

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

Chairman's AGM Statement

London, 23 June 2016 – At the Annual General Meeting on Thursday 23rd June 2016 Tony Craven Walker, Serica's Chairman, made the following comments:

Today is a momentous day for the future of the UK and also the future of Europe and I am grateful that many of you have been able to make it here today as well as, I hope, to cast your referendum vote. It has also been a momentous year for the Company which has seen a very substantial turn-around in its fortunes following our change of strategy to focus more on the values to be had in purchasing producing reserves during the down cycle as a platform for future growth.

It is a year ago that we held our last shareholder meeting and much has happened during that period. Oil prices continued to fall during the latter part of 2015 with Brent prices reaching a low of US\$26.00 in January, a price collapse of over 75% since the peaks of 18 months earlier. In deep water frontier areas we have seen drilling activity virtually stop and exploration for oil and gas generally has been severely curtailed worldwide with major investment withdrawn. In the North Sea, which is one of the higher operating cost areas, more and more fields are being scheduled for decommissioning. Many of our peer-group companies are suffering under the weight of excessive borrowings and investment commitments which are hard to justify in the current environment. Several have gone out of business.

However, with such massive changes come opportunities and I am pleased to say that Serica, by taking advantage of the market downturn to materially improve its financial position, has not only weathered the storm but has come out of it much stronger. In this, our earlier policy of cutting overhead and farming out exploration work commitments gave us a very strong hand. In the past year, whilst most companies in the independent oil sector were going through painful adjustments just to survive, Serica has grown its cash position four-fold and has considerably strengthened its position in the sector.

We shall shortly be giving a presentation to highlight what has been achieved and where we see opportunities to add further value but, first, a general comment on how we see ourselves in the sector.

Serica now has an asset, the Erskine field, which produces a running profit at oil prices considerably below the current level. We believe that there is a lot more to go for with this field both in respect of reserves and cost reduction. That asset has given us access and an ownership interest in infrastructure where we see material upside through cost reduction and increased throughput efficiencies. To achieve the latter we are working hard with both Chevron as operator of the Erskine field and Shell as the new operator of the Lomond infrastructure through which we produce. We see big opportunities working together to improve performance, extend reserves and cut costs per barrel, not least by prolonging infrastructure life and bringing our own Columbus reserves onto production.

We are focussed on adding more value to Erskine and endeavouring to use the related infrastructure to bring Columbus on stream but we have not lost track of exploration. Although this unquestionably has to take more of a back seat in the current commodity cycle, when risk capital is at a premium, our portfolio has been high graded to contain

several well defined prospects, any of which can have a very material impact on us and where we are either fully carried or have minimal exposure. The longer term therefore looks very positive. Finally, our cash position and balance sheet is robust, we have avoided borrowings and have laid off excessive risk. Serica is therefore extremely well placed amongst the junior oils to build value for shareholders during an industry downturn both from management of our existing assets and from further acquisitions.

In short, the past year has been transformational. Although we are shutdown at Erskine at the moment due to pigging problems experienced earlier this year and the current planned offshore maintenance work, we expect to restart production shortly. In the meantime product prices have strengthened considerably and the Company's strong finances have ensured that we have been comfortably able to meet all our obligations during the shutdown period.

We are not complacent however. Whilst we expect Erskine to continue to perform well and provide plenty of opportunity to add further value and further value per barrel we are aware, as I said in the statement which accompanied our Annual Results, that our current cash flows are dependent on a single producing field. We are also, whilst strongly financed, a relatively small company in the context of the highly capital intensive nature of our industry. Our market capitalisation today is a little less than £30 million, which is below the size that most financial institutions such as brokers, lending banks and investment banks consider to be of any interest. However, with cash in the bank, no borrowings or major commitments, low running costs, production averaging over 3,000 boepd net to Serica up to the shutdown to clear the pipeline and reaching 4,500 boepd net on several occasions, plus very material exploration and carried interests, Serica's capabilities are not lost to others in the industry and we believe that we have the financial capacity and the following to expand our business considerably in the right circumstances.

We can also see the significant merit of sector consolidation to increase financial capacity, spread risk and provide a platform to absorb and build on assets which major companies are likely to shed in more mature areas such as the North Sea and are reviewing opportunities but the circumstances and characteristics of any combination would have to be right to create a company of strength and capacity to expand. We have considerable knowledge, expertise and capability in the North Sea area, we already have a valuable footprint which we can build on with greater resources and have the imagination, low costs and nimbleness to take over from larger companies for whom these assets have become an encumbrance due to their size and cost base. Our position in frontier areas provides a strong basis for longer term projects. Whether we can achieve any of this is very uncertain in an uncertain world but we are aware of what we should do and are in a good position to do it if we can find counter-parties who are both imaginative and realistic.

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