Consolidated Financial Statements of

SOUTHERN ENERGY CORP.

For the years ended December 31, 2018 and 2017

(Canadian Dollars)

Deloitte.

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Independent Auditor's Report

To the Shareholders and the Board of Directors of Southern Energy Corporation

Opinion

We have audited the consolidated financial statements of Southern Energy Corporation (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on April 26, 2018.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sippy Chhina.

Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
April 1, 2019

($000s of Canadian Dollars)	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 2,334	$ 919
Accounts receivable and other (Note 11)	13,744	98
Prepaid expenses and deposits	300	124
Derivative assets (Note 11)	332	-
	16,710	1,141
Derivative assets (Note 11)	20	-
Property, plant and equipment (Note 5)	38,199	2,609
Total assets	$ 54,929	$ 3,750
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	8,052	244
Bank loan (Note 7)	21,009	-
Derivative liabilities (Note 11)	166	-
	29,227	244
Long-term Liabilities		
Derivative liabilities (Note 11)	51	-
Decommissioning provisions (Note 6)	6,740	1,094
Total liabilities	36,018	1,338
Shareholders' equity (Note 8)		
Share capital	33,860	15,923
Warrants	1,195	-
Contributed surplus	3,883	3,883
Deficit	(20,089)	(17,394)
Accumulated other comprehensive income	62	-
	18,911	2,412
Total liabilities and shareholders' equity	$ 54,929	$ 3,750

Commitments and contingencies (Note 16)

(See accompanying Notes to the Consolidated Financial Statements)

Approved by Board of Directors

(signed) "*Michael G. Kohut*"
Director

(signed) "*Bruce Beynon*"
Chairman

($000s of Canadian Dollars, except for per share amounts)	Year ended December 31, 2018	Year ended December 31, 2017
Revenues		
Petroleum and natural gas revenue (Note 12)	$ 1,646	$ 869
Royalties	(306)	(104)
	1,340	765
Expenses		
Production and operating	512	223
Transportation	77	45
Exploration and evaluation	86	48
Depletion, depreciation and amortization (Note 5)	469	372
Gain on derivatives (Note 11)	(325)	-
Finance	53	(18)
General and administrative	820	584
Transaction costs	1,148	-
Share-based compensation	1,195	5
Loss on sale of assets	-	112
	4,035	1,371
Net loss for the year	(2,695)	(606)
Currency translation adjustment	62	-
Comprehensive loss for the year	$ (2,633)	$ (606)
Basic and diluted (Note 9)		
Net loss per share	$ (0.09)	$ (0.02)

(See accompanying Notes to the Consolidated Financial Statements)

($000s of Canadian Dollars, except share amounts)	Common Shares	Shareholders' Capital	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Shareholders' Equity
Balance, December 31, 2016	24,246,973	$ 15,923	$ -	$ 3,878	$ (16,788)	$ -	$ 3,013
Share-based Compensation	-	-	-	5	-	-	5
Net Loss	-	-	-	-	(606)	-	(606)
Balance, December 31, 2017	24,246,973	$ 15,923	$ -	$ 3,883	$ (17,394)	$ -	$ 2,412
Shares Issued, net (Note 8)	180,110,000	17,937	-	-	-	-	17,937
Warrants Issued	-	-	1,195	-	-	-	1,195
Net Loss	-	-	-	-	(2,695)	-	(2,695)
Other Comprehensive Income	-	-	-	-	-	62	62
Balance, December 31, 2018	204,356,973	$ 33,860	$ 1,195	$ 3,883	$ (20,089)	$ 62	$ 18,911

(See accompanying Notes to the Consolidated Financial Statements)

($000s of Canadian Dollars)	Year ended December 31, 2018	Year ended December 31, 2017
Operating activities		
Net Loss	$ (2,695)	$ (606)
Changes in non-cash items:		
Depletion, depreciation and amortization (Note 5)	469	372
Net finance income (expense)	64	(11)
Share-based compensation (Note 8)	1,195	5
Unrealized gain on derivatives (Note 11)	(436)	-
Loss on disposition	-	112
Decommissioning provisions (Note 6)	(14)	(11)
Changes in non-cash working capital (Note 13)	(174)	77
Net cash (used) by operating activities	(1,591)	(62)
Investing activities		
Capital expenditures	(1)	-
Acquisition, net of cash acquired (Note 4)	(3,329)	-
Dispositions	-	371
Changes in non-cash working capital (Note 13)	(7)	6
Net cash (used) / provided by investing activities	(3,337)	377
Financing activities		
Proceeds from share issuances	18,011	-
Share issuance costs	(74)	-
Payment of interest	(40)	-
Changes in non-cash working capital	(11,569)	-
Net cash provided by financing activities	6,328	-
Net increase in cash and cash equivalents	1,400	315
Effect of foreign exchange rate changes	15	-
Cash and cash equivalents, beginning of year	919	604
Cash and cash equivalents, end of year	$ 2,334	$ 919

(See accompanying Notes to the Consolidated Financial Statements)

1. Reporting Entity and Nature of Operations

Southern Energy Corp. ("Southern" or "Company") (formerly Standard Exploration Ltd. ("Standard")) is an oil and natural gas exploration and production company. Southern has a primary focus on developing conventional and unconventional natural gas and light oil resources in the SE Gulf States of Mississippi, Alabama and Louisiana. On November 13, 2018, Standard announced and subsequently closed on December 19, 2018, a definitive reorganization and investment agreement with a new management team and board of directors in addition to a non-brokered private placement (collectively, the "Recapitalization"). Concurrent with the Recapitalization the Company closed the acquisition of Gulf Pine Energy Partners, LP ("Gulf Pine") (Note 4).

On January 4, 2019: (i) Southern changed its name from "Standard Exploration Ltd." to "Southern Energy Corp."; (ii) the Common Shares commenced trading on the TSX Venture Exchange under the new name and new trading symbol "SOU"; and (iii) Southern completed a consolidation of the Common Shares on the basis of one post-consolidated Common Share for every 5 pre-consolidated Common Shares.

Southern's head office is located in Calgary, Alberta, Canada. The financial statements were authorized for issue by the Board of Directors on April 1, 2019.

2. Significant Accounting Policies

a) Principles of Reporting and Consolidation

The consolidated financial statements of Southern include the accounts of all domestic and foreign subsidiaries. Wholly-owned subsidiaries included in the Company's accounts include Southern Energy Corp., Southern Energy Corp (DE), Southern Energy Operating, LLC, Southern Energy CMS, LLC, Southern Energy BWB, LLC and Southern Energy SO, LLC. Southern accounts for joint operations by recognizing the Company's share of assets, liabilities, income and expenses. All intercompany balances and transactions have been eliminated.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These Consolidated Financial Statements are presented in Canadian dollars. All financial information presented has been rounded to the nearest thousand unless otherwise indicated.

The Company's presentation and functional currency is the Canadian dollar. The functional currency of the Company's US subsidiaries is the US dollar, and its results and balance sheet items are translated to Canadian dollars for purposes of these consolidated financial statements, in accordance with the Company's foreign currency translation accounting policy.

The Company prepared the Consolidated Financial Statements on a going concern basis, which contemplates the realization of assets and liabilities in the normal course of business as they become due. Accordingly, the Consolidated Financial Statements have been prepared on a historical cost basis, except certain financial instruments, which are measured at fair value. The method used to measure fair value is discussed further in Note 11.

b) Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Key areas where management has made judgements, estimates, and assumptions include:

- Decommissioning provision: The calculation of decommissioning provisions depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of these expenditures.
- Determination of Cash Generating Units ("CGUs"): The Company's petroleum and natural gas assets are grouped into CGUs based on the ability of these assets to generate separately identifiable independent cash inflows. The classification of assets into CGUs requires significant judgement and interpretation. Management considers factors such as integration among assets, shared infrastructure, common sales points, geography and how management makes decision about the Company's operations.
- Assessment of impairments or recovery of previous impairments: Management applies judgment in assessing the existence of indicators of impairment or impairment reversal based on various internal and external factors. The calculation of the recoverable amount of a CGU is based on market factors (including estimate future commodity prices) and estimates of reserves and resources. Reserve and resource estimates are based on: engineering data, estimated future commodity prices, expected future rates of production, and assumptions regarding the timing and amount of future expenditures. Changes in these judgments, estimates and assumptions can directly impact the calculated recoverable amount of a CGU and the recorded impairment loss or recovery.

c) Cash and Cash Equivalents

Southern considers all highly liquid investments to be cash equivalents if they have original maturities of three months or less at the date of purchase.

d) Business Combinations

Southern uses the purchase method of accounting for acquisitions that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of an acquisition over the fair value of the identifiable assets acquired net of liabilities assumed is recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets acquired, the difference is recognized in the statement of operations and comprehensive income.

e) Property, Plant and Equipment

Exploration and evaluation assets - Pre-licence expenditures incurred before the Company has obtained legal rights to explore an area are expensed as exploration and evaluation expenditures.

Exploration and evaluation assets may include the costs of acquiring licences, exploratory drilling, geological and geophysical activities, acquisition of mineral and surface rights and technical studies. Exploration and evaluation costs are capitalized as exploration and evaluation assets when the technical feasibility and commercial viability of extracting petroleum and natural gas reserves have yet to be determined. Exploration and evaluation assets are measured at cost and are not depleted or depreciated. Exploration and evaluation assets, net of any impairment loss, are transferred to property and equipment when proved and/or probable reserves are determined to exist.

Property and equipment of the Company consists of development and production assets and office furniture and equipment.

All costs directly associated with the development and production of petroleum and natural gas interests are capitalized by components (i.e. by well, area or combination thereof) within cash generating units and are measured at cost less accumulated depletion and depreciation and impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability have been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning liabilities and transfers from exploration and evaluation assets.

Gains or losses on disposal of assets are determined by comparing the proceeds from disposal with the carrying amount of the assets sold and are recognized separately in the statement of earnings.

Depletion, depreciation and amortization – Capital assets are grouped into depletion units, which are groups of assets within a specific production area that have similar economic lives. Depletion units represent the lowest level of disaggregation for which costs are accumulated for the purposes of calculating depletion and depreciation.

Petroleum and natural gas interests are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs. Production and reserves of natural gas are converted to equivalent barrels of crude petroleum on the basis of six thousand cubic feet of gas to one barrel of petroleum. Changes to estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior period adjustments and are dealt with on a prospective basis.

Well and production equipment and facilities are depleted using the unit-of-production method along with the related reserves when the assets have a life similar to the reserves of the related wells and little to no residual value. Where costs of facilities and equipment, including major components, are significant in relation to the total costs of the assets and have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

Office furniture and equipment, referred to as corporate and other, are depreciated on a declining balance basis at a rate of 30% approximating their estimated useful lives.

f) Impairment of non-financial assets

The carrying amounts of the Company's non financial assets are reviewed for indicators of impairment at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated. For the purposes of assessing impairment, property and equipment are grouped into CGUs, defined as the lowest levels for which there are separately identifiable independent cash inflows. Any goodwill is allocated to the CGUs that are expected to benefit from the synergies of the business combination creating the goodwill.

The recoverable amount of a CGU is the greater of its fair value less costs of disposal and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Fair value less estimated costs of disposal may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the cash-generating unit in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in net profit or loss in the period determined.

Exploration and evaluation assets are assessed for impairment when they are reclassified to property and equipment and if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Exploration and evaluation assets are tested for impairment separately. If, at any time, it is determined that the Company has no future exploration plans and commercial production cannot be achieved in relation to an area, the associated costs are written down to the estimated recoverable amount and the amount of the write-down is expensed.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, as if no impairment loss had been recognized. A goodwill impairment loss is not reversed.

g) Decommissioning provisions

Decommissioning provisions are recognized for decommissioning and restoration obligations associated with the Company's exploration and evaluation assets and property and equipment. The best estimate of the expenditure required to settle the present obligation at the reporting date is recorded on a discounted basis using a pre-tax risk-free interest rate at each reporting date. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated asset and is depleted or amortized over the useful life of the asset. The provision is accreted over time through charges to finance expense. Changes in the future cash flow estimates resulting from revisions to the estimated timing, amount of undiscounted cash flows or the discount rate are recognized as changes in the decommissioning provision and related asset. Actual decommissioning expenditures, up to the recorded liability recorded at the time, are charged against the provision as the costs are incurred.

h) Fair Value Measurement

On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on the classification of the financial instrument as described below:

- Fair value through profit or loss - Financial instruments under this classification include cash and cash equivalents and derivative assets and liabilities.
- Amortized cost - Financial instruments under this classification include accounts receivable, accounts payable and accrued liabilities, and long-term debt.

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 company uses various methods, including the income approach and market approach, to determine the fair values of our financial instruments that are measured at fair value on a recurring basis, which depend on a number of factors, including the availability of observable market data over the contractual term of the underlying instrument. For some of our instruments, the fair value is calculated based on directly observable market data or data available for similar instruments in similar markets. For other instruments, the fair value may be calculated based on these inputs as well as other assumptions related to estimates of future settlements of these instruments. Financial instruments are separated into three levels (levels 1, 2 and 3) based on our assessment of the availability of observable market data and the significance of non-observable data used to determine the fair value of our instruments. The assessment of an instrument can change over time based on the maturity or liquidity of the instrument, which could result in a change in the classification of the instruments between levels.

Each of these levels and our corresponding instruments classified by level are further described below:

- Level 1 Inputs— unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2 Inputs—quotes which are derived principally from or corroborated by observable market data.
- Level 3 Inputs—unobservable inputs for the asset or liability, such as discounted cash flow models or valuations, based on various assumptions and future commodity prices.

i) Revenue Recognition

Revenue associated with sale of crude oil, natural gas and natural gas liquids is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when or as Southern satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas, natural gas liquids usually coincides with title passing to the customer and the customer taking physical possession. Southern principally satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

The revenue is typically collected the month following production.

j) Foreign Currency Translation

The Company's consolidated financial statements are reported in Canadian dollars, which is the Company's presentation currency. Transactions of the Company's US subsidiaries are recorded in US dollars, as this is the primary economic environment in which these subsidiaries operate. The US subsidiaries have a US dollar functional currency. In translating the financial results from US dollars to Canadian dollars, the Company uses the following method: assets and liabilities are translated at the exchange rate in effect as at the date of the consolidated statement of financial position; revenues and expenses are translated at the rate effective at the time of the transaction or the average rate for the period; and changes in shareholders' equity are translated at the rate effective at the time of the transaction. Unrealized gains and losses resulting from the translation to the Canadian dollar presentation currency are included in other comprehensive income.

Transactions of the US subsidiaries that are denominated in a currency other than the US dollar are translated to the US dollar using the following method: monetary assets and liabilities are translated at the exchange rate in effect at the date of the consolidated statement of financial position; non-monetary assets and liabilities are translated at the exchange rate on the date such assets or liabilities are assumed; and revenues and expenses are translated at the average rate for the period. Realized gains and losses resulting therefrom are reflected in the statements of operations as foreign exchange gain or loss.

k) Income Taxes

Tax expense is comprised of current and deferred tax. Current tax expense is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss).

Current tax is the expected tax payable on the taxable income for the year and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously

l) Commitments and Contingencies

The Company could be subject to audits for various taxes (income, sales and use, and severance) in the various states in which it operates, and from time to time receive assessments for potential taxes that it may owe. Currently, Southern has no material assessments for potential taxes, legal contingencies or other potential claims.

The Company could be subject to various possible contingencies that arise primarily from interpretation of federal and state laws and regulations affecting the oil and natural gas industry. Such contingencies include differing interpretations as to the prices at which oil and natural gas sales may be made, the prices at which royalty owners may be paid for production from their leases, environmental issues and other matters. Although Southern believes that it has complied with the various laws and regulations, administrative rulings and interpretations thereof, adjustments could be required as new interpretations and regulations are issued. In addition, production rates, marketing and environmental matters are subject to regulation by various federal and state agencies.

Provisions are recognized by the Company when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

m) Share-based payments

Southern accounts for share-based transactions using fair value and recognize compensation expense over the vesting period. The fair value of each option or common share purchase warrant award is estimated using an option valuation model with various assumptions based on various estimates and market conditions of the instrument. The assumptions include expected volatility, expected term of option, risk-free interest rate and dividend yield.

n) Per Share Amounts

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as restricted and performance awards granted to employees.

3. Change in Accounting Policies:

Adoption of IFRS 9 – Financial Instruments (“IFRS 9”)

On January 1, 2018, the Company adopted IFRS 9. IFRS 9 introduces new requirements for the classification and measurement of financial assets, amends the requirements related to hedge accounting, and introduces a forward-looking expected loss impairment model. The adoption of IFRS 9 did not have a material impact on Southern’s consolidated financial statements.

Adoption of IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)

On January 1, 2018, the Company adopted IFRS 15. The new standard replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. IFRS 15 dictates the recognition and measurement requirements for reporting the nature, amount, timing and uncertainty of revenue resulting from an entity’s contracts with customers using a single principles based, five step model. The Company used the cumulative effect method to adopt the new standard. There was no adjustment to opening retained earnings as at January 1, 2018 based on the Company’s assessment of customer contracts not yet completed as at January 1, 2018.

The additional disclosures required by IFRS 15 are disclosed in note 12.

Future adoption of IFRS 16 — Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, which replaces IAS 17 Leases (“IAS 17”) and related interpretations. IFRS 16 requires the recognition of right-of-use (“ROU”) asset and lease liability on the balance sheet for most leases, where the entity is acting as a lessee. For lessees applying IFRS 16, the dual classification model of leases as either operating leases or finance leases no longer exists, effectively treating all leases as finance leases.

The standard will come into effect for annual periods beginning on or after January 1, 2019. The Company plans to use the modified retrospective approach on adoption of IFRS 16 and intends to use the following practical expedients permitted under the standard. Some of these expedients are on a lease-by-lease basis and others are applicable by class of underlying assets:

- Account for leases with a remaining term of less than 12 months at January 1, 2019 as short-term leases;
- Account for lease payments as an expense and not recognize a right-of-use asset if the underlying asset is of a lower dollar value;
- Apply a single discount rate to a portfolio of leases with similar characteristics; and
- Recognize lease liabilities at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or the Company’s incremental borrowing rate as at January 1, 2019. The associated ROU assets will be measured at the amount equal to the lease liability on date of transition.

Management has identified right of use assets and lease liabilities relating primarily to office space.

Amounts in ($000s of Canadian Dollars), except for per share amounts

As at December 31, 2018, the Company is in the process of finalizing the full financial impact of IFRS 16 and developing and implementing polices, internal controls and processes.

4. Business Combination

On December 19, 2018, Southern acquired all of the limited partnership units of Gulf Pine Energy Partners, LP ("Gulf Pine") for cash consideration of US$3.4 million ($4.6 million). The Gulf Pine assets consist of low decline production and high working interest in more than 59,000 net acres in Mississippi and Alabama. The Company has treated the transaction as a business combination and has accounted for it using the acquisition method to reflect the fair value of assets acquired and liabilities assumed. Financial performance from the assets acquired were included in the financial statements from the closing date of the transaction. The aggregate purchase price was allocated as follows:

Consideration - $4,641 (US$3,425)	**Fair Value**
Property, plant and equipment	$ 33,334
Cash	1,312
Working capital (1)	(5,987)
Bank loan	(20,713)
Decommissioning provisions	(3,305)
Fair value of net assets acquired	**$ 4,641**

(1) Working capital consists of accounts receivable, prepaid expenses or deposits, derivatives assets or liabilities and accounts payable.

Following the acquisition, property and equipment and the decommissioning liabilities were increased by $2.3 million, reflecting the calculation of decommissioning liabilities using a risk-free discount rate. The credit adjusted discount rate was used to determine fair value. Had the acquisition occurred on January 1, 2018, management estimates the following impact on the Statement of Consolidated Loss for the year ended December 31, 2018:

	Year ended December 31, 2018
Petroleum and natural gas revenue, net	$ 17,015
Production and operating expenses	(9,538)
Operating income	**$ 7,477**

Amounts in ($000s of Canadian Dollars), except for per share amounts

5. Property, Plant and Equipment

The following table presents the reconciliation of the beginning and ending amounts of our PP&E balances including accumulated depletion, depreciation, amortization and impairment:

	Oil and Natural Gas Assets	Other	Total
Net book value as at December 31, 2016	$ 3,616	$ -	$ 3,616
Dispositions	(599)	-	(599)
Change in decommissioning provision	(36)	-	(36)
Depletion and depreciation	(372)	-	(372)
Net book value as at December 31, 2017	**2,609**	**-**	**2,609**
Additions	1	-	1
Acquired in Business Combination (Note 4)	33,334	-	33,334
Change in decommissioning provision (Note 6)	2,252	-	2,252
Depletion and depreciation	(469)	-	(469)
Effect of foreign exchange rate changes	472	-	472
Net book value as at December 31, 2018	**$ 38,199**	**$ -**	**$ 38,199**

Depletion

For the year ended December 31, 2018, the Company recorded depletion expense of $469 (December 31, 2017 - $372). In the calculation of depletion expense an estimated $40.9 million of future development costs associated with the proven plus probable reserves were included in 2018 ($Nil for 2017).

Impairment

As at December 31, 2018, Southern did not identify any indicators of impairment for any of its CGUs.

6. Decommissioning Provisions

The Company's decommissioning provisions result from its ownership interest in petroleum and natural gas assets including well sites and gathering systems. 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 $8.7 million at December 31, 2018 (December 31, 2017 - $1.1 million), which have been discounted using risk-free interest rate of 2.2% to 2.7% at December 31, 2018 (December 31, 2017 – 0.7% to 2.3%). These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 28 years into the future and will be funded from general corporate resources at the time of abandonment.

Amounts in ($000s of Canadian Dollars), except for per share amounts

The following table presents the reconciliation of the beginning and ending aggregate carrying amounts of legal obligations associated with the retirement of property, plant and equipment:

	Year ended December 31, 2018		2017	
Balance, beginning of year	$	1,094	$	1,269
Acquired in Business Combination (Note 4)		3,305		-
Changes in estimates		2,252		(36)
Liabilities settled		(14)		(11)
Property disposal		-		(145)
Accretion expense		24		17
Effect of foreign exchange rate changes		79		-
Balance, end of year	**$**	**6,740**	**$**	**1,094**
Long term liability	**$**	**6,740**	**$**	**1,094**

7. Credit Facility

Southern had the following current obligations outstanding as at the dates indicated:

	As at Dec 31, 2018		As at Dec 31, 2017	
Current Portion Senior Secured Bank Credit Facility	$	21,009	$	-
Total Credit Facility	**$**	**21,009**	**$**	**-**

As part of the acquisition of Gulf Pine (Note 4), one of the wholly owned subsidiaries of Southern continued to hold the existing US$150 million Senior Secured Credit Facility ("Borrower"). The outstanding bank debt assumed by Southern was US$15.4 million ($20.7 million). The credit facility is secured against the US Oil and Gas properties of Southern. The borrowing base for the Senior Secured Credit Facility is reviewed semi-annually. The next scheduled borrowing base review will be completed in April 2019. Southern has the ability to request two additional redeterminations each year, at its sole election.

Interest on borrowings under the Senior Secured Credit Facility is determined by reference to the London Interbank Offered Rate ("LIBOR") plus a margin that ranges from 2.50% to 3.50%. Southern pays a commitment fee of 0.50% on the undrawn borrowing base. During the period of December 20, 2018 to December 31, 2018, the effective interest rate, excluding commitment and other fees, was 5.97%.

The covenants of the Borrower under the credit facility, calculated quarterly, include covenants which relate to a maximum leverage ratio of 3.5 to 1.0 (Debt / Earnings before Interest, Taxes, Depreciation, Depletion, Amortization and Exploration Expenses calculated on a trailing twelve month basis including Gulf Pine's operations hereafter defined as "Bank EBITDAX"), interest coverage ratio of at least 3.0 to 1.0 (Bank EBITDAX / Cash Interest) and minimum current ratio of 1.0 to 1.0 (Current Assets / Current Liabilities). As at December 31, 2018, the Borrower was in compliance with the interest coverage ratio (4.2 to 1.0) and current ratio (2.1 to 1.0). The Borrower was not in compliance with the leverage ratio (4.1 to 1.0) covenant of the credit facility. As such, all outstanding debt has been classified under current liabilities. The Borrower has obtained written waivers for non-compliance for December 31, 2018.

As at December 31, 2018, the borrowing base was US$16.0 million ($21.8 million) and Southern had US$15.4 million ($21.0 million) drawn.

Subsequent to December 31, 2018, Southern made the following debt repayments:

Date of repayment	**(US$000s)**
January 8, 2019	200
January 29, 2019	2,700
March 14, 2019	5,000
Total amount repaid since December 31, 2018	**$ 7,900**
Balance as at March 31, 2019	**$ 7,500**

On March 1, 2019, Southern entered into the Third Amendment to Credit Agreement. The Amendment included the assignment of the Credit Agreement from Gulf Pine Energy, LP to Southern Energy Corp. (DE), replacement of "GAAP" with "IFRS" with respect to the covenant calculations and a borrowing base reduction to US$12.5 million ($17.1 million). The February 1, 2021, maturity date of the Credit Agreement remained the same with the execution of the Third Amendment.

8. Shareholders' Equity

Share capital

The authorized share capital of the Company consists of an unlimited number of voting common shares and an unlimited number of preferred shares.

On January 4, 2019, the company completed a consolidation of the Common Shares on the basis of one post-consolidated Common Share for every 5 pre-consolidated Common Shares. These consolidated financial statements and all information related to issued and outstanding common shares, stock options and warrants, have been restated to reflect the share consolidation for all periods present.

The following table reflects the Company's outstanding common shares at December 31, 2018 and 2017:

	Number of Shares	**Share Capital**
Balance as at December 31, 2017	24,246,973	$ 15,923
Issuance of common shares by private placement, net of issue costs	180,110,000	17,937
Balance as at December 31, 2018	**204,356,973**	**$ 33,860**

On December 19, 2018, Southern completed a non-brokered private placement of common shares ("Common Shares") and units ("Units") of the Company, for aggregate gross proceeds of $18.0 million (the "Private Placement"). Pursuant to the Private Placement, Southern issued an aggregate of 122,190,000 Common Shares and 57,920,000 Units of the Company at a price of $0.10 per share. Each Unit is comprised of one Common Share and one performance-based Common Share purchase warrant ("Performance Warrant").

Amounts in ($000s of Canadian Dollars), except for per share amounts

Warrants

The Company issued 57,920,000 Performance Warrants in conjunction with the December 19, 2018 Private Placement. The Performance Warrants vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the Common Shares (the "Market Price") equaling or exceeding $0.15, an additional one-third upon the Market Price equaling or exceeding $0.20 and a final one-third upon the Market Price equaling or exceeding $0.25. In addition, in the event the Market Price equals or exceeds $0.40, each Performance Warrant shall be exercisable for 1.5 Common Shares, provided that, at the time of exercise in respect of the additional 0.5 of a Common Share per Performance Warrant, the Common Shares are listed on the facilities of a recognized stock exchange (other than the TSX Venture Exchange), the Common Shares are acquired for cash or for the securities of a company listed on a recognized stock exchange (other than the TSX Venture Exchange).

The Company used the fair value method to account for the warrants. The estimated fair value of warrants was determined using the binomial option pricing model, with a volatility of 30%. For the year ended December 31, 2018, Southern recognized $1,195 of stock-based compensation expense relating to the warrants ($nil in 2017).

Stock Options

Under the Company's share option plan, the Company may grant options to its directors, officers, employees and consultant up to a maximum of 10% of the issued and outstanding common shares at the time of the grant, with a maximum of 5% of the Company's issued and outstanding shares reserved for any one person on a yearly basis. The maximum option term is 10 years from the grant date with vesting terms set at the discretion of the board of directors.

On December 19, 2018, as part of the Recapitalization transaction, all outstanding stock options were terminated, with no consideration paid. At December 31, 2018, there were no outstanding stock options.

Southern did not recognize any share-based compensation expense relating to stock options during 2018 ($5 in 2017).

9. Loss Per Share

The following table presents the Company's net loss per share:

	Years ended December 31, 2018	2017
Net Loss	$ (2,695)	$ (606)
Basic and diluted shares	30,168,398	24,246,973
Net loss per weighted average basic and diluted shares	$ (0.09)	$ (0.02)

The calculation of diluted loss per share for the year ended December 31, 2018 excluded 8,050,000 stock options and 1,904,210 performance warrants (2017 – 8,500,000 stock options were excluded) as they were anti-dilutive.

Amounts in ($000s of Canadian Dollars), except for per share amounts

10. Income Taxes

The provision for income taxes recorded in the financial statements varies from the amount that would be computed by applying the Canadian statutory income tax rate of 27% as a result of the following:

	Year ended December 31, 2018	2017
Net (loss) before tax	$ (2,695)	$ (606)
Statutory income tax rate	27%	27%
Expected income tax (recovery)	(728)	(164)
Effect on income tax of:		
Unrecognized deferred tax asset	309	163
Prior year true-up adjustment	(56)	-
Adjustment for foreign tax rates	16	-
Non-deductible items	459	1
Deferred tax recovery	$ -	$ -

The components of the Company's unrecognized deferred tax assets (liabilities) are as follows:

	Years ended December 31, 2018	2017
Property and equipment and exploration	$ 3,780	$ 3,415
Decommissioning provisions	1,099	1,094
Unamortized share issuance costs	332	13
Eligible capital expenditure	-	27
Non-capital losses	15,694	14,749
Total	$ 20,905	$ 19,298

Non-capital tax losses of approximately $14.9 million at December 31, 2018 (December 31, 2017 - $14.7 million) will expire in future years ranging from 2025 – 2038. US net operating losses of approximately $6.0 million at December 31, 2018 can be carried forward unlimited years.

Amounts in ($000s of Canadian Dollars), except for per share amounts

11. Financial Instruments and Financial Risk Management

Financial 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, 2018:

Natural Gas	Volume	Pricing (US$)
Fixed Price Swap		
January 1, 2019 – December 31, 2019	3,900 MMBtu/d	NYMEX – HH $2.840/MMBtu
January 1, 2020 – December 31, 2020	1,000 MMBtu/d	NYMEX – HH $2.600/MMBtu

Crude Oil	Volume	Pricing (US$)
Fixed Price Swap		
January 1, 2019 – December 31, 2019	50 Bbl/d	WTI $55.25/Bbl

Hedging update

On March 21, 2019, Southern entered into the following commodity derivative contract:

Natural Gas	Volume	Pricing (US$)
Fixed Price Swap		
January 1, 2020 – December 31, 2020	1,500 MMBtu/d	NYMEX – HH $2.748/MMBtu

Amounts in ($000s of Canadian Dollars), except for per share amounts

Financial Derivative Contracts Financial Statement Recognition

The Company's financial instruments that were accounted for at fair value as of December 31, 2018 and 2017 are presented below. The classification within the fair value hierarchy for these financial instruments is Level 2.

	Year ended December 31,	
Comprised of:	**2018**	**2017**
Current derivative asset	$ 332	$ -
Current derivative liability	(166)	-
Non-current derivative asset	20	-
Non-current derivative liability	(51)	-
Net fair value of contracts, end of period	**$ 135**	**$ -**

Below is a reconciliation of the (gain) / loss on derivatives from the Consolidated Statements of Loss and Comprehensive Loss:

	Year ended December 31,	
	2018	**2017**
Realized loss on derivatives	$ 111	$ -
Unrealized gain on derivatives	(436)	-
Gain on derivative instruments	**$ (325)**	**$ -**

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of the Company's cash and cash equivalents and accounts receivable and the positive fair value of any financial derivatives represent the maximum credit exposure.

Cash and cash equivalents

The Company manages the credit exposure related to cash and cash equivalents by selecting financial institutions with high credit ratings and monitors all short-term deposits to ensure an adequate rate of return. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Accounts receivable and other

Substantially all of the Company's accounts receivable are due from purchasers of the Company's petroleum and natural gas production, joint interest partners and government agencies, and are subject to normal industry credit risk.

Amounts in ($000s of Canadian Dollars), except for per share amounts

Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. Management of the Company believes the risk is mitigated by the size and reputation of the companies to which they extend credit.

Southern had no provision for doubtful accounts as at December 31, 2018 or 2017. During the year ended December 31, 2018, three third party purchasers each marketed more than 10% of the Company's oil and natural gas revenue.

	Year ended December 31, 2018	2017
Subscription receipts held in trust	$ 7,106	$ -
Accrued receivables	5,507	97
Accounts receivable – joint venture	1,131	1
Total accounts receivable and other	**$ 13,744**	**$ 98**

	2018	2017
0 to 30 days	$ 13,374	$ 71
31 to 60 days	43	13
61 to 90 days	18	1
Greater than 90 days	309	13
Total accounts receivable	**$ 13,744**	**$ 98**

Included in the December 31, 2018 accrued accounts receivable amount is $3,445 relating to the proceeds from the Private Placement.

Liquidity Risk

Liquidity risk arises through excess financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient capital in order to meet its current and future liquidity requirements. The financial liabilities in the statement of financial position consist of accounts payable, financial derivative liability and the senior secured credit facility. The Company has the following accounts payable and bank loan balances:

	Year ended December 31, 2018	2017
Accrued payables	$ 1,504	$ -
Accounts payables – trade	6,548	244
Bank loan	21,009	-
Total	**$ 29,061**	**$ 244**

At December 31, 2018 and 2017, the estimated liability relating to the fair value of the Southern common shares and reimbursement of estimated legal fees offered to Canadian Energy Exploration Inc. ("CEEI"), a shareholder who exercised dissent rights relating to the Company's acquisition of CEEI shares in 2012 included in accounts payable and accrued liabilities is $30.

Amounts in ($000s of Canadian Dollars), except for per share amounts

Market Risk

Market risk is the risk that changes in market prices relating to currency, commodity prices and interest rates will affect the Company's net earnings, future cash flows, the value of financial instruments, or the fair value of its asset and liabilities. The object of market risk management is to manage and control market risk exposure within acceptable parameters.

To partially mitigate exposure to commodity price risk, Southern enters into various financial derivative instruments. The instruments currently outstanding are described above. As at December 31, 2018, Southern has not entered into any foreign exchange derivative contracts or fixed interest rate contracts. As at December 31, 2018, a 10% change in future commodity prices applied against these contracts would have a $0.7 million impact on net income.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in interest rates. The Company's interest rate risk arises from its floating rate senior loan. For the year ended December 31, 2018, the Company did not enter into any interest rate derivative contracts. The impact of a 1% increase in the interest rate associated with the senior loan would increase net loss by approximately $0.2 million.

12. Oil and Natural Gas Sales

Southern sells its production pursuant to variable price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for the quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under the contract, Southern is required to deliver a fixed or variable volume of crude oil, natural gas liquids or natural gas to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price. Revenues are typically collected in the month following production.

The following table presents Southern's oil and natural gas sales disaggregated by revenue source:

	Year ended December 31,	
Commodity sales from production, by product	**2018**	**2017**
Crude oil	$ 1,013	$ 869
Natural gas liquids	17	-
Natural gas	616	-
Total Oil and Natural Gas Sales	**$ 1,646**	**$ 869**

Amounts in ($000s of Canadian Dollars), except for per share amounts

13. Supplemental Cash Flow Information

The changes in Working Capital are presented below:

	Year ended December 31, 2018	2017
Source (use) of cash:		
Accounts receivable and other	$ (10,951)	$ 34
Deposits and prepaid expenses	32	-
Accounts payables	(831)	49
	$ (11,750)	**$ 83**
Related to:		
Operating activities	$ (174)	$ 77
Investing activities	(7)	6
Financing activities	(11,569)	-
	$ (11,750)	**$ 83**
Interest paid	**$ 40**	**$ -**
Income taxes paid	**$ -**	**$ -**

14. Capital Risk Management

The Company's capital management policy is to maintain a strong capital base that optimizes the Company's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Company maintains a flexible capital structure to maximize its ability to pursue petroleum and natural gas exploration and acquisition opportunities and sustain the future development of the business. The Company monitors the level of risk associated for each capital project to balance the proportion of debt and equity in its capital structure. The Company's officers are responsible for managing the Company's capital and do so through quarterly meetings and regular reviews of financial information. The Company's directors are responsible for overseeing this process. The Company considers its capital structure to include working capital.

The Company monitors its capital based on projected cash flow from operations and anticipated capital expenditures. In order to manage its capital structure, the Company prepares annual capital expenditure and operating budgets, which are updated as necessary. The annual and updated budgets are prepared by the Company's management and approved by or reviewed with the Company's Board of Directors. The budget results are regularly reviewed and updated as required.

In order 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.

Amounts in ($000s of Canadian Dollars), except for per share amounts

15. Related Party Disclosures

During the year ended December 31, 2018, professional fees for Southern of $86 (December 31, 2017 - $15) were incurred to a firm of which a previous officer and director of the Company is a partner and are included in transaction costs. Of this amount, $nil is included in accounts payable and accrued liabilities at December 31, 2018 (December 31, 2017 - $nil).

Key management personnel

Southern has determined that the key management personnel of Southern consists of its executive officers and directors. The following table summarizes the compensation of directors and other members of key management personnel during the years ended December 31, 2018 and 2017:

	Year ended December 31, 2018	2017
Short-term benefits	$ 438	$ 347
Long-term benefits (Note 8)	589	5
Total	**$ 1,027**	**$ 352**

The short-term benefits amount includes $401 from Southern's executive officers and directors prior to the Recapitalization transaction on December 19, 2018. Short-term benefits are comprised of salaries and director fees, annual bonuses and other benefits. Long-term benefits include share-based compensation expense from share awards under Southern's long-term incentive plans.

16. Commitments and Contingencies

At December 31, 2018, total minimum commitments from long-term non-cancellable operating leases were as follows:

	Total	2019	2020	2021	2022 and after
Office space leases	1,219	418	418	383	-
Total	**$ 1,219**	**$ 418**	**$ 418**	**$ 383**	**$ -**

The office space commitment is for the Calgary office.

Amounts in ($000s of Canadian Dollars), except for per share amounts

17. Segmented Information

The Company operates in one industry segment, the production and development of petroleum and natural gas properties.

With the acquisition of Gulf Pine (Note 4), the Company and its subsidiaries operated in two geographical segments during the year ended December 31, 2018. The two geographical segments being Canada and the United States, are reported below:

Year ended December 31, 2018	**United States**	**Canada**	**Other** (1)	**Total**
Revenue, net of royalties	$ 658	$ 682	$ -	$ 1,340
Net income / (loss)	514	(46)	(3,163)	(2,695)
As at December 31, 2018				
Property, plant and equipment	$ 35,932	$ 2,267	$ -	$ 38,199

(1) Other includes general and administrative, share-based compensation and transaction costs

18. Subsequent Events

Canadian Disposition

On March 29, 2019, Southern entered into a Purchase and Sale Agreement to sell all of its Canadian oil and natural gas assets for $0.6 million, prior to customary purchase price adjustments. The disposition is scheduled to close on April 30, 2019.