

Southern Energy Corp. Announces Operational Update

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[Southern Energy Corp.](#) ANNOUNCES A 73% INCREASE IN 2P RESERVES AT YEAR END 2021, UPDATE ON GWINVILLE DRILLING PROGRAM AND NON-CORE ASSET DISPOSITION

CALGARY, March 2, 2022 - [Southern Energy Corp.](#) ("Southern" or the "Company") (TSXV:SOU)(AIM:SOUC) is pleased to announce selected highlights of Southern's year end independent oil and gas reserves evaluation as of December 31, 2021 (the "NSAI Report"), and provide an update on the Company's three well drilling program at the Gwinville field and a non-core asset cash disposition.

The NSAI Report was prepared by Southern's independent qualified reserves evaluator, Netherland, Sewell and Associates, Inc. ("NSAI"). All currency amounts are in United States dollars (unless otherwise stated) and comparisons refer to December 31, 2020. The Company anticipates announcing its fourth quarter and audited year end 2021 financial results and filing an annual information form ("AIF") for the year ended December 31, 2021, in April 2022.

Highlights:

• Relative to year-end 2020, the NSAI Report states

• an increase in proved developed producing ("PDP") reserves by 9% to 5.7 MMboe,

• consistent total proved ("1P") reserves at 10.5 MMboe and

• an increase in total proved plus probable ("2P") reserves by 73% to 20.2 MMboe in 2021;

• a PDP reserve life index ("RLI") of 9 years and 15 year RLI for 2P reserves

• Additional drilling locations identified at Gwinville, based on previous Selma Chalk horizontal drilling successes, which could add material levels of production;

• Before-tax net present value ("NPV") of reserves, discounted at 10% ("NPV10"), is \$32.4 million on a PDP basis, \$53.5 million on a 1P basis and \$88.3 million on a 2P basis evaluated using the average forecast pricing of four independent reserve evaluators as at January 2022

• Material progression of before tax NPV-10 per share to CAD\$0.53/share, CAD\$0.88/share, and CAD\$1.45/share for PDP, 1P, and 2P categories;

• The ongoing three well drilling program at Gwinville proceeding on schedule and on budget, with completion operations expected to begin in early April 2022

• Disposition of two non-core oil properties for \$1.3 million, net of closing adjustments

• Aggregate production from the two properties was approximately 40 boe/d⁽¹⁾

In addition to the summary information disclosed in this press release, more detailed information regarding Southern's oil and gas reserves will be included in the Company's AIF to be filed on SEDAR (www.sedar.com).

Ian Atkinson, President and Chief Executive Officer of Southern commented:

"We are delighted to report our 2021 year-end reserves report which highlights the quality of our asset base, our unique operational expertise and the capability for significant reserves growth potential in our assets as we progress our organic growth program.

"We are particularly excited by the additional probable drilling locations identified at Gwinville, which are based on results from previous Selma Chalk horizontal drilling successes and does not incorporate our new well completion design. Identification of these drilling locations demonstrates how our strategy of applying modern completion techniques can bring new life, and production, to high quality, mid-life assets.

"The NSAI report demonstrates that we have substantially extended the running room and future development potential of our asset which will complement our strategy to generate long term sustainable free funds flow and organic growth in development of our existing asset base."

2021 Independent Qualified Reserve Evaluation

The following tables highlight the findings of the NSAI Report, which has been prepared in accordance with definitions, standards and procedures contained in National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and the most recent publication of the Canadian Oil and Gas Evaluation Handbook ("COGEH"). All evaluations and summaries of future net revenue are stated prior to the provision for interest, debt service charges or general and administrative expenses and after deduction of royalties, operating costs, estimated well abandonment and reclamation costs, and estimated future capital expenditures. The NSAI Report was based on the average forecast pricing of the following four independent external reserves evaluators: GLJ Ltd, Sproule Associates Limited, McDaniel & Associates Consultants Ltd and Deloitte. Additional reserves information as required under NI51-101 will be included in Southern's AIF, which will be filed on SEDAR in April 2022. The numbers in the tables below may not add due to rounding.

Summary of Reserves Volumes as at December 31, 2021

The Company's reserve volumes and undiscounted future development capital costs are summarized below as at December 31, 2021:

SUMMARY OF RESERVE VOLUMES ⁽¹⁾				
	Light and Medium Oil (Mbbbls)	Condensate (Mbbbls)	NGL (Mbbbls)	Conventional Gas (Mbbbls)
Proved Developed Producing	117	211	78	31,804
Proved Developed Non-Producing	55	68	1	9,724
Proved Undeveloped	-	312	136	15,476
Total Proved	172	591	215	57,004
Probable	61	169	18	56,711
Total Proved Plus Probable	233	761	233	113,715

(1) Gross working interest reserves before royalty deductions.

The following table outlines the changes in Southern's reserves and reserve life index as at December 31, 2021 compared to December 31, 2020:

CHANGE IN RESERVES AND RESERVE LIFE INDEX ⁽¹⁾	2021	2020	% Change
Reserves (mboe)			
Proved Developed Producing	5,707	5,237	9%
Total Proved	10,479	10,438	0%
Total Proved Plus Probable	20,178	11,690	73%
PDP as % of 2P	28%	45%	(37%)
1P as % of 2P	52%	89%	(42%)
Reserve Life Index (years)			
Proved Developed Producing	8.5	7.0	21%
Total Proved	15.6	14.0	12%
Total Proved Plus Probable	30.0	15.6	92%

(1) The Reserve Life Index ("RLI") as at December 31, 2021 is calculated as gross working interest reserves divided by the projected annual PDP production for 2022. See "Reader advisories - Oil and Gas Advisories"

Southern's total 2P reserves increased by 73% to 20.2 MMboe resulting in a 2P reserve life index of 30.0 years on projected annual PDP production for 2022. Southern's 2021 recompletion program resulted in an 9% increase in PDP reserves to 5.7 MMboe.

Net Present Value of Future Net Revenue as at December 31, 2021

The following table summarizes the net present value of the Company's reserves (before-tax) as at December 31, 2021. The reserves value on a \$/boe basis, discounted at 10% per year, is also summarized for each category.

NET PRESENT VALUE BEFORE-TAX	0% (M\$)	10% (M\$)	20% (M\$)	Unit Value ⁽¹⁾ Before Income Tax, Discounted at
Proved Developed Producing	51,635	32,437	24,461	7.22
Proved Developed Non-Producing	17,008	6,644	3,684	4.96
Proved Undeveloped	32,544	14,463	6,759	5.86
Total Proved	101,187	53,544	34,904	6.45
Probable	102,089	34,712	14,766	4.49
Total Proved Plus Probable	203,276	88,256	49,670	5.50

(1) Unit values are based on net reserves. Net reserves are the Company's working interest reserves after deduction of royalties

Forecast Prices Used in Estimates

The following table outlines the forecasted future prices used by NSAI in their evaluation of the Company's reserves at December 31, 2021, which are based on a four-consultant average price forecast. The forecast cost and price assumptions assume increases in wellhead selling prices and consider inflation with respect

to future operating and capital costs.

FUTURE COMMODITY PRICE FORECAST	WTI Cushing NYMEX	
	Oklahoma	Henry Hub
	US\$/bbl	US\$/MMBtu
2022	71.88	3.89
2023	67.91	3.47
2024	65.42	3.23
2025	66.72	3.29
2026	68.05	3.35
2027	69.42	3.43
2028	70.81	3.49
2029	72.22	3.57
2030	73.67	3.63
2031	75.14	3.71
Thereafter	+ 2.0%/year	+ 2.0%/year

Reserves Reconciliation

The following table sets out the reconciliation of Southern's gross reserves based on forecast prices and costs by principal product type as at December 31, 2021 relative to December 31, 2020. The majority of 2P reserves increases, year-on-year, came from recognition of the Gwinville Selma Chalk horizontal drilling locations for positive revisions.

RESERVES ⁽¹⁾ RECONCILIATION	PDP (Mboe)	1P (Mboe)	Probable (Mboe)	2P (Mboe)
December 31, 2020	5,237	10,438	1,252	11,690
Discoveries	-	-	-	-
Extensions	-	-	-	-
Infill Drilling	-	-	8,399	8,399
Improved Recovery	-	-	-	-
Technical Revisions ⁽²⁾	982	564	19	583
Acquisitions	-	-	-	-
Dispositions	(49)	(49)	-	(49)
Economic Factors	303	292	29	321

Production ⁽³⁾	(766)	(766)	-	(766)
December 31, 2021	5,707	10,479	9,699	20,178

(1) Gross working interest reserves before royalty deductions

(2) Technical revisions also include reserves associated with changes in operating costs and commodity price offsets

(3) Produced volumes for the year ended December 31, 2021 are internally estimated

Operations Update

Energy Drilling Rig #15 spud the first well on the Gwinville three-well padsite on January 28, 2022. Surface casing has been run on all three wells, and we are currently drilling the third and final intermediate section prior to initiating the horizontal laterals. Southern anticipates that drilling operations will conclude in late March, with completion operations to follow in early April 2022.

In Q1 2022, Southern entered into a hedge contract through December 31, 2022, on 2,000 MMBtu/d of natural gas production at a fixed price of \$4.61/MMBtu.

Gary McMurren, Vice President of Engineering commented:

"The team is very excited about revitalizing the Gwinville Field with modern horizontal drilling and multistage fracture technology and this first padsite will be a great measure of how effective these optimized wellbore designs are at maximizing gas delivery from Selma Chalk horizontals.

"Following the completion operations, we will immediately be flowing the wells back through our company-owned, high pressure gathering system to sales, thereby eliminating any flaring emissions and lost revenue. By the end of Q2 2022 we should have a good idea of how the initial well rates match our type curve expectations."

Non-Core Asset Disposition

Recently, in two separate transactions, Southern disposed of two small, non-core oil properties located outside of the Company's focused asset base in central Mississippi. Total working-interest production from the assets was approximately 40 boe/d for a consideration of \$1.3 million net of closing adjustments. The implied sale metrics of approximately \$32,500/boepd and 3x fourth quarter 2021 annualized cash flow are strong considering the limited upside potential from the assets.

Ian Atkinson commented:

"Divesting these small interests is consistent with our core strategy to focus on high working interest, operated assets with re-development opportunities for our shareholders."

Change in Reporting Currency

Southern is electing to change its reporting currency from Canadian dollars to U.S. dollars since the majority of its natural gas and crude oil properties are in the U.S. The change in reporting currency is a voluntary change which is accounted for retrospectively. All prior periods will be restated to U.S. dollars.

A new corporate presentation dated March 2022 is now available on the Company website at

www.southernenergycorp.com.

Warrant Exercise and Admission to Trading on AIM and Total Voting Rights

Southern has issued 20,000 new common shares in the Company ("Common Shares") to satisfy an exercise of warrants over Common Shares at an exercise price of CAD0.32 per Common Share.

Application has been made to the London Stock Exchange plc for the admission to trading on AIM of the 20,000 new Common Shares, which is expected to occur at 8.00 a.m. on or around 7 March 2022 ("Admission"). On Admission, the new Common Shares will rank pari passu with the existing Common Shares.

On Admission, the issued share capital of the Company will be 78,171,858 Common Shares and this figure may be used by shareholders as a denominator for the calculations by which they will determine if they are required to notify their interest in or change to their interest in the Company. There are no Common Shares held in treasury and each Common Share entitles the holder to a single vote at general meetings of the Company. Accordingly, on Admission, the total number of voting rights in the Company will be 78,171,858.

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About Southern Energy Corp.

[Southern Energy Corp.](#) is a 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.

Qualified Person's Statement

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

Disclosure of Oil and Gas Information

AIF. Southern's Statement of Reserves Data and Other Oil and Gas Information on Form 51-101F1 dated effective as at December 31, 2021, which will include further disclosure of Southern's oil and gas reserves and other oil and gas information in accordance with NI 51-101 and COGEH forming the basis of this press release, will be included in the AIF which will be available on SEDAR at www.sedar.com in April 2022.

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

Reserves and Future Net Revenue Disclosure. All reserves values, future net revenue and ancillary information contained in this press release are derived from the NSAI Report unless otherwise noted. All reserve references in this press release are "Company gross reserves". Company gross reserves are the Company's total working interest reserves before the deduction of any royalties payable by the Company. Estimates of reserves and future net revenue for individual properties may not reflect the same level of confidence as estimates of reserves and future net revenue for all properties, due to the effect of aggregation. There is no assurance that the forecast price and cost assumptions applied by NSAI in evaluating Southern's reserves will be attained and variances could be material. All reserves assigned in the NSAI Report are located in the State of Mississippi and presented on a consolidated basis.

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

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. Proved developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty. Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned. Certain terms used in this press release but not defined are defined in NI 51-101, CSA Staff Notice 51-324 - Revised Glossary to NI 51-101, Revised Glossary to NI 51-101, Standards of Disclosure for Oil and Gas Activities ("CSA Staff Notice 51-324") and/or the COGEH and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101, CSA Staff Notice 51-324 and the COGEH, as the case may be.

Oil and Gas Metrics. This press release contains metrics commonly used in the oil and natural gas industry, such as development capital.

"Development capital" means the aggregate exploration and development costs incurred in the financial year on reserves that are categorized as development. Development capital presented herein excludes land and capitalized administration costs but includes the cost of acquisitions and capital associated with acquisitions where reserve additions are attributed to the acquisitions. These terms have been calculated by management and do not have a standardized meaning and may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons. Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare Southern's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

Abbreviations

bbls barrels

Mbbls thousand barrels

bbls/d barrels per day

\$M thousands of US dollars

boe barrels of oil equivalent

Mboe thousand barrels of oil equivalent

MMboe million barrels of oil equivalent

boe/d barrels of oil equivalent per day

GJ gigajoule

Mcf thousand cubic feet

Mcf/d thousand cubic feet per day

MMcf/d million cubic feet per day

MMBtu million British Thermal Units

WTI West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade

Forward Looking Information

This press release contains certain forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "guidance", "outlook", "anticipate", "target", "plan", "continue", "intend", "consider", "estimate", "expect", "may", "will", "should", "could" or similar words suggesting future outcomes. More particularly, this press release contains statements concerning: Southern's business strategy, objectives, strength and focus; future consolidation activity and organic growth; future intentions with respect to return of capital; oil and natural gas production levels, decline rates, free funds flow; anticipated operational results for 2022 including, but not limited to, estimated or anticipated production levels, capital expenditures and drilling plans; expectations regarding commodity prices; the performance characteristics of the Company's oil and natural gas properties; the ability of the Company to achieve drilling success consistent with management's expectations; the source of funding for the Company's activities including development costs. Statements relating to "reserves" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

The forward-looking statements contained in this document are based on certain key expectations and assumptions made by Southern, including those relating to: the business plan of Southern; the timing of and success of future drilling, development and completion activities; the geological characteristics of Southern's properties; prevailing commodity prices, price volatility, price differentials and the actual prices received for the Company's products; the availability and performance of drilling rigs, facilities, pipelines and other oilfield services; the timing of past operations and activities in the planned areas of focus; the drilling, completion and tie-in of wells being completed as planned; the performance of new and existing wells; the application of existing drilling and fracturing techniques; prevailing weather and break-up conditions; royalty regimes and exchange rates; the application of regulatory and licensing requirements; the continued availability of capital and skilled personnel; the ability to maintain or grow the banking facilities; the accuracy of Southern's geological interpretation of its drilling and land opportunities, including the ability of seismic activity to

enhance such interpretation; and Southern's ability to execute its plans and strategies.

Although management considers these assumptions to be reasonable based on information currently available, undue reliance should not be placed on the forward-looking statements because Southern can give no assurances that they may prove to be correct. By their very nature, forward-looking statements are subject to certain risks and uncertainties (both general and specific) that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: incorrect assessments of the value of benefits to be obtained from exploration and development programs; risks associated with the oil and gas industry in general (e.g. operational risks in development, exploration and production; and delays or changes in plans with respect to exploration or development projects or capital expenditures); commodity prices; increased operating and capital costs due to inflationary pressures; the uncertainty of estimates and projections relating to production, cash generation, costs and expenses; health, safety, litigation and environmental risks; access to capital; and the COVID-19 pandemic. Due to the nature of the oil and natural gas industry, drilling plans and operational activities may be delayed or modified to react to market conditions, results of past operations, regulatory approvals or availability of services causing results to be delayed. Please refer to the annual information form for the year ended December 31, 2020, the management's discussion and analysis for the period ended September 30, 2021 (the "MD&A") and other continuous disclosure documents for additional risk factors relating to Southern, which can be accessed either on Southern's website at www.southernenergycorp.com or under the Company's profile on www.sedar.com.

The forward-looking statements contained in this press release are made as of the date hereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Southern's prospective results of operations and free funds flow, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Southern's future business operations. Southern and its management believe that FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results. Southern disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

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The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended).

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