



## SOUTHERN ENERGY CORP. ANNOUNCES CLOSING OF SYNERGISTIC ASSET ACQUISITION TO CONSOLIDATE THE GWINVILLE FIELD AND RESTRICTED SHARE AWARD GRANT

Calgary, Alberta – June 6, 2023 – Southern Energy Corp. (“Southern” or the “Company”) (TSXV:SOU) (AIM:SOUC)(OTCQX:SOUTF) announces the closing of its acquisition of the remaining producing acreage in the Gwinville Field (the “Assets”) in Jefferson Davis County, Mississippi from PetroTX Energy, LLC for a cash purchase price of \$3.2 million (the “Transaction”) that was previously announced May 23, 2023.

Ian Atkinson, President and CEO of Southern, commented:

*“We are very pleased to close this highly accretive acquisition. Our team has already begun optimizing the newly consolidated assets including through marketing opportunities, with additional volumes and access to the Florida Gas Transmission sales point, which is currently receiving a strong premium to NYMEX Henry Hub, and the rationalisation of operating costs. We will continue to achieve synergies through the further reduction of operating costs and through additional marketing opportunities. This Transaction demonstrates our ability to execute high value growth opportunities at all stages in the commodity cycle and we will look to build on this through organic development of the Gwinville area in the future.”*

### Details of the Transaction

The Assets are currently producing approximately 400 boe/d (99% natural gas) of high working interest production at less than 8% projected annual decline from over 8,500 acres of held-by-production acreage and include significant redevelopment opportunities in the Selma Chalk formation.

The Company anticipates that the Asset’s operating cost savings of more than 30% will be realized almost immediately, primarily driven by the consolidation of infrastructure, staff, and services in the Gwinville Field. The Transaction is consistent with the Company’s strategy to consolidate stable, low decline, cash flowing assets that have been historically under-capitalized at highly attractive and accretive metrics.

### Transaction Highlights<sup>1</sup>:

- **PDP PV10 value of \$7.7 million, including operations synergies, representing a PDP PV34 valuation or a nearly 60% discount to PDP PV10**
  - **This includes expected operational synergies with a PV10 value of more than \$5 million**
- **Next twelve months cash flow of \$0.9 million, representing a 3.6x cash flow multiple; 2022 cash flow of \$3.7 million, representing a 0.9x cash flow multiple**
- **Flowing Production (WI) addition per boe/d acquired of \$7,800 (\$1,300/Mcfe/d), on an annual basis**
- **1.8 MMboe PDP Reserves (WI) addition at implied price of \$1.76/boe**

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(1) Cash flow and economic calculations based on Strip Pricing effective May 1, 2023

- **Potential 2P Reserves (WI) addition of 14.5 MMboe**; 20+ net Selma Chalk drilling locations identified
- Projected 7% increase to sales gas volumes through fuel gas reduction
- Estimated operating cost savings of more than 30% expected to be achieved through synergies with our current Gwinville acreage
- 239 total / 204 producing (net) wells with low future plugging liability associated with the assets

PDP reserves, 2P reserves and PV10 in respect of the Assets have been internally estimated by the Company's Internal Qualified Reserves Evaluator ("QRE") and prepared in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") and the most recent publication of the Canadian Oil and Gas Evaluation Handbook ("COGEH"). "Internally estimated" means an estimate that is derived by the Company's internal QRE and prepared in accordance with NI 51-101. All internal estimates contained in this press release have been prepared effective as of June 1, 2023. Reserves values are based on working interest reserves of the Assets before deduction of royalties and without including any of royalty interest reserves.

The consideration of \$3.2 million was funded through existing capacity from the senior secured term loan (the "Credit Facility") with Southern's current lender, who is highly supportive of the Transaction. Southern still has approximately \$14.5 million of capacity remaining on the Credit Facility after closing the Transaction, which provides ample funds to complete the four drilled but uncompleted wells from the Gwinville drilling program when natural gas prices are supportive.

### Restricted Share Award Grant

Southern has granted restricted share awards ("**RSAs**") to certain employees, officers and directors of the Company as part of Southern's overall compensation and employee retention program, in accordance with the terms of the Company's share award incentive plan. For more information regarding the Company's compensation philosophy and practices, please see Southern's management information circular dated May 1, 2023, which is available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Southern has granted an aggregate of 1,255,800 RSAs, of which 837,500 were issued to directors and persons discharging managerial responsibilities ("**PDMR**") of the Company, as set out below. The RSAs vest as to one third on each of the first, second and third anniversary date of the grant date. On the vesting dates of such RSAs, the holder is entitled to receive a cash payment or its equivalent in fully paid common shares of the Company ("**Common Shares**"), at the Company's discretion, equal to the closing market value per Common Share on the TSX Venture Exchange on the business day prior to such payment.

<b>PDMR</b>	<b>Position</b>	<b>RSAs Awarded</b>
Ian Atkinson	President and CEO (Director)	312,500
Calvin Yau	CFO	262,500
Gary McMurren	COO	262,500

### Qualified Person's Statement

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

in Chemical Engineering (with distinction) from the University of Alberta.

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

**Southern Energy Corp.**

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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 ADVISORY**

**Currency.** All currency amounts in this press release are in United States dollars (unless otherwise stated).

**Disclosure of Oil and Gas Information**

**Unit Cost Calculation.** Natural gas liquids volumes are recorded in barrels of oil (bbl) and are converted to a thousand cubic feet equivalent (Mcf) using a ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas volumes recorded in thousand cubic feet (Mcf) are converted to barrels of oil equivalent (boe) using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Mcfe and boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl or a Mcfe conversion ratio of 1 bbl:6 Mcf is based in an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared

with natural gas is significantly different from the energy equivalent of six to one, utilizing a boe conversion ratio of 6 Mcf:1 bbl or a Mcfe conversion ratio of 1 bbl:6 Mcf may be misleading as an indication of value.

**Product Types.** References to “natural gas” throughout this press release refer to conventional natural gas as defined by NI 51-101.

**Reserves Disclosure.** All reserves values and ancillary information contained in this press release are derived from the QRE's evaluation of the Assets unless otherwise noted. All reserve references in this press release are “company gross reserves”. Company gross reserves are the seller's total working interest reserves before the deduction of any royalties payable by the seller in respect of the Assets. Estimates of reserves for individual properties may not reflect the same level of confidence as estimates of reserves for all properties, due to the effect of aggregation. There is no assurance that the forecast price and cost assumptions applied by the QRE in evaluating the Assets will be attained and variances could be material. All reserves assigned to the Assets are located in the State of Mississippi and presented on a consolidated basis.

**Drilling Locations.** This press release discloses drilling inventory in respect of the Assets as unbooked/potential locations. Unbooked locations are internal estimates based on the prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources.

All of the net drilling locations identified herein are currently unbooked locations in the Company's inventory.

Unbooked locations have been identified by management as an estimation of multi-year drilling activities in respect of the Assets based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations considered for future development will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. Proved developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty. Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned. Certain terms used in this press release but not defined are defined in NI 51-101, CSA Staff Notice 51-324 – Revised Glossary to NI 51-101, Revised Glossary to NI 51-101, Standards of Disclosure for Oil and Gas Activities (“CSA Staff Notice 51-324”) and/or the COGEH and, unless the context

otherwise requires, shall have the same meanings herein as in NI 51-101, CSA Staff Notice 51-324 and the COGEH, as the case may be.

### **Abbreviations**

2P	proved plus probable reserves
bbl	barrels
Mbbbls	thousand barrels
bbls/d	barrels per day
\$M	thousands of US dollars
boe	barrels of oil equivalent
Mboe	thousand barrels of oil equivalent
MMboe	million barrels of oil equivalent
boe/d	barrels of oil equivalent per day
Bcfe	billion cubic feet equivalent
Mcfe	million cubic feet equivalent
Mcfe/d	million cubic feet equivalent per day
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
MMBtu	million British Thermal Units
PDP	proved developed producing reserves
PV	net present value, all references to PV in this press release are before-tax
PV10	net present value (before-tax), using a 10% discount rate
PV34	net present value (before-tax), using a 34% discount rate

### **Forward Looking Information**

This press release contains certain forward-looking information (collectively referred to herein as “forward-looking statements”) within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as “guidance”, “outlook”, “anticipate”, “target”, “plan”, “continue”, “intend”, “consider”, “estimate”, “expect”, “may”, “will”, “should”, “could” or similar words suggesting future outcomes. More particularly, this press release contains statements concerning: Southern's business strategy, objectives, strengths and focus; anticipated benefits of the Transaction, including anticipated natural gas production levels, decline rates and cash flow in respect of the Assets; anticipated operational results; capital expenditures and drilling plans and locations; anticipated operational synergies and cost savings resulting from the Transaction; the performance characteristics of the Company's oil and natural gas properties, including the Assets; and the ability of the Company to achieve drilling success consistent with management's expectations. Statements relating to production, reserves, recovery, replacement, costs and valuation 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 document are based on certain key expectations and assumptions made by Southern, including those relating to: the business plan of Southern, including in respect of the Assets acquired pursuant to the Transaction; the timing of and success of future drilling, development and completion activities; the geological characteristics of Southern's properties, including the Assets; the successful integration of the Assets into Southern's operations; prevailing commodity prices, price volatility, price differentials and the actual prices received for the Company's products; the availability and performance of drilling rigs, facilities, pipelines and other oilfield services; the timing of past operations and activities in the planned areas of focus; the drilling, completion and tie-in of wells being completed as planned; the performance of new and existing wells; the application of existing drilling and fracturing techniques; prevailing weather and break-up conditions; royalty regimes and exchange rates; the application of regulatory and licensing requirements; the continued availability of capital and skilled personnel; the ability to maintain or grow the banking facilities; the accuracy of Southern's geological interpretation of its drilling and land opportunities, including the ability of seismic activity to enhance such interpretation; and Southern's ability to execute its plans and strategies.

Although management considers these assumptions to be reasonable based on information currently available, undue reliance should not be placed on the forward-looking statements because Southern can give no assurances that they may prove to be correct. By their very nature, forward-looking statements are subject to certain risks and uncertainties (both general and specific) that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: incorrect assessments of the value of benefits to be obtained from exploration and development programs; changes in the financial landscape both domestically and abroad, including volatility in the stock market and financial system; wars (including Russia's war in Ukraine); risks associated with the oil and gas industry in general (e.g. operational risks in development, exploration and production; and delays or changes in plans with respect to exploration or development projects or capital expenditures); unforeseen difficulties in integrating the Assets into Southern's operations; commodity prices; increased operating and capital costs due to inflationary pressures; the uncertainty of estimates and projections relating to production, cash generation, costs and expenses; health, safety, litigation and environmental risks; inflationary risks; access to capital; and the COVID-19 pandemic. Due to the nature of the oil and natural gas industry, drilling plans and operational activities may be delayed or modified to react to market conditions, results of past operations, regulatory approvals or availability of services causing results to be delayed. Please refer to the annual information form for the year ended December 31, 2022 and management's discussion and analysis for the period ended March 31, 2023, and other continuous disclosure documents for additional risk factors relating to Southern, which can be accessed either on Southern's website at [www.southernenergycorp.com](http://www.southernenergycorp.com) or under the Company's profile on [www.sedar.com](http://www.sedar.com).

The forward-looking statements contained in this press release are made as of the date hereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Southern's prospective results of operations, operating costs, cash flow and expectations regarding continued significant and predictable reserves growth, including pro forma the completion of the Transaction, 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 and the Transaction. 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.

**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.**

**PDMR NOTIFICATION FORMS**

<b>1</b>	<b>Details of the person discharging managerial responsibilities / person closely associated</b>													
a)	Name	<ol style="list-style-type: none"> <li>1. Ian Atkinson</li> <li>2. Calvin Yau</li> <li>3. Gary McMurren</li> </ol>												
<b>2</b>	<b>Reason for the notification</b>													
a)	Position/status	<ol style="list-style-type: none"> <li>1. President and CEO (Director)</li> <li>2. CFO</li> <li>3. COO</li> </ol>												
b)	Initial notification/Amendment	Initial notification												
<b>3</b>	<b>Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor</b>													
a)	Name	Southern Energy Corp.												
b)	LEI	213800R25GL7J3EJB698												
<b>4</b>	<b>Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted</b>													
a)	Description of the financial instrument, type of instrument	Restricted Share Awards to receive common shares in Southern Energy Corp. or equivalent cash payment, at Company's sole discretion on vesting dates												
	Identification code	CA8428131059												
b)	Nature of the transaction	Grant of restricted share awards												
c)	Price(s) and volume(s)	<table border="1"> <thead> <tr> <th></th> <th>Effective price</th> <th>Volumes</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>CAD\$0.385</td> <td>312,500</td> </tr> <tr> <td>2.</td> <td>CAD\$0.385</td> <td>262,500</td> </tr> <tr> <td>3.</td> <td>CAD\$0.385</td> <td>262,500</td> </tr> </tbody> </table>		Effective price	Volumes	1.	CAD\$0.385	312,500	2.	CAD\$0.385	262,500	3.	CAD\$0.385	262,500
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1.	CAD\$0.385	312,500												
2.	CAD\$0.385	262,500												
3.	CAD\$0.385	262,500												
d)	Aggregated information	N/A (single transaction for each individual)												
e)	Date of the transaction	6 June 2023												
f)	Place of the transaction	Outside of a trading venue												