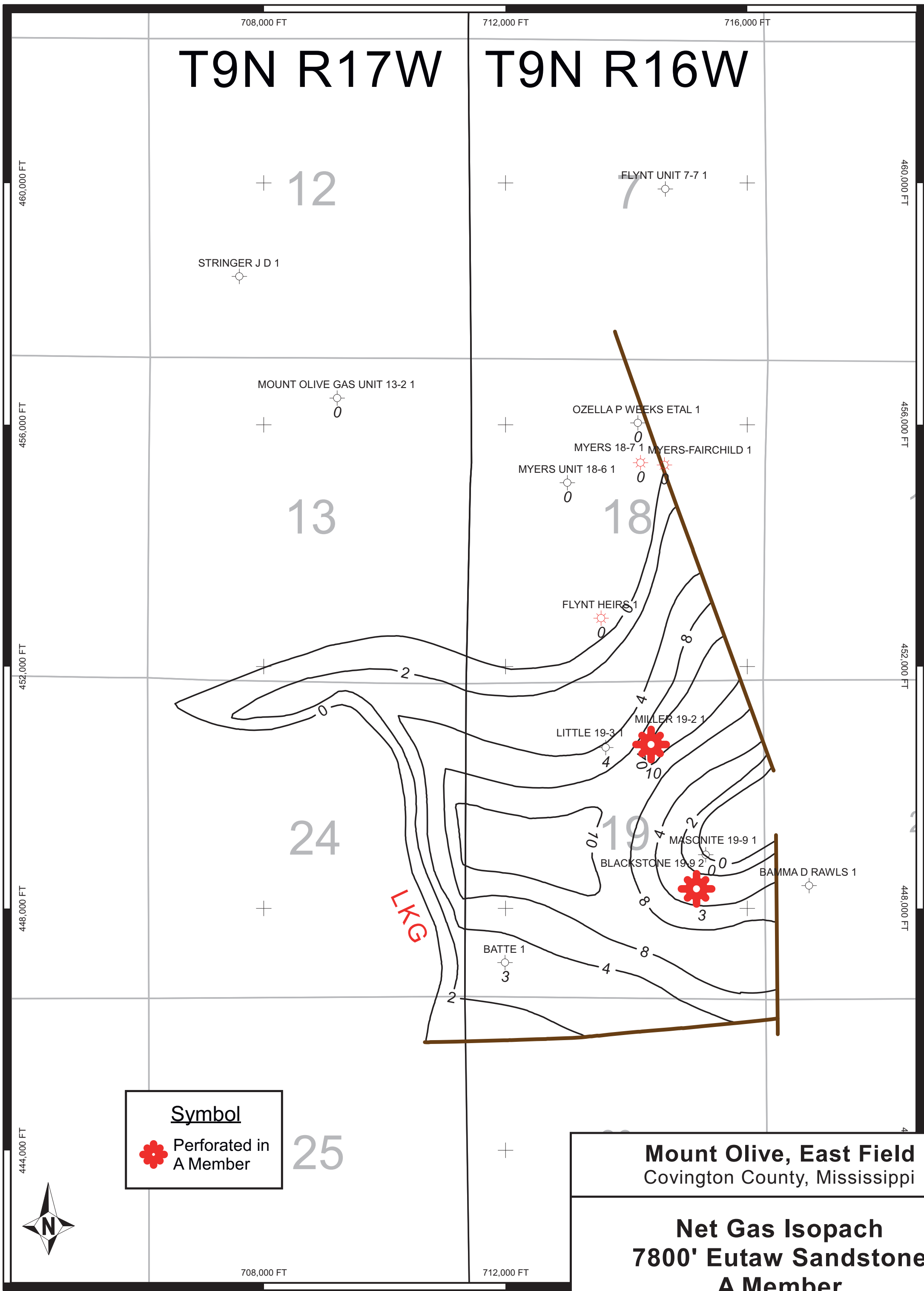
All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 17



All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 18



Mount Olive, East Field
Covington County, Mississippi

Net Gas Isopach
7800' Eutaw Sandstone
A Member

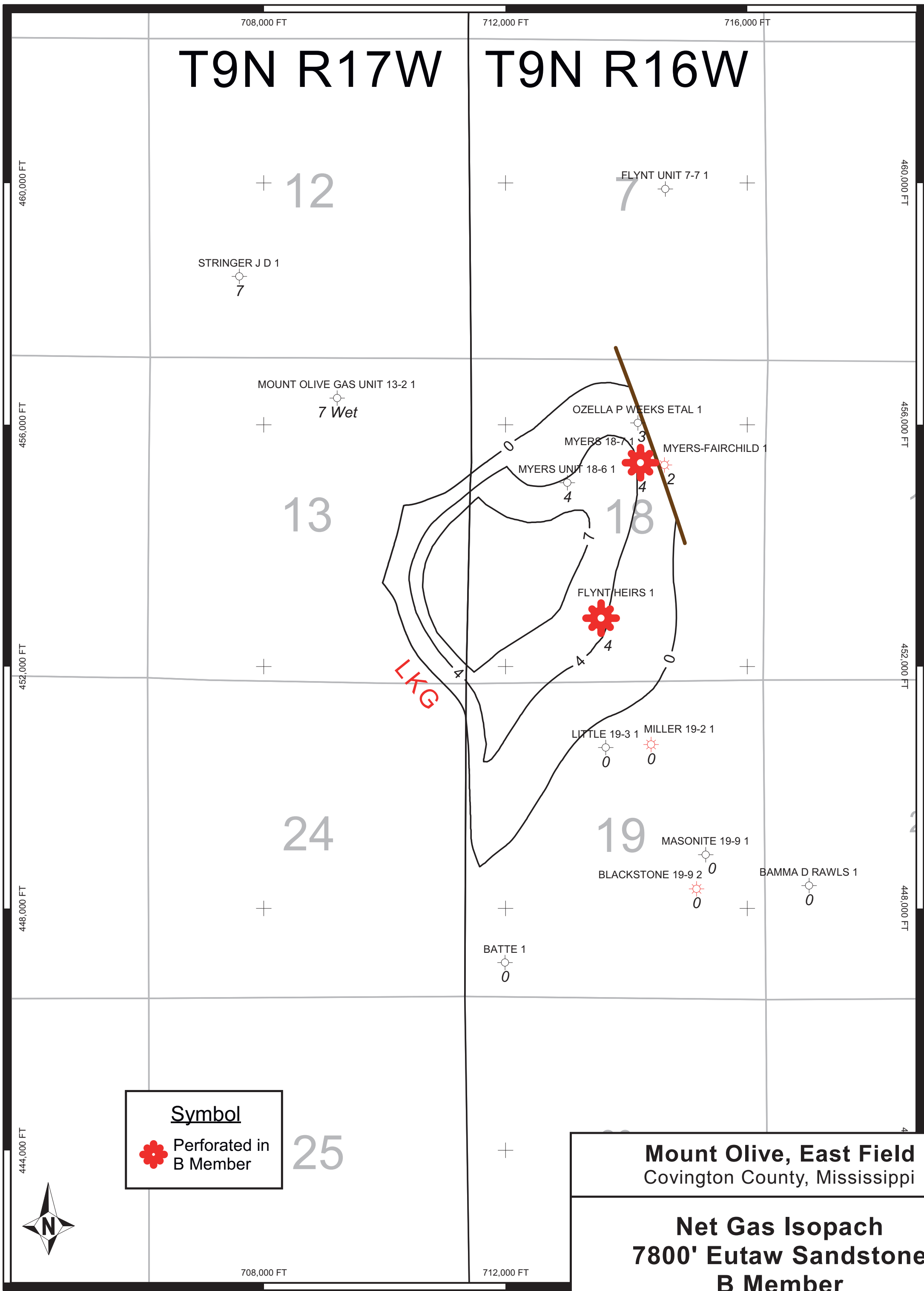
Contour Interval: Variable feet

SCALE IN FEET

0 1,250 2,500 5,000

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 19



Mount Olive, East Field
Covington County, Mississippi

Net Gas Isopach 7800' Eutaw Sandstone B Member

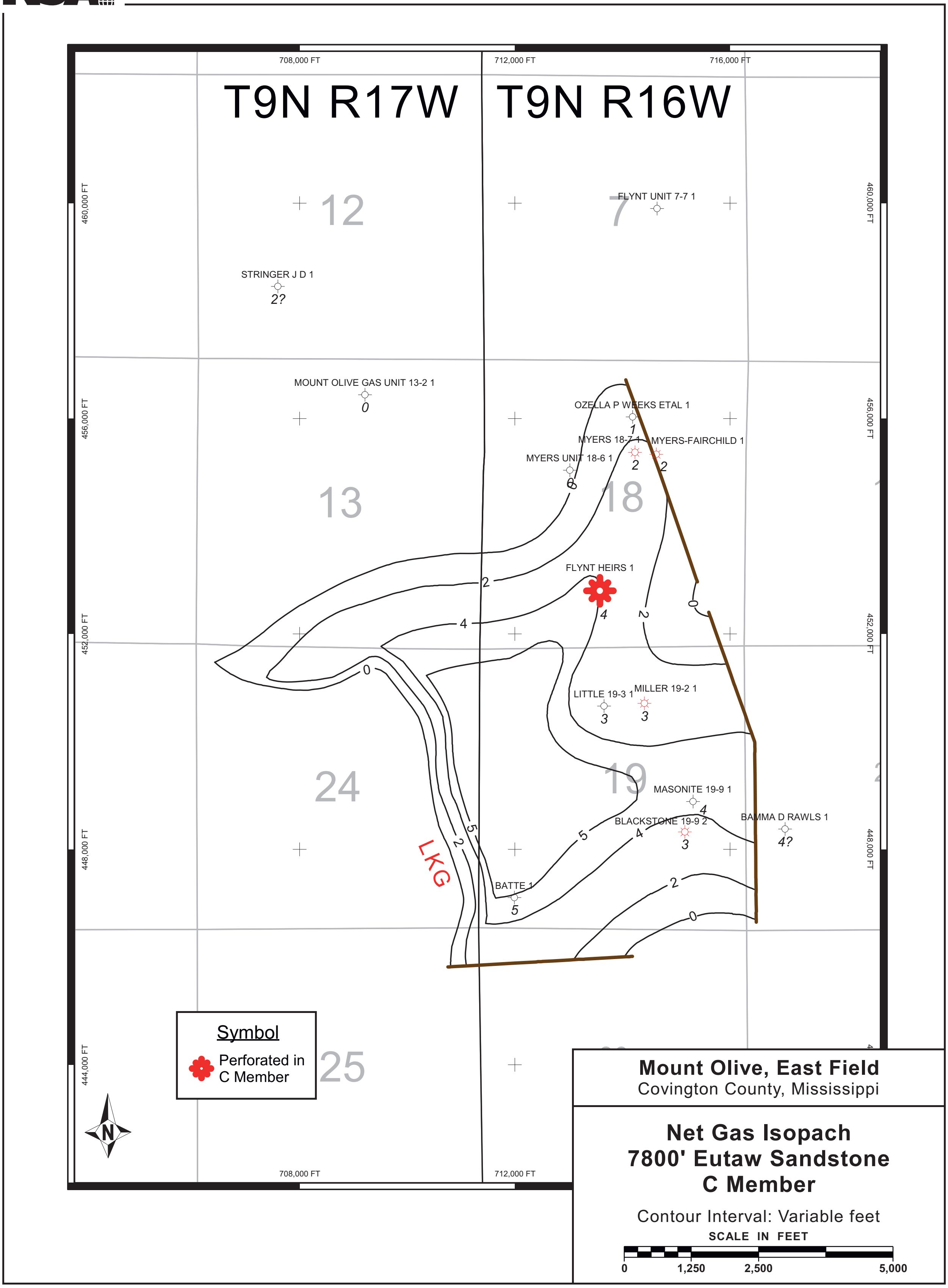
Contour Interval: Variable feet

SCALE IN FEET

0 1,250 2,500 5,000

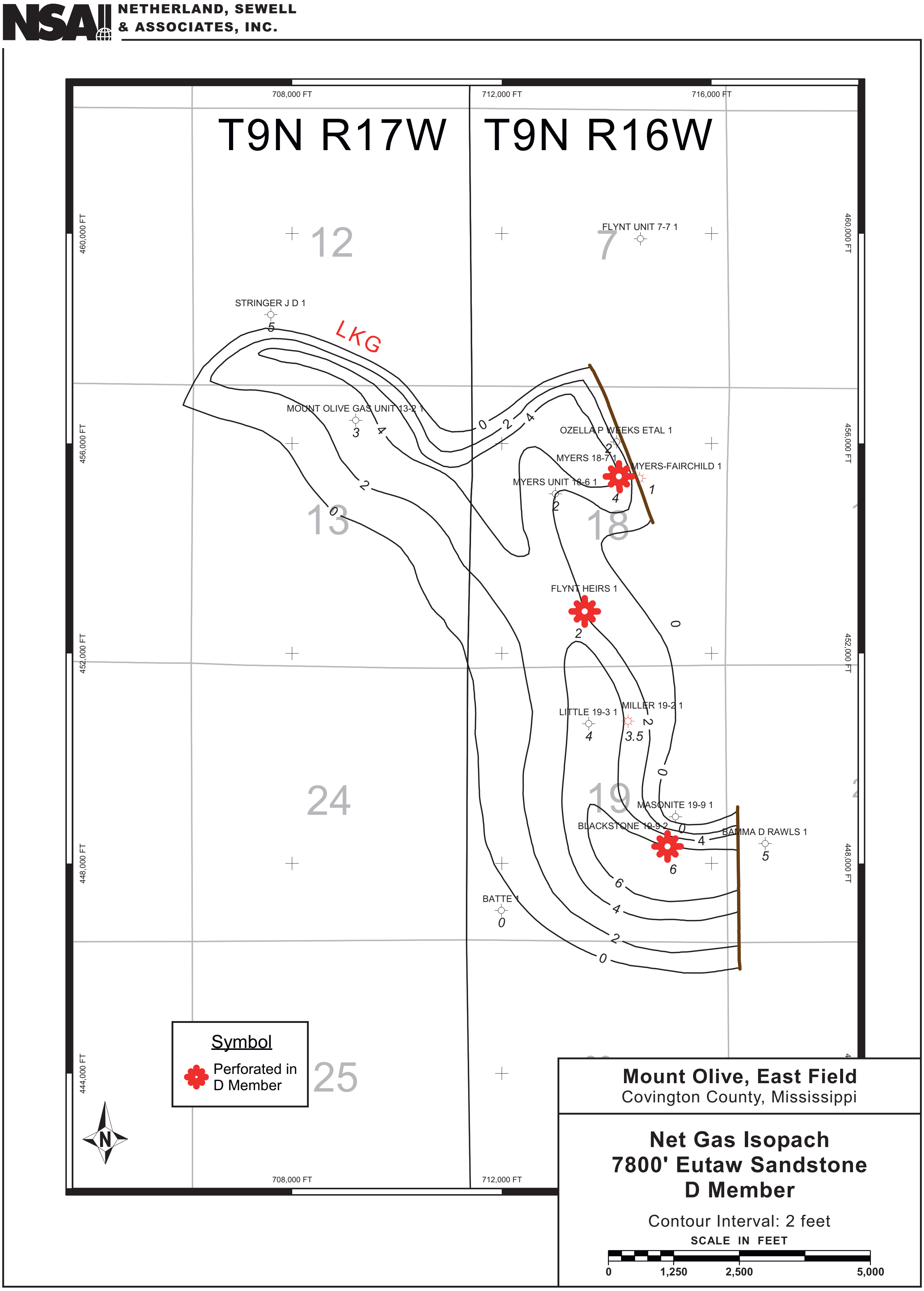
All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 20



All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 21



All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 22

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

PROVED DEVELOPED PRODUCING RESERVES

SOUTHERN ENERGY CORP. INTEREST

SUMMARY - CERTAIN PROPERTIES
MOUNT OLIVE, EAST FIELD
COVINGTON COUNTY, MISSISSIPPI

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	0.0	0.0	4.0	0.0	1,064.8	0.0	0.0	3.9	0.0	1,015.0	0.0	0.0	2.9	0.0	770.1	0.00	0.00	56.90	0.00	2.444
12-31-2022	0.0	0.0	4.1	0.0	1,142.9	0.0	0.0	3.9	0.0	1,089.3	0.0	0.0	3.0	0.0	826.4	0.00	0.00	55.12	0.00	2.554
12-31-2023	0.0	0.0	3.1	0.0	893.8	0.0	0.0	3.0	0.0	851.4	0.0	0.0	2.3	0.0	645.8	0.00	0.00	53.67	0.00	2.614
12-31-2024	0.0	0.0	2.4	0.0	701.4	0.0	0.0	2.3	0.0	668.0	0.0	0.0	1.8	0.0	506.7	0.00	0.00	54.79	0.00	2.684
12-31-2025	0.0	0.0	1.9	0.0	539.9	0.0	0.0	1.8	0.0	515.4	0.0	0.0	1.4	0.0	390.8	0.00	0.00	55.94	0.00	2.744
12-31-2026	0.0	0.0	1.4	0.0	392.7	0.0	0.0	1.3	0.0	378.3	0.0	0.0	1.0	0.0	286.6	0.00	0.00	57.10	0.00	2.804
12-31-2027	0.0	0.0	1.0	0.0	286.3	0.0	0.0	1.0	0.0	276.2	0.0	0.0	0.7	0.0	209.1	0.00	0.00	58.30	0.00	2.864
12-31-2028	0.0	0.0	0.7	0.0	208.8	0.0	0.0	0.7	0.0	201.6	0.0	0.0	0.5	0.0	152.6	0.00	0.00	59.51	0.00	2.934
12-31-2029	0.0	0.0	0.6	0.0	168.6	0.0	0.0	0.6	0.0	162.8	0.0	0.0	0.4	0.0	123.2	0.00	0.00	60.74	0.00	2.994
12-31-2030	0.0	0.0	0.5	0.0	136.1	0.0	0.0	0.5	0.0	131.4	0.0	0.0	0.4	0.0	99.5	0.00	0.00	62.01	0.00	3.054
12-31-2031	0.0	0.0	0.4	0.0	105.7	0.0	0.0	0.4	0.0	102.0	0.0	0.0	0.3	0.0	77.3	0.00	0.00	63.30	0.00	3.121
12-31-2032	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00	0.000
12-31-2033	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00	0.000
SUBTOTAL	0.0	0.0	20.1	0.0	5,640.9	0.0	0.0	19.3	0.0	5,391.4	0.0	0.0	14.6	0.0	4,088.1	0.00	0.00	56.23	0.00	2.661
REMAINING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00	0.000
TOTAL	0.0	0.0	20.1	0.0	5,640.9	0.0	0.0	19.3	0.0	5,391.4	0.0	0.0	14.6	0.0	4,088.1	0.00	0.00	56.23	0.00	2.661
CUM PROD	0.0	0.0	62.8	0.0	10,467.1															
ULTIMATE	0.0	0.0	82.9	0.0	16,108.0															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
									CRN/CGA	BURDEN	PROP AND	COSTS		OPER	UNDISC	DISC @ 10.000%
ENDING			EQUIV	L/M OIL	HVY OIL	COND	NGL	NAT GAS	ROYALTIES	AND NPI	MIN TAXES	CAPITAL	ABAND	EXPENSE	PERIOD	CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	4	3.75	632	0.0	0.0	219.7	0.0	2,480.7	0.0	651.6	126.9	0.0	0.0	287.8	1,634.1	1,579.2
12-31-2022	4	3.75	508	0.0	0.0	216.3	0.0	2,782.2	0.0	723.6	140.8	0.0	0.0	386.2	1,747.9	3,135.0
12-31-2023	4	3.75	397	0.0	0.0	160.0	0.0	2,225.5	0.0	576.0	111.9	0.0	0.0	388.8	1,308.7	4,194.2
12-31-2024	4	3.75	311	0.0	0.0	127.3	0.0	1,792.9	0.0	463.7	90.0	0.0	0.0	393.0	973.4	4,910.4
12-31-2025	4	3.75	240	0.0	0.0	100.2	0.0	1,414.2	0.0	366.0	70.9	0.0	0.0	375.8	701.6	5,379.9
12-31-2026	3	2.89	176	0.0	0.0	76.3	0.0	1,060.7	0.0	275.6	53.2	0.0	0.0	313.1	495.1	5,681.1
12-31-2027	3	2.89	129	0.0	0.0	56.9	0.0	790.9	0.0	205.8	39.6	0.0	19.2	265.6	317.6	5,857.1
12-31-2028	2	1.94	94	0.0	0.0	42.5	0.0	591.6	0.0	154.2	29.6	0.0	0.0	216.7	233.6	5,974.6
12-31-2029	2	1.94	76	0.0	0.0	35.0	0.0	487.4	0.0	127.0	24.4	0.0	22.4	220.4	128.3	6,033.3
12-31-2030	2	1.94	61	0.0	0.0	28.8	0.0	401.4	0.0	104.5	20.1	0.0	0.0	224.2	81.4	6,067.2
12-31-2031	2	1.94	48	0.0	0.0	22.9	0.0	318.4	0.0	82.7	15.9	0.0	0.0	218.6	24.0	6,076.4
12-31-2032	0	0.00	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,076.4
12-31-2033	0	0.00	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	49.2	0.0	-49.2	6,061.7
SUBTOTAL				0.0	0.0	1,085.7	0.0	14,345.9	0.0	3,730.9	723.1	0.0	90.8	3,290.2	7,596.7	6,061.7
REMAINING				0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,061.7
TOTAL OF 10.8 YRS				0.0	0.0	1,085.7	0.0	14,345.9	0.0	3,730.9	723.1	0.0	90.8	3,290.2	7,596.7	6,061.7

PRESENT WORTH PROFILE	
DISC RATE	CUM PW
%	USM$
5.000	6,738.7
10.000	6,061.7
15.000	5,517.3
20.000	5,071.9
25.000	4,701.9
30.000	4,390.2
35.000	4,124.4
40.000	3,895.3
45.000	3,695.9
50.000	3,520.8

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 23

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SOUTHERN ENERGY CORP. INTEREST

PROBABLE RESERVES

SUMMARY - CERTAIN PROPERTIES
MOUNT OLIVE, EAST FIELD
COVINGTON COUNTY, MISSISSIPPI

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	0.0	0.0	0.4	0.0	49.0	0.0	0.0	0.4	0.0	46.8	0.0	0.0	0.3	0.0	35.6	0.00	0.00	56.90	0.00	2.444
12-31-2022	0.0	0.0	0.9	0.0	121.5	0.0	0.0	0.9	0.0	115.7	0.0	0.0	0.7	0.0	87.9	0.00	0.00	55.12	0.00	2.554
12-31-2023	0.0	0.0	1.0	0.0	160.6	0.0	0.0	1.0	0.0	152.9	0.0	0.0	0.8	0.0	116.2	0.00	0.00	53.67	0.00	2.614
12-31-2024	0.0	0.0	1.0	0.0	180.7	0.0	0.0	1.0	0.0	172.0	0.0	0.0	0.7	0.0	130.7	0.00	0.00	54.79	0.00	2.684
12-31-2025	0.0	0.0	1.0	0.0	200.2	0.0	0.0	1.0	0.0	189.1	0.0	0.0	0.7	0.0	143.9	0.00	0.00	55.94	0.00	2.744
12-31-2026	0.0	0.0	1.0	0.0	230.0	0.0	0.0	1.0	0.0	214.3	0.0	0.0	0.7	0.0	163.2	0.00	0.00	57.10	0.00	2.804
12-31-2027	0.0	0.0	1.0	0.0	238.9	0.0	0.0	1.0	0.0	223.5	0.0	0.0	0.7	0.0	170.2	0.00	0.00	58.30	0.00	2.864
12-31-2028	0.0	0.0	0.8	0.0	196.0	0.0	0.0	0.8	0.0	187.2	0.0	0.0	0.6	0.0	142.4	0.00	0.00	59.51	0.00	2.934
12-31-2029	0.0	0.0	0.6	0.0	129.1	0.0	0.0	0.5	0.0	124.3	0.0	0.0	0.4	0.0	94.4	0.00	0.00	60.74	0.00	2.994
12-31-2030	0.0	0.0	0.5	0.0	112.4	0.0	0.0	0.5	0.0	108.4	0.0	0.0	0.4	0.0	82.3	0.00	0.00	62.01	0.00	3.054
12-31-2031	0.0	0.0	0.5	0.0	107.9	0.0	0.0	0.4	0.0	104.1	0.0	0.0	0.3	0.0	79.0	0.00	0.00	63.30	0.00	3.121
12-31-2032	0.0	0.0	0.7	0.0	183.6	0.0	0.0	0.7	0.0	177.1	0.0	0.0	0.5	0.0	134.3	0.00	0.00	64.61	0.00	3.190
12-31-2033	0.0	0.0	0.6	0.0	157.9	0.0	0.0	0.6	0.0	152.3	0.0	0.0	0.4	0.0	115.5	0.00	0.00	65.95	0.00	3.260
12-31-2034	0.0	0.0	0.5	0.0	135.8	0.0	0.0	0.5	0.0	130.9	0.0	0.0	0.4	0.0	99.3	0.00	0.00	67.32	0.00	3.331
12-31-2035	0.0	0.0	0.4	0.0	100.7	0.0	0.0	0.4	0.0	96.9	0.0	0.0	0.3	0.0	73.8	0.00	0.00	68.71	0.00	3.404
SUBTOTAL	0.0	0.0	11.0	0.0	2,304.2	0.0	0.0	10.6	0.0	2,195.4	0.0	0.0	8.0	0.0	1,668.7	0.00	0.00	59.11	0.00	2.931
REMAINING	0.0	0.0	0.4	0.0	95.3	0.0	0.0	0.3	0.0	91.1	0.0	0.0	0.3	0.0	70.2	0.00	0.00	70.71	0.00	3.508
TOTAL	0.0	0.0	11.4	0.0	2,399.5	0.0	0.0	10.9	0.0	2,286.5	0.0	0.0	8.3	0.0	1,738.9	0.00	0.00	59.48	0.00	2.954
CUM PROD	0.0	0.0	0.0	0.0	0.0															
ULTIMATE	0.0	0.0	11.4	0.0	2,399.5															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS EQUIV	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
ENDING				L/M OIL	HVY OIL	COND	NGL	NAT GAS	CRN/CGA ROYALTIES	BURDEN AND NPI	PROP AND MIN TAXES	COSTS CAPITAL	COSTS ABAND	OPER EXPENSE	UNDISC PERIOD	DISC @ 10.000% CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	0	0.00	30	0.0	0.0	22.8	0.0	114.4	0.0	33.0	6.4	0.0	0.0	0.8	97.0	93.1
12-31-2022	0	0.00	55	0.0	0.0	48.9	0.0	295.4	0.0	82.8	16.2	0.0	0.0	1.9	243.4	308.6
12-31-2023	0	0.00	73	0.0	0.0	53.8	0.0	399.8	0.0	108.9	21.3	0.0	0.0	2.8	320.6	567.1
12-31-2024	0	0.00	81	0.0	0.0	54.1	0.0	461.5	0.0	123.8	24.2	0.0	0.0	3.2	364.5	834.5
12-31-2025	0	0.00	89	0.0	0.0	54.1	0.0	519.0	0.0	137.3	26.9	0.0	0.0	25.6	383.3	1,090.3
12-31-2026	1	0.85	100	0.0	0.0	55.3	0.0	600.8	0.0	156.6	30.8	0.0	0.0	94.1	374.6	1,317.6
12-31-2027	1	0.85	105	0.0	0.0	55.7	0.0	640.0	0.0	166.0	32.7	0.0	-19.2	147.9	368.3	1,520.7
12-31-2028	2	1.81	87	0.0	0.0	48.5	0.0	549.4	0.0	143.4	28.0	0.0	0.0	124.7	301.8	1,672.2
12-31-2029	1	0.96	58	0.0	0.0	33.0	0.0	372.2	0.0	97.5	19.0	0.0	-22.4	20.2	291.0	1,804.9
12-31-2030	0	0.00	51	0.0	0.0	28.9	0.0	330.9	0.0	86.6	16.8	0.0	20.4	2.0	234.1	1,901.6
12-31-2031	0	0.00	49	0.0	0.0	27.8	0.0	324.8	0.0	85.0	16.5	0.0	23.3	11.4	216.4	1,982.8
12-31-2032	2	1.94	83	0.0	0.0	44.4	0.0	564.9	0.0	147.2	28.4	0.0	0.0	234.1	199.6	2,051.3
12-31-2033	2	1.94	71	0.0	0.0	39.0	0.0	496.3	0.0	129.2	25.0	0.0	-49.2	238.4	191.9	2,110.6
12-31-2034	2	1.94	61	0.0	0.0	34.2	0.0	436.1	0.0	113.4	21.9	0.0	0.0	242.7	92.2	2,136.8
12-31-2035	2	1.94	45	0.0	0.0	25.7	0.0	329.9	0.0	84.8	16.6	0.0	0.0	205.7	48.5	2,149.4
SUBTOTAL				0.0	0.0	626.2	0.0	6,435.4	0.0	1,695.4	330.7	0.0	-47.1	1,355.5	3,727.2	2,149.4
REMAINING				0.0	0.0	24.2	0.0	319.5	0.0	78.7	16.3	0.0	54.3	220.2	-25.8	2,145.6
TOTAL OF 16.5 YRS				0.0	0.0	650.5	0.0	6,754.9	0.0	1,774.1	346.9	0.0	7.2	1,575.7	3,701.5	2,145.6

PRESENT WORTH PROFILE

DISC RATE %	CUM PW USM$
5.000	2,765.2
10.000	2,145.6
15.000	1,719.3
20.000	1,415.5
25.000	1,192.1
30.000	1,023.2
35.000	892.3
40.000	788.9
45.000	705.5
50.000	637.1

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 24

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SOUTHERN ENERGY CORP. INTEREST

PROVED + PROBABLE RESERVES

SUMMARY - CERTAIN PROPERTIES
MOUNT OLIVE, EAST FIELD
COVINGTON COUNTY, MISSISSIPPI

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	0.0	0.0	4.5	0.0	1,113.8	0.0	0.0	4.3	0.0	1,061.8	0.0	0.0	3.2	0.0	805.7	0.00	0.00	56.90	0.00	2.444
12-31-2022	0.0	0.0	5.0	0.0	1,264.3	0.0	0.0	4.8	0.0	1,205.0	0.0	0.0	3.6	0.0	914.3	0.00	0.00	55.12	0.00	2.554
12-31-2023	0.0	0.0	4.2	0.0	1,054.4	0.0	0.0	4.0	0.0	1,004.3	0.0	0.0	3.0	0.0	762.0	0.00	0.00	53.67	0.00	2.614
12-31-2024	0.0	0.0	3.5	0.0	882.1	0.0	0.0	3.3	0.0	839.9	0.0	0.0	2.5	0.0	637.4	0.00	0.00	54.79	0.00	2.684
12-31-2025	0.0	0.0	2.9	0.0	740.1	0.0	0.0	2.8	0.0	704.5	0.0	0.0	2.1	0.0	534.7	0.00	0.00	55.94	0.00	2.744
12-31-2026	0.0	0.0	2.4	0.0	622.7	0.0	0.0	2.3	0.0	592.5	0.0	0.0	1.7	0.0	449.7	0.00	0.00	57.10	0.00	2.804
12-31-2027	0.0	0.0	2.0	0.0	525.2	0.0	0.0	1.9	0.0	499.6	0.0	0.0	1.5	0.0	379.3	0.00	0.00	58.30	0.00	2.864
12-31-2028	0.0	0.0	1.6	0.0	404.8	0.0	0.0	1.5	0.0	388.9	0.0	0.0	1.2	0.0	295.0	0.00	0.00	59.51	0.00	2.934
12-31-2029	0.0	0.0	1.2	0.0	297.6	0.0	0.0	1.1	0.0	287.1	0.0	0.0	0.8	0.0	217.6	0.00	0.00	60.74	0.00	2.994
12-31-2030	0.0	0.0	1.0	0.0	248.5	0.0	0.0	0.9	0.0	239.8	0.0	0.0	0.7	0.0	181.8	0.00	0.00	62.01	0.00	3.054
12-31-2031	0.0	0.0	0.8	0.0	213.6	0.0	0.0	0.8	0.0	206.1	0.0	0.0	0.6	0.0	156.3	0.00	0.00	63.30	0.00	3.121
12-31-2032	0.0	0.0	0.7	0.0	183.6	0.0	0.0	0.7	0.0	177.1	0.0	0.0	0.5	0.0	134.3	0.00	0.00	64.61	0.00	3.190
12-31-2033	0.0	0.0	0.6	0.0	157.9	0.0	0.0	0.6	0.0	152.3	0.0	0.0	0.4	0.0	115.5	0.00	0.00	65.95	0.00	3.260
12-31-2034	0.0	0.0	0.5	0.0	135.8	0.0	0.0	0.5	0.0	130.9	0.0	0.0	0.4	0.0	99.3	0.00	0.00	67.32	0.00	3.331
12-31-2035	0.0	0.0	0.4	0.0	100.7	0.0	0.0	0.4	0.0	96.9	0.0	0.0	0.3	0.0	73.8	0.00	0.00	68.71	0.00	3.404
SUBTOTAL	0.0	0.0	31.2	0.0	7,945.1	0.0	0.0	29.9	0.0	7,586.8	0.0	0.0	22.7	0.0	5,756.8	0.00	0.00	57.25	0.00	2.739
REMAINING	0.0	0.0	0.4	0.0	95.3	0.0	0.0	0.3	0.0	91.1	0.0	0.0	0.3	0.0	70.2	0.00	0.00	70.71	0.00	3.508
TOTAL	0.0	0.0	31.5	0.0	8,040.4	0.0	0.0	30.2	0.0	7,677.9	0.0	0.0	22.9	0.0	5,827.0	0.00	0.00	57.41	0.00	2.748
CUM PROD	0.0	0.0	62.8	0.0	10,467.1															
ULTIMATE	0.0	0.0	94.3	0.0	18,507.5															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
ENDING			EQUIV	L/M OIL	HVY OIL	COND	NGL	NAT GAS	CRN/CGA ROYALTIES	BURDEN AND NPI	PROP AND MIN TAXES	COSTS CAPITAL	COSTS ABAND	OPER EXPENSE	UNDISC PERIOD	DISC @ 10.000% CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	4	3.75	661	0.0	0.0	242.5	0.0	2,595.1	0.0	684.6	133.4	0.0	0.0	288.5	1,731.2	1,672.3
12-31-2022	4	3.75	563	0.0	0.0	265.1	0.0	3,077.6	0.0	806.4	156.9	0.0	0.0	388.2	1,991.3	3,443.6
12-31-2023	4	3.75	470	0.0	0.0	213.8	0.0	2,625.3	0.0	685.0	133.2	0.0	0.0	391.6	1,629.4	4,761.3
12-31-2024	4	3.75	392	0.0	0.0	181.4	0.0	2,254.4	0.0	587.5	114.2	0.0	0.0	396.2	1,337.9	5,745.0
12-31-2025	4	3.75	329	0.0	0.0	154.3	0.0	1,933.2	0.0	503.3	97.8	0.0	0.0	401.4	1,085.0	6,470.2
12-31-2026	4	3.75	277	0.0	0.0	131.6	0.0	1,661.5	0.0	432.2	84.0	0.0	0.0	407.2	869.7	6,998.8
12-31-2027	4	3.75	233	0.0	0.0	112.6	0.0	1,430.9	0.0	371.9	72.3	0.0	0.0	413.5	685.9	7,377.8
12-31-2028	4	3.75	181	0.0	0.0	91.0	0.0	1,141.0	0.0	297.6	57.6	0.0	0.0	341.4	535.4	7,646.7
12-31-2029	3	2.89	134	0.0	0.0	68.0	0.0	859.6	0.0	224.5	43.3	0.0	0.0	240.5	419.3	7,838.1
12-31-2030	2	1.94	112	0.0	0.0	57.8	0.0	732.3	0.0	191.1	36.9	0.0	20.4	226.2	315.5	7,968.8
12-31-2031	2	1.94	96	0.0	0.0	50.6	0.0	643.2	0.0	167.7	32.4	0.0	23.3	230.1	240.3	8,059.2
12-31-2032	2	1.94	83	0.0	0.0	44.4	0.0	564.9	0.0	147.2	28.4	0.0	0.0	234.1	199.6	8,127.7
12-31-2033	2	1.94	71	0.0	0.0	39.0	0.0	496.3	0.0	129.2	25.0	0.0	0.0	238.4	142.8	8,172.3
12-31-2034	2	1.94	61	0.0	0.0	34.2	0.0	436.1	0.0	113.4	21.9	0.0	0.0	242.7	92.2	8,198.5
12-31-2035	2	1.94	45	0.0	0.0	25.7	0.0	329.9	0.0	84.8	16.6	0.0	0.0	205.7	48.5	8,211.1
SUBTOTAL				0.0	0.0	1,711.9	0.0	20,781.3	0.0	5,426.2	1,053.8	0.0	43.7	4,645.6	11,323.9	8,211.1
REMAINING				0.0	0.0	24.2	0.0	319.5	0.0	78.7	16.3	0.0	54.3	220.2	-25.8	8,207.3
TOTAL OF 16.5 YRS				0.0	0.0	1,736.1	0.0	21,100.8	0.0	5,505.0	1,070.1	0.0	98.0	4,865.8	11,298.1	8,207.3

PRESENT WORTH PROFILE

DISC RATE %	CUM PW USM$
5.000	9,503.8
10.000	8,207.3
15.000	7,236.6
20.000	6,487.4
25.000	5,893.9
30.000	5,413.3
35.000	5,016.7
40.000	4,684.1
45.000	4,401.3
50.000	4,157.9

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 25

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SOUTHERN ENERGY CORP. INTEREST

SUMMARY - CERTAIN PROPERTIES
MINOR VALUE FIELDS

TOTAL PROVED RESERVES

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	699.1	0.0	6.4	0.0	2,550.8	22.0	0.0	5.9	0.4	1,327.4	16.9	0.0	4.6	0.3	1,040.1	56.17	0.00	56.61	5.98	2.583
12-31-2022	742.1	0.0	16.7	0.0	3,932.9	23.2	0.0	15.4	0.4	2,497.2	17.9	0.0	11.8	0.3	1,936.6	54.44	0.00	54.94	5.80	2.696
12-31-2023	575.2	0.0	19.7	0.0	4,181.6	19.7	0.0	18.3	0.3	2,910.5	15.3	0.0	14.1	0.3	2,257.1	53.03	0.00	53.50	5.66	2.757
12-31-2024	434.5	0.0	15.6	0.0	3,499.3	15.2	0.0	14.5	0.3	2,472.3	11.8	0.0	11.2	0.2	1,915.0	54.24	0.00	54.63	5.77	2.829
12-31-2025	332.0	0.0	13.2	0.0	2,872.7	12.8	0.0	12.2	0.2	2,042.0	10.0	0.0	9.5	0.2	1,583.4	55.46	0.00	55.78	5.89	2.888
12-31-2026	257.6	0.0	11.5	0.0	2,472.8	11.5	0.0	10.7	0.2	1,780.5	9.0	0.0	8.3	0.1	1,381.1	56.65	0.00	56.94	6.00	2.948
12-31-2027	200.2	0.0	10.1	0.0	2,139.7	10.4	0.0	9.4	0.1	1,558.1	8.1	0.0	7.3	0.1	1,209.0	57.88	0.00	58.15	6.13	3.008
12-31-2028	154.9	0.0	8.9	0.0	1,734.3	8.5	0.0	8.3	0.1	1,265.0	6.7	0.0	6.4	0.1	984.3	59.14	0.00	59.36	6.25	3.077
12-31-2029	9.4	0.0	7.2	0.0	1,257.3	7.0	0.0	6.7	0.0	1,027.3	5.5	0.0	5.2	0.0	800.0	60.54	0.00	60.60	0.00	3.137
12-31-2030	8.7	0.0	6.4	0.0	1,087.1	6.5	0.0	5.9	0.0	889.5	5.1	0.0	4.6	0.0	692.4	61.80	0.00	61.87	0.00	3.198
12-31-2031	8.0	0.0	5.6	0.0	966.4	6.0	0.0	5.3	0.0	789.5	4.7	0.0	4.1	0.0	614.4	63.09	0.00	63.16	0.00	3.265
12-31-2032	6.8	0.0	4.1	0.0	734.7	4.9	0.0	3.9	0.0	617.4	3.9	0.0	3.0	0.0	482.1	64.45	0.00	64.46	0.00	3.333
12-31-2033	5.7	0.0	3.4	0.0	638.4	3.9	0.0	3.3	0.0	540.3	3.1	0.0	2.6	0.0	422.3	65.84	0.00	65.79	0.00	3.403
12-31-2034	4.3	0.0	3.0	0.0	576.8	3.5	0.0	2.9	0.0	487.3	2.8	0.0	2.2	0.0	380.9	67.25	0.00	67.15	0.00	3.473
12-31-2035	3.1	0.0	3.0	0.0	651.9	3.1	0.0	2.8	0.0	561.3	2.4	0.0	2.2	0.0	437.6	68.68	0.00	68.40	0.00	3.543
SUBTOTAL	3,441.5	0.0	135.0	0.0	29,296.5	158.1	0.0	125.5	2.0	20,765.7	123.0	0.0	97.0	1.5	16,136.2	57.28	0.00	57.70	5.88	2.944
REMAINING	160.4	0.0	25.4	0.0	6,109.0	36.2	0.0	24.0	0.0	5,178.7	27.8	0.0	18.6	0.0	4,035.6	79.52	0.00	86.77	0.00	4.554
TOTAL	3,601.9	0.0	160.4	0.0	35,405.4	194.4	0.0	149.5	2.0	25,944.4	150.8	0.0	115.6	1.5	20,171.8	61.38	0.00	62.37	5.88	3.266
CUM PROD	16,091.5	0.0	751.0	0.0	188,611.8															
ULTIMATE	19,693.5	0.0	911.4	0.0	224,017.2															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
ENDING			EQUIV	L/M OIL	HVY OIL	COND	NGL	NAT GAS	CRN/CGA ROYALTIES	BURDEN AND NPI	PROP AND MIN TAXES	COSTS CAPITAL	COSTS ABAND	OPER EXPENSE	UNDISC PERIOD	DISC @ 10.000% CUM
M-D-Y	100%	CO GRS	BOE/d	US$M	US$M	US$M	US$M	US$M	US$M	US$M	US$M	US$M	US$M	US$M	US$M	US$M
12-31-2021	200	156.98	911	1,233.0	0.0	332.4	2.5	3,429.2	0.0	1,098.3	248.9	45.9	0.0	1,495.7	2,108.5	2,033.3
12-31-2022	200	158.62	1,247	1,261.0	0.0	846.4	2.5	6,733.1	0.0	1,995.9	431.2	2,624.1	78.5	2,346.0	1,367.3	3,244.7
12-31-2023	201	160.02	1,434	1,046.3	0.0	981.0	1.9	8,025.4	0.0	2,263.2	487.6	2,309.1	131.0	2,559.2	2,304.5	5,085.0
12-31-2024	190	149.53	1,208	823.2	0.0	791.9	1.5	6,993.3	0.0	1,940.3	416.3	0.0	139.4	2,401.0	3,712.9	7,816.6
12-31-2025	174	136.56	1,002	709.4	0.0	683.2	1.2	5,898.3	0.0	1,637.0	352.2	0.0	151.5	2,220.7	2,930.8	9,774.6
12-31-2026	160	124.03	874	653.3	0.0	608.2	0.9	5,249.9	0.0	1,460.3	313.9	0.0	202.8	2,128.2	2,407.0	11,235.3
12-31-2027	151	115.36	766	604.7	0.0	547.0	0.7	4,687.5	0.0	1,307.8	281.2	0.0	186.3	2,017.0	2,047.7	12,365.3
12-31-2028	137	102.20	622	503.7	0.0	490.6	0.6	3,892.4	0.0	1,085.1	235.3	0.0	147.8	1,780.0	1,639.0	13,188.5
12-31-2029	101	88.43	507	423.1	0.0	406.6	0.0	3,223.0	0.0	896.7	193.8	0.0	197.1	1,422.2	1,342.8	13,800.9
12-31-2030	90	78.83	440	399.2	0.0	366.9	0.0	2,844.5	0.0	799.7	172.5	0.0	333.1	1,318.7	986.6	14,209.5
12-31-2031	78	67.34	391	376.7	0.0	331.7	0.0	2,577.9	0.0	728.0	157.0	0.0	297.6	1,260.1	843.5	14,527.3
12-31-2032	73	62.66	305	316.2	0.0	250.0	0.0	2,057.9	0.0	573.9	125.7	0.0	181.1	989.3	754.1	14,786.0
12-31-2033	64	54.97	266	258.9	0.0	215.4	0.0	1,838.6	0.0	503.2	110.9	0.0	149.2	894.9	654.6	14,990.2
12-31-2034	62	53.04	240	233.9	0.0	192.0	0.0	1,692.6	0.0	460.5	101.6	318.2	207.3	847.0	184.0	15,045.7
12-31-2035	59	50.91	272	210.7	0.0	194.1	0.0	1,988.8	0.0	524.5	114.5	0.0	116.7	871.4	766.4	15,243.7
SUBTOTAL				9,053.4	0.0	7,237.4	11.9	61,132.4	0.0	17,274.4	3,742.9	5,297.2	2,519.6	24,551.4	24,049.7	15,243.7
REMAINING				2,886.8	0.0	2,089.4	0.0	23,582.6	0.0	6,360.7	1,354.1	2,842.4	1,269.6	10,882.5	5,849.5	15,883.2
TOTAL OF 50.0 YRS				11,940.2	0.0	9,326.9	11.9	84,714.9	0.0	23,635.1	5,097.0	8,139.6	3,789.2	35,433.8	29,899.1	15,883.2

PRESENT WORTH PROFILE

DISC RATE %	CUM PW US$M
5.000	20,547.7
10.000	15,883.2
15.000	12,980.5
20.000	10,973.6
25.000	9,500.3
30.000	8,374.6
35.000	7,489.1
40.000	6,776.3
45.000	6,192.1
50.000	5,705.7

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 26

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SOUTHERN ENERGY CORP. INTEREST

SUMMARY - CERTAIN PROPERTIES
MINOR VALUE FIELDS

PROVED DEVELOPED PRODUCING RESERVES

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	669.9	0.0	5.6	0.0	2,393.7	17.6	0.0	5.2	0.4	1,228.1	13.7	0.0	4.1	0.3	964.2	56.25	0.00	56.59	5.98	2.583
12-31-2022	718.1	0.0	6.9	0.0	2,739.0	19.6	0.0	6.4	0.4	1,495.6	15.2	0.0	5.0	0.3	1,173.6	54.51	0.00	54.81	5.80	2.693
12-31-2023	554.5	0.0	6.4	0.0	2,353.3	16.6	0.0	5.8	0.3	1,346.4	12.9	0.0	4.6	0.3	1,056.6	53.10	0.00	53.37	5.66	2.753
12-31-2024	428.5	0.0	5.8	0.0	2,025.4	14.3	0.0	5.4	0.3	1,205.5	11.1	0.0	4.2	0.2	946.2	54.27	0.00	54.50	5.77	2.823
12-31-2025	332.0	0.0	5.4	0.0	1,749.9	12.8	0.0	4.9	0.2	1,080.1	10.0	0.0	3.9	0.2	848.1	55.46	0.00	55.67	5.89	2.883
12-31-2026	257.6	0.0	4.9	0.0	1,532.1	11.5	0.0	4.5	0.2	978.9	9.0	0.0	3.6	0.1	768.9	56.65	0.00	56.84	6.00	2.943
12-31-2027	200.2	0.0	4.5	0.0	1,329.9	10.4	0.0	4.2	0.1	871.2	8.1	0.0	3.3	0.1	684.8	57.88	0.00	58.05	6.13	3.003
12-31-2028	154.9	0.0	4.2	0.0	1,147.9	8.5	0.0	3.8	0.1	773.1	6.7	0.0	3.0	0.1	607.8	59.14	0.00	59.27	6.25	3.073
12-31-2029	9.4	0.0	3.8	0.0	875.5	7.0	0.0	3.5	0.0	694.7	5.5	0.0	2.8	0.0	545.7	60.54	0.00	60.52	0.00	3.134
12-31-2030	8.7	0.0	3.5	0.0	785.7	6.5	0.0	3.3	0.0	623.0	5.1	0.0	2.6	0.0	488.7	61.80	0.00	61.80	0.00	3.194
12-31-2031	8.0	0.0	3.3	0.0	710.5	6.0	0.0	3.0	0.0	562.9	4.7	0.0	2.4	0.0	441.2	63.09	0.00	63.10	0.00	3.262
12-31-2032	6.8	0.0	2.6	0.0	546.8	4.9	0.0	2.5	0.0	450.7	3.9	0.0	1.9	0.0	354.2	64.45	0.00	64.42	0.00	3.331
12-31-2033	5.7	0.0	2.3	0.0	484.7	3.9	0.0	2.2	0.0	403.8	3.1	0.0	1.7	0.0	317.4	65.84	0.00	65.77	0.00	3.401
12-31-2034	4.3	0.0	2.1	0.0	445.2	3.5	0.0	2.0	0.0	370.7	2.8	0.0	1.6	0.0	291.6	67.25	0.00	67.13	0.00	3.472
12-31-2035	3.1	0.0	2.0	0.0	411.5	3.1	0.0	1.9	0.0	344.1	2.4	0.0	1.5	0.0	270.7	68.68	0.00	68.53	0.00	3.545
SUBTOTAL	3,361.7	0.0	63.3	0.0	19,531.3	146.2	0.0	58.7	2.0	12,428.8	114.1	0.0	46.0	1.5	9,759.5	57.52	0.00	58.41	5.88	2.951
REMAINING	14.3	0.0	14.2	0.0	3,206.8	14.3	0.0	13.6	0.0	2,745.4	11.4	0.0	10.7	0.0	2,157.5	73.64	0.00	77.52	0.00	4.118
TOTAL	3,376.0	0.0	77.5	0.0	22,738.1	160.6	0.0	72.3	2.0	15,174.2	125.5	0.0	56.7	1.5	11,917.0	58.98	0.00	62.02	5.88	3.163
CUM PROD	16,091.5	0.0	709.5	0.0	180,768.7															
ULTIMATE	19,467.5	0.0	787.0	0.0	203,506.8															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
ENDING			EQUIV	L/M OIL	HVY OIL	COND	NGL	NAT GAS	CRN/CGA ROYALTIES	BURDEN AND NPI	PROP AND MIN TAXES	COSTS CAPITAL	COSTS ABAND	OPER EXPENSE	UNDISC PERIOD	DISC @ 10.000% CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	195	154.81	832	989.9	0.0	292.7	2.5	3,172.6	0.0	967.9	223.8	0.0	0.0	1,348.5	1,917.5	1,851.9
12-31-2022	188	148.94	755	1,067.9	0.0	348.2	2.5	4,028.0	0.0	1,181.8	272.1	0.0	78.5	1,712.7	2,201.5	3,809.0
12-31-2023	177	139.03	677	883.2	0.0	311.1	1.9	3,707.6	0.0	1,062.3	244.1	0.0	131.0	1,624.1	1,842.2	5,298.3
12-31-2024	166	128.54	603	775.2	0.0	291.8	1.5	3,403.4	0.0	967.3	221.3	0.0	139.4	1,521.4	1,622.6	6,490.6
12-31-2025	152	115.86	542	709.4	0.0	274.3	1.2	3,113.9	0.0	885.4	201.8	0.0	151.5	1,444.2	1,416.0	7,435.8
12-31-2026	138	103.41	491	653.3	0.0	258.6	0.9	2,881.2	0.0	818.8	186.0	0.0	199.6	1,396.4	1,193.2	8,159.0
12-31-2027	129	94.79	438	604.7	0.0	242.5	0.7	2,616.7	0.0	746.0	169.6	0.0	186.3	1,315.0	1,047.8	8,736.7
12-31-2028	115	81.64	386	503.7	0.0	228.0	0.6	2,376.1	0.0	667.6	151.6	0.0	147.8	1,191.2	950.2	9,213.9
12-31-2029	81	69.79	346	423.1	0.0	214.7	0.0	2,176.8	0.0	604.8	135.7	0.0	197.1	1,099.6	777.4	9,568.2
12-31-2030	72	61.80	311	399.2	0.0	202.6	0.0	1,990.0	0.0	559.1	124.7	0.0	287.6	1,043.6	576.8	9,806.8
12-31-2031	61	51.17	282	376.7	0.0	191.5	0.0	1,836.0	0.0	520.1	115.6	0.0	272.8	1,003.6	492.3	9,992.3
12-31-2032	57	47.42	225	316.2	0.0	158.5	0.0	1,501.2	0.0	422.9	95.2	0.0	174.7	777.2	505.8	10,165.5
12-31-2033	49	40.67	201	258.9	0.0	146.0	0.0	1,373.4	0.0	379.4	85.7	0.0	125.9	699.0	488.3	10,317.7
12-31-2034	47	38.74	184	233.9	0.0	136.5	0.0	1,287.1	0.0	352.4	80.0	0.0	183.2	670.6	371.5	10,422.4
12-31-2035	44	36.68	171	210.7	0.0	129.8	0.0	1,219.8	0.0	331.0	75.3	0.0	116.7	654.7	382.5	10,520.9
SUBTOTAL				8,406.1	0.0	3,426.7	11.9	36,683.8	0.0	10,466.8	2,382.4	0.0	2,392.0	17,501.9	15,785.4	10,520.9
REMAINING				1,055.0	0.0	1,055.2	0.0	11,303.7	0.0	2,862.1	644.9	0.0	872.0	6,795.8	2,239.1	10,875.3
TOTAL OF 47.0 YRS				9,461.1	0.0	4,481.9	11.9	47,987.5	0.0	13,328.8	3,027.3	0.0	3,264.0	24,297.7	18,024.5	10,875.3

PRESENT WORTH PROFILE

DISC RATE %	CUM PW USM$
5.000	13,497.8
10.000	10,875.3
15.000	9,178.5
20.000	7,991.6
25.000	7,113.6
30.000	6,436.6
35.000	5,898.0
40.000	5,458.7
45.000	5,093.3
50.000	4,784.3

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 27

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SUMMARY - CERTAIN PROPERTIES
MINOR VALUE FIELDS

SOUTHERN ENERGY CORP. INTEREST

PROVED DEVELOPED NON-PRODUCING RESERVES

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	29.2	0.0	0.8	0.0	157.1	4.4	0.0	0.7	0.0	99.3	3.3	0.0	0.5	0.0	76.0	55.85	0.00	56.77	0.00	2.585
12-31-2022	24.0	0.0	9.8	0.0	1,193.9	3.6	0.0	9.1	0.0	1,001.6	2.7	0.0	6.8	0.0	763.1	54.07	0.00	55.03	0.00	2.701
12-31-2023	20.7	0.0	13.4	0.0	1,828.3	3.1	0.0	12.5	0.0	1,564.0	2.3	0.0	9.6	0.0	1,200.5	52.62	0.00	53.57	0.00	2.761
12-31-2024	5.9	0.0	9.8	0.0	1,473.8	0.9	0.0	9.1	0.0	1,266.8	0.7	0.0	7.0	0.0	968.8	53.74	0.00	54.70	0.00	2.834
12-31-2025	0.0	0.0	7.8	0.0	1,122.7	0.0	0.0	7.3	0.0	961.9	0.0	0.0	5.6	0.0	735.3	0.00	0.00	55.86	0.00	2.894
12-31-2026	0.0	0.0	6.6	0.0	940.7	0.0	0.0	6.1	0.0	801.6	0.0	0.0	4.7	0.0	612.2	0.00	0.00	57.03	0.00	2.955
12-31-2027	0.0	0.0	5.6	0.0	809.7	0.0	0.0	5.2	0.0	686.8	0.0	0.0	4.0	0.0	524.2	0.00	0.00	58.23	0.00	3.015
12-31-2028	0.0	0.0	4.8	0.0	586.3	0.0	0.0	4.4	0.0	491.9	0.0	0.0	3.4	0.0	376.5	0.00	0.00	59.44	0.00	3.083
12-31-2029	0.0	0.0	3.4	0.0	381.8	0.0	0.0	3.2	0.0	332.6	0.0	0.0	2.4	0.0	254.3	0.00	0.00	60.69	0.00	3.145
12-31-2030	0.0	0.0	2.8	0.0	301.4	0.0	0.0	2.7	0.0	266.5	0.0	0.0	2.0	0.0	203.6	0.00	0.00	61.96	0.00	3.206
12-31-2031	0.0	0.0	2.4	0.0	255.8	0.0	0.0	2.2	0.0	226.6	0.0	0.0	1.7	0.0	173.3	0.00	0.00	63.24	0.00	3.273
12-31-2032	0.0	0.0	1.5	0.0	187.8	0.0	0.0	1.4	0.0	166.7	0.0	0.0	1.1	0.0	127.9	0.00	0.00	64.53	0.00	3.339
12-31-2033	0.0	0.0	1.1	0.0	153.7	0.0	0.0	1.1	0.0	136.6	0.0	0.0	0.8	0.0	104.9	0.00	0.00	65.85	0.00	3.407
12-31-2034	0.0	0.0	0.9	0.0	131.7	0.0	0.0	0.8	0.0	116.6	0.0	0.0	0.6	0.0	89.3	0.00	0.00	67.19	0.00	3.477
12-31-2035	0.0	0.0	1.0	0.0	240.4	0.0	0.0	0.9	0.0	217.2	0.0	0.0	0.7	0.0	166.8	0.00	0.00	68.13	0.00	3.540
SUBTOTAL	79.8	0.0	71.7	0.0	9,765.2	11.9	0.0	66.8	0.0	8,336.9	8.9	0.0	51.0	0.0	6,376.7	54.32	0.00	57.07	0.00	2.933
REMAINING	146.1	0.0	11.3	0.0	2,902.1	21.9	0.0	10.4	0.0	2,433.3	16.4	0.0	7.9	0.0	1,878.1	83.58	0.00	99.39	0.00	5.054
TOTAL	225.9	0.0	82.9	0.0	12,667.3	33.8	0.0	77.2	0.0	10,770.2	25.4	0.0	58.9	0.0	8,254.8	73.28	0.00	62.71	0.00	3.415
CUM PROD	0.0	0.0	41.5	0.0	7,843.1															
ULTIMATE	225.9	0.0	124.4	0.0	20,510.4															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
ENDING			EQUIV	L/M OIL	HVY OIL	COND	NGL	NAT GAS	CRN/CGA ROYALTIES	BURDEN AND NPI	PROP AND MIN TAXES	COSTS CAPITAL	COSTS ABAND	OPER EXPENSE	UNDISC PERIOD	DISC @ 10.000% CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	5	2.17	79	243.1	0.0	39.7	0.0	256.6	0.0	130.4	25.1	45.9	0.0	147.1	191.0	181.4
12-31-2022	12	9.69	492	193.1	0.0	498.2	0.0	2,705.2	0.0	814.1	159.2	2,624.1	0.0	633.3	-834.2	-564.3
12-31-2023	24	21.00	757	163.2	0.0	669.9	0.0	4,317.8	0.0	1,200.8	243.5	2,309.1	0.0	935.2	462.3	-213.4
12-31-2024	24	21.00	604	47.9	0.0	500.2	0.0	3,589.8	0.0	973.0	195.1	0.0	0.0	879.6	2,090.3	1,326.0
12-31-2025	22	20.70	459	0.0	0.0	408.9	0.0	2,784.4	0.0	751.6	150.4	0.0	0.0	776.4	1,514.9	2,338.8
12-31-2026	22	20.62	383	0.0	0.0	349.6	0.0	2,368.7	0.0	641.5	127.9	0.0	3.3	731.8	1,213.8	3,076.4
12-31-2027	22	20.56	328	0.0	0.0	304.5	0.0	2,070.8	0.0	561.8	111.6	0.0	0.0	701.9	1,000.0	3,628.6
12-31-2028	22	20.55	236	0.0	0.0	262.5	0.0	1,516.3	0.0	417.5	83.7	0.0	0.0	588.8	688.8	3,974.6
12-31-2029	20	18.64	161	0.0	0.0	191.9	0.0	1,046.1	0.0	291.9	58.1	0.0	0.0	322.6	565.4	4,232.7
12-31-2030	18	17.03	129	0.0	0.0	164.3	0.0	854.5	0.0	240.5	47.8	0.0	45.6	275.1	409.8	4,402.7
12-31-2031	17	16.17	110	0.0	0.0	140.1	0.0	741.9	0.0	208.0	41.4	0.0	24.8	256.6	351.2	4,535.1
12-31-2032	16	15.24	80	0.0	0.0	91.6	0.0	556.7	0.0	151.0	30.5	0.0	6.4	212.0	248.3	4,620.5
12-31-2033	15	14.30	65	0.0	0.0	69.4	0.0	465.2	0.0	123.8	25.2	0.0	23.4	195.9	166.3	4,672.5
12-31-2034	15	14.30	56	0.0	0.0	55.5	0.0	405.5	0.0	108.1	21.6	318.2	24.1	176.4	-187.5	4,623.3
12-31-2035	15	14.23	102	0.0	0.0	64.4	0.0	769.0	0.0	193.6	39.3	0.0	0.0	216.7	383.9	4,722.8
SUBTOTAL				647.4	0.0	3,810.7	0.0	24,448.6	0.0	6,807.7	1,360.5	5,297.2	127.6	7,049.4	8,264.3	4,722.8
REMAINING				1,831.8	0.0	1,034.3	0.0	12,278.8	0.0	3,498.6	709.2	2,842.4	397.6	4,086.6	3,610.4	5,007.9
TOTAL OF 50.0 YRS				2,479.1	0.0	4,845.0	0.0	36,727.4	0.0	10,306.3	2,069.7	8,139.6	525.2	11,136.1	11,874.7	5,007.9

PRESENT WORTH PROFILE

DISC RATE %	CUM PW USM$
5.000	7,049.9
10.000	5,007.9
15.000	3,802.0
20.000	2,981.9
25.000	2,386.7
30.000	1,938.0
35.000	1,591.1
40.000	1,317.6
45.000	1,098.8
50.000	921.4

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 28

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SOUTHERN ENERGY CORP. INTEREST

SUMMARY - CERTAIN PROPERTIES
MINOR VALUE FIELDS

PROVED UNDEVELOPED RESERVES

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf

NO ECONOMIC RESERVES

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
									CRN/CGA	BURDEN	PROP AND	COSTS		OPER	UNDISC	DISC @ 10.000%
ENDING			EQUIV	L/M OIL	HVY OIL	COND	NGL	NAT GAS	ROYALTIES	AND NPI	MIN TAXES	CAPITAL	ABAND	EXPENSE	PERIOD	CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$

PRESENT WORTH PROFILE	
DISC RATE	CUM PW
%	USM$

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

Figure 29

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SUMMARY - CERTAIN PROPERTIES
MINOR VALUE FIELDS

SOUTHERN ENERGY CORP. INTEREST

PROBABLE RESERVES

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	69.7	0.0	0.3	0.0	184.7	0.6	0.0	0.3	0.1	15.7	0.5	0.0	0.2	0.1	12.2	55.61	0.00	56.30	5.98	2.581
12-31-2022	228.7	0.0	0.5	0.0	328.8	1.6	0.0	0.5	0.1	46.1	1.3	0.0	0.4	0.1	35.5	53.56	0.00	54.55	5.80	2.688
12-31-2023	246.5	0.0	0.6	0.0	411.2	1.8	0.0	0.6	0.2	101.4	1.4	0.0	0.4	0.1	77.9	52.11	0.00	53.02	5.66	2.745
12-31-2024	249.4	0.0	0.6	0.0	382.3	1.9	0.0	0.6	0.2	69.9	1.4	0.0	0.4	0.1	53.8	53.28	0.00	54.26	5.77	2.818
12-31-2025	242.4	0.0	0.6	0.0	372.2	1.9	0.0	0.6	0.2	67.0	1.5	0.0	0.5	0.1	51.7	54.52	0.00	55.48	5.89	2.880
12-31-2026	229.3	0.0	0.7	0.0	357.8	1.9	0.0	0.6	0.1	67.1	1.5	0.0	0.5	0.1	51.8	55.78	0.00	56.68	6.00	2.942
12-31-2027	212.7	0.0	0.7	0.0	339.3	1.9	0.0	0.6	0.1	67.4	1.5	0.0	0.5	0.1	52.1	57.08	0.00	57.91	6.13	3.002
12-31-2028	194.3	0.0	0.8	0.0	381.6	1.9	0.0	0.7	0.1	122.0	1.5	0.0	0.6	0.1	93.2	58.37	0.00	59.15	6.25	3.081
12-31-2029	286.7	0.0	1.3	0.0	535.4	2.5	0.0	1.2	0.2	149.4	2.0	0.0	0.9	0.1	115.3	59.47	0.00	60.41	6.37	3.131
12-31-2030	242.6	0.0	0.6	0.0	382.1	2.3	0.0	0.6	0.2	71.8	1.8	0.0	0.4	0.1	55.6	60.84	0.00	61.61	6.50	3.193
12-31-2031	205.3	0.0	0.6	0.0	328.1	2.1	0.0	0.5	0.1	64.1	1.7	0.0	0.4	0.1	49.6	62.22	0.00	62.90	6.63	3.260
12-31-2032	173.7	0.0	1.3	0.0	405.2	2.0	0.0	1.2	0.1	141.7	1.5	0.0	0.9	0.1	108.5	63.63	0.00	64.37	6.76	3.332
12-31-2033	147.0	0.0	1.5	0.0	385.3	1.8	0.0	1.3	0.1	151.8	1.4	0.0	1.0	0.1	116.1	65.06	0.00	65.75	6.90	3.403
12-31-2034	44.5	0.0	1.4	0.0	250.4	1.2	0.0	1.2	0.0	144.1	1.0	0.0	1.0	0.0	110.4	66.91	0.00	67.13	7.04	3.475
12-31-2035	1.0	0.0	1.2	0.0	175.5	1.0	0.0	1.0	0.0	125.9	0.8	0.0	0.8	0.0	96.3	68.68	0.00	68.50	0.00	3.547
SUBTOTAL	2,773.9	0.0	12.6	0.0	5,220.0	26.6	0.0	11.5	1.8	1,405.4	20.7	0.0	8.8	1.4	1,079.9	58.97	0.00	61.33	6.19	3.166
REMAINING	21.2	0.0	6.1	0.0	688.7	21.2	0.0	5.8	0.0	603.4	16.8	0.0	4.4	0.0	458.5	81.37	0.00	83.77	0.00	4.424
TOTAL	2,795.1	0.0	18.8	0.0	5,908.7	47.8	0.0	17.3	1.8	2,008.8	37.5	0.0	13.3	1.4	1,538.5	69.02	0.00	68.80	6.19	3.541
CUM PROD	0.0	0.0	0.0	0.0	0.0															
ULTIMATE	2,795.1	0.0	18.8	0.0	5,908.7															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
ENDING			EQUIV	L/M OIL	HVY OIL	COND	NGL	NAT GAS	CRN/CGA ROYALTIES	BURDEN AND NPI	PROP AND MIN TAXES	COSTS CAPITAL	COSTS ABAND	OPER EXPENSE	UNDISC PERIOD	DISC @ 10.000% CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	0	0.00	13	33.6	0.0	16.4	0.5	40.5	0.0	20.5	5.1	0.0	0.0	4.3	61.2	58.7
12-31-2022	1	0.99	27	87.8	0.0	26.7	0.8	123.9	0.0	54.8	13.6	252.5	0.0	13.1	-94.7	-18.7
12-31-2023	1	0.99	53	92.3	0.0	30.0	0.9	278.4	0.0	92.9	21.4	0.0	0.0	33.5	253.8	187.2
12-31-2024	1	0.99	39	98.8	0.0	30.3	0.9	197.1	0.0	75.1	17.9	0.0	0.0	25.6	208.4	340.2
12-31-2025	1	0.99	38	104.4	0.0	32.9	0.9	193.1	0.0	75.6	18.1	0.0	0.0	25.8	211.6	481.4
12-31-2026	1	0.99	38	108.6	0.0	35.0	0.9	197.4	0.0	77.7	18.6	0.0	0.0	26.9	218.8	614.0
12-31-2027	1	0.99	38	110.8	0.0	36.4	0.8	202.4	0.0	79.5	18.8	0.0	0.0	27.8	224.4	737.8
12-31-2028	1	0.99	63	111.5	0.0	43.4	0.8	375.7	0.0	123.5	27.1	0.0	0.0	88.9	291.9	884.9
12-31-2029	25	3.03	79	150.3	0.0	73.5	1.1	467.7	0.0	157.7	36.0	0.0	0.0	281.8	217.3	984.0
12-31-2030	26	4.03	41	140.9	0.0	35.7	1.0	229.3	0.0	91.6	22.0	0.0	-32.8	91.5	234.7	1,081.2
12-31-2031	25	3.07	37	132.7	0.0	32.3	0.8	208.9	0.0	84.2	20.1	0.0	-7.3	74.6	203.1	1,157.8
12-31-2032	25	2.97	73	125.7	0.0	74.4	0.7	472.0	0.0	156.0	33.7	0.0	23.8	250.4	208.9	1,228.7
12-31-2033	27	4.80	78	119.5	0.0	84.2	0.6	516.7	0.0	168.0	35.6	0.0	0.0	287.2	230.2	1,300.5
12-31-2034	25	2.85	73	82.9	0.0	83.7	0.2	500.7	0.0	154.3	32.0	0.0	-44.5	277.5	248.2	1,371.0
12-31-2035	4	3.71	63	67.8	0.0	71.4	0.0	446.6	0.0	136.0	27.5	0.0	15.4	254.9	152.0	1,410.1
SUBTOTAL				1,567.6	0.0	706.4	11.0	4,450.4	0.0	1,547.3	347.5	252.5	-45.4	1,763.7	2,869.8	1,410.1
REMAINING				1,725.7	0.0	487.8	0.0	2,669.1	0.0	1,115.0	229.3	0.0	80.9	2,096.2	1,361.2	1,609.6
TOTAL OF 47.8 YRS				3,293.2	0.0	1,194.2	11.0	7,119.5	0.0	2,662.3	576.8	252.5	35.5	3,859.9	4,231.0	1,609.6

PRESENT WORTH PROFILE

DISC RATE %	CUM PW USM$
5.000	2,463.5
10.000	1,609.6
15.000	1,141.1
20.000	857.8
25.000	673.4
30.000	546.5
35.000	455.2
40.000	387.3
45.000	335.4
50.000	294.6

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 30

NETHERLAND, SEWELL & ASSOCIATES, INC.

SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF APRIL 1, 2021

SOUTHERN ENERGY CORP. INTEREST

SUMMARY - CERTAIN PROPERTIES
MINOR VALUE FIELDS

PROVED + PROBABLE RESERVES

PERIOD	GROSS (100 PERCENT) RESERVES					COMPANY GROSS RESERVES					COMPANY NET RESERVES					AVERAGE PRICES				
ENDING	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS	L/M OIL	HVY OIL	COND	NGL	NAT GAS
M-D-Y	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	Mbbl	Mbbl	Mbbl	Mbbl	MMcf	US$/bbl	US$/bbl	US$/bbl	US$/bbl	US$/Mcf
12-31-2021	768.8	0.0	6.7	0.0	2,735.5	22.6	0.0	6.2	0.5	1,343.1	17.4	0.0	4.8	0.4	1,052.3	56.16	0.00	56.59	5.98	2.583
12-31-2022	970.8	0.0	17.2	0.0	4,261.7	24.8	0.0	15.9	0.6	2,543.3	19.2	0.0	12.2	0.4	1,972.2	54.38	0.00	54.92	5.80	2.696
12-31-2023	821.7	0.0	20.3	0.0	4,592.8	21.5	0.0	18.9	0.5	3,011.9	16.6	0.0	14.6	0.4	2,334.9	52.95	0.00	53.49	5.66	2.757
12-31-2024	683.9	0.0	16.2	0.0	3,881.6	17.0	0.0	15.1	0.4	2,542.2	13.2	0.0	11.6	0.3	1,968.9	54.13	0.00	54.61	5.77	2.828
12-31-2025	574.4	0.0	13.8	0.0	3,244.9	14.7	0.0	12.8	0.4	2,109.0	11.4	0.0	9.9	0.3	1,635.1	55.34	0.00	55.77	5.89	2.888
12-31-2026	486.9	0.0	12.2	0.0	2,830.6	13.5	0.0	11.3	0.3	1,847.7	10.5	0.0	8.7	0.2	1,432.9	56.53	0.00	56.93	6.00	2.948
12-31-2027	412.9	0.0	10.8	0.0	2,479.0	12.4	0.0	10.0	0.3	1,625.5	9.7	0.0	7.8	0.2	1,261.1	57.76	0.00	58.13	6.13	3.008
12-31-2028	349.2	0.0	9.7	0.0	2,115.9	10.4	0.0	9.0	0.2	1,387.0	8.1	0.0	7.0	0.2	1,077.5	59.00	0.00	59.34	6.25	3.077
12-31-2029	296.2	0.0	8.5	0.0	1,792.7	9.5	0.0	7.9	0.2	1,176.7	7.4	0.0	6.1	0.1	915.2	60.26	0.00	60.57	6.37	3.136
12-31-2030	251.3	0.0	7.0	0.0	1,469.2	8.8	0.0	6.5	0.2	961.4	6.9	0.0	5.0	0.1	748.0	61.55	0.00	61.85	6.50	3.197
12-31-2031	213.3	0.0	6.2	0.0	1,294.4	8.1	0.0	5.8	0.1	853.6	6.3	0.0	4.5	0.1	664.0	62.86	0.00	63.14	6.63	3.264
12-31-2032	180.5	0.0	5.4	0.0	1,139.9	6.9	0.0	5.0	0.1	759.1	5.4	0.0	3.9	0.1	590.5	64.21	0.00	64.44	6.76	3.333
12-31-2033	152.7	0.0	4.9	0.0	1,023.7	5.8	0.0	4.6	0.1	692.1	4.5	0.0	3.5	0.1	538.4	65.59	0.00	65.78	6.90	3.403
12-31-2034	48.8	0.0	4.4	0.0	827.3	4.7	0.0	4.1	0.0	631.4	3.7	0.0	3.2	0.0	491.3	67.16	0.00	67.14	7.04	3.474
12-31-2035	4.1	0.0	4.2	0.0	827.4	4.1	0.0	3.9	0.0	687.2	3.2	0.0	3.0	0.0	533.9	68.68	0.00	68.43	0.00	3.544
SUBTOTAL	6,215.4	0.0	147.6	0.0	34,516.5	184.7	0.0	137.0	3.8	22,171.0	143.7	0.0	105.9	2.9	17,216.2	57.53	0.00	58.01	6.02	2.958
REMAINING	181.6	0.0	31.5	0.0	6,797.6	57.5	0.0	29.8	0.0	5,782.1	44.6	0.0	23.0	0.0	4,494.1	80.21	0.00	86.19	0.00	4.540
TOTAL	6,397.1	0.0	179.2	0.0	41,314.1	242.2	0.0	166.8	3.8	27,953.2	188.3	0.0	128.8	2.9	21,710.3	62.90	0.00	63.03	6.02	3.285
CUM PROD	16,091.5	0.0	751.0	0.0	188,611.8															
ULTIMATE	22,488.6	0.0	930.2	0.0	229,925.9															

PERIOD	NUMBER OF ACTIVE COMPLETIONS		COMPANY GROSS EQUIV	COMPANY GROSS REVENUE					NET DEDUCTIONS/EXPENDITURES						FUTURE NET REVENUE BEFORE INCOME TAXES	
ENDING				L/M OIL	HVY OIL	COND	NGL	NAT GAS	CRN/CGA ROYALTIES	BURDEN AND NPI	PROP AND MIN TAXES	COSTS CAPITAL	COSTS ABAND	OPER EXPENSE	UNDISC PERIOD	DISC @ 10.000% CUM
M-D-Y	100%	CO GRS	BOE/d	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$	USM$
12-31-2021	200	156.98	924	1,266.7	0.0	348.8	3.1	3,469.7	0.0	1,118.8	254.0	45.9	0.0	1,499.9	2,169.7	2,092.0
12-31-2022	201	159.61	1,274	1,348.8	0.0	873.1	3.4	6,857.0	0.0	2,050.7	444.8	2,876.5	78.5	2,359.2	1,272.6	3,226.1
12-31-2023	202	161.01	1,487	1,138.7	0.0	1,011.0	2.8	8,303.8	0.0	2,356.0	509.0	2,309.1	131.0	2,592.8	2,558.3	5,272.1
12-31-2024	191	150.52	1,246	921.9	0.0	822.2	2.4	7,190.4	0.0	2,015.4	434.3	0.0	139.4	2,426.5	3,921.3	8,156.8
12-31-2025	175	137.55	1,039	813.8	0.0	716.1	2.1	6,091.4	0.0	1,712.6	370.3	0.0	151.5	2,246.5	3,142.4	10,256.0
12-31-2026	161	125.02	912	761.9	0.0	643.2	1.8	5,447.3	0.0	1,538.1	332.5	0.0	202.8	2,155.1	2,625.7	11,849.3
12-31-2027	152	116.35	804	715.6	0.0	583.4	1.5	4,889.9	0.0	1,387.3	300.1	0.0	186.3	2,044.7	2,272.1	13,103.1
12-31-2028	138	103.19	685	615.3	0.0	534.0	1.3	4,268.2	0.0	1,208.6	262.4	0.0	147.8	1,868.9	1,930.9	14,073.4
12-31-2029	126	91.46	586	573.4	0.0	480.1	1.1	3,690.7	0.0	1,054.4	229.8	0.0	197.1	1,704.1	1,560.1	14,785.0
12-31-2030	116	82.85	481	540.1	0.0	402.6	1.0	3,073.8	0.0	891.2	194.6	0.0	300.3	1,410.2	1,221.2	15,290.8
12-31-2031	103	70.41	428	509.4	0.0	364.0	0.8	2,786.8	0.0	812.2	177.1	0.0	290.4	1,334.7	1,046.7	15,685.1
12-31-2032	98	65.63	379	441.9	0.0	324.4	0.7	2,529.9	0.0	730.0	159.4	0.0	204.9	1,239.7	963.0	16,014.7
12-31-2033	91	59.77	345	378.4	0.0	299.6	0.6	2,355.2	0.0	671.2	146.6	0.0	149.2	1,182.1	884.8	16,290.7
12-31-2034	87	55.89	313	316.8	0.0	275.7	0.2	2,193.3	0.0	614.8	133.6	318.2	162.8	1,124.4	432.2	16,416.7
12-31-2035	63	54.62	336	278.4	0.0	265.6	0.0	2,435.4	0.0	660.5	142.1	0.0	132.1	1,126.3	918.4	16,653.8
SUBTOTAL				10,621.0	0.0	7,943.9	22.8	65,582.8	0.0	18,821.7	4,090.4	5,549.6	2,474.3	26,315.1	26,919.4	16,653.8
REMAINING				4,612.4	0.0	2,577.2	0.0	26,251.6	0.0	7,475.7	1,583.4	2,842.4	1,350.5	12,978.6	7,210.7	17,492.8
TOTAL OF 50.0 YRS				15,233.4	0.0	10,521.1	22.8	91,834.5	0.0	26,297.4	5,673.8	8,392.1	3,824.7	39,293.7	34,130.1	17,492.8

PRESENT WORTH PROFILE

DISC RATE %	CUM PW USM$
5.000	23,011.1
10.000	17,492.8
15.000	14,121.6
20.000	11,831.4
25.000	10,173.7
30.000	8,921.1
35.000	7,944.3
40.000	7,163.7
45.000	6,527.4
50.000	6,000.3

BASED ON ESCALATED PRICE AND COST PARAMETERS
BASE CASE

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 31

REVENUE AND COSTS (USM$)
SOUTHERN ENERGY CORP. INTEREST
ALABAMA AND MISSISSIPPI
AS OF APRIL 1, 2021

PRICE SENSITIVITY CASES

Case/Category	Company Gross Revenue	Burden and NPI	Property and Mineral Taxes	Capital Costs	Abandonment Costs	Operating Costs	Future Net Revenue Before Income Taxes Discounted at 0%	Future Net Revenue Before Income Taxes Discounted at 10%
Base Price Case								
Total Proved	230,145.2	47,569.6	11,291.1	28,314.8	4,393.9	64,706.8	73,869.0	38,944.3
Probable	32,662.0	6,977.4	1,605.4	256.9	64.5	9,197.3	14,560.5	5,878.3
Proved + Probable	262,807.2	54,547.0	12,896.5	28,571.6	4,458.4	73,904.1	88,429.5	44,822.6
Low Price Case								
Total Proved	147,920.6	30,365.2	7,324.5	21,159.0	4,246.4	46,241.0	38,584.4	20,820.0
Probable	22,149.2	4,740.4	1,097.7	4.1	41.4	7,325.2	8,940.5	4,005.2
Proved + Probable	170,069.8	35,105.6	8,422.1	21,163.1	4,287.8	53,566.2	47,524.9	24,825.3
High Price Case								
Total Proved	311,430.3	63,612.7	15,250.5	33,328.2	4,539.3	78,423.3	116,276.3	58,976.8
Probable	53,302.3	11,517.6	2,588.7	3,160.4	124.1	12,041.2	23,870.3	7,782.0
Proved + Probable	364,732.6	75,130.3	17,839.2	36,488.6	4,663.4	90,464.6	140,146.6	66,758.8

Totals may not add because of rounding.

Note: For the purposes of these sensitivities, all other parameters are the same as those described in the letter included in this report.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 32

REVENUE AND COSTS (USM$)
SOUTHERN ENERGY CORP. INTEREST
ALABAMA AND MISSISSIPPI
AS OF APRIL 1, 2021

OPERATING EXPENSE SENSITIVITY CASES

Case/Category	Company Gross Revenue	Burden and NPI	Property and Mineral Taxes	Capital Costs	Abandonment Costs	Operating Costs	Future Net Revenue Before Income Taxes Discounted at 0%	Future Net Revenue Before Income Taxes Discounted at 10%
Base Expense Case								
Total Proved	230,145.2	47,569.6	11,291.1	28,314.8	4,393.9	64,706.8	73,869.0	38,944.3
Probable	32,662.0	6,977.4	1,605.4	256.9	64.5	9,197.3	14,560.5	5,878.3
Proved + Probable	262,807.2	54,547.0	12,896.5	28,571.6	4,458.4	73,904.1	88,429.5	44,822.6
Low Expense Case								
Total Proved	237,166.9	49,096.1	11,633.2	27,862.1	4,440.8	63,667.6	80,467.0	42,141.7
Probable	33,542.6	7,171.8	1,647.6	259.4	65.8	8,849.0	15,549.0	6,101.2
Proved + Probable	270,709.5	56,267.9	13,280.8	28,121.5	4,506.7	72,516.6	96,015.9	48,243.0
High Expense Case								
Total Proved	217,225.8	44,735.0	10,667.7	26,837.9	4,335.4	63,343.2	67,306.6	35,962.7
Probable	31,817.3	6,793.2	1,565.0	258.9	59.2	9,509.4	13,631.6	5,648.7
Proved + Probable	249,043.1	51,528.2	12,232.7	27,096.8	4,394.6	72,852.6	80,938.2	41,611.4

Totals may not add because of rounding.

Note: For the purposes of these sensitivities, all other parameters are the same as those described in the letter included in this report.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 33

PART 4

FINANCIAL STATEMENTS

4.1 Unaudited consolidated interim financial statements for the Group as at and for the three months ended 31 March 2021 and 2020

Condensed Consolidated Interim Financial Statements of

SOUTHERN ENERGY CORP.

For the three months ended March 31, 2021 and 2020

(unaudited)

(Canadian Dollars)

($000s of Canadian Dollars)	March 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 1,488	$ 1,158
Accounts receivable and other	2,130	2,143
Prepaid expenses and deposits	376	304
Derivative assets (Note 9)	-	8
	3,994	3,613
Property, plant and equipment (Note 3)	32,644	34,682
Right-of-use assets	256	352
Total assets	$ 36,894	$ 38,647
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	2,404	2,241
Royalties payable (Note 11)	5,492	5,555
Current portion of lease liabilities	279	381
Bank debt (Note 5)	16,033	16,779
Derivative liabilities (Note 9)	501	473
	24,709	25,429
Long-term liabilities		
Convertible debentures (Note 6)	7,605	7,468
Decommissioning provisions (Note 4)	5,011	5,439
Total liabilities	37,325	38,336
Shareholders' equity (Note 7)		
Share capital	35,441	35,441
Equity component of convertible debenture (Note 6)	665	665
Warrants	1,195	1,195
Contributed surplus	4,421	4,377
Deficit	(43,070)	(42,272)
Accumulated other comprehensive income	917	905
	(431)	311
Total liabilities and shareholders' equity	$ 36,894	$ 38,647

(See accompanying Notes to the Condensed Consolidated Interim Financial Statements)

($000s of Canadian Dollars, except for per share amounts)	Three months ended March 31, 2021	2020
Revenues		
Petroleum and natural gas sales (Note 12)	$ 4,883	$ 3,397
Royalties	(992)	(691)
	3,891	2,706
Expenses		
Production and operating	1,463	1,655
Transportation	58	42
Depletion, depreciation and amortization (Note 3)	1,276	1,325
Impairment (Note 3)	-	10,400
Loss (gain) on derivatives (Note 9)	185	(1,587)
Financing (Note 13)	610	527
General and administrative	863	918
Share-based compensation (Note 7)	44	99
Transaction costs	87	-
Loss (gain) on foreign exchange	103	(457)
	4,689	12,922
Total net loss for the period	(798)	(10,216)
Currency translation adjustment	12	1,105
Comprehensive loss for the period	**$ (786)**	**$ (9,111)**
Basic and diluted net loss per share (Note 8)	**$ (0.00)**	**$ (0.05)**

(See accompanying Notes to the Condensed Consolidated Interim Financial Statements)

($000s of Canadian Dollars, except share amounts)	Common Shares	Shareholders' Capital	Equity Component of Convertible Debentures	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
Balance, December 31, 2019	220,770,279	$ 35,441	$ 665	$ 1,195	$ 4,095	$(30,962)	$ (486)	$ 9,948
Share-based compensation	-	-	-	-	99	-	-	99
Net Loss	-	-	-	-	-	(10,216)	-	(10,216)
Other Comprehensive Income	-	-	-	-	-	-	1,105	1,105
Balance, March 31, 2020	220,770,279	$ 35,441	$ 665	$ 1,195	$ 4,194	$(41,178)	$ 619	$ 936
Balance, December 31, 2020	220,770,279	$ 35,441	$ 665	$ 1,195	$ 4,377	$(42,272)	$ 905	$ 311
Share-based compensation	-	-	-	-	44	-	-	44
Net Loss	-	-	-	-	-	(798)	-	(798)
Other Comprehensive Income	-	-	-	-	-	-	12	12
Balance, March 31, 2021	220,770,279	$ 35,441	$ 665	$ 1,195	$ 4,421	$(43,070)	$ 917	$ (431)

(See accompanying Notes to the Condensed Consolidated Interim Financial Statements)

($000s of Canadian Dollars)	Three months ended March 31, 2021	2020
Operating activities		
Total net loss for the period	$ (798)	$ (10,216)
Changes in non-cash items:		
Depletion, depreciation and amortization (Note 3)	1,276	1,325
Impairment (Note 3)	-	10,400
Net finance expense	610	527
Unrealized loss (gain) on derivatives (Note 9)	47	(1,002)
Unrealized loss (gain) on foreign exchange	103	(457)
Share-based compensation (Note 7)	44	99
Decommissioning provisions liabilities settled (Note 4)	-	1
Changes in non-cash working capital	(193)	246
Net cash provided by operating activities	1,089	923
Investing activities		
Capital expenditures	(72)	(46)
Proceeds from divestitures	135	-
Changes in non-cash working capital	(100)	(152)
Net cash used by investing activities	(37)	(198)
Financing activities		
Advance of bank debt (Note 5)	-	720
Paydown of bank debt (Note 5)	(571)	(720)
Payment of interest	(262)	(244)
Finance lease payments	(107)	(104)
Changes in non-cash working capital	230	(20)
Net cash used by financing activities	(710)	(368)
Net increase (decrease) in cash and cash equivalents	342	357
Effect of foreign exchange rate changes	(12)	51
Cash and cash equivalents, beginning of period	1,158	424
Cash and cash equivalents, end of period	$ 1,488	$ 832

(See accompanying Notes to the Condensed Consolidated Interim Financial Statements)

1. Reporting Entity and Nature of Operations

Southern Energy Corp. ("Southern" or "Company") 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.

Southern's head office is located in Calgary, Alberta, Canada. Southern trades on the TSX Venture Exchange ("TSXV") under the trading symbol "SOU". The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 25, 2021.

2. Basis of Presentation and Going Concern

a) Principles of Reporting and Consolidation

The condensed consolidated interim financial statements of Southern include the accounts of all domestic and foreign subsidiaries. Wholly-owned subsidiaries included in the Company's accounts include Southern Energy Corp (DE), Southern Energy Operating, LLC, Southern Energy CMS, LLC, Southern Energy BWB, LLC and Southern Energy SO, LLC. Southern accounts for joint operations by recognizing the Company's share of assets, liabilities, income and expenses. All intercompany balances and transactions have been eliminated.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements use the accounting policies which the Company applied in its annual consolidated financial statements for the year ended December 31, 2020, with the exception of the changes in accounting policies described below. These condensed consolidated interim financial statements should be read in conjunction with Southern's consolidated financial statements for the year ended December 31, 2020, which are available on SEDAR at www.sedar.com or on Southern's website at www.southernenergycorp.com. These condensed consolidated interim financial statements are presented in Canadian dollars. All financial information presented has been rounded to the nearest thousand unless otherwise indicated.

The Company's presentation and functional currency is the Canadian dollar. The functional currency of the Company's United States ("US") subsidiaries is the US dollar, and its results and balance sheet items are translated to Canadian dollars for the purposes of these condensed consolidated interim financial statements, in accordance with the Company's foreign currency translation accounting policy.

b) Going Concern

The Company prepared the condensed consolidated interim financial statements on a going concern basis, which contemplates the realization of assets and liabilities in the normal course of business as they become due. Accordingly, the condensed consolidated interim financial statements have been prepared on a historical cost basis, except certain financial instruments, which are measured at fair value.

At March 31, 2021, Southern had current liabilities that exceeded its current assets by $20.7 million, including $16.0 million of bank debt, that was classified as a current liability at March 31, 2021.

Southern made the following debt repayments to the Senior Secured Credit Facility (the "Credit Facility") subsequent to March 31, 2021:

Date of repayment	**(US$000s)**	**($000s)**
April 7, 2021	100	126
Balance as at April 30, 2021	**$ 12,650**	**$ 15,549**

On April 30, 2021, Southern Energy Corp. (Delaware) closed a transaction to retire the existing 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 US$8.5 million (the "New Facility") and gross proceeds from a non-brokered private placement of $5.5 million (see Note 7 "*Shareholders' Equity*" for more information).

Upon closing of the New Facility on April 30, 2021, Southern's outstanding first lien debt balance was reduced from US$12.7 million ($15.5 million) to US$5.5 million ($6.8 million). See Note 5 "*Bank Debt*" for more information.

Southern will continue to prioritize the deleveraging of the balance sheet through utilizing excess cash flow to repay the outstanding debt balance. Southern continues to manage liquidity by evaluating additional opportunities to reduce both operating and capital field expenditures, sale of non-core oil and natural gas assets, and looking for alternative sources of financing. There is no certainty that Southern will raise financing or generate sufficient cash flow to repay its debt obligations as they come due. This material uncertainty may cast significant doubt with respect to the ability of the Company to continue as a going concern.

These condensed consolidated interim financial statements do not reflect the adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if the Company were unable to continue as a going concern.

c) Use of Estimates

Impact of COVID-19

The COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the effectiveness of interventions by governments and central banks. The outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of its financial results.

Amounts in ($000s of Canadian Dollars), except for per share amounts

A full list of the key sources of management judgements and estimation uncertainty can be found in the Company's Annual Consolidated Financial Statements for the year ended December 31, 2020. The outbreak and current market conditions have increased the complexity of estimates and assumptions used to prepare the interim condensed consolidated financial statements, particularly related to the following key source of estimation uncertainty:

Recoverable Amounts
Determining the recoverable amount of a cash-generating unit ("CGU") requires the use of estimates and assumptions, which are subject to change as new information becomes available. The extreme volatility in commodity prices, due to reasons noted above, have increased the risk of measurement uncertainty in determining the recoverable amounts, especially estimating economic crude oil and natural gas reserves and estimating forward commodity prices.

3. Property, Plant and Equipment

The following table presents the reconciliation of the beginning and ending amounts of our PP&E balances including accumulated depletion, depreciation, amortization and impairment:

	Oil and Natural Gas Assets	Other	Total
Net book value as at December 31, 2020	**$ 34,664**	**$ 18**	**$ 34,682**
Additions	72	-	72
Dispositions	(135)	-	(135)
Change in decommissioning provision (Note 4)	(375)	-	(375)
Depletion, depreciation and amortization	(1,179)	(1)	(1,180)
Effect of foreign exchange rate changes	(420)	-	(420)
Net book value as at March 31, 2021	**$ 32,627**	**$ 17**	**$ 32,644**

Depletion and depreciation

For the three months ended March 31, 2021, the Company recorded depletion expense of $1.2 million. In the calculation of depletion expense an estimated $36.4 million of future development costs associated with the proven plus probable reserves were included.

Impairment

At March 31, 2021, Southern did not identify any indicators of impairment or impairment recovery for any of its CGUs.

Amounts in ($000s of Canadian Dollars), except for per share amounts

4. Decommissioning Provisions

The following table presents the reconciliation of the beginning and ending aggregate carrying amounts of legal obligations associated with the retirement of property, plant and equipment:

	Total
Balance as at December 31, 2020	**$ 5,439**
Changes in estimates	(375)
Accretion expense	13
Effect of foreign exchange rate changes	(66)
Balance as at March 31, 2021	**$ 5,011**
Long term liability	**$ 5,011**

The Company's decommissioning provisions result from its ownership interest in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The total decommissioning provision is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total estimated, inflated undiscounted risked cash flows required to settle the provision, is approximately $5.8 million at March 31, 2021 ($5.9 million at December 31, 2020), which have been discounted using a risk-free interest rate of 1.8% at March 31, 2021 (1.0% at December 31, 2020).

5. Bank Debt

Southern had the following Credit Facility obligations outstanding as at the dates indicated:

	As at Mar 31, 2021	As at Dec 31, 2020
Current Portion Senior Secured Bank Credit Facility	$ 16,033	$ 16,806
Unamortized transaction costs	-	(27)
Total Bank Debt	**$ 16,033**	**$ 16,779**

Southern Energy Corp. (Delaware), one of the wholly-owned subsidiaries of Southern, held the existing Credit Facility at March 31, 2021. The Credit Facility is secured against the oil and gas properties of Southern. At March 31, 2021, Southern had US$12.8 million ($16.0 million) drawn on the Credit Facility, which has been paid down by US$100 thousand ($126 thousand) subsequent to March 31, 2021, as described above in Note 2 *"Going Concern"*.

On February 1, 2021, Southern entered into the third amendment (the "Third Amendment") to the Amended and Restated 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.

Effective 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.

Amounts in ($000s of Canadian Dollars), except for per share amounts

Interest on borrowings under the Credit Facility is determined by reference to the Eurodollar Rate, and includes a minimum rate of 1.0%, plus a margin that ranges from 4.5% to 5.5%. During the three months ended March 31, 2021, the effective interest rate, excluding commitment and other fees, was 6.5%.

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

Below are the financial covenant calculations based on the Amended Credit Agreement for March 31, 2021:

Financial covenant	**Limit**	**As at Mar 31, 2021**	**As at Dec 31, 2020**
Leverage ratio (Debt / Bank EBITDAX)	Maximum 4.00	3.77	4.72
Interest coverage ratio (Bank EBITDAX / Cash Interest)	Minimum 2.75	4.95	4.26
Current ratio (Current Assets / Current Liabilities)	Minimum 1.00	1.64	1.63

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

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

As at March 31, 2021, Southern was in compliance with the above covenants. As at December 31, 2020, Southern was not in compliance with the leverage ratio covenant of its Credit Facility but has obtained a written waiver for non-compliance for the period ended December 31, 2020.

As described above in Note 2 "*Going Concern*", on April 30, 2021, Southern entered into the New Facility, which is secured against 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

Amounts in ($000s of Canadian Dollars), except for per share amounts

- 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

6. Convertible Debentures

	Number of Convertible Debentures	Liability Component	Equity Component
Balance at December 31, 2020	8,389	$ 7,468	$ 665
Accretion of discount	-	137	-
Balance at March 31, 2021	**8,389**	**$ 7,605**	**$ 665**

7. Shareholders’ Equity

Share Capital

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

The following table reflects the Company’s outstanding Common Shares at March 31, 2021 and December 31, 2020:

	Number of Shares	**Share Capital**
Balance as at December 31, 2020	220,770,279	$ 35,441
Balance as at March 31, 2021	**220,770,279**	**$ 35,441**

On April 30, 2021, Southern completed a non-brokered private placement of 136.6 million units of the Company (the “Units”) at a price of $0.04 per Unit, for aggregate gross proceeds of $5.5 million (the “Private Placement”). Each Unit is comprised of one Common Share and one Common Share purchase warrant (a “Unit Warrant”). See Note 2 “*Going Concern*” for information on the use of proceeds.

Amounts in ($000s of Canadian Dollars), except for per share amounts

Warrants

As at March 31, 2021, 19,306,667 performance-based Common Share purchase warrants ("Recap Warrants") had vested as the 20-day volume weighted average trading price ("Market Price") of the Common Shares had exceeded $0.15.

Stock Option Plan

The following table reflects the Company's outstanding common stock options at March 31, 2021 and December 31, 2020:

	Number of stock options	**Weighted average exercise price**
Balance at December 31, 2020	19,400,000	$ 0.10
Balance at March 31, 2021	**19,400,000**	**$ 0.10**

	Outstanding and Exercisable	
Exercise price	**Number of stock options**	**Weighted average remaining life (years)**
$ 0.10	19,400,000	3.2
$ 0.10	**19,400,000**	**3.2**

Southern recognized $44 thousand of share-based compensation expense relating to stock options during the three months ended March 31, 2021 ($99 thousand – March 31, 2020).

8. Loss Per Share

The following table presents the Company's net loss per share:

	Three months ended March 31,	
	2021	**2020**
Net loss	$ (798)	$ (10,216)
Basic and diluted – weighted average number of shares	220,770,279	220,770,279
Net loss per weighted average basic and diluted shares	$ (0.00)	$ (0.05)

The calculation of diluted loss per share for the three months ended March 31, 2021 and 2020 excludes the effect of all outstanding share options, warrants and convertible debentures as they are anti-dilutive.

9. Financial Instruments and Financial Risk Management

Financial Derivative Contracts

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

Amounts in ($000s of Canadian Dollars), except for per share amounts

Southern had the following commodity derivative contracts in place as at March 31, 2021:

Natural Gas	Volume	Pricing (US$)
Fixed Price Swap		
April 1, 2021 – December 31, 2021	1,500 MMBtu/d	NYMEX – HH $2.575/MMBtu
April 1, 2021 – December 31, 2021	3,600 MMBtu/d	NYMEX – HH $2.402/MMBtu

Financial Derivative Contracts Financial Statement Recognition

The Company's financial instruments that were accounted for at fair value as of March 31, 2021 and December 31, 2020 are presented below. The classification within the fair value hierarchy for these financial instruments is Level 2.

Comprised of:	**As at Mar 31, 2021**	**As at Dec 31, 2020**
Current derivative asset	$ -	$ 8
Current derivative liability	(501)	(473)
Net fair value of contracts, end of period	**$ (501)**	**$ (465)**

Below is a reconciliation of the loss on derivatives from the condensed consolidated interim statement of loss and comprehensive loss:

	Three months ended March 31,	
	2021	**2020**
Realized loss (gain) on derivatives	$ 138	$ (585)
Unrealized loss (gain) on derivatives	47	(1,002)
Loss (gain) on derivative instruments	**$ 185**	**$ (1,587)**

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of the Company's cash and cash equivalents and accounts receivable and the positive fair value of any financial derivatives represent the maximum credit exposure.

Cash and cash equivalents

The Company manages the credit exposure related to cash and cash equivalents by selecting financial institutions with high credit ratings and monitors all short-term deposits to ensure an adequate rate of return. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Accounts receivable

Substantially all of the Company's accounts receivable are due from purchasers of the Company's petroleum and natural gas production, joint interest partners and government agencies, and are subject to normal industry credit risk.

Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. Management of the Company believes the risk is mitigated by the size and reputation of the companies to which they extend credit.

Southern had no provision for doubtful accounts as at March 31, 2021 or December 31, 2020.

Liquidity Risk

Liquidity risk arises through excess financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient capital in order to meet its current and future liquidity requirements. The financial liabilities in the statement of financial position consist of accounts payable, royalties payable, lease liabilities, financial derivative liabilities, convertible debentures and the senior secured credit facility. Strategies to manage liquidity include, having adequate sources of financing available through its Credit Facilities, estimating future cash flows generated from operations based on reasonable production and pricing assumptions, adding additional commodity derivative contracts, and reducing capital spending. Southern may also consider sale of non-core oil and gas assets along with alternative sources of financing.

Market Risk

Market risk is the risk that changes in market prices relating to currency, commodity prices and interest rates will affect the Company's net earnings, future cash flows, the value of financial instruments, or the fair value of its asset and liabilities. The object of market risk management is to manage and control market risk exposure within acceptable parameters.

To partially mitigate exposure to commodity price risk, Southern entered into various financial derivative instruments. The instruments currently outstanding are described above. As at March 31, 2021, Southern has not entered any foreign exchange derivative contracts or fixed interest rate contracts. As at March 31, 2021, a 10% change in future commodity prices applied against these contracts would have a $0.5 million impact on net income.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in interest rates. The Company's interest rate risk arises from its floating rate Credit Facility. For the three months ended March 31, 2021, the Company did not enter any interest rate derivative contracts. The impact of a 1% increase in the interest rate associated with the Credit Facility would increase net loss by approximately $40 thousand.

Amounts in ($000s of Canadian Dollars), except for per share amounts

10. Capital Risk Management

The current challenging economic climate, due to the COVID-19 pandemic and volatile commodity prices, may lead to further adverse changes in cash flows, working capital levels and debt balances, which may also have a direct impact on the Company's operating result and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate income and cash flows in the future. While it is difficult to estimate future impacts of the COVID-19 pandemic, Southern will continue to take a cautionary approach to future expenditures in order to ensure capital preservation.

The Company monitors its capital based on projected cash flow from operations and anticipated capital expenditures. In order to manage its capital structure, the Company prepares annual capital expenditure and operating budgets, which are updated as necessary. The annual and updated budgets are prepared by the Company's management and approved by or reviewed with the Company's Board of Directors. The budget results are regularly reviewed and updated as required.

In order to maintain or adjust the capital structure, the Company may issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure. The Company's ability to raise additional debt or equity financing is impacted by external conditions, including future commodity prices and global economic conditions. The Company continually monitors business conditions including changes in economic conditions, the risk of its drilling programs, forecasted commodity prices, and potential corporate or asset acquisitions.

11. Royalties Payable

As at March 31, 2021, Southern had $5.5 million ($5.6 million at December 31, 2020) of non-interest bearing royalty payables related to unresolved title or ownership issues not expected to be settled within the operating cycle unless claimants demand repayment and provide proof of ownership. The royalty payable account is made up of balances due to approximately 5,400 royalty holders with over 97% of the balances outstanding for greater than 120 days. The royalty holders have deficiencies with their accounts that precludes Southern from making payments. For the calculation of the Current Ratio covenant as at March 31, 2021, Southern removed $5.5 million (December 31, 2020 - $5.6 million) in royalty liabilities as they pertain to balances prior to March 31, 2020 (prior to December 31, 2019).

12. Oil and Natural Gas Sales

The following table presents Southern's oil and natural gas sales disaggregated by revenue source:

	Three months ended March 31,	
Commodity sales from production, by product	**2021**	**2020**
Crude oil	$ 981	$ 785
Natural gas liquids	81	60
Natural gas	3,821	2,552
Total Oil and Natural Gas Sales	**$ 4,883**	**$ 3,397**

Amounts in ($000s of Canadian Dollars), except for per share amounts

13. Financing

The following table presents a breakdown of Southern's financing expenses:

	Three months ended March 31, 2021	2020
Bank debt interest	$ 262	$ 244
Convertible debentures interest	165	162
Accretion	178	110
Interest on lease obligations	5	11
Total Financing Expenses	**$ 610**	**$ 527**

4.2 Historical audited financial information for the Group for the 12 months ended 31 December 2020 and 2019

Southern ENERGY

Consolidated Financial Statements of

SOUTHERN ENERGY CORP.

For the years ended December 31, 2020 and 2019

(Canadian Dollars)

Southern ENERGY

Management's Report

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Southern Energy Corp. are the responsibility of management and have been approved by the Board of Directors of Southern Energy Corp. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes thereto. In Management's opinion, the consolidated financial statements are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, have been prepared within acceptable limits of materiality, and have utilized supportable, reasonable estimates.

Management ensures the integrity of the consolidated financial statements by maintaining high-quality systems of internal control. We also ensure our organizational structure provides appropriate delegation of authority and division of responsibilities.

The Board of Directors approves the consolidated financial statements. The Board carries out this responsibility primarily through the Audit Committee. The Audit Committee is composed entirely of independent directors. The Audit Committee meets periodically with Management and the external auditors to discuss reporting and control issues. The Audit Committee also considers the independence of the external auditors and reviews their fees.

The consolidated financial statements have been audited by Deloitte LLP, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

(signed) "*Ian Atkinson*"

Ian Atkinson
President & Chief Executive Officer
April 30, 2021

(signed) "*Calvin Yau*"

Calvin Yau
VP Finance & Chief Financial Officer

Deloitte.

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Independent Auditor's Report

To the Shareholders and the Board of Directors of
Southern Energy Corp.

Opinion

We have audited the consolidated financial statements of Southern Energy Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2020 and 2019, and the consolidated statement of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss of $9.9 million during the year ended December 31, 2020 and, as of that date, the Company's current liabilities exceeds its current assets. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Kyle Hawkins.

Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
April 30, 2021

SOUTHERN ENERGY CORP.
Consolidated Statement of Financial Position

($000s of Canadian Dollars)	December 31, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 1,158	$ 424
Accounts receivable and other (Note 12)	2,143	2,399
Prepaid expenses and deposits	304	371
Derivative assets (Note 12)	8	819
	3,613	4,013
Derivative assets (Note 12)	-	120
Property, plant and equipment (Note 4)	34,682	44,308
Right-of-use assets (Note 5)	352	735
Total assets	$ 38,647	$ 49,176
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	2,241	2,650
Royalties payable (Note 13)	5,555	5,589
Current portion of lease liabilities (Note 5)	381	382
Bank debt (Note 7)	16,779	-
Derivative liabilities (Note 12)	473	105
	25,429	8,726
Long-term liabilities		
Derivative liabilities (Note 12)	-	14
Convertible debentures (Note 8)	7,468	6,648
Lease liabilities (Note 5)	-	381
Bank debt (Note 7)	-	18,183
Decommissioning provisions (Note 6)	5,439	5,276
Total liabilities	38,336	39,228
Shareholders' equity (Note 9)		
Share capital	35,441	35,441
Equity component of convertible debenture (Note 8)	665	665
Warrants	1,195	1,195
Contributed surplus	4,377	4,095
Deficit	(42,272)	(30,962)
Accumulated other comprehensive income (loss)	905	(486)
	311	9,948
Total liabilities and shareholders' equity	$ 38,647	$ 49,176

Commitments and contingencies (Note 20)
Going Concern (Note 2)
(See accompanying Notes to the Consolidated Financial Statements)

Approved by Board of Directors

(signed) "*Michael G. Kohut*"
Director

(signed) "*Bruce Beynon*"
Chairman

($000s of Canadian Dollars, except for per share amounts)	Year ended December 31, 2020	Year ended December 31, 2019
Revenues		
Petroleum and natural gas revenue (Note 14)	$ 13,922	$ 19,129
Royalties	(2,827)	(3,859)
	11,095	15,270
Expenses		
Production and operating	5,873	6,799
Transportation	220	368
Depletion, depreciation and amortization (Note 4 & 5)	5,019	5,741
Impairment, net (Note 4)	5,830	7,425
Gain on derivatives (Note 12)	(997)	(1,024)
Gain on dispositions (Note 4)	(338)	(98)
Financing (Note 15)	2,282	1,665
General and administrative	3,661	4,465
Share-based compensation (Note 9)	282	212
Transaction costs	184	588
Loss on foreign exchange	389	235
	22,405	26,376
Net loss from continuing operations before income tax	(11,310)	(11,106)
Income tax recovery	-	(210)
Net loss from continuing operations	(11,310)	(10,896)
Net earnings from discontinued operations (Note 19)	-	23
Total net loss for the year	(11,310)	(10,873)
Currency translation adjustment	1,391	(548)
Comprehensive loss for the year	**$ (9,919)**	**$ (11,421)**
Basic and diluted (loss) income (Note 10)		
Continuing operations	$ (0.05)	$ (0.05)
Discontinued operations	0.00	0.00
Net loss per share	**$ (0.05)**	**$ (0.05)**

(See accompanying Notes to the Consolidated Financial Statements)

($000s of Canadian Dollars, except share amounts)	Common Shares	Shareholders' Capital	Equity Component of Convertible Debentures	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
Balance, December 31, 2018	204,356,973	$ 33,860	$ -	$ 1,195	$ 3,883	$(20,089)	$ 62	$ 18,911
Shares issued on Rights Offering	19,413,306	1,881	-	-	-	-	-	1,881
Share redemption	(3,000,000)	(300)	-	-	-	-	-	(300)
Convertible Debentures issued	-	-	665	-	-	-	-	665
Share-based compensation	-	-	-	-	212	-	-	212
Net Loss	-	-	-	-	-	(10,873)	-	(10,873)
Other Comprehensive Income	-	-	-	-	-	-	(548)	(548)
Balance, December 31, 2019	220,770,279	$ 35,441	$ 665	$ 1,195	$ 4,095	$(30,962)	$ (486)	$ 9,948
Share-based compensation	-	$ -	$ -	$ -	$ 282	$ -	$ -	$ 282
Net Loss	-	-	-	-	-	(11,310)	-	(11,310)
Other Comprehensive Income	-	-	-	-	-	-	1,391	1,391
Balance, December 31, 2020	220,770,279	$ 35,441	$ 665	$ 1,195	$ 4,377	$(42,272)	$ 905	$ 311

(See accompanying Notes to the Consolidated Financial Statements)

($000s of Canadian Dollars)	Year ended December 31, 2020	Year ended December 31, 2019
Operating activities		
Total net loss for the year	$ (11,310)	$ (10,873)
Changes in non-cash items:		
Depletion, depreciation and amortization (Note 4 & 5)	5,019	5,780
Impairment (Note 4)	5,830	7,425
Gain on dispositions (Note 4)	(338)	(98)
Financing	2,282	1,671
Unrealized loss (gain) on derivatives (Note 12)	1,399	(705)
Unrealized loss on foreign exchange	389	235
Share-based compensation (Note 9)	282	212
Deferred income tax recovery	-	(210)
Decommissioning provisions liabilities settled (Note 6)	(6)	(23)
Changes in non-cash working capital (Note 16)	(92)	(269)
Net cash provided by operating activities	3,455	3,145
Investing activities		
Capital expenditures	(236)	(1,594)
Acquisitions (Note 4)	-	(21,349)
Proceeds from divestitures	338	484
Changes in non-cash working capital (Note 16)	(26)	152
Net cash provided (used) by investing activities	76	(22,307)
Financing activities		
Proceeds from share issuances, net (Note 9)	-	1,881
Issuance of convertible debentures, net (Note 8)	-	7,282
Advances of bank debt (Note 7)	720	12,688
Paydown of bank debt (Note 7)	(1,775)	(14,470)
Payment of interest	(1,389)	(1,334)
Finance lease payments (Note 5)	(400)	(415)
Changes in non-cash working capital (Note 16)	97	11,672
Net cash (used) provided by financing activities	(2,747)	17,304
Net increase (decrease) in cash and cash equivalents	784	(1,858)
Effect of foreign exchange rate changes	(50)	(52)
Cash and cash equivalents, beginning of year	424	2,334
Cash and cash equivalents, end of year	$ 1,158	$ 424

(See accompanying Notes to the Consolidated Financial Statements)

1. Reporting Entity and Nature of Operations

Southern Energy Corp. ("Southern" or "Company") 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.

Southern's head office is located in Calgary, Alberta, Canada. Southern trades on the TSX Venture Exchange ("TSXV") under the trading symbol "SOU". The financial statements were authorized for issue by the Board of Directors on April 30, 2021.

2. Basis of Presentation and Going Concern

a) Principles of Reporting and Consolidation

The consolidated financial statements of Southern include the accounts of all domestic and foreign subsidiaries. Wholly-owned subsidiaries included in the Company's accounts include Southern Energy Corp., Southern Energy Corp (Delaware), Southern Energy Operating, LLC, Southern Energy CMS, LLC, Southern Energy BWB, LLC and Southern Energy SO, LLC. Southern accounts for joint operations by recognizing the Company's share of assets, liabilities, income and expenses. All intercompany balances and transactions have been eliminated.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These Consolidated Financial Statements are presented in Canadian dollars. All financial information presented has been rounded to the nearest thousand unless otherwise indicated.

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

b) Going Concern

The Company prepared the Consolidated Financial Statements on a going concern basis, which contemplates the realization of assets and liabilities in the normal course of business as they become due. Accordingly, the Consolidated Financial Statements have been prepared on a historical cost basis, except certain financial instruments, which are measured at fair value. The method used to measure fair value is discussed further in Note 12.

At December 31, 2020, Southern had current liabilities that exceeded its current assets by $21.8 million, including $16.8 million of bank debt, that was classified as a current liability at December 31, 2020.

Southern entered into the Amended and Restated Credit Agreement in respect of the Credit Facility on July 20, 2020 (the "Amended Credit Agreement"). See Note 7 "*Bank Debt*" for more information.

Subsequent to December 31, 2020, Southern entered into the third amendment to the Amended Credit Agreement (the "Third Amendment") on February 1, 2021. 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. See Note 7 “*Bank Debt*” for more information.

Effective 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. See Note 7 “*Bank Debt*” for more information.

Southern made the following debt repayments to the Credit Facility subsequent to December 31, 2020:

Date of repayment	**(US$000s)**	**($000s)**
January 13, 2021	$ 150	$ 191
February 2, 2021	200	254
March 9, 2021	100	126
April 7, 2021	100	126
Total amount repaid since December 31, 2020	**$ 550**	**$ 697**
Balance as at April 29, 2021	**$ 12,650**	**$ 15,549**

On April 30, 2021, Southern Energy Corp. (Delaware) closed a transaction to retire the existing 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 US$8.5 million (the “New Facility”). The New Facility is secured against 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

Upon closing of the New Facility on April 30, 2021, Southern's outstanding first lien debt balance was reduced from US$12.7 million ($15.5 million) to US$5.5 million ($6.8 million). See Note 7 "*Bank Debt*" for more information.

Southern will continue to prioritize the deleveraging of the balance sheet through utilizing excess cash flow to repay the outstanding debt balance. Southern continues to manage liquidity by evaluating additional opportunities to reduce both operating and capital field expenditures, sale of non-core oil and natural gas assets, and looking for alternative sources of financing. There is no certainty that Southern will raise financing or generate sufficient cash flow to repay its debt obligations as they come due. This material uncertainty may cast significant doubt with respect to the ability of the Company to continue as a going concern.

These financial statements do not reflect the adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if the Company were unable to continue as a going concern.

3. Significant Accounting Policies

a) Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Impact of COVID-19

The COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the effectiveness of interventions by governments and central banks. The outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of its financial results.

Key areas where management has made judgements, estimates, and assumptions include:

- Decommissioning provision: The calculation of decommissioning provisions depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of these expenditures.
- Determination of Cash Generating Units ("CGUs"): The Company's petroleum and natural gas assets are grouped into CGUs based on the ability of these assets to generate separately

identifiable independent cash inflows. The classification of assets into CGUs requires significant judgement and interpretation. Management considers factors such as integration among assets, shared infrastructure, common sales points, geography and how management makes decision about the Company's operations.

- Assessment of impairments or recovery of previous impairments: Management applies judgment in assessing the existence of indicators of impairment or impairment reversal based on various internal and external factors. The calculation of the recoverable amount of a CGU is based on market factors (including estimate future commodity prices) and estimates of reserves and resources. Reserve and resource estimates are based on: engineering data, estimated future commodity prices, expected future rates of production, and assumptions regarding the timing and amount of future expenditures. Changes in these judgments, estimates and assumptions can directly impact the calculated recoverable amount of a CGU and the recorded impairment loss or recovery.
- Measurement of right-of-use ("ROU") assets and lease liabilities are subject to management's judgment of the applicable incremental borrowing rate when the rate implicit in a lease is not readily determinable. Applicable incremental borrowing rates are based on management's judgements of the economic environment, term, the underlying risk inherent to the asset (which may vary due to changes in the market conditions) and the expected lease term.

b) Cash and Cash Equivalents

Southern considers all highly liquid investments to be cash equivalents if they have original maturities of three months or less at the date of purchase.

c) Business Combinations

Southern uses the purchase method of accounting for acquisitions that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of an acquisition over the fair value of the identifiable assets acquired net of liabilities assumed is recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets acquired, the difference is recognized in the statement of operations and comprehensive income.

As part of the assessment to determine if the acquisition constitutes a business, Southern may elect to apply the concentration test on a transaction by transaction basis. The test is met if substantially all of the fair value related to the gross assets acquired is concentered in a single identifiable asset (or group of similar assets) resulting in the acquisition not being deemed a business and recorded as an asset acquisition.

d) Property, Plant and Equipment

Exploration and evaluation assets - Pre-licence expenditures incurred before the Company has obtained legal rights to explore an area are expensed as exploration and evaluation expenditures.

Exploration and evaluation assets may include the costs of acquiring licences, exploratory drilling, geological and geophysical activities, acquisition of mineral and surface rights and technical studies. Exploration and evaluation costs are capitalized as exploration and evaluation assets when the technical feasibility and commercial viability of extracting petroleum and natural gas reserves have yet to be determined. Exploration and evaluation assets are measured at cost and are not depleted or depreciated. Exploration and evaluation assets, net of any impairment loss, are transferred to property and equipment when proved and/or probable reserves are determined to exist.

Property and equipment of the Company consists of development and production assets and office furniture and equipment.

All costs directly associated with the development and production of petroleum and natural gas interests are capitalized by components (i.e. by well, area or combination thereof) within cash generating units and are measured at cost less accumulated depletion and depreciation and impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability have been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning liabilities and transfers from exploration and evaluation assets.

Gains or losses on disposal of assets are determined by comparing the proceeds from disposal with the carrying amount of the assets sold and are recognized separately in the statement of earnings.

Depletion, depreciation and amortization – Capital assets are grouped into depletion units, which are groups of assets within a specific production area that have similar economic lives. Depletion units represent the lowest level of disaggregation for which costs are accumulated for the purposes of calculating depletion and depreciation.

Petroleum and natural gas interests are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs. Production and reserves of natural gas are converted to equivalent barrels of crude petroleum on the basis of six thousand cubic feet of gas to one barrel of petroleum. Changes to estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior period adjustments and are dealt with on a prospective basis.

Well and production equipment and facilities are depleted using the unit-of-production method along with the related reserves when the assets have a life similar to the reserves of the related wells and little to no residual value. Where costs of facilities and equipment, including major components, are significant in relation to the total costs of the assets and have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

Office furniture and equipment, referred to as corporate and other, are depreciated on a declining balance basis at a rate of 30% approximating their estimated useful lives.

e) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for indicators of impairment at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated.

For the purposes of assessing impairment, property and equipment are grouped into CGUs, defined as the lowest levels for which there are separately identifiable independent cash inflows. Any goodwill is allocated to the CGUs that are expected to benefit from the synergies of the business combination creating the goodwill.

The recoverable amount of a CGU is the greater of its fair value less costs of disposal and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Fair value less estimated costs of disposal may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the cash-generating unit in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in net profit or loss in the period determined.

Exploration and evaluation assets are assessed for impairment when they are reclassified to property and equipment and if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Exploration and evaluation assets are tested for impairment separately. If, at any time, it is determined that the Company has no future exploration plans and commercial production cannot be achieved in relation to an area, the associated costs are written down to the estimated recoverable amount and the amount of the write-down is expensed.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, as if no impairment loss had been recognized. A goodwill impairment loss is not reversed.

f) Lease obligations and right-of-use assets

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the lease commencement date, a lease obligation is recognized at the present value of future lease payments, typically using the applicable incremental borrowing rate. A corresponding ROU asset is recognized at the amount of the lease obligation. Short-term leases and leases of low-value assets are not recognized on the balance sheets and lease payments are instead recognized in the financial statements as incurred.

Payments are applied against the lease obligation and interest expense is recognized on the lease obligations using the effective interest rate method. Depreciation is recognized on the ROU asset over the lease term.

g) Assets held for sale and discontinued operations

Non-current assets, or disposal groups consisting of assets and liabilities, are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are tested for impairment prior to transfer and measured at the lower of the carrying amount and fair value less costs to sell, with impairments recognized in the profit or loss in the period measured. Non-current assets and disposal groups held for sale are presented in current assets and liabilities on the statement of financial position.

Individual non-current assets or disposal groups are classified and presented as discontinued operations if the assets or disposal groups are disposed of or classified as held-for-sale.

h) Decommissioning provisions

Decommissioning provisions are recognized for decommissioning and restoration obligations associated with the Company's exploration and evaluation assets and property and equipment. The best estimate of the expenditure required to settle the present obligation at the reporting date is recorded on a discounted basis using a pre-tax risk-free interest rate at each reporting date. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated asset and is depleted or amortized over the useful life of the asset. The provision is accreted over time through charges to finance expense. Changes in the future cash flow estimates resulting from revisions to the estimated timing, amount of undiscounted cash flows or the discount rate are recognized as changes in the decommissioning provision and related asset. Actual decommissioning expenditures, up to the recorded liability recorded at the time, are charged against the provision as the costs are incurred.

i) Fair Value Measurement

On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on the classification of the financial instrument as described below:

- Fair value through profit or loss - Financial instruments under this classification include cash and cash equivalents and derivative assets and liabilities.
- Amortized cost - Financial instruments under this classification include accounts receivable, accounts payable and accrued liabilities, and long-term debt.

Southern utilizes oil and natural gas derivative contracts to mitigate its exposure to commodity price risk associated with future oil and natural gas production. Typical derivative contracts could consist of options, in the form of price floors, collars or three-way collars and fixed-price swaps.

The company uses various methods, including the income approach and market approach, to determine the fair values of our financial instruments that are measured at fair value on a recurring basis, which depend on a number of factors, including the availability of observable market data over the contractual term of the underlying instrument. For some of our instruments, the fair value is calculated based on directly observable market data or data available for similar instruments in similar markets. For other instruments, the fair value may be calculated based on these inputs as well as other assumptions related to estimates of future settlements of these instruments. Financial instruments are separated into three levels (levels 1, 2 and 3) based on our assessment of the availability of observable market data and the significance of non-observable data used to determine the fair value of our instruments. The assessment of an instrument can change over time based on the maturity or liquidity of the instrument, which could result in a change in the classification of the instruments between levels.

Each of these levels and our corresponding instruments classified by level are further described below:

- Level 1 Inputs— unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2 Inputs—quotes which are derived principally from or corroborated by observable market data.
- Level 3 Inputs—unobservable inputs for the asset or liability, such as discounted cash flow models or valuations, based on various assumptions and future commodity prices.

j) Convertible Debentures

The Debentures are a non-derivative financial instrument that creates financial liability of the entity and grants an option to the holder of the instrument to convert it into common shares of the Company. The liability component of the Debentures is initially recorded at the fair value of a similar liability that does not have a conversion option. The equity component is recognized initially, net of deferred taxes, as the difference between gross proceeds and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds. Subsequent to initial recognition, the liability component of the Debentures is measured at amortized cost using the effective interest method and is accreted each period, such that the carrying value will equal the principal amount outstanding at maturity. The equity component is not re-measured. The carrying amounts of the liability and equity components of the Debentures are reclassified to shareholders' capital on conversion to common shares.

k) Revenue Recognition

Revenue associated with sale of crude oil, natural gas and natural gas liquids is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when or as Southern satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas, natural gas liquids usually coincides with title passing to the customer and the customer taking physical possession. Southern principally satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

The revenue is typically collected the month following production.

l) Foreign Currency Translation

The Company's consolidated financial statements are reported in Canadian dollars, which is the Company's presentation currency. Transactions of the Company's US subsidiaries are recorded in US dollars, as this is the primary economic environment in which these subsidiaries operate. The US subsidiaries have a US dollar functional currency. In translating the financial results from US dollars to

Canadian dollars, the Company uses the following method: assets and liabilities are translated at the exchange rate in effect as at the date of the consolidated statement of financial position; revenues and expenses are translated at the rate effective at the time of the transaction or the average rate for the period; and changes in shareholders' equity are translated at the rate effective at the time of the transaction. Unrealized gains and losses resulting from the translation to the Canadian dollar presentation currency are included in other comprehensive income.

Transactions of the US subsidiaries that are denominated in a currency other than the US dollar are translated to the US dollar using the following method: monetary assets and liabilities are translated at the exchange rate in effect at the date of the consolidated statement of financial position; non-monetary assets and liabilities are translated at the exchange rate on the date such assets or liabilities are assumed; and revenues and expenses are translated at the average rate for the period. Realized gains and losses resulting therefrom are reflected in the statements of operations as foreign exchange gain or loss.

m) Government Grants

Government grants are recognized when the company has reasonable assurance that it has complied with the relevant conditions of the grant and that it will be received. The Company recognizes the grant against the financial statement line item that it is intended to compensate. In 2020, Southern has obtained $170 thousand through the Canada Emergency Wage Subsidy ("CEWS") & Canada Emergency Rent Subsidy ("CERS") programs in Canada, which were recognized against general and administrative expenses and US$112 thousand from the Paycheck Protection Program ("PPP") in the United States, which were recognized against production and operating expenses.

n) Income Taxes

Tax expense is comprised of current and deferred tax. Current tax expense is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss).

Current tax is the expected tax payable on the taxable income for the year and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously

o) Commitments and Contingencies

The Company could be subject to audits for various taxes (income, sales and use, and severance) in the various states in which it operates, and from time to time receive assessments for potential taxes that it may owe. Currently, Southern has no material assessments for potential taxes, legal contingencies or other potential claims.

The Company could be subject to various possible contingencies that arise primarily from interpretation of federal and state laws and regulations affecting the oil and natural gas industry. Such contingencies include differing interpretations as to the prices at which oil and natural gas sales may be made, the prices at which royalty owners may be paid for production from their leases, environmental issues and other matters. Although Southern believes that it has complied with the various laws and regulations, administrative rulings and interpretations thereof, adjustments could be required as new interpretations and regulations are issued. In addition, production rates, marketing and environmental matters are subject to regulation by various federal and state agencies.

Provisions are recognized by the Company when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

p) Share-based payments

Southern accounts for share-based transactions using fair value and recognize compensation expense over the vesting period. The fair value of each option or common share purchase warrant award is estimated using an option valuation model with various assumptions based on various estimates and market conditions of the instrument. The assumptions include expected volatility, expected term of option, risk-free interest rate and dividend yield.

q) Per Share Amounts

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as restricted and performance awards granted to employees.

Amounts in ($000s of Canadian Dollars), except for per share amounts

4. Property, Plant and Equipment

The following table presents the reconciliation of the beginning and ending amounts of our PP&E balances including accumulated depletion, depreciation, amortization and impairment:

	Oil and Natural Gas Assets	Other	Total
Net book value as at December 31, 2018	$ 38,199	$ -	$ 38,199
Additions	1,590	4	1,594
Acquisitions, including decommissioning costs	21,559	-	21,559
Dispositions	(1,953)	-	(1,953)
Change in decommissioning provision (Note 6)	20	-	20
Depletion, depreciation and amortization	(5,396)	-	(5,396)
Impairment	(7,425)	-	(7,425)
Effect of foreign exchange rate changes	(2,290)	-	(2,290)
Net book value as at December 31, 2019	**44,304**	**4**	**44,308**
Additions	221	15	236
Change in decommissioning provision (Note 6)	198	-	198
Depletion, depreciation and amortization	(4,635)	(1)	(4,636)
Impairment	(10,400)	-	(10,400)
Impairment reversal	4,570	-	4,570
Effect of foreign exchange rate changes	406	-	406
Net book value as at December 31, 2020	**$ 34,664**	**$ 18**	**$ 34,682**

Depletion

For the year ended December 31, 2020, the Company recorded depletion expense of $4.6 million (December 31, 2019 - $5.4 million). In the calculation of depletion expense at December 31, 2020, an estimated $36.4 million of future development costs associated with the proven plus probable reserves were included ($36.7 million for 2019).

Asset Acquisition

On June 14, 2019, Southern closed an acquisition with an arm’s length private company to acquire assets in the State of Mississippi for $21.6 million, including decommissioning costs associated with the acquired assets.

Canadian Disposition

On May 2, 2019, the Company closed the sale of all its remaining Canadian oil and natural gas assets for $0.5 million.

At March 31, 2019, the Canadian assets were classified as held for sale and recorded at the lesser of their carrying amount and their fair value based on the observed selling price, less customary purchase price adjustments, resulting in an impairment of $725 thousand.

Amounts in ($000s of Canadian Dollars), except for per share amounts

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

Impairment

At the end of each reporting period, the Company performs an assessment to determine whether there are any indications of impairment for the CGUs that comprise oil and natural gas properties.

December 2019

At December 31, 2019, Southern viewed the deterioration of current and future natural gas prices as well as the reduction of Southern's market capitalization below the net assets of the Company as indications of impairment. Southern estimated the recoverable amount of all CGUs at December 31, 2019. Southern determined that the carrying value of the Central Mississippi ("CMS") CGU exceeded its recoverable amount. A non-cash impairment charge of $6.7 million related to the CMS CGU was recorded in the Consolidated Statements of Loss and Comprehensive Loss.

The Company estimated the recoverable amounts as fair value less costs of disposal, using the net present value of the cash flows from proved developed producing oil and gas reserves of each CGU, and a 7% discount rate (equivalent to 10% pre-tax), based on reserves estimated by Southern's independent reserves evaluator at December 31, 2019.

The following table details the forward pricing used in estimating the recoverable amounts of Southern's CGUs at December 31, 2019:

Period Ending	West Texas Intermediate ($US/bbl)	Henry Hub ($US/MMBtu)	FX (USD/CAD)
12-31-2020	60.25	2.57	0.760
12-31-2021	63.11	2.79	0.768
12-31-2022	66.02	2.99	0.784
12-31-2023	67.64	3.15	0.789
12-31-2024	69.16	3.22	0.789
12-31-2025	70.69	3.29	0.789
12-31-2026	72.25	3.35	0.789
12-31-2027	73.77	3.43	0.789
12-31-2028	75.25	3.49	0.789
12-31-2029	76.76	3.56	0.789

Thereafter, WTI and HH prices escalated 2 percent on January 1 of each year and FX rates held constant at 0.789

Amounts in ($000s of Canadian Dollars), except for per share amounts

March 2020

At March 31, 2020, Southern determined that the significant decrease in oil prices in March 2020 and Southern's market capitalization falling below the net assets of the Company were indications of impairment. Southern estimated the recoverable amount of all CGUs at March 31, 2020 and determined that the carrying value of the CMS and the Smackover ("SO") CGUs exceeded their recoverable amounts. A non-cash impairment charge of $10.3 million related to the CMS CGU and $0.1 million related to the SO CGU was recorded in the condensed consolidated interim statements of loss and comprehensive loss.

The Company estimated the recoverable amounts as fair value less costs of disposal, using the net present value of the cash flows from proved developed producing oil and gas reserves of each CGU, and a 7% discount rate (equivalent to 10% pre-tax). The proved developed producing oil and gas reserves were based on reserves estimated by Southern's independent reserves evaluator at December 31, 2019, and revised price estimates at March 31, 2020.

The following table details the forward pricing used in estimating the recoverable amounts of Southern's CGUs at March 31, 2020:

Period Ending	West Texas Intermediate ($US/bbl)	Henry Hub ($US/MMBtu)	FX (USD/CAD)
12-31-2020	30.00	2.08	0.710
12-31-2021	41.18	2.54	0.731
12-31-2022	49.88	2.79	0.751
12-31-2023	55.87	2.92	0.760
12-31-2024	57.98	2.99	0.761
12-31-2025	59.22	3.05	0.763
12-31-2026	60.39	3.11	0.763
12-31-2027	61.60	3.18	0.763
12-31-2028	62.84	3.24	0.763
12-31-2029	64.09	3.30	0.763

Thereafter, WTI and HH prices escalated 2 percent on January 1 of each year and FX rates held constant at 0.763

December 2020

At December 31, 2020, Southern viewed the increase in the forward benchmark commodity prices as an indication of impairment reversal. Southern estimated the recoverable amount of all CGUs at December 31, 2020. Southern determined that the recoverable amounts of the CMS and SO CGUs exceeded their carrying values. A non-cash impairment recovery of $4.5 million related to the CMS CGU and $0.1 million related to the SO CGU was recorded in the Consolidated Statements of Loss and Comprehensive Loss.

The Company estimated the recoverable amounts as fair value less costs of disposal, using the net present value of the cash flows from proved developed producing oil and gas reserves of each CGU, and a 7% discount rate (equivalent to 10% pre-tax), based on reserves estimated by Southern's independent reserves evaluator at December 31, 2020.

Amounts in ($000s of Canadian Dollars), except for per share amounts

The following table details the forward pricing used in estimating the recoverable amounts of Southern's CGUs at December 31, 2020:

Period Ending	West Texas Intermediate ($US/bbl)	Henry Hub ($US/MMBtu)	FX (USD/CAD)
12-31-2021	46.88	2.80	0.769
12-31-2022	51.14	2.86	0.769
12-31-2023	54.83	2.93	0.773
12-31-2024	56.48	2.99	0.773
12-31-2025	57.62	3.05	0.773
12-31-2026	58.77	3.11	0.773
12-31-2027	59.94	3.17	0.773
12-31-2028	61.14	3.24	0.773
12-31-2029	62.36	3.30	0.773
12-31-2030	63.61	3.37	0.773

Thereafter, WTI and HH prices escalated 2 percent on January 1 of each year and FX rates held constant at 0.789

The fair value less costs of disposal values used to determine the recoverable amounts of Southern's CGUs at December 31, 2019, March 31, 2020 and December 31, 2020, were classified as Level 3 fair value measurements as certain key assumptions are not based on observable market data, but rather, Management's best estimates. Refer to Note 3 "Significant Accounting Policies" for information on fair value hierarchy classifications.

Changes in any of the key judgements, such as a revision in reserves, changes in forecast commodity prices, foreign exchange rates, capital or operating costs would impact the estimated recoverable amount. The table below shows the estimated impact of a 1% increase in the assumed discount rate or a 5% decrease in commodity price forecasts to the estimated recoverable amounts as at December 31, 2020:

CGU	**1% increase in discount rate**	**5% decrease in commodity forecast**
Central Mississippi	$ (1,091)	$ (2,432)
Smackover	(9)	(38)

5. Right-of-Use Assets and Lease Liabilities

Right-of-use Assets

The following table presents the reconciliation of the beginning and ending amounts of our ROU balances including accumulated depreciation:

	Total
Carrying value as at December 31, 2019	**$ 735**
Depreciation	(383)
Carrying value as at December 31, 2020	**$ 352**

Amounts in ($000s of Canadian Dollars), except for per share amounts

Lease Liabilities

Southern had the following lease obligations outstanding as at the dates indicated:

		Total
As at December 31, 2019	**$**	**763**
Interest expense		18
Lease payments		(400)
As at December 31, 2020	**$**	**381**

At December 31, 2020, Southern had future commitments relating to lease liabilities as follows:

		Total
Less than 1 year	$	392
1 – 3 years		-
Total undiscounted future lease payments	$	392
Amounts representing interest		(11)
Present value of net lease payments	$	381
Less current portion of lease liabilities		(381)
Non-current portion of lease liabilities	**$**	**-**

The Company has lease liabilities for contracts related to office space. The lease labilities were discounted using the Company's incremental borrowing rate at January 1, 2019 of 6.0%.

6. Decommissioning Provisions

The Company's decommissioning provisions result from its ownership interest in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The total decommissioning provision is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total estimated, inflated undiscounted risked cash flows required to settle the provision, is approximately $5.9 million at December 31, 2020 (December 31, 2019 - $6.2 million), which have been discounted using a risk-free interest rate of 1.0% at December 31, 2020 (December 31, 2019 – 1.7% to 1.9%). These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 50 years into the future and will be funded from general corporate resources at the time of abandonment.

Amounts in ($000s of Canadian Dollars), except for per share amounts

The following table presents the reconciliation of the beginning and ending aggregate carrying amounts of legal obligations associated with the retirement of property, plant and equipment:

	Year ended December 31, 2020	2019
Balance, beginning of year	$ 5,276	$ 6,740
Acquisitions	-	210
Changes in estimates	198	20
Liabilities settled	(6)	(23)
Property disposal	-	(1,420)
Accretion expense	82	35
Effect of foreign exchange rate changes	(111)	(286)
Balance, end of year	**$ 5,439**	**$ 5,276**
Long term liability	**$ 5,439**	**$ 5,276**

7. Bank Debt

Southern had the following obligations outstanding as at the dates indicated:

	Year ended December 31, 2020	2019
Current Portion Senior Secured Bank Credit Facility	$ 16,806	$ -
Long Term Portion Senior Secured Bank Credit Facility	-	18,183
Unamortized transaction costs	(27)	-
Total Bank Debt	**$ 16,779**	**$ 18,183**

Southern Energy Corp. (Delaware), one of the wholly-owned subsidiaries of Southern, held the existing Credit Facility at December 31, 2020. The Credit Facility is secured against the oil and gas properties of Southern. At December 31, 2020, Southern had US$13.2 million ($16.8 million) drawn on the Credit Facility, which has been paid down by US$550 thousand ($697 thousand) subsequent to year end, as described above in Note 2 *"Going Concern"*.

On July 20, 2020, as part of a bank redetermination, Southern entered into the Amended Credit Agreement. Details of the Amended Credit Agreement include:

- Borrowing base limit set to US$13.9 million; comprised of a US$8.5 million Conforming Facility and a US$4.8 million Non-Conforming Facility.
- Non-Conforming Facility has a coupon 50 basis points above existing Credit Facility rates.
- Beginning July 26, 2020, and continuing every month, the Non-Conforming Facility is reduced by the greater of US$100 thousand or Bank EBITDAX less maintenance capital expenditures.
- Upon execution of the Amended Credit Facility, Southern made a principal repayment of US$100 thousand.
- The Non-Conforming Facility has a maturity date of September 1, 2020, being the next redetermination date, and the Conforming Facility has a maturity date of February 1, 2021.
- Amendments to the Credit Facility financial covenants, which are summarized below:

Amounts in ($000s of Canadian Dollars), except for per share amounts

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

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 November 24, 2020, Southern entered into the second amendment to the Amended Credit Agreement (the "Second Amendment"). The Second Amendment included: (a) a waiver for the non compliance of the leverage ratio financial covenant as at September 30, 2020; (b) 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.

With the execution of the Amended Credit Agreement, interest on borrowings under the Credit Facility is determined by reference to the Eurodollar Rate, and includes a minimum rate of 1.0%, plus a margin that ranges from 2.5% to 3.5%. As part of the Amended Credit Agreement, Southern will pay an additional 0.5% per annum on balances that exceed the Conforming Facility. The Second Amendment includes an additional 2.0% per annum on all outstanding borrowings. During the year ended December 31, 2020, the effective interest rate, excluding commitment and other fees, was 4.7%.

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

Below are the financial covenant calculations based on the Amended Credit Agreement for December 31, 2020:

Financial covenant	Limit	As at Dec 31, 2020	As at Dec 31, 2019
Leverage ratio (Debt / Bank EBITDAX)	Maximum 3.75	4.72	3.32
Interest coverage ratio (Bank EBITDAX / Cash Interest)	Minimum 2.75	4.26	4.86
Current ratio (Current Assets / Current Liabilities)	Minimum 1.00	1.63	1.44

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

- Debt includes only the Credit Facility drawings at the period end.
- Bank EBITDAX is defined as Earnings before Interest, Taxes, Depreciation, Depletion, Amortization, Exploration Expenses and other non-cash charges such as, Impairment, Unrealized (gain) / loss on derivatives, Stock-based compensation and Foreign exchange (gain) / loss.

- Current Assets is calculated by taking the total current assets from the consolidated statement of financial position less the current derivative asset and adding the unused portion of the available Credit Facility.
- Current Liabilities is calculated by taking the total current liabilities from the consolidated statement of financial position less the current derivative liability, the current portion of the lease liability, royalties payable balances greater than one year and the current bank debt.

Southern was not in compliance with the leverage ratio covenant of its Credit Facility for the period ended September 30, 2020 and December 31, 2020 but has obtained written waivers for non-compliance of these covenant violations from its lender.

8. Convertible Debentures

	Number of Convertible Debentures	Liability Component ($000s)	Equity Component ($000s)
Balance at December 31, 2018	-	$ -	$ -
Issuance of convertible debentures	8,069	7,099	970
Issue costs	-	(692)	(95)
Deferred income tax liability	-	-	(210)
Accretion of discount	-	241	-
Balance at December 31, 2019	**8,069**	**6,648**	**665**
Issuance of convertible debentures	320	320	-
Accretion of discount	-	500	-
Balance at December 31, 2020	**8,389**	**$ 7,468**	**$ 665**

On June 14, 2019, Southern closed the sale of 8,069 convertible debentures (the “Debentures”) at a price of $1,000 per Debenture. 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”). At the Company’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 (“Shares”) of the Company 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 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 (i) the Maturity Date, or (ii) if called for redemption, the date specified for redemption by the Company, at a conversion price of $0.125 per Common Share, subject to adjustment in certain events. This represents a conversion rate of approximately 8,000 Common Shares for each $1,000 principal amount of Debentures, subject to the operation of certain anti-dilution provisions 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.

The Debentures are direct, subordinated unsecured obligations of the Company, subordinated to any senior indebtedness of the Company, including the Credit Facility, and ranking equally with one another and with all other existing and future subordinated unsecured indebtedness of the Company to the extent subordinated on the same terms.

Amounts in ($000s of Canadian Dollars), except for per share amounts

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

The liability component of the Debentures was initially recognized at the fair value of a similar liability which does not contain an equity conversion option, based on a market interest rate of 12.8%. The difference between the $8.1 million principal amount of the Debentures and the fair value of the liability component was recognized in Shareholder's equity, net of deferred income taxes. Total transaction costs directly attributable to the offering of $0.8 million were allocated proportionately to the liability and equity components of the Debentures.

Accretion of the liability component and accrued interest payable on the Debentures are included in financing expense in the Consolidated Statements of Loss and Comprehensive Loss.

The accrued interest payment due on December 31, 2020, was settled in-kind through the issuance of 320 additional Debentures. The additional Debentures have the same terms as the outstanding Debentures, with interest beginning to accrue on the additional Debentures on December 31, 2020.

The fair value of the Debentures at December 31, 2020 was $8.4 million.

9. Shareholders' Equity

Share capital

The authorized share capital of the Company consists of an unlimited number of voting common shares and an unlimited number of preferred shares.

The following table reflects the Company's outstanding common shares at December 31, 2020 and 2019:

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

On April 22, 2021, Southern initiated a non-brokered private placement of up to 150.0 million units of the Company (the "Units") at a price of $0.04 per Unit, for aggregate gross proceeds of up to $6.0 million. Each Unit is comprised of one Common Share and one Common Share purchase warrant (a "Unit Warrant").

Amounts in ($000s of Canadian Dollars), except for per share amounts

Warrants

As at December 31, 2020, 19,306,667 performance-based Common Share purchase warrants ("Recap Warrants") had vested as the 20-day volume weighted average trading price ("Market Price") of the Common Shares had exceeded $0.15.

Stock Option Plan

Under the Company's share option plan, the Company may grant options to its directors, officers, employees and consultant up to a maximum of 10% of the issued and outstanding common shares at the time of the grant, with a maximum of 5% of the Company's issued and outstanding shares reserved for any one person on a yearly basis. The maximum option term is 10 years from the grant date with vesting terms set at the discretion of the board of directors.

On June 20, 2019, pursuant to the Company's Stock Option Plan, Southern granted 19,400,000 stock options to purchase common shares of the Company ("Options") to directors, officers and employees of Southern. The Options expire in five years from the date of grant and are exercisable at a price of $0.10 per common share. The Options vest in equal instalments annually over three years from the date of grant.

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

	Outstanding and Exercisable	
Exercise price	**Number of stock options**	**Weighted average remaining life (years)**
$ 0.10	19,400,000	3.5
$ 0.10	**19,400,000**	**3.5**

Southern recognized $282 thousand of share-based compensation expense relating to stock options during 2020 ($212 thousand in 2019). There were no options granted in 2020. The fair value of the June 20, 2019 stock option grant was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions:

	2019
Risk free interest rate	1.48%
Expected volatility	45%
Expected life	5.0 years
Dividend yield	nil
Expected forfeiture rate	10%
Stock price on grant date	$0.095
Fair value per option	$0.034

Amounts in ($000s of Canadian Dollars), except for per share amounts

10. Loss Per Share

The following table presents the Company's net (loss) earnings per share:

	Year ended December 31, 2020	2019
Net (loss) earnings from:		
Continuing operations	$ (11,310)	$ (10,896)
Discontinued operations	-	23
Net loss	$ (11,310)	$ (10,873)
Basic and diluted – weighted average number of shares	220,770,279	215,207,150
Basic and diluted (loss) earnings per share from:		
Continuing operations	$ (0.05)	$ (0.05)
Discontinued operations	0.00	0.00
Net loss per share	$ (0.05)	$ (0.05)

The calculation of diluted loss per share for the year ended December 31, 2020 and 2019 excludes the effect of all outstanding share options and warrants as they are anti-dilutive.

11. Income Taxes

The provision for income taxes recorded in the financial statements varies from the amount that would be computed by applying the Canadian statutory income tax rate of 24.0% as a result of the following:

	Year ended December 31, 2020	2019
Net (loss) before tax	$ (11,310)	$ (11,083)
Statutory income tax rate	24.0%	26.5%
Expected income tax (recovery)	(2,714)	(2,937)
Effect on income tax of:		
Tax rate changes – opening balance	-	804
Tax rate changes – current year movement	(89)	186
Unrecognized deferred tax asset	2,569	1,705
Prior year true-up adjustment	143	193
Issuance of convertible debentures	-	(210)
Other	91	49
Deferred tax recovery	**$ -**	**$ (210)**

Amounts in ($000s of Canadian Dollars), except for per share amounts

The components of the Company's unrecognized deferred tax assets (liabilities) are as follows:

	Year ended December 31, 2020	2019
Property and equipment and exploration	$ 11,042	$ 8,291
ROU asset	(352)	(735)
Decommissioning provisions	5,439	98
Unamortized share issuance costs	285	879
Lease obligation	381	763
Convertible debenture – debt portion	(921)	(693)
Convertible debenture – equity portion	(95)	(95)
Derivative liability	465	-
Non-capital losses	28,297	21,624
Total	**$ 44,541**	**$ 30,132**

Non-capital tax losses of approximately $16.9 million at December 31, 2020 (December 31, 2019 - $15.7 million) will expire in future years ranging from 2027 – 2040. US net operating losses of approximately $11.4 million at December 31, 2020 (approximately $6.6 million at December 31, 2019) can be carried forward unlimited years.

12. Financial Instruments and Financial Risk Management

Financial Derivative Contracts

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

Southern had the following commodity derivative contracts in place as at December 31, 2020:

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

Amounts in ($000s of Canadian Dollars), except for per share amounts

Financial Derivative Contracts Financial Statement Recognition

The Company's financial instruments that were accounted for at fair value as of December 31, 2020 and 2019 are presented below. The classification within the fair value hierarchy for these financial instruments is Level 2.

	Year ended December 31,	
Comprised of:	**2020**	**2019**
Current derivative asset	$ 8	$ 819
Current derivative liability	(473)	(105)
Non-current derivative asset	-	120
Non-current derivative liability	-	(14)
Net fair value of contracts, end of year	**$ (465)**	**$ 820**

Below is a reconciliation of the (gain) loss on derivatives from the Consolidated Statements of Loss and Comprehensive Loss:

	Year ended December 31,	
	2020	**2019**
Realized gain on derivatives	$ (2,396)	$ (319)
Unrealized loss (gain) on derivatives	1,399	(705)
Gain on derivative instruments	**$ (997)**	**$ (1,024)**

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of the Company's cash and cash equivalents and accounts receivable and the positive fair value of any financial derivatives represent the maximum credit exposure.

Cash and cash equivalents

The Company manages the credit exposure related to cash and cash equivalents by selecting financial institutions with high credit ratings and monitors all short-term deposits to ensure an adequate rate of return. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Accounts receivable and other

Substantially all of the Company's accounts receivable are due from purchasers of the Company's petroleum and natural gas production, joint interest partners and government agencies, and are subject to normal industry credit risk.

Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. Management of the Company believes the risk is mitigated by the size and reputation of the companies to which they extend credit.

Amounts in ($000s of Canadian Dollars), except for per share amounts

Southern had no provision for doubtful accounts as at December 31, 2020 or 2019. During the year ended December 31, 2020, four third party purchasers each marketed more than 10% of the Company's oil and natural gas revenue.

	Year ended December 31, 2020	2019
Accrued receivables	$ 1,788	$ 2,031
Accounts receivable – joint venture	355	368
Total accounts receivable and other	**$ 2,143**	**$ 2,399**

0 to 30 days	$ 1,842	$ 2,146
31 to 60 days	26	33
61 to 90 days	22	17
Greater than 90 days	253	203
Total accounts receivable	**$ 2,143**	**$ 2,399**

Liquidity Risk

Liquidity risk arises through excess financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient capital in order to meet its current and future liquidity requirements. The financial liabilities in the statement of financial position consist of accounts payable, royalties payable, lease liabilities, financial derivative liabilities, convertible debentures and the senior secured credit facility. Strategies to manage liquidity include, having adequate sources of financing available through its Credit Facilities, estimating future cash flows generated from operations based on reasonable production and pricing assumptions, adding additional commodity derivative contracts, reducing capital spending and utilizing equity to settle interest payments on Convertible Debentures. Southern may also consider sale of non-core oil and gas assets along with alternative sources of financing.

The Company has the following financial liabilities:

	Year ended December 31, 2020	2019
Accrued payables	$ 1,408	$ 1,782
Accounts payables – trade	833	868
Royalties payables	5,555	5,589
Convertible debentures (face value)	8,389	8,069
Bank loan (excluding unamortized transaction costs)	16,806	18,183
Total	**$ 32,991**	**$ 34,491**

Market Risk

Market risk is the risk that changes in market prices relating to currency, commodity prices and interest rates will affect the Company's net earnings, future cash flows, the value of financial instruments, or the fair value of its asset and liabilities. The object of market risk management is to manage and control market risk exposure within acceptable parameters.

Amounts in ($000s of Canadian Dollars), except for per share amounts

To partially mitigate exposure to commodity price risk, Southern entered into various financial derivative instruments. The instruments currently outstanding are described above. As at December 31, 2020, Southern has not entered any foreign exchange derivative contracts or fixed interest rate contracts. As at December 31, 2020, a 10% change in future commodity prices applied against these contracts would have a $0.6 million impact on net income.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in interest rates. The Company's interest rate risk arises from its floating rate Credit Facility. For the year ended December 31, 2020, the Company did not enter any interest rate derivative contracts. The impact of a 1% increase in the interest rate associated with the Credit Facility would increase net loss by approximately $0.2 million.

13. Royalties Payable

As at December 31, 2020, Southern had $5.6 million ($5.6 million at December 31, 2019) of non-interest bearing royalty payables related to unresolved title or ownership issues not expected to be settled within the operating cycle unless claimants demand repayment and provide proof of ownership. The royalty payable account is made up of balances due to approximately 5,500 royalty holders with over 96% of the balances outstanding for greater than 120 days. The royalty holders have deficiencies with their accounts that precludes Southern from making payments. For the calculation of the Current Ratio covenant as at December 31, 2020, Southern removed $5.6 million (December 31, 2019 - $5.1 million) in royalty liabilities as they pertain to balances prior to December 31, 2019 (prior to December 31, 2018).

14. Oil and Natural Gas Sales

Southern sells its production pursuant to variable price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for the quality, location and other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under the contract, Southern is required to deliver a fixed or variable volume of crude oil, natural gas liquids or natural gas to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price. Revenues are typically collected in the month following production.

The following table presents Southern's oil and natural gas sales disaggregated by revenue source:

	Year ended December 31, 2020	2019
Commodity sales from production, by product		
Crude oil	$ 2,706	$ 5,356
Natural gas liquids	181	499
Natural gas	11,035	13,274
Total Oil and Natural Gas Sales	**$ 13,922**	**$ 19,129**

Amounts in ($000s of Canadian Dollars), except for per share amounts

15. Financing

The following table presents a breakdown of Southern's financing expenses:

	Year ended December 31, 2020	2019
Bank debt interest	$ 885	$ 981
Convertible debentures interest	647	355
Accretion	732	270
Interest on lease obligations	18	59
Total Financing Expenses	**$ 2,282**	**$ 1,665**

16. Supplemental Cash Flow Information

The changes in non-cash working capital was comprised of the following:

	Year ended December 31, 2020	2019
Changes in:		
Accounts receivable and other	$ 256	$ 11,345
Deposits and prepaid expenses	67	(71)
Accounts payables	(409)	(335)
Royalties payable	(34)	522
Foreign exchange	99	94
Changes in non-cash working capital	**$ (21)**	**$ 11,555**
Related to:		
Operating activities	$ (92)	$ (269)
Investing activities	(26)	152
Financing activities	97	11,672
	$ (21)	**$ 11,555**
Interest paid	**$ 1,389**	**$ 1,334**
Income taxes paid	**$ -**	**$ -**

17. Capital Risk Management

The current challenging economic climate, due to the COVID-19 pandemic and volatile commodity prices, may lead to further adverse changes in cash flows, working capital levels and debt balances, which may also have a direct impact on the Company's operating result and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate income and cash flows in the future. While it is too early to know all of the impacts of the COVID-19 pandemic, Southern will continue to take a cautionary approach to future expenditures in order to ensure capital preservation.

Amounts in ($000s of Canadian Dollars), except for per share amounts

The Company monitors its capital based on projected cash flow from operations and anticipated capital expenditures. In order to manage its capital structure, the Company prepares annual capital expenditure and operating budgets, which are updated as necessary. The annual and updated budgets are prepared by the Company's management and approved by or reviewed with the Company's Board of Directors. The budget results are regularly reviewed and updated as required.

In order to maintain or adjust the capital structure, the Company may issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure. The Company's ability to raise additional debt or equity financing is impacted by external conditions, including future commodity prices and global economic conditions. The Company continually monitors business conditions including changes in economic conditions, the risk of its drilling programs, forecasted commodity prices, and potential corporate or asset acquisitions.

18. Related Party Disclosures

There were no related party transactions in 2020 or 2019.

Key management personnel

Southern has determined that the key management personnel of Southern consists of its executive officers and directors. The following table summarizes the compensation of directors and other members of key management personnel during the years ended December 31, 2020 and 2019:

	Year ended December 31,	
	2020	**2019**
Short-term benefits	$ 1,184	$ 1,375
Long-term benefits	224	168
Total	**$ 1,408**	**$ 1,543**

Short-term benefits are comprised of salaries and director fees, annual bonuses and other benefits. Long-term benefits include share-based compensation expense from share awards under Southern's long-term incentive plans.

Amounts in ($000s of Canadian Dollars), except for per share amounts

19. Discontinued Operations

On May 2, 2019, Southern disposed of all of its Canadian oil and natural gas assets for $0.5 million. The results of operations from the Canadian segment have been reported as a discontinued operation.

Results of Discontinued Operations

	Year ended December 31, 2020	2019
Revenues		
Petroleum and natural gas revenue	$ -	$ 334
Royalties	-	(54)
	-	280
Expenses		
Production and operating	-	42
Transportation	-	19
Exploration evaluation	-	1
Depletion, depreciation and amortization	-	39
Finance	-	6
General and administrative	-	150
	-	257
Net earnings from discontinued operations	**$ -**	**$ 23**

Cash Flows from Discontinued Operations

	Year ended December 31, 2020	2019
Cash from operating activities	$ -	$ 14
Cash from investing activities	-	484
Cash from financing activities	-	-
Net Cash Flows	**$ -**	**$ 498**

20. Commitments and Contingencies

On January 1, 2019, Southern adopted IFRS 16 which resulted in the recognition of lease liabilities related to operating leases on the balance sheet some of which were previously reported as commitments. See Note 5 – Right-of-Use Assets and Lease Liabilities for additional information on Southern's lease liabilities.

4.3 Historical audited financial information for the Group for the 12 months ended 31 December 2018

Southern ENERGY

Consolidated Financial Statements of

SOUTHERN ENERGY CORP.

For the years ended December 31, 2019 and 2018

(Canadian Dollars)

Management's Report

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Southern Energy Corp. are the responsibility of management and have been approved by the Board of Directors of Southern Energy Corp. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes thereto. In Management's opinion, the consolidated financial statements are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, have been prepared within acceptable limits of materiality, and have utilized supportable, reasonable estimates.

Management ensures the integrity of the consolidated financial statements by maintaining high-quality systems of internal control. We also ensure our organizational structure provides appropriate delegation of authority and division of responsibilities.

The Board of Directors approves the consolidated financial statements. The Board carries out this responsibility primarily through the Audit Committee. The Audit Committee is composed entirely of independent directors. The Audit Committee meets periodically with Management and the external auditors to discuss reporting and control issues. The Audit Committee also considers the independence of the external auditors and reviews their fees.

The consolidated financial statements have been audited by Deloitte LLP, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

(signed) "*Ian Atkinson*"

Ian Atkinson
President & Chief Executive Officer
May 4, 2020

(signed) "*Calvin Yau*"

Calvin Yau
VP Finance & Chief Financial Officer

Deloitte.

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Independent Auditor's Report

To the Shareholders and the Board of Directors of
Southern Energy Corp.

Opinion

We have audited the consolidated financial statements of Southern Energy Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statement of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty related to Going Concern

We draw attention to Note 2 to the financial statements, which indicates that the Company's current liabilities exceeds its current assets. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Sippy Chhina.

Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
May 4, 2020

SOUTHERN ENERGY CORP.
Consolidated Statement of Financial Position

($000s of Canadian Dollars)	December 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 424	$ 2,334
Accounts receivable and other (Note 13)	2,399	13,744
Prepaid expenses and deposits	371	300
Derivative assets (Note 13)	819	332
	4,013	16,710
Derivative assets (Note 13)	120	20
Property, plant and equipment (Note 4 & 5)	44,308	38,199
Right-of-use assets (Note 6)	735	-
Total assets	$ 49,176	$ 54,929
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	2,650	2,985
Royalties payable (Note 14)	5,589	5,067
Current portion of lease liabilities (Note 6)	382	-
Bank debt (Note 8)	-	21,009
Derivative liabilities (Note 13)	105	166
	8,726	29,227
Long-term liabilities		
Derivative liabilities (Note 13)	14	51
Convertible debentures (Note 9)	6,648	-
Lease liabilities (Note 6)	381	-
Bank debt (Note 8)	18,183	-
Decommissioning provisions (Note 7)	5,276	6,740
Total liabilities	39,228	36,018
Shareholders' equity (Note 10)		
Share capital	35,441	33,860
Equity component of convertible debenture (Note 9)	665	-
Warrants	1,195	1,195
Contributed surplus	4,095	3,883
Deficit	(30,962)	(20,089)
Accumulated other comprehensive income	(486)	62
	9,948	18,911
Total liabilities and shareholders' equity	$ 49,176	$ 54,929

Commitments and contingencies (Note 20)
(See accompanying Notes to the Consolidated Financial Statements)

Approved by Board of Directors

(signed) "*Michael G. Kohut*"
Director

(signed) "*Bruce Beynon*"
Chairman

($000s of Canadian Dollars, except for per share amounts)	Year ended December 31, 2019	Year ended December 31, 2018
Revenues		
Petroleum and natural gas sales (Note 15)	$ 19,129	$ 806
Royalties	(3,859)	(148)
	15,270	658
Expenses		
Production and operating	6,799	265
Transportation	368	30
Depletion, depreciation and amortization (Note 5)	5,741	127
Impairment (Note 5)	7,425	-
Gain on derivatives (Note 13)	(1,024)	(325)
Gain on dispositions (Note 5)	(98)	-
Financing (Note 16)	1,665	45
General and administrative	4,465	333
Share-based compensation (Note 10)	212	1,195
Transaction costs	588	1,148
Loss on foreign exchange	235	-
	26,376	2,818
Net loss from continuing operations before income tax	(11,106)	(2,160)
Income tax recovery	(210)	-
Net loss from continuing operations	(10,896)	(2,160)
Net earnings (loss) from discontinued operations (Note 21)	23	(535)
Total net loss for the year	(10,873)	(2,695)
Currency translation adjustment	(548)	62
Comprehensive loss for the year	**$ (11,421)**	**$ (2,633)**
Basic and diluted (loss) income (Note 11)		
Continuing operations	$ (0.05)	$ (0.07)
Discontinued operations	0.00	(0.02)
Net loss per share	**$ (0.05)**	**$ (0.09)**

(See accompanying Notes to the Consolidated Financial Statements)

($000s of Canadian Dollars, except share amounts)	Common Shares	Shareholders' Capital	Equity Component of Convertible Debentures	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
Balance, December 31, 2017	24,246,973	$ 15,923	$ -	$ -	$ 3,883	$(17,394)	$ -	$ 2,412
Shares Issued, net	180,110,000	17,937	-	-	-	-	-	17,937
Warrants Issued	-	-	-	1,195	-	-	-	1,195
Net Loss	-	-	-	-	-	(2,695)	-	(2,695)
Other Comprehensive Income	-	-	-	-	-	-	62	62
Balance, December 31, 2018	204,356,973	$ 33,860	$ -	$ 1,195	$ 3,883	$(20,089)	$ 62	$ 18,911
Shares issued on Rights Offering (Note 10)	19,413,306	1,881	-	-	-	-	-	1,881
Share redemption	(3,000,000)	(300)	-	-	-	-	-	(300)
Convertible Debentures issued	-	-	665	-	-	-	-	665
Share-based compensation	-	-	-	-	212	-	-	212
Net Loss	-	-	-	-	-	(10,873)	-	(10,873)
Other Comprehensive Income	-	-	-	-	-	-	(548)	(548)
Balance, December 31, 2019	220,770,279	$ 35,441	$ 665	$ 1,195	$ 4,095	$(30,962)	$ (486)	$ 9,948

(See accompanying Notes to the Consolidated Financial Statements)

($000s of Canadian Dollars)	Year ended December 31, 2019	Year ended December 31, 2018
Operating activities		
Total net loss for the year	$ (10,873)	$ (2,695)
Changes in non-cash items:		
Depletion, depreciation and amortization (Note 5)	5,780	469
Impairment (Note 5)	7,425	-
Gain on dispositions (Note 5)	(98)	-
Net finance expense	1,671	64
Unrealized gain on derivatives (Note 13)	(705)	(436)
Unrealized loss on foreign exchange	235	-
Share-based compensation (Note 10)	212	1,195
Deferred income tax recovery	(210)	-
Decommissioning provisions liabilities settled (Note 7)	(23)	(14)
Changes in non-cash working capital (Note 17)	(269)	(174)
Net cash provided (used) by operating activities	3,145	(1,591)
Investing activities		
Capital expenditures	(1,594)	(1)
Acquisition, net of cash acquired (Note 4 & 5)	(21,349)	(3,329)
Proceeds from divestitures	484	-
Changes in non-cash working capital (Note 17)	152	(7)
Net cash used by investing activities	(22,307)	(3,337)
Financing activities		
Proceeds from share issuances, net (Note 10)	1,881	17,937
Issuance of convertible debentures, net (Note 9)	7,282	-
Paydown of bank debt (Note 8)	(1,782)	-
Payment of interest	(1,334)	(40)
Finance lease payments (Note 6)	(415)	-
Changes in non-cash working capital	11,672	(11,569)
Net cash provided by financing activities	17,304	6,328
Net increase (decrease) in cash and cash equivalents	(1,858)	1,400
Effect of foreign exchange rate changes	(52)	15
Cash and cash equivalents, beginning of year	2,334	919
Cash and cash equivalents, end of year	$ 424	$ 2,334

(See accompanying Notes to the Consolidated Financial Statements)

1. Reporting Entity and Nature of Operations

Southern Energy Corp. ("Southern" or "Company") (formerly Standard Exploration Ltd. ("Standard")) is an oil and natural gas exploration and production company. Southern has a primary focus on developing conventional natural gas and light oil resources in the Southeast Gulf States of Mississippi and Alabama. On November 13, 2018, Standard announced and subsequently closed on December 19, 2018, a definitive reorganization and investment agreement with a new management team and board of directors in addition to a non-brokered private placement (collectively, the "Recapitalization"). Concurrent with the Recapitalization the Company closed the acquisition of Gulf Pine Energy Partners, LP ("Gulf Pine").

On December 31, 2018, Southern completed a consolidation of the Common Shares on the basis of one post-consolidated Common Share for every five pre-consolidated Common Shares. On January 2, 2019 Southern changed its name from "Standard Exploration Ltd." to "Southern Energy Corp." and on January 7, 2019, the Common Shares commenced trading on the TSX Venture Exchange ("TSXV") under the new name and new trading symbol "SOU". All information related to issued and outstanding common shares, stock options and warrants, has been restated to reflect the share consolidation for all periods present.

Southern's head office is located in Calgary, Alberta, Canada. The financial statements were authorized for issue by the Board of Directors on May 4, 2020.

2. Basis of Presentation and Significant Accounting Policies

a) Principles of Reporting and Consolidation

The consolidated financial statements of Southern include the accounts of all domestic and foreign subsidiaries. Wholly-owned subsidiaries included in the Company's accounts include Southern Energy Corp., Southern Energy Corp (Delaware), Southern Energy Operating, LLC, Southern Energy CMS, LLC, Southern Energy BWB, LLC and Southern Energy SO, LLC. Southern accounts for joint operations by recognizing the Company's share of assets, liabilities, income and expenses. All intercompany balances and transactions have been eliminated.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These Consolidated Financial Statements are presented in Canadian dollars. All financial information presented has been rounded to the nearest thousand unless otherwise indicated.

The Company's presentation and functional currency is the Canadian dollar. The functional currency of the Company's US subsidiaries is the US dollar, and its results and balance sheet items are translated to Canadian dollars for purposes of these consolidated financial statements, in accordance with the Company's foreign currency translation accounting policy.

b) Going Concern

The Company prepared the Consolidated Financial Statements on a going concern basis, which contemplates the realization of assets and liabilities in the normal course of business as they become due. Accordingly, the Consolidated Financial Statements have been prepared on a historical cost basis, except certain financial instruments, which are measured at fair value. The method used to measure fair value is discussed further in Note 13.

Due to the current low commodity price environment and COVID-19 pandemic, Southern is currently reviewing all options to improve the financial strength of the Corporation. The Company implemented cost saving measures to reduce corporate salaries by 20%, field salaries by 10%, and eliminate all non-essential business expenditures. In addition to the cost saving measures noted, Southern can further manage liquidity by looking for additional opportunities to reduce both operating and capital field expenditures, unwinding of in the money derivative contracts, utilizing equity to settle interest payments on Convertible Debentures, sale of non-core oil and gas assets and looking for alternative sources of financing.

Subsequent to December 31, 2019, as a result of the March 1, 2020 bank redetermination, Southern will enter into the sixth amendment (the "Sixth Amendment") to the Credit Facility. Details of the Sixth Amendment include:

- Borrowing base reduction to US$14.0 million from US$14.25 million at March 31, 2020, separated into two tranches;
- Tranche A (conforming) – US$8.5 million lending value with the same financial covenants as the current Credit Facility (See Note 8 – Bank Debt for more details on the financial covenants) and a minimum interest rate of 4.5%;
- Tranche B (Non-conforming) – US$5.5 million lending value and the same interest rate as above;
- Tranche B will replace the Monthly Credit Reductions (described in Note 8 – Bank Debt) with cash flow repayments. Beginning on May 26, 2020, and continuing on the 26th day of every month until the July 2020 redetermination, any available cash balances in excess of US$0.4 million held with the lender will be utilized to paydown the owing balance on Tranche B;
- Increased hedging requirements of 80% of projected PDP volumes on a rolling 24 months and 50% of projected PDP volumes for months 25 to 36;
- Additional non-financial covenants primarily related to financial reporting;
- Next redetermination scheduled for July 1, 2020.

As at December 31, 2019, Southern had a working capital deficiency of $5.0 million, excluding derivative assets and liabilities and the current portion of the lease liability, and US$14 million ($18.2 million) drawn on its Senior Secured Bank Credit Facility. Southern was in compliance with all financial covenants on its Senior Secured Bank Credit Facility as of December 31, 2019. Based on the Company's projections using current strip pricing and the execution of the Sixth Amendment and related covenant changes, Southern does not anticipate to be in any covenant violations for the next twelve months. Management forecasts may change materially based upon actual prices received during the year, changes in future strip pricing and its future business plan. This material uncertainty may cast significant doubt with respect to the ability of the Corporation to continue as a going concern.

These financial statements do not reflect the adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if the Company were unable to continue as a going concern.

c) Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Key areas where management has made judgements, estimates, and assumptions include:

- Decommissioning provision: The calculation of decommissioning provisions depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of these expenditures.
- Determination of Cash Generating Units (“CGUs”): The Company’s petroleum and natural gas assets are grouped into CGUs based on the ability of these assets to generate separately identifiable independent cash inflows. The classification of assets into CGUs requires significant judgement and interpretation. Management considers factors such as integration among assets, shared infrastructure, common sales points, geography and how management makes decision about the Company’s operations.
- Assessment of impairments or recovery of previous impairments: Management applies judgment in assessing the existence of indicators of impairment or impairment reversal based on various internal and external factors. The calculation of the recoverable amount of a CGU is based on market factors (including estimate future commodity prices) and estimates of reserves and resources. Reserve and resource estimates are based on: engineering data, estimated future commodity prices, expected future rates of production, and assumptions regarding the timing and amount of future expenditures. Changes in these judgments, estimates and assumptions can directly impact the calculated recoverable amount of a CGU and the recorded impairment loss or recovery.
- Measurement of right-of-use (“ROU”) assets and lease liabilities are subject to management’s judgment of the applicable incremental borrowing rate when the rate implicit in a lease is not readily determinable. Applicable incremental borrowing rates are based on management’s judgements of the economic environment, term, the underlying risk inherent to the asset (which may vary due to changes in the market conditions) and the expected lease term.

d) Cash and Cash Equivalents

Southern considers all highly liquid investments to be cash equivalents if they have original maturities of three months or less at the date of purchase.

e) Business Combinations

Southern uses the purchase method of accounting for acquisitions that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of an acquisition over the fair value of the identifiable assets acquired net of liabilities assumed is recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets acquired, the difference is recognized in the statement of operations and comprehensive income.

As part of the assessment to determine if the acquisition constitutes a business, Southern may elect to apply the concentration test on a transaction by transaction basis. The test is met if substantially all of the fair value related to the gross assets acquired is concentered in a single identifiable asset (or group of similar assets) resulting in the acquisition not being deemed a business and recorded as an asset acquisition.

f) Property, Plant and Equipment

Exploration and evaluation assets - Pre-licence expenditures incurred before the Company has obtained legal rights to explore an area are expensed as exploration and evaluation expenditures.

Exploration and evaluation assets may include the costs of acquiring licences, exploratory drilling, geological and geophysical activities, acquisition of mineral and surface rights and technical studies. Exploration and evaluation costs are capitalized as exploration and evaluation assets when the technical feasibility and commercial viability of extracting petroleum and natural gas reserves have yet to be determined. Exploration and evaluation assets are measured at cost and are not depleted or depreciated. Exploration and evaluation assets, net of any impairment loss, are transferred to property and equipment when proved and/or probable reserves are determined to exist.

Property and equipment of the Company consists of development and production assets and office furniture and equipment.

All costs directly associated with the development and production of petroleum and natural gas interests are capitalized by components (i.e. by well, area or combination thereof) within cash generating units and are measured at cost less accumulated depletion and depreciation and impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability have been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning liabilities and transfers from exploration and evaluation assets.

Gains or losses on disposal of assets are determined by comparing the proceeds from disposal with the carrying amount of the assets sold and are recognized separately in the statement of earnings.

Depletion, depreciation and amortization – Capital assets are grouped into depletion units, which are groups of assets within a specific production area that have similar economic lives. Depletion units represent the lowest level of disaggregation for which costs are accumulated for the purposes of calculating depletion and depreciation.

Petroleum and natural gas interests are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs. Production and reserves of natural gas are converted to equivalent barrels of crude petroleum on the basis of six thousand cubic feet of gas to one barrel of petroleum. Changes to estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior period adjustments and are dealt with on a prospective basis.

Well and production equipment and facilities are depleted using the unit-of-production method along with the related reserves when the assets have a life similar to the reserves of the related wells and little to no residual value. Where costs of facilities and equipment, including major components, are significant in relation to the total costs of the assets and have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

Office furniture and equipment, referred to as corporate and other, are depreciated on a declining balance basis at a rate of 30% approximating their estimated useful lives.

g) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for indicators of impairment at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated.

For the purposes of assessing impairment, property and equipment are grouped into CGUs, defined as the lowest levels for which there are separately identifiable independent cash inflows. Any goodwill is allocated to the CGUs that are expected to benefit from the synergies of the business combination creating the goodwill.

The recoverable amount of a CGU is the greater of its fair value less costs of disposal and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Fair value less estimated costs of disposal may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the cash-generating unit in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in net profit or loss in the period determined.

Exploration and evaluation assets are assessed for impairment when they are reclassified to property and equipment and if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Exploration and evaluation assets are tested for impairment separately. If, at any time, it is determined that the Company has no future exploration plans and commercial production cannot be achieved in relation to an area, the associated costs are written down to the estimated recoverable amount and the amount of the write-down is expensed.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, as if no impairment loss had been recognized. A goodwill impairment loss is not reversed.

h) Lease obligations and right-of-use assets

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the lease commencement date, a lease obligation is recognized at the present value of future lease payments, typically using the applicable incremental borrowing rate. A corresponding ROU asset is recognized at the amount of the lease obligation. Short-term leases and leases of low-value assets are not recognized on the balance sheets and lease payments are instead recognized in the financial statements as incurred.

Payments are applied against the lease obligation and interest expense is recognized on the lease obligations using the effective interest rate method. Depreciation is recognized on the ROU asset over the lease term.

i) Assets held for sale and discontinued operations

Non-current assets, or disposal groups consisting of assets and liabilities, are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are tested for impairment prior to transfer and measured at the lower of the carrying amount and fair value less costs to sell, with impairments recognized in the profit or loss in the period measured. Non-current assets and disposal groups held for sale are presented in current assets and liabilities on the statement of financial position.

Individual non-current assets or disposal groups are classified and presented as discontinued operations if the assets or disposal groups are disposed of or classified as held-for-sale.

j) Decommissioning provisions

Decommissioning provisions are recognized for decommissioning and restoration obligations associated with the Company’s exploration and evaluation assets and property and equipment. The best estimate of the expenditure required to settle the present obligation at the reporting date is recorded on a discounted basis using a pre-tax risk-free interest rate at each reporting date. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated asset and is depleted or amortized over the useful life of the asset. The provision is accreted over time through charges to finance expense. Changes in the future cash flow estimates resulting from revisions to the estimated timing, amount of undiscounted cash flows or the discount rate are recognized as changes in the decommissioning provision and related asset. Actual decommissioning expenditures, up to the recorded liability recorded at the time, are charged against the provision as the costs are incurred.

k) Fair Value Measurement

On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on the classification of the financial instrument as described below:

- Fair value through profit or loss - Financial instruments under this classification include cash and cash equivalents and derivative assets and liabilities.

- Amortized cost - Financial instruments under this classification include accounts receivable, accounts payable and accrued liabilities, and long-term debt.

Southern utilizes oil and natural gas derivative contracts to mitigate its exposure to commodity price risk associated with future oil and natural gas production. Typical derivative contracts could consist of options, in the form of price floors, collars or three-way collars and fixed-price swaps.

The company uses various methods, including the income approach and market approach, to determine the fair values of our financial instruments that are measured at fair value on a recurring basis, which depend on a number of factors, including the availability of observable market data over the contractual term of the underlying instrument. For some of our instruments, the fair value is calculated based on directly observable market data or data available for similar instruments in similar markets. For other instruments, the fair value may be calculated based on these inputs as well as other assumptions related to estimates of future settlements of these instruments. Financial instruments are separated into three levels (levels 1, 2 and 3) based on our assessment of the availability of observable market data and the significance of non-observable data used to determine the fair value of our instruments. The assessment of an instrument can change over time based on the maturity or liquidity of the instrument, which could result in a change in the classification of the instruments between levels.

Each of these levels and our corresponding instruments classified by level are further described below:

- Level 1 Inputs— unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2 Inputs—quotes which are derived principally from or corroborated by observable market data.
- Level 3 Inputs—unobservable inputs for the asset or liability, such as discounted cash flow models or valuations, based on various assumptions and future commodity prices.

l) Convertible Debentures

The Debentures are a non-derivative financial instrument that creates financial liability of the entity and grants an option to the holder of the instrument to convert it into common shares of the Company. The liability component of the Debentures is initially recorded at the fair value of a similar liability that does not have a conversion option. The equity component is recognized initially, net of deferred taxes, as the difference between gross proceeds and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds. Subsequent to initial recognition, the liability component of the Debentures is measured at amortized cost using the effective interest method and is accreted each period, such that the carrying value will equal the principal amount outstanding at maturity. The equity component is not re-measured. The carrying amounts of the liability and equity components of the Debentures are reclassified to shareholders' capital on conversion to common shares.

m) Revenue Recognition

Revenue associated with sale of crude oil, natural gas and natural gas liquids is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when or as Southern satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas, natural gas liquids usually coincides with title passing to the customer and the customer taking physical possession. Southern principally satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

The revenue is typically collected the month following production.

n) Foreign Currency Translation

The Company's consolidated financial statements are reported in Canadian dollars, which is the Company's presentation currency. Transactions of the Company's US subsidiaries are recorded in US dollars, as this is the primary economic environment in which these subsidiaries operate. The US subsidiaries have a US dollar functional currency. In translating the financial results from US dollars to Canadian dollars, the Company uses the following method: assets and liabilities are translated at the exchange rate in effect as at the date of the consolidated statement of financial position; revenues and expenses are translated at the rate effective at the time of the transaction or the average rate for the period; and changes in shareholders' equity are translated at the rate effective at the time of the transaction. Unrealized gains and losses resulting from the translation to the Canadian dollar presentation currency are included in other comprehensive income.

Transactions of the US subsidiaries that are denominated in a currency other than the US dollar are translated to the US dollar using the following method: monetary assets and liabilities are translated at the exchange rate in effect at the date of the consolidated statement of financial position; non-monetary assets and liabilities are translated at the exchange rate on the date such assets or liabilities are assumed; and revenues and expenses are translated at the average rate for the period. Realized gains and losses resulting therefrom are reflected in the statements of operations as foreign exchange gain or loss.

o) Income Taxes

Tax expense is comprised of current and deferred tax. Current tax expense is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss).

Current tax is the expected tax payable on the taxable income for the year and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously

p) Commitments and Contingencies

The Company could be subject to audits for various taxes (income, sales and use, and severance) in the various states in which it operates, and from time to time receive assessments for potential taxes that it may owe. Currently, Southern has no material assessments for potential taxes, legal contingencies or other potential claims.

The Company could be subject to various possible contingencies that arise primarily from interpretation of federal and state laws and regulations affecting the oil and natural gas industry. Such contingencies include differing interpretations as to the prices at which oil and natural gas sales may be made, the prices at which royalty owners may be paid for production from their leases, environmental issues and other matters. Although Southern believes that it has complied with the various laws and regulations, administrative rulings and interpretations thereof, adjustments could be required as new interpretations and regulations are issued. In addition, production rates, marketing and environmental matters are subject to regulation by various federal and state agencies.

Provisions are recognized by the Company when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

q) Share-based payments

Southern accounts for share-based transactions using fair value and recognize compensation expense over the vesting period. The fair value of each option or common share purchase warrant award is estimated using an option valuation model with various assumptions based on various estimates and market conditions of the instrument. The assumptions include expected volatility, expected term of option, risk-free interest rate and dividend yield.

r) Per Share Amounts

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as restricted and performance awards granted to employees.

3. Change in Accounting Policies:

Adoption of Amendments to IFRS 3 "Business Combinations" – Definition of a Business ("IFRS 3")

Southern elected to early adopt the amendments to IFRS 3 effective January 1, 2019, which will be applied prospectively to acquisitions that occur on or after January 1, 2019. The amendments introduce an optional concentration test, narrow the definitions of a business and outputs, and clarify that an acquired set of activities and assets must include an input and a substantive process that together significantly contribute to the ability to create outputs. These amendments do not result in changes to the application of the acquisition method.

Adoption of IFRS 16 — Leases ("IFRS 16")

On January 1, 2019, Southern adopted IFRS 16 "Leases" as issued by IASB. IFRS 16 requires the recognition of right-of-use asset and lease liability on the balance sheet for most leases, where the entity is acting as a lessee. For lessees applying IFRS 16, the dual classification model of leases as either operating leases or finance leases no longer exists, effectively treating all leases as finance leases.

The Company used the modified retrospective approach on adoption of IFRS 16 including the following practical expedients permitted under the standard. Some of these expedients are on a lease-by-lease basis and others are applicable by class of underlying assets:

- Account for leases with a remaining term of less than 12 months at January 1, 2019 as short-term leases;
- Account for lease payments as an expense and not recognize a right-of-use asset if the underlying asset is of a lower dollar value;
- Apply a single discount rate to a portfolio of leases with similar characteristics; and
- Recognize lease liabilities at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate as at January 1, 2019. The associated ROU assets will be measured at the amount equal to the lease liability on date of transition.

As a result of the adoption of IFRS 16 as at January 1, 2019, Southern identified a ROU asset and lease liabilities relating to office space and recorded a current lease liability of $405 thousand and a long-term lease liability of $714 thousand with an associated Right-of-Use Asset of $1.1 million. The difference in operating lease commitments disclosed as at December 31, 2018 and lease liabilities recognised in the statement of financial position at January 1, 2019 is primarily due to the discounting of the future lease payments using Southern's incremental borrowing rate.

Amounts in ($000s of Canadian Dollars), except for per share amounts

4. Business Combination

On December 19, 2018, Southern acquired all of the limited partnership units of Gulf Pine Energy Partners, LP ("Gulf Pine") for cash consideration of US$3.4 million ($4.6 million). The Gulf Pine assets consist of low decline production and high working interest in more than 59,000 net acres in Mississippi and Alabama. The Company has treated the transaction as a business combination and has accounted for it using the acquisition method to reflect the fair value of assets acquired and liabilities assumed. Financial performance from the assets acquired were included in the financial statements from the closing date of the transaction. The aggregate purchase price was allocated as follows:

Consideration - $4,641 (US$3,425)	**Fair Value**
Property, plant and equipment	$ 33,334
Cash	1,312
Working capital (1)	(5,987)
Bank loan	(20,713)
Decommissioning provisions	(3,305)
Fair value of net assets acquired	**$ 4,641**

(1) Working capital consists of accounts receivable, prepaid expenses or deposits, derivatives assets or liabilities and accounts payable.

Following the acquisition, property and equipment and the decommissioning liabilities were increased by $2.3 million, reflecting the calculation of decommissioning liabilities using a risk-free discount rate. The credit adjusted discount rate was used to determine fair value. Had the acquisition occurred on January 1, 2018, management estimates the following impact on the Statement of Consolidated Loss for the year ended December 31, 2018:

	Year ended December 31, 2018
Petroleum and natural gas sales, net	$ 17,015
Production and operating expenses	(9,538)
Operating income	**$ 7,477**

Amounts in ($000s of Canadian Dollars), except for per share amounts

5. Property, Plant and Equipment

The following table presents the reconciliation of the beginning and ending amounts of our PP&E balances including accumulated depletion, depreciation, amortization and impairment:

	Oil and Natural Gas Assets	Other	Total
Net book value as at December 31, 2017	$ 2,609	$ -	$ 2,609
Additions	1	-	1
Acquired in Business Combination (Note 4)	33,334	-	33,334
Change in decommissioning provision (Note 6)	2,252	-	2,252
Depletion, depreciation and amortization	(469)	-	(469)
Effect of foreign exchange rate changes	472	-	472
Net book value as at December 31, 2018	**38,199**	**-**	**38,199**
Additions	1,590	4	1,594
Acquisitions, including decommissioning costs	21,559	-	21,559
Dispositions	(1,953)	-	(1,953)
Change in decommissioning provision (Note 6)	20	-	20
Depletion, depreciation and amortization	(5,396)	-	(5,397)
Impairment	(7,425)	-	(7,425)
Effect of foreign exchange rate changes	(2,290)	-	(2,290)
Net book value as at December 31, 2019	**$ 44,304**	**$ 4**	**$ 44,308**

Depletion

For the year ended December 31, 2019, the Company recorded depletion expense of $5.4 million (December 31, 2018 - $469 thousand). In the calculation of depletion expense at December 31, 2019, an estimated $36.7 million of future development costs associated with the proven plus probable reserves were included ($40.9 million for 2018).

Asset Acquisition

On June 14, 2019, Southern closed an acquisition with an arm’s length private company to acquire assets in the State of Mississippi for $21.6 million, including decommissioning costs associated with the acquired assets.

Canadian Disposition

On May 2, 2019, the Company closed the sale of all its remaining Canadian oil and natural gas assets for $0.5 million.

At March 31, 2019, the Canadian assets were classified as held for sale and recorded at the lesser of their carrying amount and their fair value based on the observed selling price, less customary purchase price adjustments, resulting in an impairment of $725 thousand.

Amounts in ($000s of Canadian Dollars), except for per share amounts

Impairment

At the end of each reporting period, the Company performs an assessment to determine whether there are any indications of impairment for the CGUs that comprise oil and natural gas properties. During the year ended December 31, 2019, Southern viewed the deterioration of current and future natural gas prices as well as the reduction of Southern's market capitalization below the net assets of the Company as indications of impairment. Southern estimated the recoverable amount of all CGUs at December 31, 2019. Southern determined that the carrying value of the Central Mississippi ("CMS") CGU exceeded its recoverable amount. A non-cash impairment charge of $6.7 million was recorded in the Consolidated Statements of Loss and Comprehensive Loss.

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

The following table details the forward pricing used in estimating the recoverable amounts of Southern's CGUs at December 31, 2019:

Period Ending	West Texas Intermediate ($US/bbl)	Henry Hub ($US/MMBtu)	FX (USD/CAD)
12-31-2020	60.25	2.57	0.760
12-31-2021	63.11	2.79	0.768
12-31-2022	66.02	2.99	0.784
12-31-2023	67.64	3.15	0.789
12-31-2024	69.16	3.22	0.789
12-31-2025	70.69	3.29	0.789
12-31-2026	72.25	3.35	0.789
12-31-2027	73.77	3.43	0.789
12-31-2028	75.25	3.49	0.789
12-31-2029	76.76	3.56	0.789

Thereafter, WTI and HH prices escalated 2 percent on January 1 of each year and FX rates held constant at 0.789

The fair value less costs of disposal values used to determine the recoverable amounts of Southern's CGUs at December 31, 2019, were classified as Level 3 fair value measurements as certain key assumptions are not based on observable market data, but rather, Management's best estimates. Refer to Note 2 "Significant Accounting Policies" for information on fair value hierarchy classifications.

Changes in any of the key judgements, such as a revision in reserves, changes in forecast commodity prices, foreign exchange rates, capital or operating costs would impact the estimated recoverable amount. As at December 31, 2019, a 1% increase in the assumed discount rate would reduce the estimated recoverable amount by $2.5 million while a 5% decrease change in commodity price forecasts would reduce the estimated recoverable amount by $4.8 million.

Amounts in ($000s of Canadian Dollars), except for per share amounts

6. Right-of-Use Assets and Lease Liabilities

Right-of-use Assets

The following table presents the reconciliation of the beginning and ending amounts of our ROU balances including accumulated depreciation:

		Total
Carrying value as at January 1, 2019 (Note 3)	**$**	**1,119**
Depreciation		(384)
Carrying value as at December 31, 2019	**$**	**735**

Lease Liabilities

Southern had the following lease obligations outstanding as at the dates indicated:

		Total
As at January 1, 2019 (Note 3)	**$**	**1,119**
Interest expense		59
Lease payments		(415)
As at December 31, 2019	**$**	**763**

At December 31, 2019, Southern had future commitments relating to lease liabilities as follows:

		Total
Less than 1 year	$	418
1 – 3 years		383
Total undiscounted future lease payments	$	801
Amounts representing interest		(38)
Present value of net lease payments	$	763
Less current portion of lease liabilities		(382)
Non-current portion of lease liabilities	**$**	**381**

The Company has lease liabilities for contracts related to office space. The lease labilities were discounted using the Company's incremental borrowing rate at January 1, 2019 of 6.0%.

7. Decommissioning Provisions

The Company's decommissioning provisions result from its ownership interest in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The total decommissioning provision is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total estimated, inflated undiscounted risked cash flows required to settle the provision, is approximately $6.2 million at December 31, 2019 (December 31, 2018 - $8.7 million), which have been discounted using a risk-free interest rate of 1.7% to 1.9% at December 31, 2019 (December 31, 2018 – 2.2% to 2.7%). These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 50 years into the future and will be funded from general corporate resources at the time of abandonment.

Amounts in ($000s of Canadian Dollars), except for per share amounts

The following table presents the reconciliation of the beginning and ending aggregate carrying amounts of legal obligations associated with the retirement of property, plant and equipment:

	Year ended December 31, 2019	2018
Balance, beginning of year	$ 6,740	$ 1,094
Acquired in Business Combination (Note 4)	-	3,305
Acquisitions	210	-
Changes in estimates	20	2,252
Liabilities settled	(23)	(14)
Property disposal	(1,420)	-
Accretion expense	35	24
Effect of foreign exchange rate changes	(286)	79
Balance, end of year	**$ 5,276**	**$ 6,740**
Long term liability	**$ 5,276**	**$ 6,740**

8. Bank Debt

Southern had the following obligations outstanding as at the dates indicated:

	As at December 31, 2019	2018
Current Portion Senior Secured Bank Credit Facility	$ -	$ 21,009
Long Term Portion Senior Secure Bank Credit Facility	18,183	-
Total Bank Debt	**$ 18,183**	**$ 21,009**

As at December 31, 2019, Southern Energy Corp. (Delaware) ("Southern Delaware") one of the wholly owned subsidiaries of Southern continued to hold the existing Senior Secured Credit Facility (the "Credit Facility"). The Credit Facility is secured against the oil and gas properties of Southern. The borrowing base for the Credit Facility is reviewed semi-annually. Southern has the ability to request two additional redeterminations each year, at its sole election. Subsequent to December 31, 2019, as a result of the March 1, 2020 bank redetermination, Southern will enter into the Sixth Amendment. For additional details, see Note 2 - Going Concern.

Interest on borrowings under the Credit Facility is determined by reference to the London Interbank Offered Rate ("LIBOR") plus a margin that ranges from 2.50% to 3.50%, based on utilization. Southern pays a commitment fee of 0.50% on the undrawn borrowing base. For the year ending December 31, 2019, the effective interest rate, excluding commitment and other fees, was 5.58% (December 31, 2018 – 5.97%).

On March 1, 2019, Southern Delaware entered into the third amendment (the "Third Amendment") to Credit Facility. The Amendment included the assignment of the Credit Facility from Gulf Pine Energy, LP to Southern Energy Corp. (Delaware), replacement of "GAAP" with "IFRS" with respect to the covenant calculations and a borrowing base reduction to US$12.5 million ($17.1 million).

Amounts in ($000s of Canadian Dollars), except for per share amounts

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 Acquisition from US$12.5 million ($16.4 million) to US$17.0 million ($22.2 million), a quarterly borrowing base reduction beginning September 1, 2019 of US$0.9 million ($1.2 million) and amendments to the covenant calculations.

On November 27, 2019, as part of the semi-annual borrowing base review, Southern Delaware entered into a fifth amendment (the "Fifth Amendment") to the Credit Facility reducing the borrowing base to US$15.0 million ($19.9 million). Beginning January 1, 2020, the borrowing base will be reduced monthly by US$250 thousand until March 1, 2020. The February 1, 2021, maturity date of the Credit Facility remained the same with the execution of the Fifth Amendment.

The covenants of the Company under the credit facility, calculated quarterly, include covenants which relate to a maximum leverage ratio of 3.5 to 1.0 (Debt / Bank EBITDAX), interest coverage ratio of at least 3.0 to 1.0 (Bank EBITDAX / Cash Interest) and minimum current ratio of 1.0 to 1.0 (Current Assets / Current Liabilities).

As part of the Fourth Amendment, for the test period ending December 31, 2019, Bank EBITDAX and Cash Interest was annualized by taking the results of the two fiscal quarters ending December 31, 2019 and multiplying them by two. For the test period of March 31, 2020, Bank EBITDAX and Cash Interest will be annualized by taking the results of the three fiscal quarters ending March 31, 2020 and multiplying them by four and dividing them by three.

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, will exclude royalty suspense balances that are at least one year old, as at the test period date (See Note 14 - Royalties Payable for additional information).

As at December 31, 2019, the Credit Facility was subject to the following financial covenants, calculated quarterly:

		As at December 31,	
Financial covenant	**Limit**	**2019**	**2018**
Leverage ratio (Debt / Bank EBITDAX)	Maximum 3.5	3.3	4.1
Interest coverage ratio (Bank EBITDAX / Cash Interest)	Minimum 3.0	4.9	4.2
Current ratio (Current Assets / Current Liabilities)	Minimum 1.0	1.4	2.1

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

- Debt includes only the Credit Facility drawings at the period end

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

As at December 31, 2019, the Company was in compliance with the above covenants. As at December 31, 2018, the Company was not in compliance with the leverage ratio covenant of the Credit Facility. As such, all outstanding debt as at December 31, 2018 was classified under current liabilities. The Company has obtained written waivers for non-compliance for the period ended December 31, 2018.

As at December 31, 2019, the borrowing base was US$15.0 million ($19.5 million) and Southern had US$14.0 million ($18.2 million) drawn. As at December 31, 2018, the borrowing base was US$16.0 million ($21.8 million) and Southern had US$15.4 million ($21.0 million) drawn.

9. Convertible Debentures

	Number of Convertible Debentures	Liability Component ($000s)	Equity Component ($000s)
Balance at December 31, 2018	-	$ -	$ -
Issuance of convertible debentures	8,069	7,099	970
Issue costs	-	(692)	(95)
Deferred income tax liability	-	-	(210)
Accretion of discount	-	241	-
Balance at December 31, 2019	**8,069**	**$ 6,648**	**$ 665**

On June 14, 2019, Southern closed the sale of 8,069 Debentures at a price of $1,000 per Debenture. 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 in cash on December 31, 2019. At the Company'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 ("Shares") of the Company 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 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 (i) the Maturity Date, or (ii) if called for redemption, the date specified for redemption by the Company, at a conversion price of $0.125 per Common Share, subject to adjustment in certain events. This represents a conversion rate of approximately 8,000 Common Shares for each $1,000 principal amount of Debentures, subject to the operation of certain anti-dilution provisions 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.

The Debentures are direct, subordinated unsecured obligations of the Company, subordinated to any senior indebtedness of the Company, including the Credit Facility, and ranking equally with one another and with all other existing and future subordinated unsecured indebtedness of the Company to the extent subordinated on the same terms.

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

The liability component of the Debentures was initially recognized at the fair value of a similar liability which does not contain an equity conversion option, based on a market interest rate of 12.8%. The difference between the $8.1 million principal amount of the Debentures and the fair value of the liability component was recognized in Shareholder's equity, net of deferred income taxes. Total transaction costs directly attributable to the offering of $0.8 million were allocated proportionately to the liability and equity components of the Debentures.

Accretion of the liability component and accrued interest payable on the Debentures are included in financing expense in the Consolidated Statements of Loss and Comprehensive Loss.

The fair value of the convertible debentures at December 31, 2019 was $8.1 million.

10. Shareholders' Equity

Share capital

The authorized share capital of the Company consists of an unlimited number of voting common shares and an unlimited number of preferred shares.

On December 31, 2018, the company completed a consolidation of the Common Shares on the basis of one post-consolidated Common Share for every 5 pre-consolidated Common Shares. These consolidated financial statements and all information related to issued and outstanding common shares, stock options and warrants, have been restated to reflect the share consolidation for all periods present.

Amounts in ($000s of Canadian Dollars), except for per share amounts

The following table reflects the Company's outstanding common shares at December 31, 2019 and 2018:

	Number of Shares	Share Capital
Balance as at December 31, 2018	204,356,973	$ 33,860
Issuance of common shares by rights offering, net of issue costs	19,413,306	1,881
Redemption of common shares from private placement	(3,000,000)	(300)
Balance as at December 31, 2019	220,770,279	**$ 35,441**

On December 19, 2018, Southern completed a non-brokered private placement of 122,190,000 common shares of the Company (the "Common Shares") at a price of $0.10 per Common Share and 57,920,000 units of the Company (the "Recap Units") at a price of $0.10 per Recap Unit, for aggregate gross proceeds of $18.0 million (the "Private Placement"). Each Recap Unit is comprised of one Common Share and one performance-based Common Share purchase warrant (a "Recap Warrant").

On January 23, 2020, 3,000,000 of the Common Shares subscribed to in the Private Placement were redeemed by the Company. At December 31, 2019, Southern has reflected the redemption within shareholder's equity.

Warrants

The Company issued 57,920,000 Recap Warrants in conjunction with the December 19, 2018 Private Placement. The Recap 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 Recap 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 Recap Warrant, the Common Shares are listed on the facilities of a recognized stock exchange (other than the TSXV), the Common Shares are acquired for cash or for the securities of a company listed on a recognized stock exchange (other than the TSXV). As at December 31, 2019, 19,306,667 Recap Warrants had vested as the Market Price had exceeded $0.15.

In 2018, Southern recognized $1.2 million of share-based compensation expense relating to the warrants.

Rights Offering

On June 7, 2019, the Company closed the previously announced Rights Offering (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 approximately $1.9 million of proceeds to the Company, net of issuance costs.

Amounts in ($000s of Canadian Dollars), except for per share amounts

Stock Option Plan

Under the Company's share option plan, the Company may grant options to its directors, officers, employees and consultant up to a maximum of 10% of the issued and outstanding common shares at the time of the grant, with a maximum of 5% of the Company's issued and outstanding shares reserved for any one person on a yearly basis. The maximum option term is 10 years from the grant date with vesting terms set at the discretion of the board of directors.

On June 20, 2019, pursuant to the Company's Stock Option Plan, Southern granted 19,400,000 stock options to purchase common shares of the Company ("Options") to directors, officers and employees of Southern. The Options expire in five years from the date of grant and are exercisable at a price of $0.10 per common share. The Options vest in equal instalments annually over three years from the date of grant.

	Number of stock options	**Weighted average exercise price**
Balance at December 31, 2018	-	$ -
Granted	19,400,000	0.10
Balance at December 31, 2019	**19,400,000**	**$ 0.10**

	Outstanding and Exercisable	
Exercise price	**Number of stock options**	**Weighted average remaining life (years)**
$ 0.10	19,400,000	4.5
$ 0.10	**19,400,000**	**4.5**

Southern recognized $212 thousand of share-based compensation expense relating to stock options during 2019 ($nil in 2018). The fair value of the stock option grant was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions:

	2019
Risk free interest rate	1.48%
Expected volatility	45%
Expected life	5.0 years
Dividend yield	nil
Expected forfeiture rate	10%
Stock price on grant date	$0.095
Fair value per option	$0.034

Amounts in ($000s of Canadian Dollars), except for per share amounts

11. Loss Per Share

The following table presents the Company's net (loss) earnings per share:

	Year ended December 31, 2019	2018
Net (loss) earnings from:		
Continuing operations	$ (10,896)	$ (2,160)
Discontinued operations	23	(535)
Net loss	$ (10,873)	$ (2,695)
Basic and diluted – weighted average number of shares	215,207,150	30,168,398
Basic and diluted (loss) earnings per share from:		
Continuing operations	$ (0.05)	$ (0.07)
Discontinued operations	0.00	(0.02)
Net loss per share	$ (0.05)	$ (0.09)

The calculation of diluted loss per share for the year ended December 31, 2019 and 2018 excludes the effect of all outstanding share options and warrants as they are anti-dilutive.

12. Income Taxes

The provision for income taxes recorded in the financial statements varies from the amount that would be computed by applying the Canadian statutory income tax rate of 26.5% as a result of the following:

	Year ended December 31, 2019	2018
Net (loss) before tax	$ (11,083)	$ (2,695)
Statutory income tax rate	26.5%	27.0%
Expected income tax (recovery)	(2,937)	(728)
Effect on income tax of:		
Tax rate changes – opening balance	804	-
Tax rate changes – current year movement	(334)	-
Unrecognized deferred tax asset	1,705	309
Prior year true-up adjustment	193	(56)
Issuance of convertible debentures	(210)	-
Adjustment for foreign tax rates	520	16
Non-deductible items	112	459
Other	(63)	-
Deferred tax recovery	**$ (210)**	**$ -**

Amounts in ($000s of Canadian Dollars), except for per share amounts

The components of the Company's unrecognized deferred tax assets (liabilities) are as follows:

	Year ended December 31, 2019	2018
Property and equipment and exploration	$ 8,291	$ 3,780
ROU asset	(735)	-
Decommissioning provisions	98	1,099
Unamortized share issuance costs	879	332
Lease obligation	763	-
Convertible debenture – debt portion	(693)	-
Convertible debenture – equity portion	(95)	-
Eligible capital expenditure	-	-
Non-capital losses	21,624	15,694
Total	**$ 30,132**	**$ 20,905**

Non-capital tax losses of approximately $15.7 million at December 31, 2019 (December 31, 2018 - $14.9 million) will expire in future years ranging from 2027 – 2039. US net operating losses of approximately $6.6 million at December 31, 2019 (approximately $6.0 million at December 31, 2018) can be carried forward unlimited years.

13. Financial Instruments and Financial Risk Management

Financial Derivative Contracts

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

Southern had the following commodity derivative contracts in place as at December 31, 2019:

Natural Gas	Volume	Pricing (US$)
Fixed Price Swap		
January 1, 2020 – March 31, 2020	1,000 MMBtu/d	NYMEX – HH $2.700/MMBtu
January 1, 2020 – December 31, 2020	1,000 MMBtu/d	NYMEX – HH $2.600/MMBtu
January 1, 2020 – December 31, 2020	1,500 MMBtu/d	NYMEX – HH $2.748/MMBtu
January 1, 2020 – December 31, 2020	2,000 MMBtu/d	NYMEX – HH $2.575/MMBtu
January 1, 2021 – December 31, 2021	1,500 MMBtu/d	NYMEX – HH $2.575/MMBtu

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

Amounts in ($000s of Canadian Dollars), except for per share amounts

Hedging update

Subsequent to December 31, 2019, Southern entered into the following commodity derivative contracts:

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

Crude Oil	Volume	Pricing (US$)
Fixed Price Swap		
May 1, 2020 – December 31, 2020	75 Bbl/d	WTI $26.11/Bbl

On April 27, 2020, Southern entered a buy-back swap for 75 Bbl/d of oil where Southern will pay a fixed price of WTI US$26.11/Bbl. This transaction enables Southern to lock in a hedge gain of US$543 thousand for the remainder of 2020 on the two oil fixed price swaps above.

Financial Derivative Contracts Financial Statement Recognition

The Company's financial instruments that were accounted for at fair value as of December 31, 2019 and 2018 are presented below. The classification within the fair value hierarchy for these financial instruments is Level 2.

	Year ended December 31,	
Comprised of:	**2019**	**2018**
Current derivative asset	$ 819	$ 332
Current derivative liability	(105)	(166)
Non-current derivative asset	120	20
Non-current derivative liability	(14)	(51)
Net fair value of contracts, end of year	**$ 820**	**$ 135**

Below is a reconciliation of the (gain) loss on derivatives from the Consolidated Statements of Loss and Comprehensive Loss:

	Year ended December 31,	
	2019	**2018**
Realized (gain) loss on derivatives	$ (319)	$ 111
Unrealized gain on derivatives	(705)	(436)
Gain on derivative instruments	**$ (1,024)**	**$ (325)**

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of the Company's cash and cash equivalents and accounts receivable and the positive fair value of any financial derivatives represent the maximum credit exposure.

Amounts in ($000s of Canadian Dollars), except for per share amounts

Cash and cash equivalents

The Company manages the credit exposure related to cash and cash equivalents by selecting financial institutions with high credit ratings and monitors all short-term deposits to ensure an adequate rate of return. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Accounts receivable and other

Substantially all of the Company’s accounts receivable are due from purchasers of the Company’s petroleum and natural gas production, joint interest partners and government agencies, and are subject to normal industry credit risk.

Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. Management of the Company believes the risk is mitigated by the size and reputation of the companies to which they extend credit.

Southern had no provision for doubtful accounts as at December 31, 2019 or 2018. During the year ended December 31, 2019, four third party purchasers each marketed more than 10% of the Company’s oil and natural gas revenue.

	Year ended December 31, 2019	2018
Subscription receipts held in trust	$ -	$ 7,106
Accrued receivables	2,031	5,507
Accounts receivable – joint venture	368	1,131
Total accounts receivable and other	**$ 2,399**	**$ 13,744**

0 to 30 days	$ 2,146	$ 13,374
31 to 60 days	33	43
61 to 90 days	17	18
Greater than 90 days	203	309
Total accounts receivable	**$ 2,399**	**$ 13,744**

Liquidity Risk

Liquidity risk arises through excess financial obligations due over available financial assets at any point in time. The Company’s objective in managing liquidity risk is to maintain sufficient capital in order to meet its current and future liquidity requirements. The financial liabilities in the statement of financial position consist of accounts payable, royalties payable, lease liabilities, financial derivative liabilities, convertible debentures and the senior secured credit facility. Strategies to manage liquidity include, having adequate sources of financing available through its Credit Facilities, estimating future cash flows generated from operations based on reasonable production and pricing assumptions, adding additional commodity derivative contracts, reducing capital spending and utilizing equity to settle interest payments on

Amounts in ($000s of Canadian Dollars), except for per share amounts

Convertible Debentures. Southern may also consider sale of non-core oil and gas assets along with alternative sources of financing.

The Company has the following financial liabilities:

	Year ended December 31, 2019	2018
Accrued payables	$ 1,782	$ 1,504
Accounts payables – trade	868	1,481
Royalties payables	5,589	5,067
Convertible debentures (face value)	8,069	-
Bank loan	18,183	21,009
Total	**$ 34,491**	**$ 29,061**

Market Risk

Market risk is the risk that changes in market prices relating to currency, commodity prices and interest rates will affect the Company's net earnings, future cash flows, the value of financial instruments, or the fair value of its asset and liabilities. The object of market risk management is to manage and control market risk exposure within acceptable parameters.

To partially mitigate exposure to commodity price risk, Southern entered into various financial derivative instruments. The instruments currently outstanding are described above. As at December 31, 2019, Southern has not entered any foreign exchange derivative contracts or fixed interest rate contracts. As at December 31, 2019, a 10% change in future commodity prices applied against these contracts would have a $0.9 million impact on net income.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in interest rates. The Company's interest rate risk arises from its floating rate Credit Facility. For the year ended December 31, 2019, the Company did not enter any interest rate derivative contracts. The impact of a 1% increase in the interest rate associated with the Credit Facility would increase net loss by approximately $0.2 million.

14. Royalties Payable

As at December 31, 2019, Southern had $5.6 million ($5.1 million at December 31, 2018) of non-interest bearing royalty payables related to unresolved title or ownership issues not expected to be settled within the operating cycle unless claimants demand repayment and provide proof of ownership. $0.8 million of this liability was acquired as a part of the Acquisition that closed on June 14, 2019. The royalty payable account is made up of balances due to approximately 5,000 royalty holders with over 96% of the balances outstanding for greater than 120 days. The royalty holders have deficiencies with their accounts that precludes Southern from making payments. For the calculation of the Current Ratio covenant as at December 31, 2019, Southern removed $5.1 million in royalty liabilities as they pertain to balances prior to December 31, 2018.

Amounts in ($000s of Canadian Dollars), except for per share amounts

15. Oil and Natural Gas Sales

Southern sells its production pursuant to variable price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for the quality, location and other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under the contract, Southern is required to deliver a fixed or variable volume of crude oil, natural gas liquids or natural gas to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price. Revenues are typically collected in the month following production.

The following table presents Southern's oil and natural gas sales disaggregated by revenue source:

	Year ended December 31,	
Commodity sales from production, by product	**2019**	**2018**
Crude oil	$ 5,356	$ 173
Natural gas liquids	499	17
Natural gas	13,274	616
Total Oil and Natural Gas Sales	**$ 19,129**	**$ 806**

16. Financing

The following table presents a breakdown of Southern's financing expenses:

	Year ended December 31,	
	2019	**2018**
Bank debt interest	$ 981	$ 40
Convertible debentures interest	355	-
Accretion of convertible debentures	241	-
Accretion of decommissioning obligations (Note 7)	29	5
Interest on lease obligations (Note 6)	59	-
Total Financing Expenses	**$ 1,665**	**$ 45**

Amounts in ($000s of Canadian Dollars), except for per share amounts

17. Supplemental Cash Flow Information

The changes in non-cash working capital was comprised of the following:

	Year ended December 31, 2019	2018
Changes in:		
Accounts receivable and other	$ 11,345	$ (13,646)
Deposits and prepaid expenses	(71)	(176)
Accounts payables	(335)	2,741
Royalties payable	522	5,067
Working capital assumed in acquisitions	-	(5,689)
Foreign exchange	94	(47)
Changes in non-cash working capital	**$ 11,555**	**$ (11,750)**
Related to:		
Operating activities	$ (269)	$ (174)
Investing activities	152	(7)
Financing activities	11,672	(11,569)
	$ 11,555	**$ (11,750)**
Interest paid	**$ 1,334**	**$ 40**
Income taxes paid	**$ -**	**$ -**

18. Capital Risk Management

The current challenging economic climate, due to the COVID-19 pandemic and volatile commodity prices, may lead to further adverse changes in cash flows, working capital levels and debt balances, which may also have a direct impact on the Company’s operating result and financial position. These and other factors may adversely affect the Company’s liquidity and the Company’s ability to generate income and cash flows in the future. While it is too early to know all of the impacts of the COVID-19 pandemic, Southern has taken a cautionary approach to future expenditures in order to ensure capital preservation.

The Company's officers are responsible for managing the Company's capital and do so through quarterly meetings and regular reviews of financial information. The Company's directors are responsible for overseeing this process. The Company considers its capital structure to include working capital.

The Company monitors its capital based on projected cash flow from operations and anticipated capital expenditures. In order to manage its capital structure, the Company prepares annual capital expenditure and operating budgets, which are updated as necessary. The annual and updated budgets are prepared by the Company’s management and approved by or reviewed with the Company’s Board of Directors. The budget results are regularly reviewed and updated as required.

Amounts in ($000s of Canadian Dollars), except for per share amounts

In order to maintain or adjust the capital structure, the Company may issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure. The Company's ability to raise additional debt or equity financing is impacted by external conditions, including future commodity prices and global economic conditions. The Company continually monitors business conditions including changes in economic conditions, the risk of its drilling programs, forecasted commodity prices, and potential corporate or asset acquisitions.

19. Related Party Disclosures

There were no related party transactions in 2019. In 2018, Southern paid professional fees of $86 thousand to a firm of which a previous officer and director of the Company is a partner and are included in transaction costs.

Key management personnel

Southern has determined that the key management personnel of Southern consists of its executive officers and directors. The following table summarizes the compensation of directors and other members of key management personnel during the years ended December 31, 2019 and 2018:

	Year ended December 31, 2019	2018
Short-term benefits	$ 1,375	$ 438
Long-term benefits	168	589
Total	**$ 1,543**	**$ 1,027**

Short-term benefits are comprised of salaries and director fees, annual bonuses and other benefits. Long-term benefits include share-based compensation expense from share awards under Southern's long-term incentive plans. In 2018, the short-term benefits amount includes $401 thousand from Southern's executive officers and directors prior to the Recapitalization transaction on December 19, 2018.

20. Commitments and Contingencies

On January 1, 2019, Southern adopted IFRS 16 which resulted in the recognition of lease liabilities related to operating leases on the balance sheet some of which were previously reported as commitments. See Note 3 – Changes in Accounting Policies for additional information on Southern's lease liabilities as at January 1, 2019.

Amounts in ($000s of Canadian Dollars), except for per share amounts

21. Discontinued Operations

On May 2, 2019, Southern disposed of all of its Canadian oil and natural gas assets for $0.5 million. The results of operations from the Canadian segment have been reported as a discontinued operation.

Results of Discontinued Operations

	Year ended December 31, 2019	Year ended December 31, 2018
Revenues		
Petroleum and natural gas revenue	$ 334	$ 840
Royalties	(54)	(158)
	280	682
Expenses		
Production and operating	42	247
Transportation	19	47
Exploration evaluation	1	86
Depletion, depreciation and amortization	39	342
Finance	6	8
General and administrative	150	487
	257	1,217
Net earnings (loss) from discontinued operations	**$ 23**	**$ (535)**

Cash Flows from Discontinued Operations

	Year ended December 31, 2019	Year ended December 31, 2018
Cash from (used) operating activities	$ 14	$ (102)
Cash from investing activities	484	-
Cash from financing activities	-	-
Net Cash Flows	**$ 498**	**$ (102)**

PART 5

ADDITIONAL INFORMATION

1. Responsibility Statements

1.1 The Company, the Directors and the Proposed Director, whose names appear on page 11 of this document, accept responsibility, both individually and collectively, for the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the Company, the Directors and the Proposed Director (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 NSAI accepts responsibility for the Competent Person's Report set out in Part 3 of this document. To the best of the knowledge and belief of NSAI (which has taken all reasonable care to ensure that such is the case), the information contained in the Competent Person's Report is in accordance with the facts and contains no omissions likely to affect the import of such information.

2. Company and Group history

2.1 On 19 December 2018, the Company completed: (i) the appointment of the current management team and Directors, replacing the previous Board and management team of the Company; and (ii) a non-brokered private placement of 57,920,000 units of the Company (each, a "2018 Unit") and 122,190,000 Common Shares at a price of C$0.10 per 2018 Unit or Common Share, as applicable, for aggregate gross proceeds of C$18,011,000 (the "2018 Private Placement"), with each 2018 Unit comprised of one Common Share and one 2018 Warrant (collectively, the "Reorganization"). The terms of the Reorganization are documented in a reorganisation and investment agreement dated 12 November 2018 (the "Reorganization and Investment Agreement"), which is governed by the laws of the province of Alberta. Prior to the Reorganization, the Company carried on the business of a junior Canadian oil and gas company, and prior thereto, the business of a junior Canadian mining and exploration company. The Company's history prior to the Reorganization is as follows:

(a) The Company was incorporated as 7015321 Canada Limited pursuant to the provisions of the CBCA on 22 July 2008. The Company was incorporated with an unlimited life.

(b) On 15 August 2008 the name of the Company was changed to "MAX Minerals Ltd.".

(c) On 6 April 2009, Hathor Exploration Ltd. ("Hathor"), then the sole shareholder of the Company, completed a plan of arrangement under the CBCA whereby: (a) Hathor reorganized its share capital; (b) Hathor transferred certain gold and silver properties situated in the Eskay Creek region of northwestern British Columbia to the Company (the "Eskay Claims"); and (c) shareholders of Hathor received shares in the Company on the basis of one Common Share for each ten shares of Hathor, resulting in the Company becoming a reporting issuer in the Provinces with the Common Shares trading on the TSXV.

(d) On 6 July 2010, the Company acquired all of the issued and outstanding shares of Varenna Energy Ltd. ("Varenna") in exchange for 11,331,750 Common Shares, changing the direction and focus of the Company towards being an oil and gas company and away from being a mining venture. Varenna amalgamated with a predecessor of the Company on 31 March 2011. On 8 October 2010, the name of the Company was changed to "Standard Exploration Ltd.".

(e) On 20 December 2010, the Company sold the Eskay Claims.

(f) On 22 October 2012, the Company acquired all of the issued and outstanding common shares of Canadian Energy Exploration Inc. ("Canadian Energy") in exchange for 17,978,619 Common Shares. Canadian Energy amalgamated with 1696813 Alberta Ltd. and was continued out of the provincial jurisdiction of Alberta under the ABCA to the federal jurisdiction of Canada under the CBCA as 8385955 Canada Ltd. ("8385955") on 21 December 2012. On 1 January 2013, 8385955 amalgamated with a predecessor of the Company.

(g) On 1 October 2013, the Company acquired all of the issued and outstanding shares of Penco Oil and Gas Ltd. ("Penco") in exchange for 6,153,947 Common Shares. Penco amalgamated under the ABCA with a predecessor of the Company on 1 October 2013.

(h) On 23 December 2014, the Company completed a non-brokered private placement of 32,450,000 Common Shares issued on a flow through basis at a price of C$0.05 per Common Share for aggregate gross proceeds of C$1,622,500.

(i) On 7 April 2017, the Company completed a disposition of certain oil and gas assets at Claresholm, Alberta to a private company for net cash proceeds net of selling costs of C$370,500.

2.2 On 19 December 2018, immediately following the Reorganization, the Company closed its acquisition of all of the issued and outstanding securities of Gulf Pine Energy Partners, LP ("Gulf Pine LP") and Gulf Pine Energy Partners GP, LLC ("Gulf Pine GP") for aggregate cash consideration of US$3,425,100 (the "Gulf Pine Acquisition"). The terms of the Gulf Pine Acquisition are documented in an equity purchase and sale agreement dated 12 November 2018 (the "Gulf Pine Acquisition Agreement"), which is governed by the laws of the province of Alberta. The Gulf Pine Acquisition and Reorganization, together, constituted a change of business of the Company from the development of Alberta oil and gas assets to the development of conventional light oil and natural gas resources in the southeast Gulf States of the United States. The history of Gulf Pine and its subsidiaries, which comprise the current Subsidiaries of the Company, prior to the Gulf Pine Acquisition and Reorganization, is as follows:

(a) On 17 November 2014, Gulf Pine LP closed an acquisition with an arm's length private company to acquire: (i) the Black Warrior Basin Assets; (ii) the Brooklyn Assets; and (iii) certain oil and gas assets in Iberville Parish, Louisiana (the "White Castle Dome Assets").

(b) On 30 December 2014, Gulf Pine LP closed an exchange of mineral interest agreement whereby it paid cash consideration of US$800,000 and assigned its entire non-operated interest in the White Castle Dome Assets in exchange for an assignment of the assignee's entire interest in the Black Warrior Basin Assets.

(c) On 23 November 2015, Gulf Pine LP closed an exchange agreement whereby it assigned its entire non-operated interest in the Queens Assets in exchange for an assignment of the assignee's entire interest in the Black Warrior Basin Assets located in Lamar County, Alabama

(d) On 1 December 2015, Gulf Pine LP entered into contribution agreements with Southern SO (formerly "Gulf Pine Energy SO, LLC") and Southern BWB (formerly "Gulf Pine Energy BWB, LLC"), pursuant to which the Black Warrior Basin Assets were transferred to Southern BWB and the Brooklyn Assets were transferred to Southern SO.

(e) On 1 February 2017, Southern CMS (formerly "Gulf Pine Energy CMS, LLC") closed the acquisition of the Central Mississippi Assets from arm's length private companies for aggregate consideration of US$32,320,000.

(f) On 1 February 2017, Gulf Pine LP entered into a credit agreement with Texas Capital Bank, National Association (the "TCB Credit Agreement").

(g) On 1 March 2018, Southern CMS (formerly "Gulf Pine Energy CMS, LLC") closed the sale of certain oil and gas leases, including the right title and interest in the oil and gas wells and all oil, gas, condensate and other hydrocarbons on certain properties located in Jefferson Davis County, Mississippi to certain arm's length private companies for aggregate consideration of US$86,000.

(h) On 1 February 2019, Southern CMS (formerly "Gulf Pine Energy CMS, LLC") closed the sale of certain oil and gas assets located in Mississippi to an arm's length private company.

2.3 The Group's history subsequent to the Reorganization and Gulf Pine Acquisition is as follows:

(a) On 31 December 2018, the issued and outstanding Common Shares were consolidated on the basis of one post-consolidated Common Share for every five pre-consolidated Common Share.

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

(c) On 22 January 2019, the Company completed an amalgamation with its wholly-owned subsidiary, Gulf Pine Energy Partners Ltd under the ABCA.

(d) On 1 March 2019, pursuant to two merger agreements both dated 19 February 2019, Gulf Pine GP and Gulf Pine LP merged with Southern US, with Southern US being the surviving entity.

(e) On 1 March 2019, Southern US entered into a third amendment to the TCB Credit Agreement which included: (i) the assumption by Southern US of the TCB Credit Agreement, as if Southern US had been the original borrower; and (ii) a decrease to the borrowing base from US$13.5 million to US$12.5 million.

(f) On 2 May 2019, the Company closed the sale of all its remaining Canadian oil and natural gas assets for C$0.5 million, positioning Southern Energy as a pure play US exploration and production company.

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

(h) On 14 June 2019 the Company 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 (C$19.7 million), including customary adjustments of US$1.8 million (C$2.4 million) for the period between 1 February 2019 to 14 June 2019. (the "Roundtree Acquisition"). The terms of the Roundtree Acquisition are documented in a purchase and sale agreement dated 25 April 2019 (the "Purchase and Sale Agreement"), which is governed by the laws of the province of Alberta. The Roundtree Acquisition added to the Company's Central Mississippi Asset portfolio and represented a continuation of the Company's strategy to develop conventional light oil and natural gas resources in the southeast Gulf States of Mississippi and Alabama.

(i) On 14 June 2019, Southern Energy closed the sale of 8,069 "Debentures" at a price of C$1,000 per Debenture and received net proceeds after issuance costs of C$7.3 million (the "Debenture Financing").

(j) On 14 June 2019, Southern US entered into a fourth amendment to the TCB Credit Agreement which included an increase to the borrowing base related to the closing of the Roundtree Acquisition from US$12.5 million to US$17.0 million, a quarterly borrowing base reduction beginning on 1 September 2019 of US$0.9 million and amendments to certain covenant calculations.

(k) On 27 November 2019, as part of a semi-annual borrowing base review, Southern US entered into a fifth amendment to the TCB Credit Agreement which included a reduction to the borrowing base from US$17.0 million to US$15.0 million. On 1 January 2020, the borrowing base began to reduce monthly by US$250,000 until the completion of the next borrowing base review scheduled for 1 March 2020.

(l) On 7 January 2020 the Company continued out of the federal jurisdiction of Canada under the CBCA to the provincial jurisdiction of Alberta under the ABCA.

(m) On 20 July 2020, as part of a bank redetermination, Southern US amended and restated the TCB Credit Agreement, which included a reduction of the borrowing base from US$15.0 million to US$13.9 million, comprised of a US$8.5 million conforming facility (the "TCB Conforming Facility") and a US$5.4 million non-conforming facility (the "TCB Non-Conforming Facility"). The TCB Non-Conforming Facility had a coupon 50 basis points above the TCB Conforming Facility rates. Beginning 26 July 2020 and continuing every month, the TCB Non-Conforming Facility was to be reduced by the greater of US$100 thousand or EBITDAX less maintenance capital expenditures

(n) On 6 October 2020, Southern US entered into an amendment to the TCB Credit Agreement postponing the next redetermination and the maturity of the TCB Non Conforming Facility to 1 November 2020.

(o) On 24 November 2020, Southern US entered into an amendment to the TCB Credit Agreement, which included: (i) a waiver for non-compliance of the leverage ratio financial covenant as at 30 September 2020; (ii) an extension of the maturity of the TCB Non Conforming Facility to 1 February 2021, which was the same date as the maturity of the TCB Conforming Facility; and (iii) redetermined the borrowing base limit at US$13.3 million (US$8.5 million attributable to the TCB Conforming Facility and US$4.8 million attributable to the TCB Non Conforming Facility) to account for debt repayments made during the year.

(p) On 31 December 2020, the Debenture holders agreed to an in-kind payment of accrued interest due on 31 December 2020 in the amount of C$322,760 through the issuance of additional Debentures in the principal amount of C$320,000 and a cash payment of C$2,760. Other than the in-kind interest payment in respect of interest due on 31 December 2020, the terms of the Debentures remained unchanged. The additional Debentures had the same terms as the outstanding Debentures, with interest beginning to accrue on the additional Debentures on 31 December 2020.

(q) On 1 February 2021, Southern US entered into an amendment to the TCB Credit Agreement, which extended the maturity of both the TCB Conforming Facility and the TCB Non-Confirming Facility from 1 February 2021 to 12 February 2021.

(r) On 12 February 2021, the Company entered into an amendment to the TCB Credit Agreement, which: (i) waived noncompliance of the leverage ratio financial covenant as at 31 December 2020; and (ii) extended the maturity of the TCB Facility to 30 April 2021.

(s) On 29 April 2021, the Company completed a non-brokered private placement of 136,625,000 units of the Company (each, a "2021 Unit") at a price of C$0.04 per 2021 Unit, for aggregate gross proceeds of C$5,465,000 (the "2021 Private Placement"). Each 2021 Unit was comprised of one Common Share and one 2021 Warrant.

(t) On 30 April 2021, Southern US closed the retirement of the TCB Facility, with a cash settlement payment of US$8.0 million, plus accrued interest. The US$8.0 million settlement was financed through the Invico Facility and gross proceeds from the 2021 Private Placement. In connection with the establishment of the Invico Facility, the Company issued the Invico Warrants to Invico.

(u) On 24 May 2021, the Company closed the sale of its Black Warrior Basin Assets in Lamar county and Pickens country, Alabama, to an arm's length private company for US$80,000.

(v) On 30 June 2021, the Company entered into a first supplemental indenture to the Debenture Indenture, amending the terms of the Debentures such that: (i) the maturity date of the Debentures is extended to 30 June 2024; (ii) the conversion price for the Debentures is decreased to C$0.10 per Common Shares; and (iii) the Company mays satisfy its interest obligations under the Debenture Indenture by (among other things) delivering Common Shares to the trustee for distribution directly to Debenture holders as a payment-in-kind of accrued interest on the Debentures (the "Debenture Amendments"). Concurrently with the Debenture Amendments, the Company elected to satisfy interest accrued on the Debentures from 31 December 2020 up to 29 June 2021, in the amount of C$355,560, through the issuance of 3,901,775 Common Shares.

3. Company information

3.1 The principal legislation under which the Company operates and under which the Common Shares were created is the ABCA. The liability of the Company's Shareholders is limited.

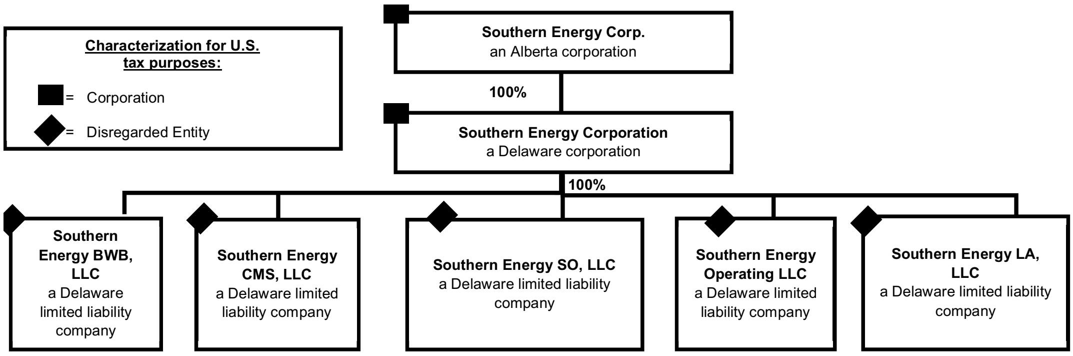
3.2 The principal place of business of the Company is located at 2400, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1 and the registered office of the Company is located at 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5. The telephone number of the Company's principal place of business is (+1) 587 287 5400.

3.3 The Company's accounting reference date is 31 December each year.

3.4 The auditor of the Company is Deloitte LLP, Canada. Deloitte Canada is qualified to conduct audits in Alberta by virtue of its registration with the Chartered Professional Accountants of Alberta.

4. Principal activities of the Group

4.1 The Company is the holding company of the Group and its principal activity is holding investments in the Subsidiaries. A chart setting out the intercorporate relationships within the Group is below:



4.2 As at Admission, the details and principal activities of each of the Subsidiaries, each of which are wholly owned, are as follows:

Name	*Company number/ registration*	*Jurisdiction and date of incorporation or formation*	*Principal activity*
Southern Energy Corporation	7034813	Delaware 21 November 2018	Holding company
Southern Energy BWB, LLC	5877635	Delaware 13 November 2015	Natural gas and oil exploration and production
Southern Energy CMS, LLC	6256789	Delaware 20 December 2016	Natural gas and oil exploration and production
Southern Energy SO, LLC	5877638 13 November 2015	Delaware 13 November 2015	Natural gas and oil exploration and production
Southern Energy Operating, LLC	6256780	Delaware 20 December 2016	Natural gas and oil exploration and production
Southern Energy LA, LLC	6310859	Delaware 8 February 2017	Acquisition vehicle (shell company)

5. Share Capital of the Company

Common Shares

5.1 The issued fully paid up share capital of the Company as at the date of this document is 361,297,054 Common Shares.

5.2 The issued fully paid up share capital of the Company as it is expected to be immediately following Admission, is 361,297,054 Common Shares.

5.3 The Company is authorised to issue an unlimited number of Common Shares and an unlimited number of preferred shares.

5.4 Subject to the policies of the TSXV, the Company does not require authorisation from its Shareholders in order to issue Common Shares. To this end, the Introduction Agreement contains an irrevocable undertaking of the Company that for so long as the Common Shares remain quoted on AIM but are no longer listed on the TSX or the TSXV, unless Strand Hanson (or the relevant replacement nominated adviser) otherwise consents, the Company will obtain Shareholder approval (by way of special resolution) for any issuance of the Common Shares or convertible securities if such issuance, when aggregated with any other cash issuance in the previous 12 month period, or the date of de-listing from the relevant exchange (whichever period is shorter), exceeds 20 per cent. of the issued and outstanding Common Shares at the date of issuance.

5.5 In the three financial years ended 31 December 2018, 2019 and 2020 and for the period from 1 January 2021 to the Latest Practicable Date, there have been the following material changes to the share capital of the Company (including share based awards):

(a) On 19 December 2018, the Company completed the 2018 Private Placement, issuing 180,110,000 Common Shares and 57,920,000 2018 Warrants.

(b) On 31 December 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.

(c) On 7 June 2019, the Company completed the Rights Offering, issuing 19,413,306 Common Shares.

(d) On 14 June 2019, the Company completed the Debenture Financing, issuing 8,069 Debentures.

(e) On 20 June 2019, the Company granted 19,400,000 Options, each exercisable for one Common Share at an exercise price of C$0.10 for a period of five years from the date of grant.

(f) On 15 January 2021, the Debenture holders were issued an aggregate of 320 Debentures, on the same terms as the outstanding Debentures, as an in-kind payment of accrued interest due on 31 December 2020.

(g) On 29 April 2021, the Company completed the 2021 Private Placement, issuing 136,625,000 Common Shares and 136,625,000 2021 Warrants.

(h) On 30 April 2021, the Company issued 41,250,000 Invico Warrants in connection with the execution of the Invico Credit Agreement.

(i) On 14 July 2021, the Debenture holders were issued an aggregate of 3,901,775 Common Shares as an in-kind payment of accrued interest due on 30 June 2021.

5.6 The Common Shares have no par value and are issued in Canadian dollars.

5.7 The Common Shares were created under and are subject to the provisions of the ABCA and the Articles.

5.8 All Common Shares are uniform in all respects and will form a single class for all purposes (including in respect of any dividends and other distributions (if any) declared or made or paid in respect of Common Shares after the date of issue).

5.9 No Shareholder enjoys different or enhanced voting rights.

5.10 There are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

5.11 There are no shares in the Company not representing capital.

5.12 There are no shares held by, or on behalf of, the Company or any subsidiary undertaking.

5.13 The Common Shares are in registered form and are capable of being held in certificated and uncertificated form. The Company (via the Depositary) has applied for Depositary Interests representing the underlying Common Shares to be admitted to CREST from Admission, and it is therefore expected that the Depositary Interests will be capable of being settled in CREST from Admission. The records in respect of Depositary Interests held in uncertificated form will be maintained by Euroclear and the Depositary. All the Common Shares may be transferred into CREST for which there will be no charge or stamp duty payable on the transfer.

5.14 As at the date of this document, the percentage of Common Shares not in public hands is 24.7 per cent. of the Issued Share Capital. Following Admission, the percentage of Common Shares not in public hands is expected to be 24.7 per cent. of the Issued Share Capital.

2018 Warrants

5.15 As at the date of this document, 57,920,000 Common Share purchase warrants are issued and outstanding pursuant to individual warrant certificates dated 19 December 2018 delivered to subscribers under the 2018 Private Placement (the "2018 Warrants").

5.16 Each 2018 Warrant entitles the holder to purchase one Common Share (subject to the Performance Incentive, described below) at a price of C$0.10 for a period of five years from 19 December 2018.

5.17 The 2018 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") equalling or exceeding C$0.15, an additional one-third upon the Market Price equalling or exceeding C$0.20 and a final one-third upon the Market Price equalling or exceeding C$0.25. Southern Energy has confirmed that, as at the date hereof, 33.33 per cent. of the 2018 Warrants have vested.

5.18 In the event the Market Price equals or exceeds C$0.40, each 2018 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 2018 Warrant (the "Performance Incentive"), the Common Shares are listed on the facilities of a recognized stock exchange other than the TSXV.

5.19 As at the date of this document, 19,306,667 2018 Warrants have vested as the Market Price has exceeded C$0.15.

2021 Warrants

5.20 As at the date of this document, 136,625,000 Common Shares purchase warrants are issued and outstanding pursuant to individual warrant certificates dated 29 April 2021 delivered to subscribers under the 2021 Private Placement (the "2021 Warrants").

5.21 Each 2021 Warrant entitles the holder to purchase one Common Share at a price of C$0.04 for a period of two years from 29 April 2021, subject to completion of the 2021 Consolidation (as described below).

5.22 The 2021 Warrants are exercisable after the Company completes a consolidation of the Common Shares such that the effective exercise price of the 2021 Warrants, on a post- consolidation basis, shall be greater than C$0.05 per Common Share (the "2021 Consolidation"). Pursuant to the TSXV's approval letter in respect of the 2021 Private Placement, the 2021 Consolidation must be completed on or before 31 December 2021.

Invico Warrants

5.23 As at the date of this document, 41,250,000 non-transferable Common Share purchase warrants are issued and outstanding pursuant to a warrant certificate dated 30 April 2021 delivered to Invico as consideration for the execution of the Invico Credit Agreement (the "Invico Warrants").

5.24 Each Invico Warrant entitles Invico to purchase one Common Share at a price of C$0.05 for a period ending on the earlier of: (a) a liquidity event resulting in the sale of Southern US; or (b) the maturity date of the Invico Facility, being 30 April 2024.

Convertible Debentures

5.25 As of the date of this document 8,389 Debentures are issued and outstanding pursuant to the Debenture Indenture.

5.26 The Debentures will mature and be repayable on 30 June 2024 (the "Maturity Date") and accrue interest at the rate of 8 per cent. per annum payable semi annually in arrears on 30 June and 31 December of each year (each an "Interest Payment Date"), with the first such payment made on 31 December 2019.

5.27 At the Company's election, interest on the Debentures on the Interest Payment Date can be settled: (a) in cash; (b) by delivering freely tradeable, treasury Common Shares the Debenture trustee for distribution pro-rata to Debenture holders; or (c) any combination of (a) and (b) above.

5.28 At the Debenture 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 Company, at a conversion price of C$0.10 per Common Share, subject to adjustment in certain events. This represents a conversion rate of approximately 10,000 Common Shares for each C$1,000 principal amount of Debentures, subject to the operation of certain anti dilution provisions contained in the Debenture Indenture. Debenture 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.

5.29 In addition to the foregoing, in the event of a change of control of the Company, subject to certain terms and conditions, Debenture holders 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 C$1,000 principal amount of Debentures.

5.30 The Debentures are direct, subordinated unsecured obligations of the Company, subordinated to any senior indebtedness of the Company, and ranking equally with one another and with all other existing and future subordinated unsecured indebtedness of the Company to the extent subordinated on the same terms.

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

Other securities

5.32 Other than in respect of Common Shares which may be issued pursuant to the Options, the 2018 Warrants, the 2021 Warrants, the Facility Warrants and the Debentures, as at the date of this document:

(i) there are no acquisition rights or obligations over the unissued share capital of the Company and the Company has made no undertaking to increase its share capital;

(ii) no person has any preferential or subscription rights for any share capital in the Company; and

(iii) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

6. Significant Shareholders

6.1 As at the Latest Practicable Date and in so far as is known to the Company, below are persons, that will have, or will immediately following the Admission have, an interest, (whether direct or indirect or joint or several), in three per cent. (3 per cent.) or more of the Issued Share Capital of the Company which would be notifiable to the Company under the Articles:

	As at the date hereof and following Admission	
Shareholder	*Number of Common Shares*	*Percentage of Issued Share Capital*
DSS Holdings Inc.	39,804,742	11.0%
Ian Atkinson	28,475,000	7.9%
Vestcor Inc.	25,338,597	7.0%
Alberta Investment Management Corporation	21,443,484	5.9%
AlphaNorth Partners Fund Inc.	12,500,000	3.5%

Notes:

– Assumes no Warrants or Options are exercised or Debentures converted prior to Admission.

– Insofar as the Company is aware, on Admission approximately 28.1 per cent. of the Company's Common Shares will be held by shareholders who have categorised themselves as "objecting" under Canadian securities laws and, as such, have objected to the details of their holding being disclosed to the Company. All shareholders, including "objecting" shareholders, are obliged under Canadian securities law to disclose the details of their shareholding to the Company should it increase to or above 10 per cent. of the Common Shares outstanding from time to time. Insofar as the Company is aware, there are no "objecting" shareholders with a holding of over 3% of the Company's currently issued share capital.

6.2 The Company's substantial Shareholders set out above do not have different voting rights from any other holder of Common Shares.

6.3 There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

6.4 The Company is not aware of any person who directly, indirectly, jointly or severally exercises or could exercise control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

7. Interests of the Directors and the Proposed Director

7.1 The beneficial interests of the Directors and the Proposed Director in the issued share capital of the Company as at the date of this document (and as expected to be held immediately following Admission), such interests being those which are required to be notified by each director of the Company to the Company under Article 19 of MAR, including the interests of PCAs, the existence of which is known or which could, with reasonable diligence, be ascertained by a director of the Company as at the Latest Practicable Date are, and will be, as follows:

As at the date hereof and following Admission

Shareholder	*Number of Common Shares*	*Percentage of Issued Share Capital*	*Warrants to acquire Common Shares*	*Convertible Debentures (principal amount in C$)*	*Options to acquire Common Shares*
Ian K. Atkinson	28,475,000	7.9%	24,000,0000	–	2,500,000
Bruce M. Beynon	2,875,000	0.8%	2,500,000	–	600,000
Michael G. Kohut	2,548,371	0.7%	2,500,000	104,000	600,000
Tamara L. MacDonald	1,000,000	0.3%	1,000,000	–	600,000
Andrew S. McCreath	1,000,000	0.3%	1,000,000	–	600,000
C. Neil Smith	1,899,186	0.5%	1,500,000	52,000	600,000
R. Stevenson (Steve) Smith	7,250,000	2.0%	5,000,000	–	600,000
Proposed Director					
John Joseph (Joe) Nally	–	–	–	–	–

Notes:

– The Warrants held by each Director are 2018 Warrants. Each 2018 Warrant entitles the holder to purchase one Common Share (subject to the Performance Incentive) at a price of C$0.10 for a period of five years from 19 December 2018. The 2018 Warrants vest and become exercisable as to one-third upon the Market Price equal to or exceeding C$0.15, an additional one-third upon the Market Price equal to or exceeding C$0.20 and a final one-third upon the Market Price equal to or exceeding C$0.25. The Performance Incentive may result in each 2018 Warrant being exercisable for 1.5 Common Shares

– The Debentures convert at a rate of approximately 10,000 Common Shares for each C$1,000 principal amount of Debentures

– Further information on the terms of the Options held by the Directors is provided below.

8. Employment Agreements and Letters of Appointment

Employment Agreements

8.1 Southern Energy has entered into executive employment agreements with each of Mr. Atkinson, Mr. Yau, Mr. McMurren, Mr. Birchard, Mr. McFadyen and Ms. Buschert, respectively (the "Employment Agreements") on 15 July 2019.

8.2 Each Employment Agreement provides for the payment of the following compensation and benefits:

(a) an annual salary of C$217,000 for Mr. Atkinson and C$206,000 for Mr. Yau, Mr. McMurren, Mr. Birchard, Mr. McFadyen and Ms. Buschert, which is reviewed on an annual basis, and may, in the sole discretion of the Board, be increased;

(b) participation in the Stock Option Plan, provided that any grants thereunder shall be as determined in the sole discretion of the Board from time to time;

(c) participation in any benefit plan that may be adopted by the Company for its senior executive employees, subject to the terms of the applicable plan documents and the polices provided by the relevant carrier; and

(d) a paid vacation of four weeks per year.

8.3 Each Employment Agreement has an indefinite term and is terminable by Southern Energy or the relevant executive on 14 days' written notice.

8.4 Each Employment Agreement provide a termination payment upon a termination by: (a) the relevant executive if, within ninety days from a change of control of Southern Energy, good reason exists and is not cured within thirty days of notice of termination provided by the executive (as such terms are defined in the relevant Employment Agreement); or (b) the Company without cause.

8.5 The termination payment shall be equal to, in relation to each Employment Agreement, the aggregate of; (a) all accrued but unpaid expenses required to be reimbursed under the relevant Employment Agreement and salary for services rendered up to the termination date; (b) the pro-rated value of any accrued but unused vacation entitlement as at the termination date for that portion of the calendar year in which the executive was actively employed; (c) the greater of either; (i) the amount of minimum notice or, at the Company's option, payment in lieu thereof, or combination of notice and pay in lieu thereof, required by the Employment Standards Code (Alberta); or (ii) notice of termination or, at the Company's option, pay in lieu of notice (where by way of salary continuation or lump sum) or a combination of notice and pay in lieu thereof, equivalent to 18 months for Mr. Atkinson and 12 months for the other executive officers; and (d) twenty percent of the executive's salary (as at the termination date) as compensation for the loss of employment benefits.

8.6 The estimated payments which would be payable by the Company under the Employment Agreements, assuming a termination of employment without cause occurred on the date hereof, would be, in the aggregate, C$1,626,600.

Letters of Appointment

8.7 Each non-executive director of the Company, including the Proposed Director, has entered into an appointment letter, customary for non-executive directors of an AIM company under the terms of which they have agreed to act as non-executive directors of the Company, with effect from 4 August 2021 in respect of the non-executive Directors and with effect from Admission in respect of the Proposed Director. Each of them has agreed to devote such time as is reasonably necessary for the proper performance of their duties under the Agreement, including attending or participating at Board and applicable committee meetings and the AGM.

8.8 The appointment is effective for an initial 12 month term and thereafter, until terminated by either party on not less than 3 months' written notice. Total compensation for the first twelve months of each director's appointment consists of: (i) C$25,000, payable in cash, subject to the usual deductions for income tax and national insurance, or the equivalent required by any applicable laws; and (ii) stock awards with a value of C$30,417 to be made on the terms of the existing Stock Option Plan. An additional fee of C$10,000 is payable to the Chairman of the Board and a fee of C$7,500 is payable for the appointment as Chairman of a committee.

8.9 The Company reserves the right to pay the fees described above in lieu of all or any part of notice of termination (whether given by the Company or by the Director or Proposed Director, as applicable). Directors who perform various additional duties including serving on the Board of any of the Company's subsidiaries may be paid such additional remuneration as the Board may determine from time to time.

9. Additional Information on the Directors and the Proposed Director

9.1 Other than their directorships of the Company, the Directors and the Proposed Director hold or have held the following directorships or interests in partnerships within the five (5) years preceding the date of this document:

Director	*Current directorship/partnership*	*Past directorship/partnership*
Ian Kenneth Atkinson	Chronos Resources Ltd.	Gulf Pine Energy Partners Ltd.
Bruce Michael Beynon	Crestwynd Exploration Ltd. Tiburon Exploration Corp	Raging River Exploration Inc.
Michael George Kohut	Big Rock Brewery Inc. Briko Energy Corp. Chronos Resources Limited	AMP Alternative Medical Products Inc. Experion Holdings Ltd. Ikkuma Resources Corp.
Tamara Louise MacDonald	Equinor Canada Ltd. Spartan Delta Corp.	Crescent Point Energy Corp. Crescent Point General Partner Corp.
Andrew Shatford McCreath	Forge First Asset Management Inc.	
Clifford Neil Smith		
Reginald Stevenson (Steve) Smith	Jasper Brewing Inc. Journey Energy Inc. Karve Energy Inc.	Arrow Exploration Corp. Broadview Energy Inc. Norrep Short Duration 2016 Flow-Through Limited Norrep Short Duration 2017 Flow-Through Limited

Proposed Director	*Current directorship/partnership*	*Past directorship/partnership*
John Joseph (Joe) Nally	Tennyson Court Limited Waverton Property LLP	Cenkos Securities plc

9.2 Save as disclosed below, none of the Directors or the Proposed Director has:

(i) any unspent convictions in relation to indictable offences;

(ii) had a bankruptcy order made against him or her or made an individual voluntary arrangement;

(iii) been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary arrangement or made any composition or arrangement with its creditors generally or of any class of its creditors whilst he or she was a director of that company or within 12 months after he or she ceased to be a director of that company;

(iv) been a partner in a partnership which has been placed in compulsory liquidation, administration or made a partnership voluntary arrangement whilst he or she was a partner in that partnership or within 12 months after he or she ceased to be a partner in that partnership;

(v) had any asset placed in receivership or any asset of a partnership in which he or she was a partner placed in receivership whilst he or she was a partner in that partnership or within 12 months after he or she ceased to be a partner in that partnership; or

(vi) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies) or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

9.3 Mr. Kohut was a director of Great Prairie Energy Services Inc. ("Great Prairie") on 22 January 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 22 January 2016.

9.4 Sanjib Gill, the Corporate Secretary of the Company, is a partner of Stikeman Elliott LLP, which law firm renders legal services to the Company.

9.5 No loans or guarantees have been granted or provided to or for the benefit of the Directors by the Company.

10. Articles and By Laws of the Company

Objects

10.1 The Articles and By Laws do not restrict the objects and purposes of the Company. There are no restrictions on the business of the Company or on the powers the Company may exercise.

Board of Directors – Composition

10.2 The Board presently consists of seven directors. Upon Mr. Nally's appointment on Admission, the Board will consist of eight directors.

10.3 The Articles also provide that the directors of the Company have the power, between annual general meetings of Shareholders to appoint one or more additional directors until the next annual general meeting, but the number of additional directors shall not at any time exceed 1/3rd of the number of directors who held office at the last annual general meeting.

Powers and responsibilities

10.4 Subject to any unanimous shareholders agreement, the Board manages the business and affairs of the Company (including banking arrangements) and holds borrowing powers of the Company. The directors of the Company may appoint from among their number a Managing Director, who must be a resident Canadian, or a committee of directors, however designated, of which at least half of the members must be resident Canadians, and subject to ABCA may delegate to the Managing director or such committee any of the powers of the Directors. A committee may be comprised of one director.

10.5 The Board owes the Company fiduciary duties and duties of good faith, care, diligence and skill.

The Managing Director, if any, shall be a resident Canadian and shall have, subject to the authority of the Board, general supervision of the business and affairs of the Company; and he or she shall, subject to the provisions of the ABCA, have such other powers and duties as the Board may specify.

If no Managing Director is appointed, the Board may assign to the Chairman of the Board any of the powers and duties that, by any provision of the By Laws, are assigned to the Managing Director; and he or she shall, subject to the provisions of the ABCA, have such other powers and duties as the Board may specify.

Officers

10.6 Subject to any unanimous shareholder agreement, the Board may, from time to time, appoint a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as the Board may determine, including one or more assistants to any of the officers so appointed. The Board may specify the duties of such officers and, in accordance with the By Laws and subject to the provisions of the ABCA, delegate to such officers powers to manage the business and affairs of the Company.

10.7 The President shall, subject to the authority of the Board and the Managing Director, if any, have such powers and duties as the Board may specify. During the absence or disability of the Managing Director, or if no Managing Director has been appointed, the President shall also have the powers and duties of that office; provided, however, that unless he or she is a director of the Company he or she shall not preside as Chairman at any meeting of the Board or of a committee of directors. During the absence or disability of the President, his or her duties shall be performed and his or her powers exercised by the Vice President or, if there is more than one, by the Vice President designated from time to time by the Board or the President; provided, however, that a Vice President who is not a Director shall not preside as Chairman at any meeting of the Board or of a committee of directors. A Vice President shall have such other powers and duties as the Board or the President may prescribe. The Treasurer shall keep proper accounting records in compliance with the ABCA and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Company; he or she shall render to the Board whenever required an account of all his or her transactions and he or she shall have such other powers and duties as the Board or Chief Executive Officer, if any, or the President may specify. The Secretary shall attend and be the secretary of all meetings of the Board, Shareholders and committees of directors and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he or she shall give or cause to be given, as and when instructed, all notices to Shareholders, directors, officers, auditors and members of committees of the Board; he or she shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Company and of all books, papers, records, documents and instruments belonging to the Company, except when some other officer or agent has been appointed for that purpose; and he or she shall have such other powers and duties as the Board or the Chief Executive Officer, if any, may specify.

Governance

10.8 The Company is obligated to follow and the Board is responsible for ensuring compliance with the corporate governance provisions of NI 58-101. Through collaboration with the Corporate Governance and Compensation Committee, the Board is responsible for risk management, public disclosure and compliance monitoring.

Calling and notice of meetings

10.9 Meetings of the Board shall be held from time to time at such time and at such place as the Board, the Chairman of the Board, the Managing Director, the President or any two directors of the Company may determine. Meetings of the Board may be summoned on twenty-four (24) hours' notice, given verbally or in writing, and whether by means of telephone, fax, email or any other means of communication. The annual meeting of Shareholders must be held at such time in each year and, subject to the ABCA and the By Laws, at such place as the Board, the Chairman, the Managing Director or the President may from time to time determine. The annual meeting of Shareholders is held to consider the financial statements and reports required by the ABCA, electing the directors of the Company, appointing auditors and for the transaction of such other business as may be properly brought before the meeting.

10.10 The Board has the power to call a special meeting of Shareholders.

10.11 Notice of the time and place of each Shareholders' meeting shall be given not less than 21 days and not more than 50 days before the date of the meeting to each Director, to the auditor and to the Shareholders who at the close of business on the record date are entered in the securities register as a holder of one or more Common Shares carrying a right to vote at the meeting.

Quorum and voting

10.12 Quorum for the transaction of business at any meeting of the Board must consist of a majority of the directors of the Company or such greater number of directors as the Board may from time to time determine. Every question at a meeting of directors shall be decided by a majority of the votes cast on the question. In cases of an equality of votes, the Chairman of the meeting is entitled to a second or casting vote.

10.13 Quorum for the transaction of business at any meeting of Shareholders is two persons present in person, each being a Shareholder entitled to vote thereat or a duly appointed proxy for an absent Shareholder so entitled, together holding or representing by proxy not less than 5 per cent. of the outstanding Common Shares entitled to vote at the meeting. A Shareholder that acquires Common Shares after the fixing of a record date for a Shareholders' meeting may produce a properly endorsed share certificate and demand not later than 10 days before a meeting that his or her name is included in the securities register, allowing him or her to vote at the meeting.

Interests of Directors/Officers

10.14 A director or officer of the Company who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or proposed material contract with the Company shall disclose the nature and extent of his interest at the time and in the manner provided in the ABCA. Such contracts are referred to the Board or Shareholders for approval, notwithstanding such contract may not, in the ordinary course of the Company's business, require approval from the Board or Shareholders. A director interested in a contract so referred to the Board shall not vote on any resolution to approve it except as provided by the ABCA.

Liability of Directors/Officers

10.15 No director or officer for the time being of the Company shall be liable for the acts, neglects or defaults of any other director or officer or employee or for joining in any act for conformity, or for any loss, damage or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by the Company or for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Company shall be placed out or invested or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Company shall be placed out or invested or for any loss, conversion, misapplication or misappropriation of or any damage resulting for any dealings with any moneys, securities or other assets belonging to the Company or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Company shall be deposited, or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his or her respective office or trust or in relation thereto; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with ABCA or from liability for any breach thereof.

10.16 The directors for the time being of the Company shall not be under any duty or responsibility in respect of any contract, act or transaction whether or not made, done or entered into in the name or on behalf of the Company, except such as shall have been submitted to and authorized or approved by the Board.

Indemnification

10.17 Subject to the limitations in the ABCA, the Company shall indemnify a director or officer of the Company, a former director or officer of the Company or a person who acts or acted at the Company's request as a director or officer of a body corporate of which the Company is or was a shareholder or creditor, and his or her heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being or having been a director or officer of the Company or body corporate; if (a) he or she acted honestly and in good faith with a view to the best interests of the Company and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful.

10.18 The Company shall also indemnify such persons in such other circumstances as the ABCA permits or requires.

Share capital

10.19 The Company is authorised to issue an unlimited number of Common Shares and preferred shares with no par value.

Rights, preferences and restrictions attaching to shares

10.20 Each Common Share entitles the holder to receive notice of and to attend all meetings of the Shareholders, to vote at such meetings, to receive such dividends as may be declared by the Board (subject to the provisions of the ABCA), and to share ratably with other Shareholders in the residual property of the Company in the event of liquidation, dissolution or winding-up of the Company. The Articles provide that there are no restrictions on the transferability of the Common Shares.

Disclosure obligations

10.21 The Company is a non-DTR company as defined in the AIM Rules. Consequently, in order to ensure compliance with the AIM Rules, the Articles require that, for so long as the Company is admitted to AIM, the provisions of DTR5 shall be deemed to be incorporated by reference so that all Shareholders acquiring or holding (directly or indirectly) 3 per cent. or more of the Common Shares must notify the Company without delay (and in any event within 2 trading days) of their holding or any changes to their holding which increase or decrease such holding through any single percentage.

Meetings of Shareholders

10.22 The annual meeting of Shareholders must be held at such time in each year and, subject to the ABCA and the By Laws, at such place as the Board, the Chairman, the Managing Director or the President may from time to time determine.

10.23 The Board has the power to call a special meeting of Shareholders.

Calling and notice of meetings

10.24 Notice of the time and place of each Shareholders' meeting shall be given not less than 21 days and not more than 50 days before the date of the meeting to each director of the Company, to the auditor and to the Shareholders who at the close of business on the record date are entered in the securities register as a holder of one or more Common Shares carrying a right to vote at the meeting.

Quorum

10.25 Quorum for the transaction of business at any meeting of Shareholders is two persons present in person, each being a Shareholder entitled to vote thereat or a duly appointed proxy for an absent Shareholder so entitled, together holding or representing by proxy not less than 5 per cent. of the outstanding Common Shares entitled to vote at the meeting. A Shareholder acquiring Common Shares after the fixing of a record date for a Shareholders' meeting may produce a properly endorsed share certificate and demand not later than 10 days before a meeting that his or her name is included in the securities register, allowing him or her to vote at the meeting.

Procedure

10.26 The annual meeting of Shareholders is held to consider the financial statements and reports required by the ABCA, electing the directors of the Company, appointing auditors and for the transaction of such other business as may be properly brought before the meeting. All business transacted at a special meeting of Shareholders and all business transacted at an annual meeting of Shareholders, except the consideration of the financial statements, auditors reports, election of directors of the Company and reappointment of the incumbent auditors, is deemed to be special business.

10.27 A Shareholder or any other person entitled to attend a meeting may participate in a meeting of Shareholders by means of such telephone or other communication facilities as permit all persons participating in the meeting to hear each other, and a person participating in such a meeting by such means is deemed to be present at the meeting.

The Chairman of the Board or, in his or her absence, the President, if such an officer has been elected or appointed and is present, or otherwise a Vice President who is a Shareholder shall be chairman of any meeting of Shareholders. If there is no such chairman, or if at any meeting of Shareholders he or she is not present within fifteen minutes after the time appointed for holding the meeting, the persons present and entitled to vote shall choose a chairman of the meeting.

10.28 If a meeting of Shareholders is adjourned for less than thirty (30) days, the By Laws provide that it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the time of the adjournment. If a meeting of Shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

10.29 Any question at a meeting of Shareholders is to be decided by a show of hands unless a ballot thereon is required or demanded. Any ballot so required or demanded is to be taken in such manner as the chairman of the meeting shall direct.

11. Compensation philosophy, objectives and governance

11.1 The executive compensation program adopted by the Company and applied to its named executive officers ("NEOs") is designed to attract and retain qualified and experienced executives who will contribute to the success of the Company. The executive compensation program attempts to ensure that the compensation of the senior executive officers provides a competitive base compensation package and a strong link between corporate performance and compensation. Executive officers are motivated through the program to enhance long-term shareholder value.

11.2 The Company's Named Executive Officers as at the date of this document are Ian Atkinson, Calvin Yau, Gary McMurren, Chris Birchard, Erin Buschert and Jim McFadyen.

11.3 The Corporate Governance and Compensation Committee, on behalf of the Board, monitors compensation for the executive officers and directors of the Company and has the authority to engage and compensate, at the expense of the Company, any outside advisor that it determines to be necessary to permit it to carry out its duties.

11.4 The Company has adopted a written anti-hedging policy (the "Anti-Hedging Policy") that prohibits a NEO or director of the Company, among others, from purchasing financial instruments, including prepaid variable forward contracts, instruments for the short sale or purchase or sale of call or put options, equity swaps, collars, or units of exchangeable funds, that are designed to or that may reasonably be expected to have the effect of hedging or offsetting a decrease in the market value of any securities of the Company. The Anti-Hedging Policy has been implemented to ensure that directors, executive officers and employees of the Company are prohibited from hedging or monetizing transactions in order to lock in the value of their securities of the Company. Examples would include the entry into prepaid variable forward contracts, instruments for the short sale or purchase or sale of call or put options, equity swaps, collars, or units of exchangeable funds that have the effect of offsetting a decrease in the market value of securities held in the Company. In addition, pursuant to the Anti-Hedging Policy governing insider trading, short-term speculative trading of the Common Shares by officers, directors and employees is strongly discouraged as it conflicts with the best interests of the Company and its Shareholders. Consequently, insiders including the Company's NEOs, directors of the Company and their related persons, are not only discouraged from frequently trading the Common Shares, but are also specifically prohibited from short selling any Common Shares and from trading in any derivative instruments involving the Company's securities.

11.5 The Company has also implemented a written clawback policy (the "Clawback Policy") for situations where a director, executive officer or other employee of the Company receives additional incentive compensation as a result of his or her own misconduct (the "Overpayment Amounts"). In such situations, directors, executive officers, or other employees of the Company shall be obligated to reimburse the Company for such Overpayment Amounts and the Board shall be given the discretion to determine the steps required to effect such recovery.

Compensation Process

11.6 The Corporate Governance and Compensation Committee relies on the knowledge and experience of its members to set appropriate levels of compensation for the directors of the Company and NEOs. When determining NEO compensation, the Corporate Governance and Compensation Committee uses all data available to it to ensure that such compensation is set at a level that is both commensurate with the size of the Company, responsibilities of the particular NEO and retention of the NEOs who are considered by the Corporate Governance and Compensation Committee to be essential to the success of the Company. In reviewing comparative data, the Corporate Governance and Compensation Committee benchmarks and compares its compensation practices against industry peers to ensure its compensation program is commensurate with other comparable companies operating in the oil and gas industry.

11.7 The Corporate Governance and Compensation Committee reviews the various elements of the NEOs' compensation in the context of the total compensation package (including salary and awards of options to purchase Common Shares ("Options")) and recommends the NEOs' compensation packages to the Board. In determining whether and how many Options will be granted, the Company does not use any formal objectives, criteria or analyses in reaching such determinations; however, consideration is given to the amount and terms of outstanding Options.

Executive compensation

11.8 The significant elements of compensation awarded to the NEOs are a cash salary, bonus and Options. The Company does not presently have a long-term incentive plan for its NEOs. The Board reviews annually the total compensation package of each of the Company's executives on an individual basis, against the backdrop of the compensation goals and objectives described above.

11.9 Base compensation and bonus for executive officers of the Company are set annually, having regard to the individual's job responsibilities, contribution, experience and proven or expected performance, as well as to market conditions and peer group analysis. In setting base compensation and bonus levels, consideration is to be given to such factors as level of responsibility, experience and expertise in addition to the policies of the TSXV. Subjective factors such as leadership, commitment and attitude are also to be considered.

11.10 To provide a long-term component to the executive compensation program, executive officers of the Company are eligible to receive Options. The maximization of shareholder value is encouraged by granting Options since it provides an incentive to eligible persons to further the development, growth and profitability of the Company. Consideration will be given to granting Options amongst the various organizational levels of management, including directors, officers, key employees and certain consultants. The CEO makes recommendations to the Board for the CFO, key employees of the Company and certain consultants. These recommendations are to take into account factors such as awards made in previous years, the number of Options outstanding per individual and the level of responsibility. The Board, as a whole, determines the Options to be issued to the CEO.

11.11 The following remuneration and benefits in kind were paid or granted to the NEOs for the years ended 31 December 2019 and 2020. Information for 2018 is not considered material to investors as the Company was under a different management team prior to the Gulf Pine Acquisition in December 2018.

Name	*Year*	*Base Compensation or fees (C$)*	*Bonus*	*Options*
Named Executive Officers				
Ian K. Atkinson	2020	185,000	–	–
	2019	214,000		2,500,000
Calvin Yau	2020	175,000	–	–
	2019	203,000		1,800,000
Gary McMurren	2020	175,000	–	–
	2019	203,000	–	1,800,000
Chris Birchard	2020	175,000	–	–
	2019	203,000	–	1,800,000
Erin Buschert	2020	175,000	–	–
	2019	203,000		1,800,000
Jim McFadyen	2020	175,000	–	–
	2019	203,000	–	1,800,000

Director compensation

11.12 The Company's non-executive directors are provided cash remuneration for their services to the Company as directors. The cash remuneration includes an annual retainer and additional cash remuneration for the Chairman of the various committees of the Board. All directors are reimbursed for reasonable expenses incurred by them in their capacity as directors, including travel and other out of pocket expenses incurred in connection with meetings of the Board or any committee of the Board. In addition, the directors are entitled to participate in the Stock Option Plan. The Company's directors do not have service contracts with respect to their roles as directors. The Board annually reviews the Company's approach to director compensation, generally, against the backdrop of the compensation goals and objectives described above.

11.13 The following remuneration and benefits in kind were paid or granted to the non-executive Directors for the years ended 31 December 2019 and 2020. Information for 2018 is not considered material to investors as the Company was led by a different group of directors prior to the Gulf Pine Acquisition in December 2018.

Name	*Year*	*Base Compensation or fees (C$)*	*Bonus*	*Options*
Directors				
Bruce M. Beynon	2020	–	–	–
	2019	–	–	600,000
Michael G. Kohut	2020	–	–	–
	2019	–	–	600,000
Tamara L. MacDonald	2020	–	–	–
	2019	–	–	600,000
Andrew S. McCreath	2020	–	–	–
	2019	–	–	600,000
C. Neil Smith	2020	–	–	–
	2019	–	–	600,000
R. Stevenson (Steve)	2020	–	–	–
Smith	2019	–	–	600,000

Pension plan benefits

11.14 The Group operates a 401(k) retirement account plan for its employees. The Company does not have any other pension plan or provide any benefits following or in connection with retirement. There is no requirement under Alberta law for the Company to operate a pension scheme.

12. Stock Option Plan

12.1 The Company has implemented the Stock Option Plan for the directors of the Company, officers, employees, and consultants of the Company, and of its subsidiaries, if any, and employees of a person or company which provides management services to the Company or its subsidiaries (each, an "Optionee"), in accordance with the rules and policies of the TSXV.

12.2 The purpose of the Stock Option Plan is to advance the interests of the Company by encouraging the directors, officers, employees and consultants of the Company, and of its subsidiaries and affiliates, if any, to acquire Common Shares, thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentives in their efforts on behalf of the Company in the conduct of its affairs.

12.3 Pursuant to the Stock Option Plan, the Company has authorized, subject to any regulatory approvals, the reservation of up to ten percent of the issued and outstanding Common Shares for the grant of Options from time to time.

12.4 Under the Stock Option Plan, the Board may from time to time grant to Optionees, as the Board shall designate, Options to purchase from the Company such number of its Common Shares as the Board shall designate.

12.5 The aggregate number of Common Shares which may be reserved for issuance to any one person under the Stock Option Plan and which are subject to outstanding Options granted under the Stock Option Plan must not exceed five percent of the issued Common Shares (determined at the date the Option was granted). The number of Common Shares granted to any one consultant under the Stock

Option Plan in a twelve-month period must not exceed two percent of the issued Common Shares of the Company, calculated at the date the Option was granted to the consultant. The aggregate number of Options granted to eligible persons employed to provide investor relations activities under the Stock Option Plan must not exceed two percent of the issued Common Shares in any twelve-month period, calculated at the date the Option was granted. The maximum number of Common Shares which may be reserved for issuance to insiders under the Stock Option Plan shall not exceed ten percent of the total number of Common Shares then outstanding and the maximum number of Common Shares which may be issued to insiders under the Stock Option Plan within any twelve-month period shall not exceed ten percent of the total number of Common Shares then outstanding.

12.6 The period during which an Option is exercisable may not exceed ten years from the date such Option is granted.

12.7 All Options are non-assignable and non-transferrable unless otherwise specifically provided for in the Stock Option Plan.

12.8 Options may be exercised at a price that shall be fixed by the Board at the time that the Option is granted.

12.9 The price which the Common Shares may be acquired upon exercise of an Option may not be less than the price permitted under the rules of any stock exchange on which the Common Shares are listed.

12.10 Option vesting provisions are determined by the Board at the time of grant.

12.11 If, prior to the exercise of an Option, the holder ceases to be a director, officer, employee or consultant of the Company or its subsidiaries for any reason other than death, the Option may be exercised within the earlier of up to 90 days after such cessation or the expiry of the Option, but only to the extent that the holder was entitled to exercise the Option at the date of cessation. In the case of Optionees engaged in investor relations activities, such exercise must occur within 30 days of cessation of the Optionee's service to the Company (subject to extension at the discretion of the Board). In the case of the death of an Optionee, the Option may be exercised within the earlier of up to 12 months after such death or the expiry of the Option, but only to the extent that the holder was entitled to exercise the Option at the date of death.

12.12 Pursuant to the Stock Option Plan, the expiration of the term of any stock options that would fall during any black-out period or within 9 days following the termination of any black-out period will be extended for a period of 10 business days following the expiry of such black-out period, such that all participants will always have a maximum of 10 business days following a voluntary black-out period to exercise stock options. This provision applies to all participants.

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

12.14 As at the date of this document, the following options had been granted to the Named Executive Officers and Directors. All options vest equally over three years from the date of grant in annual instalments. As at the date of this document, the first two instalments have vested. In total, 19,400,000 Options have been granted pursuant to the Stock Option Plan, all at an exercise price of C$0.10 per Common Share.

Name	Number of options	Date of grant	Exercise price	Expiry date
Named Executive Officers				
Ian K. Atkinson	2,500,000	20 June 2019	C$0.10	20 June 2024
Calvin Yau	1,800,000	20 June 2019	C$0.10	20 June 2024
Gary McMurren	1,800,000	20 June 2019	C$0.10	20 June 2024
Chris Birchard	1,800,000	20 June 2019	C$0.10	20 June 2024
Erin Buschert	1,800,000	20 June 2019	C$0.10	20 June 2024
Jim McFadyen	1,800,000	20 June 2019	C$0.10	20 June 2024
Directors				
Bruce M. Beynon	600,000	20 June 2019	C$0.10	20 June 2024
Michael G. Kohut	600,000	20 June 2019	C$0.10	20 June 2024
Tamara L. MacDonald	600,000	20 June 2019	C$0.10	20 June 2024
Andrew S. McCreath	600,000	20 June 2019	C$0.10	20 June 2024
C. Neil Smith	600,000	20 June 2019	C$0.10	20 June 2024
R. Stevenson Smith	600,000	20 June 2019	C$0.10	20 June 2024

13. UK Taxation

General

13.1 The following statements are intended only as a general and non-exhaustive guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Common Shares. The following statements are based on current UK legislation and what is understood to be the current published practice of Her Majesty's Revenue and Customs ("HMRC") (which may not be binding on HMRC) as at the date of this document, both of which may change, possibly with retrospective or retroactive effect. They apply only to Shareholders who are resident (and in the case of individual Shareholders resident and domiciled) for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Common Shares as an investment (other than under an individual savings account), and who are the absolute beneficial owners of both their Common Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring Common Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) or trustees and beneficiaries as regards shares held in trust is not considered.

The comments set out below do not constitute legal or tax advice. Any person who is in any doubt about their taxation position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

Taxation of chargeable gains

UK resident Individual Shareholders

13.2 If a Shareholder sells or otherwise disposes of all or some of their Common Shares or Depositary Interests and realises a chargeable gain, they may, depending on their circumstances and subject to any available exemption or relief, incur a liability to UK Capital Gains Tax ("CGT"). An individual Shareholder is entitled to a capital gains tax-free allowance per tax year (£12,300 for 2021/22) and will be subject to CGT on gains realised in excess of this allowance.

13.3 An individual Shareholder who is subject to tax on their income at the higher rate will be liable to CGT at the rate of 20 per cent. (for 2021/22) to the extent that such sum, when treated as the top slice of the Shareholder's income, falls above the threshold for higher rate tax.

13.4 An individual Shareholder who is liable to tax on their income at the additional rate will be liable to CGT at a rate of 20 per cent. (for 2021/22).

UK resident Corporate Shareholders

13.5 A disposal (or deemed disposal) of Common Shares or Depositary Interests by a corporate Shareholder may give rise to a gain or loss for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. The rate of UK corporation tax for 2021/22 and 2022/23 is 19 per cent., rising to 25 per cent. for 2023/24 for companies with profits exceeding £250,000.

Non UK resident Shareholders

13.6 A Shareholder who is not resident for tax purposes in the UK will not generally be subject to CGT on a disposal of Common Shares or Depositary Interests unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Common Shares or Depositary Interests are used, held or acquired.

13.7 Such Shareholders may be subject to foreign taxation on any gain under local law.

13.8 An individual Shareholder who has ceased to be resident for tax purposes in the UK for a period not exceeding five tax years and who disposes of all or part of their Common Shares or Depositary Interests during that period may be liable to CGT on their return to the UK, subject to available exemptions or reliefs.

Taxation of dividends

13.9 Liability to UK tax on dividends will depend upon the individual circumstances of the Shareholder.

UK resident individual Shareholders

13.10 An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will generally be entitled to a dividend tax free allowance per tax year (the "Dividend Allowance Amount") (£2,000 for 2021/22) and will be subject to UK income tax on dividends received over and above this allowance. Dividends within the Dividend Allowance Amount will still count as taxable income when determining how much of the basic rate band or higher rate band has been used.

13.11 Subject to the availability of any personal or other allowance and taking account of other dividends received by the relevant Shareholder in the same tax year, an individual Shareholder who is subject to UK income tax will be liable to UK income tax on the amount (if any) of a dividend received from the Company in respect of the Common Shares in excess of the Dividend Allowance Amount:

(a) at the rate of 7.5 per cent. (for 2021/2022) to the extent that such amount falls below the threshold for the higher rate of UK income tax;

(b) at the rate of 32.5 per cent. (for 2021/2022) to the extent that such amount, falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax;

(c) at the rate of 38.1 per cent. (for 2021/22) to the extent that such amount falls above the threshold for the additional rate of income tax.

In each case, in determining the applicable dividend rate, the dividend income is generally treated as the top slice of the Shareholder's income.

13.12 Under the Canadian and UK tax treaty, an individual Shareholder who is resident in the UK should be entitled to obtain credit for the Canadian withholding tax suffered on the dividend against their UK income tax liability (if any) on the dividend.

UK resident corporate Shareholders

13.13 A corporate Shareholder (within the charge to UK corporation tax) which is a "small company" for the purposes of the UK corporation tax rules on dividends will not generally be subject to UK corporation tax on dividends from the Company, on the basis the payer is resident in a "qualifying territory" at the time the dividend is received, as long as the payer also meets the necessary conditions. A "qualifying territory" for these purposes is, *inter alia*, any territory with which the UK has a double tax treaty that has an appropriate non-discrimination clause, and this includes Canada. Other corporate Shareholders (within the charge to UK corporation tax) will not be subject to tax on dividends from the Company provided the dividends fall within an exempt class and certain conditions are met (including an anti-avoidance condition).

13.14 If the conditions for exemption are not met or cease to be satisfied, or a Shareholder elects for an otherwise exempt dividend to be taxable, such Shareholder will be subject to UK corporation tax on dividends received from the Company, at the main rate of corporation tax (19 per cent. for 2021/2022) and 2022/23 rising to 25 per cent. for 2023/24 for companies with profits exceeding £250,000), subject to the availability of any credit for Canadian tax withheld.

13.15 Corporate shareholders will not be entitled to any relief for withholding tax suffered on dividends that are not subject to UK taxation.

UK stamp duty and stamp duty reserve tax ("SDRT")

Transfers of Shares

13.16 No charge to SDRT should arise on an unconditional agreement to transfer Common Shares provided that such Common Shares are not registered in a register kept in the UK by or on behalf of the Company. In practice, no UK stamp duty should be payable on a transfer of Common Shares, unless the transfer is effected by way of a written instrument executed in the UK.

Issuances and transfers of Depositary Interests

13.17 No charge to SDRT should arise on an unconditional agreement to transfer a Depositary Interest in Common Shares provided that (i) the Depositary Interests are issued in the UK or registered on a register kept in the UK; and (ii) the Common Shares to which they relate, and entitlements to which are held on trust for the holders of the relevant Depositary Interests, are "foreign securities".

13.18 "Foreign securities" includes shares which:

(a) are issued by a company not incorporated in the UK and whose central management and control is not exercised in the UK;

(b) are not registered in a register kept in the UK by or on behalf of the Company; and

(c) are of the same class as shares in the company which are listed on a recognised stock exchange (which includes the TSXV).

13.19 The Company believes that as at the date of this document the Common Shares to which the Depositary Interests relate should satisfy the above conditions to be "foreign securities" for these purposes. The comments regarding SDRT below assume that the Depositary Interests will fall within this exclusion from being "chargeable securities" for the purposes of SDRT at the relevant time.

Issue of new Depositary Interests

13.20 No SDRT should be chargeable on the issue of, or subscription for, new Depositary Interests.

Transfers of Depositary Interests

13.21 Assuming that transfers of Depositary Interests are effected between CREST accounts without any written instrument of transfer, no UK stamp duty should in practice be required to be paid on the transfer of such Depositary Interests. No UK SDRT should be payable on an agreement to transfer Depositary Interests.

14. Canadian Taxation

General

14.1 The following is a general summary of the principal Canadian federal income tax considerations generally relevant to Shareholders who acquire, as a beneficial owner, the Common Shares and who, at all relevant times, for purposes of the Income Tax Act (Canada) the ("Canadian Tax Act") and the regulations thereunder in force as of the date hereof (the "Regulations"): (i) is not resident in Canada and is not deemed to be resident in Canada; (ii) does not use or hold, and is not deemed to use or hold the Common Shares in connection with carrying on a business in Canada; and (iii) holds the Common Shares as capital property (a "Non-Resident Shareholder"). Generally, the Common Shares will be considered to be capital property to a Non-Resident Shareholder unless the Non-Resident Shareholder holds or uses the Common Shares or is deemed to hold or use the Common Shares in the course of carrying on a business of trading or dealing in securities or has acquired them or deemed to have acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade.

14.2 This summary is based upon the current provisions of the Canadian Tax Act and the Regulations, the current provisions of the Canada-United Kingdom Income Tax Convention (the "UK Treaty"), and the Company's counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency made publicly available in writing prior to the date hereof. This summary also takes into account specific proposals to amend the Canadian Tax Act announced prior to the date hereof by or behalf of the Minister of Finance (Canada) (the "Proposed Amendments") and assumes that the Proposed Amendments will be enacted as proposed. No assurances can be given that the Proposed Amendments will become law.

14.3 This summary is not exhaustive of all possible Canadian federal income tax considerations and does not take into account or anticipate any changes in law, administrative policy or assessing practice, whether by legislative, governmental, administrative or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, provincial or territorial income tax considerations, which may differ from the federal considerations.

14.4 This summary is of a general nature only and is not, and is not to be construed as, legal or income tax advice to any particular Non-Resident Shareholder and no representations concerning the income tax consequences to any particular Non-Resident Shareholder or prospective Non-Resident Shareholder are made. Accordingly, each Non-Resident Shareholder is urged to obtain independent tax advice as to the Canadian income tax consequences of an investment in Common Shares applicable to the Non-Resident Shareholder particular circumstances.

14.5 Special rules, which are not discussed in this summary, may apply to a Non-Resident Shareholder that is an insurer that carries on business in Canada and elsewhere or an "authorized foreign bank" as defined in the Canadian Tax Act.

Taxation of Dividends

14.6 Any dividend on a Common Share that is paid or credited, or deemed to be paid or credited, by the Company to a Non-Resident Shareholder will be subject to Canadian withholding tax at the rate of 25 per cent. of the gross amount of the dividend. The rate of withholding tax may be reduced under the provisions of an applicable income tax convention between Canada and the country in which the Non-Resident Shareholder is resident for tax purposes. For example, pursuant to the UK Treaty, the rate of withholding tax applicable to a dividend paid (or deemed to be paid) on a Common Share to a Non-Resident Shareholder who is a beneficial owner of the dividend and is a resident of the United Kingdom for purposes of, and entitled to the full benefits under, the UK Treaty (a "UK Shareholder") will generally be reduced to 15 per cent. of the gross amount of the dividend (or 5 per cent. in the case of a UK Shareholder that is a company that controls, directly or indirectly, at least 10 per cent. of the voting power of the Company). The Company will be required to withhold any such tax from the dividend paid or credited to the Non-Resident Shareholder and will remit the withheld tax directly to the Receiver General for Canada for the account of the Non-Resident Shareholder.

Taxation of Capital Gains

14.7 A Non-Resident Shareholder generally will not be subject to tax under the Canadian Tax Act on any capital gain realized by the Non-Resident Shareholder on a disposition (or deemed disposition) of a Common Share unless the Common Share constitutes "taxable Canadian property" to the Non-Resident Shareholder for purposes of the Canadian Tax Act. Provided that the Common Shares are listed on a "designated stock exchange" as defined in the Canadian Tax Act (which includes tiers 1 and 2 of the TSXV), the Common Shares generally will not constitute taxable Canadian property to the Non-Resident Shareholder unless at any time during the 60 month period immediately preceding the disposition: (i) the Non-Resident Shareholder, persons with whom the Non-Resident Shareholder does not deal at arm's length, or partnerships in which the Non-Resident Shareholder, or a person with whom the Non-Resident Shareholder does not deal at arm's length, holds a membership interest directly or indirectly through one or more partnerships, or the Non-Resident Shareholder together with all such persons, owned 25 per cent. or more of the issued shares of any class of the capital stock of the Company; and (ii) more than 50 per cent. of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Canadian Tax Act), "timber resource properties" (as defined in the Canadian Tax Act) or options in respect of, or interests in, or for civil law rights in, such property whether or not such property exists. Further, Common Shares may be deemed to be taxable Canadian property to a Non-Resident Shareholder for purposes of the Canadian Tax Act in certain circumstances.

14.8 If the Common Shares are considered taxable Canadian property to the Non-Resident Shareholder, then upon a disposition or a deemed disposition of such Common Shares (other than a disposition to the Company that is not a sale in the open market in the manner in which shares would normally be purchased by any member of the public in an open market), the Non-Resident Shareholder will realise a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Common Shares, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Common Shares to the Non-Resident Shareholder. The adjusted cost base to a Non-Resident Shareholder of the Common Shares will be determined by averaging the adjusted cost base to the Resident Shareholder of the Common Shares with the adjusted cost base of all other common shares (if any) of the Company held as capital property at that time by the Resident Shareholder and by making certain other adjustments required under the Canadian Tax Act.

14.9 One half of any such capital gain (a "taxable capital gain") realised by a Non-Resident Shareholder in a taxation year will be required to be included in computing the Non-Resident Shareholder's income for that year, and one half of any such capital loss (an "allowable capital loss") realised by the Non-Resident Shareholder in a taxation year must generally be deducted against taxable capital gains realised by the Non-Resident Shareholder in that year from dispositions of taxable Canadian property. Allowable capital losses from dispositions of taxable Canadian property not deductible in the taxation year in which they are realised may ordinarily be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains realised in such years from dispositions of taxable Canadian property, subject to the detailed rules contained in the Canadian Tax Act in this regard.

14.10 Any Non-Resident Shareholder that would otherwise be subject to Canadian income tax on a capital gain realized on a disposition of a Common Share that constitutes taxable Canadian property to the Non-Resident Shareholder may be eligible for relief pursuant to an income tax convention between Canada and the country in which the Non-Resident Shareholder is resident for tax purposes. Non-Resident Shareholders who may hold Common Shares as "taxable Canadian property" should consult their own tax advisors.

15. Working Capital

15.1 The Directors and the Proposed Director, having made due and careful enquiry, are of the opinion that the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

16. Litigation

16.1 No member of the Group is (or has been) engaged in any governmental, legal or arbitration proceedings, which may have, or have had, a significant effect on the Group's financial position or profitability during the 12 months preceding the date of this document and, so far as the Directors and the Proposed Director are aware, there are no proceedings which are pending or threatened by or against any member of the Group.

17. Significant and material change

17.1 Save as disclosed in this document, there has been no significant change in the financial position and financial performance of the Group since 31 March 2021, being the date to which the unaudited interim financial information in Part 4 of this document has been prepared.

17.2 NSAI has confirmed to the Company and Strand Hanson that, to the best of its knowledge and belief, there has been no material change in circumstances to those stated in the Competent Person's Report since the effective date of such report.

18. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company or another member of the Group; (a) within the two (2) years immediately preceding the date of this document and are, or may be, material; or (b) which contain provisions under which the Company has any obligation or entitlement which is material as at the date of this document:

Material contracts relating to the Group's business

18.1 ***The Reorganization and Investment Agreement***

The Reorganization and Investment Agreement in relation to the Reorganization is summarised in Part 5, section 2.1.

18.2 ***The Gulf Pine Acquisition Agreement***

The Gulf Pine Acquisition Agreement in relation to the Reorganization is summarised in Part 5, section 2.2.

18.3 ***Roundtree Purchase and Sale Agreement***

The Purchase and Sale Agreement in relation to the Roundtree Acquisition is summarised in Part 5, section 2.3(h).

18.4 ***TCB Credit Agreement***

The TCB Credit Agreement is summarised in Part 5, sections 2.2(f) and 2.3(e), 2.3(j), 2.3(k), 2.3(m), 2.3(n) and 2.3(o).

18.5 ***Invico Credit Facility***

Southern US entered into the Invico Credit Agreement on 30 April 2021 establishing the Invico Facility. The Invico Facility is secured by the oil and gas properties of the Group.

The Invico Facility consists of two tranches: Tranche A, which was drawn at closing and is US$5.5 million; and Tranche B, which is up to US$3.0 million available until 31 December 2021 in multiple advances of no less than US$500,000 each.

The Invico Facility matures on 30 April 2024 and bears interest at a rate of 12 per cent. per annum, paid monthly in arrears.

Repayments of the principal amount outstanding under the Invico Facility must be made on a monthly basis by Southern US starting on 31 May 2021 in an amount equal to the sum of; (a) the outstanding amount under the Invico Facility 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 per cent. of positive free cash flow ("FCF") for the respective fiscal quarter. FCF is calculated as EBITDAX, less the aggregate of the Invico Facility principal and interest payments.

Beginning on 30 June 2021 and as at each quarter-end thereafter, Southern US must comply with a financial covenant calculation related to an asset coverage ratio ("ACR") of at least 2:1. ACR is 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 per cent. to the principal amount outstanding under the Invico Facility.

Beginning 30 September 2021, and for each quarter-end thereafter, the Invico Facility requires Southern US to 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.

The Invico Facility is governed by the law of the state of Texas and is subject to the exclusive jurisdiction of the state and federal courts located within the Southern District of Texas.

The Company has issued the Invico Warrants to Invico on the terms described in paragraphs 5.23 and 5.24 of this Part 5 of this document.

Material contracts relating to Admission

18.6 ***Introduction Agreement***

Pursuant to an introduction agreement entered into on 4 August 2021 (the "Introduction Agreement"), the Company appointed Strand Hanson as its nominated adviser in connection with Admission and thereafter, to continue in that role in accordance with the terms of the Nominated Adviser Agreement (described at paragraph 18.10 below) and appointed each of Canaccord Genuity and Hannam & Partners as its joint brokers on an ongoing basis pursuant to the terms of the Canaccord Genuity Engagement Letter (described at paragraph 18.8 below) and the Hannam & Partners Engagement Letter (described at paragraph 18.9 below) respectively. The Introduction Agreement is conditional upon, among other things, Admission taking place no later than 8.00 a.m. on 11 August 2021 or such other time and date agreed by the Company, Strand Hanson and the Brokers, being no later than 3.00 p.m. on 24 August 2021.

Pursuant to the Introduction Agreement, the Company has confirmed its agreement to pay to Strand Hanson and the Brokers certain listing fees.

The Company has also agreed to pay all costs and expenses incidental to Admission including the fees of the legal and other professional expenses of Strand Hanson and the Brokers irrespective of whether or not Admission occurs (subject to a cap of £60,000 plus normal disbursements and VAT) in respect of the legal expenses of Strand Hanson and the Broker.

Pursuant to the Introduction Agreement, the Company has given certain warranties and indemnities to Strand Hanson and the Brokers that are typical for agreements of this nature. Furthermore, the Company undertakes that for a period of six months following Admission, it will not, without prior consultation with Strand Hanson and the Brokers:

(1) make any proposed public statement or announcement in relation to the financial position or affairs of the Company or the Group; or

(2) enter into any proposed arrangement or agreement relating to a corporate transaction requiring disclosure under the AIM Rules, MAR, the TSXV Rules or Canadian Securities Laws.

The Company further irrevocably to Strand Hanson that (unless Strand Hanson otherwise consents):

(3) for so long as the Common Shares remain quoted on AIM but are no longer listed on the TSX or the TSXV, the Company will obtain Shareholder approval (by way of special resolution) for any issuance of the Common Shares or convertible securities for case; provided that

(4) such issuance, when aggregated with any other cash issuance in the previous 12 month period, or the date of de-listing from the relevant exchange (whichever period is shorter), exceeds 20 per cent. of the issued and outstanding Common Shares at the date of issuance.

Strand Hanson and the Brokers are entitled to terminate the Introduction Agreement in specified circumstances prior to Admission, including, among other things, in the event of a material adverse change. If any of the conditions contained in the Introduction Agreement are not satisfied (or waived in whole or part where capable of waiver), the Agreement terminates (save for various provisions that survive termination) and Admission will not take place.

The Introduction Agreement is governed by English law and the parties irrevocably submit to the non-exclusive jurisdiction of the High Court of Justice in England.

18.7 ***Strand Hanson engagement letter***

Pursuant to a letter of engagement dated 9 April 2021, the Company appointed Strand Hanson to act as its nominated adviser to act on the Admission. The Company agreed to pay to Strand Hanson a corporate finance fee for its services payable on the achievement of various milestones.

Pursuant to the terms of the Nominated Adviser Agreement (set out at paragraph 18.10 below) the Company will also pay to Strand Hanson an initial retainer fee per annum, for a minimum term of one year, in connection with its services as the Company's Nominated Adviser.

The Company agreed to reimburse Strand Hanson for any properly incurred out of pocket expenses including, but not limited to, all third party costs, the fees and expenses of Strand Hanson's legal advisers and all fees and expenses payable in connection with Admission.

Under the letter of engagement, the Company has given certain customary undertakings and indemnities to Strand Hanson in connection with its engagement.

The letter of engagement is governed by English law, and the parties irrevocably submit to the jurisdiction of the courts of England and Wales.

18.8 ***Canaccord Genuity broker engagement letter***

The Company has also appointed Canaccord Genuity as its joint broker on an ongoing basis pursuant to an engagement letter dated 26 July 2021. The Company has agreed to pay Canaccord Genuity an annual retainer fee in connection with its ongoing broking services and a one-off listing fee in relation to the Admission. Either party may terminate the engagement upon giving 3 months written notice. The engagement may also be terminated at any time by Canaccord Genuity in certain specific situations. In addition, the Company has agreed to pay all reasonable costs and expenses of Canaccord Genuity in connection with the engagement including legal fees. Under the letter of engagement, the Company has given certain customary undertakings and indemnities to Canaccord Genuity in connection with its engagement. The letter of engagement is governed by English law, and the parties irrevocably submit to the jurisdiction of the courts of England and Wales.

18.9 ***Hannam & Partners broker engagement letter***

The Company has appointed Hannam & Partners as broker and financial adviser pursuant to an engagement letter dated 1 April 2021. The Company has agreed to pay Hannam & Partners an annual retainer fee in connection with its ongoing broking services and a one-off listing fee in relation to the Admission. Either party may terminate the engagement at any time. Under the letter of engagement, the Company has given certain customary undertakings and indemnities to Hannam & Partners in connection with its engagement. The letter of engagement is governed by English law, and the parties irrevocably submit to the jurisdiction of the courts of England.

18.10 ***Nominated Adviser Agreement***

The Company and Strand Hanson have entered into a nominated adviser agreement dated 4 August 2021 (the "Nominated Adviser Agreement"), pursuant to which Strand Hanson has agreed to act, following Admission, as the Company's nominated adviser as required by the AIM Rules.

The Nominated Adviser Agreement provides for a minimum term of 24 months and thereafter is terminable by either party (without cause) on 3 months' written notice. The Nominated Adviser Agreement provides for the Company to pay Strand Hanson an annual fee.

The appointment will terminate immediately in the following circumstances, among others; (i) on Strand Hanson giving written notice to the Company in certain customary circumstances including, without limitation, if there is a material breach by the Company or any of the directors of the Company of its obligations under the Nominated Adviser Agreement or of the AIM Rules (which, where capable of remedy, remains unremedied within seven days of a request therefor by Strand Hanson); (ii) forthwith if Strand Hanson is removed for any reason from the register of nominated advisers maintained by the London Stock Exchange; (iii) by the Company giving written notice if there is a material breach by Strand Hanson of its obligations under the Nominated Adviser Agreement, where such breach has not been remedied within seven days; (iv) if the Common Shares are suspended from trading on AIM for more than 14 days for any reason; or (v) if the Company fails to comply with the advice of Strand Hanson given to the Company or its directors which, in the reasonable opinion of Strand Hanson, could damage the reputation of Strand Hanson.

Under the Nominated Adviser Agreement, the Company has given customary undertakings and provided customary indemnities to Strand Hanson. The agreement is governed by the laws of England and Wales and the parties irrevocably submit to the jurisdiction of the courts of England and Wales.

18.11 ***Lock-in and orderly market arrangements***

The Directors, the Proposed Director, Calvin Yau and Gary McMurren have each agreed with Southern Energy, Strand Hanson, Canaccord Genuity and Hannam & Partners not to dispose of their interests in the Derived Shares held or acquired by them for a period of at least 12 months from the date of Admission (the "Lock-in").

In addition, the Directors, Calvin Yau and Gary McMurren have each agreed to only dispose of any interest held in the Derived Shares held or acquired by them for a period of 24 months following Admission, with the consent of, and through one or both of the Brokers so as to ensure an orderly market in the Common Shares (the "OMA").

The Lock-In and OMA restrictions are subject to a number of exceptions, including, but not limited to, a disposal pursuant to: (i) an order made by a court with competent jurisdiction; (ii) a bona fide takeover bid made to all holders of the shares of Southern Energy or similar acquisition transaction; or (iii) with the prior consent of Strand Hanson and each of the Brokers.

The aggregate interests following Admission which shall be subject to the lock-in and orderly market arrangements, as described above, will amount to 49,585,057 Common Shares, which is equivalent to approximately 13.7 per cent. of the Issued Share Capital on Admission.

The agreement is governed by English law and the parties irrevocably submit to the jurisdiction of the courts of England.

18.12 ***Depositary Deed Poll***

The Depositary made the Depositary Deed Poll in favour of DI Holders on 30 July 2021. The Depositary Deed Poll includes the following provisions.

Pursuant to the Depositary Deed Poll, the Depositary will hold (itself or through the Custodian), as bare trustee, the underlying Common Shares and all and any rights and other securities, property and cash attributable to the underlying Common Shares for the benefit of the holders of the relevant Depositary Interests as tenants in common. The Depositary will re-allocate securities or Depositary Interests distributions allocated to the Depositary or Custodian *pro rata* to the Common Shares held for the respective accounts of the holders of Depositary Interests but will not be required to account for fractional entitlements arising from such re-allocation.

Holders of Depositary Interests agree to give such warranties and certifications to the Depositary as the Depositary may reasonably require. In particular, holders of Depositary Interests warrant, *inter alia*, that the securities in the Company transferred or issued to the Depositary or Custodian on behalf of the Depositary for the account of the DI Holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's constitutional documents or any contractual obligation, or applicable law or regulation binding or affecting such holder, and holders of Depositary Interests agree to indemnify the Depositary against any liability incurred as a result of any breach of such warranty.

The Depositary and any Custodian shall pass on to the DI Holders all rights and entitlements received in respect of the underlying Common Shares. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings shall, subject to the Depositary Deed Poll, be passed on in the form in which they are received together with amendments and additional documentation necessary to affect such passing-on. If arrangements are made which allow a holder to take up rights in the Company's securities requiring further payment, the holder must put the Depositary in cleared funds before the relevant payment date or other date notified by the Depositary if it wishes the Depositary to exercise such rights.

The Depositary will be entitled to cancel Depositary Interests and treat the holders thereof as having requested a withdrawal of the underlying securities in certain circumstances, including where a DI Holder fails to furnish to the Depositary such certificates or representations and warranties as to matters of fact, including his or her identity, as the Depositary may deem necessary or appropriate.

The Depositary warrants that it is an authorised person under the FSMA and is duly authorised to carry out custodial and other activities under the Depositary Deed Poll. It also undertakes to maintain that status and authorisation.

The Depositary Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any DI Holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Depositary Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Except in the case of personal injury or death, any liability incurred by the Depositary to a holder under the Depositary Deed Poll is limited to the lesser of:

(a) the value of the Common Shares that would have been properly attributable to the Depositary Interests to which the liability relates; and

(b) that proportion of £10 million which corresponds to the portion which the amount the Depositary would otherwise be liable to pay to the holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission, or event which gave rise to such liability or, if there are no such amounts, £10 million. The Depositary is entitled to charge holders of Depositary Interests fees and expenses for the provision of its services under the Depositary Deed Poll.

Each holder of Depositary Interests is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees), and hold each of them harmless from and against all liabilities arising from or incurred in connection with, or arising from any act related to, the Depositary Deed Poll so far as they relate to the property held for the account of that holder, other than those caused by or resulting from the wilful default, negligence or fraud of (i) the Depositary or (ii) the Custodian or any agent if such Custodian or agent is a member of the Depositary's group or if, not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use of such Custodian or agent.

The Depositary is entitled to make deductions from the Common Shares or any income or capital arising therefrom, or to sell such Common Shares and make deductions from the sale proceeds thereof, in order to discharge the indemnification obligations of DI Holders.

The Depositary may terminate the Depositary Deed Poll by giving not less than 30 days prior written notice. Upon such notice period, DI Holders shall be deemed to have requested the cancellation of their Depositary Interests and withdrawal of their corresponding Common Shares and, if any Depositary Interests remain outstanding after termination, the Depositary shall, as soon as reasonably practicable, and amongst other things; (i) deliver the Common Shares in respect of the Depositary Interests to the relevant DI Holder or, at the Depositary's discretion; (ii) sell all or part of such Common Shares. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Depositary Deed Poll *pro rata* to the DI Holders in respect of their Depositary Interests.

The Depositary may require from any holder or former or prospective holder: (i) information as to the capacity in which Depositary Interests are owned or held by such holders and the identity of any other person with any interest of any kind in such Depositary Interests or the underlying Common Shares and the nature of such interests; (ii) evidence or declaration of nationality or residence of the legal or beneficial owner(s) of Depositary Interests and such information as is required to transfer the relevant Depositary Interests or Common Shares to the holder; and (iii) such information as is necessary or desirable for the purposes of the Depositary Deed Poll or CREST system, and holders are bound to provide such information requested. The holders of Depositary Interests consent to the disclosure of such information by the Depositary or Custodian to the extent necessary or desirable to comply with their respective legal or regulatory obligations.

Furthermore, to the extent that the Company's constitutional documents or applicable law may require, the disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever in the Company's securities, the DI Holders are to comply with the Company's instructions with respect thereto, as may be forwarded to them from time to time.

It should also be noted that holders of Depositary Interests may not have the opportunity to exercise all of the rights and entitlements available to holders of Common Shares, including, for example, the ability to vote on a show of hands. In relation to voting, it will be important for holders of Depositary Interests to give prompt instructions to the Depositary or its nominated Custodian, in accordance with any voting arrangements made available to them, to vote the underlying Common Shares on their behalf or, to the extent possible, to take advantage of any arrangements enabling holders of Depositary Interests to vote such Common Shares as a proxy of the Depositary or its nominated Custodian.

The Depositary Deed Poll is governed by English law and the DI Holders irrevocably agree to submit to the jurisdiction of the courts of England.

18.13 ***Depositary Agreement***

The Depositary Agreement was entered into between the Company and the Depositary on 30 July 2021.

Under the Depositary Agreement, the Company appoints the Depositary to constitute and issue from time to time, upon the terms of the Depositary Deed Poll, a series of Depositary Interests representing Common Shares and to provide certain other services (including depositary services, custody services and dividend services) in connection with such Depositary Interests.

The Depositary agrees that it will comply with the terms of the Depositary Deed Poll and that it will perform its obligations with reasonable skill and care. The Depositary assumes certain specific obligations, including, for example, to arrange for the Depositary Interests to be admitted to CREST as participating securities and provide copies of, and access to, the DI Register.

The Company agrees to provide such information, data and documentation to the Depositary as is reasonably required by the Depositary for the purposes of performing its duties, responsibilities and obligations under the Depositary Agreement.

The Company also agrees to ensure and to procure written confirmation that the Canadian Registrar and Transfer Agent will not process any transfers of shares in the Company issued pursuant to a private placement and which are subject to a trading restriction and which includes a legend or notification describing such trading restriction on the share certificates, DRS advices or confirmation of issuances under an electronic book-entry system from the Share Register to the branch register of members maintained on behalf of the Company by the Registrar.

The Depositary is to indemnify the Company against any loss, liability, cost and expense reasonably incurred (including reasonable legal fees) which the Company suffers or incurs in as a result of any claim made against the Company by any DI Holder or any person having any direct or indirect interest in any Depositary Interests held by a DI Holder or the Common Shares represented thereby, which arise out of a breach of the terms of the Depositary Deed Poll save where, such loss, liability, cost or expense arises as a result of or in connection with the fraud, negligence or wilful default of the Company.

Subject to earlier termination, the appointment of the Depositary shall continue for a fixed period of three (3) year and thereafter shall automatically renew for successive periods of 12 months until terminated in accordance with the terms of the Depositary Agreement. Should the Depositary Agreement be terminated for any reason, the Company shall pay to the Depositary, the Depositary's reasonable costs and expenses of transferring the DI Register to its new registrar, as well as a £5,000 administration fee. Either party may terminate the Depositary Agreement with immediate effect by notice in writing if; (i) the other party shall be in material breach of any material term (of the Depositary Agreement) and such breach is not remedied within 45 days of a request for such remedy; (ii) a resolution is passed for an order made for the winding-up, dissolution or administration of the other party, or if the other party is declared insolvent or if an administrator, administrative receiver, manager or provisional liquidator (or similar officer to any of the foregoing in the relevant jurisdiction) is appointed over the whole of or a substantial part of the other party or its assets or undertakings (or any analogous procedure or step is taken in any jurisdiction in respect of the aforementioned).; or (iii) by service of three (3) months' written notice should the parties not reach an agreement regarding any increase in respect of the fees payable under the Depositary Agreement.

The Depositary will be entitled to sub-contract the provision of the services provided under the Depositary Agreement, provided that it remains liable for the acts and omissions of such sub-contractors as if it were its own acts and omissions.

The Company is to pay to the Depositary an annual fee for the services. The Company shall pay a fixed fee for the deposit, cancellation and transfer of the Depositary Interests and the compilation of the initial DI Register. The Company shall in addition reimburse the Depositary within 30 days of the Depositary's invoice for all network charges, CREST charges, money transmission and banking charges and other out-of-pocket expenses incurred by it in connection with the provision of the services under the Depositary Agreement.

The Company will indemnify the Depositary from and against all losses, liabilities, damages, claims, costs and expenses or other liabilities which the Depositary incurs: (i) as a result of any claim made against the Depositary by a DI Holder or any person having a direct or indirect interest in the Common Shares arising out of the Depositary's obligations, duties and responsibilities under the Depositary Agreement and the Deed Poll, save in respect of such that results from the Depositary's negligence, wilful default or fraud; or (ii) by reason of breach of the warranties and undertakings given by the Company under the Depositary Agreement.

The aggregate liability of the Depositary to the Company arising out of or in connection with the Depositary Agreement will not exceed the lesser of £500,000 or five (5) times the annual fee payable to the Depositary.

The Depositary Agreement is governed by the laws of England and the parties submit to the exclusive jurisdiction of the English courts.

18.14 ***Registrar Agreement***

The Company has entered into a transfer agent and registrar agreement (the "Registrar Agreement") with Odyssey Trust Company (the "Canadian Registrar and Transfer Agent") on 1 December 2019, under which the Canadian Registrar and Transfer Agent agreed to provide services connected with the maintenance of the Company's register. The Canadian Registrar and Transfer Agent is entitled to receive fees in such amount as set out in the fee proposal scheduled to the Registrar Agreement. The Registrar Agreement has no fixed term and may be terminated by either party at any time on giving 90 days' notice. The Registrar Agreement contains certain indemnities given by the Company to the Canadian Registrar and Transfer Agent which are customary for an agreement of this nature.

There is no direct contractual relationship between the Shareholders and the Canadian Registrar and Transfer Agent. Shareholders therefore have no direct contractual rights against the Canadian Registrar and Transfer Agent, and there are only limited circumstances under which a Shareholder may potentially bring a claim against the Canadian Registrar and Transfer Agent.

The Registrar Agreement is governed by the laws of Province of Alberta and the federal laws of Canada applicable therein and the parties submit to the jurisdiction of the courts of the Province of Alberta and all courts of appeal therefrom.

18.15 ***Guernsey Registrar Services Agreement***

The Company has entered into a registrar services agreement with Link Market Services (Guernsey) Limited (the "Registrar") on 30 July 2021 (the "Registrar Services Agreement"), under which the Registrar will provide services connected with the maintenance of the Company's register in Guernsey, to allow for the easy movement between the certificated Common Shares and the Depositary Interests. The Registrar receives fees in such amount as set out in schedule 1 of the Registrar Services Agreement. The Registrar Services Agreement has an initial period of 3 (three) years, and will automatically renew for successive periods of 12 months thereafter. The Registrar Services Agreement may be terminated on the end of the initial period or at the end of each successive period, provided that 6 months' notice is given by either party prior to the end of the initial period or successive period as the case may be. There are circumstances contained in the Registrar Services Agreement under which the agreement can be terminated on shorter notice. The Registrar Services Agreement contains certain indemnities given by the Company to the Registrar which are customary for an agreement of this nature.

There is no direct contractual relationship between the Shareholders and the Registrar. Shareholders therefore have no direct contractual rights against the Registrar, and there are only limited circumstances under which a Shareholder may potentially bring a claim against the Registrar.

The Registrar Services Agreement is governed by the laws of Guernsey, and the parties submit to the exclusive jurisdiction of the Guernsey Courts.

19. Related party transactions

Save as disclosed in the financial information set out in Part 4 of this document, there were no related party transactions by any Group company that were entered into during the financial years ended 31 December 2018, 2019 and 2020 or during the period between 1 January 2021 and the Latest Practicable Date.

20. Intellectual property

The Company has confirmed that it does not have any registered intellectual property other than its website domain name – www.southernenergycorp.com.

21. Employees

As at the date of this document, Southern Energy had thirteen employees in Canada and six in the United States.

22. Properties

Other than the Group's surface and subsurface oil and gas rights described in Parts 1 and 3 of this document, the Group does not own any material real property. Members of the Group lease office space in Calgary, Alberta and New Hebron, Mississippi.

23. Consents and other information

23.1 Strand Hanson, the nominated adviser to the Company has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear. Strand Hanson is registered in England and Wales as a private company under the Companies Act of Great Britain with number 02780169 and is regulated by the FCA. Its registered office is at 26 Mount Row, London W1K 3SQ.

23.2 Hannam & Partners and Canaccord Genuity have each given and not withdrawn their written consent to the issue of this document with the inclusion in it of references to their name in the form and context in which they appear.

23.3 NSAI has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its report contained in Part 3 of this document, and references thereto and to its name in the form and context in which they appear. NSAI has no material interest in the Company.

23.4 Deloitte LLP of Suite 700, 850 – 2nd Street S.W., Calgary, Alberta T2P 0R8 are the auditors of the Company.

23.5 The total costs and expenses payable by the Company in connection with Admission (including professional fees, the costs of printing and registrars fees) are estimated to amount to £1.11 million (approximately C$1.91 million) excluding VAT.

23.6 Save as otherwise disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business or profitability.

23.7 Save as otherwise disclosed in this document, there have been no significant authorised or contracted capital commitments of the Group as at the date of publication of this document.

23.8 No environmental issues have arisen in the past 12 months which would have had a significant effect on the Company's financial position or profitability. The Group performs an annual review of its forecasted abandonment and site reclamation costs. These costs are estimated utilising 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 Group'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 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. The total estimated, inflated undiscounted risked cash flows required to settle the provision is approximately C$5.9 million at 31 December 2020, which have been discounted using a risk free interest rate of 1.0 per cent. These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 50 years into the future and which are intended be funded from general corporate resources at the time of abandonment.

23.9 Save as disclosed in this document, the Company is not aware of any material environmental issues or risks affecting the utilisation of the Group's tangible fixed assets or its operations.

23.10 Save as otherwise disclosed in this document, no person has (excluding those professional advisers disclosed in this document and trade suppliers):

(i) received, directly or indirectly, from the Company within the 12 months preceding the date of this document; or

(ii) entered into any contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

- fees totalling either £10,000 or more;
- securities in the Company with a value of either £10,000 or more calculated by reference to the expected price of a Common Share at Admission; or
- any other benefit with a value of either £10,000 or more or more at the date of Admission.

23.11 No payments aggregating over £10,000 have been made by any member of the Group, or on behalf of it, since 1 January 2020 up to the Latest Practicable Date to any government or regulatory authority or similar body with regard to the acquisition, or maintenance of, the Group's assets, licences, joint ventures or other arrangements owned by the Group, other than the following:

Entity	*Aggregate payment (£)*[1]	*Payment type*
Mississippi Department of Revenue	£788,855	Severance and Sales Tax
Mississippi Oil & Gas Board	£75,134	Maintenance Fee

23.12 The directors of the Company will comply with Rule 21 of the AIM Rules and Article 19 of MAR relating to directors' and applicable employees' dealings in Common Shares and to this end, the Company has adopted an appropriate insider trading policy.

23.13 Save as disclosed in this document, the Directors and the Proposed Director are unaware of:

(i) any significant trends in production, sales and inventory and costs and selling prices from 31 March 2021 (being the date to which the latest unaudited financial information set out in Part 4 of this document was prepared) to the date of this document;

(ii) any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year; or

(iii) any exceptional factors which have influenced the Company's activities.

23.14 Save as otherwise disclosed in this document, none of the Directors, the Proposed Director and no member of their respective families (as defined in the glossary to the AIM Rules) is interested in any related financial product referenced to the Common Shares (being a financial product whose value is, in whole or in part, determined directly or indirectly by reference to the price of the Common Shares, including a contract for difference or a fixed odds bet).

23.15 There are no mandatory takeover bids outstanding in respect of the Company and no public takeover bids have been made by third parties either in the last financial year or the current financial year of the Company.

23.16 The information required by Rule 26 of the AIM Rules will be available at www.southernenergycorp.com from the date of Admission.

23.17 No temporary documents of title will be issued.

24. Availability of Admission Document

Copies of this document, which contains full details about the Company and the admission of its securities, will be available from the offices of Strand Hanson, 26 Mount Row, London W1K 3SQ, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of one month from the date of Admission. A copy of this document is also available for download at the Company's website at www.southernenergycorp.com.

[1] Calculated at the average exchange rate of £1:US$1.32 for the period 1 January 2020 to the Latest Practicable Date