



## SOUTHERN ENERGY CORP. ANNOUNCES FOURTH QUARTER AND YEAR END 2021 FINANCIAL AND OPERATING RESULTS

Calgary, Alberta – April 19, 2022 – Southern Energy Corp. (“Southern” or the “Company”) (TSXV:SOU) (AIM:SOUC) today announces the release of its fourth quarter and year ended December 31, 2021, financial and operating results.

Southern is an established producer with natural gas and light oil assets in Mississippi characterized by a stable, low-decline production base, a significant low-risk drilling inventory and strategic access to the best commodity pricing in North America. Selected financial and operational information is outlined below and should be read in conjunction with the Company's consolidated financial statements (the “**Financial Statements**”) and related management's discussion and analysis (the “**MD&A**”) for the three months and year ended December 31, 2021 and annual information form (“**AIF**”) for the year ended December 31, 2021, 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 2021 HIGHLIGHTS

- \$1.4 million of adjusted funds flow from operations<sup>1</sup> in Q4 2021 and \$4.8 million for the full year of 2021, excluding \$2.0 million of one-time expenses related to the listing of the common shares of the Company (the “**Common Shares**”) on the AIM market of the London Stock Exchange plc (the “**AIM**”), an increase of 88% and 81% from the same periods in 2020, respectively
- Q4 2021 average production of 12,753 Mcfe/d<sup>2</sup> (2,126 boe/d) (91% natural gas), resulting in average production for the year of 12,592 Mcfe/d<sup>3</sup> (2,099 boe/d) (92% natural gas), a 6% and 2% decrease from the same periods in 2020, respectively, demonstrating the long life, low decline profile of Southern's base assets
- Petroleum and natural gas sales of \$7.2 million in Q4 2021 and \$19.9 million for full year 2021, an increase of 107% and 91% from the same periods in 2020, respectively
- Annual net earnings of \$10.1 million in 2021 (\$0.24 per share – basic) compared to a net loss of \$7.8 million in 2020
- Net Debt<sup>4</sup> reduced by \$8.7 million in Q4 2021 and \$16.6 million for the full year of 2021 to \$6.4 million as at December 31, 2021
- Average realized oil and natural gas prices for Q4 2021 of \$74.18/bbl and \$5.55/Mcf, respectively, reflecting the benefit of strategic access to premium-priced US sales hubs
- Completed a series of low-cost well recompletions and workovers beginning in Q3 and carrying into early Q4 2021
  - Work program had an overall cost of approximately \$0.8 million and added approximately 1,250 Mcfe/d<sup>4</sup> (208 boe/d) of production (approximately 80% natural gas)

<sup>1</sup> See “Specified Financial Measures” under “Reader Advisory” below”.

<sup>2</sup> Comprised of 160 bbl/d light and medium crude oil, 21 bbl/d NGLs and 11,667 Mcf/d conventional natural gas

<sup>3</sup> Comprised of 150 bbl/d light and medium crude oil, 23 bbl/d NGLs and 11,554 Mcf/d conventional natural gas

<sup>4</sup> Comprised of 39 bbl/d light and medium crude oil, 2 bbl/d NGLs and 1,000 Mcf/d conventional natural gas

- Production adds from work program helped to achieve low corporate decline rate of 2% in 2021
- Admission of Southern's entire issued share capital to trading on the AIM in August 2021
- Successful completion of an equity offering with both new and existing investors in November 2021 to raise aggregate gross proceeds of \$10.0 million
- Disposal of the Company's remaining assets from its non-core Black Warrior Basin cash generating unit ("CGU") in December 2021 for net proceeds of \$0.6 million

#### **SUBSEQUENT EVENTS**

- On February 1, 2022, Southern disposed of all its properties in the Smackover CGU for net proceeds of \$0.8 million
- On April 8, 2022, Southern agreed a second amendment (the "Second Amendment") to its senior secured term loan of up to \$8.5 million (the "New Facility") which, combined with the first amendment (the "First Amendment") effective December 30, 2021, resulted in: (a) an increase of Tranche B to \$4.5 million (\$4.0 million available to borrow); (b) an extension of the availability to June 30, 2022; and (c) the exclusion of transaction costs related to the Company's August 2021 AIM admission from the calculation of EBITDAX (as such term is defined in the Financial Statements)

#### **Operational Update**

Southern has completed the drilling operations on the three well horizontal padsite in Gwinville. Site preparation for the completion operations has begun and the Company anticipates initial production from the wells in May 2022. Flowback from the completions is planned to be directly into the Gwinville gathering system to sales, with no flaring required.

## Financial Highlights

<i>(000s, except \$ per share)</i>	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Petroleum and natural gas sales	\$ 7,151	\$ 3,461	\$ 19,942	\$ 10,431
Net earnings (loss)	3,311	2,951	10,093	(7,813)
Net earnings (loss) per share				
Basic	0.06	0.11	0.24	(0.28)
Fully diluted	0.05	0.08	0.19	(0.28)
Adjusted funds flow from operations <sup>(1)</sup>	1,349	758	2,783	2,656
Adjusted funds flow from operations per share <sup>(1)</sup>				
Basic	0.02	0.03	0.07	0.10
Fully diluted	0.02	0.02	0.05	0.10
Capital expenditures	1,755	92	2,562	179
Weighted average shares outstanding				
Basic	58,087	27,596	42,545	27,596
Fully diluted	73,895	38,083	55,047	27,596
<b>As at period end</b>				
Basic common shares outstanding	78,122	27,596	78,122	27,596
Total assets	46,212	30,354	46,212	30,354
Non-current liabilities	12,609	10,138	12,609	10,138
Net debt <sup>(1)</sup>	\$ 6,431	\$ 23,064	\$ 6,431	\$ 23,064

Notes:

<sup>(1)</sup> See "Reader Advisories – Specified Financial Measures".

## Outlook

Pending successful drilling results from the current three well program, Southern will evaluate the commencement of a continual drilling program in Gwinville through our low-risk drilling inventory to further our business plan to provide strong, long term profitable growth and competitive financial returns in a safe and responsible manner.

To further support the Gwinville drilling program, effective December 30, 2021, Southern entered into the First Amendment to the New Facility and then on April 8, 2022, Southern entered into a Second Amendment to the New Facility. The First and Second Amendments resulted in: (a) an increase of Tranche B to \$4.5 million (\$4.0 million available to borrow); (b) an extension of the availability to June 30, 2022; and (c) the exclusion of transaction costs related to the August 2021 AIM admission from the calculation of EBITDAX (as such term is defined in the Financial Statements).

In addition, and as part of its risk management and sustainability strategy, Southern has entered into fixed price and costless collar hedges to mitigate the effects of market volatility while retaining the ability to participate in potential natural gas price appreciation during 2022. Southern currently has hedged 4,000 MMBtu/d of natural gas production for Q1 2022 through a costless collar with a floor of \$3.50/MMBtu and ceiling of \$5.10/MMBtu. On January 28, 2022, Southern entered into a fixed price hedge on production of 2,000 MMBtu/d of natural gas at a price of \$4.61/MMBtu from March 1, 2022 through December 31, 2022. Combined with the existing fixed price hedge that Southern has in place, the Company has 6,000 MMBtu/d of natural gas production hedged at an average price of \$3.60/MMBtu from April 1, 2022 to December 31, 2022. These hedge volumes equate to approximately 52% of current production. On April 4, 2022, Southern entered into a costless collar with a floor of \$3.50/MMBtu and a ceiling of \$20.00/MMBtu for 2,000 MMBtu/d of natural gas from November 1, 2022 through

March 31, 2023. While the resulting realized losses on commodity contracts had an impact on cash flow from operating activities as gas prices rallied in the second half of 2021, Southern expects the impact will moderate in 2022 as some of these older natural gas hedges expire. A complete list of the fixed price and costless collar contracts can be found within Southern's fourth quarter MD&A.

The Company's long-term strategy remains consistent into 2022, with an unwavering commitment to environmental, social and governance ("ESG") principles that support the continued development and consolidation of prolific reservoirs that are outside of the more expensive shale basins. Cost savings and financial discipline will remain a priority through the continued enhancement of operations and the ongoing evaluation of opportunities to reduce operating and capital costs.

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

**Ian Atkinson, President and CEO of Southern, commented:**

*"We are pleased to be reporting our Q4 and Full Year Results for 2021, which are demonstrative of the significant progress achieved this year and of the quality of our asset base and strategy. In particular, we are pleased to report substantially increased earnings of \$10.1 million in a year which saw Southern Energy Corp's shares admitted to trading on AIM and the raising of additional equity funding from both Canada and the UK to support our ongoing drilling campaign at Gwinville.*

*"The team at Southern have worked relentlessly this year, driving substantial value for the Company as well as providing robust foundations for expansion. With the results of our Gwinville wells expected in May, we look forward to updating shareholders on operational developments and continue striving towards our substantial growth ambitions for 2022 and beyond.*

*"I would like to thank all of the Southern Energy Corp staff for their work, and our shareholders for their continued support.*

**Warrant Vesting Threshold Amendment**

It is intended that, following publication of these results, an amendment will be adopted by the Board to the acceleration provisions of the 7,240,000 performance-based Common Share purchase warrants issued in 2018 ("Performance Warrants"). Pursuant to such amendment, 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 CAD\$1.20, an additional one-third upon the Market Price equaling or exceeding CAD\$1.35 and a final one-third upon the Market Price equaling or exceeding CAD\$1.50. In addition, in the event the Market Price equals or exceeds CAD\$1.65, 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 TSXV) or the Common Shares are acquired for cash or for the securities of a company listed on a recognized stock exchange (other than the TSXV). These acceleration thresholds were previously set at CAD\$1.20, CAD\$1.60, CAD\$2.00, and CAD\$3.20, respectively, prior to the amendments that will be adopted by the Board. A further update will be provided in the event that the amendment to the Performance Warrants described above is not completed.

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

**Southern Energy Corp.**

Ian Atkinson (President and CEO)

+1 587 287 5401

Calvin Yau (VP Finance and CFO)

+1 587 287 5402

**Strand Hanson Limited - Nominated & Financial Adviser**

+44 (0) 20 7409 3494

James Spinney / James Bellman

**Hannam & Partners - Joint Broker**

+44 (0) 20 7907 8500

Sam Merlin / Ernest Bell

**Canaccord Genuity - Joint Broker**

+44 (0) 20 7523 8000

Henry Fitzgerald-O'Connor / James Asensio

**Camarco**

James Crothers, Hugo Liddy, Billy Clegg

+44 (0) 20 3757 4980

**About Southern Energy Corp.**

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

**READER ADVISORY**

***MCFE Disclosure.*** Natural gas liquids volumes are recorded in barrels of oil (bbl) and are converted to a thousand cubic feet equivalent (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). Mcf and boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl or a Mcf 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 Mcf 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.

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

<i>bbl</i>	<i>barrels</i>
<i>bbl/d</i>	<i>barrels per day</i>
<i>boe</i>	<i>barrels of oil</i>
<i>boe/d</i>	<i>barrels of oil per day</i>
<i>Mcf</i>	<i>thousand cubic feet</i>

Mcf/d	thousand 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, future commodities pricing, the effect of market conditions and the COVID-19 pandemic on the Company's performance, Southern's planned ESG initiatives, expectations regarding Southern's well recompletion and workover programs and the effects thereof on the Company's financial position, expectations regarding the Company's hedging program, expectations regarding site preparation and production from the Company's drilling operations in Gwinville and the timing thereof, expectations regarding the use of proceeds from the Company's credit facilities, as amended by the First Amendment and the Second Amendment thereto,, expected benefits from the Company's AIM listing, the Company's financial hedging program including the use of financial derivatives, future production levels, acquisition opportunities, costs/debt reducing activities, and planned capital expenditures.*

*The forward-looking statements contained in this press release are based on certain key expectations and assumptions made by Southern, including the timing of and success of future drilling, development and completion activities, the performance of existing wells, the performance of new wells, the availability and performance of facilities and pipelines, the geological characteristics of Southern's properties, the characteristics of the Company's assets, the successful application of drilling, completion and seismic technology, benefits of current commodity pricing hedging arrangements, Southern's ability to enter into future derivative contracts on acceptable terms, prevailing weather conditions, prevailing legislation affecting the oil and gas industry, commodity prices, royalty regimes and exchange rates, the application of regulatory and licensing requirements, the 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 services, negative effects of the current COVID-19 pandemic, commodity price and exchange rate fluctuations, geo-political risks, political and economic instability abroad, wars (including Russia's military actions in Ukraine), 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. Ongoing military actions between Russia and the Ukraine have the potential to threaten the supply of oil and gas from the region. The long-term impacts of the actions between these nations 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.** *Any financial outlook or future oriented financial information in this press release, as defined by applicable securities legislation, has been approved by management of Southern. Readers are cautioned that any such future-oriented financial information contained herein should not be used for purposes other than those for which it is*

disclosed herein. The Company and its management believe that the prospective financial information has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future activities or results.

**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.

**"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.

**"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 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.**

**The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended).**