

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

**Corporate Update**

**London, 6 June 2022** - Serica Energy plc (AIM: SQZ), a British independent upstream company focussed on gas production with operations centred on the UK North Sea, provides a corporate update covering operational and financial performance and the recently announced Energy Profits Levy.

**Operational and Financial Performance**

Operational performance in May 2022 continued to be strong and Serica's net production for the month averaged in excess of 28,000 boe/d with average net production YTD in excess of 26,000 boe/d. 2022 production is benefitting from the investments made in our portfolio, including the R3 well and the Columbus development, which were executed in a period of much lower gas prices.

Over 85% of Serica's production is gas, a fundamental part of the UK's energy transition plans and Serica's operated North Sea assets provide more than 5% of the UK's gas production. Gas prices have remained strong, with YTD market prices averaging 186p/therm. Prices dipped briefly in early May but have since recovered to average more than 88p/therm for the month and are now back over 100p/therm. Oil prices have also been strong, averaging over US\$110/bbl in May 2022 and over US\$100 YTD.

As a result, our financial position is strong, and we continue to grow our cash balances. At the end of May, cash and deposits had risen to £246 million with a further £150 million lodged as security giving a combined total of £396 million. The Company still has no debt and limited decommissioning liabilities.

**Portfolio Investment**

In a continuation of our established track record of investing through the cycle in our portfolio of assets, planning for the high impact North Eigg exploration well is at an advanced stage. The well is scheduled to be spudded early in Q3 2022. It is being drilled 100% by Serica and is targeting over 60 million boe of P50 unrisked recoverable prospective resources. The results are expected to be available by early October.

The first phase of the previously announced Light Well Intervention Campaign (LWIV) has commenced with operations on the Bruce M1 well. This campaign is aimed at adding reserves and prolonging production from several subsea wells.

**Energy Profits Levy**

The Board notes the significant fall in the Company's share price in the run up to and particularly following the UK Government's announcement on 26 May 2022 of an Energy Profits Levy.

The Levy is applicable to profits arising on or after 26 May and so Serica's profit prior to that date is unaffected.

Although fiscal instability is unwelcome in an industry with long lead times for capital expenditure, this new Levy is part of a package that includes significant investment incentives designed to encourage companies like Serica to continue to reinvest profits. Serica already has an ongoing investment

programme including the LWIV campaign and the North Eigg exploration well in 2022. Based on our current understanding of the Levy, this programme will qualify to benefit from these incentives with each £1 invested by Serica offering an overall tax saving of up to 91.25 pence. Our planned 2022 expenditure on the North Eigg well and the LWIV campaign is around £60 million which we expect to be eligible towards this tax saving. This will offset a large element of the Energy Profits Levy that would otherwise be payable on Serica's profits this year.

Moreover, we are evaluating additional candidate projects designed to increase the productivity of the Bruce hub. Our strong cash balances with no borrowings, 100% of cash flows from our shares of the BKR assets and now enhanced investment incentives puts Serica in a strong position to continue to prosper as it adapts its strategy to changing circumstances.

The Company will be holding its Annual General Meeting on 30 June and looks forward to presenting our forward plans in more detail and hearing shareholder views.

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

"Our established strategy of investing in our portfolio to enhance production and create greater value means that Serica is well placed to take advantage of the investment incentives included in the Levy. We have built a strong cash position and balance sheet and this, combined with strong cash flows and being a current taxpayer, gives us the leverage and resources to do so.

Although Serica has financial strength, our industry operates within unusually long investment horizons against a backdrop of often highly volatile commodity markets and business cycles. We therefore encourage policy makers to consider the importance of fiscal stability in enabling government and industry to meet the mutually set objectives of sustaining investment in the UKCS at a level capable of ensuring security of oil and gas supply in volatile markets and delivering energy transition targets.

Serica will maintain its focus on delivering vital hydrocarbons to the UK and doing so in an environmentally sensitive manner, whilst continuing to build value for stakeholders."

**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 UKCS 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 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.