

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

**Operations and Financial Update**

**London, 27 June 2024** – Serica Energy plc (AIM: SQZ), a British independent upstream oil and gas company with operations in the UK North Sea, provides the following operations and financial update.

**Guidance**

Production guidance is unchanged at 41,000 boe/d to 46,000 boe/d.

Operating costs for the year to date are consistent with the target of US\$20 per boe.

**Production**

Average net production for the year to date<sup>1</sup> is 43,781 boe/d. The average monthly breakdown by area is as follows (all numbers in boe/d):

	Jan	Feb	Mar	Apr	May	June <sup>2</sup>	Total
Bruce Hub	22,670	23,958	21,458	23,382	23,555	25,771	23,355
Triton Hub	12,726	18,364	17,470	17,076	3,691	17,520	14,276
Other Assets	7,259	6,174	5,454	5,656	6,743	5,408	6,150
Total	42,655	48,496	44,382	46,114	33,989	48,699	43,781

Bruce Hub production has been steady year to date. The uptick in June reflects the impact of the recent Light Well Intervention Vessel ("LWIV") campaign on Bruce. More production history is required to estimate the 'steady' state levels of production from the worked over wells.

The well intervention to reinstate production from the Keith field has also been successfully completed. Production from the K1 well restarted on 8 June but has been intermittent to date while topsides operations are optimised.

This summer's programme of Bruce field platform well interventions is on track to commence in mid-July. The programme has a planned duration of ninety days and includes a range of activities designed to enhance production and routine monitoring.

A brief routine outage of the Forties Pipeline System is scheduled in July. We plan to take advantage of this to carry out some maintenance work on Bruce. The Bruce Hub is scheduled to be shut-in for seven days to carry out these activities.

At our Triton Hub, the Triton FPSO is currently operating with a single gas export compressor with repairs to restore two-compressor operations due in October. A trip on the available compressor during May led to no production via the Triton FPSO for three weeks. Full production has been re-established but this operating vulnerability will remain until the second compressor is repaired. The planned 2024 summer shutdown of the Triton FPSO remains at forty days commencing on 1 July.

In our Other Assets, we are seeing generally good performance in line with or above our targets. The exception is Erskine which was shut-in on 26 January 2024 due to a problem with a compressor on the host Lomond platform. Although production was re-established in early May, it has since been taken offline for the planned Lomond turnaround. Erskine production is scheduled to restart in late July.

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<sup>1</sup> Year to 23 June 2024

<sup>2</sup> Month to date (23 June 2024)

<sup>3</sup> June figures provisional pending regular monthly validation process

## **Triton Area drilling**

The reservoir section of the B1z sidetrack (re-named as the "B6" well) on the Bittern field has been drilled successfully. Initial well logging has given good indications of high quality, oil filled reservoir, consistent with pre-drill expectations. The forward plan is to complete the well and to commence testing in August 2024 after the planned Triton summer shutdown.

Following completion of the B6 well, the COSL Innovator rig will move to the Gannet E field in order to drill the GE-05 well. Production from this well is expected to start in November 2024.

## **Financial**

At 26 June 2024 the Company held cash and cash equivalents of £301.6 million and debt drawings of US\$231.0 million (£182.0 million) respectively. This is after 2023 final tax payments of £58.3 million, capital spending of £80.0 million, asset acquisition costs of £17.3 million (including completion of the Greater Buchan Area transaction and 'BKR' transaction related payments) and the share buyback of £15.0 million.

Following the sanction of the Belinda development, estimated cash spend on capital items during 2024 as a whole is currently estimated at about £200 million pre-tax. It should also be noted that the schedules for tax payment in respect of 2024 and dividends mean these cash items fall disproportionately into the second half of the year.

## **AGM presentation**

At the Annual General Meeting ("AGM") today, presentations will be made by the Chairman and Interim CEO, David Latin, and the CFO, Martin Copeland. Copies of the presentations will be available on the Company website [www.serica-energy.com](http://www.serica-energy.com) under Investors/Presentations.

The full text of the Chairman's Statement to be delivered at the AGM by David Latin, Chairman and Interim CEO, is below. It includes the following:

*"Over just a few years Serica has been transformed from a small international exploration focussed company into one of the top 10 producers in the UK North Sea, safely and responsibly operating complex facilities offshore and growing its 2P reserves some 35 times since the beginning of 2015. To deliver these achievements we have navigated operational challenges, oil and gas prices hitting historic lows – remember gas prices of 10 pence a therm in May 2020 - and pulled off multiple good acquisitions. With the assets, financial strength, staff and leadership now in place, we have a very solid platform for entering the next phase of growth."*

*"We are rightly proud of our track record of growth and value creation, and we aim to repeat the same in the future. Unfortunately, recent and potential future increases in UK oil and gas taxes make that increasingly difficult. Consequently, while we remain watchful for opportunities in the UK that might be attractive despite this increasingly challenging context, we are also looking very actively overseas."*

## Chairman's 2024 AGM Statement

I am very honoured to be addressing you as the Chairman of Serica Energy for the first time at an Annual General Meeting. Following in the footsteps of the inspirational Tony Craven Walker, I look forward to maintaining and building on the standards that he set.

Serica is a UK success story. It has been built largely through the acquisition of unloved assets from the 'Majors'. Through diligent attention, investment and the application of a good dose of skill, we have supplied much needed energy, created substantial value, paid significant amounts of tax, created jobs and reduced emissions. We are proud of that track record and confident of our ability to repeat those successes where government policies and regulations make that possible – more about which I will cover later.

It has been an eventful twelve months for Serica. Clearly, there has been significant change in the leadership of the Company since our last AGM. One year ago, the baton of chairman was passed from Tony to me, and then we announced, firstly, that Andy Bell and, then later, Mitch Flegg would be standing down as CFO and CEO respectively. Their contributions to the remarkable successes of Serica over the last several years are immense. I thank both. Andy was succeeded as CFO by Martin Copeland, who will speak later about the 2023 financial results, and we look forward to Chris Cox starting as CEO on the 1<sup>st</sup> of July.

In the last year the Company has prepared for and initiated an ambitious investment programme of well interventions and drilling. I am pleased to report that so far execution has gone well; a testament to the capabilities of our Operations and Technical teams. Less welcome were the unexpected challenges encountered during the maintenance shutdowns on both our main producing hubs last summer. By necessity, these were longer than planned which materially impacted production.

I am particularly pleased that we completed the acquisition of Tailwind in March last year. The benefit of a substantially increased level of production, now balanced between oil and gas, is clear given the changes in oil and gas prices since we concluded the transaction. Average realised gas prices fell 42% from 2022 to 2023 and, while realised oil prices also fell, the reduction was less at 27%; a relative trend which has continued in 2024. On a pro-forma basis, in 2023 we achieved a reserves replacement ratio of over 170% with 2P year-end reserves increased from 130 to 140 million barrels of oil equivalent despite producing 14 million barrels of oil equivalent. Our enlarged reserves base supports a new debt facility which increases our financial resilience and our ability to take advantage of attractive M&A options. Finally, despite markedly reduced sales prices last year compared with 2022, we had sufficient post tax cash flow and reserves to mean that today we are seeking shareholder consent to propose a final dividend of 14p per share, giving a total dividend in respect of 2023 of 23p per share.

Since 2018 to the end of 2023, on a proforma basis, Serica has produced over 50 million barrels oil equivalent and has kept investing through the commodity price cycle. According to independent reserves reports, Bruce/Keith/Rhum 2P reserves were higher at the end of last year than they were when Serica bought the assets. According to those same reports, both the Bruce and Triton hubs are now projected to be producing into the mid-2030s, representing nearly an added decade of production compared to expectations when the assets were acquired.

Moreover, at the same time as adding oil and gas reserves, we have reduced the carbon emissions associated with the facilities we operate and are developing plans to reduce them further.

We are a publicly owned company unashamedly seeking to create value for our shareholders. While doing so we also deliver for a wide range of other stakeholders. Serica has created high-quality well-paid jobs in the UK, paid taxes of approximately £500 million to the UK Government since 2020 and contributed - as the producer of about 5% of the UK's gas production - to the energy security of the UK at a time of heightened tensions in Europe.

We are rightly proud of our track record of growth and value creation, and we aim to repeat the same in the future. Unfortunately, recent and potential future increases in UK oil and gas taxes make that increasingly difficult. Consequently, while we remain watchful for opportunities in the UK that might be

attractive despite this increasingly challenging context, we are also looking very actively overseas. You will of course appreciate that I will not be able to comment on specific opportunities.

Inevitably, I have to say more about the macro issues facing UK North Sea producers today.

I have been involved in this industry for more than 30 years and have worked all over the world. Other than when I was responsible for a company which had significant assets in a war zone, I have never encountered a situation which was so challenging when it comes to making investment decisions, and planning for the future more generally, as it is in the UK at present.

Reliable, sustainable, and affordable energy is the lifeblood of our modern society. Notwithstanding the critical importance of the energy transition, which Serica wholeheartedly supports, the fact is that oil and gas accounts for 74% of UK primary energy consumption today and will remain a vital and significant contributor to the power, transportation and goods on which each person in the UK relies every day and will do for decades to come, even in the most ambitious Net Zero Scenarios.

The UK consumes almost twice as much oil and gas as it produces. This deficit will persist even as the country seeks to reduce its consumption of hydrocarbons. Consequently, every barrel of oil and molecule of gas used but not produced in the UK is imported. Without continued investment in our homegrown oil and gas sector, the gap between UK production and consumption will only widen, to be filled inevitably by imports. These imports worsen our national balance of payments, only deliver jobs and taxes to foreign countries and, typically, have higher production and transportation carbon emissions by the time they get to our shores.

We hear much reference in the UK political debate to terms such as "proper windfall tax", "oil and gas giants" and "closing loopholes". These phrases reflect fundamental misconceptions.

UK oil and gas producers already pay tax at an overall rate of 75%, three times the tax rate for UK companies operating in other sectors. This is despite the period of so-called "windfall" conditions for UK producers having long passed, with oil and gas prices having returned to historically normal levels. Yet in the current General Election, no reduction to match the circumstances is proposed by the Conservative Party and yet another increase in the tax rate to 78% is proposed by the Labour Party.

As to the claim that the tax is being paid by the "oil and gas giants", it is in fact independent companies like Serica who are most affected. The 'Majors' account for only around a third of UK production and the vast majority of their profits are made overseas and are not touched by increasing tax rates on UK production. Indeed, for those companies such as Serica that continued to invest in their assets during periods of lower commodity prices prior to the invasion of Ukraine, the current fiscal regime represents a further punishment for risk capital committed to its portfolio during the very low commodity prices seen in the Covid period.

Closing "loopholes" in UK oil and gas tax seems to mean different things to different people. Whatever is meant, I wish to be crystal clear that reducing tax relief for capital expenditure below the rate at which tax is payable would make investment in the vast majority of UK North Sea projects unprofitable, meaning that these projects, and the jobs and tax revenues they would generate, simply will not happen.

Oil and gas continue to flow only when the mains supply of investment stays open. Without it, the flow dries up. Even existing oil and gas fields decline and need continuous investment to maintain production. Without investment fields will start to shut-in and there will be a domino effect in the interconnected and interdependent UK North Sea infrastructure. Significantly reducing tax relief for capital expenditure will rapidly and terminally accelerate the decline in UK oil and gas production. The trajectory of UK production will not be a smooth glide path. Oil and gas consumption in the UK will be reduced not one iota, but UK jobs will be lost, imports increased, overall emissions raised, tax receipts for the Exchequer actually reduced, and the country's security weakened.

What I describe are not just the arguments of oil and gas companies. They have support across the political spectrum including the trade union movement.

On top of the fiscal uncertainties, we also have the implications of the Supreme Court decision last week requiring planning authorities to take account of downstream emissions in the approvals process for oil and gas fields. We do not take issue with consideration of the environmental impact of planning decisions. Again, however, the choice is not between UK oil and gas or no oil and gas; the choice is UK oil and gas or foreign oil and gas. As was stated in the Supreme Court decision, emissions respect no borders. The oil and gas we do not produce, we still import and consume. Global emissions will be no less because the oil or gas is not produced in the UK.

I hold that hydrocarbons are not intrinsically evil. They have allowed our civilisation to escape the bounds of subsistence. Welcome alternatives are being developed but we – not least in the UK – will continue to depend on hydrocarbons for decades to come and surely it is better to produce these responsibly under world leading regulatory oversight in this country, with all the attendant benefits in jobs and tax revenues, than to import hydrocarbons which often arrive with a higher environmental and social cost than domestic production.

So, I ask the next UK Government to pursue policies which recognise the long-term importance and value of homegrown oil and gas production as a source of essential energy, jobs and government revenues. Specifically, this requires, firstly, a tax system which is predictable, stable and equitable in terms of sharing profits between private capital and the public Exchequer. Secondly, we need a coherent regulatory system that properly reflects that climate change is a global issue and not a parochial one.

And yet, notwithstanding all the headwinds we face in the UK, I am optimistic for Serica's future.

Over just a few years Serica has been transformed from a small international exploration focussed company into one of the top 10 producers in the UK North Sea, safely and responsibly operating complex facilities offshore and growing its 2P reserves some 35 times since the beginning of 2015. To deliver these achievements we have navigated operational challenges, oil and gas prices hitting historic lows – remember gas prices of 10 pence a therm in May 2020 - and pulled off multiple good acquisitions. With the assets, financial strength, staff and leadership now in place, we have a very solid platform for entering the next phase of growth.

I hope that the circumstances will allow us to keep investing in our existing portfolio for many years to come. If necessary, however, we will adjust our strategy to protect shareholder value. In any event, be assured that we will continue to be diligent in delivering the most we can from our existing assets and to search out new value accretive opportunities, whether they be in the UK or overseas.

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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 has a balance of gas and oil production. The Company is responsible for about 5% of the natural gas produced in the UK, a key element in the UK's energy transition.

Serica's producing assets are focused around two main hubs: the Bruce, Keith and Rhum fields in the UK Northern North Sea, which it operates, and a mix of operated and non-operated fields tied back to the Triton FPSO. Serica also has operated interests in the producing Columbus (UK Central North Sea) and Orlando (UK Northern North Sea) fields and a non-operated interest in the producing Erskine field in the UK Central North Sea.

Serica has a two-pronged strategy for growth comprising investment in its existing portfolio and M&A.

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.