Southern Energy Corp. Announces Q2 2021 FINANCIAL AND OPERATING RESULTS

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CALGARY, August 23, 2021 - Southern Energy Corp. ('Southern' or the 'Company') (TSXV:SOU)(AIM:SOUC) today announces the release of its second quarter financial and operating results for the three and six months ended June 30, 2021. Southern is an established producer with natural gas and light oil assets in Mississippi and Alabama characterized by a stable, low-decline production base, a significant low-risk drilling inventory and strategic access to the best commodity pricing in North America. Selected financial and operational information is outlined below and should be read in conjunction with the Company's consolidated financial statements (the 'Financial Statements') and related management's discussion and analysis (the 'MD&A') for the three and six months ended June 30, 2021, which are available on the Company's website at www.southernenergycorp.com and have been filed on SEDAR. All figures referred to in this news release are denominated in Canadian dollars, unless otherwise noted.

Q2 2021 Highlights

- Adjusted funds flow from operations[1] totaled $749 thousand, in-line with Q2 2020, including $0.4 million of expenses related to the AIM listing (see 'Subsequent Events', below), while $2.0 million was generated for the first six months of 2021, 42% higher than the comparable period in 2020.
- Average production of 12,467 Mcfe/d[2] (2,078 boe/d), 92% natural gas in Q2 2021, an increase of 6% versus Q2 2020, and production in the first half of 2021 was 3% higher than the same period in 2020, largely due to the Mechanicsburg assets being down for the majority of Q2 2020 due to a third-party pipeline force majeure event.
- Southern's Q2 2021 realized oil price increased 91% relative to Q2 2020, while the realized natural gas price increased 65% to average $77.71/bbl and $3.35/Mcf, respectively, reflecting the continued strength of product prices and the benefit of strategic access to premium-priced US sales hubs.
- Per unit operating expenses averaged $1.03/Mcfe in Q2 2021 and $1.02/Mcfe for the first half of 2021, a decline of 7% in Q2 and 14% in the first half relative to the 2020 periods, primarily attributable to lower contract labour and reduced equipment rentals.
- Operating netbacks[1] averaged $1.70/Mcfe in Q2 2021 and $1.80/Mcfe for the first six months of 2021, representing increases of 20% and 29% over 2020, respectively, reflecting meaningful increases in realized prices, partially offset by higher royalties and a realized loss on derivatives.
- Improved liquidity and strategic flexibility following the retiring of its previous credit facility during the quarter, reducing the outstanding first lien debt balance from US$12.7 million ($15.5 million) to US$5.5 million ($6.8 million).
- The previous credit facility was retired with a cash settlement payment of US$8.0 million, plus accrued interest, which was financed through a new senior secured term loan of up to US$8.5 million and gross proceeds from a non-brokered private placement of $5.5 million (collectively, the 'Debt Refinancing'). See the Company's Q2 2021 MD&A for transaction details.
- Net debt[1] reduced to $17.7 million at June 30, 2021, reflecting a reduction of $10.6 million throughout Q2 2021 and a reduction of $13.9 million since June 30, 2020, as a result of the Debt Refinancing together with Southern's focus on capital preservation and prudent use of excess adjusted funds flows from operations[1] to improve the balance sheet.
- As at June 30, 2021, Southern had positive adjusted working capital[1] of $2.5 million excluding royalty payables.

Subsequent Events

- On August 10, 2021, Southern was admitted to the AIM market of the London Stock Exchange plc ('AIM') and the Company's Common Shares began trading on August 10, 2021, under the symbol 'SOUC'. The dual listing is expected to help Southern pursue its strategic objective of growth through acquisitions and organic opportunities by taking advantage of the AIM's liquidity and access to a broader range of global investors.

Financial Highlights

(000s, except $ per share)	Three months ended June 30, 2021	2020	Six months ended June 30, 2021	2020
Petroleum and natural gas sales	$ 4,539	$ 2,478	$ 9,472	$ 5,875
Net earnings (loss)	3,008	(1,871)	3,110	(12,087)
Net earnings (loss) per share				
Basic	0.01	(0.01)	0.01	(0.05)
Fully diluted	0.01	(0.01)	0.01	(0.05)
Adjusted funds flow from operations (1)	749	752	2,031	1,428
Basic	0.00	0.00	0.01	0.01
Fully diluted	0.00	0.00	0.01	0.01
Capital expenditures	44	(5)	116	41
Weighted average shares outstanding				
Basic	312,354	220,770	266,815	220,770
Fully diluted	439,545	220,770	361,881	220,770
As at period end				
Basic common shares outstanding	357,395	220,770	357,395	220,770
Total assets	36,257	39,351	36,257	39,351
Non-current liabilities	16,715	12,621	16,715	12,621
Net debt (1)	$ 17,714	$ 31,659	$ 17,714	$ 31,659

Notes:

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

Ian Atkinson, President and CEO of Southern, commented:

'I am pleased with our results in the second quarter, as we generated positive adjusted funds flow from operations, completed our AIM listing, and successfully bolstered the balance sheet through our Debt Refinancing, positioning Southern well to continue executing our organic and acquisition-based growth strategy.'

'Our proven financial discipline and commitment to long-term sustainability are features that we believe will set Southern apart as we strive to introduce the story to a host of new investors globally heading into a period of significant growth for the company.'

Outlook

As part of its risk management and sustainability strategy, Southern has entered into fixed price and costless collar hedges to mitigate the effects of market volatility while retaining the ability to participate in potential natural gas price appreciation during the upcoming winter. Southern currently has hedges on a total of 6,100 Mcf/d of natural gas production based on various contracts through December 31, 2021 and 4,000 Mcf/d for calendar 2022. A complete list of the fixed price and costless collar contracts can be found within Southern's second quarter MD&A.

Southern has a minor capital program of $1.0 million planned for the remainder of 2021, directed towards maintenance capital to support the low corporate average decline rate of approximately 12% and a modest low risk recompletion program to take advantage of the strength in commodity prices. The Company's long-term strategy remains consistent into the second half of 2021, with an unwavering commitment to environmental, social and governance ('ESG') principles that support the continued development and consolidation of prolific reservoirs that are outside of the more expensive shale basins. Cost savings and financial discipline will remain a priority through the continued enhancement of operations and the ongoing evaluation of opportunities to reduce operating and capital costs.

Southern thanks all of its stakeholders for their ongoing support and looks forward to providing future updates on operational activities supported by the Company's recently enhanced financial flexibility and wider exposure to new pools of capital with the upcoming AIM listing.

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

[2] Comprised of 139 bbl/d light and medium crude oil, 28 bbl/d NGLs and 11,465 mcf/d conventional natural gas. "Non-IFRS Measures" under "Reader Advisory" below".

For further information about Southern, please visit our website at www.southernenergycorp.com or contact:

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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.

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.

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, expected benefits from the Company's AIM listing, 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 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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[3] See 'Non-IFRS Measures' under 'Reader Advisory' below'.

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