

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

## OFAC License Renewal and Corporate Update

**London, 21 January 2021** - Serica Energy plc (AIM: SQZ) is delighted to announce that it has received a renewed License and secondary sanctions assurance from the US Office of Foreign Assets Control ("OFAC") relating to the North Sea Rhum field, in which the company has a 50% interest. The License and assurance will allow certain U.S. and U.S.-owned or controlled entities and also non-U.S. entities to continue providing goods, services and support to Rhum beyond 28 February 2021; when the current License was due to expire. This will enable operations and production from the Rhum field to continue unaffected.

The previous OFAC License was valid for a period of 16 months. In this case OFAC has issued the License for a period up to 31 January 2023. The License may be renewed on application by Serica assuming the conditions continue to be met.

Serica today also releases a Corporate Update presentation for the year ended 31 December 2020 which can be found on the Company's website at [www.serica-energy.com](http://www.serica-energy.com)

### Production

- Estimated net production from Serica's interests in Bruce, Keith, Rhum ("BKR") and Erskine averaged 23,800 boe/d during 2020. This was significantly impacted by the 45-day shut down for caisson repairs on Bruce during Q1. Without this shutdown net production would have averaged around 27,000 boe/d
- 2020 operating costs (including production, processing, transportation and insurance) are provisionally estimated to be around \$14/boe (2019: \$12.60/boe). Although 2020 absolute operating costs were reduced compared to 2019 the increase when expressed in \$/boe was due to the reduction in production for the Bruce caisson shutdown and does not reflect an increase in the underlying trend

### Commodity Prices

- Full year 2020 average market gas price was approximately 25p/therm and the average market oil price was approximately \$43/bbl equating to a combined price of approximately \$20/boe before realised cash hedging income of approximately £12.3 million
- As over 80% of Serica's production is gas, the Company is pleased to note that spot gas prices have continued to strengthen with an average market price of approximately 60p/therm for 2021 to-date

### Financial

- The company has a healthy cash balance, no borrowings and limited decommissioning liabilities
- Cash flow set to increase materially - on 1 January 2022 Serica's share of BKR Net Cash Flow will increase from 60% to 100% under the relevant agreements with BP, Total E&P and BHP. Serica's share has increased from 40% in 2018 and 50% in 2019 to 60% in 2020/21 and will be 100% thereafter

## **ESG**

- Over 80% of our production is natural gas, which has significant environmental advantages over other fossil fuels and so is a key element of the Energy Transition
- Preliminary figures indicate that since Serica assumed operatorship of Bruce two years ago we have eliminated 62% of all flaring from the platform
- Preliminary figures indicate a 10% reduction in carbon emissions from the Bruce platform in 2020

## **R3 intervention**

- After the previously reported rig and weather-related problems, operations have continued on the R3 intervention project. The problems encountered by the previous operator in 2005 were that a hydrate plug had formed in the well and wireline debris had also been left in the well. Serica has successfully remedied both issues, recovering the wireline 'fish' and dissociating the hydrate plug by heating
- The ongoing operations are to remove the 2005 downhole completion before recompleting the well
- The removal of the 2005 completion is taking longer than anticipated due largely to the unexpectedly poor condition of the equipment being recovered from the well
- As a result, R3 operations are now expected to continue into March 2021

## **Columbus**

- The Maersk Resilient rig which will be used to drill the Columbus development well is due on hire before the end of Q1 2021
- Serica has a 50% interest in Columbus which will be drained by a single producing well tied into the Arran to Shearwater pipeline. Production will be processed on the Shearwater platform
- Production expected to commence in early Q4 2021, with initial gross production forecast to be around 7,000 boe/d of which 75% is gas

## **Outlook**

- We have entered 2021 with considerably improved gas prices though with notable volatility so will continue to carry downside protection at an appropriate level
- We will continue to prioritise the health and safety of our workers whilst the COVID-19 threat remains and to work on our carbon reduction programmes and other ESG objectives
- We believe 2021 will bring new opportunities to grow through acquisition against a more confident industry backdrop
- However, we will continue to screen all opportunities vigorously and prioritise delivering shareholder value over simple additions to scale

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

“The early renewal of the OFAC License for a period of two years is excellent news. We are grateful to the UK Government and regulatory authorities which have supported us in this process.

The License renewal comes on the back of a busy period during which Serica has continued to build on its firm foundations both operationally and financially whilst also working hard to position itself as a key contributor to the UK’s net zero goals. Our activities within our ESG framework are having a material positive impact on our emissions across the portfolio and we remain highly focused on this hugely important aspect of our work. We will seek to drive additional value from the portfolio through our work programme this year and deliver an attractive combination of growth and returns for our investors.

These firm foundations and strong balance sheet allow us to continue to seek opportunities to grow our portfolio through investment and M&A activity. Serica will not overpay in order to quickly grow our portfolio. We are focused on identifying value rather than volume and will continue to look for the right opportunities where Serica can utilise its skills to add value to assets that no longer fit the objectives of the current owners.”

**Regulatory**

This announcement contains inside information.

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).

**Enquiries:**

**Serica Energy plc** **+44 (0)20 7457 2020**  
Tony Craven Walker, Executive Chairman  
Mitch Flegg, CEO

**Peel Hunt (Nomad & Joint Broker)** **+44 (0)20 7418 8900**  
Richard Crichton / David McKeown / Alexander Allen

**Jefferies (Joint Broker)** **+44 (0)20 7029 8000**  
Tony White / Will Soutar

**Vigo Communications** **+44 (0)20 7390 0230**  
Patrick d’Ancona / Chris McMahon / Simon Woods  
[serica@vigocomms.com](mailto:serica@vigocomms.com)

**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. Serica also holds an 18% non-operated interest in the producing Erskine field in the UK Central North Sea and a 50% operated interest in the Columbus Development.

Rhum is a gas condensate field producing from two subsea wells, R1 and R2, tied into the Bruce facilities through a 44km pipeline. Rhum production is predominantly gas which is exported to St Fergus for delivery into the National Transmission System. Small quantities of associated condensate are exported onshore via the Forties Pipeline System.

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.