

Southern Energy Corp. Announces Q2 2019 Financial and Operating Results

28.08.2019 | [CNW](#)

CALGARY, Aug. 28, 2019 - [Southern Energy Corp.](#) ("Southern" or the "Company") (SOU: TSXV), an established natural oil producer with U.S.-based assets, is pleased to release its financial and operating results for the three and six months ended June 30, 2019. Southern's unaudited condensed consolidated financial statements (the "Financial Statements") and related management's discussion and analysis (the "MD&A") for the three and six months ended June 30, 2019 are available on the Company's website at <http://www.southernenergycorp.com> and filed on SEDAR. All figures referred to in this news release are denominated in Canadian dollars, unless otherwise noted.

SECOND QUARTER 2019 HIGHLIGHTS

- Closed the acquisition of high-quality, low-decline (less than 5%) assets on June 14, 2019, including production of approximately 6,000 Mcfe/d (97% natural gas) with control of strategic facilities and infrastructure complementary to Southern's existing Mississippi operations for cash consideration of \$19.7 million (the "Acquisition"). The Acquisition demonstrates Southern's ability to capitalize upon opportunities to acquire and enhance producing assets in our region of focus by leveraging the operating efficiencies that come with economies of scale.
- Operating netbacks¹ averaged \$1.98/Mcfe in Q2 2019 and \$1.91/Mcfe for the first half of 2019, contributing to positive adjusted funds flow from operations¹ of \$0.4 million and \$0.9 million, respectively.
- On June 14, 2019, Southern closed the sale of 8,069 convertible debentures (the "Debentures") at a price of \$1,000 per Debenture and received net proceeds of \$7.6 million, which was used to finance the Acquisition. The Debentures will mature and be repayable on June 30, 2022 and accrue interest at the rate of 8.00% per annum payable semi-annually in arrears on December 31 and June 30 of each year, with the first such payment to be made December 31, 2019. At the Company's option, interest on the Debentures on the date it is payable can be settled: (a) in cash; (b) by delivering freely tradable Canadian treasury common shares in the capital of the Company ("Common Shares") 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 the Common Shares; or (c) any combination of (a) and (b) above.
- Successfully completed the sale of all its remaining Canadian oil and natural gas assets for \$0.5 million, solidifying Southern's position as a pure-play U.S. exploration and production company.
- Production from the Company's U.S. assets averaged 10,097 Mcfe/d (87% natural gas) during Q2 2019 and 9,867 Mcfe/d (87% natural gas) for the first half of 2019, including incremental production of 1,020 Mcfe/d from the Acquisition assets closed on June 14, 2019 close date. The Q2 2019 results only reflect operational results from the Acquisition for the period from April 1, 2019 to June 30, 2019.
- Realized natural gas and oil prices in Q2 2019 averaged \$3.51/Mcf and \$88.53/bbl, respectively, reflecting the better oil pricing at U.S. sales hubs, which have typically traded at a premium to Canadian benchmark prices.
- Using an Acquisition closing date of January 1, 2019, the impact on Southern's results would have realized pro forma positive adjusted funds flow from operations² of \$2.7 million and production volumes of approximately 15,100 Mcfe/d for the first six months of 2019 and an annualized pro forma net debt² to adjusted funds flow from operations² as at June 30, 2019, approximately three times lower.
- Capital expenditures for the second quarter were \$0.5 million, excluding Acquisition costs, primarily directed to finalizing wellsite equipment and asset optimization projects as the Company made the strategic decision to defer drilling of the planned Gwinville well until natural gas prices improve.

1 See "Non-IFRS Measures"

2 See "Non-IFRS Measures"

"Successful completion of our accretive Acquisition and financing transactions through the first half of 2019 position Southern Energy Corp. to benefit from the anticipated growth in the U.S. Gulf Coast States where demand for natural gas is projected to increase significantly over the next five years," said Ian Atkinson, Southern's President & CEO. "Our success to date in 2019 demonstrates the Company's ability to build a high-margin asset base with low-risk drilling opportunities. Minimal maintenance capital is required to preserve the low-risk

nature of these assets that generate free cash flow while offering long-term sustainability."

Financial Highlights

	Three months ended		Six months ended	
	June 30		June 30	
FINANCIAL				
(000s, except \$ per share)	2019	2018	2019	2018
Oil and natural gas revenue	\$ 4,383	\$ -	\$ 8,807	\$ -
Net loss	(354)	-	(2,028)	-
Per share – basic & diluted	(0.00)	-	(0.01)	-
Total net loss	(308)	(83)	(2,005)	(193)
Adjusted funds flow from operations ¹	418	19	857	-
Capital expenditures	21,637	-	22,159	-
Net debt ¹	31,491	-	31,491	-
Common Shares outstanding				
Weighted average – basic & diluted	208,624	24,247	206,502	24,247

Notes:

1. See "Non-IFRS Measures".

2. See "Reader Advisory".

		Three months ended		Six months ended	
		June 30	June 30	June 30	June 30
OPERATING		2019	2018	2019	2018
Sales volumes					
Crude Oil (Bbl/d)	179	-	171	-	
Natural Gas (Mcf/d)	8,687	-	8,404	-	
NGLs (Bbl/d)	38	-	41	-	
Production from continuing operations	9,989	-	9,676	-	
Production from discontinued operations	108	288	192	276	
Total production (Mcfe/d)	10,097	288	9,868	276	
Percentage of natural gas	87%	-	87%	-	
Average realized prices					
Crude Oil (\$/Bbl)	\$ 88.53	\$ -	\$ 84.36	\$ -	
Natural Gas (\$/Mcf)	3.51	-	3.77	-	
NGLs (\$/Bbl)	48.00	-	46.76	-	
Combined (\$/Mcfe)	\$ 4.82	\$ -	\$ 5.03	\$ -	
Operating Netback (\$/Mcfe)¹					
Revenue	\$ 4.82	\$ -	\$ 5.03	\$ -	
Royalties	(0.88)	-	(0.92)	-	
Realized gain / (loss) on derivatives	0.08	-	(0.04)	-	
Production and operating costs	(1.71)	-	(1.81)	-	
Transportation expense	(0.33)	-	(0.35)	-	
Operating netback (\$/Mcfe) ¹	\$ 1.98	\$ -	\$ 1.91	\$ -	
Operating netback % of revenue	41%	-	38%	-	

Notes:

1. See "Non-IFRS Measures".

2. See "Reader Advisory".

Outlook

For the remainder of 2019, Southern's conservative capital program of \$0.5 million will focus on maintaining

stable production volumes. As a result of the preparatory work completed in the first quarter of this year, Southern is positioned to quickly advance its Gwinville drilling program should supportive commodity prices be sustained.

For the balance of 2019, almost 30% of Southern's budgeted natural gas production is hedged at an average price of US\$2.84/mcf with additional hedges layered on through 2020 and 2021 at \$2.64/Mcf and \$2.58/Mcf respectively.

About Southern Energy Corp.

[Southern Energy Corp.](#) is an oil and natural gas exploration and production company. Southern has a primary focus on acquiring and developing conventional and unconventional light oil and natural gas resources in the SE Gulf States of Mississippi, Alabama, and Louisiana. Our management team has a long and successful history working together and have created significant shareholder value through accretive acquisitions, optimization of existing oil and natural gas fields and the utilization of horizontal drilling and multi-staged fracture completion techniques.

READER ADVISORY

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

Forward Looking Statements. Certain information included in this press release constitutes forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this press release may include, but is not limited to, statements concerning the Company's asset base, drilling opportunities and free cash flow, shareholder returns, future production levels and its Gwinville drilling program.

The forward-looking statements contained in this press release are based on certain key expectations and assumptions made by Southern, including the timing of and success of future drilling, development and completion activities, the performance of existing wells, the performance of new wells, the availability and performance of facilities and pipelines, the geological characteristics of Southern's properties, the characteristics of its assets, the successful integration of the Acquisition assets into Southern's operations, the successful application of drilling, completion and seismic technology, prevailing weather conditions, prevailing legislation affecting the oil and gas industry, commodity prices, royalty regimes and exchange rates, the application of regulatory and licensing requirements, the availability of capital, labour and services, the creditworthiness of industry partners and the ability to source and complete asset acquisitions.

Although Southern believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Southern can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), constraint in the availability of services, commodity price and exchange rate fluctuations, changes in legislation impacting the oil and gas industry, adverse weather or break-up conditions and uncertainties

resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. These and other risks are set out in more detail in Southern's Annual Information Form for the year ended December 31, 2018.

The forward-looking information contained in this press release is made as of the date hereof and Southern undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward looking information contained in this press release is expressly qualified by this cautionary statement.

Future Oriented Financial Information: Any financial outlook or future oriented financial information in this press release, as defined by applicable securities legislation, has been approved by management of Southern. Readers are cautioned that any such future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein. The Company and its management believe that the prospective financial information has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future activities or results.

Non-IFRS Measures. This press release provides certain financial measures that do not have a standardized meaning prescribed by IFRS. These non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Adjusted funds flow from operations, pro forma adjusted funds flow from operations, net debt, pro forma net debt to adjusted funds flow from operations and operating netback are not a recognized measure under IFRS. Management believes that in addition to net income (loss), adjusted funds flow from operations and operating netback are useful supplemental measures that demonstrates the Company's ability to generate the cash necessary to repay debt or fund future capital investment. Investors are cautioned, however, that this measure should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indication of Southern's performance. Southern's method of calculating these measures may differ from other companies and accordingly, they may not be comparable to measures used by other companies. Adjusted funds flow from operations is calculated based on cash flow from operative activities before changes in non-cash working capital and cash decommissioning expenditures. Net debt is defined as long-term debt plus working capital surplus or deficit. Operating netback equals total oil and natural gas sales less royalties, production taxes, operating expenses, transportation costs and realized gain / (loss) on derivatives. Please refer to the MD&A for additional information relating to non-IFRS measures, which is available on the Company's website at www.southernenergycorp.com and filed on SEDAR.

Pro Forma Information. This press release includes certain pro forma information combining the Company's results from the six months ended June 30, 2019 with results from the Acquisition assets for the same period. Management believes that reviewing our operating results by combining actual and pro forma results including the Acquisition assets reaches conclusions regarding the overall operating performance of the Company, as the Acquisition closed on June 14, 2019 and only contributed 16 days of results to the [Financial Statements](https://www.southernenergycorp.com). The pro forma information contained herein includes adjustments as if the Acquisition had occurred on January 1, 2019, including adjustments for the effects of acquisition accounting but do not include adjustments for costs related to integration activities, cost savings or synergies that might be achieved by the combined assets. The sources of these pro forma results are the [Financial Statements](https://www.rohstoff-welt.de/news/833300-Southern-Energy-Corp-Announces-Q2-2019-Financial-and-Operating-Results.html) combined with the internal, unaudited financial information of the Acquisition assets for the same period. These pro forma financial measures are not specified, defined or determined under IFRS accounting rules. **Pro forma amounts to be presented are not necessarily indicative of what our results would have been had we operated the Acquisition assets since January 1, 2019 nor will the historical pro forma amounts necessarily be indicative of our future results.**

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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