

Transforming Serica: The Erskine Deal



**Strategic and
operational
update**

**16 July 2015
London**

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SERICA: COVERING THE FULL CYCLE

- Production: Erskine Field
 - 3.3mmboe booked at 30 June 2015
 - Can deliver up to *4,300boed net to Serica
 - Average rate since production restart >2000boepd net
- Development: Columbus
 - Plans are progressing to develop 5.2mmboe contingent resource
- Exploration: Well Carries
 - 22/19c fully carried well could deliver between 15 and 40mmboe to Serica
 - East Irish Sea Doyle well carry up to £11 million gross well costs
- Frontier Exploration
 - Licences in Ireland, Morocco, Namibia and UK with no significant commitments

*maximum daily production seen since re-start in May '15

SERICA: NEAR TERM OBJECTIVES

- Erskine
 - Benefit from expected improvements on Lomond following major investment
 - Improve performance by identifying and solving downstream bottlenecks
 - Deliver solutions to cut costs and extend field life
- Columbus
 - Use experience as Erskine partner to select optimum offtake route
 - Drive down capital costs and aggressively negotiate commercial terms
 - Push forward to Field Development Plan
- Growth
 - Seek further acquisitions where we can add value through technical understanding and influence
 - Extract full value from UK tax losses
 - Create strategic partnerships

SERICA ASSET BASE: PRODUCTION, DEVELOPMENT, EXPLORATION

UK/NORWAY

Production, development and exploration assets

UK Central North Sea

- Production
- Development
- Exploration

UK Southern North Sea

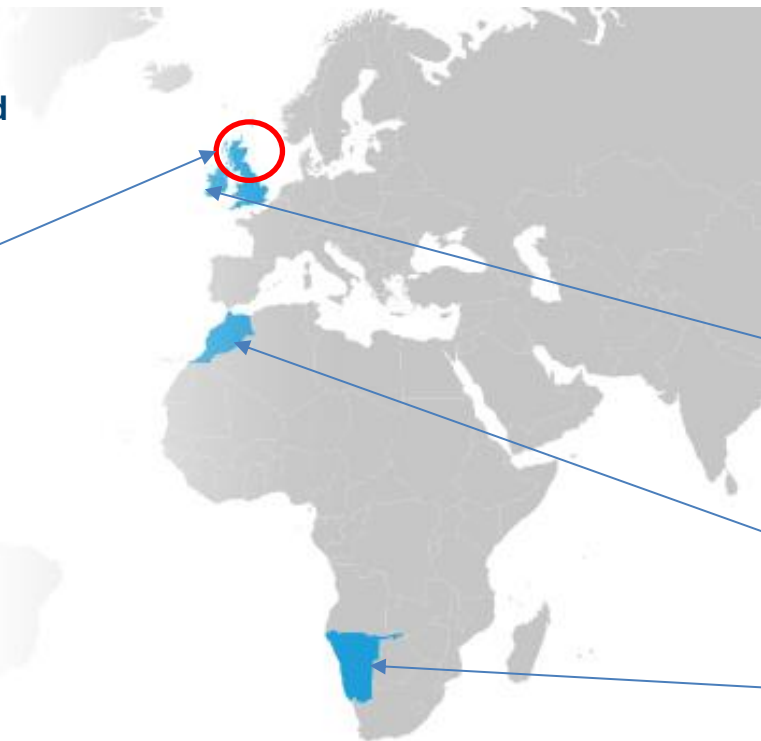
- Exploration

UK East Irish Sea

- Exploration

Norwegian North Sea

- Financial Interest in Field Development – Vette (previously Bream)



ATLANTIC MARGIN

High impact exploration portfolio focussed on underexplored Atlantic Margin basins

Ireland:

- Rockall
- Slyne

Morocco:

- Tarfaya-Ifni

Namibia:

- Luderitz

The focus of today's presentation is on the Central North Sea

ERSKINE: TRANSACTION

- Consideration: US\$11.1 million cash plus 13.5 million Serica shares effective 1 January 2014
- Cash consideration payable in four equal instalments: June 2015, 2016, 2017 and 2018
- Final payment adjusted for:
 - Field revenues and expenditures from 1 January 2014 to 4 June 2015
 - Accrued costs
 - 55,000 barrel oil over-lift (sold at over \$100/bbl)
- Serica received US\$9.0million upon completion

ERSKINE: TRANSFORMATIONAL

Material benefits to Serica:

- 3.6 million barrels of oil equivalent acquired at 1 January 2014 at \$4 per boe
- Ongoing cash flow on a tax efficient basis
- BP retain Serica's share of decommissioning liability up to £174million (gross), £31million (net) adjusted for inflation
- Upside in facilities and reservoir performance (already exceeding potential since acquisition)
- Provides platform for further business growth



ERSKINE: OFFTAKE ROUTE & INFRASTRUCTURE

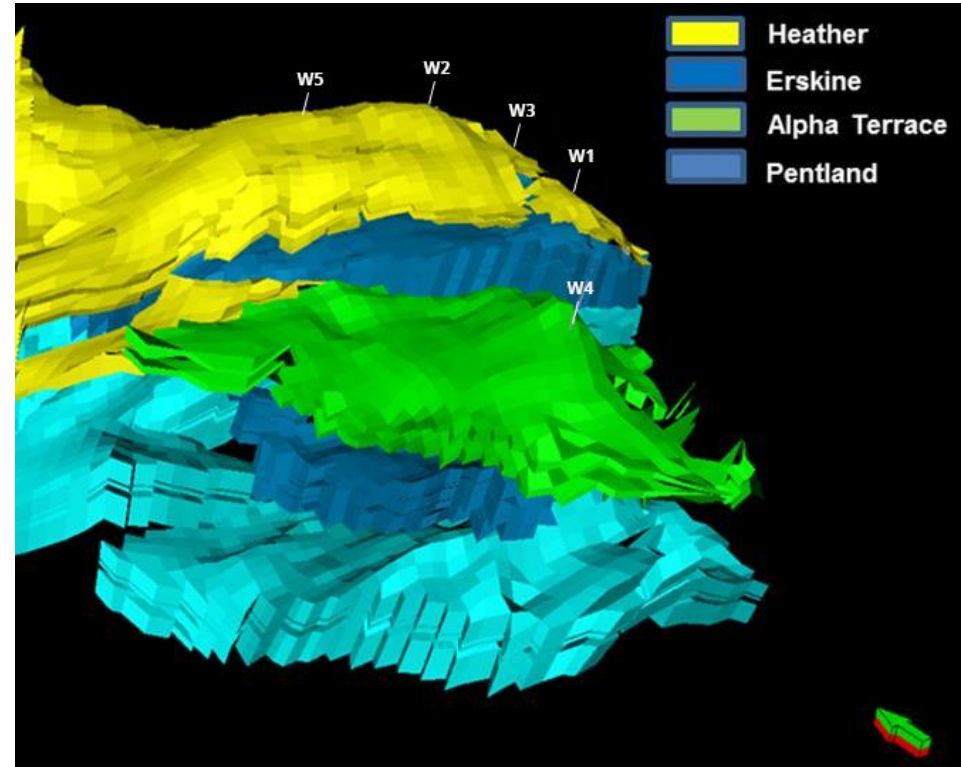
- Erskine Platform
 - Unmanned wellhead platform with 5 production wells
 - Access to wells for wireline intervention
 - Multiphase pipeline from Erskine to Lomond
- Lomond Processing
 - Condensate and Gas are separated through the Erskine Production Module (EPM) located on Lomond
 - Gas and condensate are pumped from Lomond to shore
- CATS
 - Gas joins the CATS pipeline via riser tower at Everest
 - Gas is sold at CATS terminal to SSE (contract) and BP (spot)
 - Associated LPG and condensate are sold at CATS Terminal
- Forties Pipeline System (FPS)
 - Condensate is transported via FPS to Cruden Bay
 - Production is sold to BP



ERSKINE: SUB SURFACE

RESERVOIR MODEL

- Five wells drain the four reservoir regions
- Field has produced for 16 years
- Produced Reserves: ~120mmboe (gross)*
- Remaining Reserves acquired (gross): 20mmboe**
- Remaining reserves at 30 June 2015 (net): 3.3mmboe**

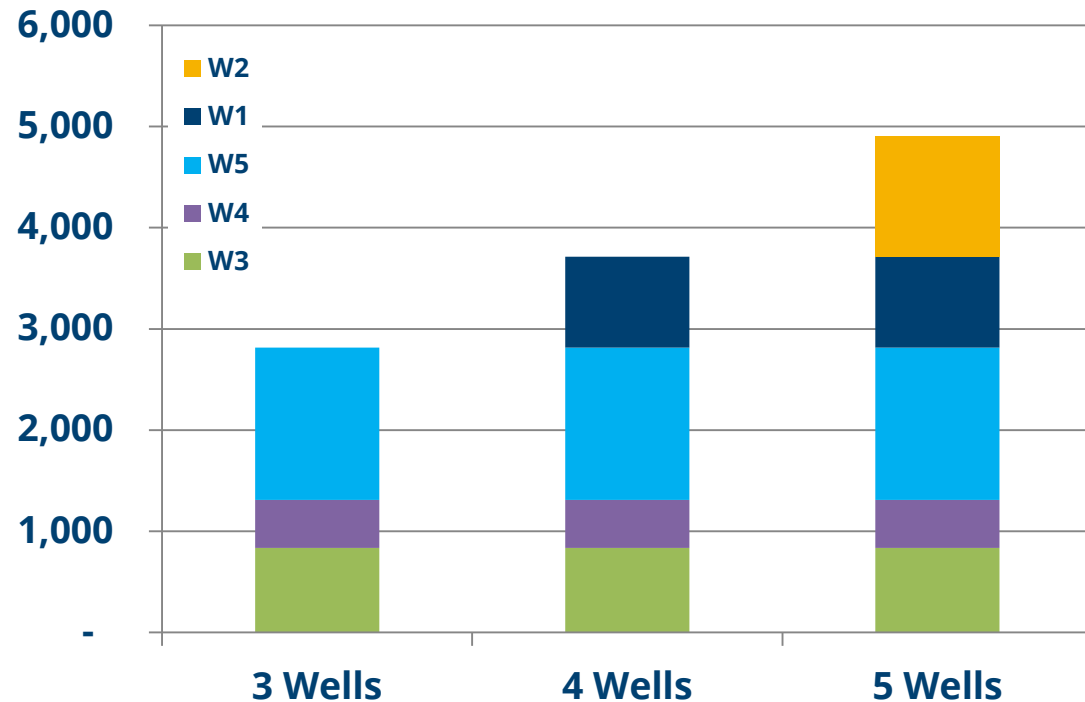


ERSKINE: WELL POTENTIAL

WELL PERFORMANCE

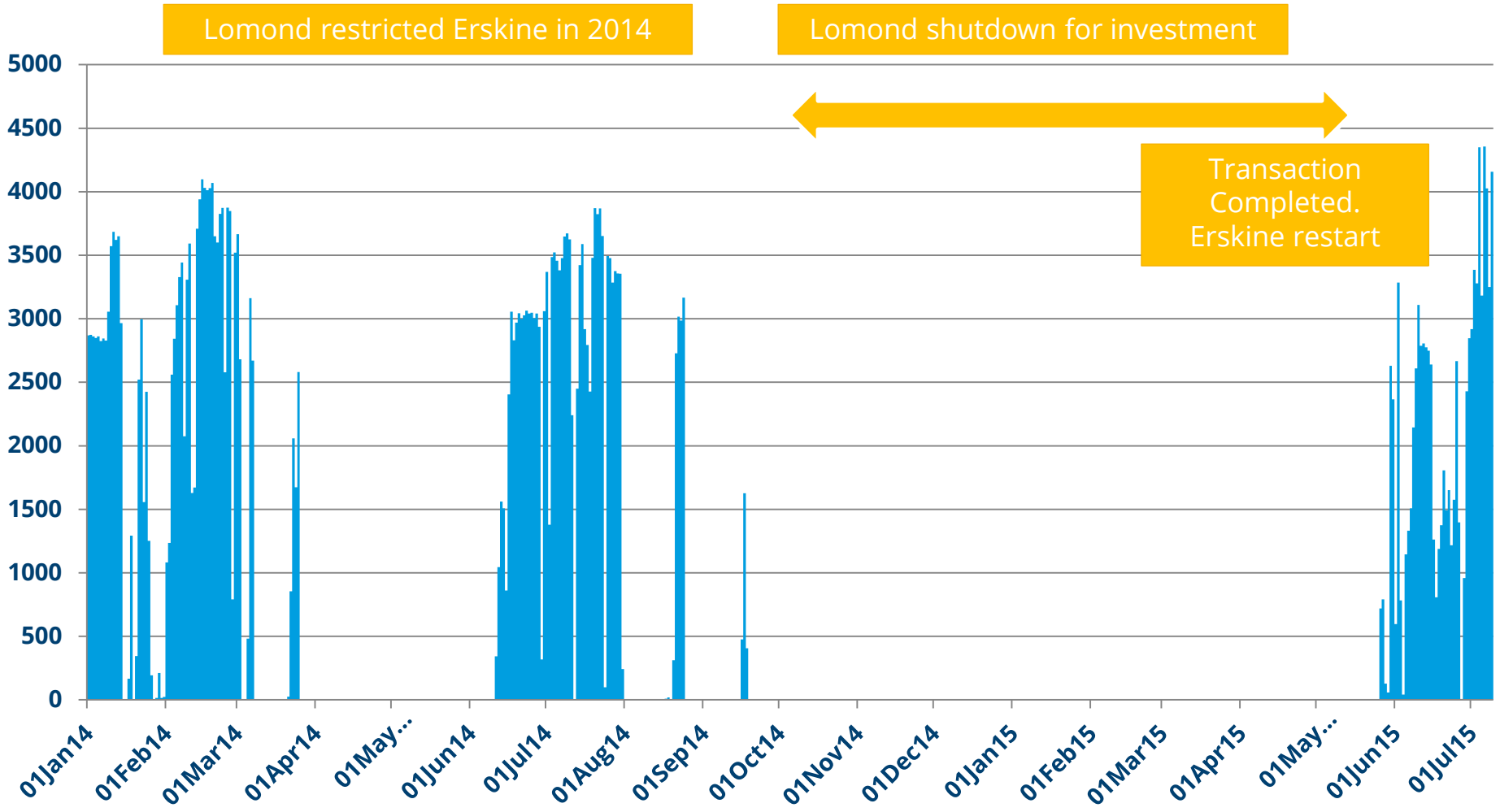
- 3 of 5 wells producing in May/June '15
- 4 out of 5 wells now on production and have exceeded estimated potential (achieved >4,000 boe/d net on three days in July '15)
- Well intervention work will return 5th well (W2) to production (expected Q3 2015)

Net boepd – Serica share



Graph above shows operator's view on flowing potential of each well – subject to well and facility availability

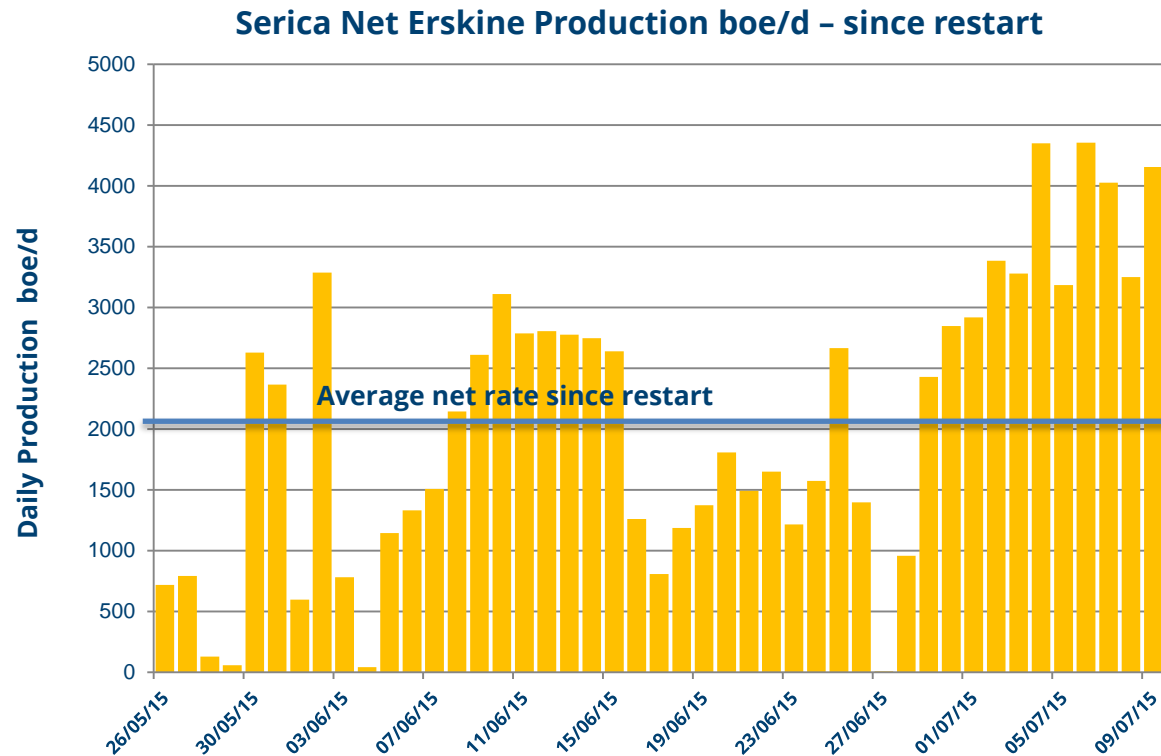
ERSKINE: BOEPD HISTORY – NET TO SERICA



ERSKINE: FIELD PERFORMANCE SINCE RESTART

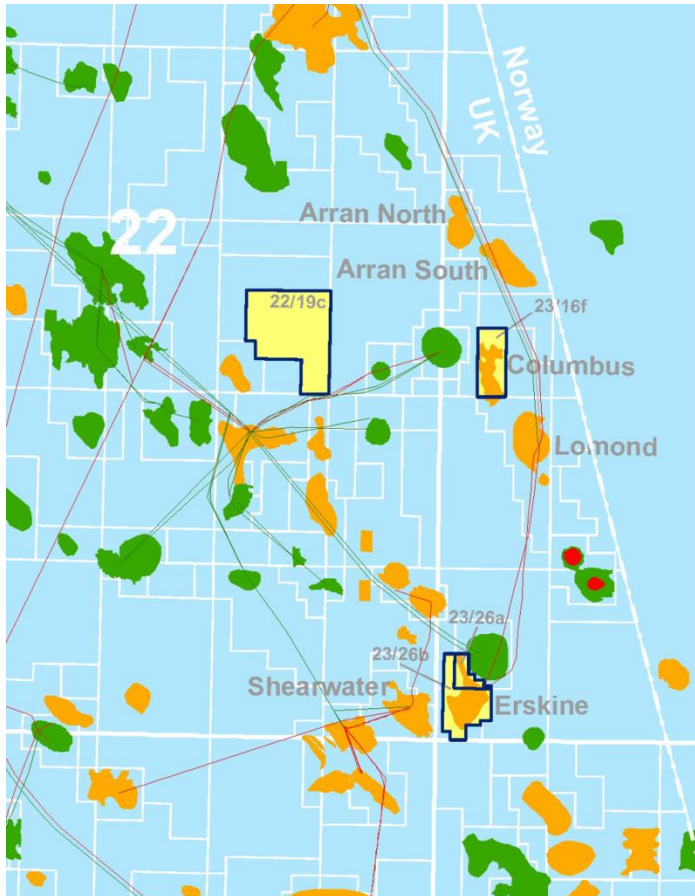
IMPROVED FACILITY PERFORMANCE

- Erskine restarted end May 2015
- 2014/15 investment has improved facility up-time significantly (83% uptime since re-start)
- *Serica share of Erskine production has exceeded 3,000boe/d on 10 days
- *Production has exceeded well performance expectations and has flowed at higher rates than any day in 2014



*Caution: continuing strong production is subject to infrastructure uptime and further production history is required before any predictions of future performance can be made

CENTRAL NORTH SEA DEVELOPMENT: COLUMBUS FIELD

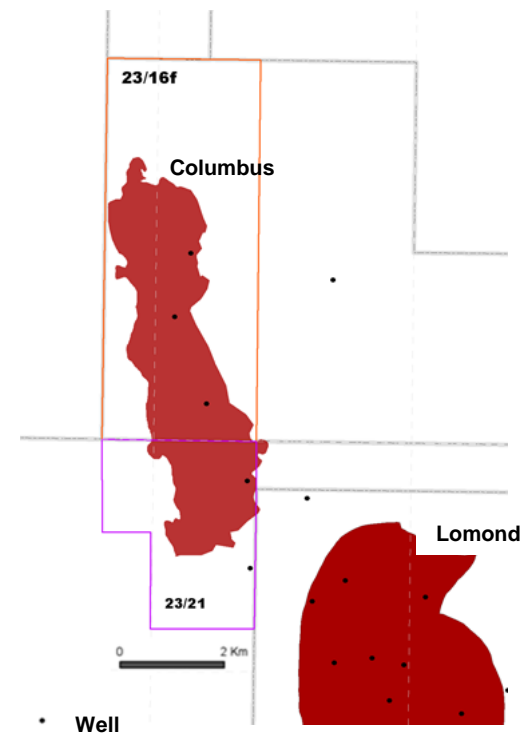
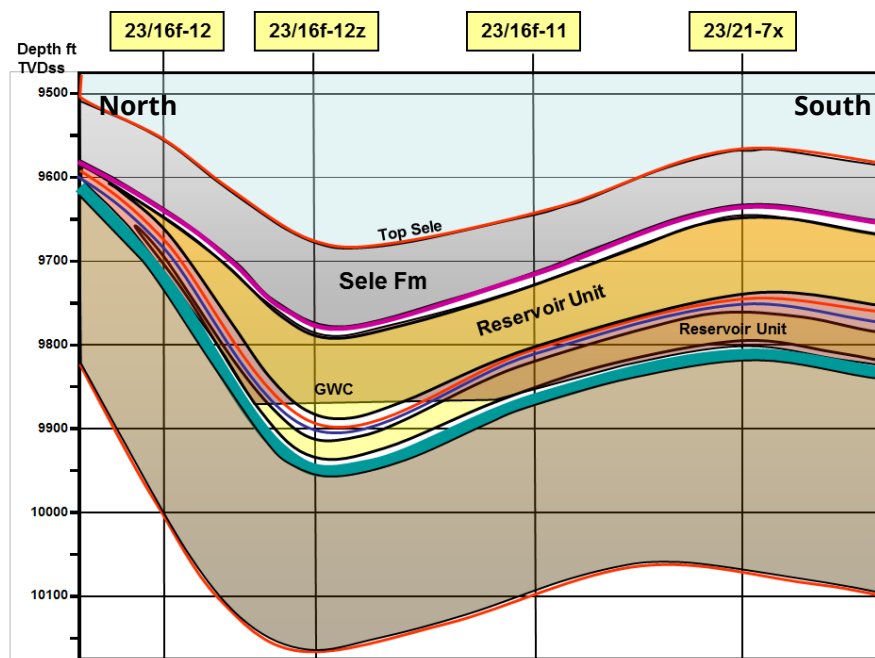


- Located in the UK Central North Sea, 8km from Lomond platform
- Serica holds 50% of block 23/16f and operates the field



COLUMBUS FIELD: FULLY APPRAISED

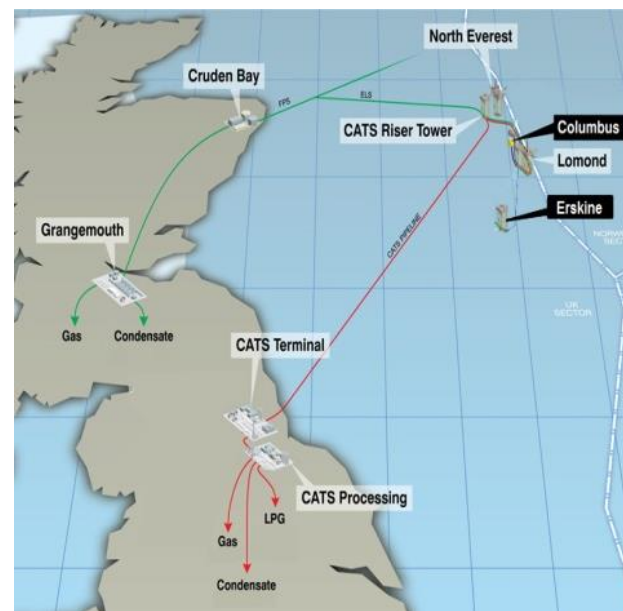
- 5.2mmboe contingent resources net to Serica
- Field has been delineated with four exploration/appraisal wells
- Individual development wells estimated to flow at up to 40mmscfd gas and 1,500bbls/d condensate



COLUMBUS AND ERSKINE SYNERGIES

COLUMBUS PRODUCTION THROUGH LOMOND

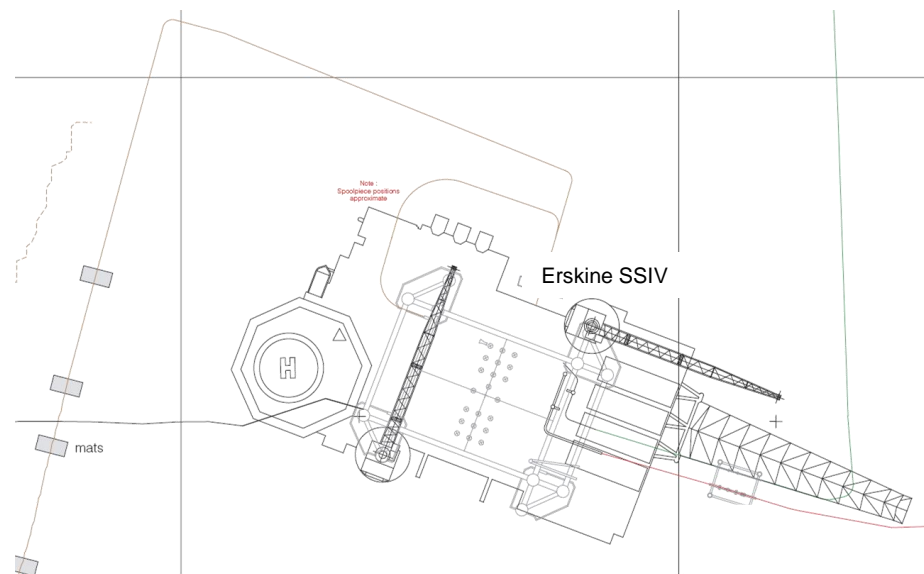
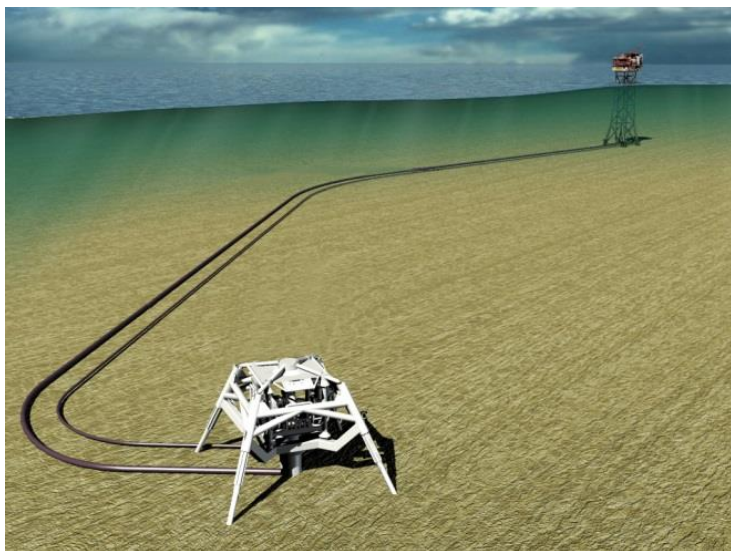
- Extends Lomond platform life and availability for Erskine, defers abandonment
- Reduces cost per boe for Erskine and Lomond
- Encourages innovation and new ways of thinking
- Commercial and technical discussions are making progress



COLUMBUS DEVELOPMENT OPTIONS

LOMOND PREFERRED OPTION

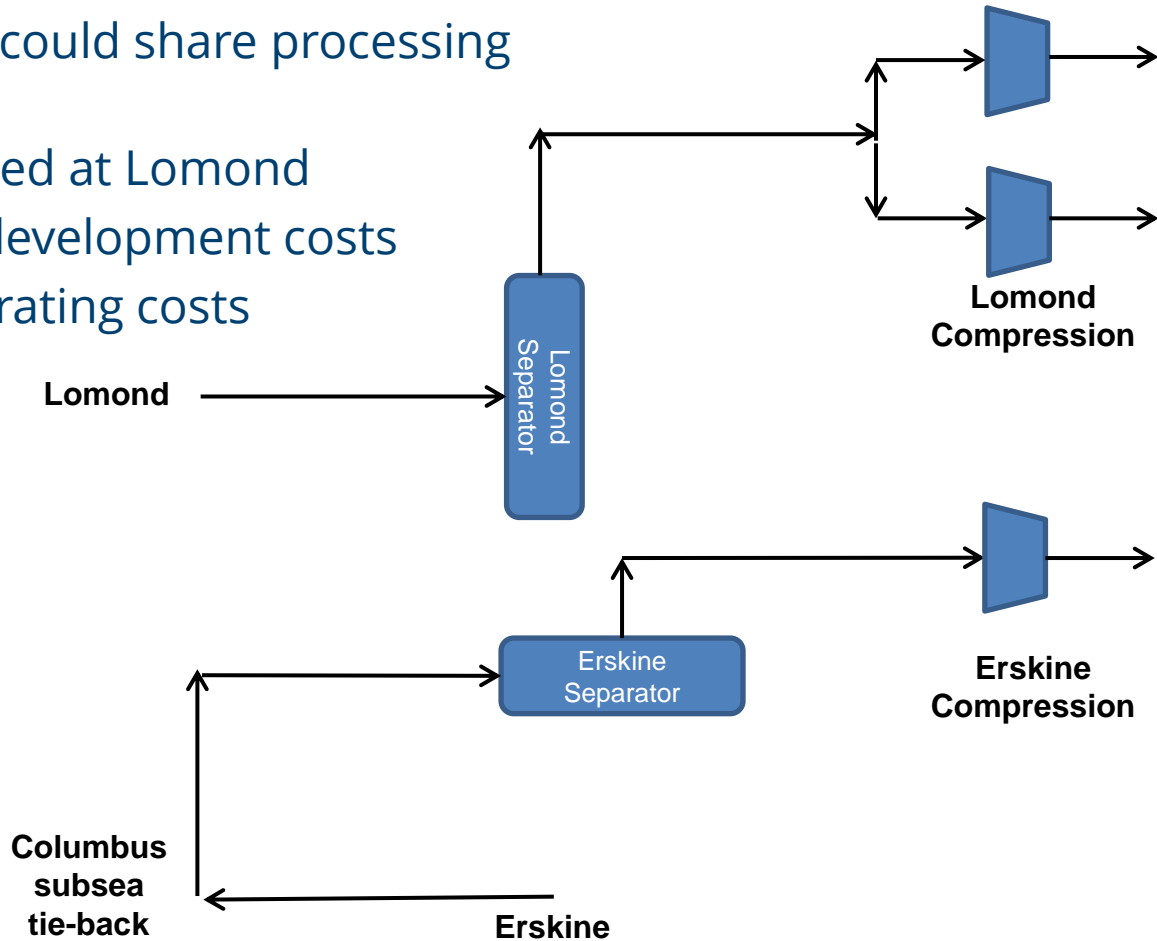
- Produce Columbus with a single well initially with scope for a second well, depending on production data
- Production combines with Erskine production at base of Lomond platform (SSIV)
- Alternative designs for Lomond tie-back are under consideration
- Other host platforms are available



COLUMBUS DEVELOPMENT OPTIONS

LOMOND PLATFORM MODIFICATIONS

- Columbus and Erskine fluids could share processing facilities on Lomond
- Very little modification required at Lomond
- Targeting sub \$10/boe total development costs
- Targeting \$15 – \$20/BOE operating costs



COLUMBUS ROADMAP

MILESTONES TO SANCTION LOMOND OPTION

- ✓ P50 case economic
- Lomond platform to demonstrate:
 - Significant improvement in uptime
 - Acceptable operating costs
- Submit revised FDP
- Achieve financing
- Project sanction

TARGET
DATE

NOW

2H 2015

1H 2016

2H 2016

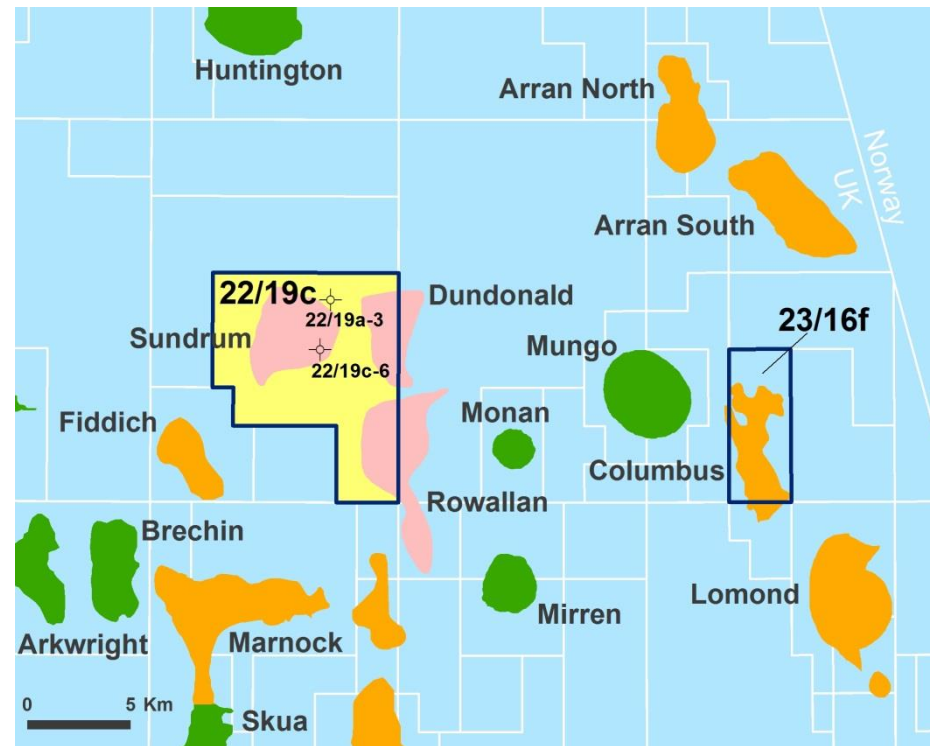
2H 2016



FULLY CARRIED HIGH IMPACT EXPLORATION: 22/19c

BLOCK 22/19c

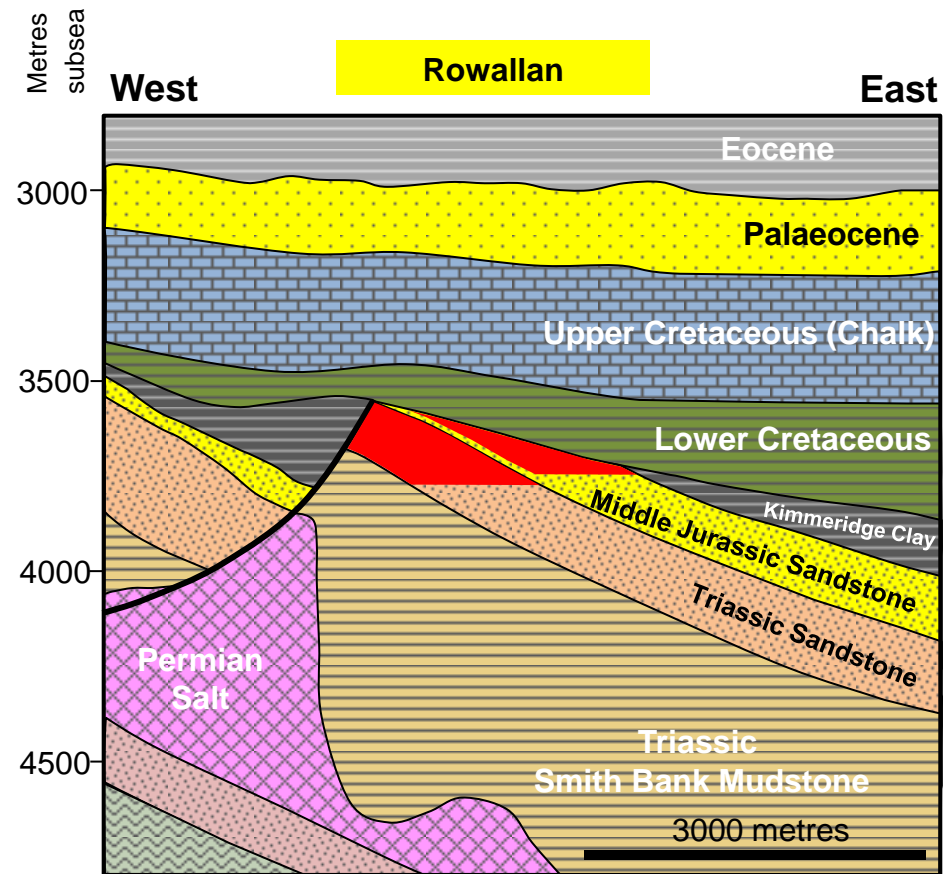
- Located in proven play area
 - Analogous discoveries in the area
 - Close to Columbus field and infrastructure in which Serica has an interest
- Prospects
 - Three high impact prospects on block
 - Rowallan, Sundrum and Dundonald
 - All High Pressure High Temperature (HPHT)
 - Gas condensate reservoirs
 - Two target reservoirs – Triassic and Jurassic
 - Clearly defined structural prospects
 - Rowallan potential likely first target
- Serica Position
 - 15% Working Interest
 - All operating costs up to and including first exploration well carried by JX Nippon – no cap
 - ENI farmed in and operate



22/19c PROSPECTS

MAIN PROSPECT

- Rowallan
 - Two reservoir targets – Triassic and Middle Jurassic
 - Structural prospect on 3D seismic
 - Analogue to Culzean discovery in Block 22/25a
- Forward Plan
 - Planning underway for a well in 2017
- Potential Value
 - Prospective resource estimate Rowallan P₅₀ 100mmboe gross (15mmboe net to Serica) *
 - Upside P₁₀ 270mmboe gross (40mmboe net to Serica) *

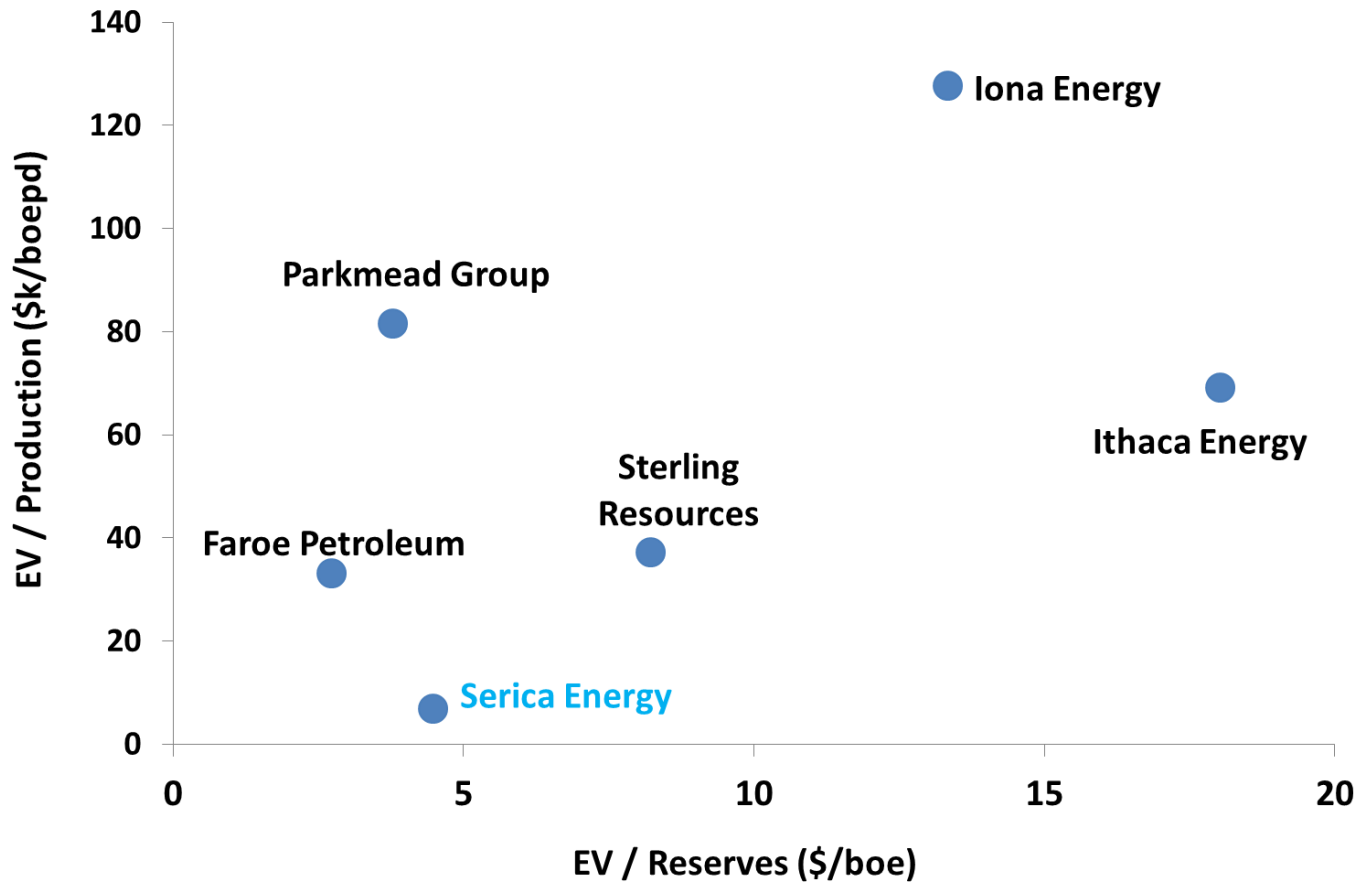


FINANCIAL HIGHLIGHTS: WELL BALANCED

- End year cash balances \$9.9 million, increasing to over \$14 million upon Erskine completion in June with no borrowings
- UK tax losses of \$186 million available for offset against taxable income from Erskine, Columbus and any additional North Sea field acquisitions
- Looking forward:
 - Core operating overheads reduced by more than half since year-end
 - No significant exploration expenditure commitments and no debt
 - Well-placed to add North Sea field production on tax-efficient basis
 - Future exploration drilling only where costs can be offset through third-party carries

ENTERPRISE VALUE: PEER COMPARISON

SERICA HAS THE LOWEST EV/boepd IN PEER GROUP



Reserves and production based on Woodmac estimates

CONCLUSIONS

THE ERSKINE TRANSACTION TRANSFORMS SERICA'S ABILITY TO GROW

- Serica now has a significant production stream
- With zero debt, a strong tax position and limited commitments
- Holds a strategic position in Erskine/Columbus/Lomond area
- Serica's market cap is \$20million with considerable opportunity to add value to the business by:
 - Improving Erskine performance
 - Exploiting synergies between Erskine and Columbus
 - Utilising the full value of our tax pool through further acquisitions
 - Demonstrating the value of our exploration assets through drilling where carried
 - Continuing to seek farm-in partners for our frontier acreage
 - Exploring the potential of using our assets in partnership with others

These are the opportunities to realise value for shareholders going forward

ADDITIONAL SLIDES

GROUP INCOME STATEMENT

DECEMBER 2014

Group Income Statement

for the year ended 31 December 2014

	2014 US\$000	2013 US\$000
Continuing operations		
Pre-licence costs	(512)	(330)
Impairment and write-offs	(30,269)	(299)
Administrative expenses	(4,296)	(4,458)
Foreign exchange (loss)/gain	(235)	341
Share-based payments	(337)	(252)
Depreciation	-	(109)
Operating loss before net finance revenue and tax	<u>(35,649)</u>	<u>(5,107)</u>
Finance revenue	26	16
Finance costs	-	(38)
Loss before taxation	<u>(35,623)</u>	<u>(5,129)</u>
Taxation charge for the year	-	-
Loss for the year from continuing operations	<u>(35,623)</u>	<u>(5,129)</u>
Discontinued operations		
(Loss)/profit for the year from discontinued operations	(453)	121
Loss for the year	<u>(36,076)</u>	<u>(5,008)</u>
Loss per ordinary share - EPS		
Basic and diluted EPS on continuing operations (US\$)	(0.14)	(0.03)
Basic and diluted EPS on loss for the year (US\$)	(0.14)	(0.13)

- 2014 loss includes Columbus impairment and Morocco drilling write offs
- G&A costs cut significantly since year end
- Erskine revenue impact from June 2015

GROUP BALANCE SHEET

31 DECEMBER 2014

Group Balance Sheet

as at 31 December 2014

	2014 US\$000	2013 US\$000
Non-current assets		
Exploration & evaluation assets	57,843	74,609
Other receivables	247	1,293
	<u>58,090</u>	<u>75,902</u>
Current assets		
Inventories	-	258
Trade and other receivables	2,352	3,851
Financial assets	-	420
Cash and cash equivalents	9,893	26,062
	<u>12,245</u>	<u>30,591</u>
TOTAL ASSETS	<u>70,335</u>	<u>106,493</u>
Current liabilities		
Trade and other payables	(3,998)	(4,417)
Provisions	-	-
TOTAL LIABILITIES	<u>(3,998)</u>	<u>(4,417)</u>
NET ASSETS	<u>66,337</u>	<u>102,076</u>
Share capital	227,958	227,958
Merger reserve	-	-
Other reserve	20,634	20,297
Accumulated deficit	(182,255)	(146,179)
TOTAL EQUITY	<u>66,337</u>	<u>102,076</u>

- Excludes Erskine acquisition (completed Jun '15)
- E&E assets are principally Columbus
- No borrowings
- Cash increased to \$14million after Erskine completion

EXPLORATION PORTFOLIO: NW EUROPE

UK

- Southern North Sea – Greater York Area
 - Ranking prospects to identify drilling target. Close to infrastructure (York)
- East Irish Sea – Doyle Prospect,
 - Carry on well (up to £11million gross cap).
 - Well deferred awaiting partnership decision
- Central North Sea – Spaniards
 - Relinquishment likely



IRELAND

- Rockall Basin – Serica 100%
 - Muckish, Middleton and Derryveagh prospects
 - Large structural and stratigraphic prospects in proven area
 - Awaits improvement in farm-out market
- Slyne Basin – Serica 50%
 - Low risk, shallow water Boyne oil farm-out prospect following up on Serica oil discovery at Bandon



EXPLORATION PORTFOLIO: AFRICA

MOROCCO

- Tarfaya-Ifni Basin, Sidi Moussa
 - SM-1 well encountered oil. Evaluating drilling and fluid analysis results
 - Further work under review including possible drilling
 - Requesting licence extension
- Tarfaya-Ifni Basin, Foug Draa
 - Relinquishment planned following well result



NAMIBIA

- Luderitz Basin – Serica 85%
 - Prospect B 622mmbbls P₅₀ prospective resources *
 - Other prospects on block, clastics and carbonates
 - High quality database – 4,180 sq kms 3D seismic data
 - Extension granted to progress farm-out process
 - Awaits improvement in farm-out market

