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

**Acquisition of BP interests in the Bruce, Keith and Rhum fields in the North Sea**

**Appointment of CEO**

London, 21 November, 2017 – Serica Energy plc (AIM: SQZ) ("Serica" or "the Company") is pleased to report that Serica UK, a wholly-owned subsidiary of the Company, has 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 "Acquisition"). 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"). Subject to completion of the Acquisition, Serica will also become production operator of the BKR Assets and the Directors anticipate that approximately 110 BP staff will be transferred to Serica. The Acquisition is subject to certain regulatory, government and partner consents. The deal has an effective date of 1 January 2018 and Completion of the Acquisition is expected to take place in mid-2018.

The Initial Consideration for the Acquisition is £12.8 million, to be adjusted for working capital, with additional contingent consideration amounts of up to £39.1 million payable dependent on certain production and gas price thresholds being achieved. The Initial Consideration is expected to be exceeded by Serica's share of net cash flow from the BKR Assets between 1 January 2018 and Completion of the Acquisition. The contingent cash consideration will be financed by expected cash flows from the BKR Assets.

BP will also receive a share of pre-tax net cash flow from the BKR Assets of 60% in 2018, 50% in 2019 and 40% in each of 2020 and 2021. The net cash flow shares are calculated on a monthly basis. No amounts are payable by Serica UK unless this cash flow is positive and amounts are repayable to Serica UK in the event of negative cash flow, up to the amount of prior payments made to BP in the same year. Excess losses in a year are carried forward to be offset against future income.

BP will retain liability for all decommissioning costs relating to facilities existing at Completion, including wells, associated with the BKR Assets acquired by Serica UK. Serica UK will pay BP additional consideration equal to 30% of such costs at the time of decommissioning reduced by the tax relief that BP receives on these costs. This element of consideration is capped by the amount of net cash flow received by Serica UK as a result of the Acquisition.

As part of the Acquisition, Serica UK has entered into product sales agreements with BP to off-take Serica's share of gas and oil production from the BKR Assets on market terms. It has also agreed to

enter sales contracts for Natural Gas Liquids production on a similar basis. BP Gas Marketing Ltd ("BPGM") has also agreed to provide Serica UK with a Prepayment Facility of up to £16 million. This can be used to provide further financing flexibility to cover the cost of hedging instruments which have been purchased by Serica UK in conjunction with signing the Acquisition Agreement and, if required, the Initial Consideration.

### **Transaction Highlights**

The Board of Serica believes that the Acquisition will be transformational for the Company, positioning it as one of the leading mid-tier independent oil and gas producers on the UK Continental Shelf ("UKCS").

- **Significant increase in Reserves and production**
  - Serica's pro-forma net 2P Reserves at 1 January 2018 are projected to increase sixteen-fold to 50 mmboe<sup>1</sup>
  - Based on H1 2017 production rates Serica's net production would increase approximately seven-fold to over 21,000 boepd<sup>2</sup> of which over 85% is gas
  - Acquisition expected to be immediately cash flow and value accretive post-Completion
- **Diversification of production streams and export routes**
  - Serica's asset and production base will expand from one to four fields, mitigating sole producing asset risk
  - Following the Acquisition Serica will be delivering hydrocarbons via three export systems: Frigg, the Central Area Transmission System and the Forties Pipeline System
- **Structured to mitigate financial risk**
  - Bulk of consideration deferred and contingent
  - Initial Consideration expected to be exceeded by Serica's share of net cash flows from the BKR Assets between 1 January 2018 and Completion of the Acquisition anticipated in mid-2018
  - Future payments linked to the performance of the BKR Assets, allowing both parties to share the benefits of improving field recoveries and production efficiencies
  - The BKR Assets are predominantly gas assets. Gas sales arrangements include price hedging to further mitigate risk
- **Maintains balance sheet strength with no shareholder dilution**
  - Serica is not raising equity finance to fund the Acquisition
  - BP to retain decommissioning liability for existing facilities of the BKR Assets
  - Cash flows from the BKR Assets can be used to invest in Maximising Economic Recovery from the BKR Assets and to pursue further growth opportunities
  - Existing net cash resources are not expected to be impacted by the Acquisition. These stood at approximately US\$34 million on 17 November 2017 and are expected

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<sup>1</sup> Source: BKR CPR and Serica CPR

<sup>2</sup> Source: OGA production statistics H1 2017

to be further supplemented by production from the Erskine field prior to Completion of the Acquisition

- The Company has no borrowings other than under the Prepayment Facility provided by BP as part of the gas sales arrangements
- **Tax efficient**
  - Accelerated utilisation of Serica's tax allowances against profits from the Bruce, Keith and Rhum fields
- **Operatorship positions Serica to deliver the full potential of the BKR Assets**
  - Serica expects to drive value through investment and implementation of efficiencies, focusing on the OGA's target of Maximising Economic Recovery
  - Serica's management experience and skill sets will be combined with those of existing BP staff, who will become an integral part of Serica's team
    - Transition plan to be put in place
    - Transferred staff employment terms to be guaranteed for at least 12 months post-Completion
- **Increased scale to support strategic growth plans**
  - The Acquisition will increase Serica's prominence and profile and improve its ability to attract new investment opportunities and funding
  - The Enlarged Group's diversification, increased scale and operating capabilities will position Serica for both organic growth and further acquisitions
- **Board changes**
  - Mitch Flegg appointed CEO and to the Board of Serica with immediate effect
  - Further appointments are planned to broaden and diversify representation on the Board in line with the significantly increased scale and nature of the Company's expanded operations and strategic potential for further growth following the Acquisition
  - In compliance with US regulations limiting the involvement of US Persons in relation to assets in which there are Iranian interests, Jeffrey Harris has stepped down from the Board to ensure that the Company is not encumbered in future operations on the Rhum field in which Iranian Oil Company (UK) Limited holds a 50% interest
- **The Acquisition will constitute a reverse takeover under the AIM Rules**
  - Trading in the Company's Ordinary Shares will be suspended shortly following the release of this announcement
  - An Admission Document, setting out full details of the Company and the proposed Acquisition, is anticipated to be published on or around 30 November 2017 at which time trading in the Ordinary Shares is expected to be restored

**Tony Craven Walker, Serica's Executive Chairman, commented:**

*"This transaction will establish Serica as a leading British independent oil and gas company with the scale, balance sheet and operating capability to prosper in the North Sea's rapidly changing upstream oil and gas industry. It will diversify Serica from being a single asset to a multi-asset production company. It will also broaden our role as an operator, which will enable us to maximise performance*

*from Bruce, Keith and Rhum, complement the continuing good performance from Erskine and deliver further value growth.*

*We have achieved this through an earn-out structure which enables both Serica and BP to share the risk and benefit from the future performance of the BKR Assets. For Serica, the transaction is expected to be both cash flow and value accretive. It has been delivered without diluting existing shareholder equity and significantly increases reserves and production per share.*

*Since completing the Erskine acquisition in 2015, Serica has been strengthening its balance sheet to pursue expansion opportunities which are diversifying, value creating, tax efficient and non-dilutive. This acquisition meets these criteria. I am proud of what the team at Serica has achieved during this period, increasing Serica's net 2P reserve base to approximately 50 mmbob and achieving a seven-fold increase in production with no new equity raised.*

*Our priority now is to maximise the economic value of our producing assets for the benefit of our shareholders, our field partners and our employees. We very much look forward to welcoming the extremely capable team that will be transferring to Serica from BP and combining skillsets and operational expertise.*

*Prior to completion of the transaction, we expect to strengthen our Board with a number of new appointments. Today we are announcing the appointment of Mitch Flegg as CEO of Serica and I am delighted to welcome him back to our senior management team. Mitch has worked closely with Serica in recent months to help bring this transaction to fruition and I and my co-directors look forward to working with him as we build on the opportunities that this deal will bring."*

**Mitch Flegg, Serica's new CEO, commented:**

*"I am delighted to return to Serica in the role of CEO. I am re-joining a dynamic, fast growing company, which is focused on enhancing the value of both its existing and soon to be acquired assets on the UKCS. I am also looking forward to working with the highly skilled team that will be transferring to Serica from BP. They will be joining us at a very exciting time for the Company. Successful Completion of the transaction will establish Serica as a new force in the North Sea and as a robustly financed upstream operator with the experience, expertise, cash flow, breadth of assets and balance sheet to expand organically and to identify and develop new opportunities to grow shareholder value."*

**Bernard Looney, Chief Executive, BP Upstream commented:**

*"This is an example of BP's Upstream strategy in action – refreshing our portfolio and focusing our activity on assets which will add most value over the long-term.*

*We remain committed to the North Sea and continue to invest. We expect our production there to double to around 200,000 barrels equivalent a day by 2020 through new projects like Quad 204 and Clair Ridge.*

*While the Bruce assets are no longer core to BP, we are confident that Serica is the right owner and operator to maximise their continuing value for both companies and for the UK."*

**Suspension of Trading and General Meeting**

The Acquisition constitutes a reverse takeover under the AIM Rules for Companies. As such, trading in the Company on AIM will be suspended until the publication of an Admission Document anticipated to be published on or around 30 November 2017. The Acquisition is also subject to the approval of Shareholders, which is being sought at a General Meeting, notice of which will be set out in the Admission Document.

**Analyst Conference Call**

A conference call for analysts will be held at 09:30am this morning, Tuesday 21 November 2017. To participate in this call, please contact [serica@instinctif.com](mailto:serica@instinctif.com) for dial-in details.

### Technical Information

The technical information contained in this announcement has been reviewed and approved by Clara Altobell, VP Technical at Serica Energy plc. Clara Altobell (MSc in Petroleum Engineering from Imperial College, London) has over 20 years of experience in oil and gas exploration, production and development and is a member of the Society of Petroleum Engineers (SPE) and the Petroleum Exploration Society of Great Britain (PESGB).

The Reserves information extracted from the BKR CPR and the Serica CPR and presented in this announcement has been prepared in accordance with generally accepted petroleum engineering and evaluation principles set forth in standards pertaining to the estimating and auditing of Oil and Gas reserves information promulgated by the SPE (the SPE Standards).

### Regulatory

This announcement includes inside information for the purposes of MAR.

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Lambert Energy Advisory Limited act as advisors to Serica in respect of the Acquisition. Peel Hunt LLP act as the Company's Nominated Adviser and Broker in respect of the Acquisition.

### NOTES TO EDITORS

Serica Energy is an independent oil and gas exploration and production company focused on the North Sea with exploration, development and production interests in the UK sector and exploration interests in the Atlantic margins offshore Ireland and Namibia. Further information on the Company can be found at [www.serica-energy.com](http://www.serica-energy.com).

The Company's Ordinary Shares are quoted on the AIM market of the London Stock Exchange under the ticker SQZ and Serica is a designated foreign issuer on the TSX. To receive Company news releases via email, please contact [serica@instinctif.com](mailto:serica@instinctif.com) and specify "Serica press releases" in the subject line.

### Background to, reasons for and benefits of the Acquisition

In June 2015, Serica completed the acquisition of an 18% interest in the Erskine field located in the Central North Sea Area of the UK Continental Shelf. Since that time Serica has benefited from strong

cash flow generation as production efficiencies at the Erskine field increased and operating costs reduced. This has been reflected in a five-fold increase in the Company's market capitalisation since the time of the acquisition. However, the Company has remained dependent on a single field and the continuing performance of the downstream processing and transportation systems for the delivery of its sole source of production to the market.

It has been the Board's stated objective to seek to diversify this risk and, by doing so, to provide the platform for future growth. The Acquisition meets these criteria and will establish Serica as a leading British independent oil and gas company with the scale, balance sheet and operating capability to grow and prosper in the rapidly changing upstream oil and gas environment. As well as helping to establish Serica as a technically capable and robustly financed upstream operator with the experience, expertise, assets and finances to create new opportunities for growth, the Directors believe the Acquisition provides the following benefits:

***Diversification of production streams and export routes***

The purchase of the BKR Assets will represent a significant step in the evolution of the Company from an exploration and development group with no current operating role in producing fields to the operator of major gas fields in the North Sea. Serica will no longer be dependent on the Erskine field as its sole source of production. The Acquisition will also provide Serica with access to the Frigg gas pipeline through which Bruce, Keith and Rhum field gas is exported in addition to the Central Area Transmission System pipeline through which Erskine field gas is exported. The condensate from each of these fields is exported through the Forties Pipeline System.

***Addition of new Reserves***

The net 2P Reserves attributable to the BKR Assets as at 1 January 2018 are projected to amount to approximately 47 mboe. These reserves will provide a significant addition to the projected remaining net approximately 3 mboe 2P Reserves attributable to Serica's share of the Erskine field as at 1 January 2018.

***The Acquisition is structured to control risk and minimise Shareholder dilution***

The Acquisition has been structured primarily on a deferred cash/contingent consideration basis, leaving Serica with a relatively small Initial Consideration of £12.8 million which is expected to be funded from Serica's share of net cash flow from the BKR Assets during the period from 1 January 2018 to Completion but can also be funded through the Prepayment Facility provided by BP. The Directors expect to be able to meet the future deferred cash and contingent consideration payable from Serica's share of the net cash flows from the BKR Assets following Completion with the level of future payments linked to the performance of the BKR Assets thereby allowing both parties to share the benefits of improving field recoveries and production efficiencies.

***Maintains the Company's Balance Sheet strength***

The Consideration structure with the emphasis on future payments related to asset performance will assist Serica in maintaining its current Balance Sheet strength with net cash resources and limited borrowings. The Enlarged Group's only borrowings at Completion are expected to be drawings under the Prepayment Facility provided by BPGM. In addition, the arrangements on decommissioning, under which BP is retaining all of the decommissioning liabilities of existing facilities, assists Serica in maintaining financial capability to support its future operations. The Directors believe that a strong balance sheet supported by cash flows from the BKR Assets can be used to invest in the BKR Assets and will assist the Company in working with its new field partners to achieve the objective of adding recoverable Reserves, extending field life and pursuing further growth opportunities.

***The Acquisition is expected to be cash flow and value accretive***

The Acquisition is expected to be immediately cash flow and value accretive post-Completion. Based on H1 2017 production rates, Serica's net production would increase approximately seven-fold as a result of the Acquisition. Based on the BKR CPR and the Serica CPR, pro-forma net 2P Reserves per Serica share at 1 January 2018 are anticipated to increase sixteen-fold.

### ***Management input through operatorship***

Serica is development operator of the Columbus field in the Central North Sea in respect of which the Directors are aiming to submit a Field Development Plan by mid-2018. Subject to Completion of the Acquisition, Serica UK will become production operator of the BKR Assets and will be able to complement its skill sets and its management experience with those of the existing BP staff who will become an integral and valuable part of Serica's team. The Directors believe that this combination of entrepreneurial skills and operating expertise will enable Serica to build on BP's achievements and deliver the full potential of the BKR Assets through new investment, operational efficiencies and focus and also meet the OGA's targets of Maximising Economic Recovery.

### ***Efficient use of tax pool***

Serica is expected to be able to optimise the value of its pool of carried forward tax allowances by accelerating their use against taxable profits from the Bruce, Keith and Rhum fields. The value of the pool stood at approximately US\$165 million at 1 January 2017 and a portion will have been used against taxable profits from the Erskine field prior to Completion.

### ***Limited exposure to commodity prices***

The BKR Assets are predominantly gas assets and, as such, have limited exposure to international oil price movements. Under the Product Sales Agreements Serica UK will sell all of its future production from the BKR Assets to BP entities and has hedged 60% of its retained share of the gas production for 2018, 60% for 2019 and 40% for the first half of 2020 at a floor price of 35p per therm. The cost of these hedging instruments has been drawn under the Prepayment Facility. Gas price hedging mitigates risk for Serica in relation to the Acquisition.

### ***Increased scale***

The Directors believe that scale is important in the international oil and gas industry. The Acquisition will increase Serica's prominence and profile, improving its ability to attract new investment funding when required. The diversification of Serica's assets through the Acquisition and limited borrowings places the Company in a strong position to grow both organically through application of technology and operational efficiencies and inorganically through further acquisitions. The Acquisition is expected to place Serica as the third largest quoted European independent upstream oil and gas company measured by UK production.

### **Background information on the BKR Assets**

The BKR Assets being acquired comprise a 36% interest in the Bruce field, a 34.83% interest in the Keith field, and a 50% interest in the Rhum field. With net production of approximately 5 million boe<sup>3</sup> in 2016 the BKR Assets were significantly cash flow positive, generating an operating profit of \$49.8 million<sup>4</sup> before tax for the year ended 31 December 2016.

The Bruce field is operated by BP and, upon Completion, will be operated by Serica UK, with partners Total E&P UK Limited (43.25%), BHP Billiton Petroleum Great Britain Limited (16%), Marubeni Oil and Gas (North Sea) Limited (3.75%) and BP (1%). The Bruce field was discovered in June 1974 and is located 350 km northeast of Aberdeen at a water depth of 122 metres and with an area of

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<sup>3</sup> Source: OGA production statistics

<sup>4</sup> Source: Operating profit before interest, tax, depreciation and amortization, based on unaudited financial information extracted from BP's accounting records

approximately 75km<sup>2</sup>. Field development was sanctioned in 1990 and production started in 1993. Production is primarily gas with associated condensate and NGLs. The field produces from 11 reservoir units, separated by faulting and has a cumulative production since 1993 of over 3Tcf. Bruce 1H 2017 production was approximately 4,400 boepd net to BP<sup>5</sup>. The field utilises three bridge-linked platforms and a subsea manifold for production. There is a production platform housing a crew of up to 168 with production and facilities equipment. The second platform is a drilling platform, with the third platform hosting reception and compression facilities. Gas compression was installed in 2004. The field was originally appraised with 26 wells. To date there are over 60 well penetrations in the field with 21 producing wells.

The Keith field lies 6.8 km to the southwest of the Bruce field in a water depth of 120 metres and has been developed as a subsea tie-back to the Bruce complex. It is operated by BP and on Completion will be operated by Serica UK, (34.83%), with partners Total E&P UK Limited (25%), BHP Billiton Petroleum Great Britain Limited (31.83%) and Marubeni Oil and Gas (8.34%). Keith was confirmed as a separate field to Bruce after drilling in 1987 and first came on production in 2000, with a second phase of development in 2002. Keith 1H 2017 production was approximately 450 boepd net to BP<sup>6</sup>. No further capital programmes are planned on Keith as the field is in the final stages of its producing life.

The Rhum field lies 380km north east of Aberdeen, 44 km north of the Bruce field and in 109 metres of water and is operated by BP (50%). On Completion it will be operated by Serica UK, with Iranian Oil Company (UK) Limited (50%) as its partner. As a consequence of US primary sanctions imposed on Iran, BP, as the current operator, has obtained a licence granted by the US Office of Foreign Assets Control for the deployment of certain resources on field operations. The field was discovered by BP in 1977 and encountered high pressure and high temperature gas. Production started in December 2005 and peaked at 300mmscf (~51,000 boepd), shortly after start-up. Cumulative production since 2005 has been approximately 65 million boe gross, and 1H 2017 gas and condensate production was approximately 13,500<sup>7</sup> boepd net to BP from two wells. A third well (Rhum R3 Well) was drilled but not brought into production due to complications with the completion and hydrate formation. The Rhum field partners are planning that the Rhum R3 Well be re-entered and completed for production in 2018.

### **Summary of Bruce, Keith and Rhum Reserves (net to BKR Assets)<sup>8</sup>**

**As of 1 June 2017**

	<u>Total 1P</u>	<u>Total 2P</u>	<u>Total 3P</u>
<b>Net Remaining Reserves</b>			
Oil & Liquids (MMBarrels)	3.394	4.994	5.430
Gas (MMCF)	171,008	264,258	306,686

### **Summary of Erskine Reserves (net to Serica's interest)<sup>9</sup>**

**As of 30 June 2017**

<sup>5</sup> Source: OGA production statistics H1 2017

<sup>6</sup> Source: OGA production statistics H1 2017

<sup>7</sup> Source: OGA production statistics H1 2017

<sup>8</sup> Source: BKR CPR

<sup>9</sup> Source: Serica CPR



	<u>Total 1P</u>	<u>Total 2P</u>	<u>Total 3P</u>
<b>Net Remaining Reserves</b>			
Oil (MMBarrels)	0.821	1.499	2.323
NGL (MMBarrels)	0.108	0.195	0.301
Gas (MMCF)	5,415	9,825	15,164

### **Enlarged Group strategy**

The Directors intend that the Enlarged Group will build upon its technical and financial strengths both organically, through its existing assets, and inorganically, through further acquisitions which have near term potential. As operator of the BKR Assets, Serica will seek to enhance the value of its assets to the benefit of stakeholders and partners through increased operating efficiencies to reduce costs and the application of new technologies to increase production, maximise recovery and extend producing life of the fields where possible without compromising the highest safety, environmental and employment standards. As a non-operator of the other Enlarged Group assets (save for Columbus where Serica is the development Operator), Serica will seek to work closely with its operators to maximise the recovery of Reserves and resources. The Directors intend to build new opportunities by combining the operational skills of BP staff with the existing Serica management team. The Company will also continue to seek ways of broadening its asset base and resources through selected acquisitions where these can be identified to strengthen its portfolio and add to its capabilities over the full exploration to production cycle.

### **Principal terms of the Acquisition and Product Sales Agreements**

Pursuant to the Acquisition Agreement, Serica UK has conditionally agreed to acquire the entire interests and operatorship of BP in the Bruce, Keith and Rhum fields save for a 1% interest in the Bruce field, which is to be retained by BP. In addition, pursuant to the Product Sales Agreements, Serica UK will sell to BP, Serica UK's share of gas, oil and NGLs produced from the BKR Assets.

The Consideration for the Acquisition is to be entirely funded by cash, with the bulk of the consideration being deferred and/or contingent and expected to be financed from Serica's share of the net cash flows from the BKR Assets. The consideration is made up of the following elements.

An Initial Consideration of £12.8 million is payable at the date of Completion. Serica is entitled to a share of the net cash flows from the BKR Assets during the interim period from the effective date of the Acquisition (1 January 2018) to the date of Completion, which, in the light of the conditions to be satisfied as referred to below, is not expected to be until mid-2018. The Directors anticipate that Serica's share of the net cash flow in this period will be more than the amount of the Initial Consideration and, since these net cash flows are to be netted off against the amount of the Initial Consideration, this would mean that at Completion there would be a net amount paid to Serica UK by BP. Serica also has the option to draw down the amount of the Initial Consideration pursuant to the Prepayment Facility described below.

In addition to the Initial Consideration, up to £16 million is payable to BP in January 2019 or thereafter provided that the Rhum R3 Well has achieved a specified minimum production threshold for 90 days during the first year following completion of the workover anticipated to take place during 2018. If the production threshold is not met, this element of the consideration will not be paid. .

Up to a further £23.1 million in aggregate is payable in three annual instalments (of up to £7.7 million each), in respect of 2019, 2020 and 2021. The amounts payable will be reduced if Rhum field production and the price achieved for sales of Rhum gas do not meet certain thresholds.

BP will also receive a share of net cash flow from the BKR Assets of 60% in 2018, 50% in 2019 and 40% in each of 2020 and 2021. The net cash flow shares are calculated on a monthly basis. No

amounts are payable by Serica UK unless this cash flow is positive and amounts are repayable to Serica UK in the event of negative cash flow, up to the amount of prior payments made to BP in the same year. Excess losses in a year are carried forward to be offset against future income.

In addition to the consideration amounts outlined above, Serica UK will pay consideration equal to 30% of BP's share of decommissioning costs reduced by the tax relief that BP receives on those costs. This element of consideration is capped by the amount of net cash flow received by Serica UK as a result of the Acquisition.

Serica UK will also pay deferred consideration equal to 90% of its share of the realised value of oil in the Bruce pipeline at the end of field life.

BP will retain liability for all the costs of decommissioning facilities existing at Completion relating to the BKR Assets. Serica UK will pay for the costs of decommissioning new facilities.

The Product Sales Agreements provide for sales prices based on standard spot pricing, subject to deductions for marketing fees and normal system charges. In addition, pursuant to the Prepayment Facility, BPGM has provided up to £16 million to cover agreed hedging costs and the Initial Consideration, if required, with repayments out of 35% of Serica UK's retained share of gas sales to be made on a monthly basis subject to a six-month payment holiday from the date of Completion. The Prepayment Facility has a term of 3 years and carries an interest rate of 4.5% above LIBOR. The Prepayment Facility and associated hedging provides Serica UK with additional liquidity and mitigates gas price risk.

Serica and Serica UK have each provided certain financial guarantees to BP in relation to the obligations under the Acquisition documents, Net Cash Flow Sharing Deed and gas sales arrangements. These include a charge over the BKR Assets during the period of the Net Cash Flow Sharing Deed and a parent company guarantee in respect of certain obligations under the Sale and Purchase Agreement and gas sales arrangements. There are also constraints on Serica UK in terms of selling or encumbering the BKR Assets in the future.

Completion of the Acquisition is conditional inter alia on:

- The OGA's consent to the assignment of the interests in the BKR licences to Serica UK and the transfer of operatorship of the BKR Assets to Serica UK
- A waiver of pre-emption rights from Iranian Oil Company (UK) Limited, BP's partner on the Rhum field;
- The approval of BP's partners in the BKR Assets to the assignment of the licence interests and the transfer of operatorship to Serica (the requirement for such approval is customary for transactions of this type);
- Clearance being received from HMRC for the tax treatment of the sharing of the net cash flows from the BKR Assets pursuant to the Net Cash Flow Sharing Deed as intended;
- Receipt by Serica UK of an OFAC licence and arrangement of satisfactory banking facilities to conduct Rhum operations;
- Renewal of certain of the BKR Assets' licences prior to Completion;
- Amendments to BKR operating and decommissioning agreements to give effect to the decommissioning arrangements as between BP and Serica UK; and
- The passing of the Resolution at the General Meeting

It is anticipated that some of the conditions (and in particular the OGA consents referred to above) will take some months to satisfy. Accordingly, it is not anticipated that Completion will take place until mid-2018. Completion will not take place unless Admission also occurs.

In addition to the conditions under the Acquisition Agreement, Serica UK has the right to terminate the Acquisition Agreement prior to Completion in the event of catastrophic damage to the facilities. Each of Serica UK and BP can also terminate the Acquisition Agreement if there is cessation of production from the Rhum field due to sanctions. The Iranian Oil Company (UK) Limited is a joint venture partner in the Rhum field and is subject to US restrictions in relation to Iran. As a British company, Serica is not itself a US Person and is not restricted in its partnership joint venture arrangements but will otherwise comply with US sanctions law in every respect insofar as it applies to US persons as they relate to Rhum field operations.

The Acquisition Agreement also contains customary warranties in relation to the BKR Assets from BP for a transaction of this nature.

BP and Serica UK have also entered into the Transfer of Operatorship Agreement pursuant to which the parties have set out the process and obligations between them for transferring to Serica UK the operatorship of the BKR Assets. The transfer of operatorship to Serica is a substantial undertaking and requires the consent of OGA and BP's field partners in the BKR Assets. The transfer of operatorship involves, amongst other things, Serica UK taking on approximately a further 110 employees, the transfer of inventory, the assignment or replacement of a substantial number of contracts relating to the day to day operations of the BKR Assets and the identification of IT software and hardware to be transferred or replaced. The Company also expects to open its own office in Aberdeen from which it will manage day to day operations. The TOA includes mutual indemnities in relation to the matters to be performed under it.

Serica is committed to protect terms and conditions above and beyond TUPE requirements for a period of at least 12 months after the date of Completion of the Acquisition. Serica has no plans to reduce workforce numbers and will consult and engage with in-scope employees, contractors and agency staff throughout the sale process during which time a transition plan will be put in place.

### **Board changes**

Mitchell "Mitch" Robert Flegg, aged 57 has been appointed as CEO and a Director to the Board with immediate effect.

One of the assets that Serica is acquiring, the Rhum field, is held in a joint venture with Iranian Oil Company (UK) Limited. Jeffrey Harris, as a US Person, is subject to US restrictions in relation to Iran. He has therefore recused himself from Board discussions relating to the Acquisition and has elected to step down from the Board in order to ensure that Serica is not encumbered in its future operations by his presence as a Director. GRG UK Oil LLC, an entity controlled by Jeffrey Harris, remains a significant shareholder of Serica.

Serica recognises the importance of meeting best practice corporate governance standards and will seek to strengthen its Board further in the near-term with Non-Executive Director appointments to ensure it can facilitate the diversity and growth ambitions of the business.

### **Reverse takeover and timetable**

The Acquisition will constitute a reverse takeover in accordance with Rule 14 of the AIM Rules for Companies and is subject to a number of conditions including approval by Serica shareholders. Accordingly, the Company's Ordinary Shares will be suspended from trading on AIM shortly following the release of this announcement and will remain suspended until a new AIM Admission Document has been published.

The Company anticipates publishing an AIM Admission Document together with a Notice of General Meeting to approve the Acquisition on or around 30 November 2017. Following publication, the Board expects that trading in the Company's Ordinary Shares on AIM will resume.

### **Notes:**

Mitch Flegg has held the following directorships during the last five years:

**Current directorships**

Greenoaks Advisory Limited

**Previous directorships**

Serica Energy plc

Serica Energy (UK) Limited

Serica Holdings UK Limited

Serica UK Exploration Limited

Circle Oil plc

Circle Oil Maroc Limited

Circle Oil Egypt Limited

Circle Oil Tunisia Limited

Circle Oil Oman Limited

Circle Oil Jersey Limited

Mr Flegg holds 184,445 Ordinary Shares in the Company.

Circle Oil plc went into a creditors voluntary liquidation on 20 February 2017, and Circle Oil Jersey Limited went into administration on 26 January 2017. Mr Flegg was a director of both of these companies at the time of, or within the period of twelve months prior to the dates on which these events occurred. Mr Flegg has nothing further to disclose pursuant to paragraph (g) of Schedule Two of the AIM rules for Companies.

**NOTICE**

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "envisages", "estimates", "anticipates", "projects", "expects", "intends", "may", "will", "could", "seeks" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy plans, objectives, goals, future events or intentions. These forward-looking statements include statements regarding the Company's and the Directors' current intentions, beliefs or expectations concerning, amongst other things, investment strategy, financing strategy, performance, results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Enlarged Group will operate.

By their nature, forward-looking statements involve risks (including unknown risks) and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not an assurance of future performance. The Company's actual performance, results of operations, financial condition, liquidity and dividend policy and the development of the business sector in which the Enlarged Group will operate, may differ materially from those suggested by the forward-looking statements contained in this announcement. In addition, even if the Company's performance, results of operations, financial condition, liquidity and dividend policy and the development of the industry in which the Enlarged Group will operate, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements in this announcement reflect the Company's and the Directors' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the matters referred to above. Other than in

accordance with the Company's obligations under the AIM Rules for Companies, the Company does not undertake to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Information pertaining to the petroleum assets in which the Enlarged Group will be interested is derived from the BKR CPR and Serica CPR.

Various market data and forecasts used in this announcement have been obtained from independent industry sources. The Company has not verified the data, statistics or information obtained from these sources and cannot give any guarantee of the accuracy or completeness of the data. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications, risks and uncertainties as above.

## DEFINITIONS

The following definitions apply throughout this announcement unless the context requires otherwise:

<b>"Acquisition"</b>	the proposed acquisition by Serica UK of the BKR Assets on the terms of the Sale and Purchase Agreement;
<b>"Admission"</b>	the re-admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules at Completion;
<b>"Admission Document"</b>	the admission document proposed to be published by the Company in connection with Admission;
<b>"AIM"</b>	AIM, a market of the London Stock Exchange;
<b>"AIM Rules"</b>	the AIM Rules for Companies and the AIM Rules for Nominated Advisers, as applicable;
<b>"AIM Rules for Companies"</b>	the rules for AIM companies published by the London Stock Exchange, as amended or re-issued from time to time;
<b>"AIM Rules for Nominated Advisers"</b>	the rules for nominated advisers to AIM companies published by the London Stock Exchange, as amended or re-issued from time to time;
<b>"BP"</b>	BP Exploration Operating Company Limited;
<b>"BPGM"</b>	BP Gas Marketing Limited;
<b>"BKR Assets"</b>	BP's interests in the Bruce, Keith and Rhum fields in the North Sea (save for a 1% interest in the Bruce field which is being retained by BP), along with the associated oil and gas infrastructure and as more specifically set out in the Sale and Purchase Agreement;
<b>"BKR CPR" or "BKR Competent Person's Report"</b>	the independent technical report of Ryder Scott Company L.P. dated 17 November 2017 in relation to the Reserves and resources of the BKR Assets;
<b>"Board"</b>	the board of directors of the Company as constituted from time to time;
<b>"Company" or "Serica"</b>	Serica Energy Plc, a company incorporated in England and Wales with registration number 5450950;
<b>"Completion"</b>	completion of the Acquisition in accordance with the terms of the Acquisition Agreement;
<b>"Directors"</b>	the current directors of the Company;
<b>"Enlarged Group"</b>	Serica and its subsidiaries following Completion;

<b>"General Meeting"</b>	the general meeting of the Company proposed to be convened for the purposes of considering the Resolution;
<b>"HMRC"</b>	Her Majesty's Revenue and Customs;
<b>"Initial Consideration"</b>	the initial consideration of £12.8 million payable for the BKR Assets pursuant to the Sale and Purchase Agreement, against which Serica UK's share of net cash flow from the effective date (1 January 2018) will be netted off;
<b>"London Stock Exchange"</b>	London Stock Exchange plc;
<b>"MAR"</b>	the EU Market Abuse Regulation (No 596/2014);
<b>"Maximising Economic Recovery"</b>	an OGA programme to maximise the recovery of oil and gas on the UKCS;
<b>"Net Cash Flow Sharing Deed"</b>	a deed between BP and Serica UK to be entered into on Completion which sets out the methodology for calculating BP's share of future net cash flows from the BKR Assets;
<b>"OFAC"</b>	US Office of Foreign Assets Control;
<b>"OGA"</b>	the Oil and Gas Authority;
<b>"Ordinary Shares"</b>	the ordinary shares in the capital of Serica of US\$0.10 each;
<b>"Prepayment Facility"</b>	The prepayment facility between BPGM and Serica UK dated 21 November 2017
<b>"Product Sales Agreements"</b>	those agreements for the purchase by BP entities of Serica UK's share of gas, oil and NGLs relating to the BKR Assets;
<b>"Resolution"</b>	the resolution to be put to Shareholders to approve the Acquisition;
<b>"Rhum R3 Well"</b>	the third well drilled on the Rhum field which is proposed to be re-entered in 2018;
<b>"Ryder Scott"</b>	Ryder Scott Company L.P., the technical consultants on the BKR Assets;
<b>"Sale and Purchase Agreement", "SPA" or "Acquisition Agreement"</b>	the conditional agreement between Serica UK and BP dated 21 November 2017 in relation to the acquisition of the BKR Assets;
<b>"Security Agreements"</b>	the agreements between Serica UK and BP to be entered into at Completion pursuant to which security will be granted to BP on Completion, to secure, inter alia, its rights under the Acquisition documents, Net Cash Flow Sharing Deed;
<b>"Shareholders" or "Serica Shareholders"</b>	holders of Ordinary Shares from time to time;

<b>"Serica CPR" or "Serica Competent Person's Report"</b>	the independent technical report of Netherland Sewell & Associates Inc, dated 20 November 2017 in relation to the Company's Reserves and resources;
<b>"Serica UK"</b>	Serica Energy (UK) Limited, a wholly owned subsidiary of the Company;
<b>"Transfer of Operatorship Agreement" or "TOA"</b>	the agreement between BP and Serica UK dated 21 November 2017 relating to the transfer of operatorship of the BKR Assets to Serica;
<b>"TSX"</b>	Toronto Stock Exchange;
<b>"TUPE"</b>	the Transfer of Undertakings (Protection of Employment) Regulations;
<b>"UKCS"</b>	the UK Continental Shelf.



## GLOSSARY OF TECHNICAL TERMS

The following glossary of technical terms applies throughout this announcement unless the context requires otherwise:

<b>Term</b>	<b>Meaning</b>
<b>"1P"</b>	proved reserves;
<b>"2C"</b>	the best estimate of contingent resources;
<b>"2P"</b>	proved plus probable reserves;
<b>"3P"</b>	proved plus probable plus possible reserves;
<b>"bbls"</b>	barrel of 42 US gallons;
<b>"bbls/day" or "bpd"</b>	barrels per day;
<b>"bcf"</b>	billion standard cubic feet;
<b>"boe"</b>	barrel of oil equivalent;
<b>"boepd"</b>	barrels of oil equivalent per day;
<b>"contingent resources"</b>	contingent resources are those quantities of petroleum which are estimated to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies;
<b>"mmbbls" or "MMbbls" "MM Barrels"</b>	million barrels of oil;
<b>"MMBoe" or "mmboe"</b>	million barrels of oil equivalent;
<b>"mmscf" "MMCF"</b>	million standard cubic feet;
<b>"mmscfd"</b>	million standard cubic feet per day;
<b>"mscf"</b>	thousand standard cubic feet;
<b>"NGLs"</b>	natural gas liquids extracted from gas streams;
<b>"P10"</b>	the high estimate of prospective resources;
<b>"P50"</b>	the best estimate of prospective resources;
<b>"P90"</b>	the low estimate of prospective resources;
<b>"possible reserves"</b>	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;

<b>"probable reserves"</b>	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;
<b>"prospective resources"</b>	prospective resources are those quantities of petroleum which are estimated to be potentially recoverable from undiscovered accumulations by application of future projects. Prospective resources have both an associated chance of discovery and a chance of development;
<b>"proved reserves"</b>	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;
<b>"p/th"</b>	Pence/therm;
<b>"Reserves"</b>	estimates of discovered recoverable commercial hydrocarbon reserves;
<b>"Tcf"</b>	trillion standard cubic feet.