



Serica Energy plc (“Serica” or the “Company”)

Update on BKR Transaction, US Sanctions, and Rhum Operations

London, 22 May 2018 – Serica provides an update following the announcement on 8 May by the US Government of its withdrawal from the Joint Comprehensive Plan of Action (“JCPOA”) and the reintroduction of wider US sanctions on Iran and certain transactions with Iranian entities.

On 21 November 2017, Serica announced its agreement (the “BKR Transaction”) to purchase interests in the Bruce, Keith and Rhum fields in the UK North Sea from BP. These fields together produce up to 5% of the UK’s indigenous gas production. Both BP and Serica remain fully committed to completion of the transaction, which is expected in the third quarter of 2018. Progress on the transition arrangements, under which Serica will take over from BP as operator of the fields on completion of the transaction, is on schedule.

The Iranian Oil Company (U.K.) Limited (“IOC”), a subsidiary of the National Iranian Oil Company, has a 50% interest in the Rhum field. As a result of the interest held by IOC, Rhum operations are affected by US sanctions and, in particular, the new sanctions regime announced by the US government on 8 May.

Certain services in support of Rhum field operations are currently provided under authorisations obtained from the US Office of Foreign Assets Control (“OFAC”). The current OFAC licence issued to BP enabling the provision of goods, services and support by certain US persons, expires on 30 September 2018. Applications have been submitted to OFAC by BP and Serica for a renewed licence beyond that date. Meetings are scheduled to take place with OFAC in the next few weeks.

The US announcement on 8 May is expected to result in a change of US policy in respect of the granting of OFAC licences. Serica is working closely with BP and IOC to evaluate the potential impact of the changes. This includes seeking appropriate dispensation from the US authorities where possible and where required to ensure ongoing safe and efficient operations. Serica is working closely with and has support from the UK authorities on all aspects.

As part of the evaluation process, BP, as the current operator of the Rhum field, has been reviewing operations scheduled to take place during the transition period, prior to the implementation of the new US sanctions. These include work to re-complete the Rhum R3 well, which was due to commence this week. To ensure that all operations can be undertaken to the highest safety and environmental standards during the interim sanctions period, BP has decided to defer the commencement of work on R3 while the position relating to US sanctions is being clarified.

Serica and BP are both committed to resolving the issue of US sanctions as they apply to Rhum with a view to enabling a timely completion of the BKR Transaction in the third quarter of 2018 and safeguarding ongoing operations. The deferral of work on the R3 well, pending resolution of the sanctions position, is not expected to impact the long-term recovery of Rhum reserves, nor the completion of the BKR Transaction.

Mitch Flegg, Serica’s Chief Executive, commented:

“As a British company working to maximise the full recovery of Britain’s gas reserves in line with OGA and UK Government policy, we will be working with our partners and the UK Government to identify measures, acceptable to the US authorities, to protect safe and efficient Rhum operations and ensure maximum economic recovery of reserves from this valuable UK resource. We are receiving full support from all the relevant UK authorities in these efforts.

All aspects of completing the BKR transaction remain on track: an Aberdeen office has been identified; key staff are being recruited by Serica; and the transition process of moving operational staff and contracts from BP to Serica is well advanced. All parties are working to see a successful completion”.

Regulatory

This announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

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Notes to Editors.

1. On 21 November 2017, Serica (UK) Limited, a wholly-owned subsidiary of the Company, signed a Sale and Purchase Agreement to acquire BP's interests in the Bruce, Keith and Rhum fields in the North Sea and associated infrastructure (the "BKR Transaction"). Under the Sale and Purchase Agreement, Serica will acquire a 36% interest in Bruce, a 34.83% interest in Keith and a 50% interest in Rhum (collectively the "BKR Assets").
2. A condition of completion of the BKR Transaction is the issuing to Serica by the US Office of Foreign Assets Control ("OFAC"), an agency of the US Department of the Treasury, of a licence ("OFAC Licence") authorising certain US persons to provide goods, services and support to Rhum operations following completion.
3. The Iranian Oil Company (U.K.) Limited ("IOC") has a 50% interest in the Rhum gas field which is located in British waters. IOC is a subsidiary of the National Iranian Oil Company and Rhum operations are therefore affected by US sanctions.