

Southern Energy Corp. Announces Third Quarter 2023 Financial and Operating Results and Director Retirement

29.11.2023 | [ACCESS Newswire](#)

CALGARY, November 29, 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 its third quarter financial and operating results for the three and nine months ended September 30, 2023. Selected financial and operational information is outlined below and should be read in conjunction with the Company's unaudited consolidated financial statements and related management's discussion and analysis (the "MD&A") for the three and nine months ended September 30, 2023, which are available on the Company's website at www.southernenergycorp.com and have been filed under the Company's profile on SEDAR+ at www.sedarplus.ca.

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

THIRD QUARTER 2023 HIGHLIGHTS

- Petroleum and natural gas sales of \$5.3 million in Q3 2023 and \$14.2 million for the nine months ended September 30, 2023
- Generated \$1.1 million of adjusted funds flow from operations¹ in Q3 2023 (\$0.01 per share basic and fully diluted)
- Net loss of \$2.4 million in Q3 2023 (\$0.02 net loss per share basic and fully diluted)
- Q3 2023 average production of 16,881² Mcfe/d (2,814 boe/d) (95% natural gas)
- Average realized natural gas and oil prices for Q3 2023 of \$2.83/Mcf and \$82.65/bbl compared to \$10.00/Mcf and \$91.93/bbl in Q3 2022, and \$2.18/Mcf and \$72.83/bbl in the prior quarter
- Successfully renegotiated an increase of \$2.0 million in the borrowing base of the Company's senior secured term loan (the "Credit Facility"), extended the availability of Tranche B to August 31, 2025 to match the term of the Credit Facility, and extended the principal amortization period of the Credit Facility by twelve months

SUBSEQUENT EVENTS

- On November 9, 2023, 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
- In early December 2023, the Company is mobilizing equipment to the field in Gwinville to start completion operations on the first drilled and uncompleted ("DUC") well at the 14-6 #3 (Upper Selma Chalk)

Ian Atkinson, President and Chief Executive Officer of Southern, commented:

"Southern is in an extremely strong position in the fourth quarter of 2023, with prevailing natural gas prices having significantly increased and our balance sheet capitalized, enabling us to go after the organic growth opportunities in our portfolio. In Q3 2023, we completed the synergistic infrastructure modifications at Gwinville connecting the newly acquired assets to our legacy Southern gathering system. We will have reduced field compression from five sites at the time of acquiring the assets to one site, which provides significant savings in both operating costs and fuel gas. In November 2023, we completed an equity fundraise to accelerate the completion of our four drilled and uncompleted wells at Gwinville. Initial cost estimates suggest that service costs are entering back into a deflationary period, and we are excited to execute our first slickwater fracture treatment in the Gwinville program.

"We continue to be encouraged by the outlook of supply and demand dynamics for U.S. natural gas, as at least two of the upcoming Gulf Coast LNG export projects, at Cheniere Energy's Corpus Christi expansion

and Golden Pass LNG have recently announced they are ahead of schedule. Southern is well positioned to capitalize on natural gas prices with production behind pipe which can be brought on stream in a short time frame and we are excited to continue to grow the business with our new and longstanding shareholders."

Financial Highlights

	Three months ended September 30,	Nine months ended September 30,		
(000s, except \$2023 per share)	2022	2023	2022	
Petroleum and natural gas sales	\$ 19,151	\$ 14,215	\$ 35,387	
Net (loss) earnings	(2,367)	6,567	(7,254)	7,550
Net (loss) earnings per share				
Basic	0.02)	0.05	(0.05)	0.08
Fully diluted	(0.02)	0.04	(0.05)	0.07
Adjusted funds flow from operations (1)	1,071	8,273	2,450	14,097
Adjusted funds flow from operations per share (1)				
Basic	0.01	0.06	0.02	0.14
Fully diluted	0.01	0.06	0.02	0.13
Capital expenditures and acquisitions	1,734	3,240	41,918	20,216
Weighted average shares outstanding				
Basic	139,086	132,822	138,907	98,293
Fully diluted	139,086	148,641	138,907	108,671
As at period end				

Common shares outstanding	139,088	135,909	139,088	135,909		
Total assets	102,401	90,200	102,401	90,200		
Non-current liabilities	21,373	9,613	21,373	9,613		
Positive net cash (net debt) (1)	\$ (27,603)	\$ 20,435	\$ (27,603)	\$ 20,435

Note:

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

Gwinville Development Update

With the net proceeds of the recent equity fundraise, the Company will accelerate the completion of the four Gwinville wells that were drilled in Q1 2023. The Company expects the first well to be on-line before the end of the year, with IP30 rates likely available towards the end of January 2024. Cost estimates for the completion of the 14-06 #3 well are anticipated to be \$3 million or less as the Company intends to take advantage of the deflationary service cost pressures since the last wells were completed. Follow-on completions are anticipated in the first half of 2024, depending on natural gas pricing.

Outlook

The Company currently has \$10.0 million of unused capacity on its Credit Facility, which can be utilized alongside its existing cash balance to complete the four drilled uncompleted horizontal wells at supportive natural gas prices.

As part of its risk management and sustainability strategy, Southern continuously monitors both the price of NYMEX, as well as the basis differentials, in order to mitigate some of the volatility of natural gas prices. Southern's current commodity hedge program includes:

Natural Gas	Volume	Pricing
Fixed Price Swap		
October 1, 2023 - December 31, 2023	2,000 MMBtu/d	NYMEX - HH \$3.095/MMBtu
October 1, 2023 - December 31, 2023	1,000 MMBtu/d	NYMEX - HH \$3.050/MMBtu
January 1, 2024 - December 31, 2025	1,000 MMBtu/d	NYMEX - HH \$3.880/MMBtu
April 1, 2024 - October 31, 2024	1,500 MMBtu/d	NYMEX - HH \$3.208/MMBtu
April 1, 2024 - October 31, 2024	1,500 MMBtu/d	NYMEX - HH \$3.420/MMBtu
April 1, 2025 - October 31, 2025	1,500 MMBtu/d	NYMEX - HH \$3.420/MMBtu
Costless Collar		
October 1, 2023 - March 31, 2024	2,000 MMBtu/d	NYMEX - HH \$3.00 - \$3.98/MMBtu
January 1, 2024 - March 31, 2024	1,000 MMBtu/d	

NYMEX - HH \$3.00 - \$4.60/MMBtu

November 1, 2024 - March 31, 2025 1,000 MMBtu/d NYMEX - HH \$3.50 - \$5.20/MMBtu

Southern will continue to monitor NYMEX prices and the basis differential prices and is prepared to hedge additional volumes in a tactical manner going forward.

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.

Director Retirement

Mr. Andrew McCreath has retired from the Company's board of directors effective today to focus on other commitments. The board and management team wish to express their gratitude to Mr. McCreath for his contributions during his 5 years of service. The Company does not have any immediate plans to appoint a replacement Non-Executive Director following Mr. McCreath's departure, though will keep this position under review.

Qualified Person's Statement

Gary McMurren, Chief Operating Officer, who has over 22 years of relevant experience in the oil industry, 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 or contact:

Southern Energy Corp.

Ian Atkinson (President and CEO)	+1 587 287 5401
Calvin Yau (CFO)	+1 587 287 5402

Strand Hanson Limited - Nominated & Financial Adviser +44 (0) 20 7409 3494

James Spinney / James Bellman

Stifel Nicolaus Europe Limited - Joint Broker +44 (0) 20 7710 7600

Callum Stewart / Ashton Clanfield

Tennyson Securities - Joint Broker +44 (0) 20 7186 9033

Peter Krens / Pav Sanghera

Camarco +44 (0) 20 3757 4980

Owen Roberts / Billy Clegg / Hugo Liddy

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 ADVISORIES

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.

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 NI 51-101. 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

IP30 average hydrocarbon production rate for the first 30 days of a well's life

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

NYMEX New York Mercantile Exchange

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", "budget", "continue", "evaluate", "forecast", "may", "will", "can", "target" "potential", "result", "could", "should" 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, the Company's capital budget, anticipated operational results, capital expenditures, drilling and completion plans and casing remediation activities, expectations regarding commodity prices and service costs, the performance characteristics of the Company's oil and natural gas properties, the Company's hedging

strategy and execution thereof, the ability of the Company to achieve drilling success consistent with management's expectations, the Company's expectations regarding completion of the four drilled and uncompleted horizontal wells and timing thereof (including anticipated costs and the attainment and timing of well completion services relating thereto), the sources of funding for the Company's activities, the effect of market conditions on the Company's performance, the anticipated use of proceeds from Southern's recent equity financing, the Company's execution of and anticipated benefits of the planned slickwater treatment in the Gwinville program, outlook in respect of Gulf Coast LNG export projects at Cheniere Energy's Corpus Christi expansion and Golden Pass LNG, the Company's risk management activities including hedging positions and targets, expectations regarding the use of proceeds from all sources including the Credit Facility, the availability and renewal of the Credit Facility and future amendments, and the Company's risk management and sustainability strategy. 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, but not limited to, 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 integration of recently acquired assets into the Company's operations, 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, the Company's ability to source and complete asset acquisitions, and the Company's ability to execute its plans and strategies.

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 pandemics, commodity price and exchange rate fluctuations, geo-political risks, political and economic instability abroad, wars (including the Russo-Ukrainian war and the Israel-Palestinian conflict), 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 and the Israel-Palestinian 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. These and other risks are set out in more detail in Southern's MD&A and annual information form for the year ended December 31, 2022, which are available on the Company's website at www.southernenergycorp.com and filed under the Company's profile on SEDAR+ at www.sedarplus.ca.

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, adjusted funds flow, capital expenditures, tax rates, cost estimates, positive net cash (net debt), 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. 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 International Financial Reporting Standards ("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, 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 and filed under the Company's profile on SEDAR+ at www.sedarplus.ca.

"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.

"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.

¹See "Reader Advisories - Specified Financial Measures"

²Comprised of 144 bbl/d light and medium crude oil, 9 bbl/d NGLs and 15,963 Mcf/d conventional natural gas

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