# Southern Energy Corp. Announces Third Quarter Financial and Operating Results

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CALGARY, November 29, 2021 - Southern Energy Corp. ("Southern" or the "Company") (TSXV:SOU)(AIM:SOUC) today announces the release of its third quarter financial and operating results for the three and nine months ended September 30, 2021. The Company also notes that an updated corporate presentation can now be found on the Company's website at www.southernenergycorp.com.

Southern is an established producer with natural gas and light oil assets in Mississippi and Alabama characterized by a stable, low-decline production base, a significant low-risk drilling inventory and strategic access to the best commodity pricing in North America. Selected financial and operational information is outlined below and should be read in conjunction with the Company's consolidated financial statements (the "Financial Statements") and related management's discussion and analysis (the "MD&A") for the three and nine months ended September 30, 2021, which are available on the Company's website at www.southernenergycorp.com and have been filed on SEDAR.

All figures referred to in this news release are denominated in Canadian dollars, unless otherwise noted.

Q3 2021 Highlights

· $1.7 million of adjusted funds flow from operations[1] in Q3 2021, excluding $1.9 million of one-time expenses related to AIM listing, a 51% increase from the same period in 2020

· Average production of 12,237 Mcfe/d[2] (2,040 boe/d), 92% natural gas in Q3 2021, a 7% decrease from the same period in 2020

· Petroleum and natural gas sales of $6.6 million in Q3 2021, an increase of 85% from the same period in 2020

· As at September 30, 2021, Net Debt[1] of $19.2 million, a reduction of $10.1 million or 35% from December 31, 2020

· Net earnings of $5.5 million in Q3 2021 ($0.02 per share - basic) compared to a net loss of $3.0 million in Q3 2020

· Average realized oil and natural gas prices for Q3 2021 of $85.50/bbl and $5.10/Mcf, respectively, reflecting the benefit of strategic access to premium-priced US sales hubs

· Completed a series of low-cost well recompletions and workovers beginning in Q3 and carrying into early Q4 2021

o Work program had an overall cost of approximately $1.0 million ($0.9 million in Q3 2021) and added approximately 1,250 Mcfe/d[3] (208 boe/d) of production (approximately 80% natural gas)

o At current strip pricing, the program is expected to payout in approximately 4 - 5 months and add more than $1.6 million of cash flow from operating activities in 2022 after payout

· In August 2021, successfully completed admission of its entire issued share capital to trading on the AIM market of the London Stock Exchange plc

Subsequent Events

On November 24, 2021, Southern closed an equity financing for aggregate gross proceeds of $12.7 million (US$10.1 million) through the issuance of a total of 254.3 million common shares ("Common Shares") (the "Offering"), of which $6.7 million was raised pursuant to a private placement of 135.1 million Common Shares to UK investors at a price of 2.94 pence per Common Share and the remaining $6.0 million was raised pursuant to a short form prospectus offering of 119.2 million Common Shares at a price of $0.05 per Common Share.

Southern intends to use the net proceeds of the Offering to drill up to three horizontal Selma Chalk wells in the Gwinville gas field and for working capital and general corporate purposes. This is expected to provide the business with additional near-term cash flow generation.

Financial Highlights

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (000s, except $ per share) | 2021 | 2020 | 2021 | 2020 |
| Petroleum and natural gas sales | $ 6,550 | $ 3,537 | $ 16,022 | $ 9,412 |
| Net earnings (loss) | 5,549 | (2,958) | 8,659 | (15,045) |
| Net earnings (loss) per share | | | | |
| Basic | 0.02 | (0.01) | 0.03 | (0.07) |
| Fully diluted | 0.01 | (0.01) | 0.02 | (0.07) |
| Adjusted funds flow from operations (1) | (233) | 1,136 | 1,798 | 2,564 |
| Basic | (0.00) | 0.01 | 0.01 | 0.01 |
| Fully diluted | (0.00) | 0.01 | 0.01 | 0.01 |
| Capital expenditures | 900 | 78 | 1,016 | 119 |
| Weighted average shares outstanding | | | | |
| Basic | 360,703 | 220,770 | 298,455 | 220,770 |
| Fully diluted | 517,550 | 220,770 | 399,169 | 220,770 |
| As at period end | | | | |
| Basic common shares outstanding | 361,297 | 220,770 | 361,297 | 220,770 |
| Total assets | 47,102 | 36,290 | 47,102 | 36,290 |
| Non-current liabilities | 17,176 | 12,583 | 17,176 | 12,583 |
| Net debt (1) | $ 19,246 | $ 30,719 | $ 19,169 | $ 30,719 |

Notes:
(1) See "Reader Advisories - Non-IFRS Measures".

Outlook

Following completion of our aforementioned fundraise, Southern intends to drill up to three horizontal Selma Chalk wells in the Gwinville gas field shortly, with first production anticipated in Q1 2022. The three wells will all be drilled from a common padsite and then completed with multi-state stimulations.

The Company's long-term strategy remains consistent into the end of 2021, with an unwavering commitment to environmental, social and governance ("ESG") principles that support the continued development and consolidation of prolific reservoirs that are outside of the more expensive shale basins. Cost savings and financial discipline will remain a priority through the continued enhancement of operations and the ongoing evaluation of opportunities to reduce operating and capital costs.

Southern thanks all of its stakeholders for their ongoing support and looks forward to providing future updates on operational activities supported by the Company's recently enhanced financial flexibility and wider exposure to new pools of capital with the AIM listing.

As part of its risk management and sustainability strategy, Southern has entered into fixed price and costless collar hedges to mitigate the effects of market volatility while retaining the ability to participate in potential natural gas price appreciation during the upcoming winter. Southern currently has hedges on a total of 6,100 Mcf/d of natural gas production based on various contracts through December 31, 2021 and 4,000 Mcf/d for calendar 2022. While the resulting realized losses on commodity contracts had an impact on cash flow from operating activities as gas prices rallied in the second half of 2021, Southern expects the impact will moderate in 2022 as some of these older natural gas hedges expire. A complete list of the fixed price and costless collar contracts can be found within Southern's third quarter MD&A.

Ian Atkinson, President and CEO of Southern, commented:

"This quarter has been defined by robust operational performance from our core asset base amidst significantly increased cash flow realisation. The results of our workover program late in Q3 are an example of the low-cost high impact opportunities these type of assets provide. Pairing this with our continued focus on strict capital discipline, low debt and increased commodity prices we receive due to our strategically located assets near to the Henry Hub terminal, Southern finds itself in an enviable position as we move onto our next phase of growth.

"The period ahead will include the drilling of three high-impact, low-risk horizontal wells in the Gwinville gas field, expected to begin production in Q1 2022, on which work will commence imminently.

"This is an exciting time for the Company and our shareholders. We look forward to embarking on the Gwinville work program and updating shareholders on our progress."

For further information about Southern, please visit our website at www.southernenergycorp.com or contact:


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About Southern Energy Corp.

Southern Energy Corp. is a natural gas exploration and production company. Southern has a primary focus on acquiring and developing conventional natural gas and light oil resources in the southeast Gulf States of Mississippi, Louisiana, and East Texas. Our management team has a long and successful history working together and have created significant shareholder value through accretive acquisitions, optimization of existing oil and natural gas fields and the utilization of re-development strategies utilizing horizontal drilling and multi-staged fracture completion techniques.

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.

Throughout this press release, "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 press release comprise pentane, butane, propane, and ethane, being all NGLs as defined by NI 51-101. References to "natural gas" throughout this press release refers to conventional natural gas as defined by NI 51-101.

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 including the development of the Company's assets, future commodities pricing, the effect of market conditions and the COVID-19 pandemic on the Company's performance, Southern's planned ESG initiatives, expectations regarding Southern's well recompletion and workover programs and the effects thereof on the Company's financial position, expectations regarding the Company's hedging program, expectations regarding the Offering and the use of proceeds thereof, expected cost, production and timing of the Selma Chalk wells, expected benefits from the Company's AIM listing, future production levels, acquisition opportunities, costs/debt reducing activities, the Company's capital program for the remainder of 2021 and the funding thereof.

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 the its assets, the successful application of drilling, completion and seismic technology, benefits of current commodity pricing hedging arrangements, 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, negative effects of the current COVID-19 pandemic, 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 MD&A and AIF.

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, operating netback, adjusted working capital and net debt are not recognized measures under IFRS. Readers are cautioned that these non-IFRS measures should not be construed as alternatives to other measures of financial performance calculated in accordance with IFRS. These non- IFRS 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. 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. Management considers operating netback an important measure to evaluate its operational performance, as it demonstrates field level profitability relative to current commodity prices. Management monitors adjusted working capital and net debt as part of its capital structure in order to fund current operations and future growth of the Company. 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 adjusted 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. Adjusted working capital is calculated as current assets less current liabilities, removing current derivative assets/liabilities, the current portion of bank debt, and the current portion of lease liabilities. 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.

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

[1] See "Non-IFRS Measures" under "Reader Advisory" below".
[2] Comprised of 149 bbl/d light and medium crude oil, 23 bbl/d NGLs and 11,205 mcf/d conventional natural gas
[3] Comprised of 39 bbl/d light and medium crude oil, 2 bbl/d NGLs and 1,000 mcf/d conventional natural gas



SOURCE: Southern Energy Corp.

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