Southern Energy Corp. Announces Q1 2021 Financial and Operating Results Highlighted by a 90% Increase in Adjusted Funds Flow From Operations

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CALGARY, May 26, 2021 - Southern Energy Corp. ("Southern" or the "Company") (SOU: TSXV) today announces the
its first quarter financial and operating results for the three months ended March 31, 2021. Southern is an established p
with natural gas and light oil assets in Mississippi and Alabama characterized by a stable, low-decline production base,
significant low-risk drilling inventory and strategic access to the best commodity pricing in North America. Selected fina
operational information is outlined below and should be read in conjunction with the Company's consolidated financial s
(the "Financial Statements") and related management's discussion and analysis (the "MD&A") for the three months end
31, 2021, which are available on the Company's website at www.southernenergycorp.com and have been filed on SED
figures referred to in this news release are denominated in Canadian dollars, unless otherwise noted.

2021 Highlights

- Adjusted Funds Flow from Operations[1] totaled $1.3 million in Q1 2021, a 90% increase relative to Q1 2020.
- Average production of 12,922 Mcfe/d[2] (92% natural gas) in Q1 2021 was a 1% increase over Q1 2020, demonstr Southern's ability to maintain volumes from its existing low decline asset base, which requires only nominal maint capital expenditures.
- Production and operating costs in Q1 2021 declined by 11% compared to the same period in 2020, averaging $1.
- Southern's realized price per Mcfe was 44% higher in Q1 2021 over the same period in 2020, as realized oil and prices were 19% and 50% higher, averaging $71.24/bbl and $3.57/Mcf, respectively, reflecting the benefit of strat to premium commodity pricing at US sales hubs, compared to Canadian benchmark prices.
- Net debt[1] was reduced by $1.1 million from December 31, 2020 and by $5.0 million from March 31, 2020, totaling million at March 31, 2021.
- General and administrative ("G&A") costs declined 6% to $863 thousand in Q1 2021 compared to the same perio and were 22% lower than in Q4 2020.
- As at March 31, 2021, Southern had positive adjusted working capital[1] of $1.6 million excluding royalty payables.

Subsequent Events

- On April 30, 2021, Southern closed the previously announced retirement of its previous credit facility (the "Previou resulting in a reduction of the outstanding first lien debt balance from US$12.7 million ($15.5 million) to US$5.5 m million), which positions the Company with improved liquidity and strategic flexibility.
- The Previous Facility was retired with a cash settlement payment of US$8.0 million, plus accrued interest, which financed through a new senior secured term loan of up to $8.5 million (the "New Facility") and gross proceeds fro non-brokered private placement of $5.5 million (the "Private Placement", and collectively, the "Debt Refinancing")
- Under the Private Placement, Southern issued 136.6 million units of the Company (the "Units") at a price of $0.04 for aggregate gross proceeds of $5.5 million. Each Unit is comprised of one common share in the capital of South "Common Share") and one Common Share purchase warrant (a "Unit Warrant"). Each Unit Warrant entitles the h purchase one Common Share at a price of $0.04 for a period of two years following the date of issuance.

[1] See "Non-IFRS Measures" under "Reader Advisory" below".

[2] Q1/21 volumes comprised of 11,884 mcf/d conventional natural gas, 153 bbl/d light and medium crude oil and 20 bbl/d NGLs..

"Not only did Southern post strong operational and financial results during the first three months of 2021, we have also significantly improved our long-term sustainability with the closing of the Debt Refinancing," said Ian Atkinson, President and CEO of Southern. "We are excited about the opportunities we see for Southern in a strengthening commodity price environment, given our attractive asset base and the potential to complete both larger, transformational acquisitions and accretive, tuck-in acquisitions. The Company is in a strong position today to generate value for shareholders and be ready to accelerate development upon prices further increasing."

Financial & Operating Highlights

	Three months ended March 31,	
(000s, except $ per share)	2021	2020,
Petroleum and natural gas sales	$ 4,883)	$ 3,397
Net loss	(798)	(10,216)
Net loss per share		
Per share (1)	(0.00)	(0.05)
Adjusted funds flow from operations (2)	1,282	676
Per share (1)	0.01	0.00
Capital expenditures	72	46
Weighted average shares outstanding		
Basic	220,770	220,770
Fully diluted	220,770	220,770
As at period end		
Common shares outstanding		
Basic	220,770	220,770
Fully diluted	220,770	220,770
Total assets	36,894	42,382
Non-current liabilities	12,616	12,855
Net debt (2)	$ 28,324	$ 33,292

Notes:

(1) See "Reader Advisories - Non-IFRS Measures".

(2) Basic and fully diluted weighted average shares outstanding.

Outlook

In addition to bolstering the balance sheet with the Debt Refinancing, the Company has also supported its sustainability by entering into fixed price hedges to mitigate the effects of market volatility for the remainder of 2021. Southern currently has hedges on 5,100 Mcf/d of natural gas at an average price of US$2.45/Mcf through December 31, 2021. These hedge volumes equate to approximately 40% of the Company's current production. A complete list of contracts can be found in the MD&A.

With continued recovery of the global economy following the COVID-19 pandemic, structural improvements in crude oil and natural gas prices are anticipated in 2021 which is expected to benefit Southern given its meaningful torque to commodity price upside. Through April, the U.S. benchmark natural gas spot price at Henry Hub rose 2% over the previous month, and is expected to continue improving through 2021, averaging 50% higher in the current year compared to the prior year, based on forecasts by the U.S. Energy Infrastructure Administration[1]. This anticipated price improvement is being driven by growth in liquefied natural gas (LNG) exports coupled with rising U.S. natural gas consumption in the residential, commercial, and industrial sectors.

Southern is maintaining its previous capital expenditure guidance which anticipates investing approximately $300 thousand in a minimal capital program for the remainder of 2021, funded entirely through excess adjusted funds flows from operations[2]. This program is expected to consist entirely of maintenance capital activities designed to maintain the Company's low corporate decline rate, which currently averages approximately 12%.

Southern remains committed to overall sustainability; both financially as well as through its environmental, social and governance ("ESG") initiatives. With an ongoing focus on cost savings and financial discipline, the Company will continue to streamline and enhance operations while seeking opportunities to reduce capital and operating costs further. Southern would like to recognize the dedication and support of its shareholders, employees and other stakeholders through the past challenges.

About Southern Energy Corp.

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

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[1] Source: https://www.eia.gov/outlooks/steo/report/natgas.php

[2] See "Reader Advisories - Non-IFRS Measures".

www.southernenergycorp.com

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

Throughout this press release, "crude oil" or "oil" refers to light and medium crude oil product types as defined by National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101").

References to "NGLs" throughout this press release comprise pentane, butane, propane, and ethane, being all NGLs as defined by NI 51-101. References to "natural gas" throughout this press release refers to conventional natural gas as defined by NI 51-101.

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

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

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

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

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

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

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

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