

# Southern Energy Corp. Announces Fourth Quarter and Year End 2022 Financial and Operating Results

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CALGARY, April 18, 2023 - [Southern Energy Corp.](#) ("Southern" or the "Company") (TSXV:SOU)(AIM:SOUC)(OTCQX:SOUTF), an established producer with natural gas and light oil assets in Mississippi, announces the release of its fourth quarter and year end December 31, 2022, financial and operating results. Selected financial and operational information is outlined below and should be read in conjunction with the Company's audited consolidated financial statements (the "Financial Statements") and related management's discussion and analysis (the "MD&A") for the three months and year ended December 31, 2022 and annual information form ("AIF") for the year ended December 31, 2022, which are available on the Company's website at [www.southernenergycorp.com](http://www.southernenergycorp.com) and have been filed on SEDAR.

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

## FOURTH QUARTER AND YEAR END 2022 HIGHLIGHTS

- \$3.1 million of adjusted funds flow from operations<sup>1</sup> in Q4 2022 (\$0.02 per share basic and diluted) compared \$1.4 million in Q4 2021 (\$0.02 per share basic and diluted) and \$17.2 million for the year ended December 31, 2022 (\$0.16 per share basic and \$0.14 per share diluted), an increase of 500% from the same period in 2021
- Net earnings of \$1.7 million (\$0.01 per share basic and diluted) and \$9.3 million (\$0.09 per share basic and \$0.08 per share diluted) for the three and twelve months ended December 31, 2022; as compared to net earnings of \$3.3 million (\$0.06 per share basic and \$0.05 per share diluted) and \$10.1 million (\$0.24 per share basic and \$0.19 per share diluted) in the same period of 2021. 2021 results included the one-time recognition of an impairment recovery and gain on debt retirement
- Petroleum and natural gas sales were \$9.8 million in Q4 2022 and \$45.2 million for the full year 2022, an increase of 37% and 127% from the same periods in 2021, respectively
- Average production of 16,084 Mcfe/d<sup>2</sup> (2,681 boe/d) (96% natural gas) during Q4 2022 and 15,584 Mcfe/d<sup>3</sup> (2,597 boe/d) (95% natural gas) for the full year 2022, an increase of 26% and 24% from the same periods in 2021, respectively
- Average realized natural gas and oil prices for Q4 2022 of \$6.35/Mcf and \$81.98/bbl, respectively, reflecting the benefit of strategic access to premium-priced US sales hubs in a geographic region with strong industrial and power generation natural gas demand
- On July 7, 2022, successfully closed a \$17.5 million bought deal prospectus offering in Canada and a \$13.5 million placing in the UK, raising aggregate gross proceeds of \$31.0 million
- Successfully negotiated a \$25.0 million borrowing capacity increase in respect of its senior secured term loan ("Credit Facility") to increase the total Credit Facility to \$35.0 million
- Exited Q4 2022 with positive net cash<sup>1</sup> of \$13.4 million
- In November 2022, spud three horizontal wells from the 18-10 padsite at Gwinville which included the first City Bank appraisal well

Ian Atkinson, President and CEO of Southern, commented:

"Our Q4 and full year 2022 results have provided a preview of what Southern can and expects to achieve, with its strong underlying production base and technical ability to organically grow our assets at constructive natural gas prices. Our equity financing in July and Credit Facility expansion in September have put the Company in a position to weather the natural gas price volatility and provide flexibility and patience as we continue to work towards our goal to reach 25,000 boe/d. We're excited to build upon the learnings from our three well appraisal program in Q2, as well as the seven wells drilled as part of the follow up program at Gwinville which will continue to translate into future drilling and cost efficiencies when the program resumes. We have positioned ourselves to re-ignite our organic growth in a more supportive natural gas price environment and will continue to seek growth opportunity to increase significant shareholder value as we continue through the year."

## Financial Highlights

	Three months ended December 31,	Year ended December 31,	
(000s, except \$2022 per share)	2021	2022	2021
Petroleum and natural gas sales	\$ 830	\$ 7,151	\$ 45,217
Net earnings	1,749	3,311	9,299
Net earnings per share			10,093
Basic	0.01	0.06	0.09
Fully diluted	0.01	0.05	0.08
Adjusted funds flow from operations (1)	3,059	1,426	17,156
Adjusted funds flow from operations per share (1)			2,860
Basic	0.02	0.02	0.16
Fully diluted	0.02	0.02	0.14
Capital expenditures	10,218	1,755	30,434
Weighted average shares outstanding			2,562
Basic	37,378	58,087	108,144
Fully diluted	146,797	73,895	122,972
As at period end			55,047
Basic common shares outstanding	138,057	78,122	138,057
Total assets	97,652	46,212	97,652
Non-current liabilities	12,817	12,609	12,609

Positive				
net				
cash				
(net	\$ 13,437	\$ (6,431	) \$ 13,437	\$ (6,431 )
debt)				
(1)				

Note:

1. See "Reader Advisories - Specified Financial Measures".

#### Outlook

In order to be diligent in protecting the Company balance sheet and respond to the current low natural gas prices, Southern has moderated and taken a pause on the Gwinville organic growth program. Southern has left four drilled, uncompleted wells ("DUCs") that can be quickly completed and brought online through Southern's 100% owned equipment at higher natural gas prices. Southern currently has \$23.0 million of unused capacity on its Credit Facility, which can be utilized to complete the DUCs at supportive natural gas prices or be opportunistic with counter cyclical inorganic growth opportunities.

Natural gas prices have been under pressure in 2023 coming off a mild winter in North America and increased production from the depletion of the DUC well inventory as a result of higher prices in 2022. In Q1 2023, Southern was protected from some of the volatility with a costless collar on 2,000 MMBtu/d of production with a floor price of \$3.50/MMBtu. To further protect against the volatility, Southern has entered into a basis swap transaction to secure a premium to NYMEX of \$0.32 per MMBtu on 1,000 MMBtu/d from April 1, 2023 to October 31, 2023. The Company continues to monitor the basis differential prices and is prepared to hedge additional basis exposure at elevated basis premiums.

Calvin Yau, Chief Financial Officer of Southern, commented:

"2022 was a record year for Southern thanks to strong production from our base assets and the Gwinville appraisal program along with the continued strength of natural gas spot and basis pricing premiums to NYMEX in Southeastern U.S., building a solid foundation for Southern as we enter 2023. While we were excited to begin our long-term drilling program, we felt it was prudent to take a pause and protect our balance sheet in order to be flexible and able to capitalize on potential opportunities or quickly resume our organic growth program at the right time. Southern is in an enviable position being able to operate in a nimble and dynamic way around our drilling program, and with a constructive outlook for the U.S. natural gas market in the short to medium term, we are confident in maximising value from our assets by sensible well management.

"The Company's long-term strategy remains consistent, 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 and continuing to create shareholder value."

#### Operational Update

The Company continues to flow back the Gwinville 18-10 #1 City Bank well, with load fluid recovery of approximately 9%. Based on historic vertical and early generation horizontal well completions in the City Bank reservoir in Gwinville, peak gas rates are not expected until the load fluid recovery is closer to 20%, which is expected to be towards the end of this quarter. Early gas rates are encouraging and Southern is excited to provide further operational updates in Q2 2023 as the modern generation City Bank type curve results are established.

Remediation plans for the 18-10 #3 Upper Selma Chalk well that experienced a mechanical integrity issue with the production casing during completion operations continue to be finalized, with field execution expected in late Q2 2023.

The four wells that are awaiting completion include our first two Lower Selma Chalk laterals, along with our second City Bank lateral and one Upper Selma Chalk lateral. These four wells are some of our longest laterals to-date. They were drilled with an average lateral length of approximately 5,400' and were steered within the high-graded intervals for an average of 95% of the wellbore length. The two padsites can be brought on production within a matter of weeks once completion operations are resumed.

#### Corporate Presentation

A new corporate presentation dated April 2023 is now available on the Company website at [www.southernenergycorp.com](http://www.southernenergycorp.com).

#### Qualified Person's Statement

Gary McMurren, COO, who has over 22 years of relevant experience in the oil industry and has approved the technical information contained in this announcement. Mr. McMurren is registered as a Professional Engineer with the Association of Professional Engineers and Geoscientists of Alberta and received a Bachelor of Science degree in Chemical Engineering (with distinction) from the University of Alberta.

For further information about Southern, please visit our website at [www.southernenergycorp.com](http://www.southernenergycorp.com) or contact:

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#### About Southern Energy Corp.

[Southern Energy Corp.](#) is a natural gas exploration and production company characterized by a stable, low-decline production base, a significant low-risk drilling inventory and strategic access to premium 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. 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 (Mcf) 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.

**Unit Cost Calculation.** For the purpose of calculating unit costs, natural gas volumes have been converted to a boe using six thousand cubic feet equal to one barrel unless otherwise stated. A boe conversion ratio of 6:1 is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms with National Instrument 51 101 - Standards of Disclosure for Oil and Gas Activities. Boe may be misleading, particularly if used in isolation.

**Abbreviations.** Please see below for a list of abbreviations used in this press release.

bbl barrels  
bbl/d barrels per day  
boe barrels of oil  
boe/d barrels of oil per day  
Mcf thousand cubic feet  
Mcf/d thousand cubic feet per day  
MMcf million cubic feet  
MMcf/d million 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

**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, oil and natural gas production levels, including the objective of achieving production of 25,000 boe/d, the Company's capital budget, expectations regarding material reserves, anticipated operational results in 2023 including, but not limited to, capital expenditures and drilling plans, expectations regarding commodity prices, the performance characteristics of the Company's oil and natural gas properties, the Company's hedging strategy, the ability of the Company to achieve drilling success consistent with management's expectations, the sources of funding for the Company's activities, the effect of market conditions and the COVID-19 pandemic on the Company's performance, Southern's planned ESG initiatives, expectations regarding the use of proceeds from all sources, including the Company's credit facilities, the availability and renewal of the Credit Facility and future amendments thereto, future organic and inorganic growth and acquisition opportunities within the resource market, and costs/debt reducing activities. 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.

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 drilling rigs, facilities and pipelines, the geological characteristics of Southern's properties, the characteristics of the Company's assets, the successful application of drilling, completion and seismic technology, the benefits of current commodity pricing hedging arrangements, Southern's ability to enter into future derivative contracts on acceptable terms, Southern's ability to secure financing on acceptable terms, prevailing weather conditions, prevailing legislation, as well as regulatory and licensing requirements, affecting the oil and gas industry, the Company's ability to obtain all requisite permits and licences, prevailing commodity prices, price volatility, price differentials and the actual prices received for the Company's products, royalty regimes and exchange rates, the impact of inflation on costs, the application of regulatory and licensing requirements, the Company's ability to obtain all requisite permits and licences, the availability of capital, labour and services, the creditworthiness of industry partners, and the Company's 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, regulatory risks, and health, safety and environmental risks), constraint in the availability of labour, supplies, or services, the impact of COVID-19 and variant strains of the virus, commodity price and exchange rate fluctuations, geo-political risks, political and economic instability abroad, wars (including the Russo-Ukrainian War), hostilities, civil insurrections, inflationary risks including potential increases to operating and capital costs, 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. The Russo-Ukrainian War is particularly noteworthy, as this conflict has the potential to disrupt the global supply of oil and gas, and its full impact remains uncertain. 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.** This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Southern's prospective results of operations, cash flow, increased capacity under the credit facility, capital expenditures and payout of wells, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Southern's future business operations. Southern and its management believe that FOFI 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 results. Southern disclaims any intention or obligation to update or revise any 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.

**Specified Financial Measures.** This press release provides various financial measures that do not have a standardized meaning prescribed by IFRS, including non-IFRS financial measures, non-IFRS financial ratios and capital management measures. These specified financial measures may not be comparable to similar measures presented by other issuers. 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, operating netback, adjusted working capital and net debt are not recognized measures under IFRS. 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.

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. Please see below for a brief overview of all specified financial measures used in this release and refer to the Company's MD&A for additional information relating to specified financial measures, which is available on the Company's website at [www.southernenergycorp.com](http://www.southernenergycorp.com) and filed on SEDAR.

"Adjusted Funds Flow from Operations" (non-IFRS financial measure) is calculated based on cash flow from operative activities before changes in non-cash 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" (non-IFRS financial measure) is calculated by dividing Adjusted Funds Flow from Operations by the number of Southern shares issued and outstanding.

"Operating Netback" (non-IFRS financial measure) equals total oil and natural gas sales less royalties, production taxes, operating expenses, transportation costs and realized gain / (loss) on derivatives. Management considers operating netback an important measure to evaluate its operational performance, as it demonstrates field level profitability relative to current commodity prices.

"Positive Net Cash (Net Debt)" (capital management measure) is monitored by Management, along with adjusted working capital, as part of its capital structure in order to fund current operations and future growth of the Company. Net debt is defined as long-term debt plus adjusted working capital surplus or deficit. 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.

Neither the 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.

<sup>1</sup> See "Specified Financial Measures" under "Reader Advisory" below

<sup>2</sup> Comprised of 107 bbl/d light and medium crude oil, 11 bbl/d NGLs and 15,376 Mcf/d conventional natural gas

<sup>3</sup> Comprised of 116 bbl/d light and medium crude oil, 14 bbl/d NGLs and 14,804 Mcf/d conventional natural gas

SOURCE: [Southern Energy Corp.](http://Southern Energy Corp.)

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