

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in all of the provinces of Canada, except Québec, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities to be offered hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws. Accordingly, these securities may not be offered, sold or delivered within the United States (as defined herein) except in accordance with the Agency Agreement (as defined herein) and pursuant to an exemption from the registration requirements of the 1933 Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

This document contains no offer of transferable securities to the public in the United Kingdom ("U.K.") within the meaning of sections 85(1) and 102B of the United Kingdom Financial Services and Markets Act 2000, as amended, (the "FSMA"). This document is not a prospectus for the purposes of Section 85(1) of FSMA. Accordingly, this document has not been examined or approved as a prospectus by the United Kingdom Financial Conduct Authority (the "FCA") under Section 87A of FSMA or by the London Stock Exchange and has not been filed with the FCA pursuant to the rules published by the FCA implementing the Prospectus Directive (2003/71/EC) (the "U.K. Prospectus Rules") nor has it been approved by a person authorized under FSMA, for the purposes of Section 21 of FSMA.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Southern Energy Corp. at Suite 2400, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1, Telephone: (587) 287 - 5402, and are also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

October 28, 2021

SOUTHERN ENERGY CORP.



Up to \$[•] million
Up to [•] Common Shares

\$0.05 per Common Share

This preliminary short form prospectus (the "**Prospectus**") qualifies the distribution (the "**Offering**") of up to [•] common shares (the "**Offered Shares**") of Southern Energy Corp. ("**Southern**" or the "**Corporation**") at a price of \$0.05 per Offered Share (the "**Offering Price**"), for aggregate gross proceeds of up to \$[•] (the "**Maximum Offering**"). The terms of the Offering, including the Offering Price, were determined by negotiation between the Corporation and Eight Capital (the "**Lead Agent**"), on its own behalf and on behalf of INFOR Financial Inc., Haywood Securities Inc. and Canaccord Genuity Corp. (collectively and together with the Lead Agent, the

"Agents"). The Offering is made on a "best efforts" agency basis pursuant to the terms of an agency agreement (the **"Agency Agreement"**) to be executed prior to the filing of the (final) short form prospectus among the Corporation and the Agents. See *"Plan of Distribution"*.

The issued and outstanding common shares in the capital of the Corporation (**"Common Shares"**) are listed and posted for trading on the TSX Venture Exchange (the **"TSX-V"**) under the trading symbol "SOU" and on AIM, a market operated by London Stock Exchange plc (**"AIM"**) under the symbol "SOUC". On October 27, 2021, the last trading day before the public announcement of the Offering and the date of this Prospectus, the closing price of the Common Shares on the TSX-V was \$0.065, and the closing price of the Common Shares on the AIM was 4.25p. The Corporation has applied to list the Offered Shares on the TSX-V. Such listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX-V. It is intended that an application for admission of such Offered Shares pursuant to the AIM Rules will be submitted as soon as reasonably practicable following the filing of this Prospectus.

	Price to the Public	Agents' Fee ⁽¹⁾	Net Proceeds to the Corporation ⁽¹⁾⁽²⁾
Per Offered Share	\$0.05	\$0.003	\$0.047
Maximum Offering ⁽³⁾	\$[•]	\$[•]	\$[•]

Notes:

1. Pursuant to the terms and conditions of the Agency Agreement, the Corporation has agreed to pay the Agents a cash commission equal to 6.0% of the gross proceeds of the Offering (including any gross proceeds raised on exercise of the Agents' Option (as hereinafter defined)) (the **"Agents' Fee"**), which is equal to \$0.003 per Offered Share.
2. Before deducting expenses of the Offering estimated to be \$[•] (exclusive of GST), which will be paid out of the Corporation's general funds.
3. The Corporation has granted to the Agents an option (the **"Agents' Option"**) to purchase up to an additional 15% of the Offered Shares, at the discretion of the Agents at a price equal to the Offering Price, on the same terms and conditions as the Offering. The Agents' Option is exercisable, in whole or in part, at any time up to 30 days following the Closing Date (as defined herein) to cover over-allotments, if any, and for market stabilization purposes. If the Agents exercise the Agents' Option relating to the Offered Shares in full, the total Offering price to the public, the Agents' Fee and net proceeds to the Corporation (before deducting expenses) will be approximately \$[•], \$[•] and \$[•], respectively. This Prospectus also qualifies the grant of the Agents' Option and the distribution of any Offered Shares issued pursuant to the exercise of the Agents' Option. See *"Plan of Distribution"*.

The following table sets forth the number of Offered Shares that may be issued by the Corporation pursuant to the Agents' Option:

Agents' Position	Maximum Number of Offered Shares	Exercise Period	Exercise Price
Agents' Option	[•] Offered Shares	Up to 30 days following the Closing Date	\$[•] per Offered Share

A purchaser who acquires Offered Shares forming part of the Agents' over-allocation position acquires such securities under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Agents' Option or secondary market purchases.

The Offering is not underwritten or guaranteed by any person. The Agents, on behalf of the Corporation, conditionally offer the Offered Shares on a best-efforts basis if, as and when issued, sold and delivered by the Corporation in accordance with the conditions contained in the Agency Agreement (as defined herein) referred to under *"Plan of Distribution"* and subject to approval of certain legal matters relating to the Offering on behalf of the Corporation by Stikeman Elliott LLP, and on behalf of the Agents by Dentons Canada LLP.

There is no minimum amount of funds that must be raised under this Offering. This means that the Corporation could complete this Offering after raising only a small proportion of the Offering amount set out above.

Subscriptions for the Offered Shares issuable hereunder will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offered Shares (other than any Offered Shares issuable pursuant to the exercise of the Agents' Option) shall be taken up by the Agents, if at all, on or before a date not later than 90 days after the date of the receipt for the final short form prospectus. It is expected that Closing (as defined herein) will occur on or about November 11, 2021, or such other

date as the Corporation and the Lead Agent, on its own behalf and on behalf of the other Agents, may agree, but in any event no later than the date that is 90 days after the receipt for the final short form prospectus.

Except in certain limited circumstances: (i) the Offered Shares will be registered and represented electronically through the non-certificated inventory system of CDS (as defined herein) in "book-based" form; (ii) no certificates evidencing the Offered Shares will be issued to purchasers of Offered Shares unless specifically requested; and (iii) purchasers of Offered Shares will receive only a customer confirmation from the Agent or other registered dealer who is a CDS depository participant ("**CDS Participant**") and from or through whom a beneficial interest in the Offered Share is purchased.

Subject to applicable laws, the Agents may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market in accordance with applicable stabilization rules. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

An investment in the Offered Shares is subject to certain risks inherent in the Corporation's involvement in the exploration for, and the acquisition, development and production of, crude oil and natural gas reserves. The risk factors identified under the headings "*Risk Factors*" and "*Special Note Regarding Forward-Looking Statements*" in this Prospectus, under the heading "*Risk Factors*" in the AIF (as defined herein), the Annual MD&A (as defined herein) and the Interim MD&A (as defined herein), should be carefully reviewed and evaluated by prospective subscribers before purchasing the securities being offered hereunder.

In addition to the Offering, the Corporation intends to complete the Private Placement (as defined herein) with certain subscribers in the U.K. on a best-efforts private placement basis. The relative offering size of the Offering and the Private Placement, respectively, shall be determined in the context of the market. However, it is currently anticipated that the aggregate gross proceeds of the Offering (without giving effect to the Over-Allotment Option), together with the aggregate gross proceeds of the Private Placement, will be up to approximately \$15.25 million. See "*Recent Developments – Private Placement*".

Investors should rely only on the information contained in this Prospectus and the documents incorporated by reference herein. The Corporation has not authorized anyone to provide investors with different information. The Corporation is not offering the Offered Shares in any jurisdiction in which the Offering is not permitted. Investors should not assume that the information contained in this Prospectus is accurate as of any date other than the date of this Prospectus. Subject to the Corporation's obligations under applicable securities laws, the information contained in this Prospectus is accurate only as of the date of this Prospectus regardless of the time of delivery of this Prospectus or of any sale of the Offered Shares.

The Corporation's head office is located at Suite 2400, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1, and the registered office is located at 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5.

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SELECTED DEFINITIONS

Unless the context indicates otherwise, the following terms shall have the meanings set out below when used in this short form prospectus.

"**1933 Act**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**ABCA**" means the *Business Corporations Act* (Alberta), including the regulations promulgated thereunder.

"**Agency Agreement**" means the agency agreement among the Corporation and the Agents in respect of the Offering, to be executed prior to the filing of the (final) short form prospectus.

"**Agents**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**Agents' Fee**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**Agents' Option**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**AIF**" has the meaning ascribed thereto under "*Documents Incorporated by Reference*".

"**AIM**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**Annual Financials**" has the meaning ascribed thereto under "*Documents Incorporated by Reference*".

"**Annual MD&A**" has the meaning ascribed thereto under "*Documents Incorporated by Reference*".

"**Board**" means the board of directors of the Corporation as it may be comprised from time to time.

"**Business Day**" means a day, other than a Saturday or Sunday, or a statutory holiday, on which major Canadian chartered banks are open for business in Calgary, Alberta.

"**CBCA**" means the *Canada Business Corporations Act*, including the regulations promulgated thereunder.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**CDS Participant**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**Closing**" means the closing of the Offering.

"**Closing Date**" means the date of Closing which is expected to be on or about November 11, 2021, or such later date as the Corporation and the Lead Agent, on its own behalf and on behalf of the other Agents, may agree upon in writing, acting reasonably, but, in any event, such date shall be no later than 90 days after the receipt is issued for the final short form prospectus.

"**Common Shares**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**Computershare**" means Computershare Trust Company.

"**Controlling Individual**" has the meaning ascribed thereto under the heading "*Eligibility for Investment*".

"**Corporation**" or "**Southern**" means Southern Energy Corp.

"**Credit Facility**" has the meaning ascribed thereto under the heading "*Consolidated Capitalization*".

"**Debentures**" has the meaning ascribed thereto under the heading "*Prior Sales*".

"Facility Warrants" has the meaning ascribed thereto under the heading "*Prior Sales*".

"Interim Financials" has the meaning ascribed thereto under "*Documents Incorporated by Reference*".

"Interim MD&A" has the meaning ascribed thereto under "*Documents Incorporated by Reference*".

"Lead Agent" has the meaning ascribed thereto on the cover page of this Prospectus.

"Marketing Materials" has the meaning ascribed thereto under "*Documents Incorporated by Reference*".

"Maximum Offering" has the meaning ascribed thereto on the cover page of this Prospectus.

"NI 41-101" means National Instrument 41-101 – *General Prospectus Requirements*.

"NI 44-101" means National Instrument 44-101 – *Short Form Prospectus Distributions*.

"NI 51-102" means National Instrument 51-102 – *Continuous Disclosure Obligations*.

"Offered Shares" has the meaning ascribed thereto on the cover page of this Prospectus.

"Offering" has the meaning ascribed thereto on the cover page of this Prospectus.

"Offering Price" has the meaning ascribed thereto on the cover page of this Prospectus.

"Option Plan" means the stock option plan of the Corporation.

"Options" means options to purchase Common Shares granted by the Board in accordance with the Option Plan.

"Private Placement" has the meaning ascribed thereto under "*Recent Developments – Private Placement*".

"Prospectus" means this preliminary short form prospectus of the Corporation dated October 28, 2021, inclusive of all documents incorporated by reference herein.

"Registered Plans" has the meaning ascribed thereto under the heading "*Eligibility for Investment*".

"Reserves Report" has the meaning ascribed thereto under the heading "*Documents Incorporated by Reference*".

"SEDAR" has the meaning ascribed thereto under the heading "*Documents Incorporated by Reference*".

"Tax Act" means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.) as amended from time to time, including the regulations promulgated thereunder.

"Term Sheet" has the meaning ascribed thereto under the heading "*Documents Incorporated by Reference*".

"TSX-V" means the TSX Venture Exchange.

"Units" has the meaning ascribed to under the heading "*Prior Sales*".

"Unit Warrants" has the meaning ascribed to under the heading "*Prior Sales*".

"United States" or **"U.S."** means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Prospectus, and in certain documents incorporated by reference into this Prospectus, constitute forward-looking statements. All forward-looking statements are based on the Corporation's belief and assumptions based on information available at the time the assumption was made. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this Prospectus should not be unduly relied upon.

The independent auditors' report of Deloitte LLP on the consolidated annual financial statements for the years ended December 31, 2020 and 2019 incorporated by reference in this Prospectus refers exclusively to the historical financial statements described therein and do not extend to the prospective financial information included in this Prospectus and should not be read to do so.

In particular, this Prospectus and the documents incorporated by reference herein contain forward-looking statements pertaining to, but not limited to, the following:

- the completion of the Offering and the Private Placement and the timing thereof;
- the listing of the Offered Shares pursuant to the Offering, including any Offered Shares issuable pursuant to the exercise of the Agents' Option;
- the use of proceeds from the Offering and the Private Placement;
- obtaining all of the required stock exchange and other approvals in connection with the Offering and the Private Placement;
- the future outlook of the Corporation, its business plan and strategies, and anticipated operational results of the Corporation;
- the expected allocation of and source of funds for the Corporation's capital expenditure budget;
- the performance characteristics of the Corporation's oil and natural gas properties, and the ability of the Corporation to achieve drilling success consistent with management's expectations;
- supply of, and demand for, oil and natural gas;
- expected levels of royalty rates, development costs, operating costs, general and administrative costs, costs of services and other costs and expenses;
- projections of commodity prices and costs, and exchange and inflation rates and the resilience of the Corporation's results thereto;
- treatment under governmental regulatory regimes and tax laws; and
- the Corporation's ability to estimate and cope with the operational and other impacts of the COVID-19 pandemic.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the material risk factors set forth below, elsewhere in this Prospectus and in the documents incorporated by reference herein:

- the conditions to the completion of the Offering may not be satisfied;
- the use of proceeds of the Offering by the Corporation may change if the Board determines that it would be in the best interests of the Corporation to deploy the proceeds for some other purpose;
- adverse effects on general economic conditions in Canada, the United States and globally, including due to the COVID-19 pandemic;

- the results of litigation or regulatory proceedings that may be brought against the Corporation;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; and
- the other factors discussed under "*Risk Factors*" herein and as set forth in the AIF and the Annual MD&A.

With respect to forward-looking statements contained in this Prospectus, the Corporation has made assumptions regarding, among other things: fluctuation in exchange rates; fluctuation in interest rates; volatility in global market prices for oil; the availability of capital; the successful completion of the Offering and the Private Placement on the terms and at the time expected; the timely receipt of required regulatory approvals for the Offering and that no event will occur that would trigger termination rights under the Agency Agreement; the ability of the Corporation to obtain capital to finance its exploration, development and operations; prevailing and future oil and natural gas prices; risk associated with the exploration for and development of oil and gas resources; current legislation and expected changes in regulatory regimes in respect of royalty curves and regulatory improvements and the effects of such changes; and the Corporation's business and acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom.

This Prospectus, inclusive of all documents incorporated by reference herein, contains future-oriented financial information and financial outlook information (collectively, "**FOFI**") about the Corporation's prospective results of operations, operating costs, expenditures, future development capital, capital budgets, debt and components thereof, 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 Prospectus was made as of the date of this Prospectus and was provided for the purpose of describing the anticipated effects of the Offering and the Private Placement on the Corporation's business operations. The Corporation disclaims any intention or obligation to update or revise any FOFI contained in this Prospectus, 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 Prospectus should not be used for purposes other than for which it is disclosed herein. See "*Risk Factors*".

The Corporation has included the above summary of assumptions and risks related to forward-looking statements provided in this Prospectus in order to provide investors with a more complete perspective on the Corporation's current and future operations and such information may not be appropriate for other purposes. Forward-looking statements contained in certain documents incorporated by reference into this Prospectus are based on the key assumptions and are subject to the risks described herein and in the documents incorporated by reference herein. The reader is cautioned that such assumptions, although considered reasonable by the Corporation at the time of preparation, may prove to be incorrect.

Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, the foregoing list of factors is not exhaustive. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements contained in this Prospectus, and the documents incorporated by reference herein, are expressly qualified by this cautionary statement. These forward-looking statements contained in this Prospectus are made as of the date of this Prospectus, or in the case of the documents incorporated by reference herein, as of the dates of such documents, and except as required by applicable securities laws, neither Southern nor any of the Agents undertake any obligation to publicly update or revise any forward-looking statements. Readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of the Corporation at 2400, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1, Telephone: (587) 287-5402. In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") website at www.sedar.com.

The following documents, filed with the securities commissions or similar authorities in certain of the provinces of Canada, are specifically incorporated by reference in, and form an integral part of, this Prospectus, provided that such documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement contained in this Prospectus or in any other subsequently filed document that is also incorporated by reference in this Prospectus:

1. the annual information form of the Corporation for the year ended December 31, 2020 dated April 30, 2021 (the "**AIF**");
2. the audited consolidated annual financial statements of the Corporation as at and for the years ended December 31, 2020 and 2019, together with the notes thereto and the independent auditors' report thereon;
3. the management's discussion and analysis of the operational and financial results of the Corporation for the years ended December 31, 2020 and 2019 (the "**Annual MD&A**");
4. the condensed consolidated interim financial statements of the Corporation for the three and six months ended June 30, 2021 and 2020 (the "**Interim Financials**");
5. the management's discussion and analysis for the three and six months ended June 30, 2021 and 2020 (the "**Interim MD&A**");
6. the management information circular of the Corporation dated June 16, 2021, with respect to the annual general and special meeting of the shareholders of the Corporation held on July 7, 2021;
7. the competent person's report titled "Estimates of Reserves and Future Revenue to the Southern Energy Corp. Interest in Certain Oil and Gas Properties located in Alabama and Mississippi" as of April 1, 2021, dated June 25, 2021 and prepared by Netherland, Sewell & Associates, Inc. (the "**Reserves Report**");
8. the material change report of the Corporation dated May 11, 2021 in respect of the completion of a non-brokered private placement of \$5.5 million and the Credit Facility (as defined herein);
9. the "template version" (as such term is defined in NI 41-101) of the term sheet dated and filed on SEDAR on October 28, 2021 in connection with the Offering (the "**Term Sheet**"); and
10. the investor presentation dated and filed on SEDAR on October 28, 2021 (collectively with the Term Sheet, the "**Marketing Materials**").

Any documents of the type required by NI 44-101 to be incorporated by reference in a short form prospectus including any material change reports (excluding material change reports filed on a confidential basis), comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms, marketing materials (as such term is defined in NI 41-101) and business acquisition reports filed by the Corporation with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this Prospectus and prior to the termination of this Offering are deemed to be incorporated by reference in this Prospectus.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. Any statement so modified or superseded shall not constitute a part of this Prospectus, except as so modified or superseded.

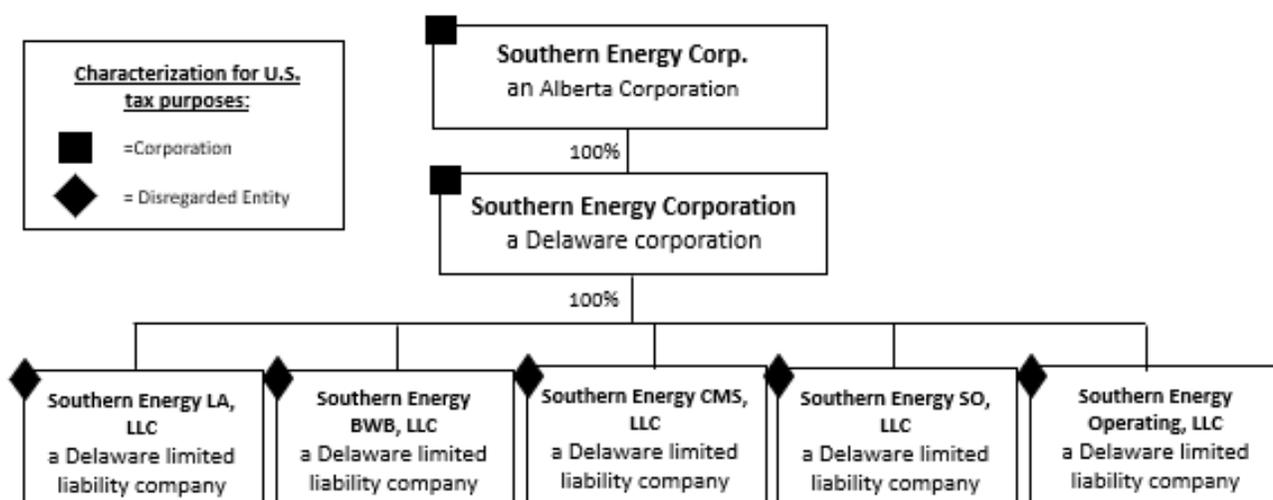
MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are defined in NI 41-101) that are utilized by the Agents in connection with the Offering are not part of this Prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this Prospectus. Any template version of any marketing materials that has been, or will be, filed on SEDAR before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated into this Prospectus.

THE CORPORATION

The Corporation was incorporated as "7015321 Canada Limited" pursuant to the provisions of the CBCA on July 22, 2008. On August 15, 2008, the name of the Corporation was changed to "MAX Minerals Ltd.". On October 8, 2010, the name of the Corporation was changed to "Standard Exploration Ltd.". On December 31, 2018, the issued and outstanding Common Shares were consolidated on the basis of one post-consolidated Common Share for every five pre-consolidated Common Shares. The name of the Corporation was then changed from "Standard Exploration Ltd." to "Southern Energy Corp." on January 2, 2019, and on January 7, 2020, the Corporation continued out of the federal jurisdiction of Canada under the CBCA to the provincial jurisdiction of Alberta under the ABCA.

The following diagram describes the inter-corporate relationships among the Corporation and its subsidiaries as of the date hereof:



The head office of the Corporation is located at 2400, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1, and the registered office of the Corporation is located at 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5.

BUSINESS OF THE CORPORATION

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. For further information on the Corporation and its business activities, see the AIF which is incorporated by reference herein.

RECENT DEVELOPMENTS

Admission to Trading on AIM

On August 10, 2021, Southern was admitted to the AIM market of the London Stock Exchange plc and the Corporation'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 AIM's liquidity and access to a broader range of global investors.

Private Placement

In addition to the Offering, the Corporation intends to complete a best-efforts private placement offering in the U.K. (the "**Private Placement**"). The Corporation has appointed H & P Advisory Limited as the Company's placing agent for the Private Placement, which shall use its best efforts to procure new U.K.-based investors. The Private Placement is not underwritten, and no commission is payable to the Agents in connection with the Private Placement.

This Prospectus does not qualify the distribution of the Common Shares sold pursuant to the Private Placement. The Common Shares will be issued on a private placement basis in Canada and accordingly may not be offered for resale or resold within Canada or to a Canadian resident, subject to certain exceptions, for a period of four months and one day following the distribution date. Application will be made for the Common Shares to be admitted to trading on AIM and listed and posted for trading on the TSXV. Closing of the Private Placement is expected to occur in conjunction with the Prospectus Offering, with the closing of the Private Placement coinciding with the closing of the Offering. Completion of the Private Placement is subject to customary conditions, including the approval of the TSXV and AIM. The net proceeds from the Private Placement will be used for capital expenditures and general working capital purposes.

The Private Placement is only being, and may only be, made to and is directed only at persons in the U.K.: (A) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) falling within Article 49(2)(a) to (d) of the Order and (iii) to whom it may otherwise lawfully be communicated; and (B) who are "qualified investors" within the meaning of Article 2(e) of the EU Prospectus Regulation as it forms part of retained EU law (the "**UK Prospectus Regulation**") as defined in the European Union (Withdrawal) Act 2018 (the "**EUWA**") (all such persons together being referred to as "**Relevant Persons**").

DESCRIPTION OF SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. As at October 28, 2021 there were 362,597,054 Common Shares and nil preferred shares issued and outstanding. The following is a summary of the rights, privileges, restrictions and conditions attached to such securities.

Common Shares

The holders of Common Shares are entitled to: (i) one vote for each Common Share held at all meetings of shareholders of the Corporation, except meetings at which only holders of a specified class of shares are entitled to vote; (ii) subject to the prior rights and privileges attaching to any other class of shares of the Corporation, the right to receive any dividend declared by Southern; and (iii) subject to the prior rights and privileges attaching to any other class of shares of the Corporation, upon liquidation, the right to share in the remaining assets of Southern as are distributable to such holders.

Preferred Shares, Issuable in Series

Preferred shares may be issued by the Corporation from time to time in one or more series and the Board may fix the number of preferred shares which is to comprise each series and the designation, rights, privileges, restrictions and conditions attached to each such series. The preferred shares of each series shall, with respect to the payment

of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Corporation be entitled to preference over the Common Shares.

CONSOLIDATED CAPITALIZATION

The following table sets forth the unaudited consolidated capitalization of the Corporation as at June 30, 2021: (i) before giving effect to the Offering and the Private Placement; (ii) after giving effect to the Offering (assuming the Agents' Option is not exercised) and the Private Placement; and (iii) after giving effect to the Offering (including full exercise of the Agents' Option) and the Private Placement. This table should be read in conjunction with the Interim Financials and the Interim MD&A, which have been incorporated by reference into this Prospectus.

	As at June 30, 2021 before giving effect to the Offering or the Private Placement	As at June 30, 2021 after giving effect to the Maximum Offering (assuming the Agents' Option is not exercised) and the Private Placement ⁽¹⁾⁽²⁾	As at June 30, 2021 after giving effect to the Maximum Offering (including full exercise of the Agents' Option) and the Private Placement ⁽¹⁾⁽²⁾
Share Capital (\$) ⁽³⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾			
Common Shares	357,395,279	[•]	[•]
Preferred Shares	Nil	Nil	Nil
Indebtedness			
Credit Facility (\$) ⁽³⁾⁽⁴⁾	\$ 6,527,000	\$ 6,527,000	\$ 6,527,000
Debentures	8,389	8,389	8,389

Notes:

- See "*Recent Developments*" for further information on the Private Placement.
- Based on the issuance of: (i) [•] Common Shares in connection with the Private Placement for aggregate gross proceeds of \$[•], less the placing agents' fee of \$[•] and the estimated expenses of the Private Placement of £[•] (exclusive of GST), for net proceeds to the Corporation of \$[•]; and (ii) [•] Offered Shares in connection with the Offering for aggregate gross proceeds of \$[•], less the Agents' Fee of \$[•] and the estimated expenses of the Offering of \$[•] (exclusive of GST), for net proceeds to the Corporation of \$[•].
- On April 30, 2021, Southern Energy Corp. (Delaware) closed a transaction to retire the existing secured credit facility with a cash payment of US\$8.0 million, plus accrued interest. The US\$8.0 million settlement was financed through the new senior secured term loan of up to US\$8.5 million (the "**Credit Facility**"), which is secured by the oil and gas properties of the Corporation, and includes the following details: (i) US\$5.5 million was available at closing; (ii) US\$3.0 million available up to December 31, 2021, in multiple advances of no less than US\$500,000 each; (iii) maturity of 36 months from the closing date; (iv) interest of 12% per annum, paid monthly in arrears on the last day of the month; and (v) the issuance of the 41,250,000 Facility Warrants not include in Share Capital.
- As at October 28, 2021, the Corporation was indebted under the Credit Facilities in the aggregate amount of approximately US\$[5.2] million.
- Does not include Options granted pursuant to the Corporation's stock option plan (the "**Option Plan**"). As at June 30, 2021 and October 28, 2021, Options to purchase an aggregate of approximately 19,400,000 Common Shares and [30,825,000] Common Shares, respectively were outstanding pursuant to the Option Plan. The average price at which outstanding Options are exercisable is \$[0.09] per Common Share, and the outstanding Options have a weighted average remaining term to expiry of [3.6] years. Each Option entitles the holder upon exercise to acquire one Common Share.
- Does not include Warrants issued pursuant to the Private Placement closed on April 30, 2021. As at each of June 30, 2021 and October 28, 2021, approximately 136.6 million and [135.3] million Warrants were outstanding, respectively. Each Warrant entitles the holder thereof to purchase one Common Share at a price of \$0.04 for a period of five years from the date of issuance. See "*Prior Sales*".
- Does not include Performance Warrants issued pursuant to the Private Placement closed on December 19, 2018. As at each of June 30, 2021 and October 28, 2021, approximately 57.9 million Performance Warrants were outstanding. Each Performance Warrant entitles the holder thereof to purchase one Common Share at a price of \$0.10 for a period of five years from the date of issuance subject to vesting thresholds. See "*Prior Sales*".
- Share capital does not include 675,000 Common Shares issued on October 14, 2021 upon exercise of Warrants or 625,000 Common Shares issued on October 19, 2021 upon exercise of Warrants. See "*Prior Sales*".

PRICE RANGE AND TRADING VOLUME OF THE COMMON SHARES

The outstanding Common Shares are listed and traded on the TSX-V under the trading symbol "SOU". The following table sets forth the price range and trading volume of the Common Shares as reported by the TSX-V for the periods indicated.

Period	High (\$)	Low (\$)	Volume
<u>2021</u>			
October 1 – 27	0.08	0.06	5,112,837
September	0.07	0.05	8,969,879
August	0.09	0.05	4,350,892
July	0.10	0.09	5,274,969
June	0.10	0.07	6,734,856
May	0.09	0.04	11,980,799
April	0.06	0.04	4,755,671
March	0.05	0.03	5,526,940
February	0.04	0.03	2,643,267
January	0.04	0.03	2,152,476
<u>2020</u>			
December	0.04	0.03	3,567,246
November	0.05	0.02	9,369,416
October	0.03	0.02	2,013,053

On October 27, 2021, the last trading day prior to the public announcement of the Offering and the date of this Prospectus, the closing price of the Common Shares on the TSX-V was \$0.065, and the closing price of the Common Shares on the AIM was 4.25p.

PRIOR SALES

The following table summarizes the issuances of Common Shares and securities convertible into Common Shares within the 12-month period prior to the date of this Prospectus.

Date of Issuance	Description of Transaction	Number and Type of Securities	Price per Security ⁽¹⁾
October 19, 2021	Exercise of Warrants	625,000 Common Shares	\$ 0.04 ⁽²⁾
October 14, 2021	Exercise of Warrants	675,000 Common Shares	\$ 0.04 ⁽³⁾
October 7, 2021	Stock Option Grant	11,425,000 Stock Options	\$ 0.07 ⁽⁴⁾
July 14, 2021	Payment of Interest In-Kind	3,901,775 Common Shares	\$ 0.086 ⁽⁵⁾
April 30, 2021	Credit Facility Issuance	41,250,000 Warrants	\$ 0.05 ⁽⁶⁾
April 30, 2021	Private Placement	136,600,000 Units	\$ 0.04 ⁽⁷⁾
December 31, 2020	Debentures	320 Debentures	\$ 0.10 ⁽⁸⁾

Notes:

- Represents the issue price for Common Shares and the exercise price for securities convertible into Common Shares.
- On October 19, 2021, the Corporation issued 625,000 Common Shares to satisfy the exercise of Warrants, the exercise price for which was \$0.04 per Common Share.
- On October 14, 2021, the Corporation issued 675,000 Common Shares to satisfy the exercise of Warrants, the exercise price for which was \$0.04 per Common Share.
- On October 7, 2021, pursuant to the Option Plan, the Corporation granted an aggregate of 11,425,000 Options to purchase Common Shares to directors, officers and employees of Southern as part of its overall compensation and employee retention program. The Options expire five years from the date of grant and are exercisable at a price of \$0.07 per Common Share. The Options vest as to one third on the grant date and one third on each of the first and second anniversaries of the Grant Date.
- The Corporation issued 3,901,775 Common Shares to the holders of the Corporation's 8.0% convertible unsecured debentures (the "Debentures") issued on June 14, 2019 and January 15, 2021 as payment in-kind of accrued interest on the Debentures due on June 30, 2021 in the aggregate amount of \$335,560.00, at a deemed issuance price of \$0.086 per Common Share. The deemed issuance price is equal to the weighted average trading price per Common Share on the TSX-V for the 20 consecutive trading days ending on the fifth trading day precedent June 30, 2021.
- In connection with entry into the Credit Facility, the Corporation issued 41,250,000 non-transferrable common share purchase warrants (the "Facility Warrants") with an exercise price of \$0.05 per Common Share and an expiry date on the earlier of: (a) a liquidity event resulting in the sale of Southern Energy Corp. (Delaware); or (b) the maturity date of the Credit Facility.

7. Pursuant to the Private Placement, Southern issued 136.6 million units (the "**Units**") of the Company of the Corporation at a price of \$0.04 per Unit, for aggregate gross proceeds of \$5.5 million. Each Unit is comprised of one Common Share and one Common Share purchase warrant (each, a "**Unit Warrant**"). Each Unit Warrant entitles the holder to purchase one Common Share at a price of C\$0.04 for a period of two years following the date of issuance. The Common Shares and Unit Warrants are subject to a four-month hold period under applicable securities laws and the policies of the TSX-V.
8. Issued as payment in-kind of accrued interest due on December 31, 2020 in the amount of \$322,760.00 to the holders of the Corporation's Debentures. Following approval of an extraordinary resolution from the holders of the Debentures, pursuant to the terms of a supplemental indenture effective June 30, 2021, the Corporation and Computershare Trust Company ("**Computershare**") amended the terms of the outstanding Debentures to: (a) extend the maturity date of the Debentures by two years to June 30, 2024; (b) decrease the conversion price for the Debentures from \$0.125 to \$0.10; and (c) allow the Corporation to satisfy its obligation to pay interest on the Debentures by, among other things, delivering freely tradeable Common Shares to Computershare for distribution directly to the holders of the Debentures as a payment in-kind of accrued interest on the Debentures.

USE OF PROCEEDS

The net proceeds to the Corporation from the Offering will be approximately \$[•] after deducting the Agents' Fee of \$[•] and estimated expenses of the Offering of \$[•]. The following table sets forth the principal purposes for which Southern proposes to use the total funds available to the Corporation upon completion of the Offering:

Use of Proceeds	Approximate Amount ⁽¹⁾
Capital expenditures	\$[•]

Notes:

1. Assuming the Maximum Offering has been raised and assuming the Agents' Option is not exercised.

The Corporation intends to use the net proceeds from the Offering and the Private Placement to drill three horizontal Selma Chalk wells in the Gwinville field beginning late in the fourth quarter of 2021. The three wells will all be drilled from a common padsite and then completed with multi-stage stimulations. Following tie-in and wellsite equipping operations, first production from the wells is anticipated in the first quarter of 2022. The total capital expenditure for the above program is up to approximately \$15.25 million.

Other than the successful completion of the Offering and the Private Placement, there is no particular significant event or milestone that must occur for the Corporation's business objectives to be accomplished. Upon completion of the Offering and the Private Placement, the Corporation will be better positioned to further its business objectives of exploration and development of its oil and gas assets.

The use of the net proceeds of the Offering by the Corporation is consistent with the Corporation's strategy of growing and developing an oil and natural gas exploration and development company through internal operations and acquisitions. Due to the nature of the oil and natural gas industry, budgets are regularly reviewed in light of the success of expenditures and other opportunities which may become available to the Corporation. Potential investors are cautioned that notwithstanding the Corporation's current intentions regarding the use of the net proceeds of the Offering, there may be circumstances where a reallocation of funds may be advisable for reasons that management believes are in the Corporation's best interests. The actual amount the Corporation spends in connection with each of the intended uses of proceeds may vary significantly from the amounts specified above and will depend on a number of factors, including those referred to under "*Risk Factors*".

No minimum amount of funds must be raised under the Offering. This means that the Corporation could complete the Offering after raising only a small proportion of the Offering amount set out above. There can be no assurance that the Corporation will receive sufficient net proceeds from the Offering to accomplish some or all of the objectives set out above. In the event the Offering amount is less than the Maximum Offering, the Corporation intends to utilize the proceeds of the Offering towards the drilling of fewer horizontal Selma Chalk wells in the Gwinville field, or as needed towards the Corporations best interests, as decided in the sole discretion of management.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Corporation will engage the Agents to offer for sale to the public on a "best efforts" agency basis, and the Corporation will agree to sell, on the Closing Date, up to [●] Common Shares at the Offering Price, subject to the terms and conditions of the Agency Agreement. The Offering Price has been determined by arms' length negotiations between the Corporation and the Agents.

The Offering is not underwritten or guaranteed by any person. The Offering is made on a best-efforts basis by the Agents who conditionally offer the Common Shares, if, as and when issued by the Corporation and accepted by the Agents in accordance with the terms and conditions contained in the Agency Agreement. While the Agents have agreed to use their best efforts to sell the Offered Shares, the Agents are not obligated to purchase any Common Shares that are not sold. All funds received from the subscription for the Common Shares will be deposited and held by the Agents pursuant to the terms and conditions of the Agency Agreement and will not be released until the Agents have consented to such release. Subscriptions will be subject to rejection or allotment in whole or in part and the Corporation reserves the right to close the subscription books at any time without notice.

The Corporation has applied to list the Offered Shares on the TSX-V. Such listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX-V.

Southern has granted to the Agents the Agents' Option, exercisable, in whole or in part, at any time for a period of 30 days from and including the Closing Date, to arrange for purchasers of Additional Shares representing in number up to 15% of the number of Common Shares sold under the Offering, such Additional Shares having the same terms and conditions as the Common Shares to cover over-allotments, if any, and for market stabilization. In consideration for the services to be performed by the Agents, the Corporation has agreed to pay to the Agents the Agents' Fee equal to 6.0% of the gross proceeds of the Offering.

The Agents will also be reimbursed for their reasonable fees and expenses including certain of the reasonable legal fees and disbursements of legal counsel to the Agents. Pursuant to the Agency Agreement, the Corporation has agreed to indemnify the Agents and each of their respective affiliates, directors, officers and employees against certain liabilities, including, without limitation, certain civil liabilities under applicable securities legislation. In addition, the Corporation has provided certain representations and warranties to the Agent.

The obligations of the Agents under the Agency Agreement may be terminated at their discretion upon the occurrence of certain stated events, including in the event that: (a) there shall be any material change or change in a material fact, or there should be discovered any previously undisclosed material fact required to be disclosed in the Prospectus or any amendment thereto, in each case which, in the reasonable opinion of the Agents, has or would be expected to have a significant adverse effect on the market price or value of the Common Shares, or any other securities of Southern; (b) if there should develop, occur or come into effect or existence any event, action, state, condition (including without limitation, terrorism or accident) or major financial occurrence of national or international consequence or a new or change in any law or regulation, which in the opinion of the Agents seriously adversely affects or involves or may seriously adversely affect or involve the financial markets or the business, operations or affairs of the Corporation and its subsidiaries taken as a whole or the market price or value of the securities of Southern; (c) any inquiry, action, suit, proceeding or investigation (whether formal or informal) is commenced, announced or threatened in relation to the Corporation or any one of the officers or directors of Corporation or any of its principal shareholders where wrong-doing is alleged or any order is made by any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality including, without limitation, the TSX-V or securities commission which involves a finding of wrong-doing; (d) if the Agents shall become aware, as a result of their due diligence review or otherwise, of any adverse material change with respect to the Corporation (in the sole opinion of the Agents, acting reasonably) which had not been publicly disclosed to the Agents prior to the date hereof and which would have a material adverse effect on the market price or value of the Common Shares; (e) any order, action or proceeding which cease trades or otherwise operates to prevent or restrict the trading of the Common Shares or any other securities of the Corporation is made or threatened by a securities regulatory authority; or (f) the state of the financial markets is such that, in the opinion of the Agents, the Common Shares cannot be profitably marketed.

From the date of the Agency Agreement until a date that is 90 days from the Closing Date, the Corporation has agreed not to, without the prior written consent of the Lead Agent, such consent not to be unreasonably withheld or delayed, authorize, sell or issue or announce its intention to authorize, sell or issue, or negotiate or enter into an agreement to sell or issue, any securities of Southern other than: (i) pursuant to the Offering; (ii) upon the exercise of convertible securities, options or warrants of the Corporation outstanding as of the date of the Agency Agreement; or (iii) securities which may be issued from time to time as agreed to in employee compensation arrangements.

It is expected that Closing will occur on or about November 11, 2021, or such other date as the Corporation and the Lead Agent, on its own behalf and on behalf of the other Agents, may agree, but in any event no later than the date that is 90 days after the date of the receipt for the final short form prospectus. The Offered Shares shall be taken up by the Agents, if at all, on or before a date not later than 90 days after the date of the receipt for the final short form prospectus.

Pursuant to rules and policy statements of certain securities regulators, the Agents may not, at any time during the period ending on the date the selling process for the Offered Shares ends and all stabilization arrangements relating to the Offered Shares are terminated, bid for or purchase Common Shares of the Corporation. The foregoing restrictions are subject to certain exceptions including: (i) a bid for or purchase of Common Shares of the Corporation if the bid or purchase is made through the facilities of the TSX-V in accordance with applicable marketplace rules; (ii) a bid or purchase on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the Agent, or if the client's order was solicited, the solicitation occurred before the period of distribution as prescribed by the rules; and (iii) a bid or purchase to cover a short position entered into prior to the period of distribution as prescribed by the rules.

The Offering is being made concurrently in all Provinces of Canada other than Quebec. In addition, the Agents may offer the Offered Shares outside of Canada, subject to compliance with local securities law requirements in such a manner as to not require registration of the Common Shares, or filing of a prospectus or registration statement with respect to those Offered Shares under the laws in such jurisdictions or qualification as a foreign corporation to file a general consent to service of process in such jurisdiction.

The Offered Shares offered hereby have not been and will not be registered under the 1933 Act or any state securities laws, and accordingly may not be offered, sold or delivered within the United States (as such term is defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. Except as permitted in the Agency Agreement and as expressly permitted by applicable laws of the United States, the Agents will not offer, sell or deliver the Offered Shares within the United States. The Agency Agreement permits the Agents to offer the Offered Shares pursuant to the Agency Agreement, through their U.S. broker-dealer affiliates, to "qualified institutional buyers" (as defined in Rule 144A ("**Rule 144A**") under the 1933 Act) in the United States, provided that such offers and sales are made in transactions that are exempt from registration under the 1933 Act and in accordance with Section 4(a)(2) of the 1933 Act and Rule 506(6) of Regulation D thereunder, and that are exempt from registration under applicable state securities laws. The Agency Agreement also provides that the Agents will offer and sell the Offered Shares outside the United States only in accordance with Rule 903 of Regulation S under the 1933 Act.

In addition, until 40 days after the commencement of the Offering, any offer or sale of Offered Shares offered within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirement of the 1933 Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirement of the 1933 Act.

ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Elliott LLP, counsel to the Corporation and Dentons Canada LLP, counsel to the Agents, based on the provisions of the Tax Act in force on the date hereof, the Offered Shares, if issued on the date hereof, would be, as of the date hereof, "qualified investments" under the Tax Act for a trust governed by a "registered retirement savings plan", "registered retirement income fund", "registered education savings plan", "registered disability savings plan", "tax-free savings account" (collectively, "**Registered Plans**"), or a "deferred profit sharing plan" (each as defined in the Tax Act) provided that at such time the Offered Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the TSX-V) or the Corporation is a "public corporation" as defined in the Tax Act.

Notwithstanding that the Offered Shares may be qualified investments for a Registered Plan, if the Offered Shares are a "prohibited investment" within the meaning of the Tax Act for a Registered Plan, the holder, annuitant or subscriber of the Registered Plan, as the case may be, (the "**Controlling Individual**") will be subject to a penalty tax as set out in the Tax Act. The Offered Shares generally will not be a "prohibited investment" for a Registered Plan if the Controlling Individual of the Registered Plan (a) deals at arm's length with the Corporation for purposes of the Tax Act, and (b) does not have a "significant interest" (as defined in the Tax Act) in the Corporation. In addition, Offered Shares will not be a "prohibited investment" if the Offered Shares are "excluded property" (as defined in the Tax Act) for a Registered Plan. Prospective purchasers who intend to hold the Offered Shares in a Registered Plan should consult their own tax advisors regarding their particular circumstances.

RISK FACTORS

An investment in the Offered Shares involves a number of risks. Before investing, prospective purchasers of Offered Shares should carefully consider, in light of their own financial circumstances, the factors set out below, as well as other information and risk factors contained in or incorporated by reference in this Prospectus, including those risk factors set forth under the heading "*Risk Factors*" at pages 38 through 51, inclusive, of the AIF, and those risk factors set forth on pages 21 to 22 of the Annual MD&A, which are incorporated by reference herein.

The risk factors set out herein and incorporated by reference may not be exhaustive as the Corporation operates in an evolving industry and new risk factors emerge from time to time. The Corporation cannot predict such risk factors, nor can it assess the impact, if any, of such risk factors on its business or the extent to which any factor or combination of factors may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, the Corporation does not, nor should shareholders of the Corporation or potential purchasers of the Offered Shares, rely on forward-looking statements as a prediction of actual results. See "*Special Note Regarding Forward-Looking Statements*".

Completion of the Offering and the Private Placement

Completion of the Offering and the Private Placement remain subject to a number of conditions precedent. There can be no certainty that the Offering or the Private Placement will be completed. If the Offering or the Private Placement are not completed, the Corporation may not be able to raise the funds required for the purposes contemplated under "*Use of Proceeds*" from other sources on commercially reasonable terms or at all.

The completion of the Offering and the Private Placement is subject to receipt of approval from the TSX-V and AIM and all other applicable regulatory approvals, which approvals may not be obtained. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX-V and AIM and there can be no assurance that the TSX-V and AIM will provide approval of the Offering or the Private Placement.

Loss of Entire Investment

An investment in the Common Shares is speculative and may result in the loss of a purchaser's entire investment. Only potential purchasers who are experienced in high-risk investments and who can withstand a complete loss of their investment should consider purchasing the Offered Shares. Before making an investment decision, prospective purchasers of Offered Shares should consider the information contained and incorporated by reference in this Prospectus, and, in particular, the risk factors set out herein and in the documents incorporated by reference herein. Readers are cautioned that such risk factors are not exhaustive.

No Assurance of Future Liquidity

Shareholders of the Corporation may be unable to sell significant quantities of the Common Shares into the public trading markets without a significant reduction in the price of their Common Shares, or at all. There can be no assurance that there will be sufficient liquidity of the Common Shares on the trading market, or that the Corporation will continue to meet the listing requirements of the TSX-V or the AIM.

Sale of Substantial Amounts of the Securities of the Corporation

Sales of substantial amounts of the securities of the Corporation, or the availability of such securities for sale, could adversely affect the prevailing market prices for such securities, including the Common Shares. A decline in the market price of the Common Shares could impair the Corporation's ability to raise additional capital through the sale of securities should it desire to do so.

Dilutive Effect of Offering and Private Placement

Giving effect to the issuance of Common Shares in this Offering and the Private Placement, the receipt of the expected net proceeds and the use of those proceeds, this Offering and the Private Placement may have a dilutive effect on the Corporation's expected net income (loss) available to shareholders. Furthermore, the Corporation is not restricted from issuing additional securities in its future, including Common Shares and securities convertible into or exchangeable for, or that represent the right to receive, Common Shares. To the extent that the Corporation raises additional funds through the sale of equity or convertible debt securities, the issuance of such securities will result in dilution to shareholders of the Corporation. Southern may sell Common Shares or other securities in any other offering at a price per share that is less than the price paid by investors in this Offering, and investors purchasing Common Shares or other securities in the future could have rights superior to existing shareholders. The price per share at which the Corporation sells additional Common Shares or securities convertible or exchangeable into Common Shares, in future transactions may be higher or lower than the price per share paid by investors in this Offering.

Use of Proceeds

The Corporation currently intends to allocate the net proceeds received from the Offering as described under the heading "*Use of Proceeds*" in this Prospectus. However, the Corporation will have discretion in the actual application of the net proceeds and may elect to allocate proceeds differently than described under the heading "*Use of Proceeds*" if it believes it would be in its best interest to do so. The failure to apply these funds effectively could affect the success of the Corporation's business.

Volatility of Market Price of Common Shares

The market price of the Common Shares may be volatile. Volatility in the market price of Common Shares may affect the ability of holders to sell the Common Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to the Corporation's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "*Special Note Regarding Forward-Looking Statements*". In addition, the market price for securities on the stock markets, including the TSX-V and AIM, have recently experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionately related to changes in the Corporation's operating performance. These broad market fluctuations may adversely affect the market price of the Common Shares.

Future Financing

The continued development of the Corporation may require additional financing. There can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation. The Corporation's inability to raise funds to support ongoing operations and to fund capital expenditures or acquisitions may limit the Corporation's growth or may have a material adverse effect upon the Corporation. The Corporation cannot predict the size of future issuances of equity or the issuance of debt or the effect, if any, that future issuances and sales of the Corporation's securities will have on the market price of the Common Shares. The Corporation may complete additional equity financings and such financings may have a dilutive effect on holdings of shareholders of the Corporation.

Effect of COVID-19 and Other Infectious Disease, Pandemic or a Similar Health Threat

An outbreak of infectious disease, a pandemic or a similar public health threat, such as the recent outbreak of a novel strain of coronavirus, COVID-19, or a fear of any of the foregoing, could adversely impact the Corporation by causing operating, supply chain and project development delays, disruptions and challenges, labour shortages and challenges and shutdowns (including as a result of government regulation and prevention measures), and increased costs to the Corporation. In addition, the recent COVID-19 outbreak and prevention measures related thereto may have an impact on the economic activity in the markets in which the Corporation and its subsidiaries operate, causing negative impacts on the Corporation's business and financial results. See "*Risk Factors – Public Health Crises*" in the AIF. Given the unprecedented and changing developments surrounding the COVID-19 pandemic, it is not possible to reliably estimate the impact of the COVID-19 pandemic on the financial results and condition of the Corporation in future periods, but the impact could be significantly adverse.

Weakness in the Oil and Gas Industry

Recent market events and conditions, including but not limited to the following, have caused significant weakness and volatility in commodity prices: global excess oil and natural gas supply, recent actions taken by the Organization of the Petroleum Exporting Countries, the impacts of the COVID-19 pandemic, slowing growth in certain global economies, market volatility, and sovereign debt levels in various countries. These events and conditions, in addition to others not specifically referenced herein, could cause a significant decrease in the valuation of oil and gas companies and a decrease in confidence in the oil and gas industry. Given the current market conditions, the Corporation may have difficulty raising additional funds in the future or if it is able to do so, it may be on unfavourable and highly dilutive terms.

Credit Facility Risk

The Corporation is required to comply with covenants under the Credit Facility, which from time to time either affect the availability, or price, of additional funding, and in the event that the Corporation does not comply therewith its access to capital could be restricted or repayment could be required. The failure of the Corporation to comply with such covenants, which may be affected by events beyond the Corporation's control, could result in a default under the Credit Facility which could result in the Corporation being required to repay amounts owing thereunder. Even if the Corporation is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing, the lender under the Credit Facility could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness. The acceleration of the Corporation's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions. In addition, the Credit Facility may, from time to time, impose operating and financial restrictions on the Corporation that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to the Corporation's securities, incurring of additional indebtedness, provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others.

U.S. Administration

The recent changes in control of the U.S. Congress and the election of President Biden may result in legislative and regulatory changes that could have an adverse effect on the Corporation. In particular, there is uncertainty regarding U.S. support for existing treaty and trade relationships with other countries, including Canada, as evidenced by President Biden's executive order on January 20, 2021 revoking the permit for the Keystone XL Pipeline. Implementation by the U.S. government of new legislative or regulatory policies could impose additional costs on the Corporation, decrease U.S. demand for the Corporation's products, or otherwise negatively impact the Corporation, which may have a material adverse effect on the Corporation's business, financial condition and operations. In addition, this uncertainty may adversely impact: (i) the ability of companies to transact business with companies such as the Corporation; (ii) the Corporation's profitability; (iii) regulation affecting the Canadian oil and gas industry; (iv) global stock markets (including the TSX-V and the AIM); and (v) general global economic conditions. All of these factors are outside of the Corporation's control, but may nonetheless lead Southern to adjust its strategy in order to compete effectively in global markets.

Forward-Looking Statements and FOFI May Prove Inaccurate

Investors are cautioned not to place undue reliance on forward-looking statements or FOFI. By their nature, forward-looking statements and FOFI involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or FOFI or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. FOFI presented in this Prospectus is based upon the completion of the Offering and the Private Placement and if these transactions are not completed or not completed on the terms or timelines contemplated, this will impact the FOFI provided herein and such impact may be material.

Additional information on the risks, assumptions and uncertainties are found in this Prospectus under the heading "*Special Note Regarding Forward-Looking Statements*".

INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Stikeman Elliott LLP on behalf of the Corporation and Dentons Canada LLP on behalf of the Agents. As at the date hereof, the partners and associates of Stikeman Elliott LLP and Dentons Canada LLP and their designated professionals, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

Reserves estimates incorporated by reference into this Prospectus are based upon reports by Netherland, Sewell & Associates, Inc., the Corporation's independent reserves evaluator. As of the date hereof, none of the "designated professionals" (as defined in Form 51-102F2 under NI 51-102) of the independent reserves evaluator of the Corporation has any registered or beneficial interest, direct or indirect, in any securities or other property of the Corporation.

Deloitte LLP, Chartered Professional Accountants, are the auditors of the Corporation. Deloitte LLP is independent of the Corporation within the meaning of the rules of professional conduct of the Chartered Professional Accountants of Alberta.

STATUTORY AND CONTRACTUAL RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may only be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF THE CORPORATION

Dated: October 28, 2021

This preliminary short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada, except Québec.

SOUTHERN ENERGY CORP.

(signed) "Ian Atkinson"

Ian Atkinson

President and Chief Executive Officer

(signed) "Calvin Yau"

Calvin Yau

Chief Financial Officer and Vice President, Finance

ON BEHALF OF THE BOARD OF DIRECTORS OF SOUTHERN ENERGY CORP.

(signed) "Tamara MacDonald"

Tamara MacDonald

Director

(signed) "Bruce Beynon"

Bruce Beynon

Director

CERTIFICATE OF THE AGENTS

Dated: October 28, 2021

To the best of our knowledge, information and belief, this preliminary short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this preliminary short form prospectus as required by the securities legislation of each of the provinces of Canada, except Québec.

(signed) *"Tony Loria"*

EIGHT CAPITAL
Principal, Vice Chairman

(signed) *"Ross Prokopy"*

INFOR FINANCIAL INC.
Principal, Head of Investment Banking,
Western Canada

(signed) *"Mathieu Couillard"*

HAYWOOD SECURITIES INC.
Managing Director, Investment Banking

(signed) *"Andrew D. Birkby"*

CANACCORD GENUITY CORP.
Managing Director, Investment Banking