

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Southern Energy Corp. (“**Southern**” or the “**Company**”)
Suite 2400, 333 – 7th Avenue S.W.
Calgary, Alberta T2P 2Z1

Item 2 Date of Material Change

June 14, 2019.

Item 3 News Release

A press release was disseminated through the newswire services of Cision and filed on SEDAR on June 14, 2019.

Item 4 Summary of Material Change

Southern announced the concurrent completion of: (a) its previously announced strategic Mississippi natural gas asset acquisition (the “**Acquisition**”); (b) the closing of its previously announced convertible debenture financing (the “**Financing**”, and together with the Acquisition, the “**Transaction**”) in connection with the Acquisition; and (c) the amendment of the Company’s senior secured credit facility (the “**Facility**”) to partially fund the Acquisition.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

COMPLETION OF ACQUISITION

On June 14, 2019, the Company completed its previously announced acquisition of high-quality, low-decline natural gas assets in the State of Mississippi (the “**Assets**”) for cash consideration of US\$16.5 million (\$22.0 million), subject to customary adjustments, pursuant to an agreement dated effective April 25, 2019 between the Company’s wholly-owned subsidiary, Southern Energy CMS, LLC, and a number of arm’s length private vendors. Production relating to the Assets is approximately 1,000 boe/d, comprised of approximately 3% oil and liquids. The Acquisition complements the Company’s existing Mississippi operations and strengthens its business model.

COMPLETION OF FINANCING

Concurrent with the completion of the Acquisition, the Company completed its previously announced convertible debenture financing with a syndicate of agents co-led by Laurentian Bank Securities Inc. and Eight Capital, and including Cormark Securities Inc., Desjardins Securities Inc., Canaccord Genuity Corp. and Haywood Securities Inc. (the “**Agents**”), pursuant to which the Company sold an aggregate principal amount of \$8.1 million of convertible unsecured subordinated debentures of the Company (the “**Debentures**”) at a price of \$1,000 per Debenture, inclusive of \$283,000 of Debentures issued as commission to the Agents for the Financing. The net proceeds from the Financing were used, along with cash on hand and a further draw on the Facility (as described below), to fund the Acquisition.

The Debentures, as well as the common shares issuable upon conversion of the Debentures which are issued within four months of issuance of the Debentures, will be subject to a hold period expiring on the day that is fourth months and one day after the closing of the Financing.

Laurentian Bank Securities Inc. and Eight Capital acted as financial advisors to Southern on the Transaction.

AMENDMENT OF CREDIT FACILITY

To partially fund the Acquisition, the Facility was amended to increase the borrowing base by over 30% from US\$12.5 million to US\$17.0 million. After completing the Acquisition, Southern has US\$15.8 million drawn from the Facility.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

This material change report is not being filed on a confidential basis.

Item 7 Omitted Information

None.

Item 8 Executive Officer

For further information, please contact Ian Atkinson, President and Chief Executive Officer of the Company at (587) 287-5401.

Item 9 Date of Report

June 24, 2019.

READER ADVISORY

BOE Disclosure. *The term barrels of oil equivalent (“boe”) may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6mcf:1bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in the report are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.*

Forward Looking Statements. *Certain information included in this material change report 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. The forward-looking statements contained in this material change report are based on certain expectations and assumptions made by Southern, including expectations and assumptions concerning the expected benefits of the Acquisition and the quality of the Assets.*

All dollar figures included herein are presented in Canadian dollars, unless otherwise noted.