



Serica Energy plc **Annual General Meeting**

28 June 2018

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Highlights

+310%
Operating profit



2017 operating profit of **US\$14.1m**
a four fold increase

2016: US\$3.4m

+105%
Cash and deposits



Total cash balances and term
deposits at 31 December 2017: **US\$34.0m**

31 December 2016: US\$ 16.6m

+58%
Group profit



2017 Group profit after tax
of **US\$17.1m**

2016: US\$10.8m

**Acquisition of
BKR assets**



The acquisition of BP's interests in the Bruce, Keith and Rhum (BKR) fields, announced on 21 November 2017 and expected to complete in late Q3 2018.

**Columbus FDP
submitted**



Columbus offtake route selected via the proposed Arran-to-Shearwater pipeline. Field Development Plan submitted in June 2018

~2,000 boe/day
**2017 net Erskine
production**



Erskine production averaged almost 2,000 boe per day net to Serica during 2017 with operating and transportation costs maintained at US\$15 per barrel.

Group Income Statement

	2017 US\$000	2016 US\$000	
Revenue	31,966	21,432	Production 1,976 boepd (2016: 1,636 boed), oil price US\$53.2/bbl (\$42.1/bbl), gas price 41p/therm (33p/therm)
Operating costs	(10,958)	(13,586)	Opex/transport costs of US\$15/boe down from US\$23/boe in 2016
Depletion	(1,710)	(1,274)	Increase mainly production-related
Gross profit	19,298	6,572	Higher production, higher commodity prices, lower opex
Admin expenses	(2,244)	(2,062)	Expenses steady despite increased activity
Impairment, exchange	(2,928)	(1,061)	Increase reflects exploration write-offs and fair value adjustment for gas price hedges
Operating profit	14,126	3,449	Four-fold increase over 2016
BKR transaction and finance costs	(3,278)	(124)	BKR acquisition expenses, AIM admission compliance costs
Profit before taxation	10,848	3,325	
Deferred tax	6,255	7,521	Recognition of further utilisation of tax losses carried forward
Discontinued operations	-	(8)	
PROFIT FOR THE YEAR	17,103	10,838	

Highlights – Current Operations

Erskine

- Production averaged just under 2,000 boe per day net to Serica during 2017
- 2017 production reduced by wax in Lomond-Everest export pipeline
- Production temporarily ceased since January 2018 due to wax issues
- Pipeline bypass planned in Q3 2018 as permanent solution
- Independent audit confirmed Serica's share of estimated 2P reserves at 3.1 million boe as of 1 January 2018 after net production of 1.9 million boe since acquisition

Columbus

- Serica, as operator of the Columbus field with a 50% interest, is moving the field towards development
- Columbus partners have selected an offtake route via the proposed Arran-to-Shearwater pipeline
- Environmental survey carried out in May 2018 over pipeline route diversion and well drilling locations
- **Field Development Plan submitted to OGA in June 2018**

Exploration

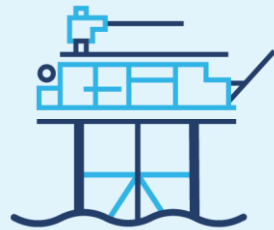
- Preparations for a well on the Rowallan prospect in Q4 2018 are progressing to plan with a site survey completed last December and tendering for a rig underway
- Serica is fully carried on all Rowallan well costs on this high pressure, high temperature prospect
- Successful in UK 30th Round
- Further one year extension (to December 2019) of Exploration Licence in Namibia
- Ongoing farm-out efforts in Ireland



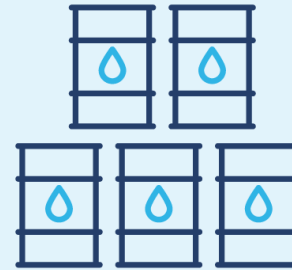
Highlights - BKR

Transformational acquisition of BP's operated interests in the Bruce, Keith and Rhum fields, announced 21 November 2017, expected to complete late Q3 2018, providing Serica with:

Additional revenue streams to diversify Serica's production portfolio from Erskine single field exposure



Significant additions to production volumes and reserves



Accelerated utilisation of tax losses



Deal structured to mitigate risk and minimise shareholder dilution



BKR: An Enabling Acquisition



MITIGATES RISK

- Bulk of consideration deferred and contingent
- Gas sales include hedging



DIVERSIFIES

- Production streams, now with 4 field interests
- 3 export routes



TRANSFORMS CAPABILITY

- Serica becomes a North Sea production operator
- Combined skillsets support future growth



MAINTAINS BALANCE SHEET STRENGTH

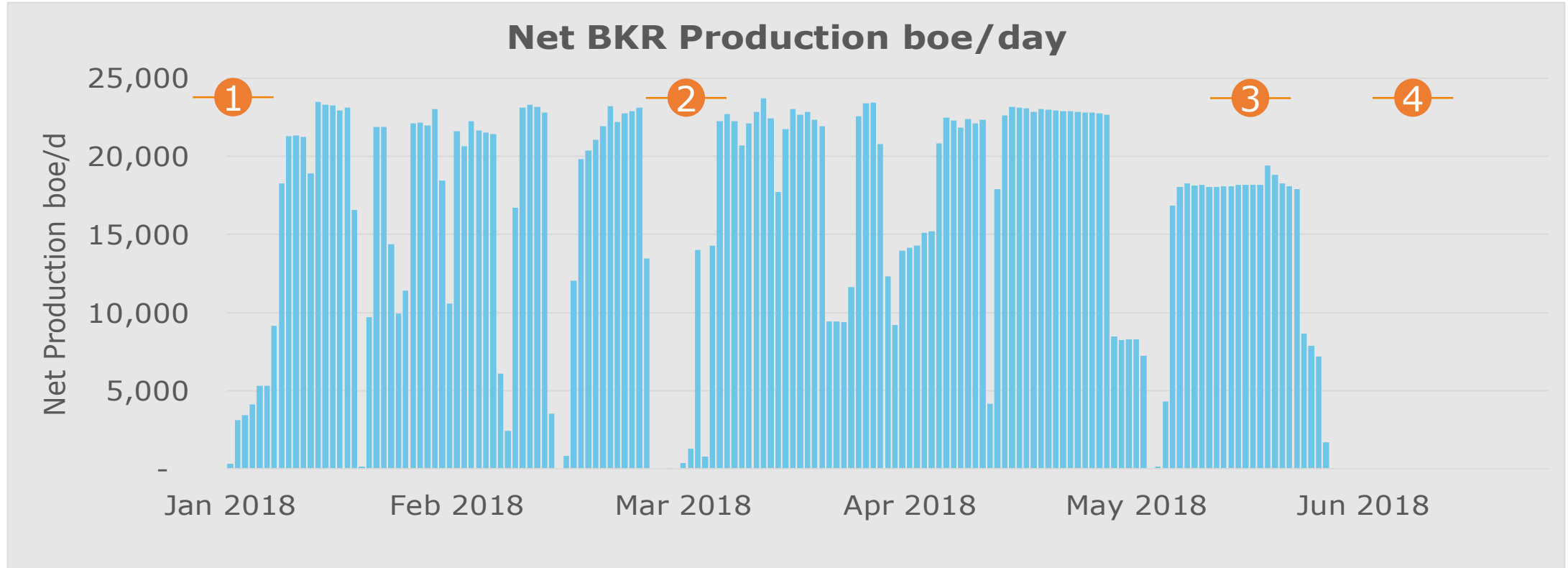
- No shareholder dilution
- No impact on existing cash resources
- No borrowings apart from prepayment facility provided by BP
- Expected to be immediately cash-flow and value accretive
- Tax efficient

Bruce **36.00%**
Keith **34.83%**
Rhum **50.00%**



Serica Field Interests

BKR Production Performance

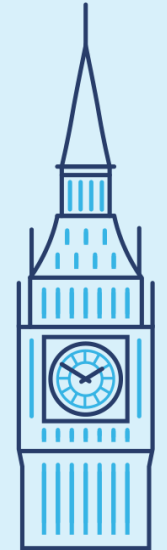
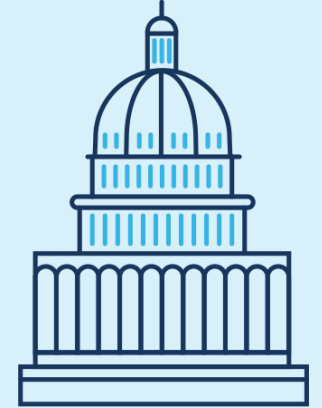


- On completion of the acquisition from BP, Serica entitled to 40% share of net cash flow from acquired interests since 1 January 2018 (then 50% in 2019, 60% in 2020 & 2021 and 100% thereafter)
- Product prices have remained strong throughout 2018
- Production regularly exceeds 20,000 boe/d net to BP interests
- Average net production up to start of planned summer maintenance programme of 16,510 boe/d net to BP

—●— **Operational Interruptions** 1. Post FPS start up 2. Cold weather impact 3. Export Restriction 4. Planned Summer Maintenance Shutdown

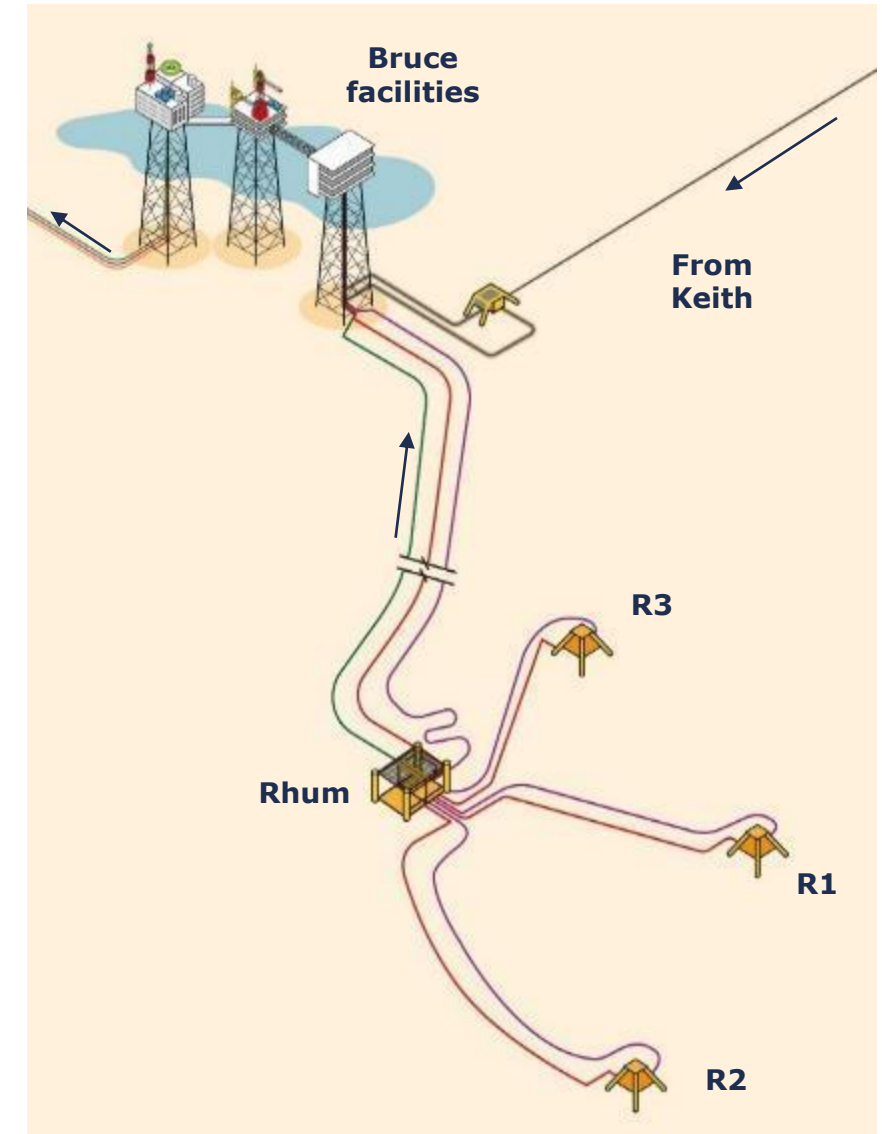
US Sanctions Policy

- IOC, a subsidiary of the National Iranian Oil Company, has held a 50% interest in the Rhum licence since 1972
- A 'snap-back' of US sanctions on Iran, announced by the US on 8 May imposes additional restrictions potentially affecting Rhum
- However, the US secondary/extended sanctions are not supported by the EU and, with the full support of the UK Government we expect to find a solution to protect this valuable British asset
- Together with BP and the OGA, we are in direct discussions with the US Office of Foreign Assets Control (OFAC) of the US Department of the Treasury
- All parties wish to see Rhum operations continuing and all parties are seeking a constructive solution which is capable of being accepted by the US authorities as removing the sanctions risk



Rhum R3

- Rhum is a strategic UK gas asset with significant upside potential
- Rhum is currently produced through two subsea wells. A third well (R3) was drilled but never put into production due to technical issues
- BP had planned to re-enter R3, re-complete the well and put it back into production during summer 2018
- BP has decided to defer the commencement of work on R3 while the position relating to US sanctions is being clarified
- Serica and BP are both committed to resolving the issue of US sanctions as they apply to Rhum with a view to enabling a timely completion of the BKR Transaction and safeguarding ongoing operations
- The deferral of work on the R3 well, pending resolution of the sanctions position, is not expected to impact the long-term recovery of Rhum reserves, nor the completion of the BKR Transaction



Maximising Economic Recovery

- Serica intends to build upon BP's operational performance at Bruce, Keith and Rhum to extend field life
- Objectives are fully aligned with the aims of the OGA's Maximising Economic Recovery strategy (MER)
- Serica is focused, flexible and financially robust, enabling it to pursue additional opportunities to increase ultimate recovery and extend field life
- Serica is committed to maintaining the highest HSE and employment standards

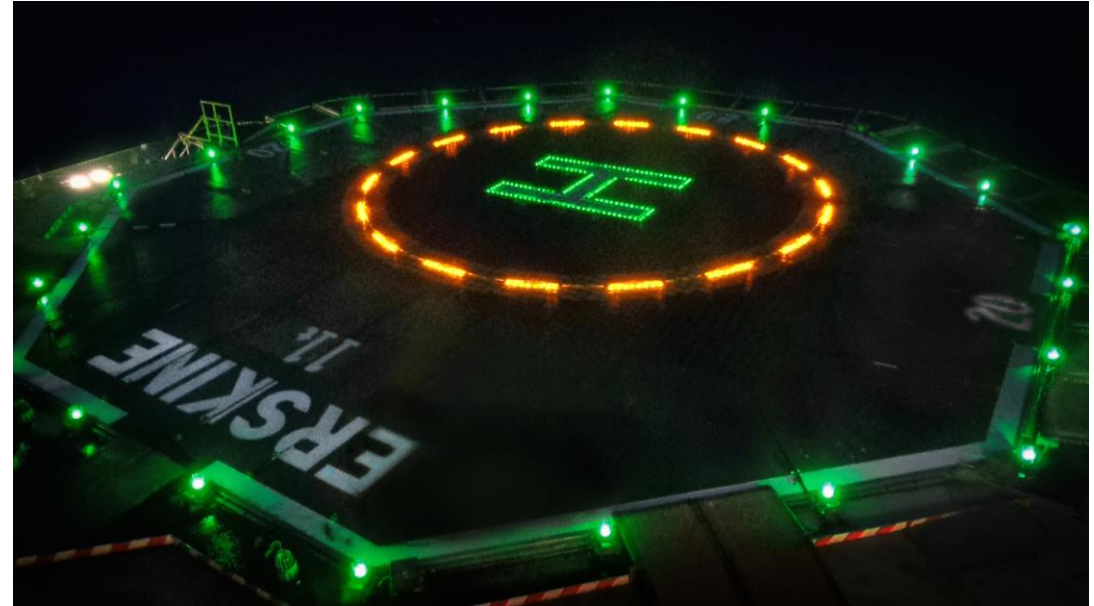


BKR Transition Timetable

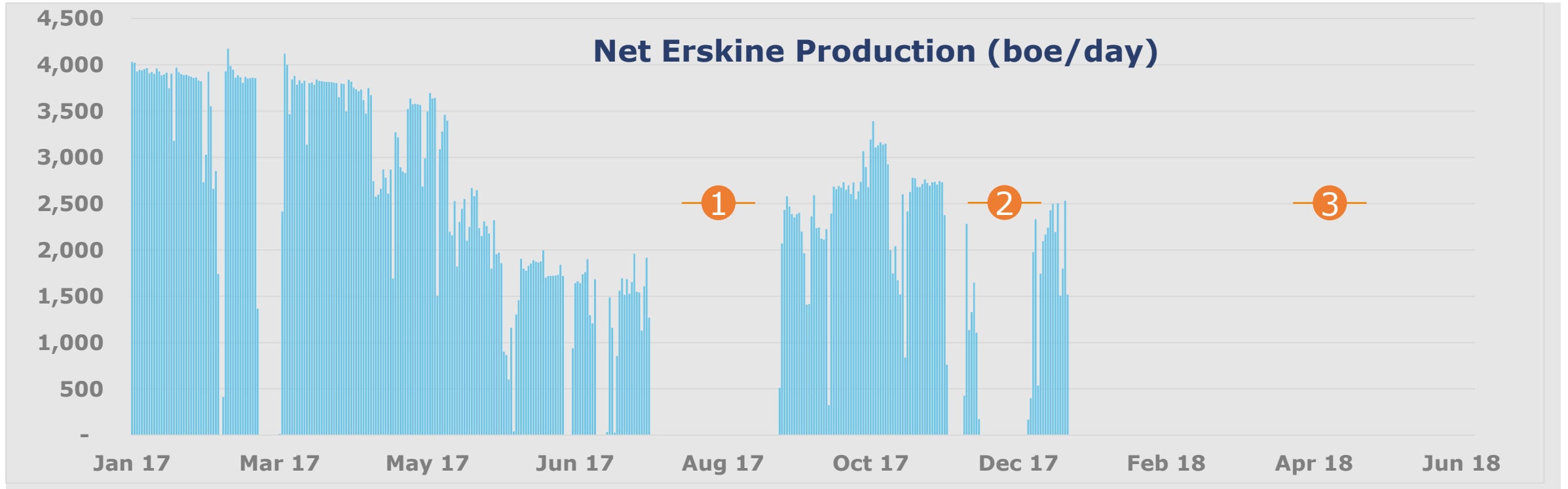


Erskine (Serica 18%)

- Production for 2017 was 1,976 boe/d net to Serica
- Production has been restricted by the condensate export pipeline from the Lomond platform experiencing back pressure caused by wax deposits
- This was further impacted by a blockage in the line, as announced on 22 January, which occurred during routine pigging operations
 - The Company and its partners have commenced engineering and procurement for an export bypass pipeline aimed at delivering a permanent solution for the wax condition
- Despite export issues, the wells and reservoirs in Erskine continue to perform as expected
 - Wells are capable of reaching production rates that will help recover production deferred due to downtime (as seen in the first half of 2017)



Erskine Production



- Erskine production impacted by Lomond export pipeline blockage
- Production for 2017 was 1,976 boe/d net to Serica with net production exceeding 3,000 boe/d when unrestricted by waxing issues
- Pipeline Bypass will provide a clean export line

—●— **Operational Interruptions** 1. Restriction and Maintenance 2. FPS Pipeline Outage 3. Blockage and Pipeline Bypass

Erskine Bypass Pipeline

- A 26km section of line will be replaced
- A clean line will allow full and regular pigging from the start thus preventing wax build up
- Serica's contribution to the cost is comparable to 40 days of Serica's share of field revenues
- Equipment procurement has commenced and the installation is expected to be completed in Q3 2018

Lomond



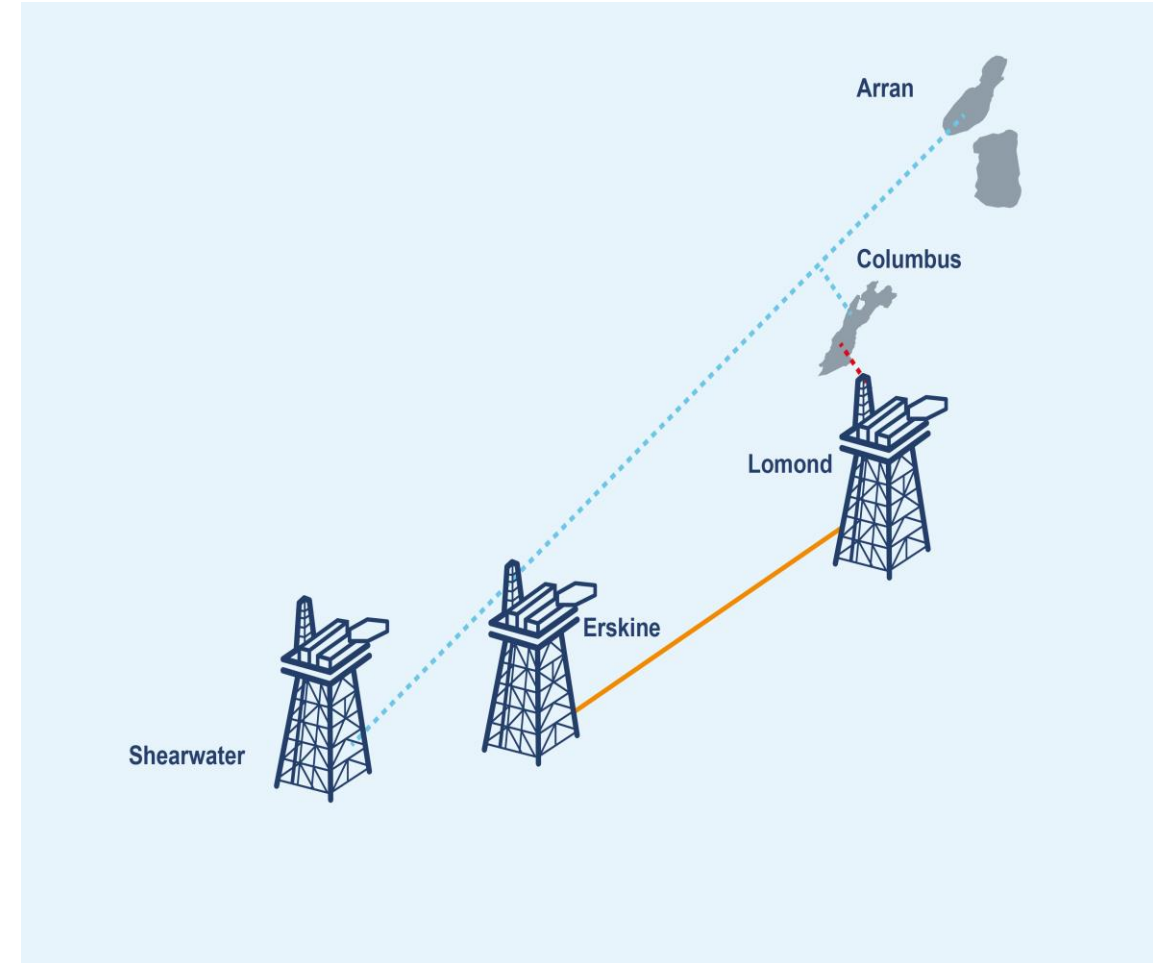
- Existing 8" pipeline is 58km long
 - Exports condensate from Erskine/Lomond to CATS
 - Peak wax accumulation at Lomond end
- 26km, 8" new bypass pipeline trenching and backfilled
 - Fibre optic cable crossing to be rockdumped

CATS
Riser Platform



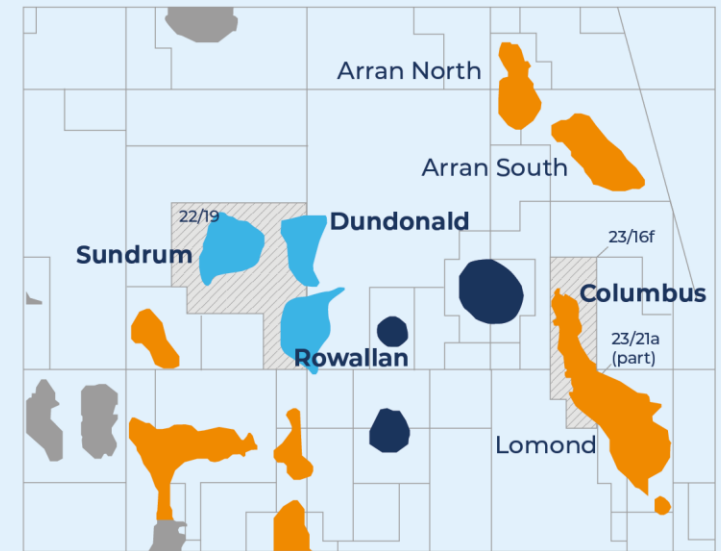
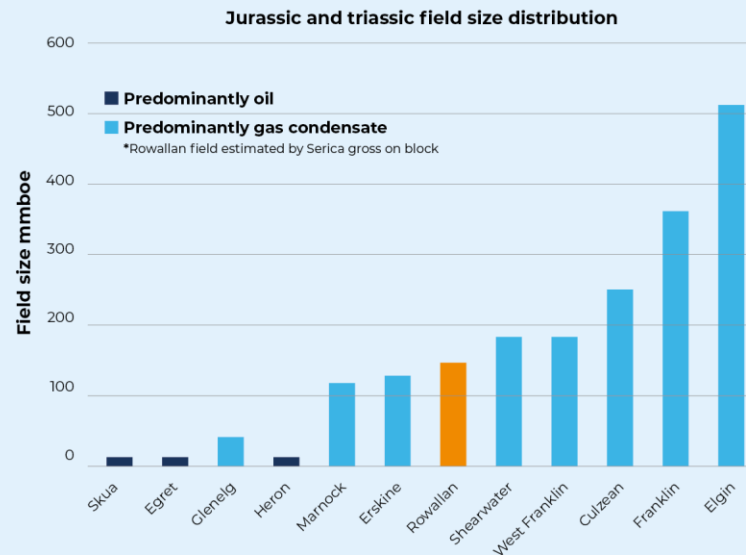
Columbus Development (Serica 50%)

- During 2017, Serica pursued two alternative development options for Columbus
 - Drilling a subsea well and joining a potential future development of the nearby Arran field to the Shearwater platform, located 35km from Columbus
 - Drilling an extended-reach development well into Columbus from the Lomond platform, located five 5km away
- In March 2018 Serica informed the OGA that, subject to the Arran partners building a pipeline between Arran and Shearwater, the Columbus partners would prepare a Field Development Plan (FDP) to develop Columbus by tying a subsea well into that pipeline
- Arran and Columbus fluids will combine in the new pipeline and be produced together over the Shearwater processing facilities via an existing riser onto the Shearwater platform. The overall capital costs under this option are lower and first production is targeted for mid 2021
- **In June 2018 Serica submitted the Columbus FDP to the OGA**



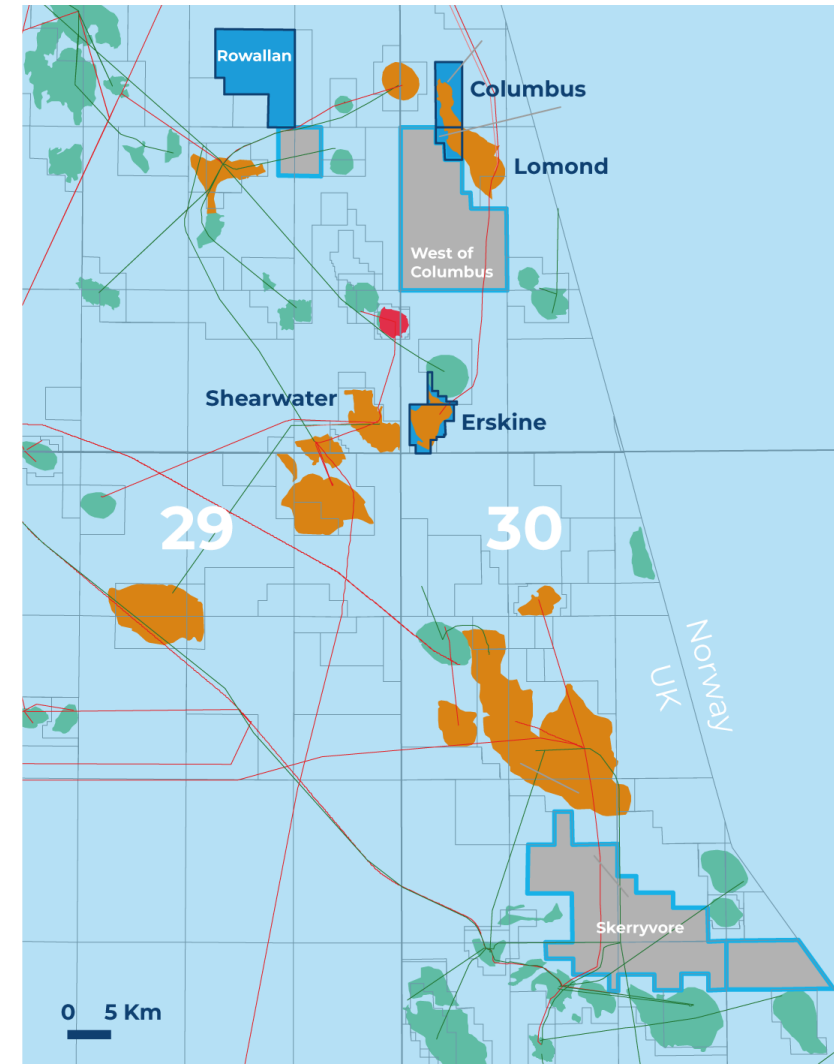
Rowallan: UK Block 22/19c (Serica 15%)

- Preparations for drilling continue
- A pre-drilling site survey was completed in December 2017
- Rig tendering ongoing for expected spud in Q4 2018
- Serica is fully carried and so pays no costs for drilling the well
- Success case gross estimated field size in line with major HPHT UKCS fields
- The prospect has been independently assessed to contain unrisked P50 prospective resources of 19.7 million boe net to Serica



UK 30th Round Award Offers

- Serica has provisionally been awarded blocks in three strategic areas in the Central North Sea
- **Rowallan South (20%)**
 - The Rowallan Prospect is mapped to continue into the block immediately south of the Serica licence
 - Serica will have 20% equity with operator ENI and partner Mitsui
- **West of Columbus (50%)**
 - Advanced seismic techniques have indicated potential hydrocarbon accumulations down-dip of the Columbus field
 - Further interpretation and mapping will hopefully lead to identifying drilling targets
 - Ideally positioned for a swift development
- **Skerryvore (20%)**
 - Significant prospects identified through seismic interpretation and close to discoveries
 - Partner Parkmead has a long history in the area
 - Drill or drop decision after further technical work



A Robust Business Base for Future Growth



INVEST

Investing to enhance production and increase reserves



GROW

Increased scale and diversification of revenue streams



BUILD

Commitment to operational excellence with Aberdeen HQ



TEAM

Combining expert skillsets for team breadth and depth



EXPLORE

Exploring future opportunities