

12 December 2024

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

The Parkmead Group plc ("Parkmead", "the Company" or "the Group")

Sale of Parkmead (E&P) Ltd

Parkmead, the independent energy group focused on growth through gas, oil and renewable energy projects, is pleased to announce the signing of an agreement to effect the sale (the "Sale") of its wholly owned subsidiary, Parkmead (E&P) Ltd (the "Subsidiary"), to Serica Energy (UK) Ltd ("Serica").

The Subsidiary currently holds Parkmead's UK offshore oil licences together with its Netherlands onshore gas licences. The Netherlands asset portfolio is excluded from the scope of the transaction and will be retained by the Group. Therefore, Parkmead is retaining 100% of its revenue producing assets, which comprise its Dutch natural gas fields and its UK wind farm, all of which are onshore.

The consideration for the Sale being received by Parkmead consists of £14 million of firm cash consideration and up to £120 million of contingent cash consideration, payable as follows:

- An initial payment of £5 million, payable at completion of the Sale ("Completion");
- Three further deferred payments totalling £9 million, payable in instalments of £2.0 million, £3.1 million and £3.9 million on the 27th of February 2025 (or at Completion, if later), 27th of February 2026 and 27th of February 2027 respectively. These future payments are firm and not subject to any conditions; and
- Two contingent payments, payable upon receipt by Serica of approval by the North Sea Transition Authority ("NSTA") for any field development plan ("FDP") relating to any development on licence P2400 (containing the Skerryvore prospect) or licence P2634 (containing the Fynn Beaully oil discovery). These payments are to be calculated based on £0.8/bbl of the 2P reserves contained within the respective FDP net to the Subsidiary's current 50% working interest in each licence, subject to caps of £30 million (in relation to licence P2400) and £90 million (in relation to licence P2634).

A summary of the consideration being received is below:

Consideration Overview	
Initial Payment	£5m
Deferred Payments	£9m
Total Firm Consideration	£14m
Contingent Skerryvore Payment	Up to £30m
Contingent Fynn Beaully Payment	Up to £90m
Total Contingent Consideration	Up to £120m
Total Consideration (Firm & Contingent)	Up to £134m

Completion is subject to the fulfilment of certain conditions, including the receipt of NSTA approval to the change of control of the Subsidiary, and the completion of a Parkmead intragroup transfer of the Company's licence interests in the Netherlands between two Parkmead subsidiaries. These conditions are anticipated to be satisfied in the first half of 2025. As reported in Parkmead's full-year audited results, on 30 June 2024 the Subsidiary had £197 million in carried forward ring-fence corporation tax losses. For the year ended 30 June 2024, the Subsidiary (excluding the retained Netherlands assets) contributed a profit before taxation of £6,000 reflecting net cash credits received from JV partners. As at 30 June 2024, the net assets of the Subsidiary (excluding the retained Netherlands assets) was £1,063,000.

Following Completion, Parkmead will continue to hold all its other energy assets. These include its revenue generating portfolio of onshore gas fields in the Netherlands and, in the UK, its operated Kempstone Hill Wind Farm and its potential solar and wind energy development projects at Pitreadie.

Rationale for the transaction

Parkmead has been carefully considering the outlook for its UK North Sea oil licences, and the potential capital requirements needed were they to be progressed through appraisal and development. The offshore sector is facing continuing challenges in the form of the current political environment towards UK oil & gas, and the focus of the UK Government on its Net Zero Strategy. In this context, Parkmead believes that the opportunity to progress these UK North Sea oil licences would be best served within the portfolio of a larger, North Sea focused company, enabling Parkmead to apply its expertise and the Company's resources on growing its Netherlands gas assets and its projects in renewable energies.

This transaction therefore represents an excellent result for Parkmead shareholders, for the following key reasons:

- The firm, near-term cash consideration totalling £14 million represents exceptional value given the early stage in the exploration and appraisal cycle of the assets. These funds put Parkmead in a strong financial position, whilst also retaining 100% of its Netherlands and UK revenues and profits; and
- The Sale removes any risk to Parkmead from these two potentially large UK offshore projects. The Company will retain an attractive portion of the potential upside associated with both Skerryvore and Fynn Beaully, with no further financial exposure to the Group.

Future Strategy

- Parkmead will continue to grow its core UK renewable and Netherlands gas assets;
- The co-venturers in the Netherlands are working to identify and develop a number of short cycle, rapid payback drilling and workover opportunities;
- The Parkmead team is progressing a joint venture agreement for a major wind farm of up to 100 MW centred around the Company's owned land at Pitreadie; and
- Parkmead is well positioned to pursue value-adding acquisition opportunities. The Board is focused on targeting the acquisition of further cashflow generating renewable energy assets onshore UK and on international E&P opportunities with the aim of delivering value for shareholders.

Parkmead's Executive Chairman, Tom Cross, commented:

"I am delighted to announce this important transaction for Parkmead. Through the sale of these UK offshore oil licences we have no further capital investment requirements, whilst retaining a very attractive share of the upside should any developments at Skerryvore or Fynn Beaully proceed. The addition of the near-term, firm £14 million cash consideration, together with Parkmead's existing cash, means the Group is well-funded to pursue the next phase of its growth plans in natural gas, renewable energies and international E&P."

Gneiss Energy Limited is acting as financial advisor to Parkmead on the Sale.

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