SERICA ENERGY PLC

INTERIM 2022 REPORT TO SHAREHOLDERS

INTERIM REPORT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2022

The following Interim Report of the operations and financial results of Serica Energy plc ("Serica") and its subsidiaries (together the "Group") contains information up to and including 26 September 2022 and should be read in conjunction with the unaudited interim consolidated financial statements for the period ended 30 June 2022, which have been prepared by and are the responsibility of the Company's management.

References to the "Company" include Serica and its subsidiaries where relevant.

The results of Serica's operations detailed in the interim financial statements are presented in accordance with International Financial Reporting Standards ("IFRS").

The Company's shares are listed on AIM in London. Although the Company delisted from the TSX in March 2015, the Company is a "designated foreign issuer" as that term is defined under National Instrument 71-102 - *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers.* The Company is subject to the regulatory requirements of the AIM market of the London Stock Exchange in the United Kingdom.

Serica is an oil and gas company with production, development and exploration activities based in the UK.

CHIEF EXECUTIVE OFFICER'S REVIEW

Serica's production levels in the first half of 2022 have benefitted significantly from our ongoing capital investment campaign which commenced in 2020. This is the first accounting period when we have had a full contribution from the 2021 Columbus and R3 projects and additionally we have recently completed a successful Light Well Intervention Vessel (LWIV) campaign on Bruce. As a result of these investment projects, Serica's net production in the first half of 2022 (26,600 boe/d) was 41% higher than the first half of 2021 (18,855 boe/d).

Furthermore, the BKR cash flow sharing arrangements have now come to an end after four years during which the Company shared the net cash flow with the vendors of the relevant assets with Serica retaining 40% in 2018, rising to 50% in 2019 and 60% in 2020 and 2021. We now retain 100% of the net cash flow from BKR.

Market gas prices, though highly volatile, have continued to strengthen during 2022, averaging over 175p per therm in the first half of 2022 compared to around 56p per therm for the corresponding period in 2021. This is before the impact of Serica's gas price hedging.

Over 85% of Serica's production is gas, providing much needed domestic energy during a time of heightened concern around the UK's security of supply. This gas will continue to be an important energy source during the Net Zero transition.

As a result of this increased production at higher commodity prices, Serica's sales revenue for the six-month period to June 2022 was £353.5 million compared to £100.8 million for the corresponding period in 2021 whilst operating cash flow was £312.0 million compared to £72.8 million in 2021.

The Company continues its growth strategy of investment in projects designed to enhance and extend future production profiles. Planning for future well intervention campaigns is ongoing following the success of this year's LWIV programme. The North Eigg exploration well was spudded in July and is drilling towards the reservoir. Progress has been slower than anticipated with delays in the top hole section and the replacement of a failed piece of rig equipment and it is now expected that results will be known in December. This 100% Serica significant exploration prospect is estimated to contain 60 million boe of unrisked P50 recoverable resources in the success case.

On 26 May 2022 the UK government announced the introduction of an Energy Profits Levy (EPL), a new 25% levy on profits arising on or after 26 May. As the EPL was not enacted until July its impact has not been incorporated into Serica's first half results but could result in a significant impact in future periods. However, incentives to reinvest in additional oil and gas reserves offer Serica the opportunity to mitigate its impact. Therefore, we will not only maintain our ongoing investment plan but will also look to expand and accelerate elements of that programme.

We continue to focus on our HSE performance and on Bruce we have now passed 1,000 days without a day-away-from-work-case. Our attention to emissions reduction has also continued to yield results. Our year-to-date carbon intensity (emissions divided by production) on Bruce is 16.5kg CO_2/boe, a 15% reduction on the same period last year and 7% less than full year 2021 carbon intensity. This reflects our efforts to run our Bruce facilities efficiently and optimise production throughput. Flare volumes are also lower by 23% compared to the same period last year, due to closer daily tracking and operational improvements. We have committed to meeting the North Sea Transition Deal emissions reduction targets on the Bruce asset and have tangible engineering solutions to help us achieve these goals, including zero routine flaring by 2030.

Serica has seen a material increase in combined cash resources over the past twelve months with cash and deposits plus amounts lodged as hedge security rising from £107.2 million at 30 June 2021 to £418.7 million at 30 June 2022. The bulk of this increase has occurred in 1H 2022 in line with production increases and the rise in wholesale gas prices. Cash generation is expected to remain strong during the second half of 2022 although partially offset by the commencement of tax payments coupled with ongoing North Eigg well expenditures.

Against this background the Company is steadily increasing its return to shareholders. Following the recent payment of a 9 pence per share final dividend for full year 2021 (2020: 3.5 pence per share), the Company is today announcing its first interim dividend of 8 pence per share which will be paid in November 2022.

The Board continues to review the potential for further cash returns to shareholders including the scope for share buybacks. It is also mindful of the need for strong capital allocation to further grow the business and shareholder value. The Company is evaluating a number of acquisition and new investment opportunities and a successful outcome of the North Eigg exploration well would have a significant impact upon the Company's cash requirements, with strong pressure to follow up any success rapidly so as to support the UK's security of gas supply.

In the short term, free cash availability remains volatile due to the highly erratic gas futures market and its impact upon hedge security requirements. Whilst currently below £200 million, these have ranged from below £150 million to over £300 million in recent months and can be expected to remain volatile in the near term following the cut-off of the main Russian gas pipeline into Europe. These security requirements can be expected to fall over the rest of the year as Serica's remaining gas price hedges continue to expire.

After taking account of the factors described above the Board does not consider the timing is right to initiate an immediate buyback programme. However, it will continue to monitor the scope for buybacks as each of these matters evolves and balance this against retaining funds for further investment and acquisition.

Although it proved not possible to reach agreement with Kistos plc on the terms of the respective potential offers between the two companies, Serica continues to actively seek opportunities at both the asset and corporate level that would strengthen the Company, diversify its asset base and deliver incremental value to shareholders.

Finally, I would like to thank the staff and management of the Company and our contractors and to congratulate them all on another period of outstanding performance.

Mitch Flegg
Chief Executive Officer
26 September 2022

REVIEW OF OPERATIONS

UK Operations

UK Production

Northern North Sea

Northern North Sea: Bruce Field – Blocks 9/8a, 9/9b and 9/9c, Serica 98%

Serica operates the Bruce field and facilities consisting of three bridge-linked platforms, wells, pipelines and subsea infrastructure. The platforms contain living quarters for up to 156 people, reception, compression, power generation, processing and export facilities. There is also the subsea Western Area Development ("WAD") that produces from the edges of the Bruce area.

Bruce production is predominantly gas which is rich in liquids. Gas is exported through the Frigg pipeline to the St Fergus terminal, where it is separated into sales gas and NGL's. Oil is exported through the Forties Pipeline System to Grangemouth.

Over the first half of 2022 we have continued to maintain safe and efficient operations whilst managing the threat and impact of COVID-19. We have recently phased out our specific COVID controls in line with the relaxation in the wider community and have experienced no production impacts related to COVID in the reporting period.

We have gradually increased our offshore headcount back to our pre-pandemic levels whilst retaining the synergies and improved ways of working that we developed during the restrictions. This increase will allow us to address the backlog of work incurred by the reduced manning of the COVID period, whilst executing work scopes to reduce our carbon emissions, maintain our reliability and increase our production.

In the first half of the year we have successfully removed the residual section of the redundant caisson that caused a production outage in 2020, modified the platform compression system to support further production boosts from the WAD area and completed a Light Well Intervention (LWI) on two of the WAD wells.

The initial well (Bruce M1) was re-entered for the first time since 1998. After a successful scale removal and water shutoff, a significant reperforation and new perforation campaign was executed and the well returned to production. Production rates from the well have increased from around 400 boe/d before intervention to over 1,800 boe/d in July 2022.

A similar programme was followed on the second well (Bruce M4) and production rates for the well have been increased from around 450 boe/d to over 2,400 boe/d.

Bruce field production in 1H 2022 averaged circa 6,800 boe/d (1H 2021: 6,800 boe/d) of oil and gas net to Serica.

An independent evaluation of reserves by RISC Advisory estimated 2P reserves of 15.8 million boe net to Serica as of 1 January 2022.

Northern North Sea: Keith Field – Block 9/8a, Serica 100%

Keith is an oil field produced via a single subsea well tied back to the Bruce facilities. Keith produces at relatively limited rates but provides a low-cost contribution to the oil export from Bruce. The field has been shut in since early 2021. In early 2022 a subsea inspection of the Keith well (K1) was carried out that identified a need to replace the subsea control module (SCM), which will be carried out in early 2023. We will then execute a LWI campaign to restore production from K1 in late 2023/early 2024.

An independent estimate of reserves, compiled by RISC Advisory. estimated 2P reserves of 0.9 million boe net to Serica as of 1 January 2022.

Northern North Sea: Rhum Field – Blocks 3/29a, Serica 50%

Serica is operator of Rhum which is a gas condensate field producing from three subsea wells tied into the Bruce facilities through a 44km pipeline. Rhum production is separated into gas and oil and exported to St Fergus and Grangemouth along with Bruce and Keith production. Rhum gas has a higher CO_2 content than Bruce gas and so is blended with Bruce gas before leaving the offshore facilities.

In February we had a failure of a power supply within a Subsea Control Module (SCM) which shut down the Rhum field. We were able to mobilise a diving vessel, carry out an investigation and replace the failed SCM with a spare. The field restarted on the 17 March. The recovered SCM is currently being refurbished to bolster our supply of spares.

Average Rhum field production in 1H 2022 was circa 15,900 boe/d (1H 2021: 10,400 boe/d) net to Serica after taking account of the shut-in.

An independent estimate of reserves by RISC Advisory estimated 2P reserves of 37.2 million boe net to Serica as of 1 January 2022.

Central North Sea

Central North Sea: Columbus Development – Blocks 23/16f and 23/21a (part), Serica 50%

Serica is operator of Columbus with partners Tailwind Mistral Limited (25%) and Waldorf Production Limited (25%). Columbus is located in the Eastern Central Graben, UK Central North Sea and the reservoir is located within the Forties Sandstone.

The development comprises a single subsea well drilled to a total depth of 17,600ft with a 5,600ft horizontal section through the reservoir, connected to the Arran-Shearwater export pipeline. Columbus production is exported through the pipeline along with Arran field production. The Arran field has been developed in parallel with Columbus, and its export pipeline to the Shearwater platform was re-routed a short distance to pass close to the Columbus wellhead location. When co-mingled production from Arran and Columbus reaches the Shearwater facilities, it is separated into gas and liquids and exported via the SEGAL line to St Fergus and Forties Pipeline System to Cruden Bay respectively.

Planning for the development began as soon as FDP approval was received in October 2018. Serica worked closely with Shell, the operator of the Arran field and Shearwater platform, to ensure effective construction and operation of the two developments in parallel. The Columbus development well and Arran development wells were drilled during 2021 and Columbus production commenced in November of 2021. The start-up coincided with strong commodity prices, providing rapid payback of the capital invested.

Columbus had good initial test rates. However, during the first few months of production, flowrates declined, in part caused by the ramp-up of the Arran Field and the corresponding backout that caused in the export facilities. Production rates have now stabilised.

Average net Columbus production in 1H 2022 was circa 1,970 boe/d of gas and condensate.

An independent report of reserves by RISC Advisory estimated 2P reserves of 4.9 million boe net to Serica as at 1 January 2022.

Central North Sea: Erskine Field – Blocks 23/26a (Area B) and 23/26b (Area B), Serica 18%

Serica holds a non-operated interest in Erskine, a gas and condensate field located in the UK Central North Sea. Serica's co-venturers are Ithaca Energy 50% (operator) and Harbour Energy 32%.

Erskine is produced through five production wells over the Erskine normally unattended installation, transported to the Lomond platform via a multiphase pipeline and processed on the platform. Then condensate is exported down the Forties Pipeline System via the CATS riser platform at Everest and gas is exported via the CATS pipeline to the CATS terminal at Teesside.

In late 2021 the W1 well stopped producing due to a stuck safety valve. An intervention was undertaken in the first half of the year and the valve successfully replaced. We continue to support the operator's intervention plans for 2022 to return the well to full production.

The regular pigging program on the condensate export line has continued and no indications of wax build-up have been seen.

Erskine production levels in 1H 2022 averaged 1,890 boe/d net (1H 2021: 1,625 boe/d net).

An independent report of reserves by RISC Advisory estimated 2P net reserves at 3.4 million boe as of 1 January 2022.

UK Exploration

North Eigg and South Eigg – Blocks 3/24c and 3/29c, Serica Energy (UK) Limited 100% and Operator

In December 2019, Serica was awarded the P2501 Licence as part of an out of round application; this comprises Blocks 3/24c and 3/29c and contains the North Eigg and South Eigg prospects. The official start date for the Licence was 1 January 2020. The work programme involves reprocessing seismic and drilling an exploration well within three years of the start of the licence. The North Eigg prospect was high-graded for drilling, being clearly visible on 3D seismic data and sharing many similarities with the nearby Rhum field, operated by Serica.

Planning for the exploration well, which is expected to include a high temperature and high pressure reservoir section, including securing all necessary regulatory approvals, was completed during the first half of 2022 and the rig mobilisation began on 1 July. Results are expected December.

In the event of a commercial discovery, Serica would seek a fast-track route to develop the field; one option would be a subsea tie-back to the Serica-operated and 98% owned Bruce facilities, which are to the south of the prospect. This solution would provide Serica with potentially significant additional reserves and reduce combined unit operating costs, which could help to extend the economic life of this strategic North Sea infrastructure. The use of existing offtake facilities would also significantly restrict additional carbon emissions. The Company is undertaking conceptual design studies aimed at identifying ways that such a development could be undertaken while working within the framework of the North Sea Transition Deal agreed between the industry and government to expedite the energy transition.

Skerryvore and Ruvaal– Blocks 30/12c (part), 30/13c (split), 30/17h, 30/18c and 30/19c (part), Serica Energy (UK) Limited: 20% working interest, operator Parkmead

The (P2400) Skerryvore and (P2402) Ruvaal prospects lie in the Central North Sea, 60km south of the Erskine field. Potential for both sandstone and chalk reservoirs has been identified.

In excess of 500km^2 of 3D seismic data was purchased over the licence areas, however, the company that was contracted to reprocess the data and enhance it prior to interpretation was unable to deliver the new dataset in the agreed timescale. That meant it was not possible to undertake the necessary work programme in time to make a drilling decision by the end of the initial three-year term(s), by September 2021. An extension application was therefore submitted to the Oil and Gas Authority which approved an extension of the current phase of the licence to the end of September 2022.

The reprocessed data was finally delivered at the end of 2021 and interpreted by the Operator. Upon evaluation of the results, the partnership decided not to proceed to the next phase of the P2402 Licence, which contains the Ruvaal prospect and that has therefore been relinquished. Three of the four partners decided to proceed into the next phase of the P2400 Licence, which includes a commitment well into the Skerryvore prospect by September 2025. Serica will continue with its 20% working interest.

Licence Awards in the UK 32nd licensing round

In December 2020 Serica was formally awarded four new blocks in the UK 32nd licensing round. Blocks 3/25b, 3/30, 4/26 and 9/5a are in the vicinity of the Bruce hub and include several leads which, if successful, could be tied back to Serica's existing infrastructure, or to other facilities in the region. The work programme does not include any commitment wells but is designed to mature these leads to drill-ready status.

A decision on whether to continue with the licences into their next Phases is due before the end of 2023.

FINANCIAL REVIEW

1H 2022 RESULTS

Serica generated a profit before taxation of £194.5 million for 1H 2022 compared to £2.2 million for 1H 2021. After current and deferred tax provisions of £77.7 million (1H 2021: £0.9 million), profit for the period was £116.7 million compared to £1.3 million for 1H 2021 and £79.3 million for full year 2021.

Profits were boosted during the first half of the year by a combination of increased production arising from successful 2021 investment on the Rhum R3 and Columbus wells and from high gas prices, partially offset by non-cash accounting provisions for unrealised hedging losses related to future periods.

These unrealised losses will only become fully realised should actual gas sales prices for 2H 2022 and 2023 reach the levels assumed in such valuations. In addition, this does not factor in the substantial benefits to be realised from the far larger volumes of unhedged gas sales should actual prices for those future periods match such forward pricing. The proportion of projected gas production hedged is estimated to fall close to 20% for 2H 2022 and to around 10% for 1H 2023.

In August 2021, some gas price swaps for 2022/3 were replaced by equivalent pricing for the same volumes fixed directly under gas sales contracts. These were valued at that date and are held as gas contract liabilities in the balance sheet without further revaluation. These liabilities are then extinguished when the relevant gas volumes are delivered. Consequently, Serica's gas price hedging comprises a mix of gas price swaps, fair valued at the balance sheet date, and fixed pricing under gas sales contracts which is held at initial value until extinguished. During 1H 2022, £27.5 million of gas contract liabilities were extinguished and recorded under sales revenue in the Income Statement.

Sales revenues

The total 1H 2022 sales revenue of £353.5 million (1H 2021: £100.8 million) comprised £325.9 million of product sales revenue (1H 2021: £100.8 million) and £27.5 million of contract revenue as described above (1H 2021: £nil).

Total product sales volumes for the half year comprised approximately 216 million therms of gas (1H 2021: 153 million therms), 498,000 lifted barrels of oil (1H 2021: 365,000 barrels) and 36,800 metric tonnes of NGLs (1H 2021: 24,200 metric tonnes). The combined product sales revenue of £325.9 million (1H 2021: £100.8 million) consisted of BKR revenues of £258.9 million (1H 2021: £89.3 million), Erskine revenues of £31.1 million (1H 2021: £11.5 million) and Columbus revenues of £35.9 million (1H 2021: £nil).

Average 1H 2022 sales prices net of system fees were: 136 pence per therm including contract revenue (1H 2021: 50 pence per therm) for gas, US$107.7 per barrel (1H 2021: US$65.0 per barrel) for oil and £514 per metric tonne (1H 2021: £284 per metric tonne) for NGLs. This gave a combined realised sales price for lifted volumes of US$101 per barrel of oil equivalent (1H 2021: US$43.3 per boe). The average gas sales price of 136 pence per therm reflects the mix of gas sales comprising volumes sold at current spot prices and volumes sold at contracted fixed prices and are before gas price hedging costs on the retained gas price swaps detailed below. The fixed price element, net of contract revenue, represented a reduction from daily spot pricing averaging approximately 20 pence per therm.

Gross profit

The gross profit for 1H 2022 was £267.1 million compared to £46.0 million for 1H 2021. Overall cost of sales of £86.3 million compared to £54.9 million for 1H 2021. This comprised £59.1 million of operating costs (1H 2021: £40.1 million) and £25.5 million of non-cash depletion charges (1H 2021: £15.3 million), reflecting higher production volumes, plus a £1.7 million charge representing a reduction during the period of the liquids underlift position (1H 2021: credit of £0.5 million).

Operating costs comprise production, processing, transportation and insurance and also included some non-recurring charges. Operating costs per boe were US$16.07, broadly consistent with US$16.05 for 1H 2021. Costs per boe have benefitted from increased production volumes for 1H 2022 covering the fixed elements of production costs but have been partly offset by underlying cost inflation and exceptional costs related to the Rhum production interruption in Q1.

Operating profit before BKR fair value adjustment, net finance revenue and tax

The operating profit for 1H 2022 was £196.3 million compared to £5.5 million for 1H 2021. This included hedging expense, related to 1H gas price swaps, of £13.2 million realised during 1H 2022 (1H 2021: £5.7 million) plus unrealised hedging expense of a further £56.4 million (1H 2021: £30.3 million) related to future period swaps.

There were no E&E asset write-offs for 1H 2022 or 1H 2021. Administrative expenses for 1H 2022 of £3.8 million compared to £3.0 million for 1H 2021 whilst share-based payments were £0.8 million (1H 2021: £0.9 million) and currency gains were £3.7 million (1H 2021: losses of £0.6 million) largely arising on GBP-reported US$ holdings as sterling weakened compared to the US$ during 1H 2022.

Profit before taxation and profit for the period after taxation

Profit before taxation for 1H 2022 was £194.5 million (1H 2021: £2.2 million) after a £1.9 million charge arising from an increase in the fair value of the BKR financial liability (1H 2021: £3.1 million) and £0.035 million of net finance revenue (1H 2021: costs of £0.2 million). Net finance revenue represents interest income earned on cash deposits offset by the discount unwind on decommissioning provisions and other minor finance costs.

The 1H 2022 charge of £1.9 million relating to the remaining BKR financial liability (1H 2021 - £3.1 million) largely arose from the unwinding of discount on the estimated amounts of those remaining liabilities. The fair value of the liabilities, which are described under BKR asset acquisitions below, is re-assessed at each financial period end.

The 1H 2022 taxation charge of £77.7 million (1H 2021: £0.9 million) comprised current tax charges of £79.8 million (1H 2021: £nil) and a non-cash deferred tax credit of £2.1 million (1H 2021: charge £0.9 million). As the Group utilised its losses carried forward from previous years during 2021, cash taxes are payable on 2022 income. No provision has been included for the Energy Profits Levy which was enacted after the end of the reporting period and consequently is determined as a post balance sheet event. 2022 full year results will include charges calculated from the effective date of 26 May 2022.

Overall, this generated a profit after taxation of £116.7 million for 1H 2022 compared to a profit after taxation of £1.3 million for 1H 2021.

GROUP BALANCE SHEET

Serica retains a strong balance sheet with no borrowings, limited decommissioning liabilities and growing cash resources. This allows the Company to fund ongoing capital investment programmes whilst delivering a progressive dividend policy as well as seeking new acquisition and investment opportunities.

An increase in exploration and evaluation assets from £2.9 million at 31 December 2021 to £10.3 million at 30 June 2022 reflected new expenditure on UK licences, with the most significant element on planning and preparations for drilling the North Eigg prospect.

Total property, plant and equipment decreased from £328.9 million at year end 2021 to £316.9 million at 30 June 2022. Net book amount additions comprised capital expenditure during 1H 2022 of £13.6 million mainly on the Bruce LWIV campaign. These were offset by depletion charges for 1H 2022 of £25.5 million (1H 2021: £15.3 million) and other depreciation charges of £0.1 million (1H 2021: £0.1 million). Depletion charges represent the allocation of field capital costs over the estimated producing life of each field and comprise costs of asset acquisitions and subsequent investment programmes.

An inventories balance of £4.5 million at 30 June 2022 showed little change from £4.1 million at the end of 2021. A decrease in trade and other receivables from £132.4 million at the end of 2021 to £81.9 million (excluding hedging security advances) at 30 June 2022 largely reflected lower prices and volumes for June gas sales compared to last December.

Hedging advances of £160.4 million at 30 June 2022 (31 December 2021: £115.4 million) represented cash security lodged with commodity hedging counterparties, covering both remaining swaps and fixed forward prices, and reflected the very high forward gas prices at the end of June 2022. This will be returned to Serica should forward gas prices fall or when monthly contracts are settled. Hedging advances have shown extreme fluctuations so far in 2022 reflecting the extraordinary volatility in the gas market this year.

The increase in cash balances from £103.0 million at 31 December 2021 to £258.3 million at 30 June 2022 reflected cash flow from operations of £267.0 million mainly offset by the significant capital expenditures of £20.9 million and £93.9 million of net cash flow payments and other consideration paid to BKR counterparties during the period.

Current trade and other payables increased to £141.6 million at 30 June 2022 from £49.5 million at the end of 2021. The balance at 30 June 2022 includes UK corporation tax payable of £95.6 million (31 December 2021: £15.8 million). A significant corporation tax payment of £66.0 million was made in Q3 2022.

Derivative financial liabilities of £102.2 million at 30 June 2022 (31 December 2021: £45.8 million) represent the valuation of gas price swaps remaining in place at the period end and the consequent amounts projected to be due based upon futures pricing prevailing at that date. End June 2022 futures pricing was strong and, if realised, would deliver greatly increased gas sales revenues during 2H 2022 and 2023.

The dividend payable of £24.5 million at 30 June 2022 (31 December 2021: £nil) represents the final cash dividend for 2021 of 9.0 pence per share approved at the annual general meeting on 30 June 2022 and paid in July.

Gas contract liabilities arising from the replacement of some gas price swaps by contracted fixed price elements as described above, are split between current liabilities of £10.8 million (31 December 2021: £37.5 million) and non-current liabilities of £0.2 million (31 December 2021: £1.0 million). Although gas contract liabilities are not revalued at each period end, they are still subject to cash security requirements in the same way as the remaining gas price swaps.

Current financial liabilities of £nil (31 December 2021: £93.9 million) and non-current financial liabilities of £39.7 million (31 December 2021: £37.8 million) comprise remaining deferred consideration projected to be paid under the BKR acquisition agreements.

The current financial liability of £93.9 million at 31 December 2021 comprised the final two net cash flow sharing payments due, those for November and December 2021 totalling £63.3 million, a fixed payment of £16.0 million arising from the successful outcome of the Rhum R3 well operations and a further £14.6 million of contingent consideration in respect of Rhum field performance during 2021 and over the previous two years. These amounts were all settled in 1H 2022.

The non-current liability comprised deferred consideration in respect of BKR decommissioning and oil linefill. Under arrangements for those BKR field interests acquired from BP, Total E&P and BHP, decommissioning liabilities were retained by the vendors with Serica liable to pay deferred consideration equivalent to 30% of the actual costs of decommissioning net of tax recovered by them.

Non-current provisions relate to future decommissioning obligations. These showed an increase from £28.1 million at 31 December 2021 to £28.4 million at 30 June 2022, due to the unwinding of the discount applied to the estimates. The balance of provisions is in respect of Serica's Bruce and Keith interests acquired from Marubeni and its share of Columbus decommissioning.

The deferred tax liability of £118.5 million at 30 June 2022 decreased from £120.6 million at year end 2021 and reflects accounting provisions expected to be released in future periods now the Group's tax losses have been fully utilised.

Overall, net assets have increased from £272.5 million at year end 2021 to £366.5 million at 30 June 2022 after recognising a liability for the dividend of £24.5 million paid in July 2022.

The increase in share capital from £182.0 million to £182.9 million arose from shares issued following the exercise of share options and shares issued under employee share schemes, whilst the increase in other reserves from £22.1 million to £22.9 million arose from share-based payments related to share option awards.

CASH BALANCES AND FUTURE COMMITMENTS

Current cash position and price hedging

At 30 June 2022 the Group held cash and cash equivalents of £258.3 million (31 December 2021: £103.0 million) excluding cash lodged as security with gas price hedge counterparties. This is after capital investments during the period of £20.9 million and monthly net cash flow sharing payments and other BKR consideration totalling £93.9 million. Of total cash and cash equivalents, £12.9 million was held in a restricted account against letters of credit issued in respect of certain decommissioning liabilities as at 30 June 2022 (31 December 2021: £12.9 million). Having utilised all of its tax losses carried forward by end 2021, Serica's first cash tax instalment, of £66.0 million, was paid in Q3 2022 after the end of this reporting period. Further instalments for 2022 will fall due in October 2022 and January 2023. Its first instalment of the Energy Profits Levy will fall due in December 2022.

No gas price hedges have been added since July 2021. At 30 June 2022 Serica held gas price swaps and equivalent fixed pricing under gas sales agreements for periods up to Q3 2023. For H2 2022, it held an average 275,000 therms per day at an average price of 44 pence per therm. For 2023, it held an average 150,000 therms per day for H1 and 50,000 therms per day for Q3 at average prices of 49 pence per therm and 41 pence per therm respectively. At 30 June 2022, cash hedging security advances of £160.4 million had been lodged with hedge counterparties as security against settlement of future hedge instruments (31 December 2021: £115.4 million).

Cash security against swap and equivalent fixed pricing has continued to fluctuate with the very volatile gas futures market. At the same time the volume of remaining hedges is declining steadily as each month's contracts are settled.

As of 23 September 2022, the Company held cash and cash equivalents of £282.6 million plus a further £199.8 million lodged as security with hedge counterparties. This is after settlement of the initial tax instalment referred to above, the 2021 final dividend, initial North Eigg drilling costs and additional hedging security advances.

The gas price outlook remains exceptionally volatile with day ahead pricing, at which the Company's gas is sold, ranging from below 100p/therm to over 500p/therm in recent months. Futures pricing, which drives cash security requirements, has been even more volatile, recently reaching over 800p/therm for this winter before falling back. Although the Company's remaining gas price hedges continue to expire month by month, the erratic futures market requires significant cash resources to be held to meet short term price surges. Cash security requirements over 2022 to date have ranged from below £150 million to over £300 million.

Outstanding hedging is below 20% of projected gas production for Q4 2022, falling to around 10% for 1H 2023 with negligible amounts remaining thereafter. The combination of hedge expiry and realisation of monthly sales revenues should boost cash resources whilst reducing cash security requirements over the remainder of the year. This does not rule out short term price surges, and consequent increases in cash security, in the near term.

The Company's oil and liquids production remains unhedged.

Cash projections are run periodically to examine the potential impact of extended low oil and gas prices as well as possible production interruptions. Serica currently has substantial cash resources, no borrowings and relatively low operating costs per boe which means that the Company is well placed to withstand such risks and its capital commitments can be funded from existing cash resources.

Field and other capital commitments
There are no existing capital commitments on the Erskine producing field and net production revenues are expected to cover all ongoing field expenditures. Serica's 18% share of decommissioning costs will be met by BP up to a level of £31.3 million, adjusted for inflation, and Serica's current estimate of such costs is below this level.

There are no significant existing capital commitments on the BKR producing fields other than an estimated £2.5 million net to Serica outstanding as at 30 June 2022 on Bruce LWIV well work, which was completed in July 2022. Potential further programmes to enhance current production profiles and extend field life are under consideration. Net revenues from Serica's share of income from the BKR fields is expected to cover Serica's retained share of ongoing field expenditures as well as deferred consideration due under the respective BKR acquisition agreements set out below. Serica's share of decommissioning costs relating to its interests in the existing BKR field facilities will be met by the vendors apart from those field shares acquired from Marubeni (Bruce 3.75%, Keith 8.33%) for which Serica is directly responsible.

On the Columbus field, Serica's share of production revenue is expected to cover Serica's share of ongoing field expenditures. Decommissioning obligations are limited as the development comprises a single well linked via a subsea completion to an existing pipeline.

The Group's only significant exploration commitment is the drilling of a well on the North Eigg prospect.

BKR asset acquisitions
On 30 November 2018 Serica completed the four BKR acquisitions. During 1H 2022, the final elements of contingent cash consideration arising from the net cash flow sharing arrangements, and other contingent payments arising from Rhum R3 well production

and Rhum performance criteria, were made. The following elements of consideration were outstanding at 30 June 2022:

- BP, Total E&P and BHP retain liability, in respect of the field interests Serica acquired from each of them, for all the costs of decommissioning those facilities that existed at the date of completion. Serica will pay deferred consideration equal to 30% of actual future decommissioning costs, reduced by the tax relief that each of BP, Total E&P and BHP receives on such costs. These are held as non-current financial liabilities at 31 December 2021 and 30 June 2022. Staged prepayments against such projected amounts commenced in 1H 2022 (£9.1 million is included within trade and other receivables in the Balance Sheet at 30 June 2022) and will be spread over the remaining years before cessation of field production.
- Serica will pay to each of BP, Total E&P and BHP, deferred consideration equal to 90% of their respective shares of the realised value of oil in the Bruce pipeline at the end of field life. These are held as non-current financial liabilities at 31 December 2021 and 30 June 2022.

OTHER

Asset values and impairment

At 30 June 2022, Serica's market capitalisation stood at £775.0 million, based upon a share price of 285.0 pence, which exceeded the net asset value of £366.5 million. A review was performed for any indication that the value of the Group's oil and gas assets may be impaired at the balance sheet date of 30 June 2022 and no impairment triggers were noted. By 23 September the Company's market capitalisation has risen to £965.7 million.

Additional Information

Additional information relating to Serica, can be found on the Company's website at www.serica-energy.com and on SEDAR at www.sedar.com

Approved on behalf of the Board
Mitch Flegg
Chief Executive Officer

26 September 2022

Forward Looking Statements

This disclosure contains certain forward looking statements that involve substantial known and unknown risks and uncertainties, some of which are beyond Serica Energy plc's control, including: the impact of general economic conditions where Serica Energy plc operates, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. Serica Energy plc's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that Serica Energy plc will derive therefrom.

Serica Energy plc

Group Income Statement

For the periods ended 30 June and 31 December

Continuing operations	*Notes*	Six months ended 30 June 2022 £000 (Unaudited)	Six months ended 30 June 2021 £000 (Unaudited)	Year ended 31 Dec 2021 £000 (Audited)
Sales revenue	4	353,472	100,835	514,136
Cost of sales	5	(86,346)	(54,862)	(127,313)
Gross profit		267,126	45,973	386,823
Unrealised hedging expense	6	(56,390)	(30,320)	(74,592)
Realised hedging expense	6	(13,203)	(5,642)	(56,615)
Pre-licence costs		(185)	-	(199)
Administrative expenses		(3,839)	(2,988)	(6,097)
Foreign exchange gain/(loss)		3,653	(628)	(854)
Share-based payments		(823)	(878)	(2,386)
Operating profit from continuing operations		196,339	5,517	246,080
Change in fair value of BKR financial liability		(1,899)	(3,074)	(110,529)
Finance revenue		345	58	82
Finance costs		(310)	(253)	(527)
Profit before taxation		194,475	2,248	135,106
Taxation charge for the period	12	(77,746)	(899)	(55,812)
Profit after taxation and profit for the period		116,729	1,349	79,294
Earnings per ordinary share (EPS)				
Basic EPS on profit for the period (£)		0.43	0.01	0.30
Diluted EPS on profit for the period (£)		0.41	0.01	0.28

Serica Energy plc
Group Balance Sheet

	Notes	30 June 2022 £000 (Unaudited)	31 Dec 2021 £000 (Audited)	30 June 2021 £000 (Unaudited)
Non-current assets				
Exploration & evaluation assets	8	10,254	2,949	1,632
Property, plant and equipment	9	316,920	328,944	338,113
		327,174	331,893	339,745
Current assets				
Inventories		4,528	4,053	4,964
Trade and other receivables		81,864	132,351	31,788
Hedging security advances		160,380	115,390	10,720
Cash and cash equivalents		258,318	102,984	92,004
		505,090	354,778	139,476
TOTAL ASSETS		832,264	686,671	479,221
Current liabilities				
Trade and other payables		(45,924)	(33,697)	(43,951)
Corporate tax payable		(95,639)	(15,804)	-
Derivative financial liability		(102,181)	(45,791)	(40,011)
Gas contract liabilities		(10,807)	(37,505)	-
Financial liabilities		-	(93,861)	(47,595)
Provisions		-	-	(1,002)
Dividend payable	7	(24,467)	-	(9,385)
Non-current liabilities				
Gas contract liabilities		(162)	(987)	-
Financial liabilities		(39,685)	(37,795)	(39,920)
Provisions		(28,371)	(28,095)	(23,027)
Deferred tax liability		(118,519)	(120,608)	(81,499)
TOTAL LIABILITIES		(465,755)	(414,143)	(286,390)
NET ASSETS		366,509	272,528	192,831
Share capital	10	182,889	181,993	181,749
Other reserves		22,889	22,066	20,558
Accumulated funds/(deficit)		160,731	68,469	(9,476)
TOTAL EQUITY		366,509	272,528	192,831

Serica Energy plc
Group Statement of Changes in Equity

For the year ended 31 December 2021 and period ended 30 June 2022

Group

	Share capital £000	Other reserves £000	Deficit £000	Total £000
At 1 January 2021 (audited)	181,606	19,680	(1,440)	199,846
Profit for the year	-	-	79,294	79,294
Total comprehensive income	-	-	79,294	79,294
Issue of shares	387	-	-	387
Share-based payments	-	2,386	-	2,386
Dividend payable	-	-	(9,385)	(9,385)
At 31 December 2021 (audited)	181,993	22,066	68,469	272,528
Profit for the period	-	-	116,729	116,729
Total comprehensive income	-	-	116,729	116,729
Issue of shares	896	-	-	896
Share-based payments	-	823	-	823
Dividend payable	-	-	(24,467)	(24,467)
At 30 June 2022 (unaudited)	182,889	22,889	160,731	366,509

Serica Energy plc
Group Cash Flow Statement
For the periods ended 30 June and 31 December

	Six months ended 30 June 2022 £000 (Unaudited)	Six months ended 30 June 2021 £000 (Unaudited)	Year ended 31 Dec 2021 £000 (Audited)
Operating activities:			
Profit for the period	116,729	1,349	79,294
Adjustments to reconcile profit for the period to net cash flow from operating activities:			
Taxation charge	77,746	899	55,812
Change in fair value of BKR financial liability	1,899	3,074	110,529
Net finance (income)/costs	(35)	195	445
Depletion	25,529	15,292	37,048
Oil and NGL over/underlift movement	1,700	(467)	(6,859)
E&E asset write-offs	-	-	-
Unrealised hedging losses	56,390	30,320	74,592
Contract revenue	(27,523)	-	-
Share-based payments	823	878	2,386
Other non-cash movements	(2,042)	328	349
Hedging security advances	(44,990)	(8,920)	(113,590)
Decrease/(increase) in receivables	48,787	7,741	(86,527)
(Increase)/decrease in inventories	(475)	(331)	580
Increase/(decrease) in payables	12,423	13,475	3,544
Net cash inflow from operations	266,961	63,833	157,603
Investing activities:			
Interest received	345	58	82
Purchase of E&E assets	(7,305)	(589)	(1,906)
Purchase of property, plant & equipment	(13,614)	(42,392)	(50,252)
Cash outflow from business combinations	(93,870)	(17,963)	(81,277)
Cash outflow arising on asset acquisitions	-	-	(1,002)
Net cash outflow from investing activities	(114,444)	(60,886)	(134,355)
Financing activities:			
Issue of ordinary shares	896	143	387
Payments of lease liabilities	(87)	(66)	(179)
Dividends paid	-	-	(9,385)
Finance costs paid	(34)	(25)	(71)
Net cash in/(out)flow from financing activities	775	52	(9,248)
Cash and cash equivalents			
Net increase in period	153,292	2,999	14,000
Effect of exchange rates on cash and cash equivalents	2,042	(328)	(349)
Amount at start of period	102,984	89,333	89,333
Amount at end of period	258,318	92,004	102,984

Serica Energy plc

Notes to the Unaudited Consolidated Financial Statements

1. Corporate information

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 26 September 2022.

Serica Energy plc is a public limited company incorporated and domiciled in England & Wales. The Company's ordinary shares are traded on AIM in London. The principal activity of the Company is to identify, acquire and exploit oil and gas reserves.

2. Basis of preparation and accounting policies

Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

These unaudited interim consolidated financial statements of the Group have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended 31 December 2021. These unaudited interim consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the consolidated financial statements and the notes thereto in the Serica Energy plc annual report for the year ended 31 December 2021.

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006.

Consolidated statutory accounts for the year ended 31 December 2021, on which the auditors gave an unqualified audit report, have been filed with the registrar of Companies. The report of the auditors included in that 2021 Annual Report was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

Going Concern

The Directors are required to consider the availability of resources to meet the Group's liabilities for the foreseeable future. The financial position of the Group, its cash flows and capital commitments are described in the Financial Review above.

At 30 June 2022 the Company held cash and cash equivalents of £258.3 million with a further £160.4 million of security advances lodged with hedge counterparties. The cash balance at 30 June 2022 included £12.9 million of restricted funds.

The Group regularly monitors its cash, funding and liquidity position. Near term cash projections are revised and underlying assumptions reviewed, generally monthly, and longer-term projections are also updated regularly. Downside price and other risking scenarios are considered. In addition to commodity sales prices the Group is exposed to potential production interruptions and these are also considered under such scenarios. Serica's acquisitions to-date have been structured to reduce post-completion risk and, following completion of the BKR transactions, management has given priority to building a strong cash reserve which can respond to different types of risk.

Serica currently has no borrowings, relatively low operating costs per boe and its capital commitments can be funded from existing cash resources.

After making enquiries and having taken into consideration the above factors, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Significant accounting policies

A number of new standards, amendments to existing standards and interpretations were applicable from 1 January 2022. The adoption of these amendments did not have a material impact on the Group’s interim condensed consolidated financial statements for the period ended 30 June 2022.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021. The impact of seasonality or cyclicality on operations is not considered significant on the interim consolidated financial statements.

The Group financial statements are presented in £ and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Serica Holdings UK Limited, Serica Energy Holdings B.V., Serica Energy Corporation, Asia Petroleum Development Limited, Petroleum Development Associates (Asia) Limited, Serica Energy (UK) Limited, PDA Lematang Limited, Serica Glagah Kambuna B.V., Serica Sidi Moussa B.V., Serica Energy Rockall B.V., Serica Energy Slyne B.V. and Serica Energy Namibia B.V.. Together, these comprise the "Group".

All inter-company balances and transactions have been eliminated upon consolidation.

3. Segmental Information

The Group's business is that of oil & gas exploration, development and production. The Group's reportable segments are based on the location of the Group's assets.

The following tables present revenue, profit and certain asset and liability information regarding the Group's geographical reportable segments for the periods ended 30 June 2022 and 2021 and year ended 31 December 2021. Costs associated with the UK corporate centre are included in the UK reportable segment.

Period ended 30 June 2022	UK £000	Continuing Total £000
Revenue	353,472	353,472
Operating and segment profit	196,339	196,339
Change in BKR financial liability	(1,899)	(1,899)
Finance revenue	345	345
Finance costs	(310)	(310)
Profit before taxation	194,475	194,475
Taxation charge for the period	(77,746)	(77,746)
Profit after taxation	116,729	116,729
Other segment information:		
Segmental assets	832,264	832,264
Total assets		832,264
Segment liabilities	(465,755)	(465,755)
Total liabilities		(465,755)

Period ended 30 June 2021	UK £000	Continuing Total £000
Revenue	100,835	100,835
Operating and segment profit	5,517	5,517
Change in BKR financial liability	(3,074)	(3,074)
Finance revenue	58	58
Finance costs	(253)	(253)
Profit before taxation	2,248	2,248
Taxation charge for the period	(899)	(899)
Profit after taxation	1,349	1,349

	UK £000	Total £000
Other segment information:		
Segmental assets	479,221	479,221
Total assets		479,221
Segment liabilities	(286,390)	(286,390)
Total liabilities		(286,390)

Year ended 31 December 2021	UK £000	Continuing Total £000
Revenue	514,136	514,136
Operating and segment profit	246,080	246,080
Change in BKR financial liability	(110,529)	(110,529)
Finance revenue	82	82
Finance costs	(527)	(527)
Profit before taxation	135,106	135,106
Taxation charge for the year	(55,812)	(55,812)
Profit after taxation	79,294	79,294

Other segment information:		
Segmental assets	686,671	686,671
Total assets		686,671
Segment liabilities	(414,143)	(414,143)
Total liabilities		(414,143)

4. Sales Revenue

	Six months ended 30 June 2022 £000	Six months ended 30 June 2021 £000	Year ended 31 Dec 2021 £000
Gas sales	266,089	76,563	455,969
Oil sales	41,185	17,106	40,215
NGL sales	18,675	7,166	17,952
Product sales	325,949	100,835	514,136
Contract revenue	27,523	-	-
Total revenue	353,472	100,835	514,136

Revenues include product sales from Serica's full interests in the BKR assets before calculation of amounts due under the net cash flow sharing arrangements.

Contract revenue in 1H 2022 arose from the unwind of gas contract liabilities initially recognised upon the restructuring of certain gas swaps to other fixed price instruments under a gas sales contract in August 2021. Further information is provided in the Financial Review above.

5. Cost of sales

	Six months ended 30 June 2022 £000	Six months ended 30 June 2021 £000	Year ended 31 Dec 2021 £000
Operating costs	59,117	40,037	97,124
Movement in liquids overlift/underlift	1,700	(467)	(6,859)
Depletion (note 9)	25,529	15,292	37,048
	86,346	54,862	127,313

Operating costs include costs from Serica's full interests in the BKR assets before calculation of amounts due under the net cash flow sharing arrangements.

6. Group Operating Profit

	Six months ended 30 June 2022 £000	Six months ended 30 June 2021 £000	Year ended 31 Dec 2021 £000
Realised hedging losses	(13,203)	(5,642)	(56,615)
Unrealised hedging losses on gas swaps	(56,390)	(30,320)	(36,100)
Other hedging losses	-	-	(38,492)
Unrealised hedging losses	(56,390)	(30,320)	(74,592)

Derivative financial instruments
The Group enters into derivative financial instruments with various counterparties. No gas put options were held at 31 December 2021 or 30 June 2022. Other derivative financial instruments held at 31 December 2021 and 30 June 2022 comprised gas swaps which were valued by counterparties, with the valuations reviewed internally and corroborated with readily available market data (level 2).

Details of the Group's derivative financial instruments held as at 30 June 2022 are provided in the financial review above.

Realised hedging losses comprise losses realised on 1H 2022 gas price swaps.

Unrealised hedging losses on gas swaps comprise unrealised charges on the movement during 1H 2022 in the calculated fair value liability of outstanding gas price derivative contracts measured at the respective Balance Sheet dates.

Other hedging losses comprise charges for the fair value of 2022 and 2023 hedging instruments crystalised as gas contract liabilities upon a restructuring of certain gas swaps to other fixed price instruments under a gas sales contract in August 2021.

7. Dividends payable

A final cash dividend for 2021 of 9.0 pence per share was proposed in April 2022 and approved at the annual general meeting on 30 June 2022. Following the approval in the 1H 2022 period, the dividend payable of £24.5 million is recognised as a liability in the Balance Sheet at 30 June 2022. The dividend was paid in July 2022.

A final cash dividend for 2020 of 3.5 pence per share was proposed in April 2021 and approved at the annual general meeting on 24 June 2021. Following the approval in the 1H 2021 period, the dividend payable of £9.4 million is recognised as a liability in the Balance Sheet at 30 June 2021. The dividend was paid in July 2021.

8. Exploration and Evaluation Assets

	Total £000
Cost:	
At 1 January 2021	1,043
Additions	1,906
Asset write-offs	-
At 31 December 2021	2,949
Additions	7,305
Asset write-offs	-
At 30 June 2022	10,254
Provision for impairment:	
At 1 January 2021	-
Impairment reversal for the period	-
At 31 December 2021	-
Impairment (charge)/reversal for the period	-
At 30 June 2022	-
Net Book Amount:	
30 June 2022	10,254
31 December 2021	2,949
1 January 2021	1,043

9. Property, Plant and Equipment

	Oil and gas properties £000	Fixtures and fittings £000	Right-of-use assets £000	Total £000
Cost:				
At 1 January 2021	411,462	212	516	412,190
Additions	50,252	-	-	50,252
Decommissioning asset	4,840	-	-	4,840
At 31 December 2021	466,554	212	516	467,282
Additions	13,269	-	345	13,614
At 30 June 2022	479,823	212	861	480,896
Depreciation and depletion:				
At 1 January 2021	100,650	114	301	101,065
Charge for the period (note 5)	37,048	53	172	37,273
At 31 December 2021	137,698	167	473	138,338
Charge for the period (note 5)	25,529	23	86	25,638
At 30 June 2022	163,227	190	559	163,976
Net book amount:				
At 30 June 2022	316,596	22	302	316,920
At 31 December 2021	328,856	45	43	328,944
At 1 January 2021	310,812	98	215	311,125

Depreciation and depletion
Depletion charges on oil and gas properties are classified within 'cost of sales'. Depreciation on other elements of property, plant and equipment is provided on a straight-line-basis and taken through general and administration expenses.

10. Equity Share Capital

As at 30 June 2022, the share capital of the Company comprised one "A" share of £50,000 and 271,921,900 ordinary shares of US$0.10 each. The "A" share has no special rights.

The balance classified as total share capital includes the total net proceeds (both nominal value and share premium) on issue of the Group and Company's equity share capital, comprising US$0.10 ordinary shares and one 'A' share.

Allotted, issued and fully paid: **Group**	Number	Share capital £000	Share Premium £000	Total Share capital £000
At 1 January 2021	267,809,703	21,107	160,499	181,606
Shares issued	1,081,341	79	308	387
At 31 December 2021	268,891,044	21,186	160,807	181,993
Shares issued	3,030,857	233	663	896
At 30 June 2022	271,921,901	21,419	161,470	182,889

During 1H 2022, 3,030,857 ordinary shares were issued to satisfy awards under the Company's share-based incentive schemes.

875,332 ordinary shares have been issued in Q3 2022 to date and as at 23 September 2022 the issued voting share capital of the Company was 272,797,232 ordinary shares and one "A" share.

11. Share-Based Payments

Share Option Plans

The Company operates three discretionary incentive share option plans: the Serica Energy Plc Long Term Incentive Plan (the "LTIP"), which was adopted by the Board on 20 November 2017 which permits the grant of share-based awards, the 2017 Serica Energy plc Company Share Option Plan ("2017 CSOP"), which was adopted by the Board on 20 November 2017, and the Serica 2005 Option Plan, which was adopted by the Board on 14 November 2005. Awards can no longer be made under the Serica 2005 Option Plan, however, options remain outstanding under the Serica 2005 Option Plan. The LTIP and the 2017 CSOP together are known as the "Discretionary Plans".

The Discretionary Plans will govern all future grants of options by the Company to Executive Directors, key employees and certain consultants of the Group. The Directors intend that the maximum number of ordinary shares which may be utilised pursuant to the Discretionary Plans will not exceed 10% of the issued ordinary shares of the Company from time to time in line with the recommendations of the Association of British Insurers.

The objective of these plans is to develop the interest of Executive Directors, key employees and certain consultants of the Group in the growth and development of the Group by providing them with the opportunity to acquire an interest in the Company and to assist the Company in retaining and attracting executives with experience and ability.

Serica 2005 Option Plan

As at 30 June 2022, 4,000,000 options granted by the Company under the Serica 2005 Option Plan were outstanding. All options awarded under the Serica 2005 Option Plan since November 2009 have a three-year vesting period. When awarding options to directors, the Remuneration Committee are required to set Performance Conditions in addition to the vesting provisions before vesting can take place. Of the above options, 2,500,000 of these options were granted to Mr Craven Walker in July 2015 at exercise prices higher than the market price at the time of the grant to establish firm performance targets.

No options were granted in 2021 or 1H 2022 under the Serica 2005 Option Plan.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the period:

		WAEP
		£
Outstanding at 31 December 2021	4,100,000	0.14
Exercised during the period	(100,000)	0.27
Outstanding at 30 June 2022	4,000,000	0.14

As at 30 June 2022, the following director and employee share options were outstanding:

Expiry Date	Amount	Exercise cost £
January 2023	100,000	54,500
January 2024	300,000	39,000
June 2025	1,100,000	72,600
July 2025	1,000,000	120,000
July 2025	1,000,000	180,000
July 2025	500,000	120,000
Total	4,000,000	

Long Term Incentive Plan

The following awards granted to certain Executive Directors and employees under the LTIP are outstanding as at 30 June 2022.

LTIP awards (deemed to be granted in November 2017 under IFRS 2)

Director/Employees	Total number of shares granted subject to Deferred Bonus Share Awards
Antony Craven Walker	225,000
Mitch Flegg	225,000
Andrew Bell	138,000
Employees below Board level (in aggregate)	138,000
	726,000

Deferred Bonus Share Awards involve the deferral of bonuses into awards over shares in the Company. They are structured as nil-cost options and may be exercised up until the fifth anniversary of the date of grant. Vesting of the Deferred Bonus Share Awards was the later of the date of completion of the BKR Acquisition and 31 January 2019 and all awards have therefore now vested. They were not subject to performance conditions; however, they were conditional on completion of the BKR Acquisition, subject to the Board determining otherwise.

Director/Employees	Total number of shares granted subject to Performance Share Awards
Antony Craven Walker	1,500,000
Mitch Flegg	1,500,000
Andrew Bell	800,000
Employees below Board level (in aggregate)	1,308,498
	5,108,498

Performance Share Awards have a three-year vesting period and are subject to performance conditions based on average share price growth targets to be measured by reference to dealing days in the period of 90 days ending immediately prior to expiry of a three-year performance starting on the date of grant of a Performance Share Award. Performance Share Awards are structured as nil-cost options and may be exercised up until the tenth anniversary of the date of grant. They are exercisable as at 30 June 2022.

LTIP awards in 2019

In Q1 2019, the Company granted nil-cost Performance Share Awards over 3,735,640 ordinary shares and nil-cost Retention Share Awards over 309,415 ordinary shares, a combined total of 4,045,055 ordinary shares under the LTIP. 2,145,218 of the total awards were outstanding at 30 June 2022. The award was made to members of the Group's executive team, senior management and employees. The awards included a total of 1,056,442 ordinary shares for the Executive Directors and persons discharging managerial responsibilities as follows:

Director/PDMR	**Total number of shares granted subject to Performance Share Awards**
Antony Craven Walker	411,067
Mitch Flegg	411,067
Andrew Bell	234,308
	1,056,442

These awards are subject to vesting criteria based on absolute share price performance over a three-year period and are exercisable as at 30 June 2022.

LTIP awards in 2020

In May 2020, the Company granted nil-cost Performance Share Awards over 2,669,280 ordinary shares under the LTIP. All of the total awards were outstanding at 30 June 2022. The award was made to members of the Group's executive team, senior management and employees. The awards included a total of 996,678 ordinary shares for the Executive Directors and persons discharging managerial responsibilities as follows:

Director/PDMR	**Total number of shares granted subject to Performance Share Awards**
Antony Craven Walker	386,100
Mitch Flegg	386,100
Andrew Bell	224,478
	996,678

These awards are subject to vesting criteria based on absolute share price performance over a three-year period and are not exercisable as at 30 June 2022.

LTIP awards in 2021

In May 2021, the Company granted nil-cost Performance Share Awards over 2,725,032 ordinary shares under the LTIP. All of the total awards were outstanding at 30 June 2022. The award was made to members of the Group's executive team, senior management and employees. The awards included a total of 1,480,908 ordinary shares for the Executive Directors and persons discharging managerial responsibilities as follows:

Director/PDMR	Total number of shares granted subject to Performance Share Awards
Antony Craven Walker	587,349
Mitch Flegg	587,349
Andrew Bell	306,210
	1,480,908

These awards are subject to vesting criteria based on absolute share price performance over a three-year period (75%) and on reductions in carbon intensity of production from the BKR assets (25%) and are not exercisable at 30 June 2022.

LTIP awards in 2022

In May 2022, the Company granted nil-cost Performance Share Awards over 665,632 ordinary shares under the LTIP. All of the total awards were outstanding at 30 June 2022. The award was made to members of the Group’s executive team, senior management and employees. The awards included a total of 378,491 ordinary shares for the Executive Directors and persons discharging managerial responsibilities as follows:

Director/PDMR	Total number of shares granted subject to Performance Share Awards
Antony Craven Walker	138,300
Mitch Flegg	147,615
Andrew Bell	92,576
	378,491

The vesting criteria are based on absolute share price performance over a three-year period and specific performance targets related to carbon emissions from operations over the same period. For the awards to vest in full, a 100% increase in average share price must be maintained for at least a six-month period together with a significant decrease in carbon emissions per barrel of oil equivalent produced. These awards are not exercisable at 30 June 2022.

Calculation of Share-based Compensation

The Company calculates the value of share-based compensation using a Black-Scholes option pricing model (or other appropriate model for those options subject to certain market conditions) to estimate the fair value of share options at the date of grant. There are no cash settlement alternatives. The estimated fair value of options is amortised to expense over the options' vesting period.

£823,000 has been charged to the income statement for the six-month period ended 30 June 2022 (1H 2021 – £878,000) and a similar amount credited to the share-based payments reserve, classified as ‘Other reserve’ in the Balance Sheet.

12. Taxation

The major components of income tax charged in the consolidated income statement are:

	Six months ended 30 June 2022 £000	Six months ended 30 June 2021 £000	Year ended 31 Dec 2021 £000
Current income tax charge	79,835	-	15,804
Deferred income tax (credit)/charge	(2,089)	(899)	40,008
Total taxation charge/(credit) for the period	77,746	(899)	55,812

Recognised and unrecognised tax losses
The Group's Balance Sheet net deferred tax liability amount of £120.6 million as at 31 December 2021 and £118.5 million as at 30 June 2022 arises from deferred tax liabilities (primarily related to temporary differences on fixed assets) being partially offset by deferred tax assets on decommissioning liabilities.

The Group's deferred tax assets at 31 December 2020 and 30 June 2021 are recognised to the extent that taxable profits are expected to arise in the future against which tax losses and allowances in the UK can be utilised. In accordance with IAS 12 Income Taxes, the Group assessed the recoverability of its deferred tax assets at 31 December 2021 and 30 June 2022 with respect to ring fence losses and allowances.

Changes to UK corporation tax legislation

On 26 May 2022, the UK Government announced the introduction of an Energy Profits Levy ('EPL') on the UK ring fence profits of oil and gas producers with effect from 26 May 2022. The legislation introducing the EPL was substantively enacted on 11 July 2022. The EPL is charged at the rate of 25% on taxable profits in addition to ring fence corporation tax of 30% and Supplementary Charge of 10%, making a total rate on ring fence profits of 65%. The Group's profits from its UK oil and gas operations will be impacted by the EPL and the results for the year will reflect the additional tax.

The interim tax charge does not reflect an EPL charge as the legislation was not substantively enacted at 30 June 2022. The overall current and deferred tax impact will be updated in conjunction with full-year results.

13. Publication of Non-Statutory Accounts

The financial information contained in this interim statement does not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 December 2021, which are available at the Company's registered office at 48 George Street, London W1U 7DY and on its website at www.serica-energy.com and on SEDAR at www.sedar.com.

This interim statement will be made available at the Company's registered office at 48 George Street, London W1U 7DY and on its website at www.serica-energy.com and on SEDAR at www.sedar.com.

GLOSSARY

bbl	barrel of 42 US gallons
bcf	billion standard cubic feet
boe	barrels of oil equivalent (barrels of oil, condensate and NGLs plus the heating equivalent of gas converted into barrels at the appropriate rate)
BKR Assets	Bruce, Keith and Rhum fields
CPR	Competent Persons Report
FDP	Field Development Plan
HPHT	High pressure high temperature
mscf	thousand standard cubic feet
mmbbl	million barrels
mmboe	million barrels of oil equivalent
mmscf	million standard cubic feet
mmscfd	million standard cubic feet per day
NBP	National Balancing Point for pricing and delivery of gas sales
NGLs	Natural gas liquids extracted from gas streams
NTS	National Transmission System
Overlift	Volumes of oil or NGLs sold in excess of volumes produced
Underlift	Volumes of oil or NGLs produced but not yet sold
P10	A high estimate that there should be at least a 10% probability that the quantities recovered will actually equal or exceed the estimate
P50	A best estimate that there should be at least a 50% probability that the quantities recovered will actually equal or exceed the estimate
P90	A low estimate that there should be at least a 90% probability that the quantities recovered will actually equal or exceed the estimate
Pigging	A process of pipeline cleaning and maintenance which involves the use of devices called pigs
Proved Reserves	Proved reserves are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves
Probable Reserves	Probable reserves are those additional Reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves
Possible Reserves	Possible reserves are those additional Reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves
Reserves	Estimates of discovered recoverable commercial hydrocarbon reserves calculated in accordance with the revised June 2018 Petroleum Resources Management System (PRMS) version 1.01 (November 6th, 2018) prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE)
Tcf	trillion standard cubic feet
UKCS	United Kingdom Continental Shelf