

Management's Discussion and Analysis of

SOUTHERN ENERGY CORP.

For the years ended December 31, 2024 and 2023

(U.S. Dollars)

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of financial results is provided by the management team ("Management") of Southern Energy Corp. ("Southern" or the "Company") and should be read in conjunction with the Company's audited consolidated financial statements as at and for the years ended December 31, 2024 and 2023 (the "Annual Financial Statements"), which have been prepared in accordance with IFRS[®] Accounting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). Additional information relating to Southern, including Southern's Annual Information Form ("AIF") for the year ended December 31, 2024, is available on the Company's website at www.southernenergycorp.com and under the Company's profile on SEDAR+ at www.sedarplus.ca. The MD&A should also be read in conjunction with Southern's disclosure under "*Disclosure Regarding Forward-Looking Statements and Future Oriented Financial Information*", "*Risk Management*", "*Short Term Results*", "*Certain oil and gas terms*", "*Significant Judgments and Estimates*", and "*Specified Financial Measures*" below.

The Company's presentation currency is the United States ("U.S.") dollar. The functional currency of Southern Energy Corp. is Canadian ("CAD") dollars, and its results and balance sheet items are translated to U.S. dollars for the purposes of this MD&A and the Annual Financial Statements, in accordance with the Company's foreign currency translation accounting policy. The functional currencies of the Company's foreign subsidiaries are U.S. dollars.

Throughout this MD&A, "crude oil" or "oil" refers to light and medium crude oil product types as defined by National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). References to "NGLs" throughout this MD&A comprise pentane, butane, propane, and ethane, being all NGLs as defined by NI 51-101. References to "natural gas" throughout this MD&A refers to conventional natural gas as defined by NI 51-101.

This MD&A is dated April 29, 2025.

About Southern

Southern is a natural gas exploration and production company with assets in Mississippi 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. 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 (the "Southeast Gulf States"). Southern's mission is to build a socially responsible and environmentally conscious natural gas and light oil company in the Southeast Gulf States. In these areas, Southern has access to major pipelines, significant Company-owned infrastructure, year-round access to drill, and the ability to shift focus between natural gas or crude oil development as commodity prices fluctuate; all of these factors contribute to mitigating corporate risk. Southern's goal is to continually grow shareholder value through organic growth opportunities and strategic, accretive acquisitions.

Management has a long and successful history of working together as a team and have created significant shareholder value through accretive acquisitions, optimizations of existing natural gas and oil fields and the utilization of re-development strategies utilizing horizontal drilling and multi-staged fracture completion techniques. Southern's head office is located in Calgary, Alberta, Canada.

FOURTH QUARTER AND YEAR END 2024 HIGHLIGHTS

- Average production of 13,556 Mcfe/d (2,259 boe/d) (96% natural gas) during Q4 2024 and 15,264 Mcfe/d (2,544 boe/d) (96% natural gas) for the year ended December 31, 2024, a decrease of 19% and 6% from the same periods in 2023, respectively (see "*Production Summary*" below for a breakdown by product type)
- Petroleum and natural gas sales of \$3.9 million during Q4 2024 and \$16.1 million for the year ended December 31, 2024, a decrease of 23% and 17% from the same periods in 2023, respectively, largely due to a significant depreciation in commodity prices and initial decline from the new wells drilled
- Average realized natural gas and oil prices for Q4 2024 of \$2.78/Mcf and \$68.59/bbl, compared to \$2.95/Mcf and \$76.97/bbl in Q4 2023. Southern achieved an average premium of \$0.22/Mcf (approximately 10% above the NYMEX HH benchmark) throughout 2024
- Generated \$0.4 million of Adjusted Funds Flow from Operations (see "*Reader Advisories – Specified Financial Measures*") in Q4 2024 (\$0.00 per share basic and diluted), excluding \$1.1 million of one-time transaction costs, and generated \$4.1 million for the year ended December 31, 2024 (\$0.02 per share basic and diluted), excluding \$1.3 million of one-time transaction costs (see "*General & Administrative and Transaction Costs*" for more details)
- Net loss of \$3.7 million (\$0.02 per share basic and diluted) and \$11.5 million (\$0.07 per share basic and diluted) for the three and twelve months ended December 31, 2024, respectively
- Reduced Net Debt (see "*Reader Advisories – Specified Financial Measures*") for the year ended December 31, 2024 by \$2.7 million from December 31, 2023
- On October 30, 2024, entered into the eighth amendment (the "Eighth Amendment") to the Company's senior secured term loan (the "Credit Facility"), which included an extension to the pause of monthly repayment of principal to December 31, 2024 and a condition that Southern would repay a portion of the outstanding principal at January 31, 2025 (see "*Liquidity and Capital Resources – Credit Facility*")
- Monetized excess inventory equipment in 2024 for net proceeds of \$3.4 million

SUBSEQUENT EVENTS

- Effective January 31, 2025, Southern entered into the ninth amendment (the "Ninth Amendment") to the Credit Facility which included an extension to the pause of monthly repayment of principal to January 31, 2025 and reduced the repayment required from the Eighth Amendment to \$1.45 million at January 31, 2025, which the Company paid (see "*Liquidity and Capital Resources – Credit Facility*")
- Effective February 28, 2025, Southern entered into the tenth amendment (the "Tenth Amendment") to the Credit Facility, which amended the monthly repayment of the principal amount outstanding calculation beginning on February 28, 2025, to the aggregate principal amount then outstanding on all loans multiplied by 60% multiplied by the fraction $1 / A$, where A equals the sum of the number of whole or partial calendar months remaining to the maturity date plus 24 months (see "*Liquidity and Capital Resources – Credit Facility*")
- Effective March 31, 2025, Southern entered into the eleventh amendment ("Eleventh Amendment") to the Credit Facility. The Eleventh Amendment amended the asset coverage ratio ("ACR") down to 1.5x from 1.75x in 2025 and reduced Tranche B capacity to \$5.0 million (see "*Liquidity and Capital Resources – Credit Facility*")
- On April 8, 2025, Southern closed an equity financing raising aggregate gross proceeds of \$5.0 million through the issuance of a total of 102,482,673 new units (see "*Shareholders' Equity – Share Capital*")
- On April 8, 2025, Southern converted the remaining convertible debentures in the amount of \$3.1 million into 62,759,286 units and issued 1,627,170 units for all accrued and unpaid interest (see "*Liquidity and Capital Resources – Debenture Financing*")

Summary of Financial Information

<i>(000s, except \$ per share)</i>	Three months ended		Year ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Petroleum and natural gas sales	\$ 3,917	\$ 5,098	\$ 16,080	\$ 19,313
Net (loss) earnings	(3,715)	(39,563)	(11,520)	(46,817)
Net (loss) earnings per share				
Basic	(0.02)	(0.26)	(0.07)	(0.33)
Fully diluted	(0.02)	(0.26)	(0.07)	(0.33)
Adjusted Funds Flow from Operations ⁽¹⁾	(725)	777	2,759	3,227
Adjusted Funds Flow from Operations per share ⁽¹⁾				
Basic	(0.00)	0.01	0.02	0.02
Fully diluted	(0.00)	0.01	0.02	0.02
Capital expenditures and acquisitions	68	3,212	884	45,130
Weighted average shares outstanding				
Basic	167,250	154,140	166,871	142,747
Fully diluted	167,250	154,140	166,871	142,747
As at period end				
Common Shares outstanding	169,386	165,718	169,386	165,718
Total assets	53,801	67,305	53,801	67,305
Non-current liabilities	8,366	21,613	8,366	21,613
Positive net cash (net debt) ⁽¹⁾	\$ (23,954)	\$ (26,667)	\$ (23,954)	\$ (26,667)

Note:

(1) See "Reader Advisories – Specified Financial Measures".

Operations Update

With the closing of the successful equity financing on April 8, 2025, the Company is preparing to execute the first of three completion operations on our previously drilled but uncompleted horizontal wells in the Gwinville Field. The Lower Selma Chalk completion is expected to cost approximately \$2.5 million gross, with operations anticipated before the end of the second quarter in 2025. Timing for the second and third horizontal completions (one Lower Selma Chalk and one City Bank) will depend on the results of the first completion operation, but the Company expects to have all three wells completed before the end of the year.

Planning of the drilling operations in the Mechanicsburg Field continue and drilling is expected to commence in the third quarter of 2025 subject to rig availability.

Production Summary

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
Average daily production from operations				
Oil (bbl/d)	87	98	94	115
NGLs (bbl/d)	13	11	10	12
Natural gas (Mcf/d)	12,956	16,101	14,640	15,543
Total production (Mcf/d)	13,556	16,755	15,264	16,305
Total production (boe/d)	2,259	2,793	2,544	2,718
Percentage of natural gas	96%	96%	96%	95%

Production averaged 13,556 Mcfe/d in Q4 2024 and 15,264 Mcfe/d for the year ended December 31, 2024, a decrease of 19% and 6%, from the same periods in 2023, respectively. The decrease was primarily driven by the natural production decline from the three new Gwinville wells that were brought into production in early 2023.

Petroleum and Natural Gas Revenues and Pricing Summary

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
<i>(000s)</i>				
Oil	\$ 549	\$ 694	\$ 2,576	\$ 3,242
NGLs	50	41	161	180
Natural gas	3,318	4,363	13,343	15,891
Total revenue	\$ 3,917	\$ 5,098	\$ 16,080	\$ 19,313

The Company's total revenue from oil and gas sales was \$3.9 million for the fourth quarter of 2024, down 23% compared to \$5.1 million in the fourth quarter of 2023.

Oil and gas revenue decreased by 17% to \$16.1 million for the year ended December 31, 2024, down from \$19.3 million in the previous year. The decrease in revenue was driven by lower sales volumes (6%) and commodity prices in 2024 compared to 2023.

Realized commodity prices

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
Average realized prices				
Oil (\$/bbl)	\$ 68.59	\$ 76.97	\$ 74.88	\$ 77.24
NGLs (\$/bbl)	41.81	40.51	43.99	41.10
Natural gas (\$/Mcf)	2.78	2.95	2.49	2.80
Combined (\$/Mcf)	\$ 3.14	\$ 3.31	\$ 2.88	\$ 3.25
Benchmark prices				
Crude oil – LLS (\$/bbl)	\$ 72.44	\$ 80.79	\$ 78.17	\$ 80.06
Crude oil – WTI (\$/bbl)	70.27	78.32	75.72	77.63
Natural gas – NYMEX HH (\$/MMBtu)	2.79	2.88	2.27	2.74
Exchange rate (\$CAD/\$U.S.)	1.40	1.36	1.37	1.35

Southern sells the majority of its oil and natural gas at the wellhead. Southern receives Louisiana Light Sweet (“LLS”) pricing (less adjustments for proximity and quality) for its oil, and NYMEX Henry Hub (“NYMEX HH”) pricing (less minor proximity adjustments) for its natural gas.

In Q4 2024, Southern realized an oil price of \$68.59/bbl which was a decrease of 11% from the same period in 2023. For the year ended December 31, 2024, Southern’s realized oil price was 3% lower compared to the same period in 2023.

Southern realized a natural gas price of \$2.78/Mcf in Q4 2024, a 6% decrease from Q4 2023. For the year ended December 31, 2024, Southern realized a price of \$2.49/Mcf, a 11% decrease from the same period in 2023. Natural gas prices in 2024 were influenced by several market factors, including a mild winter across North America, which led to elevated inventory levels relative to historical averages, and record U.S. dry natural gas production. However, mid-year production curtailments by major natural gas producers, combined with robust demand from the U.S. power sector, contributed to improving storage balances by the end of 2024 and into early 2025. Southern achieved an average premium of \$0.22/Mcf (approximately 10% above the NYMEX HH benchmark) throughout 2024. This premium reflects the Company's strategic approach to natural gas marketing and its focus on optimizing sales points to capture favorable regional pricing differentials.

Royalties

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
(000s)				
Oil	\$ 112	\$ 144	\$ 529	\$ 654
NGLs	9	7	29	32
Natural gas	650	831	2,631	3,051
Total royalties	\$ 771	\$ 982	\$ 3,189	\$ 3,737
Royalties as a % of revenue	19.7%	19.3%	19.8%	19.3%

Royalties are paid to owners of the royalty interests based on individual oil and gas leases and royalty agreements and are calculated off of realized revenues. Royalties were \$0.8 million in Q4 2024 and \$3.2 million for the year ended December 31, 2024, a decrease of 27% and 15%, respectively, from the same periods in 2023. The decrease was due to lower commodity prices and sales volumes. Southern expects royalties as a percentage of revenue to remain around 20% for 2025 as royalty agreements are based on fixed royalty rates.

Production, Operating and Transportation Expenses

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
(000s)				
Operating expenses	\$ 1,330	\$ 1,524	\$ 5,354	\$ 5,521
Production taxes	184	248	688	914
Transportation expense	344	438	1,460	1,202
Total production, operating and transportation	\$ 1,858	\$ 2,210	\$ 7,502	\$ 7,637

Operating expenses were \$1.3 million (\$1.07/Mcfe) in Q4 2024, which were a decrease of 13% on a dollar basis and an increase of \$0.08 on a per Mcfe basis compared to the same period in 2023. For the year ended December 31, 2024, operating expenses were \$5.4 million (\$0.96/Mcfe), which were 3% lower on a dollar basis and \$0.03/Mcfe higher compared to the same period in 2023.

Production taxes were \$0.2 million and \$0.7 million for the three and twelve months ended December 31, 2024, respectively. The State of Mississippi has a severance tax relief program, where new horizontal wells that are drilled are charged a severance tax rate of 1.3% on all oil and natural gas production for a period not to exceed 30 months from the date of the first sale of production from the wells or until the well reaches payout status, whichever occurs first. Payout is deemed to have occurred the first day of the next month after gross revenue, less royalties, severance taxes and operating expenses, equal the costs to drill, complete, equip and tie-in the well. All of the new wells drilled at Gwinville qualify for this reduced severance tax relief program and Southern expects that the three drilled but uncompleted wells ("DUCs") will also be eligible (see "Operations Update", for more information). The wells that do not qualify for the severance tax relief are charged a severance tax rate of 6.0%.

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Transportation expenses were \$0.3 million (\$0.28/Mcfe) in Q4 2024 and \$1.5 million (\$0.26/Mcfe) for the year ended December 31, 2024, a decrease of 21% and an increase of 21% respectively from the comparable period related to pipeline fees for the transportation of Southern's natural gas volumes to the sales meter. Transportation expenses were lower in Q4 2024 compared to Q4 2023 due to lower sales volumes. For the year ended December 31, 2024, the increase in transportation expenses compared to the previous year was due to the Q2 2023 change in natural gas purchasers in Gwinville and Greens Creek, resulting in a reclassification of some pricing adjustments to transportation expenses. Additionally, Southern is involved in an ongoing dispute around transportation fees being charged by a third party midstream company. Management believes that these transportation lines are regulated by the Federal Energy Regulatory Commission ("FERC"), should be governed by an approved rate, and that the Company is entitled to receive the portion of the fees it has paid, beginning in May 2023, that are in excess of the maximum allowable rates approved by FERC.

Operating Netback

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
<i>(\$/Mcfe)</i>				
Petroleum and natural gas revenue	\$ 3.14	\$ 3.31	\$ 2.88	\$ 3.25
Royalties	(0.62)	(0.64)	(0.57)	(0.63)
Production taxes	(0.15)	(0.16)	(0.12)	(0.15)
Operating expenses	(1.07)	(0.99)	(0.96)	(0.93)
Transportation costs	(0.28)	(0.28)	(0.26)	(0.20)
Operating netback per Mcfe before derivatives ⁽¹⁾	\$ 1.02	\$ 1.24	\$ 0.97	\$ 1.34
Realized loss on derivatives	0.14	0.11	0.46	0.05
Operating netback per Mcfe ⁽¹⁾	\$ 1.16	\$ 1.35	\$ 1.43	\$ 1.39
Operating netback % of revenue ⁽¹⁾	37%	41%	50%	43%

Note:

(1) See "Reader Advisories – Specified Financial Measures".

Southern's operating netbacks decreased by 13% and increased 3% for the three and twelve months ended December 31, 2024, compared to the same periods in 2023. The decrease was driven primarily by lower commodity prices, partially offset by the monetization of the fixed price swap derivative contracts in Q1 2024 to take advantage of the positive unrealized gain position (see "Risk Management – Commodity Derivative Contracts" below for more information).

General & Administrative and Transaction Costs

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
<i>(000s)</i>				
General and administrative	\$ 1,066	\$ 1,203	\$ 3,955	\$ 4,843
Transaction costs	1,135	65	1,311	264
Total	\$ 2,201	\$ 1,268	\$ 5,266	\$ 5,107
General and administrative per Mcfe	\$ 0.85	\$ 0.78	\$ 0.71	\$ 0.81

General and administrative costs were \$1.1 million in Q4 2024 and \$4.0 million for the year ended December 31, 2024, a decrease of 11% and 18%, respectively, from the same periods in 2023. The decrease in 2024 is primarily due to expenses of \$0.5 million related to a 2022 employee bonus program that were incurred in 2023 as well as an overall focus on cost cutting measures within the Company.

Transaction costs of \$1.3 million in 2024 relate to a transaction contemplated by Southern that was not completed, as well as costs to obtain waivers from the Company's lender related to covenant violations at September 30, 2024 and December 31, 2024 (see *"Liquidity and Capital Resources – Credit Facility"* below for more information).

Finance Expense

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
<i>(000s)</i>				
Credit facility interest	\$ 671	\$ 584	\$ 2,610	\$ 1,708
Convertible debenture interest	77	63	282	254
Interest Income	(16)	(13)	(47)	(195)
Lease interest	4	4	11	22
Accretion	(23)	256	167	766
Total finance expense	\$ 713	\$ 894	\$ 3,023	\$ 2,555
Finance expense per Mcfe	\$ 0.57	\$ 0.58	\$ 0.54	\$ 0.43

Finance expenses were \$0.7 million in Q4 2024, a decrease of 20% compared to the same period in 2023, due to lower accretion amounts as a result of the non-cash debt modifications in Q1 and Q4 2024. For the year ended December 31, 2024, finance expenses were \$3.0 million, 18% higher than the same period in 2023. The increase in 2024 was due to higher interest expenses as the Credit Facility was utilized to fund a portion of the capital program in 2023. With the sixth amendment ("Sixth Amendment") to the Credit

Facility, which was executed on February 28, 2024, the fixed per annum coupon increased from 12% to 15% per annum.

Share-based Compensation

Southern recorded share-based compensation of \$68 thousand and \$0.3 million for the three and twelve months ended December 31, 2024, respectively, compared to \$44 thousand and \$0.9 million in the same periods in 2023, related to the issuance of stock options and restricted share awards. For more information, see “Shareholders’ Equity – Share Award Incentive Plan”.

Depletion, Depreciation and Amortization

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
(000s)				
Depletion	\$ 1,569	\$ 2,241	\$ 6,920	\$ 9,416
Depreciation	42	43	162	175
Total depletion, depreciation and amortization	\$ 1,611	\$ 2,284	\$ 7,082	\$ 9,591
DD&A expense per Mcfe	\$ 1.29	\$ 1.48	\$ 1.27	\$ 1.61

Depletion expense was \$1.6 million (\$1.26/Mcfe) in Q4 2024, a decrease of 30% on a dollar basis and 13% on a per Mcfe basis, compared to Q4 2023 (\$1.45/Mcfe). Depletion expense for the year ended December 31, 2024 was \$6.9 million (\$1.24/Mcfe), a decrease of 36% on a dollar basis and 22% on a per Mcfe basis compared to the same periods in 2023. The decrease is primarily due to the impairment charge recorded in Q4 2023 as well as lower production volumes in 2024 compared to 2023.

Depreciation expense is primarily related to the Right-of-Use assets associated with the office space lease.

Impairment

At the end of each reporting period, the Company performs an assessment to determine whether there are any indications of impairment for the cash generating units (“CGUs”) that comprise oil and natural gas properties. As at December 31, 2024, Southern did not identify any indicators of impairment or impairment recovery for any of its CGUs.

At December 31, 2023, Southern viewed the deterioration of current and future natural gas prices as well as the reduction of Southern’s market capitalization below the net assets of the Company as indications of impairment. Southern estimated the recoverable amount of all CGUs at December 31, 2023. Southern determined that the carrying value of the Central Mississippi CGU (“CMS CGU”) exceeded its recoverable amount. A non-cash impairment charge of \$38.0 million was recorded in the Consolidated Statement of Loss and Comprehensive Loss.

The Company estimated the recoverable amounts as fair value less costs of disposal, using the net present value of the cash flows from proved developed producing oil and gas reserves of each CGU, and a 7% discount rate (equivalent to 10% pre-tax), based on reserves estimated by Southern's independent reserves evaluator at December 31, 2023.

Capital Expenditures, Property Acquisitions and Dispositions

The following table summarizes capital spending, excluding non-cash items:

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
<i>(000s)</i>				
Land, acquisitions and lease rentals	\$ -	\$ 64	\$ -	\$ 3,522
Drilling and completions	-	1,903	392	28,662
Geological and geophysical	-	-	-	7
Facilities, equipment and pipelines	58	1,244	477	12,884
Other	10	1	15	55
Capital expenditures, before Dispositions	68	3,212	884	45,130
Dispositions	-	-	(3,364)	-
Net capital expenditures ⁽¹⁾	\$ 68	\$ 3,212	\$ (2,480)	\$ 45,130

Note:

(1) See "Reader Advisories – Specified Financial Measures".

Southern incurred \$0.9 million of expenses during 2024, which were primarily related to the completion of the GH 14-06 #3 well in the Gwinville field and maintenance capital in the field on existing operations. 2024 capital expenditures were lower than 2023 as Southern paused its capital program in Q1 2023 due to declining natural gas prices.

In 2024, Southern sold excess equipment for net proceeds of \$3.4 million, respectively, resulting in a loss on disposition of \$0.6 million in the Consolidated Statement of Loss and Comprehensive Loss.

In Q3 2024, Southern sold its remaining non-core, non-producing wellbores in the Black Warrior Basin CGU for nil proceeds, recording a gain on sale of \$0.2 million.

On June 1, 2023, Southern closed an acquisition to acquire the remaining producing acreage in the Gwinville Field not already owned by the Company for a cash purchase price of \$3.2 million.

Decommissioning Provisions

The total decommissioning provision is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total estimated, inflated undiscounted risked cash flows required to settle the provision, is approximately \$17.6 million at December 31, 2024 (December 31, 2023 - \$20.3 million), which was inflated using a rate of 2.1% (December 31, 2023 – 2.4%) and discounted using a risk-free interest rate of 4.9% at December 31, 2024 (December 31, 2023 – 3.9%). These obligations are to be settled based on the economic lives of the underlying assets, which currently

extend up to 50 years into the future and will be funded from general corporate resources at the time of abandonment.

Shareholders' Equity

Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares ("Common Shares") and an unlimited number of preferred shares.

The following table reflects the Company's outstanding Common Shares at December 31, 2024 and 2023:

	Number of Shares	Share Capital
Balance as at December 31, 2022	138,056,910	\$ 75,271
November issuance of Common Shares by 2023 Fundraising (as defined herein)	26,630,000	5,001
Issuance of Common Shares to satisfy unit warrant exercise	1,031,250	310
Share issuance costs	-	(818)
Balance as at December 31, 2023	165,718,160	\$ 79,764
Issuance of Common Shares to settle convertible debenture interest	3,667,664	402
Balance as at December 31, 2024	169,385,824	\$ 80,166

On December 31, 2024, the accrued interest payment was settled in-kind through the issuance of 2,143,000 new Common Shares. The number of Common Shares issued was equal to the amount of interest, divided by the volume weighted average trading price per Common Share for the 20 consecutive trading days ending on the fifth trading day preceding December 31, 2024.

On November 28, 2024, Southern filed and obtained a final receipt for a final base shelf prospectus in each of the provinces of Canada, which enables Southern to qualify the distribution of up to C\$150 million of any combination of ordinary shares, warrants, subscription receipts, debt securities and units during a 25-month period.

On July 2, 2024, the June 30, 2024 accrued interest payment was settled in-kind through the issuance of 745,391 new Common Shares. The number of Common Shares issued was equal to the amount of interest, divided by the volume weighted average trading price per Common Share for the 20 consecutive trading days ending on the fifth trading day preceding June 30, 2024.

On January 2, 2024, the December 31, 2023 accrued interest payment was settled in-kind through the issuance of 779,273 new Common Shares. The number of Common Shares issued was equal to the amount of interest, divided by the volume weighted average trading price per Common Share for the 20 consecutive trading days ending on the fifth trading day preceding December 31, 2023.

On November 9, 2023, Southern closed an equity financing raising aggregate gross proceeds of \$5.0 million through the issuance of a total of 26,630,000 new Common Shares (the "2023 Fundraising"). The 2023 Fundraising consisted of gross proceeds of \$2.8 million through a placing of 15,853,097 new

Common Shares at a price of 15.5 pence per Common Share, \$2.2 million pursuant to a prospectus offering of 10,712,387 new Common Shares at a price of CAD\$0.26 per Common Share and the remaining \$0.01 million pursuant to a subscription offering of new 64,516 Common Shares at a price of 15.5 pence per Common Share.

Subsequent to December 31, 2024, on April 8, 2025, Southern closed an equity financing raising aggregate gross proceeds of \$5.0 million through the issuance of a total of 102,482,673 new units (the "Fundraising"). The Fundraising consisted of a public offering of new units ("Units") in Canada at a price of CAD\$0.07 per Unit (the "Prospectus Offering") and a concurrent placing of new Units to new and existing investors on AIM market of the London Stock Exchange at a price of 3.8 pence per Unit (the "Placing"). Each Unit consists of one new Common Share and one Common Share purchase warrant ("Fundraising Warrant"). Each Fundraising Warrant entitles the holder to subscribe for and purchase one Common Share at an exercise price of CAD\$0.09 per Common Share (in the case of the Prospectus Offering) or 4.8 pence (in the case of the Placing) for a period of 36 months following closing of the Fundraising. The Fundraising consisted of gross proceeds of \$3.2 million pursuant to a Prospectus Offering of 65,435,521 new Units at a price of CAD\$0.07 per Unit and \$1.8 million through a Placing of 37,047,152 new Units at a price of 3.8 pence per Unit.

Warrants

In connection with the fifth amendment to the Credit Facility the Company extended the term of 3,906,250 outstanding Common Share purchase warrants previously issued to the lender from April 30, 2024 until August 31, 2025.

As part of the Prospectus Offering, 4,932,804 compensation warrants ("Compensation Warrants") were issued. Each Compensation Warrant is exercisable for one Common Share at an exercise price of CAD\$0.07 for a period of 36 months from the closing date.

Stock Option Plan

Under the Company's security based compensation arrangement, which includes the stock option plan and share award incentive plan ("Share Award Incentive Plan"), the Company may grant options or share awards to its directors, officers, employees and consultants.

The following table reflects the Company's outstanding stock options to purchase Common Shares at December 31, 2024 and 2023:

	Number of stock options	Weighted average exercise price (CAD)
Balance at December 31, 2023	7,114,375	\$ 0.86
Granted	3,102,500	\$ 0.18
Expired	(2,050,000)	\$ 0.80
Balance at December 31, 2024	8,166,875	\$ 0.62

On July 17, 2024, pursuant to the Company's Share Award Incentive Plan, an aggregate of 3.1 million stock options to purchase Common Shares of the Company were granted to the directors, officers and employees of Southern. The stock options expire five years from the date of grant and are exercisable at a price of CAD\$0.175 per Common Share. The stock options vest one third on the grant date and one third on each of the first and second anniversaries of the grant day.

The following table summarizes information regarding stock options outstanding as at December 31, 2024:

Exercise Price (\$CAD/share)	Number of options outstanding (000s)	Weighted average remaining terms (years)	Weighted average exercise price for options outstanding (\$CAD/share)	Number of options exercisable (000s)	Weighted average exercise price for options exercisable (\$CAD/share)
\$0.18 - \$1.01	8,167	3.3	\$0.62	6,078	\$0.77

Share Award Incentive Plan

On June 6, 2023, Southern issued 1.3 million restricted share awards ("RSAs") under its Share Award Incentive Plan. The RSAs vest as to one third on each of the first, second and third anniversaries of the grant date. On the vesting dates of such RSAs, the holder is entitled to receive a cash payment or its equivalent in fully paid Common Shares, at the Company's discretion, equal to the closing market value per Common Share on the TSX Venture Exchange on the business day prior to such payment.

Liquidity and Capital Resources

Southern continues to focus on creating balance sheet resilience and long-term sustainability through all commodity cycles. The Company monitors its capital based on projected cash flow from operations and anticipated capital expenditures. To maintain or adjust the capital structure, the Company may issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure. The Company's ability to raise additional debt or equity financing is impacted by external conditions, including future commodity prices and global economic conditions. The Company continually monitors business conditions including changes in economic conditions, the risk of its drilling programs, forecasted commodity prices, and potential corporate or asset acquisitions.

To strengthen its financial position, the Company monetized fixed-price swap derivative contracts in Q1 2024, generating \$1.1 million in proceeds, and sold excess equipment for \$3.4 million during the year. With lower commodity prices in 2024, Southern completed a limited capital program of \$0.9 million,

excluding the equipment sales, primarily focused on maintenance capital to minimize the decline rates of the existing assets. As described above, Southern raised aggregate gross proceeds of \$5.0 million through the Fundraising in Q2 2025, which materially strengthens the balance sheet and in combination with the amendments to the Credit Facility (see below) and cash flow from operations, provides the Company the ability to resume its organic development program in 2025, beginning with the three Gwinville DUCs. In addition to the DUCs, Southern intends to drill two vertical Cotton Valley wells on its Mechanicsburg acreage.

	December 31, 2024	December 31, 2023
Long-term debt	\$ (17,119)	\$ (17,864)
Convertible debentures – face value	(2,979)	(3,241)
Adjusted working capital deficiency	(3,856)	(5,562)
Net debt	\$ (23,954)	\$ (26,667)

Note:

(1) See “Reader Advisories – Specified Financial Measures”.

As at December 31, 2024, Southern had adjusted working capital deficiency (see “Reader Advisories – Specified Financial Measures”) of \$3.9 million. Included in the adjusted working capital deficiency is \$6.6 million of non-interest-bearing royalty payables related to unresolved title or ownership issues. These amounts are accumulated from the inception of oil and gas operations and will be resolved in accordance with industry standards over time. The royalty suspense account is made up of balances from approximately 6,700 royalty holders with over 95% of the balances being greater than 120 days. The royalty holders have deficiencies with their accounts that precludes Southern from making payments.

Southern’s net debt (see “Reader Advisories – Specified Financial Measures”) was \$24.0 million as at December 31, 2024. This compares to a net debt balance of \$26.7 million as at December 31, 2023. The \$2.7 million decrease in net debt during 2024 was due to excess equipment inventory dispositions, monetization of the fixed price swap in Q1 2024 and bringing the first DUC online at the end of December 2023. Southern could further reduce net debt through equity financing, non-core asset sales, or additional sales of excess equipment inventory.

Credit Facility

Southern Energy Corporation (Delaware), one of the wholly-owned subsidiaries of Southern, held the existing Credit Facility at December 31, 2024. The Credit Facility is comprised of Tranche A of \$5.5 million that was advanced at closing on April 30, 2021 and Tranche B of \$31.5 million with an availability until December 31, 2026. Interest on the Credit Facility is 15% per annum on amounts outstanding and includes a 1% per annum standby fee on the unused portion of Tranche B, both paid monthly in arrears on the last day of the month. The Credit Facility is secured against the oil and gas properties of Southern and matures on December 31, 2026. As at December 31, 2024, Southern had \$17.1 million drawn on the Credit Facility and \$10.0 million available from Tranche B. Subsequent to December 31, 2024, Southern paid \$1.9 million toward the outstanding balance and as of April 29, 2025, Southern had \$15.3 million drawn on the Credit Facility.

Due to the amendments to IAS 1 Presentation of Annual Financial Statements, which Southern adopted effective January 1, 2024, \$12.2 million of non-current long-term debt has been reclassified to current as at December 31, 2024. The reclassification was required as Southern is unable to defer the right to settlement of the liability for at least twelve months after the reporting date due to being offside with financial covenants at December 31, 2024. However, subsequent to December 31, 2024, with the execution of the Tenth Amendment to the Credit Facility (details below), Southern reset the financial covenants, that proactively would allow Southern to defer the right to settlement of the liability for at least twelve months, provided there are no future covenant violations.

Effective October 30, 2024, Southern entered into the Eighth Amendment to the Credit Facility. The Eighth Amendment includes an extension to the pause of monthly repayment of principal to December 31, 2024 and a condition that Southern shall repay \$1.7 million of the outstanding principal at January 31, 2025 in the absence of a use of proceeds acceptable to the lender. The Eighth Amendment was accounted for in Q4 2024 as a debt modification under IFRS 9, resulting in a non-cash loss of \$0.4 million in the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss.

Effective April 24, 2024, Southern entered into a seventh amendment to the Credit Facility, which allowed the Company to add a new approved counterparty for hedging contracts.

Effective February 28, 2024, Southern entered into the Sixth Amendment to the Credit Facility. The Sixth Amendment included an extension of the maturity of the Credit Facility to December 31, 2026, reset the debt service coverage ratio ("DSCR") (as defined below) covenant calculation to an annualized basis beginning in Q1 2024, reduced the repayments based on a free cash flow ("FCF") grid (as described below) and increased the fixed per annum coupon from 12% to 15% per annum. The amendment also paused the monthly repayment of the principal amount outstanding (as described below) for the period from February 1, 2024 to September 30, 2024. The Sixth Amendment was accounted for in Q1 2024 as a debt modification under IFRS 9, resulting in a non-cash loss of \$1.3 million in the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss.

Quarterly positive FCF (as described below) repayments are based on a FCF grid whereby quarterly repayments are X% of the preceding quarter where X is equal to 30% if the ACR (as described below) is < 3.0x or DSCR (as described below) is < 1.4x; or X is equal to 0% if the ACR is > 5.0x and DSCR > 1.7x; otherwise is 15%.

The Credit Facility includes a monthly repayment of the principal amount outstanding computed as the sum of: (a) outstanding amount multiplied by $1/A$, where A equals the number of whole or part months remaining to the maturity date plus 24 months; and (b) on the last day of the second month following each fiscal quarter, the amount determined by the FCF grid. FCF is calculated as Earnings Before Interest, Taxes, Depreciation, Amortization, and Impairment ("EBITDAX"), less the aggregate of the Credit Facility principal and interest payments.

Below are the financial covenant calculations for the Credit Facility for December 31, 2024 and December 31, 2023:

Southern Energy Corp
Management’s Discussion and Analysis
For the years ended December 31, 2024 and 2023



Financial covenant	Limit	As at	As at
		Dec 31, 2024	Dec 31, 2023
Asset Coverage ratio	Minimum 2.00	1.80	2.48
Debt Service Coverage ratio	Minimum 1.25	0.77	0.43

The ACR of at least 2:1 is calculated as the ratio of the net present value of proved developed producing oil and gas properties as determined by an independent qualified engineer, using a price deck based on the forward commodity prices, discounted at 12% to the principle amount outstanding under the Credit Facility.

The DSCR of greater than 1.25:1 is the ratio of adjusted EBITDAX, which includes cash equity contributions received by the Borrower to scheduled principal payments and interest expense.

Southern obtained waivers for the December 31, 2024 ACR and DSCR covenant violations and the DSCR for the fiscal quarter ending December 31, 2023.

Subsequent to December 31, 2024, Southern entered into two amendments to the Credit Facility. Effective January 31, 2025, Southern entered into the Ninth Amendment to the Credit Facility. The Ninth Amendment included an extension to the pause of monthly repayment of principal to January 31, 2025 and adjusted the \$1.7 million repayment required from the Eighth Amendment to \$1.45 million at January 31, 2025, which Southern paid.

Effective February 28, 2025, Southern entered into the Tenth Amendment to the Credit Facility. The Tenth Amendment amended the monthly repayment of the principal amount outstanding calculation beginning on February 28, 2025, to the aggregate principal amount then outstanding on all loans multiplied by 60% multiplied by the fraction $1 / A$, where A equals the sum of the number of whole or partial calendar months remaining to the maturity date plus 24 months. In addition, the Tenth Amendment amended both of the financial covenant calculations beginning with the period ending March 31, 2025. The ACR was lowered to 1.75x for all fiscal quarters in 2025 and returns back to 2.00x beginning on March 31, 2026. The DSCR was reset to an annualized basis beginning with the March 31, 2025 calculation.

Effective March 31, 2025, Southern entered into the Eleventh Amendment to the Credit Facility. The Eleventh Amendment amended the ACR down to 1.5x from 1.75x in 2025, reduced Tranche B capacity to \$5.0 million and provided a maximum annual permitted general and administrative expenses amount of \$3.7 million in 2025 and \$3.4 million for future years.

Debenture Financing

As at December 31, 2024, Southern had 4,286 convertible debentures (“Debentures”) issued at a price of CAD\$1,000 per Debenture that accrue interest at the rate of 10.00% per annum payable semi-annually in arrears on December 31 and June 30 of each year (each an “Interest Payment Date”). The Debentures have a maturity date (“Maturity Date”) of June 30, 2025.

At the Company’s election, interest on the Debentures, on the date it is payable can be settled a) in cash; b) by delivering freely tradeable, treasury Common Shares of the Company to a trustee for sale, in which

event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares; or c) any combination of a) and b) above. At the holder's option, the Debentures are convertible into Common Shares at any time prior to the close of business on the earlier of the business day immediately preceding (i) the Maturity Date, or (ii) if called for redemption, the date specified for redemption by the Company, at a conversion price of CAD\$0.80 per Common Share, subject to adjustment in certain events. This represents a conversion rate of approximately 1,250 Common Shares for each CAD\$1,000 principal amount of Debentures, subject to the operation of certain anti-dilution provisions contained in the indenture governing the Debentures. Holders who convert their Debentures will receive accrued and unpaid interest for the period from the date of the last Interest Payment Date prior to the date of conversion to the date of conversion.

The Debentures are direct, subordinated, unsecured obligations of the Company, subordinated to any senior indebtedness of the Company, including the senior secured term loan, and ranking equally with one another and with all other existing and future subordinated unsecured indebtedness of the Company to the extent subordinated on the same terms.

Prior to the Maturity Date, the Debentures are redeemable by the Company, in whole or in part, from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to 102.5% of their principal amount plus accrued and unpaid interest, if any.

On June 26, 2024, Southern amended its outstanding Debentures to extend the maturity date of the 4,286 outstanding Debentures by one year to June 30, 2025, and increase the interest on the Debentures from 8.00% to 10.00% per annum commencing on June 30, 2024 pursuant to a second supplemental debenture indenture.

In connection with the second supplemental debenture indenture the Company issued a total of 1,863,478 Common Share purchase warrants ("Warrants") to the holders of the Debentures ("Debentureholders") for no additional consideration, with each Warrant entitling the Debentureholder to purchase one Common Share of the Company at a price of CAD\$0.25 for a period of 12 months from the date of issuance. The Warrants, and any Common Shares issued upon the exercise of the Warrants, are subject to a statutory four month and one day hold period from the date of issuance.

On December 31, 2024, the accrued interest payment was settled in-kind through the issuance of 2,143,000 new Common Shares. The number of Common Shares issued was equal to the amount of interest, divided by the volume weighted average trading price per Common Share for the 20 consecutive trading days ending on the fifth trading day preceding December 31, 2024.

On July 2, 2024, the June 30, 2024 accrued interest payment was settled in-kind through the issuance of 745,391 new Common Shares. The number of Common Shares issued was equal to the amount of interest, divided by the volume weighted average trading price per Common Share for the 20 consecutive trading days ending on the fifth trading day preceding June 30, 2024.

On January 2, 2024, the accrued interest payment due on December 31, 2023, was settled in-kind through the issuance of 779,273 new Common Shares. The number of Common Shares issued is equal to the

amount of interest, divided by the volume weighted average trading price per Common Share for the 20 consecutive trading days ending on the fifth trading day preceding December 31, 2023.

At December 31, 2024, the Debentures were classified as a current liability as they have a maturity date of June 30, 2025. The fair value of the Debentures at December 31, 2024 was \$3.0 million.

Subsequent to December 31, 2024, upon completion of the Fundraising, pursuant to a third supplemental debenture indenture, Southern converted the remaining outstanding Debentures at an amount equal to 102.5% into 62,759,286 new Units at CAD\$0.07 (the “Prospectus Price”). Additionally, all accrued and unpaid interest was settled in-kind through the issuance of 1,627,170 new Units at the Prospectus Price.

Contractual Obligations and Commitments

The Company is, or will be, obligated to pay various costs associated with operations incurred in the normal course of business. All such contractual obligations reflect market conditions prevailing at the time of contract and none are with related parties. The Company believes it has adequate sources of capital to fund all contractual obligations as they come due. The following table lists the Company’s obligations with a fixed term as at December 31, 2024:

	Total	2025	2026	2027	Thereafter
Long-term debt ⁽¹⁾	\$ 17,119	\$ 5,609	\$ 11,510	\$ -	\$ -
Convertible debentures ⁽²⁾	2,979	2,979	-	-	-
Lease obligations ⁽³⁾	488	88	164	164	72
Total	\$ 20,586	\$ 8,676	\$ 11,674	\$ 164	\$ 72

Notes:

- (1) Long-term debt consists of the Credit Facility – see “*Liquidity and Capital Resources*” for more information
- (2) Debentures have a maturity date of June 30, 2025.
- (3) The lease obligations relate to the Canadian office lease that is accounted for under IFRS 16.

Off-balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition, including, without limitation, the Company’s liquidity and capital resources.

Risk Management

The business risks the Company is exposed to are those inherent in the oil and gas industry as well as those governed by the individual nature of Southern’s operations. These risks include but are not limited to:

- volatility of commodity prices;
- changes in the political landscape both domestically and abroad;
- outbreak of military hostilities, including armed conflict between Russia and Ukraine and the potential destabilizing effect such conflict may pose for the European continent or the global oil and natural gas markets;

- the ability of the Company to achieve drilling success consistent with Management's expectations, including in respect of the Gwinville assets;
- expectations regarding completion of the Company's current and anticipated drilling projects including those related to the Gwinville assets and the timing in respect thereof;
- expectations regarding pricing including in respect of the Company's continued receipt of premiums at Transco Zone 4 and Florida Gas Zone 3;
- global and regional supply and demand;
- reservoir quality and uncertainty of reserves estimates;
- geological and engineering risks;
- operating hazards and other difficulties inherent in the exploration for and production of oil and gas;
- timing and success of integrating the business and operations of acquired companies and assets;
- the uncertainty of discovering commercial quantities of new reserves;
- ability to obtain all necessary licences and permits required for the business of the Company;
- ability to find and employ qualified personnel or management;
- interest rate and foreign exchange risks;
- rising interest rates with further increases anticipated over the next 12 months;
- inflationary risks, including impacts on cost management, supply chain dynamics and government policies impacting operating and capital costs;
- changes in industry regulations and legislation (including, but not limited to, tax laws, royalties, and environmental regulations);
- the imposition or expansion of tariffs imposed by domestic and foreign governments or the imposition of other restrictive trade measures, retaliatory or countermeasures implemented by such governments, including the introduction of regulatory barriers to trade and the potential effect on the demand and/or market price for the Company's products and/or otherwise adversely affects the Company;
- competition;
- credit risk related to non-payment for sales contracts or non-performance by counterparties to contracts, including derivative financial instruments and physical sales contracts;
- public sentiment towards the use of fossil fuels;
- availability of, and access to, capital on favourable or desirable terms;
- environmental impact risk;
- changing royalty regimes and the Company's expectations in respect of 2024 royalty rates;
- business interruptions due to unexpected events;
- access to markets; and
- risk of interruption or failure of information technology systems and data.

All of these risks influence the controls and management at the Company.

Southern manages these risks by:

- attracting and retaining a team of highly-qualified and motivated professionals who have a vested interest in the success of the Company;
- operating properties in order to maximize opportunities;

- employing risk management instruments to minimize exposure to volatility of commodity prices;
- maintaining a comprehensive property loss and business interruption insurance program to reduce risk;
- implementing cyber security protocols and procedures to reduce the risk of a significant breach of the Company’s information technology systems and related data; and
- maintaining strict environmental, safety and health practices.

For additional details on the risks relating to Southern’s business, see “Risk Factors” in the Company’s most recent AIF for the year ended December 31, 2024, which is available on SEDAR+ at www.sedarplus.ca.

Commodity Derivative Contracts

Southern utilizes oil and natural gas derivative contracts to mitigate its exposure to commodity price risk associated with future oil and natural gas production. Typical derivative contracts could consist of options, in the form of price floors, collars or three-way collars and fixed-price swaps. The derivative financial instruments are recorded on the Consolidated Statement of Financial Position as either an asset or a liability measured at fair value. Southern does not apply hedge accounting to its commodity derivative contracts; accordingly, changes in the fair value of these instruments are recognized in the Consolidated Statement of Loss and Comprehensive Loss in the period of change.

Southern had the following commodity derivative contracts in place as at December 31, 2024:

Natural Gas	Volume	Pricing
<i>Costless Collar</i>		
January 1, 2025 – March 31, 2025	1,000 MMBtu/d	NYMEX – HH \$3.50 - \$5.20/MMBtu
<i>Fixed Price Swap</i>		
January 1, 2025 – December 31, 2026	5,000 MMBtu/d	NYMEX – HH \$3.400/MMBtu

In Q1 2024, Southern monetized the fixed price swap derivative contracts to take advantage of the positive unrealized gain position, realizing net proceeds of \$1.1 million.

Eight Quarter Analysis

(000s)	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Three months ended	2024	2024	2024	2024	2023	2023	2023	2023
Revenue	\$ 3,917	\$ 3,480	\$ 3,889	\$ 4,794	\$ 5,098	\$ 5,285	\$ 3,741	\$ 5,189
Adjusted Funds Flow from Operations	(725)	552	770	2,162	777	1,071	(366)	1,745
Net earnings (loss)	(3,715)	(2,062)	(2,622)	(3,121)	(39,563)	(2,367)	(3,767)	(1,120)
Per share:								
Basic	(0.02)	(0.01)	(0.02)	(0.02)	(0.26)	(0.02)	(0.03)	(0.01)
Diluted	(0.02)	(0.01)	(0.02)	(0.02)	(0.26)	(0.02)	(0.03)	(0.01)

Significant factors and trends that have impacted the Company’s results during the above periods include:

- Volatility in commodity prices and the resultant effect on revenue and net loss

- Production from the first seven wells in the appraisal program at Gwinville online between Q2 2022 and Q1 2024.
- On June 1, 2023, Southern acquired approximately 400 boe/d (99% natural gas) with the consolidation of the remaining producing acreage in the Gwinville Field.
- On December 31, 2023, Southern recorded an impairment expense of \$38.0 million for the CMS CGU.
- In Q1 2024, Southern monetized the fixed price swap derivative contracts to take advantage of the positive unrealized gain position, realizing net proceeds of \$1.1 million.
- In Q1 2024, Southern recorded a non-cash loss on debt modification of \$1.3 million as a result of the Sixth Amendment.
- In Q4 2024, Southern recorded \$1.1 million in transaction costs related to a transaction that the Company contemplated but did not complete.
- As a result of improving future strip natural gas prices at Dec 31, 2024, Southern recorded a \$0.8 million loss on unrealized derivatives.

READER ADVISORIES

Disclosure Regarding Forward-Looking Statements and Future Oriented Financial Information

Certain statements and information contained within this MD&A may constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. These statements include, without limitation, statements regarding the status of development or expenditures relating to Southern's business, the plans and intentions of Management, drilling and completion plans, plans to fund current activities, future operations, future strategic acquisitions and growth strategy, future oil and natural gas production estimates and weighting, Southern's future financial position, the resolution of adjusted working capital deficiencies, future corporate strategies and the success thereof, the availability and renewal of the Credit Facility and lending vehicles thereunder, the Company's financial hedging program including the use of financial derivatives to manage fluctuations in commodity prices and exchange rates, Southern's ability to re-initiate growth in deploying the net proceeds from the equity financing on capital expenditures, projected costs, sources and uses of funding, future revenues, expectation that natural gas pricing, estimated decommissioning obligations and expectations in respect thereof including that they will be funded through general corporate resources upon abandonment and anticipated settlement timing, plans and expected resolutions of title ownership issues in respect of royalty payables, expectations as to inflation and interest rates, expectations regarding commodity prices and global demand and supply for natural gas, forecasted operational results, capital expenditures and drilling plans and locations, intention to divert savings from operational synergies at the Gwinville site towards added sales volumes, the Company's expectations regarding completion of the three remaining DUCs and the drilling operations in the Mechanicsburg Field (including the timing thereof and anticipated costs and funding), eligibility of new wells drilled at Gwinville for the State of Mississippi's reduced severance tax relief program and implications thereof, planned capital expenditures, the Company's intention to enhance production and reduce operating costs of the acquired assets in Gwinville, the continued consolidation of infrastructure, staff and services between assets and benefits thereof including the reduction of operating costs in light of the current inflationary environment for labour and equipment. Forward-looking statements are often, but not always identified by the use of

words such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “estimate”, “potential”, “could”, “likely”, “believe”, “becoming”, “positioned for”, “forecast”, “foresee”, “intend”, “continue”, “target” or the negative of such terms or other comparable terminology. Statements relating to “reserves” and “recovery” 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. Southern has made a number of assumptions in the preparation of these forward-looking statements including, without limitation, those regarding future commodity prices, future foreign exchange rates, expected production and costs, estimated reserves of oil and natural gas, the ability to obtain equipment and services in a timely and efficient manner, the continued availability of capital and skilled personnel, drilling results, the ability to obtain financing on acceptable terms, the ability to comply with ongoing obligations under the Credit Facility and other sources of financing, allocation of capital resources, the business plan of Southern, including in respect of the Gwinville assets, and successful integration of acquired assets into the Company's operations, the Company's ability to execute its plans and strategies, the Company's ability to enter into future derivative contracts on acceptable terms, the impact of increasing competition within the resource market, the continuation of the current tax, royalty and regulatory regimes, the volatility in commodity prices, oil price differentials, actual prices received for the Company's products and the resulting effect on the Company's financial results, the Company's ability to obtain, retain and renew all requisite permits and licenses, the actions of the Organization of Petroleum Exporting

Countries (“OPEC”) and non-OPEC oil and gas exporting countries to set production levels and the influence thereof on oil prices and global demand, the impact of inflation on costs, and the evolving impact of pandemics and uncertainty regarding the full impact of pandemics on global economies and oil demand and commodity prices. Readers should not place undue reliance on forward-looking statements, which are subject to a multitude of risks and uncertainties that could cause actual results, future circumstances or events to differ materially from those projected in the forward-looking statements. These risks include, but are not limited to, the material uncertainties and risks described under the headings “*Risk Management*” and “*Specified Financial Measures*”, risks associated with the oil and gas industry in general such as operational risks in development, exploration and production, uncertainty of reserves estimates, environmental impact risks, market demand and volatility, fluctuations and uncertainty with respect to interest rates and commodity prices (including pursuant to determinations by OPEC and other countries (collectively referred to as OPEC+) regarding production levels); stock market and financial system volatility, changes to market valuations, competition, the lack of availability of qualified personnel or management, the lack of availability of or access to services, the results of exploration and development drilling related activities, inclement and severe weather events and natural disasters, including fire, drought and flooding and corresponding effects, commodity prices, interest rate and exchange rate volatility, credit risk, the need for additional capital and the effect of capital market conditions and other factors, changes in tax, royalty or environmental legislation, changes in industry regulations and legislation (including, but not limited to, tax laws, royalties, and environmental regulations); geo-political risks, political and economic instability both domestically and abroad, the imposition or expansion of tariffs imposed by domestic and foreign governments or the imposition of other restrictive trade measures, retaliatory or countermeasures implemented by such governments, including the introduction of regulatory barriers to trade and the potential effect on the demand and/or market price for the Company's products and/or otherwise adversely affects the Company, wars (including the Russo-Ukrainian war and the Israel-Hamas conflict), hostilities, civil insurrections, increased operating and

capital costs due to inflationary pressures, the potential dilutive effects of any financing, the timing of exploration and development, the timing and costs of obtaining regulatory approvals, estimates regarding capital requirements and future revenues, the timing and amount of tax credits, adverse effects on general economic conditions in Canada, the U.S. and globally, including due to pandemics and other risks detailed from time to time in Southern's public disclosure documents. The Russo-Ukrainian war and the Israel-Hamas conflict are particularly noteworthy, as these conflicts have the potential to disrupt the global supply of oil and gas, and their full impact remains uncertain.

Readers are cautioned that the foregoing list of risk factors is not exhaustive. The risk factors above should be considered in the context of current economic conditions, increased supply resulting from evolving exploitation methods, the attitude of lenders and investors towards corporations in the energy industry, potential changes to royalty and taxation regimes and to environmental and other government regulations, the condition of financial markets generally, as well as the stability of joint venture and other business partners, all of which are beyond the control of the Company. Also to be considered, are increased levels of political uncertainty both domestically and abroad, and possible changes to existing international trading agreements and relationships. Legal challenges related to title and ownership issues, limitations to rights of access, and adequacy of pipelines or alternative methods of getting production to market may also have a significant effect on the Company's business. Additional information on these and other factors that could affect the business, operations or financial results of the Company are included in reports on file with applicable securities regulatory authorities, including but not limited to the AIF, which may be accessed on the Company's SEDAR+ profile at www.sedarplus.ca or on the Company's website at www.southernenergycorp.com.

This MD&A also contains future oriented financial information and financial outlook information (collectively, "FOFI") about the Company's guidance for 2025, including with respect to budgeted capital expenditures, revenue and the components thereof, expenses and cost estimates, natural gas pricing, royalty rates, balance sheet resiliency, net present value of cash flow from operations using a 7% discount rate, net debt, tax rates, payout of wells, and prospective results of operations and production, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs and the assumptions outlined under "*Specified Financial Measures*".

The forward-looking statements and FOFI contained in this MD&A were approved by Management as of the date of this document and were provided for the purpose of providing further information about Southern's future business operations. Southern and its Management believe that forward-looking statements and FOFI have 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 forward-looking statements or 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. Changes in forecast commodity prices, differences in the timing of capital expenditures, and variances in average production estimates can have a significant impact on the key

performance measures included in Southern's guidance. The Company's actual results may differ materially from these estimates.

Short Term Results

References in this MD&A to peak rates, production rates since inception, current production rates, IP30 and other short-term production rates are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production of Southern. The Company cautions that such results should be considered to be preliminary.

Certain oil and gas terms

Certain terms used in this MD&A that are not otherwise defined herein are provided below:

- 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.
- developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
- reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates.
- 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.

Significant Judgments and Estimates

Management is required to make judgments, assumptions and estimates in the application of IFRS that have a significant impact on the Company's financial results. Significant judgments in the Annual Financial Statements include going concern, financing arrangements, impairment indicators, asset acquisition and joint arrangements. Significant estimates in the Annual Financial Statements include income taxes and deferred taxes, commitments, provision for future decommissioning obligations, exploration and evaluation assets and accruals. In addition, the Company uses estimates for numerous variables in the

assessment of its assets for impairment purposes, including oil and natural gas prices, exchange rates, discount rates, cost estimates and production profiles. By their nature, all of these estimates are subject to measurement uncertainty, may be beyond Management's control and the effect on future consolidated financial statements from changes in such estimates could be significant.

Specified Financial Measures

This MD&A contains various specified financial measures, including non-IFRS financial measures, non-IFRS financial ratios and capital management measures. Management has incorporated certain specified financial measures commonly used in the oil and natural gas industry, such as "Adjusted Funds Flow from Operations," "Operating Netback," "Adjusted Working Capital," "Net Capital Expenditures" and "Positive Net Cash (Net Debt)". These terms are not defined by IFRS and therefore may not be comparable to similar measures presented by other companies. Readers are cautioned that these specified financial measures should not be construed as alternatives to other measures of financial performance calculated in accordance with IFRS. The specified financial measures and their manner of reconciliation to IFRS financial measures are discussed below. These specified financial measures provide additional information that Management believes is meaningful in describing the Company's operational performance, liquidity and capacity to fund capital expenditures and other activities.

"Adjusted Funds Flow from Operations"

Adjusted funds flow from operations (non-IFRS financial measure) is calculated based on cash flow from operating activities before changes in non-cash adjusted working capital and cash decommissioning expenditures. Management uses adjusted funds flow from operations as a key measure to assess the ability of the Company to finance operating activities, capital expenditures and debt repayments. Adjusted funds flow from operations per share is calculated using the same weighted average basic and diluted shares that are used in calculating net earnings (loss) per share. The reconciliation between funds flow from operations and cash flow from operating activities, as defined by IFRS, is as follows:

	Three months ended		Year ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Cash flow from operating activities	\$ 196	\$ (70)	\$ 3,850	\$ 3,703
Change in non-cash working capital	(920)	845	(1,099)	(521)
Cash decommissioning expenses	(1)	2	8	45
Adjusted funds flow from operations	\$ (725)	\$ 777	\$ 2,759	\$ 3,227

"Operating Netback"

Operating netback (non-IFRS financial measure) is calculated as oil and natural gas sales less royalties, production taxes, operating expenses, transportation costs and realized gain (loss) on derivatives. Operating netback may also be calculated on a per Mcfe basis and as a percentage of revenue. Management considers operating netback an important measure to evaluate its operational performance, as it demonstrates field level profitability relative to current commodity prices.

Southern Energy Corp
Management's Discussion and Analysis
For the years ended December 31, 2024 and 2023



	Three months ended		Year ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Petroleum and natural gas revenue	\$ 3,917	\$ 5,098	\$ 16,080	\$ 19,313
Royalties	(771)	(982)	(3,189)	(3,737)
Production taxes	(184)	(248)	(688)	(914)
Operating expenses	(1,330)	(1,524)	(5,354)	(5,521)
Transportation costs	(344)	(438)	(1,460)	(1,202)
Operating netback before derivatives	\$ 1,288	\$ 1,906	\$ 5,389	\$ 7,939
Realized gain (loss) on derivatives	172	174	2,571	317
Operating netback	\$ 1,460	\$ 2,080	\$ 7,960	\$ 8,256

“Adjusted Working Capital” and “Positive Net Cash (Net Debt)”

The below tables outline Southern's calculation of adjusted working capital and positive net cash (net debt). Management monitors adjusted working capital (capital management measure) and positive net cash (net debt) (capital management measure) as part of its capital structure in order to fund current operations and future growth of the Company.

	As at December 31, 2024	As at December 31, 2023	As at December 31, 2022
Current assets	\$ 5,756	\$ 7,357	\$ 37,638
Current liabilities	(30,678)	(19,881)	(17,433)
Remove:			
Current derivative assets	(166)	(1,022)	(17)
Current portion of lease liabilities	79	121	107
Current portion of long-term debt	17,814	4,657	1,106
Current derivative liabilities	349	10	-
Current portion of convertible debentures	2,990	3,196	-
Adjusted working capital (deficiency) surplus	\$ (3,856)	\$ (5,562)	\$ 21,401

	As at December 31, 2024	As at December 31, 2023	As at December 31, 2022
Long-term debt	\$ (17,119)	\$ (17,864)	\$ (4,800)
Convertible debentures – face value	(2,979)	(3,241)	(3,164)
Adjusted working capital (deficiency)	(3,856)	(5,562)	21,401
Positive net cash (net debt)	\$ (23,954)	\$ (26,667)	\$ 13,437

“Net Capital Expenditures”

Southern uses “Net Capital Expenditures” (capital management measure) to measure its capital investment level compared to the Company's annual budgeted capital expenditures after dispositions. “Net Capital Expenditures” is calculated by subtracting proceeds from dispositions from capital expenditure costs. The directly comparable IFRS measure is net cash (used) provided by investing

activities. The following table details the composition of capital expenditures and its reconciliation to cash used in investing activities:

	Three months ended		Year ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Net cash used by investing activities	\$ 167	\$ 2,467	\$ 860	\$ 43,341
Change in non-cash working capital	(99)	745	(3,340)	1,789
Net Capital Expenditures	\$ 68	\$ 3,212	\$ (2,480)	\$ 45,130

Abbreviations

bbl	barrels
bbl/d	barrels per day
boe	barrels of oil
boe/d	barrels of oil equivalent per day
Gas	natural gas
IP30	average hydrocarbon production rate for the first 30 days of a well's life
LLS	Louisiana Light Sweet
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
Mcfe	thousand cubic feet equivalent
Mcfe/d	thousand cubic feet equivalent per day
MMBtu	million British thermal units
MMBtu/d	million British thermal units per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
NGLs	natural gas liquids
NYMEX – HH	New York Mercantile Exchange – Henry Hub
WTI	West Texas Intermediate

Barrel of Oil Equivalent and Thousand Cubic Feet Equivalent

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

Additional Information

Additional information about the Company can be obtained by contacting the Company at Suite 2400, 333 7th Avenue SW, Calgary, Alberta T2P 2Z1 or by email at info@southernenergycorp.com. Additional information, including the Company's audited financial statements for the years ended December 31, 2024 and 2023, and the AIF, are also available on SEDAR+ at www.sedarplus.ca or online at www.southernenergycorp.com.