SOUTHERN ENERGY CORP. ANNOUNCES FIRST QUARTER 2023 FINANCIAL AND OPERATING RESULTS

Calgary, Alberta – May 30, 2023 – Southern Energy Corp. ("**Southern**" or the "**Company**") (TSXV:SOU) (AIM:SOUC)(OTCQX:SOUTF), an established producer with natural gas and light oil assets in Mississippi, announces its first quarter financial and operating results for the three months ended March 31, 2023. Selected financial and operational information is outlined below and should be read in conjunction with the Company's unaudited consolidated financial statements (the "**Financial Statements**") and related management's discussion and analysis (the "**MD&A**") for the three months ended March 31, 2023, which are available on the Company's website at www.southernenergycorp.com and have been filed on SEDAR.

All figures referred to in this news release are denominated in U.S. dollars, unless otherwise noted.

FIRST QUARTER 2023 HIGHLIGHTS

- Generated $1.7 million of adjusted funds flow from operations[1] in Q1 2023 ($0.01 per share basic and diluted)
- Net loss of $1.1 million in Q1 2023 ($0.01 loss per share basic and diluted), compared to a net loss of $1.9 million in Q1 2022
- Petroleum and natural gas sales were $5.2 million in Q1 2023
- Maintained balance sheet strength with net debt[1] to adjusted funds flow from operations ratio of 1.2x on a trailing twelve month basis down from 2.6x in the first quarter of 2022
- Average production of 15,643 Mcfe/d[2] (2,607 boe/d) (95% natural gas) during Q1 2023, an increase of 36% from the same period in 2022
- Average realized natural gas and oil prices for Q1 2023 of $3.25/Mcf and $75.73/bbl, respectively, reflecting the benefit of strategic access to premium-priced U.S. sales hubs in a geographic region with strong industrial and power generation natural gas demand
- Drilled six net wells at Gwinville in Q1 2023 from three padsites, with each subsequent pad drilling operation resulting in fewer drilling days per well depth adjusted
- 2022 Year End Reserves Upgrade:
    - Highlights of the Company's year end independent oil and gas reserves evaluation as at December 31, 2022 (the "NSAI Report") prepared by independent qualified reserves evaluator Netherland, Sewell & Associates, Inc. ("NSAI") include:
        - an increase in proved developed producing ("PDP") reserves of 25% to 6.2 MMboe
        - an increase in total proved ("1P") reserves of 44% to 14.1 MMboe
        - an increase in total proved plus probable ("2P") reserves by 31% to 25.5 MMboe in 2022
        - before-tax net present value ("NPV") of 2P reserves, discounted at 10% ("NPV10"), of $142.5 million (an increase of 61% on year end 2021)
- Top performing energy stock in the 2023 TSX Venture 50™ based on equal weighting of performance during 2022 across three key indictors: market capitalization growth, share price appreciation, and trading

[1] See "Reader Advisory - Specified Financial Measures"
[2] Comprised of 114 bbl/d light and medium crude oil, 13 bbl/d NGLs and 14,881 Mcf/d conventional natural gas

volume

SUBSEQUENT EVENTS

- As announced on May 23, 2023, Southern entered into a strategic and highly synergistic purchase and sale agreement to acquire ~400 boe/d (99% natural gas) for cash consideration of $3.2 million in Gwinville with an expected close date of June 1, 2023 (the "Acquisition")

Ian Atkinson, President and CEO of Southern, commented:

"Q1 2023 was a great operational quarter for Southern as we wrapped up our seven horizontal well drilling program at Gwinville, with improved drilling time and cost efficiencies, which will lead to future cost savings when we re-ignite our organic growth at more supportive commodity prices. We are encouraged by the outlook of supply and demand dynamics for U.S. natural gas and are well set to immediately capitalize on gas prices with production behind pipe which can be brought on stream in a very short time scale. Additionally, we are extremely excited to consolidate the Gwinville field with the recently announced asset Acquisition. This Acquisition, which will be seamlessly incorporated with our current operations and staff, provides significant cost synergies, stable, low-decline production and additional high quality drilling locations to compliment our current drilling inventory. These are precisely the type of accretive transactions that we are looking for to expedite reaching our goal to reach 25,000 boe/d. As a low-cost producer attracting premium pricing, we feel that we have the right assets in the right locations that will provide long term value to shareholders and continue to look for further comparable opportunities."

Financial Highlights

	Three months ended March 31,	
(000s, except $ per share)	**2023**	**2022**
Petroleum and natural gas sales	**$ 5,189**	$ 5,925
Net loss	**(1,120)**	(1,855)
Net loss per share		
Basic	**(0.01)**	(0.02)
Fully diluted	**(0.01)**	(0.02)
Adjusted funds flow from operations [(1)]	**1,745**	2,234
Adjusted funds flow from operations per share [(1)]		
Basic	**0.01**	0.03
Fully diluted	**0.01**	0.03
Capital expenditures	**34,892**	6,872
Weighted average shares outstanding		
Basic	**138,591**	78,153
Fully diluted	**138,591**	78,153
As at period end		
Basic common shares outstanding	**139,010**	78,200
Total assets	**108,609**	48,534
Non-current liabilities	**14,543**	11,777
Net debt [(1)]	**$ (19,731)**	$ (10,745)

Note:
(1) See "Reader Advisories – Specified Financial Measures".

Operational Update

On March 29, 2023, the Company concluded operations on the current drilling campaign which included seven new horizontal wells into three separate productive horizons from three distinct padsites in the Gwinville Field. The program added three Upper Selma Chalk wells, two Lower Selma Chalk wells and two City Bank wells. The drilling campaign was initially planned for 13 horizontal wells, but the Company paused the capital program in response to the weaker natural gas pricing in the first quarter of the year to maintain balance sheet discipline.

Southern is extremely happy with the field execution performance from this program, highlighted by drilling efficiencies which saw the average time from spud to total depth of the Selma Chalk wells reduced from approximately 20 days in Southern's three well appraisal program in 2022 to below 10 days by the final padsite in Q1 2023. The majority of the wells in the program came in at or below the initial drilling and completion cost estimates, despite more than 80% of the cost structure being fixed due to long term contracts for materials and major services locked in during the highly inflationary second half of 2022. With the learnings and efficiencies achieved in this campaign, Southern is planning for all future horizontal drilling in Gwinville to utilize an optimized wellbore design change that will remove the intermediate casing string and all associated costs which the Company expects will reduce the per-well drilling costs by 20-25%. This will allow the Company to reinitiate its organic growth plans at lower future gas prices than what was previously contemplated.

Comparing key performance indicators from the drilling and completion operations in this program to the appraisal program from 2022, Southern achieved a 6% reduction in drilling costs per lateral foot (down to $644/ft) and a greater than 22% reduction in completion costs per lateral foot (down to $615/ft). Further, compared to the early generation horizontal activity between 2005 and 2009 on the asset by the previous operator, one of the largest independent upstream oil and natural gas companies in the U.S., on an inflation adjusted basis, Southern achieved a greater than 30% reduction in both drilling and completion costs per lateral foot.

The Company continues to flow back its first City Bank Hz well at Gwinville 18-10 #1, with load fluid recovery of approximately 13%. Based on historical vertical and early generation horizontal well completions in the City Bank reservoir in Gwinville, peak gas rates are not expected until the load fluid recovery is closer to 20+%, which is expected to be towards the end of Q2 2023. Gas rates are encouraging and continue to improve and Southern is excited to provide further operational updates in Q2 2023 as the modern generation City Bank type curve results are established.

Remediation plans for the 18-10 #3 Upper Selma Chalk well that experienced a mechanical integrity issue with the production casing during completion operations continue to be finalized, with field execution expected in late Q2 2023. The 18-10 #3 well was drilled to a total lateral length of 5,091 ft, achieved 80% of the lateral placed in the targeted porosity zone and was successfully completed in 44 stages prior to the mechanical issue.

The four wells that are awaiting completion include the first two Lower Selma Chalk laterals, along with the second City Bank lateral and one Upper Selma Chalk lateral. These four wells are some of Southern's longest laterals to-date. They were drilled with an average lateral length of approximately 5,400 ft and were steered within the high-graded intervals for an average of 95% of the wellbore length. The two padsites can be brought on production within a matter of weeks once completion operations are resumed. At current strip pricing, Southern could commence completion operations in Q4 2023.

Outlook

With a moderated capital program due to low commodity prices, Southern has left four drilled, uncompleted wells ("DUCs") that can be quickly completed and brought online through Southern's 100% owned equipment at higher natural gas prices. After closing the above-mentioned Acquisition anticipated on June 1, 2023, Southern expects to have approximately $14.5 million of unused capacity on its senior secured term loan (the "Credit Facility"), which can be utilized to complete the DUCs at supportive natural gas prices.

As part of its risk management and sustainability strategy, Southern has entered into both a fixed basis and a fixed price swap in order to mitigate some of the volatility of the natural gas prices going forward. In Q1 2023, Southern entered into a basis swap transaction to secure a premium to NYMEX of $0.32 per MMBtu on 1,000 MMBtu/d from April 1, 2023 to October 31, 2023. Subsequent to March 31, 2023, Southern entered into a fixed price hedge on 1,000 MMBtu/d of production at a price of $3.88/MMBtu from January 1, 2024 to December 31, 2025. To further protect against the volatility, the Company continues to monitor the basis differential prices and is prepared to hedge additional basis exposure at elevated basis premiums.

Southern thanks all of its stakeholders for their ongoing support and looks forward to providing future updates on operational activities and continuing to create shareholder value.

Qualified Person's Statement

Gary McMurren, COO, who has over 22 years of relevant experience in the oil industry, has approved the technical information contained in this announcement. Mr. McMurren is registered as a Professional Engineer with the Association of Professional Engineers and Geoscientists of Alberta and received a Bachelor of Science degree in Chemical Engineering (with distinction) from the University of Alberta.

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About Southern Energy Corp.

Southern Energy Corp. is a natural gas exploration and production company characterized by a stable, low-decline production base, a significant low-risk drilling inventory and strategic access to premium commodity pricing in North America. Southern has a primary focus on acquiring and developing conventional natural gas and light oil resources in the southeast Gulf States of Mississippi, Louisiana, and East Texas. Our management team has a long and successful history working together and have created significant shareholder value through accretive acquisitions, optimization of existing oil and natural gas fields and the utilization of re-development strategies utilizing horizontal drilling and multi-staged fracture completion techniques.

READER ADVISORY

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

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

Unit Cost Calculation. For the purpose of calculating unit costs, natural gas volumes have been converted to a boe using six thousand cubic feet equal to one barrel unless otherwise stated. A boe conversion ratio of 6:1 is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms with National Instrument 51 101 - Standards of Disclosure for Oil and Gas Activities. Boe may be misleading, particularly if used in isolation.

***Reserves and Future Net Revenue Disclosure.** All reserves values, future net revenue and ancillary information contained in this press release are derived from the NSAI Report unless otherwise noted. The NSAI Report was prepared in accordance with definitions, standards and procedures contained in NI 51-101 and the most recent publication of the Canadian Oil and Gas Evaluation Handbook (the "**COGEH**"). Additional reserves information as required under NI 51-101 is included in the Company's Annual Information Form for the year ended December 31, 2022 (the "**AIF**"), which is available on the Company's SEDAR profile at www.sedar.com.*

All reserve references in this press release are "Company gross reserves". Company gross reserves are the Company's total working interest reserves before the deduction of any royalties payable by the Company. There is no assurance that the forecast price and cost assumptions applied by NSAI in evaluating Southern's reserves will be attained, and variances could be material. All reserves assigned in the NSAI Report are located in the State of Mississippi and presented on a consolidated basis.

All evaluations and summaries of future net revenue are stated prior to the provision for interest, debt service charges or general and administrative expenses and after deduction of royalties, operating costs, estimated well abandonment and reclamation costs and estimated future capital expenditures. It should not be assumed that the estimates of future net revenues represent the fair market value of the reserves. The recovery and reserve estimates of Southern's crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein. There are numerous uncertainties inherent in estimating quantities of crude oil, reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth herein are estimates only.

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. 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. Proved 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. 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 category (proved, probable, possible) to which they are assigned. Certain terms used in this press release but not defined are defined in NI 51-101, CSA Staff Notice 51-324 – Revised Glossary to NI 51-101, Standards of Disclosure for Oil and Gas Activities ("CSA Staff Notice 51-324") and/or the COGEH and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101, CSA Staff Notice 51-324 and the COGEH, as the case may be.*

Abbreviations*. Please see below for a list of abbreviations used in this press release.*

bbl	*barrels*
bbl/d	*barrels per day*
boe	*barrels of oil*
boe/d	*barrels of oil per day*
Mcf	*thousand cubic feet*
Mcf/d	*thousand cubic feet per day*
MMcf	*million cubic feet*
MMcf/d	*million cubic feet per day*
Mcfe	*thousand cubic feet equivalent*
Mcfe/d	*thousand cubic feet equivalent per day*
MMBtu	*million British thermal units*
MMBtu/d	*million British thermal units per day*

Forward Looking Statements*. Certain information included in this press release constitutes forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this press release may include, but is not limited to, statements concerning the Company's asset base including the development of the Company's assets, oil and natural gas production levels, including the objective of achieving production of 25,000 boe/d, the Company's capital budget, expectations regarding material reserves, anticipated operational results in 2023 including, but not limited to, capital expenditures and drilling plans, expectations regarding commodity prices, the performance characteristics of the Company's oil and natural gas properties, the Company's hedging strategy, the ability of the Company to achieve drilling success consistent with management's expectations, the sources of funding for the Company's activities, the effect of market conditions and the COVID-19 pandemic on the Company's performance, Southern's planned ESG initiatives, expectations regarding the use of proceeds from all sources, including the Company's credit facilities, the availability and renewal of the Credit Facility and future amendments thereto, future organic and inorganic growth and acquisition opportunities within the resource market, and costs/debt reducing activities. Statements relating to "reserves" and "recovery" are also deemed to be forward- looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.*

The forward-looking statements contained in this press release are based on certain key expectations and assumptions made by Southern, including the timing of and success of future drilling, development and completion activities, the performance of existing wells, the performance of new wells, the availability and performance of drilling rigs, facilities and pipelines, the geological characteristics of Southern's properties, the characteristics of the Company's assets, the successful application of drilling, completion and seismic technology, the benefits of current commodity pricing hedging arrangements, Southern's ability to enter into future derivative contracts on acceptable terms, Southern's ability to secure financing on acceptable terms, prevailing weather conditions, prevailing legislation, as well as regulatory and licensing requirements, affecting the oil and gas industry, the Company's ability to obtain all requisite permits and licences, prevailing commodity prices, price volatility, price differentials and the actual prices received for the Company's products, royalty regimes and exchange rates, the impact of inflation on costs, the application of regulatory and licensing requirements, the Company's ability to obtain all requisite permits and licences, the availability of capital, labour and services, the creditworthiness of industry partners, and the Company's ability to source and complete asset acquisitions.

Although Southern believes that the expectations and assumptions on which the forward-looking statements are based are *reasonable, undue reliance should not be placed on the forward-looking statements because Southern can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, regulatory risks, and health, safety and environmental risks), constraint in the availability of labour, supplies, or services, the impact of COVID-19 and variant strains of the virus, commodity price and exchange rate fluctuations, geo-political risks, political and economic instability abroad, wars (including the Russo-Ukrainian War), hostilities, civil insurrections, inflationary risks including potential increases to operating and capital costs, changes in legislation impacting the oil and gas industry, adverse weather or break-up conditions, and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. The Russo-Ukrainian War is particularly noteworthy, as this conflict has the potential to disrupt the global supply of oil and gas, and its full impact remains uncertain. These and other risks are set out in more detail in Southern's MD&A and AIF.*

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

***Future Oriented Financial Information**. This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Southern's prospective results of operations, cash flow, increased capacity under the credit facility, capital expenditures and payout of wells, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Southern's future business operations. Southern and its management believe that FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results. Southern disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein. Changes in forecast commodity prices, differences in the timing of capital expenditures, and variances in average production estimates can have a significant impact on the key performance measures included in Southern's guidance. The Company's actual results may differ materially from these estimates.*

***Specified Financial Measures.** This press release provides various financial measures that do not have a standardized meaning prescribed by IFRS, including non-IFRS financial measures, non-IFRS financial ratios and capital management measures. These specified financial measures may not be comparable to similar measures presented by other issuers. Southern's method of calculating these measures may differ from other companies and accordingly, they may not be comparable to measures used by other companies. Adjusted funds flow from operations, operating netback, adjusted working capital and net debt are not recognized measures under IFRS. Readers are cautioned that these specified financial measures should not be construed as alternatives to other measures of financial performance calculated in accordance with IFRS. These specified financial measures provide additional information that management believes is meaningful in describing the Company's operational performance, liquidity and capacity to fund capital expenditures and other activities. Please see below for a brief overview of all specified financial measures used in this release and refer to the Company's MD&A for additional information relating to specified financial measures, which is available on the Company's website at www.southernenergycorp.com and filed on SEDAR.*

> *"**Adjusted Funds Flow from Operations**" (non-IFRS financial measure) is calculated based on cash flow from operative activities before changes in non-cash working capital and cash decommissioning expenditures. Management uses adjusted funds flow from operations as a key measure to assess the ability of the Company to finance operating activities, capital expenditures and debt repayments.*

> *"**Adjusted Funds Flow from Operations per Share**" (non-IFRS financial measure) is calculated by dividing Adjusted Funds Flow from Operations by the number of Southern shares issued and outstanding.*

*"**Operating Netback**" (non-IFRS financial measure) equals total oil and natural gas sales less royalties, production taxes, operating expenses, transportation costs and realized gain / (loss) on derivatives. Management considers operating netback an important measure to evaluate its operational performance, as it demonstrates field level profitability relative to current commodity prices.*

*"**Positive Net Cash (Net Debt)**" (capital management measure) is monitored by Management, along with adjusted working capital, as part of its capital structure in order to fund current operations and future growth of the Company. Net debt is defined as long-term debt plus adjusted working capital surplus or deficit. Adjusted working capital is calculated as current assets less current liabilities, removing current derivative assets/liabilities, the current portion of bank debt, and the current portion of lease liabilities.*