

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

For Immediate Release

20 December 2022

SERICA ENERGY PLC

PROPOSED ACQUISITION OF TAILWIND ENERGY INVESTMENTS LTD

Serica Energy plc (AIM:SQZ, "**Serica**", the "**Company**" or the "**Group**") is pleased to announce that it has entered into an agreement to acquire the entire issued share capital of Tailwind Energy Investments Ltd ("**Tailwind**") from Tailwind Energy Holdings LLP (the "**Seller**") (the "**Transaction**"). The consideration for the acquisition comprises:

- The issue of up to¹ 111,048,124 new ordinary shares in Serica (the "**Consideration Shares**"). Following the issue of the Consideration Shares, they will represent up to 28.9 per cent of Serica's enlarged issued share capital
- A cash payment on Completion of £58.7 million (the "**Cash Consideration**")

On the basis of the Serica closing price as of 19 December 2022 of 278 pence per share this would be equivalent to £367 million. Serica will also be taking on Tailwind's net debt, which as at 30 November 2022 was c.£277 million². As part of the Transaction, Mercuria, the largest ultimate shareholder of Tailwind, will become a strategic investor in Serica with a 25.2 per cent holding and will enter into a Relationship Agreement with Serica as further described below.

Transaction Highlights

Significant increase in Serica's scale, portfolio diversity and organic investment opportunities

- Estimated proforma combined production in 2023 will rise significantly to between 40,000 boe/d and 45,000 boe/d putting Serica in the top 10 UKCS producers and top 3 UKCS listed independent producers
- Acquiring fully developed 2P reserves of 42 million boe³ to create a combined portfolio with 2P reserves of 104 million boe⁴
- Will create a balanced spread of production from two main hubs - Bruce and Triton - which have separate transportation infrastructure
- Number of producing fields will increase from 5 to 11 with substantial upside and organic growth opportunities
- Enlarged group will operate more than 80 per cent of its net production
- Adding predominantly oil reserves reduces concentration of commodity price risk whilst gas remains more than 50% of production
- The carbon intensity of the enlarged group's producing assets is projected to remain below the UKCS average

Introduces Mercuria as a strategic investor with a 25.2 per cent shareholding in Serica

- Serica will benefit from the availability of Mercuria's financing and hedging capacity combined with its wide geographic reach
- Relationship Agreement between Serica and Mercuria will govern ongoing relationship
- Two Mercuria nominated non-executive directors joining the Serica board on completion⁵

Reinforces Serica's financial strength

- Highly cash generative portfolio and expected to have a significant net cash position on completion
- Existing Tailwind reserves-based lending (“RBL”) and junior facility expected to be rolled over on completion⁶ with subsequent refinancing to take advantage of the increased strength of the enlarged group during 2023
- Markedly lower decommissioning liabilities compared to North Sea peers
- Dividend policy to be maintained
- Tailwind holds significant ring fence tax losses carried forward for future use

Combines the two companies' complementary leadership, technical and commercial expertise

- Tony Craven Walker and Mitch Flegg remaining as Non-Executive Chairman and CEO respectively
- Steve Edwards and Jacques Tohme will be joining the senior management team
- Serica's North Sea operating capability combining with Tailwind's sub-surface expertise
- All current Tailwind employees to be offered positions in the enlarged group

Creates an enlarged platform from which to consider future investments in the UK, overseas and in the wider energy sector

- Greater financial capability of the enlarged group
- Enhanced and complementary skill sets
- Strategic shareholder with a wide geographic reach and extensive activities in the broader energy sector

Mitch Flegg, CEO of Serica, commented:

“I am excited by the announcement of this transaction and by the possibilities it brings for Serica in terms of a new phase of growth. The transaction achieves our strategic objective of materially increasing the scale and diversity of our UKCS portfolio of assets. The Tailwind portfolio also brings multiple organic investment opportunities for further material near-term growth in reserves and production. Following this Transaction, Serica will retain its competitive strengths of a strong balance sheet, positive cash flow and low decommissioning cost obligations. Moreover, through the introduction of Mercuria as a new strategic investor, we will be differentially positioned to take advantage of the opportunities we expect to arise through industry consolidation, the North Sea Transition Deal and potentially overseas. I look forward to working with my new Tailwind management colleagues, Steve and Jacques joining our leadership team, as well as the Tailwind employees and contractors joining Serica on completion. Their skills and experience, which have been central to the success of Tailwind since its formation, are highly complementary to those already existing in Serica's organisation.”

Tony Craven Walker, Chairman of Serica, commented:

“Serica has been able to grow its business by several times over the past five years without recourse to any external fund raising. We are proud of that achievement and are now a major North Sea operator with proven capabilities, strong balance sheet and significant ongoing cash flow. The transaction with Tailwind reinforces these strengths, materially enhancing our asset base as we continue responsibly to provide much needed domestic energy at a time of energy crisis and seek to grow and diversify our portfolio of assets further.

The transaction with Tailwind provides a new strategic relationship, bringing in Mercuria, one of the world's largest energy traders, as a major new shareholder of the enlarged group. The Board believes this relationship will provide competitive advantages as the Company seeks out further value accretive transactions. On completion, Mercuria will hold just over 25 per cent of Serica and will nominate two new non-Executive directors to serve on the Board. I and my Board colleagues are delighted to welcome them, the Tailwind executives and the Tailwind employees to the Company. We look forward to working together on the next phase of Serica's growth.”

Steve Edwards, CEO of Tailwind, commented:

“Since inception in 2016, Tailwind has been driven by creating value for its stakeholders; acquiring and exploiting high quality production and development opportunities on the UKCS. Our value growth and delivery over that period have been exceptional, resulting from smart M&A and consistent delivery of high value organic projects. We have achieved this through the combination of a committed strategy, excellent people and enjoying the constant support of Mercuria. My colleagues and I are excited about this next step with Serica, with the combined assets, increased production and financial strength creating a platform to grow even further. We look forward to working closely with our Serica colleagues to deliver on the exciting opportunities for the enlarged group.”

There will be a conference call for sell side analysts at 09:00 this morning, details of which are available from Vigo Consulting on serica@vigoconsulting.com. A recording of the call will be made available on the company website www.serica-energy.com later today.

The information contained within this announcement is deemed by Serica to constitute inside information as stipulated under the Market Abuse Regulation. By the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain. The person responsible for arranging for the release of this announcement on behalf of Serica is Mitch Flegg, Chief Executive Officer.

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About Serica

Serica Energy is a British independent oil and gas exploration and production company with a portfolio of UKCS assets. The Company is responsible for about 5 per cent of the gas produced in the UK; a key element in the country’s energy security and energy transition.

Serica operates the producing Bruce, Keith and Rhum fields in the UK Northern North Sea, and the producing Columbus field in the UK Central North Sea. Serica also holds a non-operated interest in the producing Erskine field in the UK Central North Sea.

Further information on the Company can be found at www.serica-energy.com. The Company's shares are traded on the AIM market of the London Stock Exchange under the ticker SQZ and the Company is a designated foreign issuer on the TSX. To receive Company news releases via email, please subscribe via the Company website.

About Tailwind

Tailwind is a privately owned, next generation oil and gas company focused on the delivery of sustainable, long-term value supported since inception by core sponsor Mercuria. Tailwind's core assets include the Triton Area assets acquired from Shell and Exxon in 2018. The Triton Area consists of eight producing oil fields including Evelyn, Bittern, Guillemot and Gannet, all developed through the Dana Petroleum operated FPSO. Tailwind is operator of the Gannet E and Evelyn fields. In addition, Tailwind is an existing partner of Serica in the Columbus gas field and operates the Orlando field. Further information on Tailwind can be found at their website: www.tailwind.co.uk

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The ultimate shareholders of Tailwind are Mercuria and the Tailwind senior management (the "**Founders**"). As part of the Transaction, Mercuria will become a strategic investor in Serica with a 25.2 per cent holding. The balance of the Consideration Shares will be held by the Founders.

The allotment of the Consideration Shares to the Seller requires the approval of Serica shareholders. Accordingly, a circular will be sent to Serica shareholders shortly, convening a General Meeting to seek approval for an authority to allot the Consideration Shares. The Board of Serica is recommending that shareholders vote in favour of the resolution to allot the Consideration Shares. Completion of the Transaction, which is subject to certain customary conditions, is expected to occur in March 2023.

Transaction Rationale

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- Strategic shareholder with a wide geographic reach and extensive activities in the broader energy sector

Description of the Transaction

Serica and Tailwind have entered into a sale and purchase agreement (the "**SPA**") under which Serica will acquire 100 per cent of the shares in Tailwind. The consideration comprises up to¹ 111,048,124 new ordinary shares in Serica plus a cash payment of £58.7 million on completion of the Transaction.

Completion under the SPA is subject to the satisfaction of certain conditions precedent as follows:

- Approval by ordinary resolution of Serica's shareholders to allot the Consideration Shares
- Admission of the Consideration Shares to AIM
- Approval under the UK National Security Investment Act
- Receipt of the customary comfort letter from the NSTA (UK oil and gas regulator)
- Renewal or replacement of the OFAC License issued to Serica on terms which permit the continued operation of the Rhum field. Serica has applied in the normal way for a new OFAC License to run from the expiry date of the current License on 31 January 2023
- Confirmation that the Transaction will not require the repayment of Tailwind's existing RBL

It is envisaged that the conditions will be satisfied by the end of March 2023.

A break fee of £7 million is payable by Serica if: i) the Board of Serica changes its recommendation of the Transaction and the shareholder vote fails at the Serica General Meeting; or ii) the resolution is not put to a vote of the Serica shareholders by the long-stop date under the SPA being 28 April 2023. The break fee will also become payable if the Seller exercises certain termination rights under the SPA.

The SPA includes certain termination events as follows:

- Breach of customary fundamental warranties
- A material adverse change defined as an event causing damage for which the cost of remediation is more than specified amounts or there is a long-term suspension of Rhum production (for the buyer material adverse change) or Bittern and Gannet E production (for the seller material adverse change)
- If the Seller exercises a termination right following the occurrence of certain specified events

The Seller has given a customary set of fundamental and business warranties. In the event of a breach of warranty, Serica has recourse to the Seller up to certain monetary thresholds, and, subject to certain exceptions, under a warranties and indemnities insurance policy obtained by and for the benefit of Serica.

Key Strategic Investor and Founders

Following completion of the Transaction, Mercuria will hold 25.2 per cent of the enlarged issued share capital of Serica.

Mercuria is one of the world's largest independent energy and commodity groups, with gross revenues of \$130 billion and total trading volumes of 4,035TWh in 2021⁷. Mercuria established itself as a leader in the energy transition by pledging more than 50 per cent of new investments toward renewables and transitional energy. The Mercuria group has made significant investments in projects such as renewable power, energy storage, grid optimisation or critical transition minerals recycling, and environmental products such as carbon certificates. Mercuria will become a key strategic investor in Serica, enabling Serica to benefit from its insights and connections arising from operations in over fifty countries and its wide range of energy related business activities.

Upon completion of the Transaction, Serica and Mercuria will enter into a relationship agreement governing the relationship between them (the "**Relationship Agreement**"). Among other matters, this will contain provisions designed to ensure that Serica operates independently from Mercuria.

The Relationship Agreement will entitle Mercuria to nominate two non-executive directors ("**NEDs**") to the Board of Serica as long as the shareholding of Mercuria and its affiliates is 20 per cent or above and one non-executive director for so long as the shareholding of Mercuria and its affiliates is between 10 per cent or above and less than 20 per cent. If and for so long as the Board of Serica exceeds 11 directors, Mercuria may nominate a third NED provided that the shareholding of Mercuria and its affiliates remains at 20 per cent or above of Serica's issued share capital.

There are no other changes to the Board of Serica arising from the Transaction.

Under the Relationship Agreement, Mercuria will agree not to dispose of any Consideration Shares for a period of 6 months following completion of the Transaction (subject to certain customary exceptions). Disposals during the 12 months thereafter will be subject to orderly marketing restrictions.

In addition, Mercuria has agreed not to acquire any additional shares in Serica or announce any takeover offer or potential takeover offer for Serica (subject, in both cases, to certain customary carve-outs) for a period of 18 months following completion of the Transaction.

The Relationship Agreement will terminate if Mercuria and its affiliates hold in aggregate less than 10 per cent of Serica's issued share capital and may be terminated by Mercuria if, among other circumstances, Serica's shares cease to be admitted to trading on AIM.

Tailwind has arrangements in place with Mercuria for the marketing of its oil production and hedging required for the purposes of their RBL. This marketing agreement runs until October 2026. Serica and Mercuria have agreed to co-operate in pursuing the extension of the marketing agreement to a life of field arrangement in relation to Tailwind's existing working interests in the Tailwind assets. The parties intend to document the new marketing agreement prior to completion of the Transaction. Serica's existing oil and gas marketing arrangements are unaffected.

Each of the Founders has separately agreed to enter into orderly marketing arrangements with the Company in the agreed form in respect of their Consideration Shares for a period of 18 months following completion of the Transaction.

Steve Edwards (CEO of Tailwind) and Jacques Tohme (CFO of Tailwind) will join the Serica senior management team as Chief Investment Officer and Deputy CFO respectively on completion of the Transaction. Dave Freeman (COO of Tailwind) and Tom Ujejski (GC of Tailwind) will have temporary transition roles in the enlarged group.

Overview of the Tailwind Assets

Tailwind's portfolio of assets represents a very significant enhancement to Serica's near term production, with an increasing production profile following recent development and drilling activities and scope for further organic

growth from the potential development of existing discoveries. Net 2P reserves from the currently producing fields were 41.8 million boe as at 1 January 2022⁸, with oil representing about 86 per cent. Tailwind's net 2C resources at the same date were 29.8 million boe⁸. Tailwind generated a profit before tax of \$70.3 million in the 12 months ended 31 December 2021.

Tailwind's total net production is projected to average about 12,000 boe/d in 2022⁹, increasing to between 15,000 boe/d and 20,000 boe/d in 2023 following the start of production from the Evelyn field in September 2022, the restart of production from the Orlando field in August 2022 and the drilling of an infill well on the Gannet field which is in the process of being completed and is expected to be online in the first quarter of 2023.

Tailwind's core assets are in the Triton Area. These assets comprise operated interests in the producing Gannet E (100 per cent working interest) and Evelyn (100 per cent working interest) fields and non-operated interests in the producing Bittern (64.6 per cent working interest) and the Guillemot West/North-West (10.0 per cent working interest) fields. Tailwind also holds a 46.4 per cent non-operated interest in the Triton floating production and storage vessel to which these and other fields are tied back.

In addition to its interests in the Triton Area, Tailwind has a 100 per cent operated interest in Orlando and a 25 per cent interest in the Serica operated Columbus gas field. Orlando is an oil producing field in the Northern North Sea tied-back to the Ninian Central Platform; production from Orlando re-commenced in August 2022 following a well workover. Columbus, which is tied back to the Shearwater platform, commenced production in November 2021.

As well as adding significantly to Serica's immediate production, Tailwind's portfolio brings further organic investment opportunities. These include the possible development opportunities held within Tailwind's 2C resources, including the 100 per cent owned and operated Belinda and Mansell fields. Belinda is an analogue to Evelyn and a decision on whether to develop this field will be informed by the performance of Evelyn and is expected to be made by the end of 2023. The Mansell oil discovery (formerly the abandoned Staffa field) is located in the Northern North Sea and is being considered for redevelopment as a subsea tieback to nearby infrastructure.

Tailwind's portfolio benefits from low decommissioning costs partly due to a combination of the nature of the assets (mainly sub-sea tie-backs) as well as the commercial terms of its acquisitions of the Triton Area assets from Shell and ExxonMobil.

Finance and Tax

On completion of the Transaction, Serica is expected to have a significant net cash position.

Tailwind's existing debt facilities comprise a \$425 million senior secured RBL with a syndicate of banks of which \$400 million is currently drawn and which is amortising until fully repaid in 2027 plus an undrawn \$50 million junior revolving credit facility ("**Junior Facility**") with Mercuria affiliates which matures in 2028 (collectively the "**Tailwind Facilities**"). The Tailwind Facilities are expected to remain in place, ring-fenced to the Tailwind group companies and assets, following completion and will be subject to amendments necessary to reflect the new ownership structure. In addition, Mercuria will continue to provide offtake, marketing and hedging in relation to production from the Tailwind assets and for the purposes of the Tailwind Facilities. Tailwind is in discussions with the lenders under the RBL and Junior Facility to agree the amendments necessary for the continuing of the Tailwind Facilities following completion of the Transaction.

Serica will be reviewing its financing needs following completion of the Transaction, which will potentially include refinancing these facilities to take advantage of the combined asset base. The continuation of the Tailwind Facilities following completion of the Transaction will ensure that the Serica enlarged group retains strong liquidity whilst considering its optimal future financing structure. In addition, the continuation of the existing Mercuria commodity hedging arrangements will ensure compliance with the hedging policy requirements of the Tailwind Facilities whilst not imposing any margin requirements.

The enhanced portfolio of upstream assets following completion is expected to be cash generative with the Transaction reinforcing our capacity for paying dividends.

Tailwind had some \$1,366 million of brought forward UK Ring Fence Corporation Tax losses and \$1,202 million of Supplementary Charge losses as of year end 2021¹⁰.

Management of the Combined Entity

One of the objectives of the Transaction is to utilise the skills, dynamism and experience which have contributed to the growth of Tailwind since its formation in 2016. Accordingly, all of the employees of Tailwind are being offered positions in Serica and two of the Founders, Steve Edwards and Jacques Tohme, currently CEO and CFO of Tailwind respectively, will join Serica's senior management team with Steve Edwards becoming Chief Investment Officer and Jacques Tohme becoming Deputy CFO. Neither will become Board directors of Serica Energy plc at completion of the Transaction.

The other two Founders, Dave Freeman and Tom Ujejski, currently COO and General Counsel of Tailwind respectively, are expected to remain with the combined entity in temporary transition roles.

Mitch Flegg and Andy Bell will continue in the roles of CEO and CFO of Serica respectively.

Timetable to Completion

The issue of the Consideration Shares will require Serica shareholder approval. The Company will shortly publish and post (or otherwise make available) to shareholders a Notice of General Meeting with related explanatory circular (together the "**GM Notice and Circular**") and form of proxy. The GM Notice and Circular will contain a resolution to approve the allotment of the Consideration Shares.

The General Meeting is expected to take place in January 2023.

It is expected that all the conditions to completion of the Transaction will be satisfied such that completion of the Transaction can occur in March 2023.

Serica 2022 Trading Update

As announced on 5 December, the Group continues to benefit from the investment programmes that the company has consistently undertaken since the acquisition of interests in Bruce, Keith and Rhum in 2018 and, therefore, expects full year 2022 production to be within the existing guidance range of 26,000 to 28,000 boe/d. Serica's 2022 production continues to be more than 85 per cent gas.

It is expected that at 31 December 2022, Serica will have a cash balance of approximately £420 million plus a further £40 million lodged as hedging security. This reflects expenditures on the North Eigg exploration well, the payment of tax and Energy Profits Levy instalments and the interim dividend paid in November 2022.

Important Notice

This announcement has been issued by, and is the sole responsibility of, Serica Energy plc. No representation or warranty, express or implied, is or will be made by, or in relation to, and no responsibility or liability is or will be accepted by any adviser to the Company or by any of their respective affiliates or agents as to or in relation to the accuracy or completeness of this announcement or any other written or oral information made available to or publicly available to any interested party or its advisers, and any responsibility or liability therefore is expressly disclaimed.

Peel Hunt LLP ("**Peel Hunt**"), which is authorised and regulated in the UK by the FCA, is acting for the Company in connection with the Transaction and neither Peel Hunt nor any of its affiliates will be acting for any other person or otherwise be responsible to any person for providing the protections afforded to clients of Peel Hunt or for advising any other person in respect of the Transaction or any transaction, matter or arrangement referred to in this announcement. Peel Hunt's responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any

Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this announcement.

N. M. Rothschild & Sons Limited ("**Rothschild & Co**"), which is authorised and regulated by the FCA in the United Kingdom, is acting as joint financial adviser to the Company and no one else in connection with the Transaction and will not regard any other person as its client in relation to the Transaction and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Rothschild & Co or its affiliates nor for providing advice in relation to the Transaction, nor for providing advice in relation to the contents of this announcement or the Transaction or any transaction, arrangement or matter referred to in this announcement.

Jefferies International Limited ("**Jefferies**"), which is authorised and regulated by the FCA in the United Kingdom, is acting as joint financial adviser to the Company and no one else in connection with the Transaction and will not regard any other person as its client in relation to the Transaction and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Jefferies or its affiliates nor for providing advice in relation to the Transaction, nor for providing advice in relation to the contents of this announcement or the Transaction or any transaction, arrangement or matter referred to in this announcement.

Apart from the responsibilities and liabilities, if any, which may be imposed on Peel Hunt, Rothschild & Co or Jefferies by FSMA or the regulatory regime established thereunder, none of Peel Hunt, Rothschild & Co or Jefferies accepts any responsibility whatsoever for the contents of this announcement, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Transaction. Each of Peel Hunt, Rothschild & Co and Jefferies accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this announcement or any such statement.

The contents of this announcement do not constitute or form part of an offer of or invitation to sell or issue or any solicitation of any offer to purchase or subscribe for any securities for sale in any jurisdiction nor shall they (or any part of them) or the fact of their distribution form the basis of, or be relied upon in connection with, or act as an inducement to enter into, any contract or commitment to do so.

A copy of the GM Notice and Circular when published will be available on the Company's website at www.serica-energy.com. Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this announcement.

This announcement includes statements that are, or may be deemed to be, forward-looking statements, beliefs or opinions, including statements with respect to the Company's business, financial condition and results of operations. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology. These statements are made by the Company's directors in good faith based on the information available to them at the date of this announcement and reflect the Company's directors' beliefs and expectations. By their nature these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements. No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements speak only as at the date of this announcement and the Company and its advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this announcement. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.

Nothing in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share or dividend per share for the Company for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share or dividend per share for the Company.

Certain figures included in this announcement have been subjected to rounding adjustments.

¹ 2.9 million Consideration Shares will not be issued until the expiry of certain warranty periods

² Unaudited figure, based on GBPUSD 1.20 as at 30 November 2022

³ As at 1 January 2022 based on Tailwind's Reserves Report

⁴ As at 1 January 2022 based on Serica's Reserves Report and Tailwind's Reserves Report

⁵ Subject to regulatory clearance

⁶ On the basis set out in more detail under "Finance and Tax" below

⁷ Source: mercuria.com

⁸ Per Tailwind's Reserves Report

⁹ Tailwind estimate

¹⁰ Source: Tailwind taxation filings