Management's Discussion and Analysis of

SOUTHERN ENERGY CORP.

For the three and nine months ended September 30, 2023 and 2022

(U.S. Dollars)

Management's Discussion and Analysis

The following Management's Discussion and Analysis (“MD&A”) of financial results is provided by the management (“Management”) of Southern Energy Corp. (“Southern” or the “Company”) and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 (the “Financial Statements”), which have been prepared in accordance with IAS 34 – *Interim Financial Reporting* of the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The Company's presentation currency is the United States (“U.S.”) dollar. The functional currency of Southern Energy Corp. is Canadian (“CAD”) dollars, and its results and balance sheet items are translated to U.S. dollars for the purposes of this MD&A and the Financial Statements, in accordance with the Company’s foreign currency translation accounting policy. The functional currencies of the Company’s foreign subsidiaries are U.S. dollars.

Throughout this MD&A, “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 MD&A comprise pentane, butane, propane, and ethane, being all NGLs as defined by NI 51-101. References to “natural gas” throughout this MD&A refers to conventional natural gas as defined by NI 51-101.

This MD&A is dated November 29, 2023.

About Southern

Southern is a natural gas exploration and production company with assets in Mississippi characterized by a stable, low-decline production base, a significant low-risk drilling inventory and strategic access to the best commodity pricing in North America. Southern 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 (the “Southeast Gulf States”). Southern's mission is to build a socially responsible and environmentally conscious natural gas and light oil company in the Southeast Gulf States. In these areas, Southern has access to major pipelines, significant Company-owned infrastructure, year-round access to drill, and the ability to shift focus between natural gas or crude oil development as commodity prices fluctuate; all factors that contribute to mitigating corporate risk. Southern's goal is to continually grow shareholder value through organic growth opportunities and strategic, accretive acquisitions.
The Management team has a long and successful history of working together as a team and have created significant shareholder value through accretive acquisitions, optimizations of existing natural gas and oil fields and the utilization of re-development strategies employing horizontal drilling and multi-staged fracture completion techniques. Southern's head office is located in Calgary, Alberta, Canada.

THIRD QUARTER HIGHLIGHTS

- Petroleum and natural gas sales of $5.3 million in Q3 2023 and $14.2 million for the nine months ended September 30, 2023

- Generated $1.1 million of Adjusted Funds Flow from Operations (see "*Reader Advisories – Specified Financial Measures*") in Q3 2023 ($0.01 per share - basic and fully diluted)

- Net loss of $2.4 million in Q3 2023 ($0.02 net loss per share - basic and fully diluted), compared to net earnings of $6.6 million in Q3 2022

- Q3 2023 average production of 16,881 Mcfe/d (95% natural gas), a decrease of 17% from Q3 2022 and an increase of 6% from Q2 2023 (see "*Production Summary*" below for a breakdown by product type)

- Average realized natural gas and oil prices for Q3 2023 of $2.83/Mcf and $82.65/bbl compared to $10.00/Mcf and $91.93/bbl in Q3 2022

- Successfully renegotiated an increase of $2.0 million in the borrowing base of the Company's senior secured term loan (the "Credit Facility"), extended the availability of Tranche B to August 31, 2025 to match the term of the Credit Facility, and extended the principal amortization period of the Credit Facility by twelve months (see "*Liquidity and Capital Resources – Credit Facility*" for more details)

SUBSEQUENT EVENTS

- On November 9, 2023, closed the Fundraising (as defined below) raising aggregate gross proceeds of $5.0 million (see "*Liquidity and Capital Resources"* for more details)

Summary of Financial Information

	Three months ended September 30,		Nine months ended September 30,	
(000s, except $ per share)	**2023**	**2022**	**2023**	**2022**
Petroleum and natural gas sales	$ 5,285	$ 19,151	$ 14,215	$ 35,387
Net (loss) earnings	(2,367)	6,567	(7,254)	7,550
Net (loss) earnings per share				
Basic	(0.02)	0.05	(0.05)	0.08
Fully diluted	(0.02)	0.04	(0.05)	0.07
Adjusted funds flow from operations (1)	1,071	8,273	2,450	14,097
Adjusted funds flow from operations per share (1)				
Basic	0.01	0.06	0.02	0.14
Fully diluted	0.01	0.06	0.02	0.13
Capital expenditures and acquisitions	1,734	3,240	41,918	20,216
Weighted average shares outstanding				
Basic	139,086	132,822	138,907	98,293
Fully diluted	139,086	148,641	138,907	108,671
As at period end				
Common shares outstanding	139,088	135,909	139,088	135,909
Total assets	102,401	90,200	102,401	90,200
Non-current liabilities	21,373	9,613	21,373	9,613
Positive net cash (net debt) (1)	$ (27,603)	$ 20,435	$ (27,603)	$ 20,435

Notes:
(1) See "*Reader Advisories – Specified Financial Measures*"

Operations Update

Following the synergistic Gwinville acquisition (the "Gwinville Acquisition") in June 2023, Southern has completed the process of installing the necessary pipeline infrastructure to consolidate the two gathering systems, ultimately allowing the Company to run just one central compressor station compared to the five that were previously in operation. These synergies will not only remove costly rental compression and allow monetization of spare owned compressors but will also eliminate the need for approximately 250 Mcf/d of fuel gas and associated emissions, which can instead be added directly into sales volumes.

In September 2023, the Company attempted to mechanically remediate the casing on the 18-10 #3 Upper Selma Chalk horizontal well without success. Subsequently, the heel section of the lateral (10 of 48 stages, 1,060 feet total lateral length, and 740 feet of effective lateral length) was turned over to production and the well was brought on production at a restricted rate of 1.2 MMcf/d. The Company is considering alternative casing remediation methods.

In late Q3 2023, the Company also initiated a small workover and recompletion program which included reactivating two shut-in wells acquired in the Gwinville Acquisition. Results from the work program will be provided with the full year operating results.

With the net proceeds of the Fundraising (see "*Liquidity and Capital Resources*" for more details), Southern will accelerate the completion of the four high quality uncompleted horizontal wells ("DUCs") at Gwinville. This program is expected to commence in Q4 2023, and further details with regard to timing for the overall program will be provided in due course.

Production Summary

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Average daily production from operations				
Oil (bbl/d)	144	118	120	119
NGLs (bbl/d)	9	16	12	14
Natural gas (Mcf/d)	15,963	19,645	15,355	14,611
Total production (Mcfe/d)	**16,881**	**20,449**	**16,147**	**15,409**
Total production (boe/d)	**2,814**	**3,408**	**2,691**	**2,568**
Percentage of natural gas	**95%**	**96%**	**95%**	**95%**

Production averaged 16,881 Mcfe/d in Q3 2023, which was a decrease of 17% compared to Q3 2022 and 16,147 Mcfe/d for the first nine months of 2023, an increase of 5% compared to the first nine months of 2022. The decrease compared to Q3 2022 was primarily due to the decline from the three well appraisal program at Gwinville that came online at the end of Q2 2022, partially offset from the Gwinville Acquisition that closed on June 1, 2023.

Petroleum and Natural Gas Revenues and Pricing Summary

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
(000s)				
Oil	$ 1,095	$ 998	$ 2,548	$ 3,181
NGLs	36	78	139	244
Natural gas	4,154	18,075	11,528	31,962
Total revenue	**$ 5,285**	**$ 19,151**	**$ 14,215**	**$ 35,387**

Realized commodity prices

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Oil ($/bbl)	82.65	91.93	77.78	97.92
NGLs ($/bbl)	43.48	52.99	42.43	63.84
Natural gas ($/Mcf)	2.83	10.00	2.75	8.01
Combined ($/Mcfe)	**3.40**	**10.18**	**3.22**	**8.41**
Benchmark prices				
Crude oil – LLS ($/bbl)	84.64	93.79	79.82	100.14
Crude oil – WTI ($/bbl)	82.36	91.55	77.39	98.09
Natural gas – NYMEX HH ($/MMBtu)	2.55	7.91	2.69	6.65

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

In Q3 2023, Southern realized an oil price of $82.65/bbl which was a decrease of 10% from the same period in 2022. For the first nine months of 2023, Southern's realized oil price decreased 21% compared to the same period in 2022.

Southern realized a natural gas price of $2.83/Mcf in Q3 2023, compared to NYMEX HH of approximately $2.55/Mcf, and $10.00/Mcf in Q3 2022. During the first nine months of 2023, Southern realized a price of $2.75/Mcf, a 66% decrease from the same period in 2022. Natural gas prices were impacted by a mild winter in North America resulting in elevated inventory levels coming out of winter compared to historical averages. Recent strengthening of domestic industrial and gas-fired power demand as well as increasing volumes of Liquified Natural Gas feedstock volumes, has led to natural gas inventory levels starting to revert back to historical levels. Through the Gwinville Acquisition, marketing arrangements assumed from the previous operator have given Southern access to the Florida Gas Transmission Zone #3 that were not previously available. In Q3 2023, Southern received an average premium of approximately $0.58/MMBtu to NYMEX HH from sales into the Florida Gas Transmission Zone #3.

Royalties

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
(000s)				
Oil	$ 221	$ 188	$ 510	$ 622
NGLs	7	14	25	43
Natural gas	818	4,116	2,220	6,954
Total royalties	**$ 1,046**	**$ 4,318**	**$ 2,755**	**$ 7,619**
Royalties as a % of revenue	**19.8%**	**22.5%**	**19.4%**	**21.5%**

Royalties were $1.0 million in Q3 2023 and $2.8 million for the first nine months of 2023, a decrease of 76% and 64%, respectively, from the same periods in 2022. The decrease was due to lower NYMEX HH and LLS prices. Southern expects royalties as a percentage of revenue to remain around 20% for 2023 as royalty agreements are based on fixed royalty rates.

Production, Operating and Transportation Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
(000s)				
Operating expenses	$ 1,511	$ 1,165	$ 3,997	$ 3,171
Production taxes	248	739	666	1,622
Transportation expense	407	36	764	107
Total production, operating and transportation	**$ 2,166**	**$ 1,940**	**$ 5,427**	**$ 4,900**

Operating expenses were $1.5 million ($0.97/Mcfe) in Q3 2023, which were an increase of 30% on a dollar basis and an increase of $0.35/Mcfe compared to the same period in 2022. For the first nine months of 2023, operating expenses were $4.0 million ($0.91/Mcfe), which were 26% higher on a dollar basis and $0.16/Mcfe higher compared to the same period in 2022. Since closing the Gwinville Acquisition, Southern has been very successful in quickly integrating the acquired assets. Immediate cost savings in the form of labour and supervision redundancies as well as reduced maintenance contracts have been realized. The Company will continue to consolidate infrastructure, staff and services between assets to keep operating costs low to help offset the current inflationary environment for labour and equipment.

Production taxes were $0.2 million and $0.7 million for the three and nine months ended September 30, 2023, respectively. The State of Mississippi has a severance tax relief program, where new horizontal wells that are drilled are charged a severance tax rate of 1.3% on all oil and natural gas production for a period not to exceed 30 months from the date of the first sale of production from the wells or until the well reaches payout status, whichever occurs first. Payout is deemed to have occurred the first day of the next month after gross revenue, less royalties, severance taxes and operating expenses, equal the costs to drill, complete, equip and tie-in the well. All of the new wells drilled at Gwinville qualify for this reduced severance tax relief program and Southern expects that the four DUCs will also be eligible (see "*Operations Update*", for more information). The wells that do not qualify for the severance tax relief are charged a severance tax rate of 6.0%.

Transportation expenses of $0.4 million ($0.26/Mcfe) in Q3 2023 and $0.8 million ($0.17/Mcfe) in the first nine months of 2023 are related to pipeline fees for the transportation of Southern's natural gas volumes to the sales meter. In Q2 2023, Southern changed natural gas purchasers in Gwinville and Greens Creek, resulting in a reclassification of some pricing adjustments to transportation expenses as the natural gas started going through third party infrastructure.

Operating Netback

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
($/Mcfe)				
Petroleum and natural gas revenue	3.40	10.18	3.22	8.41
Royalties	(0.67)	(2.30)	(0.62)	(1.81)
Production taxes	(0.16)	(0.39)	(0.15)	(0.39)
Operating expenses	(0.97)	(0.62)	(0.91)	(0.75)
Transportation costs	(0.26)	(0.02)	(0.17)	(0.03)
Operating netback per Mcfe before derivatives [1]	**1.34**	**6.85**	**1.37**	**5.43**
Realized gain (loss) on derivatives	0.02	(1.96)	0.03	(1.37)
Operating netback per Mcfe [1]	**1.36**	**4.89**	**1.40**	**4.06**
Operating netback % of revenue [1]	**40%**	**48%**	**43%**	**48%**

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

Southern's operating netbacks decreased by 72% for the three months ended September 30, 2023 and 66% for the first nine months of 2023, compared to the same periods in 2022. The decrease was driven primarily from lower commodity prices and higher operating expenses, partially offset by decreased royalties and realized commodity hedging gains in 2023.

General & Administrative and Transaction Costs

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
(000s)				
General and administrative	$ 977	$ 946	$ 3,640	$ 2,953
Transaction costs	-	23	199	81
Total	**$ 977**	**$ 969**	**$ 3,839**	**$ 3,034**
General and administrative per Mcfe	**$ 0.63**	**$ 0.50**	**$ 0.83**	**$ 0.70**

General and administrative costs were $1.0 million in Q3 2023 and $3.6 million for the first nine months of 2023, an increase of 3% and 23%, respectively, from the same periods in 2022. The increase for the nine months ended September 30, 2023 was primarily due to expenses of $0.5 million related to a 2022 employee bonus program. Transaction costs of $0.2 million in 2023 are related to a potential transaction contemplated by Southern.

Finance Expense

	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
(000s)				
Bank Interest, net	$ 545	$ 209	$ 942	$ 474
Convertible debenture interest	65	71	191	305
Lease interest	5	9	18	29
Accretion	201	134	510	451
Total finance expense	**$ 816**	**$ 423**	**$ 1,661**	**$ 1,259**
Finance expense per Mcfe	**$ 0.53**	**$ 0.22**	**$ 0.38**	**$ 0.30**

Finance expenses were higher for the three and nine months ended September 30, 2023, compared to the same periods in 2022. The increase in 2023 is due to higher interest expenses as the Credit Facility was utilized to fund a portion of the capital program and higher accretion expenses were partially offset by lower convertible debenture interest as a result of some conversions in 2022. For more information, see "*Liquidity and Capital Resources*", below.

Share-based Compensation

Southern recorded share-based compensation of $0.3 million and $0.8 million for the three and nine months ended September 30, 2023, respectively, compared to $0.7 million and $0.8 million in the same periods in 2022, primarily related to the issuance of stock options and restricted share awards in September 2022 and June 2023. For more information, see "*Shareholders' Equity – Share Award Incentive Plan*".

Depletion, Depreciation and Amortization

	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
(000s)				
Depletion	$ 2,560	$ 1,774	$ 7,175	$ 3,975
Depreciation	44	44	132	120
Total depletion, depreciation and amortization	**$ 2,604**	**$ 1,818**	**$ 7,307**	**$ 4,095**
DD&A expense per Mcfe	**$ 1.68**	**$ 0.97**	**$ 1.66**	**$ 0.97**

Depletion expense was $2.6 million ($1.65/Mcfe) in Q3 2023, an increase of 44% on a dollar basis and 76% on a per Mcfe basis, compared to Q3 2022 ($0.94/Mcfe). Depletion expense for the first nine months of 2023 was $7.2 million ($1.63/Mcfe) which was 81% higher on a dollar basis and 73% on a per Mcfe basis compared to the same periods in 2022. The increase is primarily due to higher costs to add reserves in the current business environment compared to the original acquisition of assets at the end of 2018.

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

Impairment

As at September 30, 2023, Southern did not identify any indicators of impairment for any of its cash generating units ("CGUs").

Capital Expenditures, Property Acquisitions and Dispositions

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

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
(000s)				
Land, acquisitions and lease rentals	$ 17	$ 104	$ 3,458	$ 134
Drilling and completions	(84)	2,414	26,759	17,256
Geological and geophysical	7	(8)	7	25
Facilities, equipment and pipelines	1,782	728	11,640	2,617
Other	12	1	54	184
Capital expenditures, before Dispositions	**1,734**	**3,240**	**41,918**	**20,216**
Dispositions	**-**	**-**	**-**	**(759)**
Net capital expenditures (1)	**$ 1,734**	**$ 3,240**	**$ 41,918**	**$ 19,457**

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

Southern incurred $26.8 million of expenses in the first nine months of 2023 related to the drilling program at Gwinville (see "*Operations Update*", for more information). Southern also invested $11.6 million of capital towards long term infrastructure related to the future development of the Gwinville field, primarily related to the purchase of compression and other field equipment.

On June 1, 2023, Southern closed an acquisition to acquire the remaining producing acreage in the Gwinville Field not already owned by the Company for a cash purchase price of $3.2 million.

Shareholders' Equity

Share Capital

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

The following table reflects the Company's outstanding Common Shares as at September 30, 2023 and December 31, 2022:

	Number of Shares	Share Capital
Balance as at December 31, 2022	138,056,910	$ 75,271
Issuance of common shares to satisfy unit warrant exercise	1,031,250	310
Share issuance costs	-	(1)
Balance as at September 30, 2023	**139,088,160**	**$ 75,580**

Warrants

Upon receipt of approval from the TSX Venture Exchange ("TSXV"), Southern extended the expiration date of its Common Share purchase warrants ("Unit Warrant") from April 29, 2023 until December 31, 2023. There are 8,700,000 Unit Warrants remaining with an exercise price of CAD$0.32.

In connection with the Fifth Amendment (see "*Liquidity and Capital Resources – Credit Facility*" for more details), the Company has agreed to extend the term of 3,906,250 outstanding Common Share purchase warrants previously issued to the lender from April 30, 2024 until August 31, 2025.

As at September 30, 2023, 2,413,333 performance-based Common Share purchase warrants ("Performance Warrants") had vested as the 20-day volume weighted average trading price of the Common Shares had exceeded CAD$1.20. The Performance Warrants have an exercise price of CAD$0.80 and expire on December 19, 2023.

Stock Option Plan

The following table reflects the Company's outstanding options to purchase Common Shares at September 30, 2023 and December 31, 2022:

	Number of stock options	Weighted average exercise price (CAD)
Balance at December 31, 2022	7,628,125	$ 0.87
Granted	60,000	$ 0.39
Forfeited	(339,375)	$ 0.89
Balance at September 30, 2023	**7,348,750**	**$ 0.86**

The following table summarizes information regarding stock options outstanding at September 30, 2023:

Exercise Price ($CAD/share)	Number of options outstanding (000s)	Weighted average remaining terms (years)	Weighted average exercise price for options outstanding ($CAD/share)	Number of options exercisable (000s)	Weighted average exercise price for options exercisable ($CAD/share)
$0.39 - $1.01	**7,349**	**2.9**	**$0.86**	**5,588**	**$0.85**

Share Award Incentive Plan

On June 6, 2023, Southern issued 1.3 million restricted share awards ("RSAs") under its Share Award Incentive Plan. The RSAs vest as to one third on each of the first, second and third anniversaries of the grant date. On the vesting dates of such RSAs, the holder is entitled to receive a cash payment or its equivalent in fully paid Common Shares, at the Company's discretion, equal to the closing market value per Common Share on the TSXV on the business day prior to such payment. On June 15, 2023, 59,950 RSAs were forfeited due to the retirement of two directors.

Liquidity and Capital Resources

Southern continues to focus on creating balance sheet resilience and long-term sustainability through all commodity cycles. The Company monitors its capital based on projected cash flow from operations and anticipated capital expenditures. 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.

Southern had a total capital program of $38.6 million through the first nine months of 2023, excluding the Gwinville Acquisition (see "*Capital Expenditures, Property Acquisitions and Dispositions"*, above for more details). The majority of the expenses were incurred in Q1 2023 to complete the moderated Gwinville organic growth program which consisted of the drilling of seven horizontal wells with completion of three wells, leaving four drilled, DUCs. The updated program included compression additions, pad construction, in-field pipelines and water disposal well conversions that will be ready when Southern determines it would make economic sense to continue further Gwinville development. Southern funded the capital expenditures through excess adjusted funds flow from operations (see "*Reader Advisories – Specified Financial Measures"*), availability from Tranche B of the Credit Facility and net proceeds from the July 2022 equity financing.

Southern closed the $3.2 million Gwinville Acquisition on June 1, 2023, and completed a small recompletion and infrastructure program (the "Recompletion Program") in Q3 2023 to enhance the production profile and reduce operating costs of the acquired assets. The acquisition was funded through existing availability from Tranche B of the Credit Facility, which will also be utilized for the Recompletion Program.

	September 30, 2023	December 31, 2022	September 30, 2022
Long-term debt	$ (17,610)	$ (4,800)	$ (5,135)
Convertible debentures – face value	(3,170)	(3,164)	(3,354)
Adjusted working capital (deficiency)	(6,823)	21,401	28,924
Positive net cash (net debt)[(1)]	**$ (27,603)**	**$ 13,437**	**$ 20,435**
Trailing twelve months adjusted funds flow	$ 5,509	$ 17,156	$ 15,523
Net debt to trailing twelve months adjusted funds flow[(1)]	**5.01x**	**n/a**	**n/a**

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

As at September 30, 2023, Southern had adjusted working capital deficiency (see "*Reader Advisories – Specified Financial Measures"*) of $6.8 million. Included in the adjusted working capital deficiency is $5.6 million of non-interest-bearing royalty payables related to unresolved title or ownership issues. These amounts are accumulated from the inception of oil and gas operations and will be resolved in accordance with industry standards over time. The royalty suspense account is made up of balances from approximately 6,400 royalty holders with over 95% of the balances being greater than 120 days. The royalty holders have deficiencies with their accounts that precludes Southern from making payments.

Southern's net debt (see "*Reader Advisories – Specified Financial Measures*") was $27.6 million as at September 30, 2023. This compares to positive net cash of $13.4 million as at December 31, 2022. The increase in net debt during the first nine months of 2023 was expected because of expenditures under the organic development program at Gwinville. Southern incurred approximately $13.8 million in Q1 2023, drilling four wells that were not completed due to low natural gas pricing. In addition, Southern has invested approximately $11.6 million in infrastructure and capital equipment to be utilized with the four DUCs and future wells. As Southern begins to bring the four DUCs online, the overall net debt and net debt to trailing twelve months adjusted funds flow is expected to decrease.

To help fund the completion of the DUCs, Southern closed an equity financing on November 9, 2023, raising aggregate gross proceeds of $5.0 million through the issuance of a total of 26,630,000 new Common Shares (the "Fundraising"). The Fundraising consisted of gross proceeds of $2.8 million through a placing of 15,853,097 new Common Shares at a price of 15.5 pence per Common Share, $2.2 million pursuant to a prospectus offering of 10,712,387 Common Shares at a price of CAD$0.26 per Common Share and the remaining $0.01 million pursuant to a subscription offering of 64,516 Common Shares at a price of 15.5 pence per Common Share.

Credit Facility

Southern Energy Corp. (Delaware), one of the wholly-owned subsidiaries of Southern, held the existing Credit Facility at September 30, 2023. The Credit Facility is comprised of Tranche A of $5.5 million that was advanced at closing on April 30, 2021 and Tranche B of $31.5 million with an availability until August 31, 2025. Interest on the Credit Facility is 12% per annum on amounts outstanding and includes a 1% per annum standby fee on the unused portion of Tranche B, both paid monthly in arrears on the last day of the month. The Credit Facility is secured against the oil and gas properties of Southern and matures on

August 31, 2025. As at September 30, 2023, Southern had $17.6 million drawn on the Credit Facility and $11.5 million available from Tranche B.

Effective September 29, 2023, Southern entered into the fifth amendment to the Credit Facility (the "Fifth Amendment"). The Fifth Amendment includes an increase of $2.0 million to Tranche B of the Credit Facility, bringing the total Tranche B commitment to $31.5 million, and an extension of the commitment period for Tranche B until August 31, 2025. The amendment also extends the principal amortization period by an additional twelve months while maintaining the existing 12% per annum coupon, resets the DSCR (as defined below) covenant calculation to an annualized basis beginning in Q4 2023, reduces the DSCR (as defined below) in Q3 2023 to 1.20:1, reverting back to 1.25:1 in Q4 2023 and all future periods, and allows for repayment and reborrowing under the Tranche B facility.

Quarterly positive free cash flow ("FCF") (as described below) repayments are based on a FCF grid whereby quarterly repayments are X% of the preceding quarter where X is equal to 50% if the ACR (as defined below) is < 3.0x or DSCR (as defined below) is < 1.4x; or X is equal to 0% if the ACR is > 5.0x and DSCR > 1.7x; otherwise is 25%. A standby fee of 1.0% per annum on any undrawn Tranche B amounts.

The Credit Facility includes a monthly repayment of the principal amount outstanding 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 24 months; and (b) on the last day of the second month following each fiscal quarter, the amount determined by the FCF grid (as described above). FCF is calculated as Earnings Before Interest, Taxes, Depreciation, Amortization, and Impairment ("EBITDAX"), less the aggregate of the Credit Facility principal and interest payments.

Below are the financial covenant calculations for the Credit Facility for September 30, 2023 and December 31, 2022:

Financial covenant	**Limit**	**As at Sep 30, 2023**	**As at Dec 31, 2022**
Asset Coverage ratio	Minimum 2.00	3.08	9.77
Debt Service Coverage ratio	Minimum 1.20	1.29	3.87

The asset coverage ratio ("ACR") of at least 2:1 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 Credit Facility.

The debt service coverage ratio ("DSCR") of greater than 1.20:1 is the ratio of EBITDAX to scheduled principal payments and interest expense.

As at September 30, 2023, Southern was in compliance with the above covenants.

Debenture Financing

As at September 30, 2023, Southern had 4,286 convertible debentures issued at a price of CAD$1,000 per debenture that accrue interest at the rate of 8.00% per annum payable semi-annually in arrears on December 31 and June 30 of each year. The convertible debentures have a maturity date of June 30, 2024.

Contractual Obligations and Commitments

The Company is, or will be, obligated to pay various costs associated with operations incurred in the normal course of business. All such contractual obligations reflect market conditions prevailing at the time of contract and none are with related parties. The Company believes it has adequate sources of capital to fund all contractual obligations as they come due. The following table lists the Company's obligations with a fixed term as at September 30, 2023:

	Total	2023	2024	2025	Thereafter
Long-term debt(1)	$ 17,611	$ 1,149	$ 4,595	$ 11,867	$ -
Convertible debentures(2)	3,170	-	3,170	-	-
Lease obligations(3)	159	34	125	-	-
Total	**$ 20,940**	**$ 1,183**	**$ 7,890**	**$ 11,867**	**$ -**

Notes:

(1) Long-term debt consists of the Credit Facility – see "*Liquidity and Capital Resources*" for more information
(2) Debentures have a maturity date of June 30, 2024.
(3) The lease obligations relate to the Canadian office lease that is accounted for under IFRS 16.

Off-balance Sheet Arrangements

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

Risk Management

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

- volatility of commodity prices;
- outbreak of military hostilities, including armed conflict between Russia and Ukraine and the potential destabilizing effect such conflict may pose for the European continent or the global oil and natural gas markets;
- the ability of the Company to achieve drilling success consistent with Management's expectations, including in respect of the Gwinville assets;
- expectations regarding completion of the Company's current and anticipated drilling projects including those related to the Gwinville assets and the timing in respect thereof;
- expectations regarding pricing including in respect of the Company's continued receipt of premiums at Transco Zone 4 and Florida Gas Zone 3;
- global and regional supply and demand;

- reservoir quality and uncertainty of reserves estimates;
- geological and engineering risks;
- operating hazards and other difficulties inherent in the exploration for and production of oil and gas;
- timing and success of integrating the business and operations of acquired companies and assets;
- the uncertainty of discovering commercial quantities of new reserves;
- ability to obtain all necessary licences and permits required for the business of the Company;
- interest rate and foreign exchange risks;
- rising interest rates with further increases anticipated over the next 12 months;
- inflationary risks, including impacts on cost management, supply chain dynamics and government policies impacting operating and capital costs;
- competition;
- credit risk related to non-payment for sales contracts or non-performance by counterparties to contracts, including derivative financial instruments and physical sales contracts;
- public sentiment towards the use of fossil fuels;
- availability of, and access to, capital on favourable or desirable terms;
- environmental impact risk;
- future legislative and regulatory changes;
- changing royalty regimes and the Company's expectations in respect of 2023 royalty rates;
- business interruptions due to unexpected events;
- access to markets; and
- risk of interruption or failure of information technology systems and data.

All of these risks influence the controls and management at the Company.
Southern manages these risks by:

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

For additional details on the risks relating to Southern's business, see "*Risk Factors*" in the Company's most recent Annual Information Form for the year ended December 31, 2022 (the "AIF"), which is available on SEDAR+ at www.sedarplus.ca.

Commodity Derivative Contracts

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

Southern had the following commodity derivative contracts in place as at September 30, 2023:

Natural Gas	Volume	Pricing
Fixed Basis Swap		
October 1, 2023 – October 31, 2023	1,000 MMBtu/d	NYMEX – HH + $0.320/MMBtu
Fixed Price Swap		
October 1, 2023 – December 31, 2023	2,000 MMBtu/d	NYMEX – HH $3.095/MMBtu
October 1, 2023 – December 31, 2023	1,000 MMBtu/d	NYMEX – HH $3.050/MMBtu
January 1, 2024 – December 31, 2025	1,000 MMBtu/d	NYMEX – HH $3.880/MMBtu
April 1, 2024 – October 31, 2024	1,500 MMBtu/d	NYMEX – HH $3.208/MMBtu
Costless Collar		
October 1, 2023 – March 31, 2024	2,000 MMBtu/d	NYMEX – HH $3.00 - $3.98/MMBtu
January 1, 2024 – March 31, 2024	1,000 MMBtu/d	NYMEX – HH $3.00 - $4.60/MMBtu
November 1, 2024 – March 31, 2025	1,000 MMBtu/d	NYMEX – HH $3.50 - $5.20/MMBtu

Subsequent to September 30, 2023, Southern entered into the following commodity derivative contracts:

Natural Gas	Volume	Pricing
Fixed Price Swap		
April 1, 2024 – October 31, 2024	1,500 MMBtu/d	NYMEX – HH $3.420/MMBtu
April 1, 2025 – October 31, 2025	1,500 MMBtu/d	NYMEX – HH $3.420/MMBtu

Eight Quarter Analysis

(*000s*) **Three months ended**	**Sep 30 2023**	**Jun 30 2023**	**Mar 31 2023**	**Dec 31 2022**	**Sep 30 2022**	**Jun 30 2022**	**Mar 31 2022**	**Dec 31 2021**
Revenue	$ 5,285	$ 3,741	$ 5,189	$ 9,830	$ 19,151	$ 10,311	$ 5,925	$ 7,151
Adjusted Funds Flow from Operations	1,071	(366)	1,745	3,059	8,273	3,590	2,234	1,426
Net earnings (loss)	(2,367)	(3,767)	(1,120)	1,748	6,567	2,838	(1,855)	3,311
Per share:								
Basic	(0.02)	(0.03)	(0.01)	0.01	0.05	0.03	(0.02)	0.06
Diluted	(0.02)	(0.03)	(0.01)	0.01	0.04	0.03	(0.02)	0.05

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

- Volatility in commodity prices and the resultant effect on revenue and net earnings (loss).
- On December 29, 2021, Southern disposed of the remaining assets in the BWB CGU resulting in a gain on sale of $0.6 million.

- On February 1, 2022, Southern disposed of its non-core SO CGU resulting in a gain on sale of $0.4 million.
- Production from the initial three well appraisal program at Gwinville online at the end of Q2 2022.
- On June 1, 2023, Southern acquired approximately 400 boe/d (99% natural gas) with the consolidation of the remaining producing acreage in the Gwinville Field.

READER ADVISORIES

Disclosure Regarding Forward-Looking Statements and Future Oriented Financial Information

Certain statements and information contained within this MD&A may constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. These statements include, without limitation, statements regarding the status of development or expenditures relating to Southern's business, the plans and intentions of Management, drilling and completion plans and casing remediation activities, plans to fund current activities, future operations, future strategic acquisitions and growth strategy, future oil and natural gas production estimates and weighting, Southern's future financial position, the resolution of adjusted working capital deficiencies, future corporate strategies and the success thereof, the availability and renewal of the Credit Facility and lending vehicles thereunder, Southern's plans surrounding its first City Bank horizontal well at Gwinville 18-10 #1, intended use of proceed from the Fundraising, the Company's financial hedging program including the use of financial derivatives to manage fluctuations in commodity prices and exchange rates, plans regarding Southern's capital programs and well drilling programs, completion of the four DUCs and the timing thereof, expectation that overall net debt and net debt to trailing twelve months adjusted funds flow will decrease as Southern begins to bring the four DUCs online, projected costs, sources and uses of funding, future revenues, future operating netbacks, plans and expected resolutions of title ownership issues in respect of royalty payables, expectations as to inflation and interest rates, expectations regarding commodity prices and global demand and supply for natural gas, future divestitures/acquisitions, anticipated future benefits of the Gwinville Acquisition, decline rates and cash flow in respect of the assets to be acquired as part of the Gwinville Acquisition, forecasted operational results, capital expenditures and drilling plans and locations, expected cost savings resulting from the Gwinville Acquisition and subsequent consolidation of gathering systems including corresponding cost and fuel savings, the elimination of approximately 250 Mcf/d of fuel gas and associated emissions as a result of consolidated operations and synergies, intention to divert savings from operational synergies at the Gwinville site towards added sales volumes, monetization of spare owned compressors in connection with synergies at the Gwinville site, eligibility of new wells drilled at Gwinville for the State of Mississippi's reduced severance tax relief program and implications thereof, planned capital expenditures, Southern's plans to further realize benefits from the Gwinville Acquisition and assets acquired thereunder including effects of the Recompletion Program including that it will enhance production and reduce operating costs of the acquired assets in Gwinville, funding of the Recompletion Program, plans to provide results from Southern's work program within the full year operating results, intended use of Southern's investment of approximately $8.0 million in infrastructure and capital equipment, the continued consolidation of infrastructure, staff and services between assets and benefits thereof including the reduction of operating costs in light of the current inflationary environment for labour and equipment. Forward-looking statements are often, but not always identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "estimate", "potential", "could", "likely", "believe", "becoming", "positioned for", "forecast", “foresee”, "intend", "continue", "target" or the negative of such terms or other comparable terminology. Southern has made a number of assumptions in the preparation of these forward-looking statements including, without limitation, those regarding future commodity prices, future foreign exchange rates, expected production and costs, estimated reserves of oil and natural gas, the ability to obtain equipment and services in a timely and efficient manner, the continued availability of capital and skilled personnel, drilling results, the ability to obtain financing on acceptable terms, the ability to comply with ongoing obligations under the Credit Facility and other sources of financing, allocation of capital resources, the business plan of Southern, including in respect of the assets acquired pursuant to the Gwinville Acquisition, and successful integration of recently acquired assets into the Company's operations, the Company's ability to execute its plans and strategies, the Company’s ability to enter into future derivative contracts on acceptable terms, the impact of increasing competition within the resource market, the continuation of the current tax, royalty and regulatory regimes, the volatility in commodity prices, oil price differentials, actual prices received for the Company’s products and the resulting effect on the Company’s financial results, the Company’s ability to obtain, retain and renew all requisite permits and licenses, the actions of OPEC and non-OPEC oil and gas exporting countries to set production levels and the influence thereof on oil prices and global demand, the impact of inflation on costs, and the evolving impact of pandemics and uncertainty regarding the full impact of pandemics on global economies and oil demand and commodity prices. Readers should not place undue reliance on forward-looking statements, which are subject to a multitude of risks and uncertainties that could cause actual results, future circumstances or events to differ materially from those projected in the forward-looking statements. These risks include, but are not limited to, the material uncertainties and risks described under the headings "*Risk Management*" and "*Specified Financial Measures*", risks associated with the oil and gas industry in general such as operational risks in development, exploration and production, uncertainty of reserves estimates, environmental impact risks, market demand, competition, inclement and severe weather events and natural disasters, including fire, drought and flooding and corresponding effects, commodity prices, interest rate and exchange rate volatility, credit risk, the need for additional capital and the effect of capital market conditions and other factors, non-completion of previously announced acquisitions and consolidations, changes in tax, royalty or environmental legislation, government regulation and policy generally, geo-political risks, political and economic instability both domestically and abroad, wars (including the Russo-Ukrainian war and the Israel-Palestinian conflict), hostilities, civil insurrections, increased operating and capital costs due to inflationary pressures, the potential dilutive effects of any financing, the timing of exploration and development, the timing and costs of obtaining regulatory approvals, estimates regarding capital requirements and future revenues, the timing and amount of tax credits, adverse effects on general economic conditions in Canada, the U.S. and globally, including due to pandemics and other risks detailed from time to time in Southern’s public disclosure documents. The Russo-Ukrainian war and the Israel-Palestinian conflict are particularly noteworthy, as these conflicts have the potential to disrupt the global supply of oil and gas, and their full impact remains uncertain.

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

This MD&A also contains future oriented financial information and financial outlook information (collectively, "FOFI") with respect to budgeted capital expenditures, revenue and the components thereof, expenses and cost estimates, balance sheet resiliency, cash flow from operations, net debt overall net debt and net debt to trailing twelve months adjusted funds flow, tax rates, payout of wells, and prospective results of operations and production, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs and the assumptions outlined under "*Specified Financial Measures*".

The forward-looking statements and FOFI contained in this MD&A were approved by Management as of the date of this document and were provided for the purpose of providing further information about Southern's future business operations. Southern and its Management believe that forward-looking statements and FOFI have 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 forward-looking statements or 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.

Significant Judgments and Estimates

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

Specified Financial Measures

This MD&A contains various specified financial measures, including non-IFRS financial measures, non-IFRS financial ratios and capital management measures. Management has incorporated certain specified financial measures commonly used in the oil and natural gas industry, such as "Adjusted Funds Flow From Operations," "Operating Netback," "Net Debt to Adjusted Funds Flow", "Adjusted Working Capital," "Net Capital Expenditures" and "Positive Net Cash (Net Debt)". These terms are not defined by IFRS and therefore may not be comparable to similar measures presented by other companies. Readers are cautioned that these specified financial measures should not be construed as alternatives to other measures of financial performance calculated in accordance with IFRS. The specified financial measures and their manner of reconciliation to IFRS financial measures are discussed below. 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.

"Adjusted Funds Flow from Operations"

Adjusted funds flow from operations (non-IFRS financial measure) is calculated based on cash flow from operating activities before changes in non-cash adjusted 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 is calculated using the same weighted average basic and diluted shares that are used in calculating net earnings (loss) per share. The reconciliation between funds flow from operations and cash flow from operating activities, as defined by IFRS, is as follows:

	Three months ended,		
	September 30, 2023	**December 31, 2022**	**September 30, 2022**
Cash flow from operating activities	$ 483	$ 4,262	$ 10,836
Change in non-cash working capital	553	(1,253)	(2,567)
Cash decommissioning expenses	35	50	4
Adjusted Funds Flow from Operations	**$ 1,071**	**$ 3,059**	**$ 8,273**

	Nine months ended,	
	September 30, 2023	**September 30, 2022**
Cash flow from operating activities	$ 3,773	$ 14,341
Change in non-cash working capital	(1,366)	(271)
Cash decommissioning expenses	43	27
Adjusted Funds Flow from Operations	**$ 2,450**	**$ 14,097**

"Operating Netback"

Operating netback (non-IFRS financial measure) is calculated as oil and natural gas sales less royalties, production taxes, operating expenses, transportation costs and realized gain (loss) on derivatives. Operating netback may also be calculated on a per Mcfe basis and as a percentage of revenue. Management considers operating netback an important measure to evaluate its operational performance, as it demonstrates field level profitability relative to current commodity prices.

	Three months ended September 30,		**Nine months ended September 30,**	
	2023	**2022**	**2023**	**2022**
Petroleum and natural gas revenue	$ 5,285	$ 19,151	$ 14,215	$ 35,387
Royalties	(1,046)	(4,318)	(2,755)	(7,619)
Production taxes	(248)	(739)	(666)	(1,622)
Operating expenses	(1,511)	(1,165)	(3,997)	(3,171)
Transportation costs	(407)	(36)	(764)	(107)
Operating netback before derivatives	**$ 2,073**	**$ 12,893**	**$ 6,033**	**$ 22,868**
Realized gain (loss) on derivatives	33	(3,693)	143	(5,769)
Operating netback	**$ 2,106**	**$ 9,200**	**$ 6,176**	**$ 17,099**

"Net Debt to Adjusted Funds Flow"

Southern uses certain industry benchmarks, such as net debt to adjusted funds flow (non-IFRS financial ratio), to analyze financial and operating performance. This benchmark is calculated as net debt divided by the trailing twelve months adjusted funds flow starting with the most recently completed quarter. Management considers net debt to adjusted funds flow as a key measure as it provides a snapshot of the overall financial health of the Company and its ability to fund capital requirements, pay off debt and take on new debt, if necessary. The calculation of the Company's net debt to adjusted funds flow can be seen starting on page 13 in the section titled "Liquidity and Capital Resources". "Net debt to trailing twelve months adjusted funds flow" are net debt to adjusted funds flow ratios calculated on a trailing twelve-month basis.

"Adjusted Working Capital" and "Positive Net Cash (net debt)"

The below tables outline Southern's calculation of adjusted working capital and positive net cash (net debt). Management monitors adjusted working capital (capital management measure) and positive net cash (net debt) (capital management measure) as part of its capital structure in order to fund current operations and future growth of the Company.

	As at September 30, 2023	As at December 31, 2022	As at September 30, 2022
Current assets	$ 5,886	$ 37,638	$ 41,751
Current liabilities	(20,004)	(17,433)	(15,890)
Remove:			
Current derivative assets	(352)	(17)	(64)
Current portion of lease liabilities	98	107	109
Current portion of long-term debt	4,317	1,106	1,108
Current derivative liabilities	127	-	1,910
Current portion of convertible debentures	3,105	-	-
Adjusted working capital (deficiency)	**$ (6,823)**	**$ 21,401**	**$ 28,924**

	As at September 30, 2023	As at December 31, 2022	As at September 30, 2022
Long-term debt	$ (17,610)	$ (4,800)	$ (5,135)
Convertible debentures – face value	(3,170)	(3,164)	(3,354)
Adjusted working capital (deficiency)	(6,823)	21,401	28,924
Positive net cash (net debt)	**$ (27,603)**	**$ 13,437**	**$ 20,435**

"Net Capital Expenditures"

Southern uses "Net Capital Expenditures" (capital management measure) to measure its capital investment level compared to the Company's annual budgeted capital expenditures after dispositions. "Net Capital Expenditures" is calculated by subtracting proceeds from dispositions from capital expenditure costs. The directly comparable IFRS measure is net cash (used) provided by investing activities. The following table details the composition of capital expenditures and its reconciliation to cash used in investing activities:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net cash used by investing activities	$ 712	$ 6,067	$ 40,874	$ 17,796
Change in non-cash working capital	1,022	(2,827)	1,044	1,661
Net Capital Expenditures	**$ 1,734**	**$ 3,240**	**$ 41,918**	**$ 19,457**

Abbreviations

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

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

Barrel of Oil Equivalent and Thousand Cubic Feet Equivalent

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

Additional Information

Additional information about the Company can be obtained by contacting the Company at Suite 2400, 333 7th Avenue SW, Calgary, Alberta T2P 2Z1 or by email at info@southernenergycorp.com. Additional information, including the Company's audited financial statements for the years ended December 31, 2022 and 2021, and the AIF, are also available on SEDAR+ at www.sedarplus.ca or online at www.southernenergycorp.com.