

**Serica Energy plc**  
**("Serica" or the "Company")**

**Corporate Update**

**London, 20 January 2022** - Serica Energy plc (AIM: SQZ), a British independent upstream oil and gas company with operations centred on the UK North Sea and over 85% gas production, today releases a Corporate Update presentation for the year ended 31 December 2021 which can be found on the Company's website at [www.serica-energy.com](http://www.serica-energy.com)

**Mitch Flegg, Chief Executive of Serica Energy, commented:**

"2021 was a very busy year for Serica, which reinforced the value of our through-cycle investment strategy as our expenditure during the low gas price environment of 2020 on the R3 and Columbus projects bore fruit this year. The importance of our contribution to the provision of vital lower carbon gas to the UK's energy market was also demonstrated. We will continue to pursue our investment-led strategy this year with a planned well intervention programme on Bruce and Keith in addition to our exploration well at North Eigg. As always, we continue to look for acquisition opportunities that fit our criteria and will add value for our stakeholders."

**Production**

- With the introduction of R3 and Columbus, Serica's production is now 85% gas, a vital part of the UK's energy mix as we move towards Net Zero. As operator of Bruce, Keith and Rhum, Serica is responsible for over 5% of the UK's gas production. This production has a significantly lower carbon footprint than imported LNG and helps maintain the UK's security of supply
- The Rhum R3 well was put into production in late August 2021 and has boosted total Rhum production significantly, adding up to 6,000 boe/d net to Serica
- First production from the Columbus field was achieved in late November 2021. Early production was initially constrained due to temporary unavailability of full capacity in the export system but average rates of 3,270 boe/d net to Serica were achieved in the period up to year-end

**Financial**

- Gas prices closed 2021 very strongly, contributing to a market average for the year of over 113p/therm (2020: 25p/therm) with oil also higher, averaging over \$70/bbl (2020: \$45/bbl)
- This allied to growing production volumes drove Serica's total cash resources to £218.4 million at 31 December 2021 of which £103.0 million was held as cash and deposits (2020: £89.3 million) and a further £115.4 million was lodged as temporary security with gas price hedge counterparties (2020: £1.8 million)
  - Security is lodged based on future period gas price hedge valuations and the high year-end level reflected the exceptional gas price spike in December. Surplus security is returned to Serica as forward prices fall and when monthly contracts expire
  - Such valuations reflect the impact of high forecast forward prices on hedged production but do not reflect the far greater revenues that would be realised should actual prices match those forward prices

- The BKR net cash flow sharing arrangements came to an end on 31 December 2021. From 1 January 2022, we enter a new phase for the Company where we will be retaining 100% (2021: 60%) of the net cash flow from the BKR fields, benefitting fully from the recent increase in production levels

## Outlook

- Serica intends to continue with its programme of through-cycle investment in its diversified portfolio of assets. A rig has now been contracted for the drilling of the high-impact North Eigg exploration well in the summer of 2022. North Eigg is a gas prospect located close to Serica's BKR fields and it is expected that a successful discovery could be tied back to existing infrastructure in a carbon neutral manner
- Plans are also in place for a well intervention campaign to take place in 2022 to improve the production potential of several Bruce and Keith wells during subsequent years
- Growing cash balances offer increasing options for further investment, acquisition, and distributions. Serica's Board continues to evaluate the optimum balance between these elements to deliver further shareholder returns

## Regulatory

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014, as retained in the UK pursuant to S3 of the European Union (Withdrawal) Act 2018.

The technical information contained in the announcement has been reviewed and approved by Fergus Jenkins, VP Technical at Serica Energy plc. Mr. Jenkins (MEng in Petroleum Engineering from Heriot-Watt University, Edinburgh) is a Chartered Engineer with over 25 years of experience in oil & gas exploration, development and production and is a member of the Institute of Materials, Minerals and Mining (IOM3) and the Society of Petroleum Engineers (SPE).

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## **NOTES TO EDITORS**

Serica Energy is a British independent oil and gas exploration and production company with a portfolio of exploration, development and production assets.

Serica is the operator of the producing Bruce, Keith and Rhum fields in the UK Northern North Sea, holding interests of 98%, 100% and 50% respectively, and holds a 50% operated interest in the newly-producing Columbus field in the UK Central North Sea. Serica also holds an 18% non-operated interest in the producing Erskine field in the UK Central North Sea.

Over 85% of Serica's production is natural gas, a key element in the UK's energy transition.

Further information on the Company can be found at [www.serica-energy.com](http://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.