

Serica Energy AGM Presentation

29 June 2017



Serica has established a sound base from which to build further value



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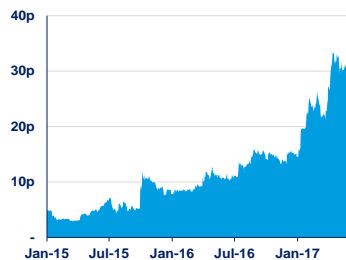
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RESULTS HIGHLIGHTS

Profitable oil
and gas
producer

2016 Profit after tax of
US\$10.8M

Strong balance
sheet supports
further growth



H1 2017
2,800 boe/d
Net production

Cash balance of
US\$30.5M
at 28 June 2017*

Columbus
progressing
towards FDP

* After early payment of US\$2.9 million to BP

FINANCIALS: INCOME STATEMENT

	2016 (US\$million)	2015 (US\$million)	
Revenue	21.4	24.0	2016 income restricted by six-month Erskine shut-in 2015 includes seven months Erskine post-acquisition income
Operating costs	(13.5)	(6.6)	Average 2016 opex of \$23/boe reduced to \$14/boe during periods of uninterrupted production
DD&A	(1.3)	(1.3)	\$2.13/boe reflects low Erskine acquisition cost
GROSS PROFIT	6.6	16.1	Operating costs continuing during shut-in period
Pre-licence costs and net impairment	(0.3)	(8.3)	No asset impairments during 2016
G&A	(2.1)	(2.7)	Further G&A reductions achieved during the year
Exchange/ finance/ share based costs	(0.9)	(0.7)	Mainly unrealised exchange losses on currency holdings
Deferred tax credit	7.5	2.4	Increase reflects greater near-term utilisation of tax losses
Discontinued operations	-	(0.3)	Kambuna closeout now completed
PROFIT FOR THE YEAR	10.8	6.5	

FINANCIALS: BALANCE SHEET

	2016 (US\$million)	2015 (US\$million)	
Exploration and evaluation assets	53.2	51.9	Columbus investment to date plus retained exploration
PP&E	9.1	8.9	Erskine acquisition net of DD&A
Deferred tax	9.9	2.4	Partial recognition of future benefits from tax losses
Total non-current assets	72.2	63.2	
Inventories and receivables	7.2	4.6	December sales revenue and JV partners debtors
Cash	16.6	21.6	Cash rebuilding following Erskine 2016 shut-in
Current liabilities	(5.9)	(9.6)	Includes 3 rd Erskine acquisition instalment – US\$2.9 million
Non-current liabilities	(5.0)	(5.6)	4 th Erskine instalment of US\$2.9 million plus other acquisition provisions
NET ASSETS	85.1	74.2	
Share capital and reserves	250.0	250.0	No new equity fundraising since 2013
Accumulated deficit	(164.9)	(175.8)	
TOTAL EQUITY	85.1	74.2	

FIRST HALF 2017

Average production net to Serica (approx. 50% oil, 50% gas)

- 3,100 boe/d through to end May
- June volumes cut-back to monitor wax-build and allow for four-day pipeline soak
- H1 average production of 2,800 boe/d

Average market prices January-May of US\$53 per bbl (Brent) and 44 pence per therm (NBP)

- June production hedged at US\$50 per barrel and 40 pence per therm

Average operating costs approx US\$14 per boe

Financial position

- Strong cashflow enabled early payment of Erskine 3rd tranche – US\$2.9 million
- Cash balance at 28 June US\$30.5 million after payment of Erskine 3rd tranche
- Steady income stream and low operating costs support cash build
- No borrowings and no material expenditure commitments
- Serica well-placed to fund future investment and acquisitions

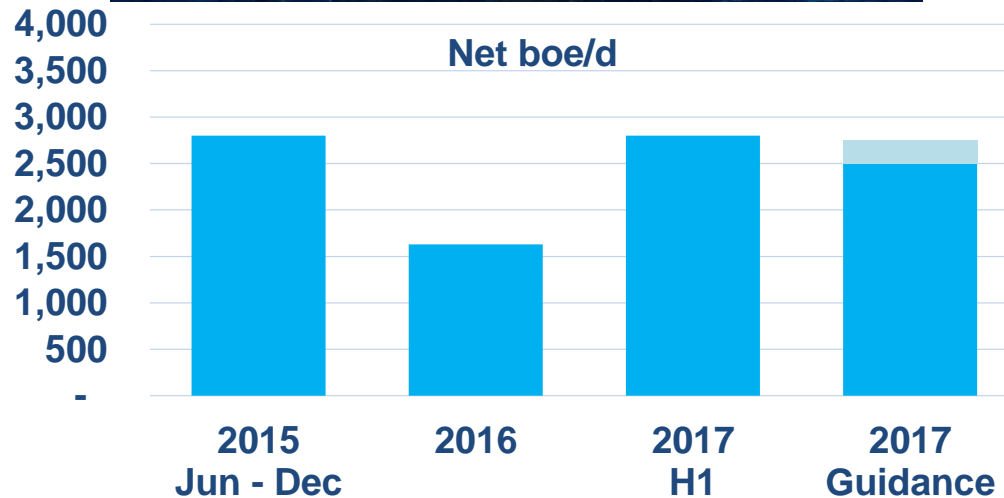
Financial objectives

- Continue to improve financial strength and seek to diversify sources of income
- Maintain a range of financing options to support business growth

ERSKINE PERFORMANCE

- Production efficiencies rebuilt since acquisition
- Strong cash and profit generator
- Net remaining reserves 3.8mmboe*
- Potential to extend reserves

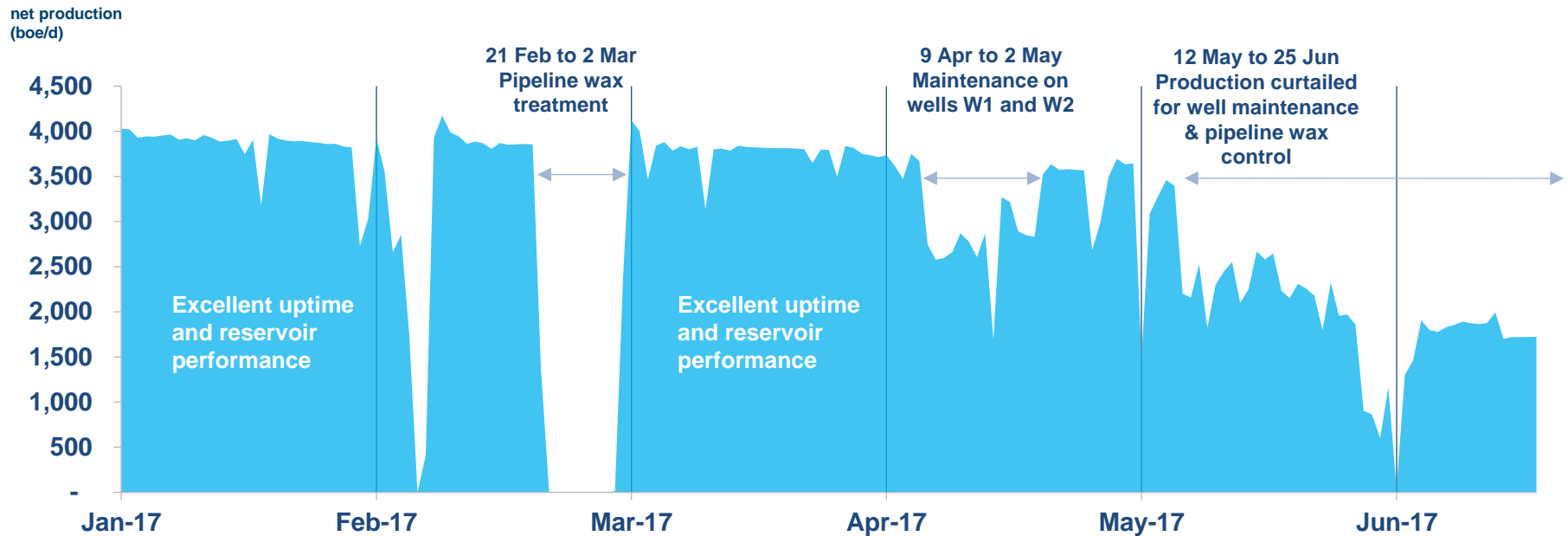
* 1 Jan 2017



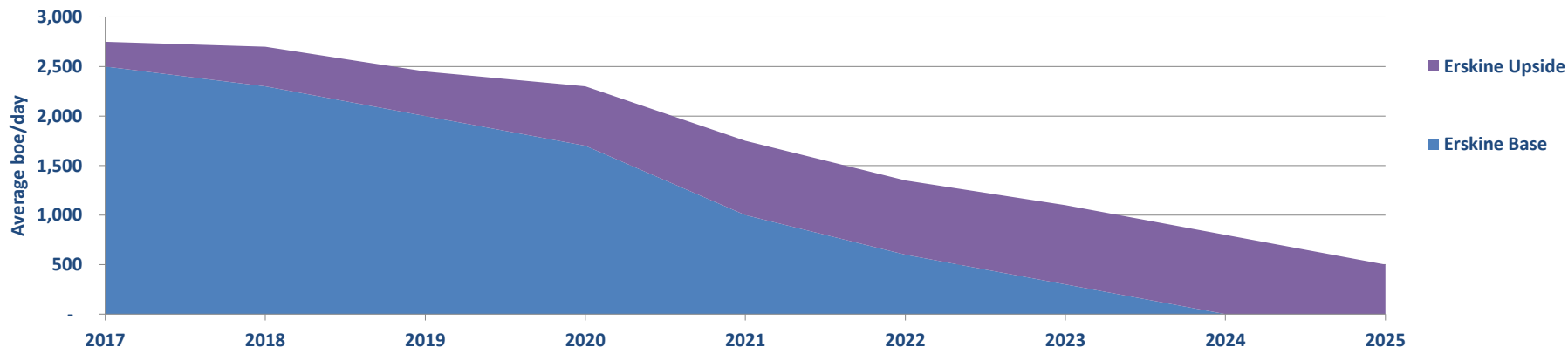
- 2,800 boe/d net in H1 2017
- \$14/boe OPEX since Aug 2016 restart
- Further value targeted through improved uptime /third party business
- Close co-operation between Erskine & Lomond operators

ERSKINE 2017 PRODUCTION

- Jan-May 2017 delivered strong performance averaging 3,100 boe/d net to Serica
- Rates curtailed in May/June for Erskine well work and wax management, including a four-day shut-in at end June for pipeline wax soak
- Planned two-week shut-in for pipeline de-wax and platform maintenance in July/August 2017
- H1 average net to Serica: 2,800 boe/d. Full year guidance: 2,500-2,750 boe/d



ERSKINE FORWARD PRODUCTION PLAN NET TO SERICA



Erskine upside reflects:

- Maintaining high uptime to achieve levels similar to Q1 2017
 - Regular pigging and pipeline cleaning operations
 - Proactive platform maintenance and management
- Possible reserves increase through reservoir performance

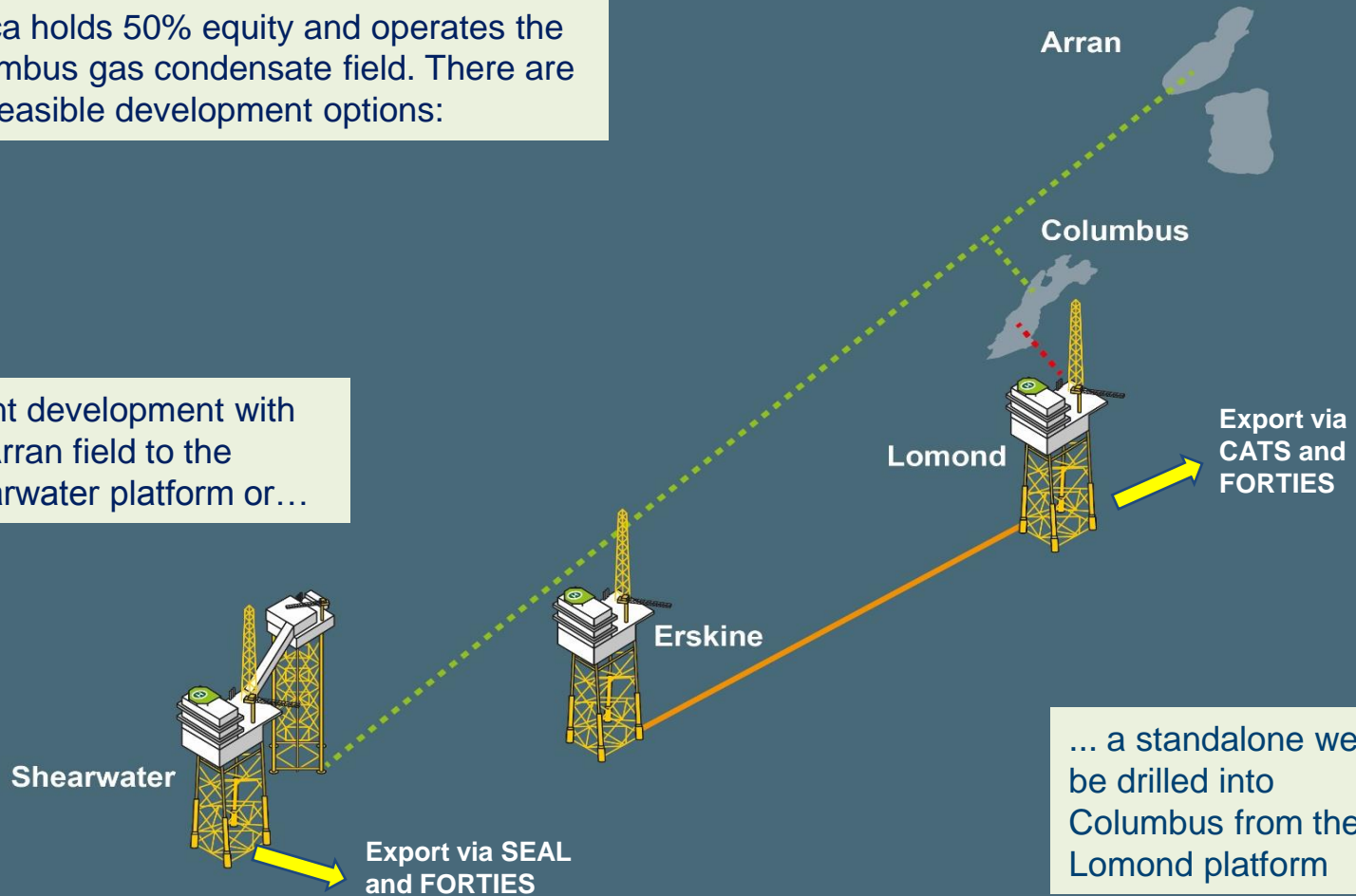
Further scope to:

- Encourage third party tie-backs to Lomond to extend platform life
- Consider potential for an additional well on Erskine
- Seek well intervention opportunities for production enhancement

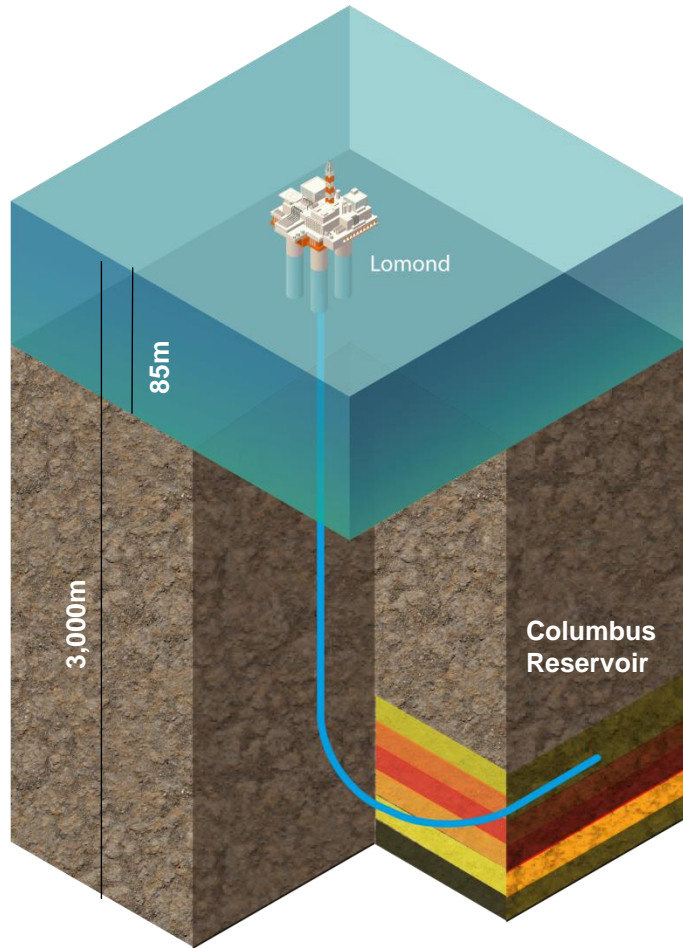
COLUMBUS DEVELOPMENT PLANS

Serica holds 50% equity and operates the Columbus gas condensate field. There are two feasible development options:

A joint development with the Arran field to the Shearwater platform or...

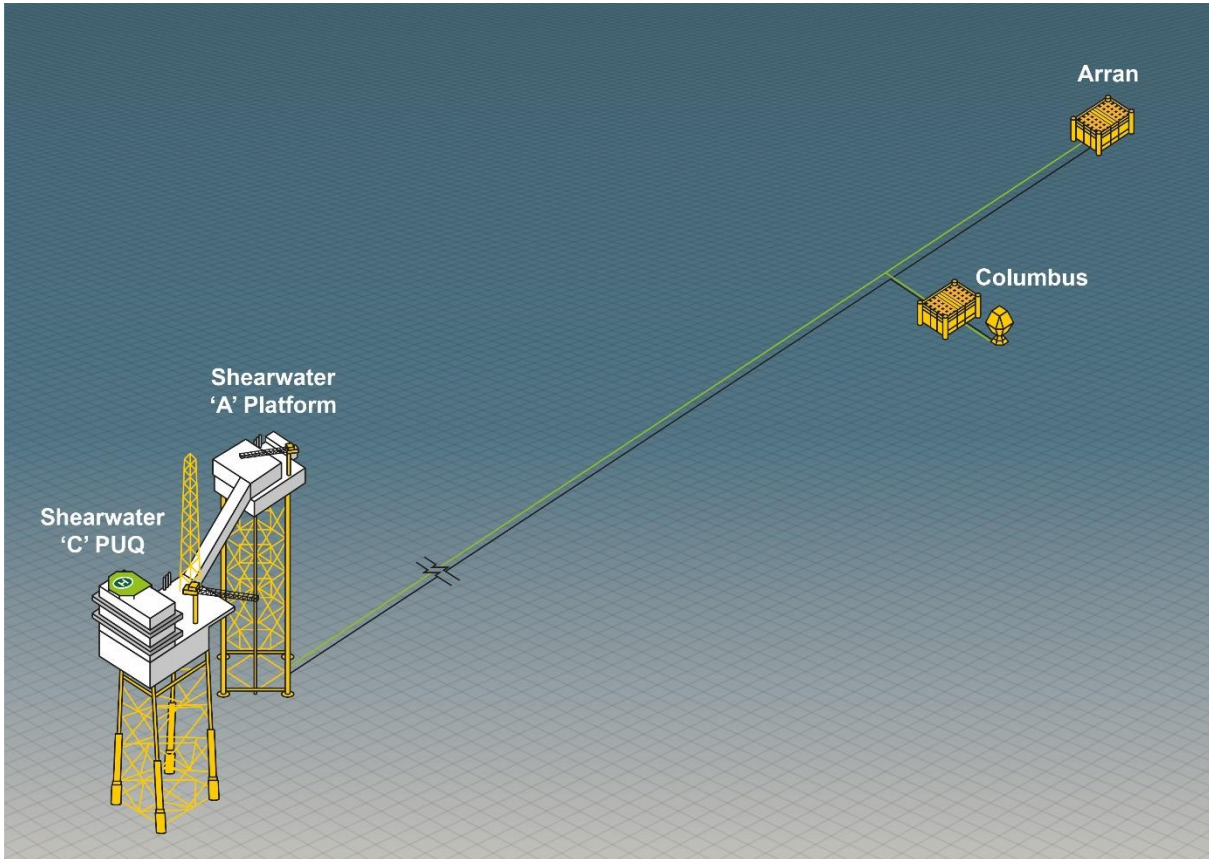


EXTENDED REACH DRILLING FROM LOMOND



- A well can be drilled into Columbus with a jack-up rig brought alongside the platform
- Total well step-out 7.5km
- Columbus can fill spare capacity in Lomond and Erskine process trains
- Columbus will reduce unit operating costs across Lomond and extend platform life
- Platform modifications are minimal to hook up the well

ALTERNATIVE DEVELOPMENT INTO SHEARWATER



- A subsea well at Columbus could tie into a future pipeline from Arran to Shearwater

- Columbus would share development costs with Arran

- Shearwater has spare capacity

- Arran is due to sanction in Q2 2018

BENEFITS OF EACH DEVELOPMENT OPTION

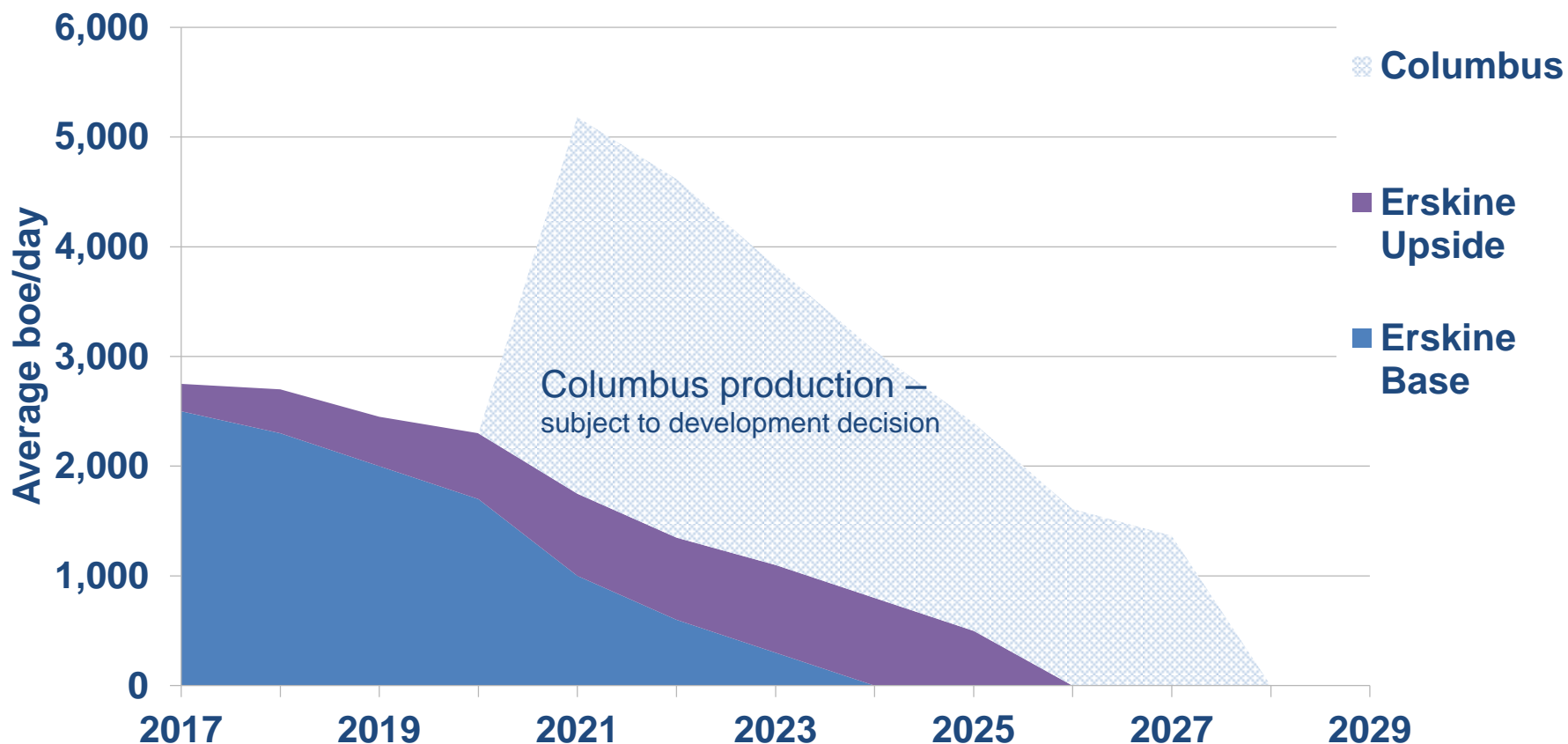
LOMOND

- No reliance on other developments
- Earlier production start (2020)
- Minimal platform modifications
- No pipeline or subsea equipment
- Easier platform well maintenance
- Columbus fluid helps reduce waxing
- Could extend Lomond platform life

SHEARWATER

- Simpler well to drill
- Larger selection of rigs available
- Additional capital costs shared with Arran
- Longer projected platform life
- Potential to lower operating costs via
 - greater base throughput
 - new 3rd party business

POTENTIAL IMPACT OF COLUMBUS NET TO SERICA



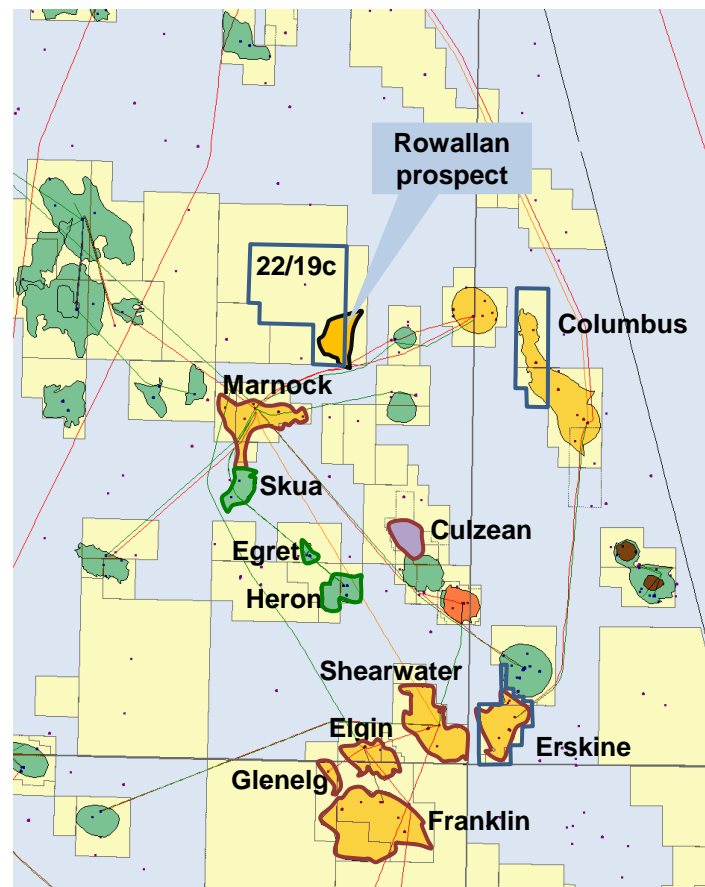
COLUMBUS OPTION SELECTION TIMELINE



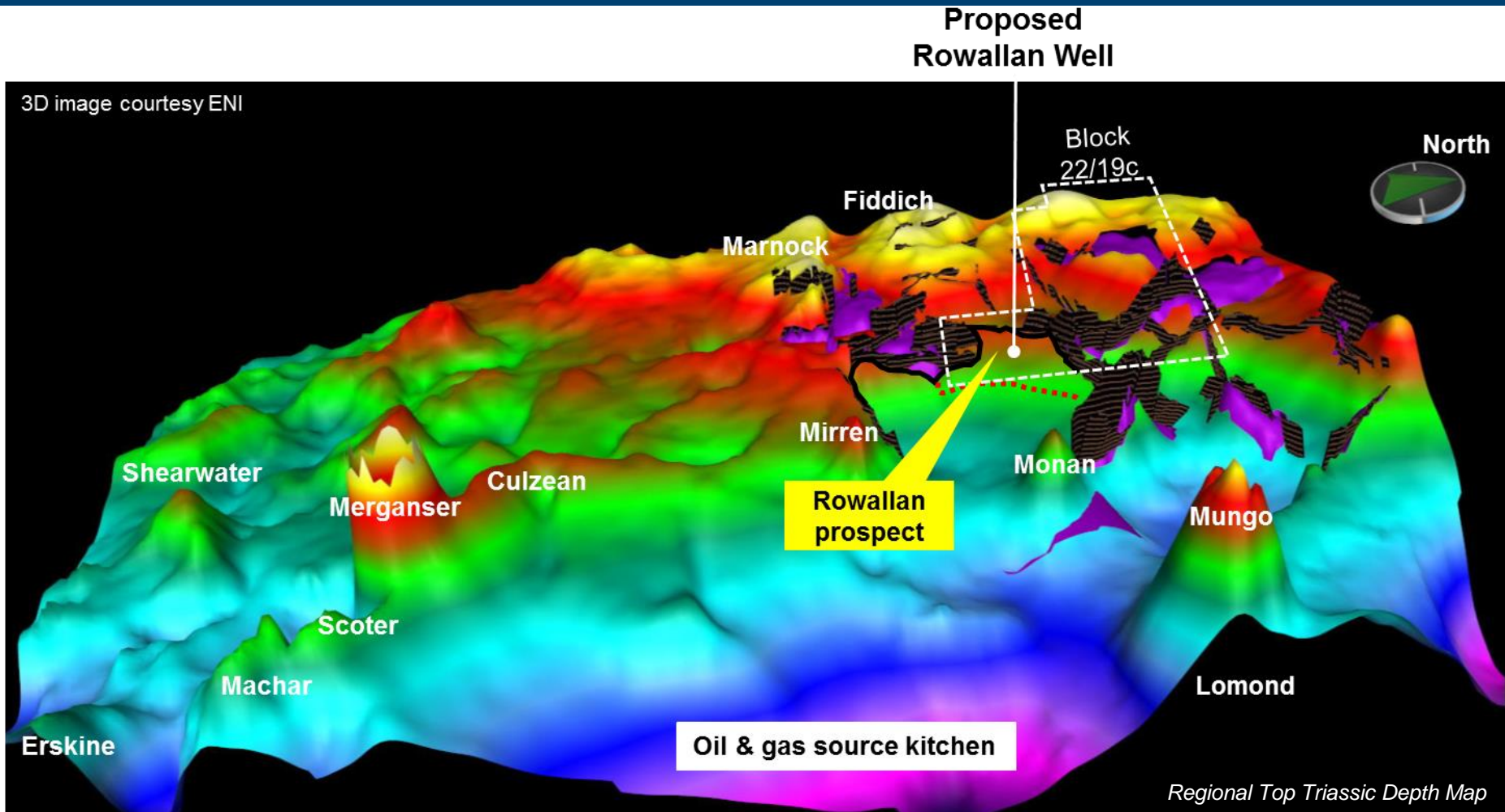
ROWALLAN: EXPLORATION DRILLING IN 2018

Rowallan Prospect	
Serica Equity 22/19c	15% fully carried through 1 st well
Operator	ENI
Reservoir	Triassic: Skagerrak Formation Middle Jurassic: Pentland Formation
Water depth	100 metres
Reservoir type	High pressure high temperature
Reservoir depth	4,300 metres
Export route	Range of nearby options
Hydrocarbon type	Gas condensate
Estimated P ₅₀ resource (Serica technical estimate)	143 million boe gross (21.5 million boe net to Serica)

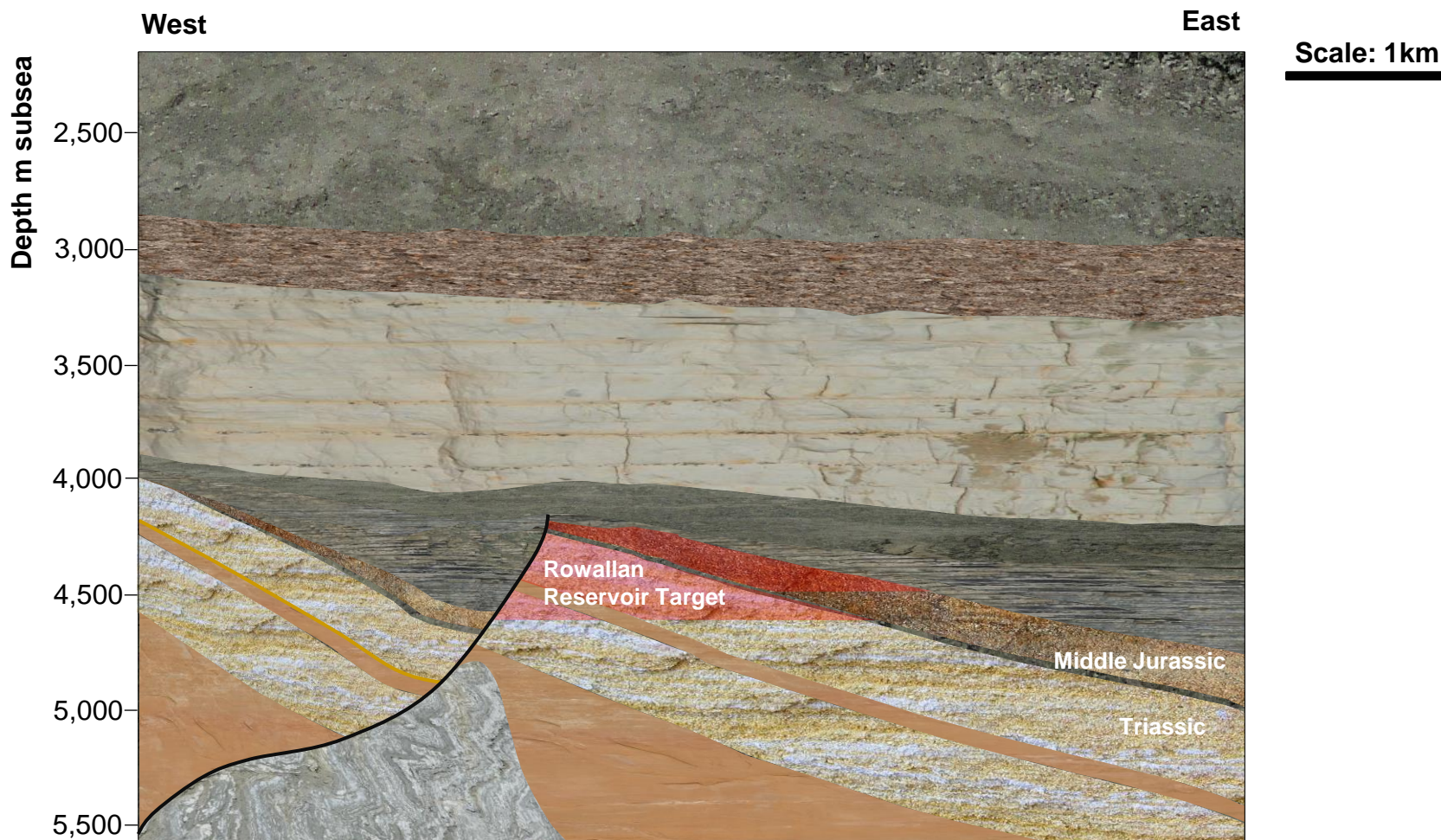
Jurassic & Triassic Fields Highlighted



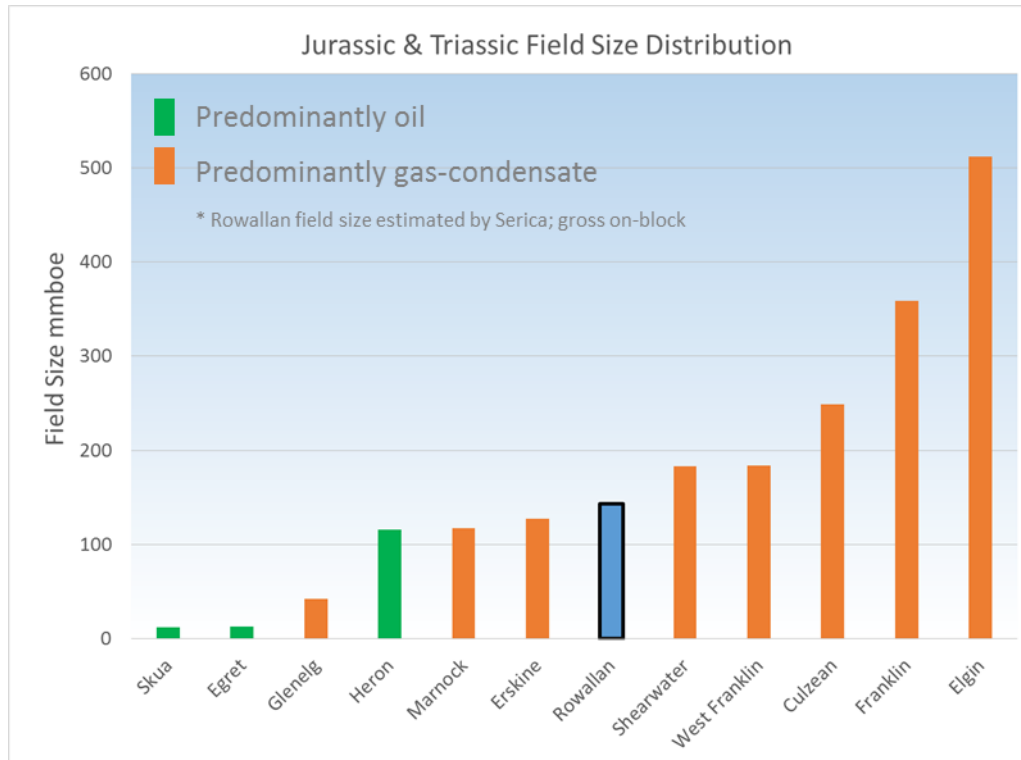
ROWALLAN IS IN A PRIME LOCATION



ROWALLAN PROSPECT CROSS SECTION



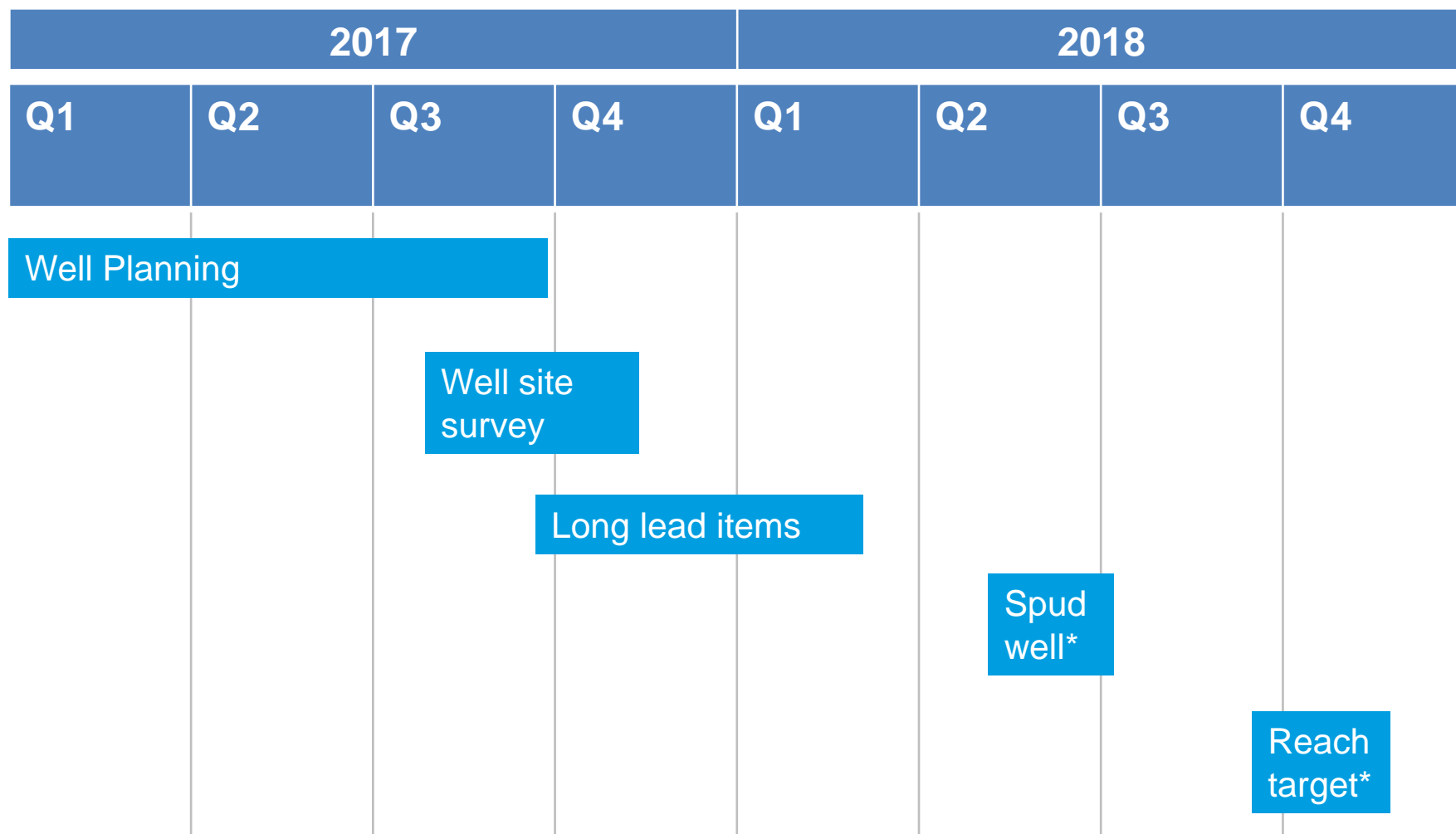
ROWALLAN: POTENTIAL MATERIAL FIELD



ROWALLAN

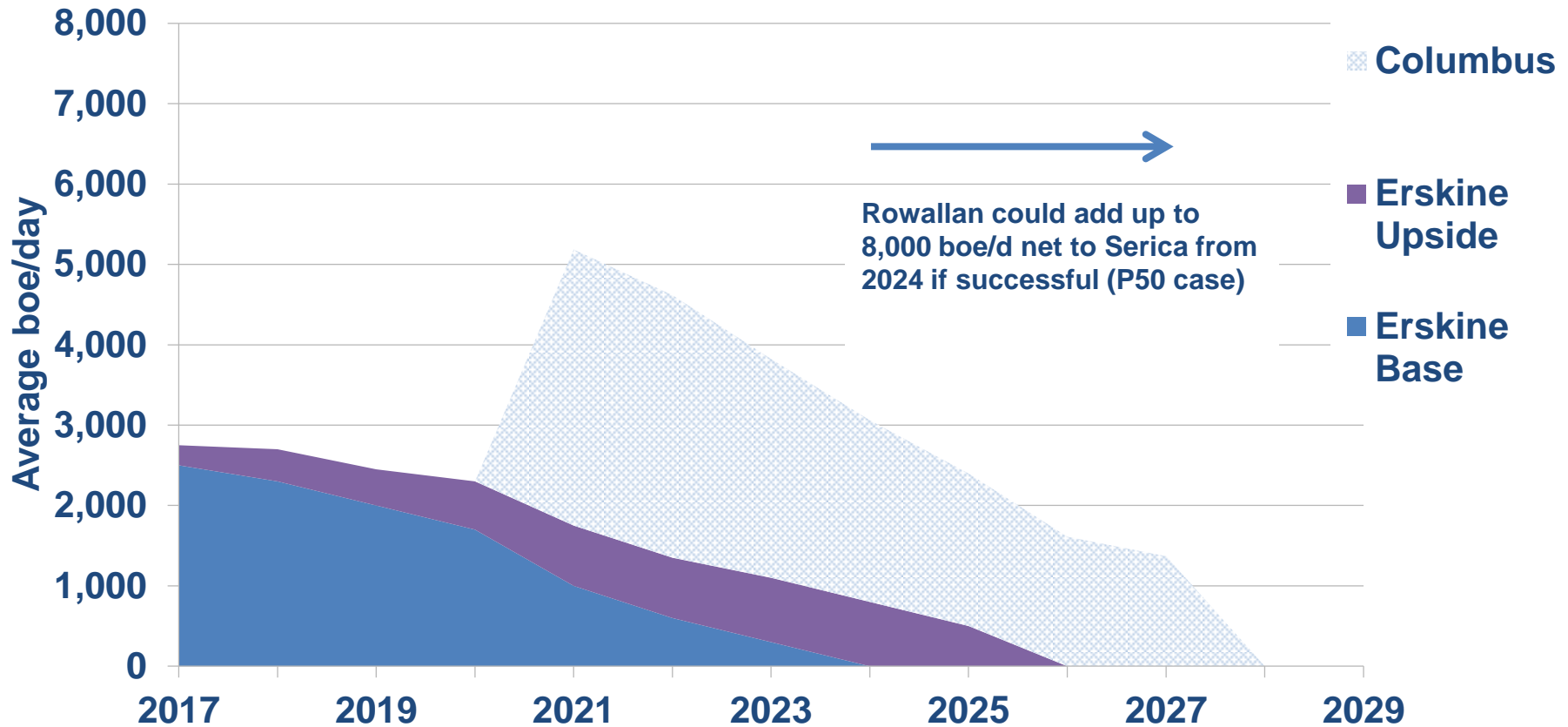
- P₅₀ resource estimate comparable with initial reserves of major fields in CNS
- Erskine, Shearwater and Culzean are all High Pressure, High Temperature gas condensate fields
- Technology has advanced for drilling and development of HPHT fields

ROWALLAN DRILLING TIMELINE



* Expected drill time from spud to target approximately 100 days

POTENTIAL IMPACT OF A ROWALLAN DISCOVERY



SERICA FRONTIER EXPLORATION

Namibia

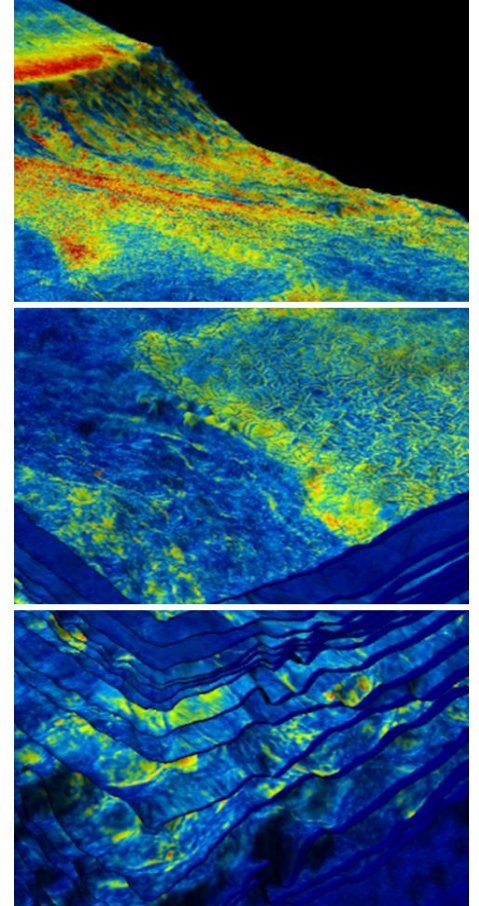
- Luderitz licence extended into next two-year phase
- No well commitment but Serica seeking farm-in partner for early drilling
- Extensive 3D seismic programme identified a range of prospects

Ireland

- Two-year extensions secured on Rockall and Slyne licences 4/13 and 1/06
- Seeking drilling partners for prospects
- Renewed industry interest and activity in offshore Ireland encouraging

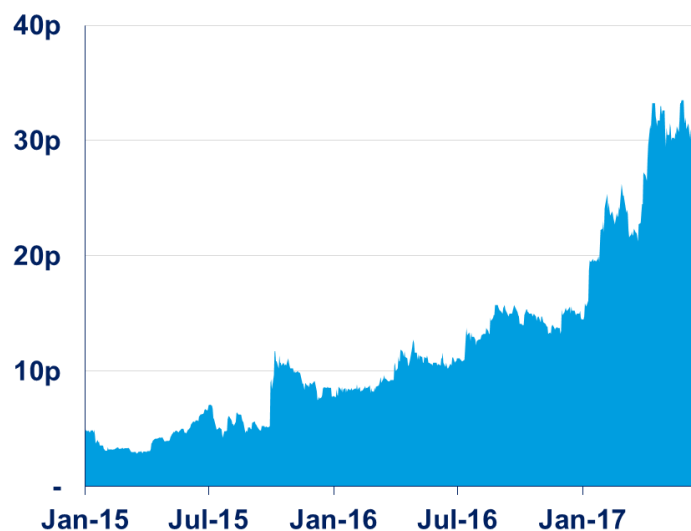
Growth

- Serica is looking to grow its exploration portfolio through participation in licence rounds and acquisition



SERICA PERFORMANCE

Share price performance since Erskine acquisition in June 2015



Market cap May 2015 £15 million
 Current market cap £80 million*

*As at 28 June 2017

**STEADY
CASH
GENERATION**



**EXTENDED
LIFE
ADDING VALUE**

Cash build during H1 2017

US\$16.8 million

before payment of 3rd Erskine
 US\$2.9 million tranche

2017 Guidance

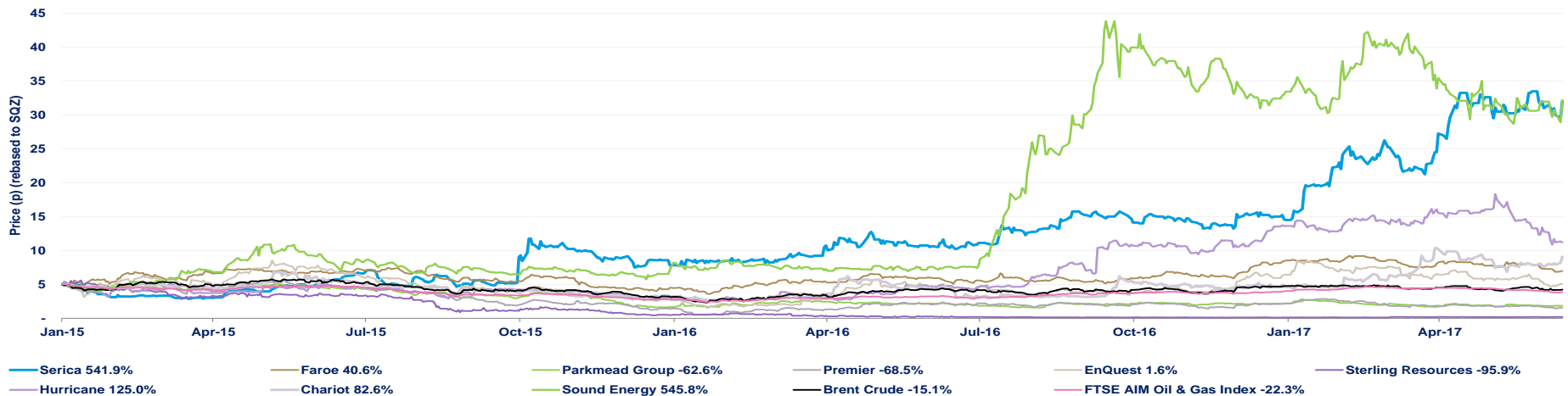
**2,500 – 2,750
boe/d net**

to account for H2 maintenance

Since acquisition Erskine
 reserves increased from
 3.3mmboe to 5.0mmboe*
 (*net produced plus remaining)

COMPARATIVE SECTOR PERFORMANCE

- Serica has performed strongly against its peer group since 2015
- Key points – mid-2015 Erskine acquisition and resulting cash flow performance
- Focused on production efficiencies, partner alignment and cost control
- Achieved without recourse to shareholders
- Achieved notwithstanding back-drop of weak oil prices



Serica share price vs peers

POSITIONED FOR FURTHER GROWTH

Serica's competitive advantage

- Strong performance in a tough market increases its industry profile
- Healthy balance sheet increases options and builds capability
- Growing cash balance (US\$30.5 million at 28 June 2017) creates capacity
- Tax losses (US\$166 million) provide ability to offset tax liabilities
- Status as an existing offshore operator supports active asset management
- Experienced team and proven capability provides near and long term deliverability

Growth through A&D

- Majors prepared to transact with focused and dynamic independents to lower cost base (Shell/Chrysaor, BP/Enquest and our own Erskine deal with BP)
- Significant value can be created by reducing cost and extending reserve life (e.g. Erskine)
- Immediate focus on UK in view of tax losses
- Possibility of sharing value created with vendor (e.g. Erskine transaction)

Growth through existing assets

- Serica's existing production, development and exploration assets underpin potential
- High-impact exploration – Rowallan, Ireland, Namibia

FORWARD GROWTH STRATEGY

Serica's immediate objectives:

- Diversify risk of a single producing asset through acquisition of additional production where the Company can add value and increase opportunity
- Achieve scale to improve shareholder liquidity and increase financing capacity
- Bring Columbus to production and drill the Rowallan well
- Expand programme to follow Columbus and Rowallan
- Extract full value from Serica's UKCS ring-fence tax position
- Advance Serica's exploration prospects in Ireland and Namibia

The Company is pursuing opportunities in two categories:

- Reviewing potential for step change UK transaction providing further material growth opportunity (Erskine provides the model)
- Reviewing potential for smaller add-on UK production transactions to diversify risk and extend acreage position
- No guarantee of outcome – oil and gas transactions are complex and need careful timing and patience to ensure best outcome
- However the Company is well-placed, has the solid bedrock from existing assets and has demonstrated that it has the skill sets to achieve

CONCLUSION

Serica is emerging from the industry downturn considerably stronger and able to absorb ongoing weak oil prices

Improved production uptime, lower operating costs and extensive tax losses support continuing cash flow generation

With growing cash resources, a low-cost production base and pending Columbus development, the Company is now planning for the next stage of growth

Well-placed to develop and grow – with success we believe 2017 will be a transformational year

