

**Serica Energy plc  
2014 AGM**

# **Chief Operating Officer's Review**

**26th June 2014**

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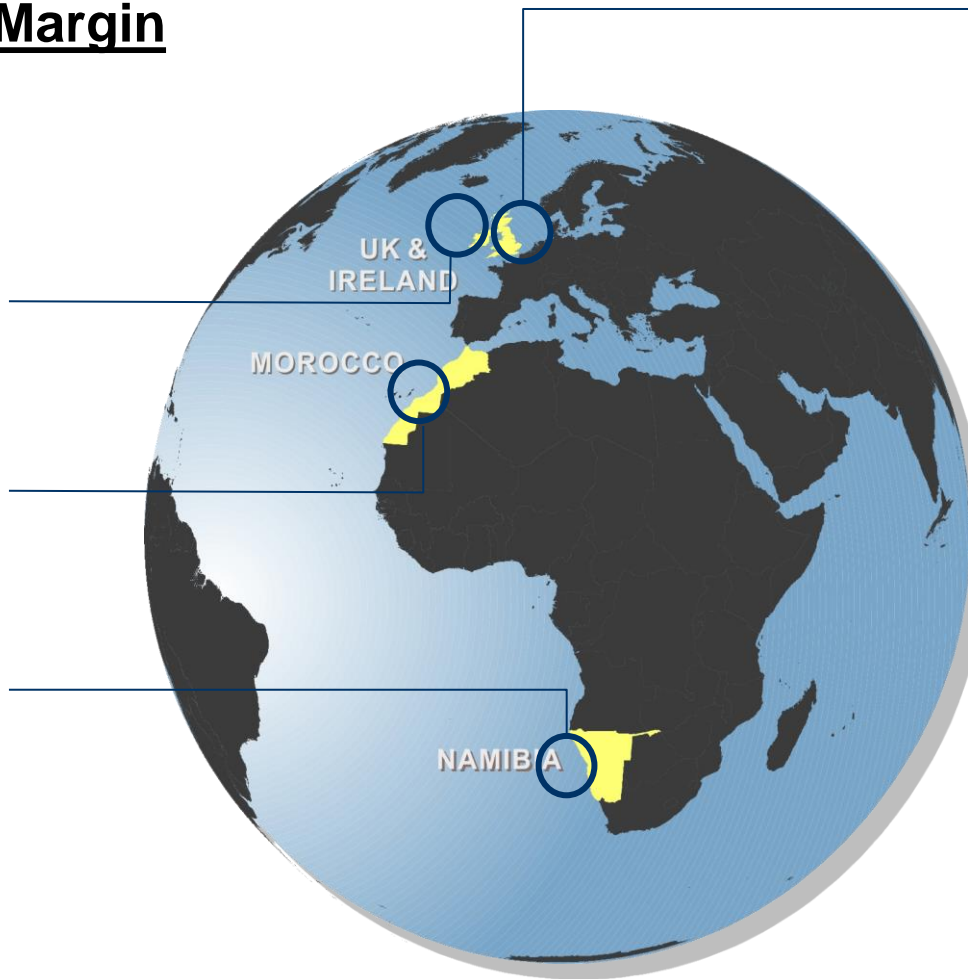
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## Atlantic Margin

**Ireland:**  
Rockall  
Slyne

**Morocco:**  
Tarfaya-Ifni

**Namibia:**  
Luderitz



## UK/Norway

### **UK Central North Sea**

- Exploration
- Development
- Production

### **UK Southern North Sea**

- Exploration

### **UK East Irish Sea**

- Exploration

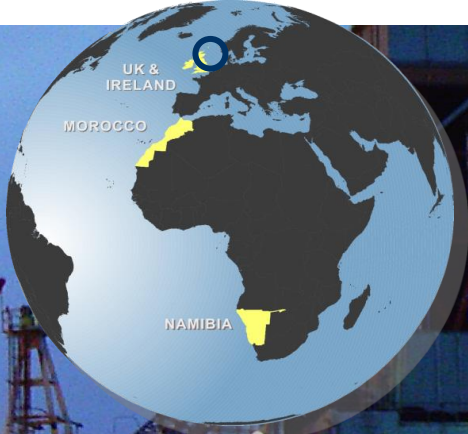
### **Norwegian North Sea**

- Financial Interest in Field Development

*Two distinct areas, each with strong underlying value*

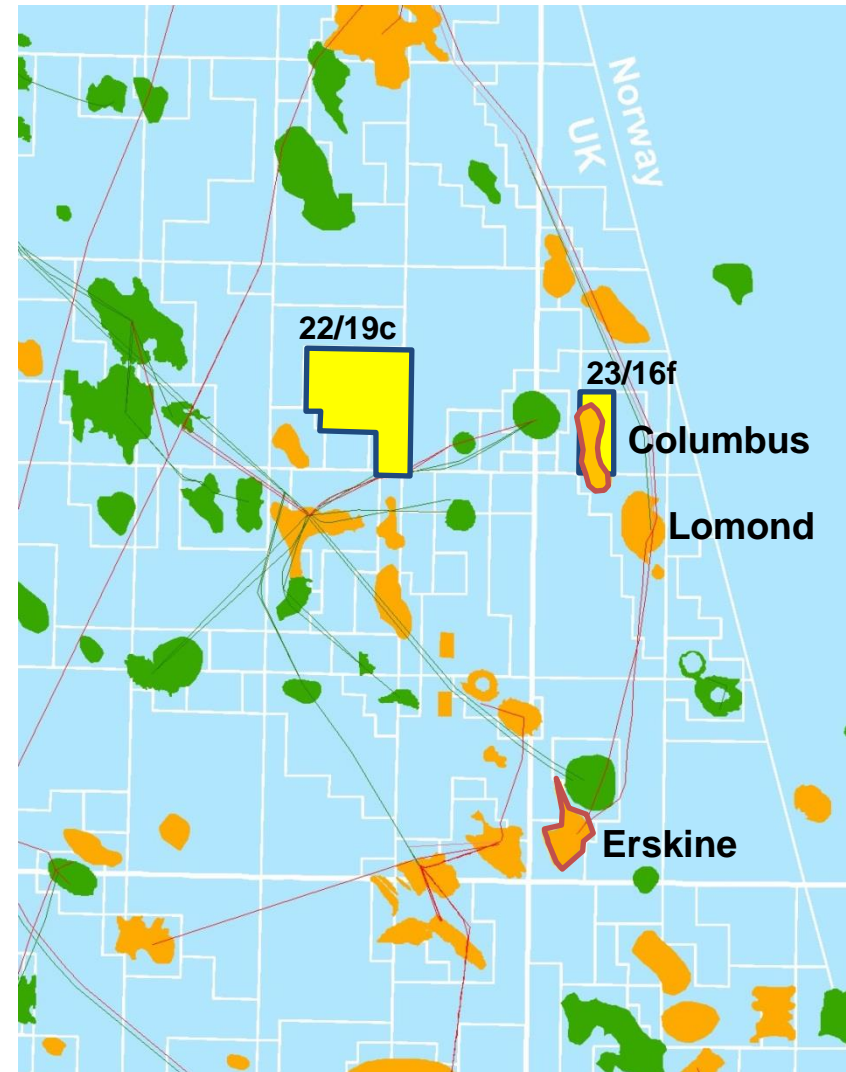
# UK Central North Sea

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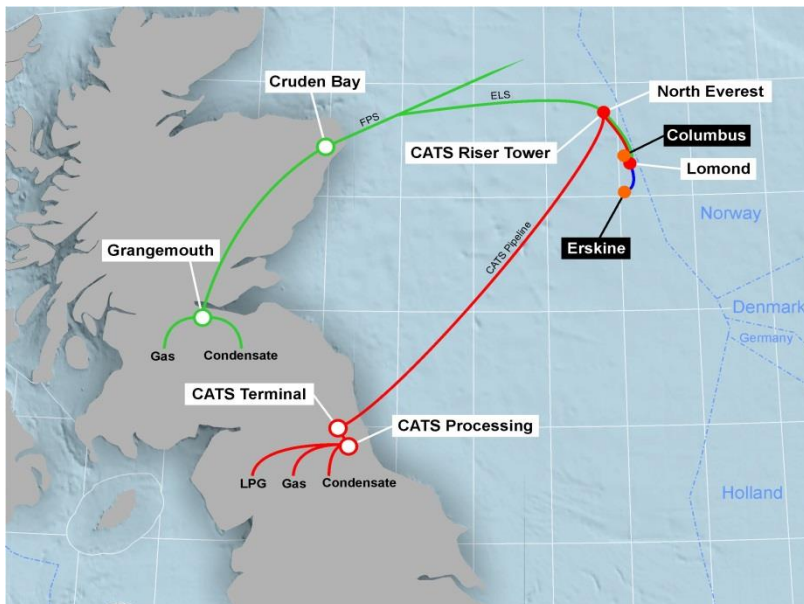


# UK Central North Sea

- The UK Central North Sea is becoming the hub of Serica's UK activity
- The acquisition of the Erskine asset complements and enhances our existing portfolio
- The Erskine field produces through the Lomond facilities which lie close to the Columbus field
- Lomond remains one of the preferred development options for Columbus. Securing an interest in Erskine will assist us in our ongoing efforts to bring Columbus on to production
- In block 22/19c the exploration prospects are HPHT ("High Pressure, High Temperature"), and are geologically similar to the Erskine field, which is also HPHT



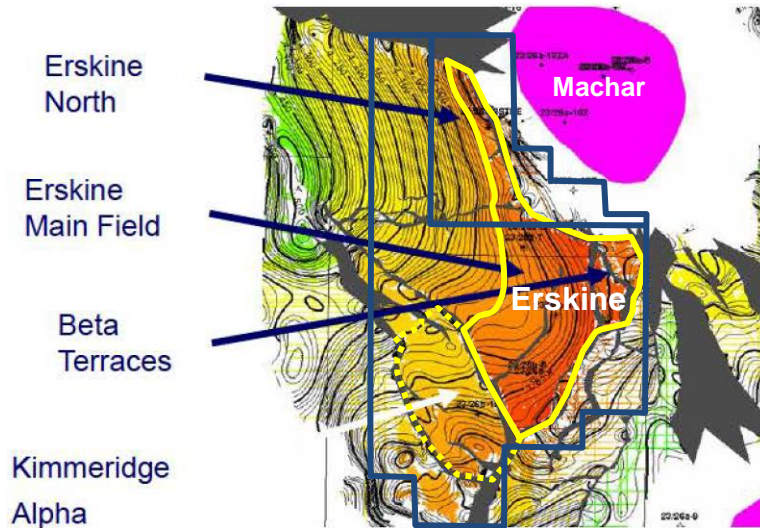
# Erskine Field



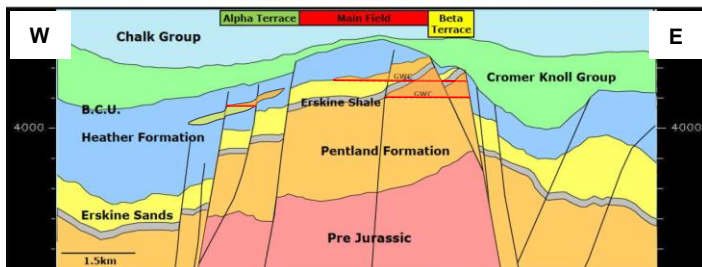
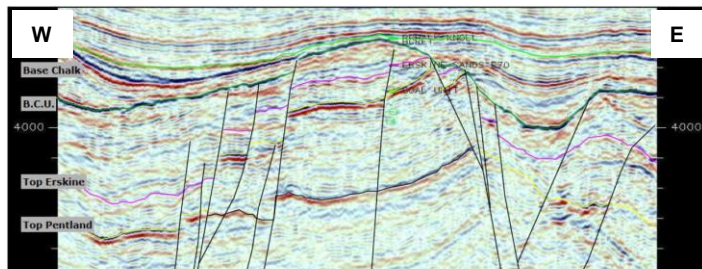
- Discovered by BP in 1981
- First HPHT field developed in UK
- Rich gas/condensate field
- Five producing wells
- Developed using a stand-alone, normally unattended wellhead platform with gas processing and export via Lomond, Everest and CATS, oil via FPS
- First production: 1997
- Current Partners
  - Chevron (Operator) 50%
  - BG 32%
  - BP/Serica 18%

*First UKCS production for Serica*

# Erskine Reservoir



- Reserves contained in three separate Jurassic HPHT reservoirs
  - Erskine Sandstone
  - Heather Sandstone
  - Pentland Sandstone
- Three main structural blocks
- Produced Reserves: ~120mmboe (gross)\*
- Remaining Reserves: 20mmboe (gross)\*\*
- Remaining reserves: 3.6mmoe (net to BP/Serica)

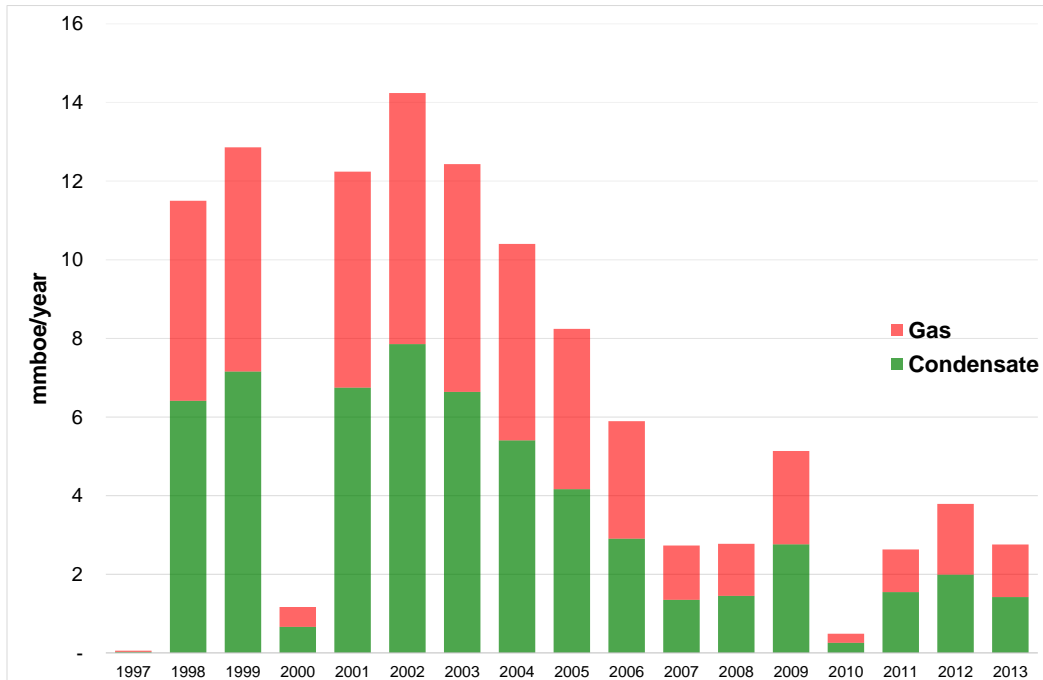


\*DECC figures

\*\*Serica internal estimate

**Reliable reservoir performance for past 16 years**

# Erskine Production



- First Erskine production in late 1997
- Several incidents have restricted production
  - 2000 pipeline rupture
  - 2007/8 dropped anchor and stuck pig
  - 2010 platform fire
- Most recently production has been limited by poor availability of the Lomond processing facilities
- A 2014/15 maintenance programme is designed to address these issues and improve Lomond availability
- Serica internal estimate is 1,234boe/d (net) production in 2014
- Improved production rates are forecast post 2014/15 maintenance programme

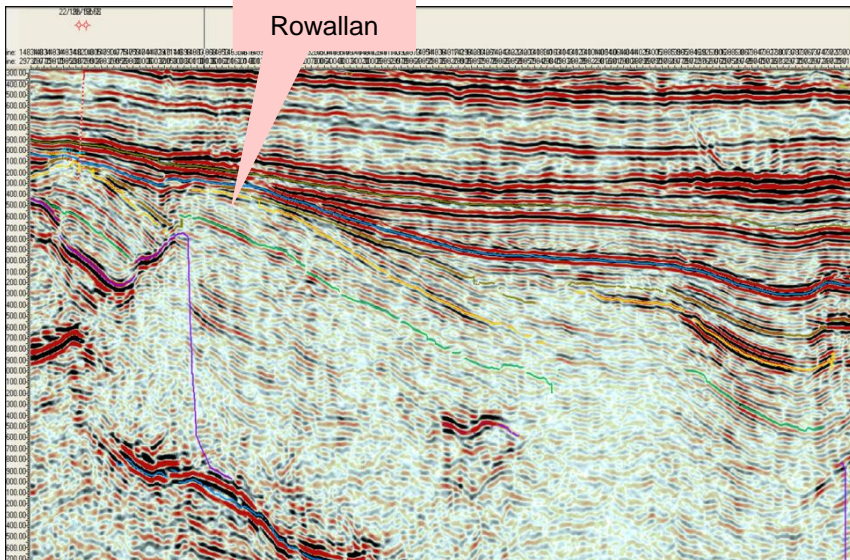
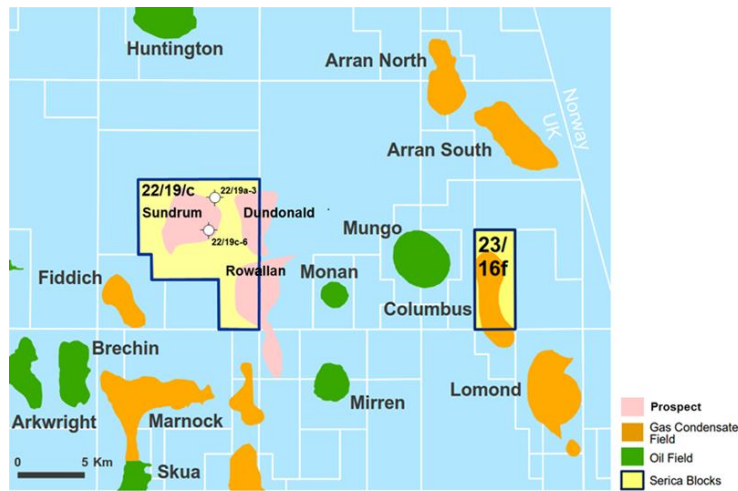


***Infrastructure issues being addressed in order to improve production rates***



- Acquired 18% interest in UK blocks 23/26a (Area B) and 23/26b (Area B) containing the Erskine Field from BP
- Increases Serica's 2P reserves from estimated 5.2mmboe to 8.8mmboe
- Consideration of \$11.1 million in cash plus 27 million new Ordinary Shares in Serica subject to working capital adjustments
- Estimated decommissioning costs to be met by BP
- Effective date of 1 January 2014, working capital adjustments can reduce cash or share consideration (to minimum of 13.5 million new Ordinary Shares)
- Cash element of the consideration is met entirely from Serica's existing cash reserves
- Tax efficient transaction sheltering post completion revenues
- Conditional on partner consent and DECC approval

***Attractive deal with risk reduced by innovative decommissioning agreement***



Seismic Line across Rowallan Prospect

seismic section courtesy JX Nippon

- Serica 15%, ENI 50% (Operator), JX Nippon 35%
- Three significant structural HPHT prospects at Jurassic (Pentland Sandstone) & Triassic levels, with similarities to Erskine Field
- Well planned for Rowallan prospect in early 2016 (Serica fully carried)
- NSAI independent best estimate of 95mmboe gross contingent resources for combined Jurassic and Triassic Rowallan prospect

***Serica fully carried for drilling & testing HPHT well in early 2016***

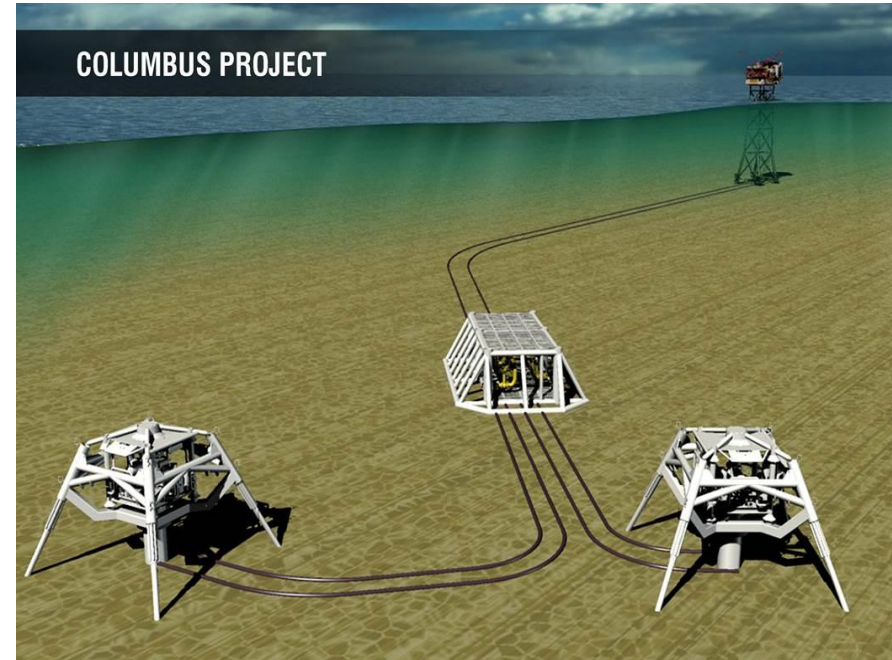
# Columbus

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# Columbus Field

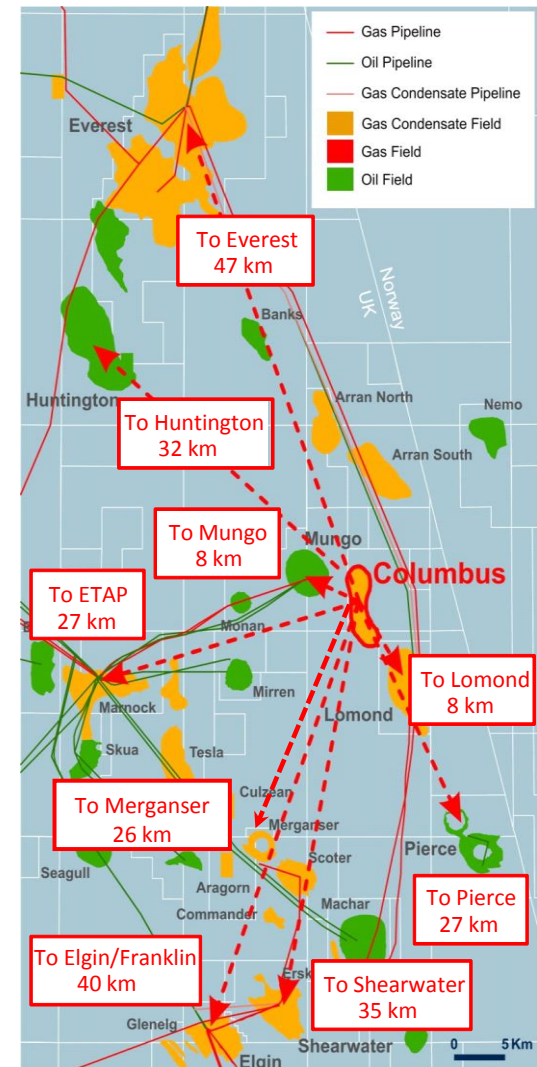
- Lomond platform is located less than 8km from Columbus and has available spare processing capacity
- Lomond (and Erskine) economics are improved by Columbus revenue stream
- There are no major technical obstacles to prevent a Columbus sub sea tie-back to Lomond
- The Lomond operator has provided the Columbus owners with a commercial proposal for the transportation and processing of Columbus production
- This proposal does not currently meet the requirement for proportionate equity returns between field owner and infrastructure owner



*Valuable project, enhanced by synergies with Erskine*

# Potential Alternative Offtake Routes

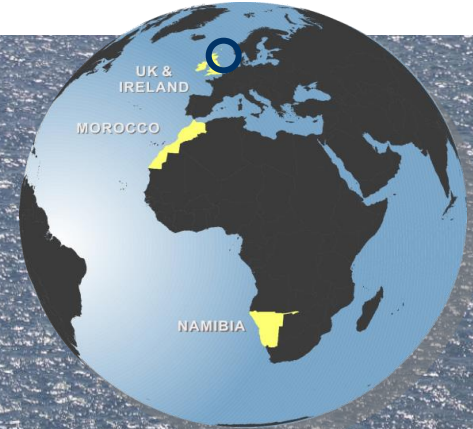
- Lomond provides the closest access to processing capacity and has always been the preferred off-take route
- Acquiring an interest in Erskine provides access to Lomond facilities
- Several off-take routes exist in the area, in addition to Lomond
- Discussions with other infrastructure owners indicate that processing capacity is available

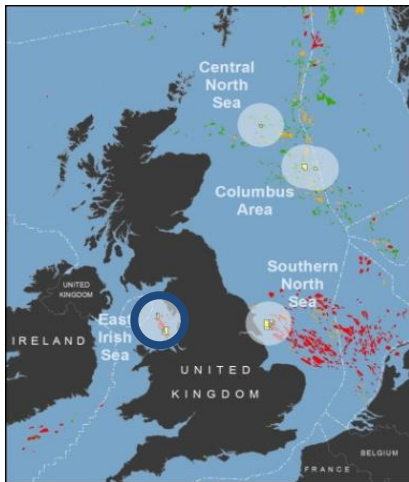
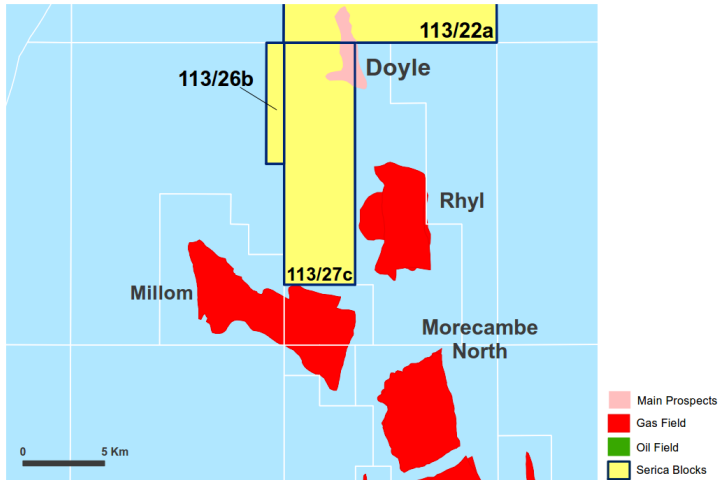


***Columbus has more than one potential offtake route***

# UK Exploration

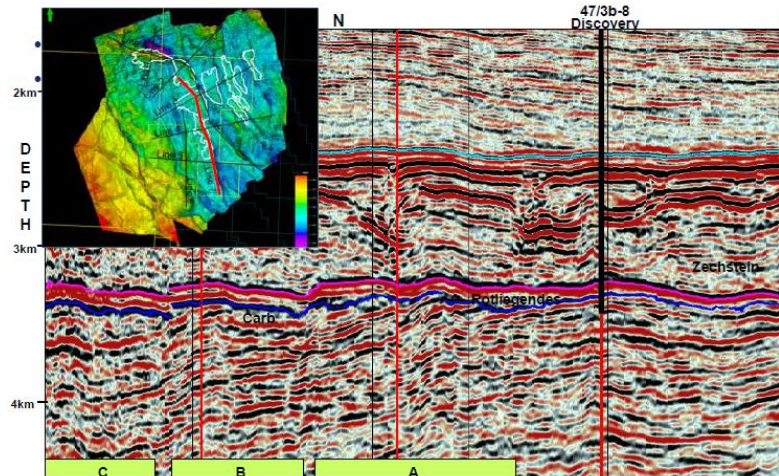
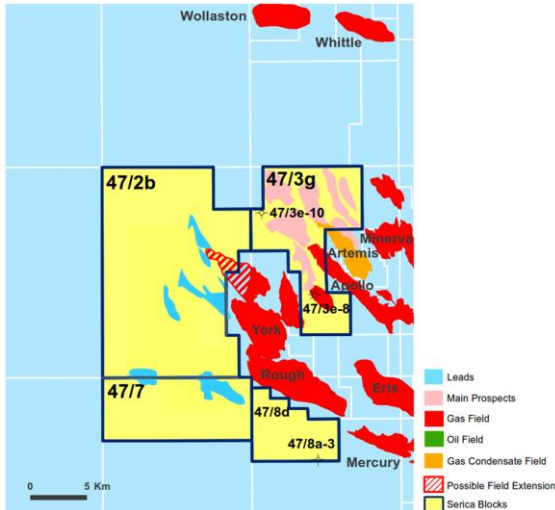
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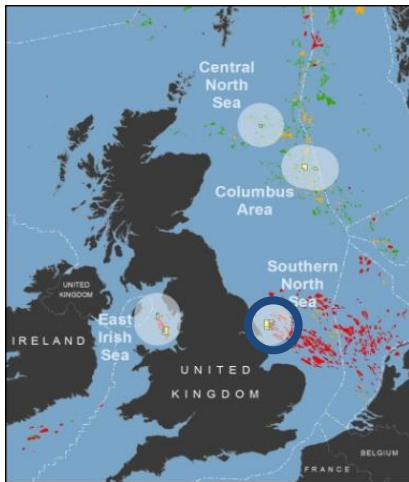
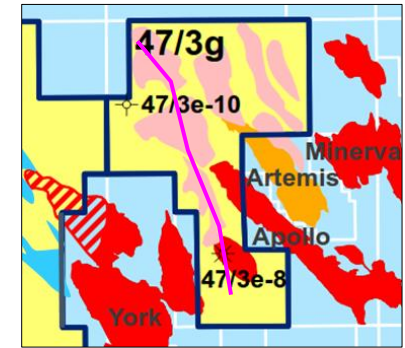


- Blocks 113/26b & 27c
- Block 113/22a awarded December 2013
- Serica interest 20%, Centrica operator
- Farm-out to Centrica recently agreed
- Doyle Prospect: fault/dip closed structure with Triassic Sherwood Sandstone reservoir
- Site survey completed and prospect is ready to drill
- Serica carried on cost of exploration well (capped at £11mm)
- Export route via Rhyll Discovery
- Rig contracted for H1 2015 well

***Low-risk gas prospect close to infrastructure***



Depth seismic line through Prospects A, B & C



- Serica WI 37.5%: operator Centrica
- 3D seismic survey acquisition completed June 2013
- Next to the producing York Gas Field
- Low cost developments for York analogue Rotliegendes gas prospects
- Exploration upside in Carboniferous
- Prospects are being re-mapped with new 3D seismic data
- Rig contracted for well planned in Q4 2015

***Low-risk exploration in prolific area near infrastructure***



# Norway: Bream Field

- Bream is a Jurassic oil field in the Norwegian Egersund Basin
- Serica sold its interest in 2008 and is due a cash payment on commencement of production
- Recent activity has seen:
  - Operator Premier increase its interest
  - KUFPEC join the joint venture
  - Tullow join the joint venture
- In May Premier indicated plans for a 2014 partner sanction decision

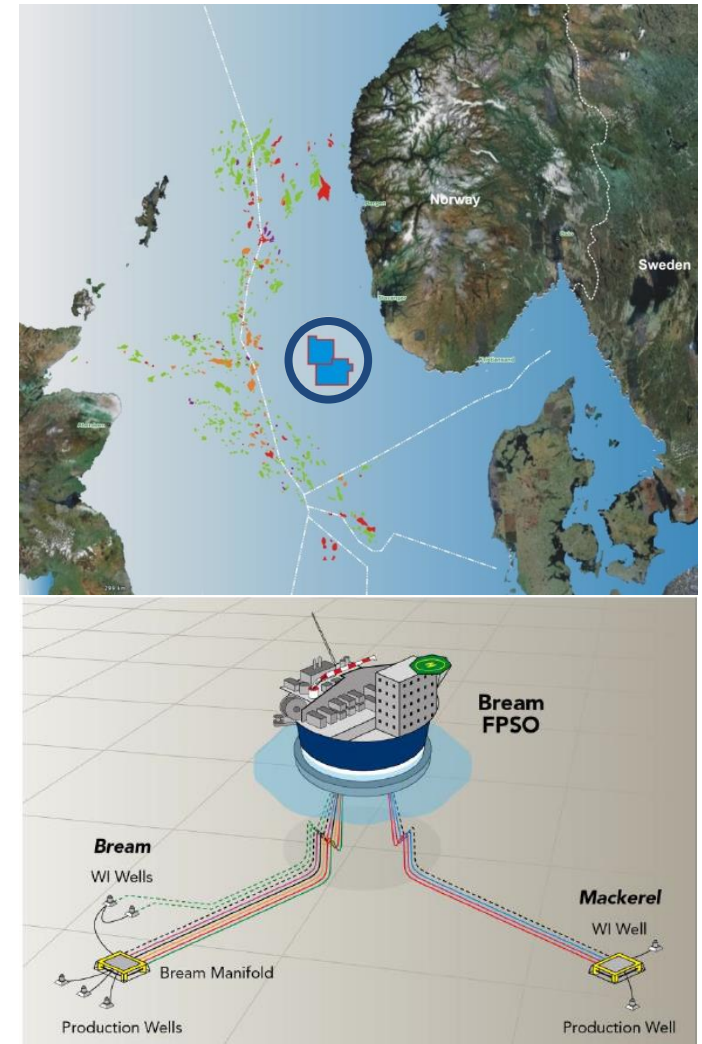


Figure courtesy of Premier

*Potential to realise Serica value post sanction*

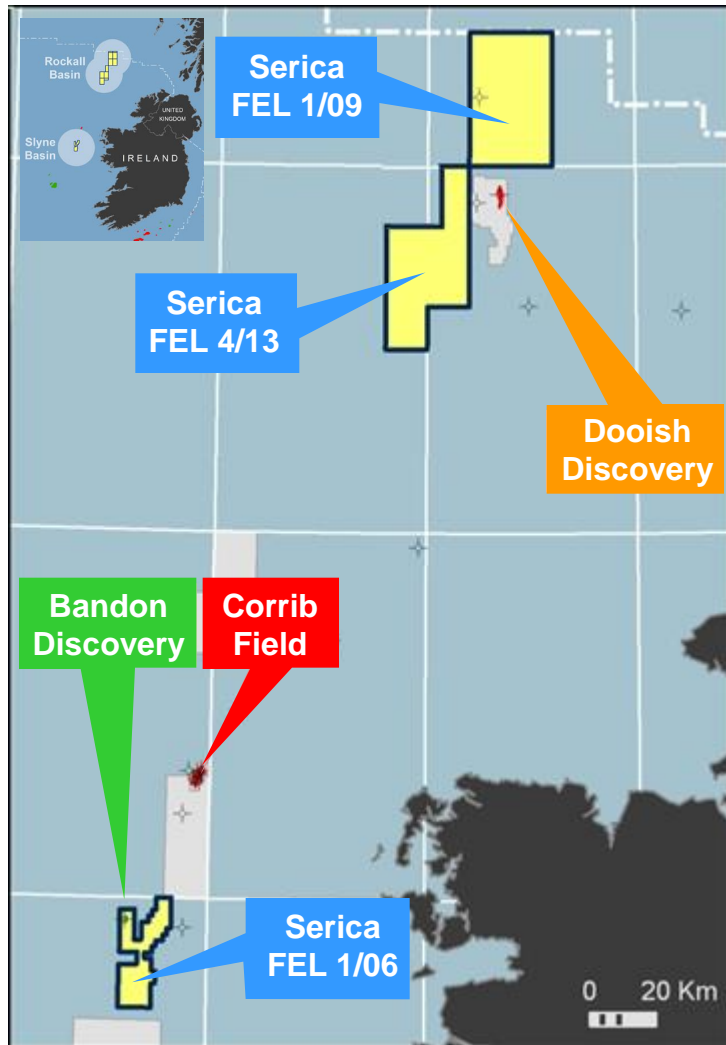
# Ireland

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# Serica Ireland Rockall & Slyne Basin Licences

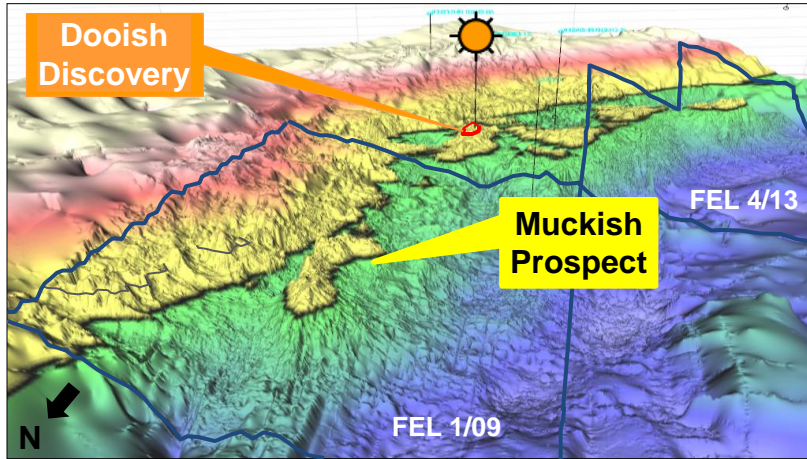
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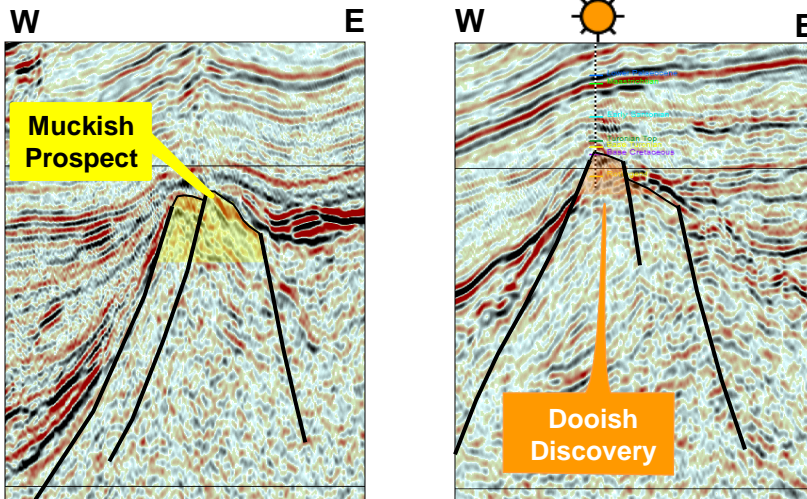
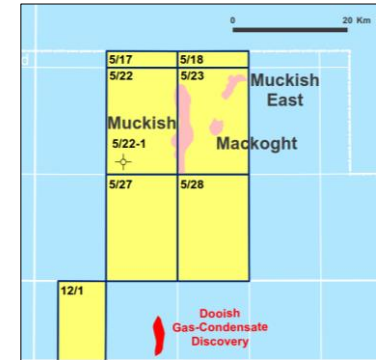
- Large structural prospects close to proven oil and gas discoveries
- New work has identified potentially significant Cretaceous stratigraphic upside in Rockall Basin
- Shared geology with prospective UK and Norwegian Atlantic margins
- Rockall Basin Licences FEL 1/09 & 4/13 operated by Serica (100%)
- Slyne Basin Licence FEL 1/06 operated by Serica (50%) in partnership with RWE
- Both licences covered by high-quality 3D seismic data

*High-reward exploration within proven hydrocarbon systems*

# Serica Ireland Rockall Basin Licences

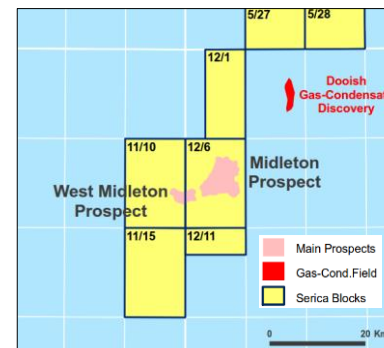


- Muckish Prospect: large tilted fault block mapped on 3D seismic data, which closely resembles the nearby Dooish gas-condensate discovery
- Muckish P<sub>50</sub> resource potential of 85 mmbbls + 1.3 tcf \*
- Additional P<sub>50</sub> upside: Midleton Prospect 94 mmbbls+ 1.4 Tcf \*



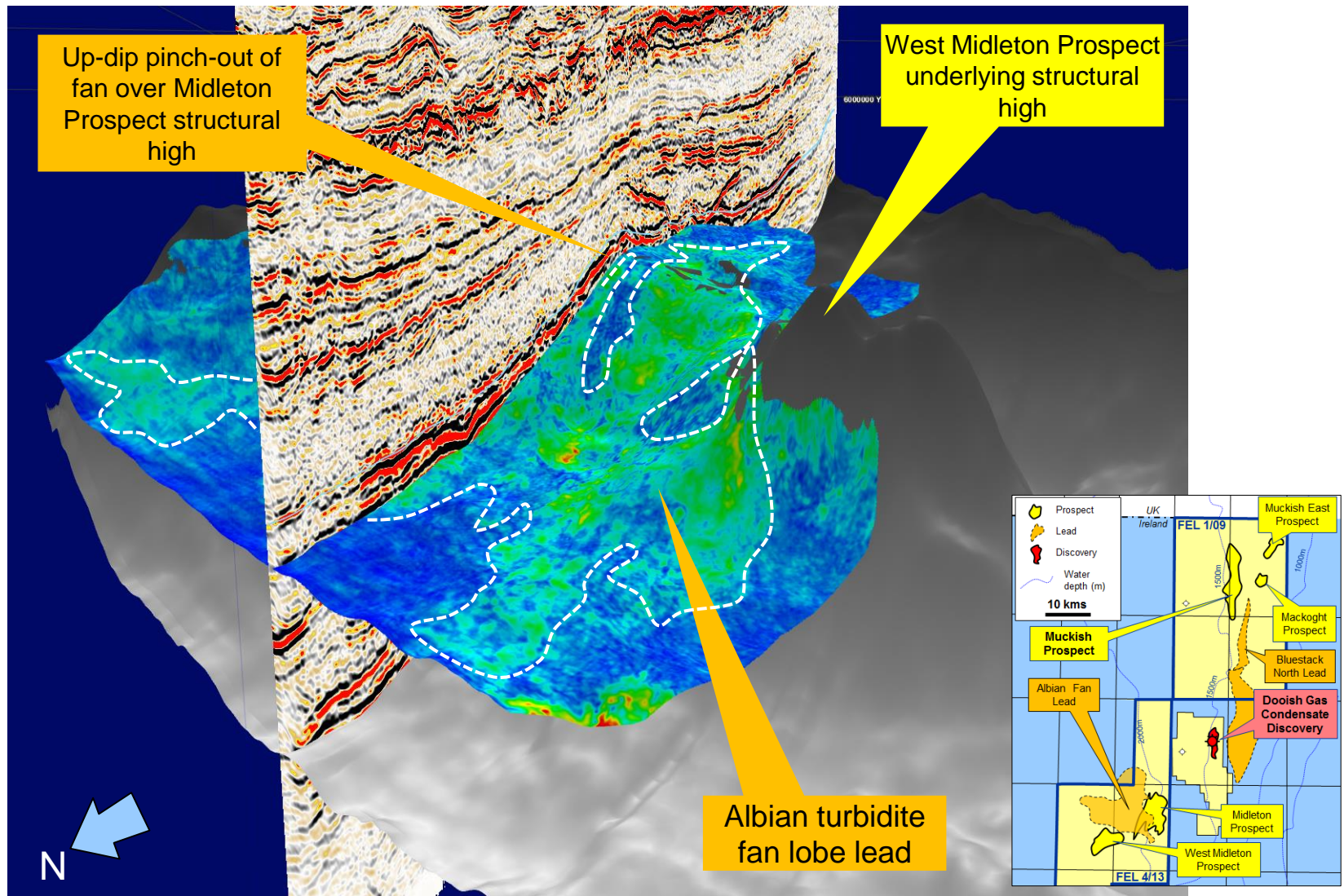
Muckish Prospect compared with Dooish Discovery (same-scale seismic sections)

\* Resource estimates are based on Serica in-house latest interpretation of 3D seismic data



**Large structural traps on-trend with Dooish Discovery**

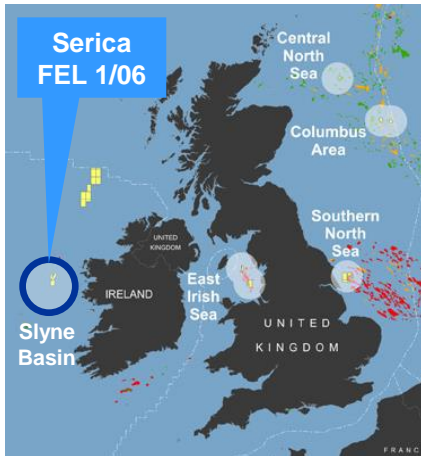
# Lower Cretaceous Stratigraphic Upside in Rockall



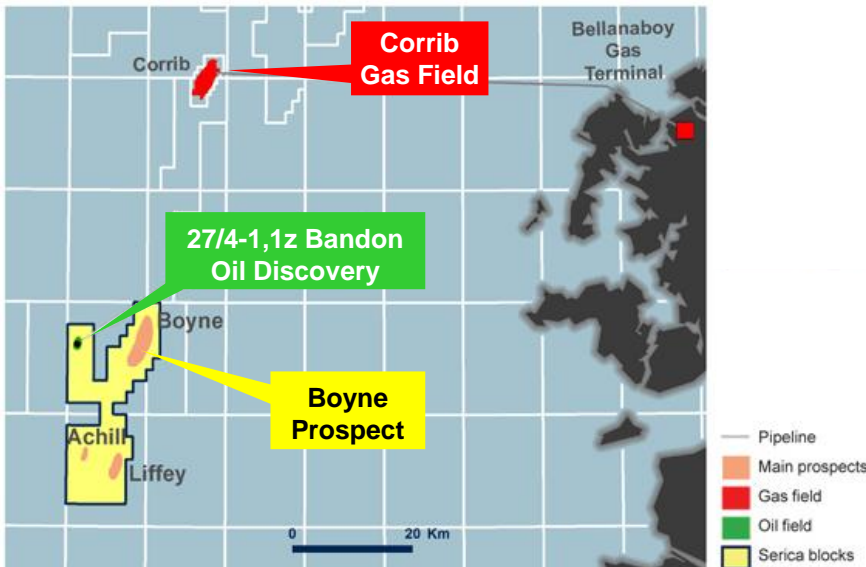
*Potential for dual-objective exploration well*

# Serica Ireland Slyne Basin Licence

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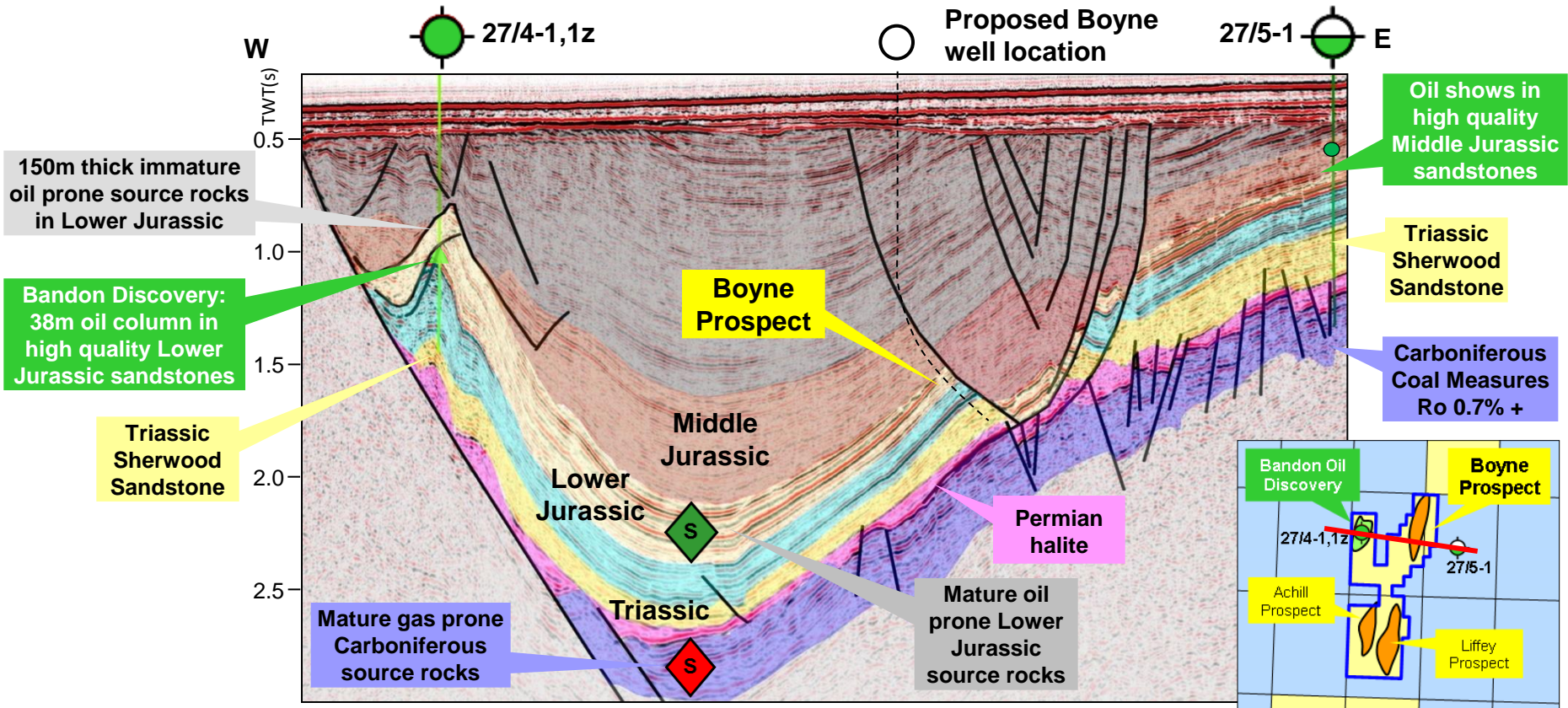
- Low risk exploration, Slyne Basin, west of Ireland
- FEL 1/06 operated by Serica (50%) in partnership with RWE
- Water depth ~200m
- Proven oil on block (27/4-1, 1z Bandon Oil Discovery, 38m oil column)
- Nearby commercial gas field (Corrib)
- Good quality Lower Jurassic and Triassic reservoir sandstones
- Boyne, Liffey & Achill prospects clearly defined on 3D seismic data
- Exploration upside in the event of Boyne success



***Hydrocarbon system proven by Bandon Oil Discovery***

# Slyne Basin Petroleum System

## Two Proven Plays



- Lower Jurassic reservoir sandstones sourced by Lower Jurassic oil shales
- Proven by the Bandon Oil Discovery 27/4-1,1z
- Triassic reservoir sandstones sourced by Carboniferous coals
- Proven by the Corrib Field 40 kms to north

*Two proven plays, with Boyne Prospect providing a dual target*

- 
- Government commissioned Wood Mackenzie report into fiscal regime
  - This had a delaying effect on the farm out market
  - Results of review announced on June 18<sup>th</sup>
    - “....a maximum rate of 55% applying in the case of new licences, compared with a maximum rate of 40% under the current fiscal regime”
  - Critically the recommendations do not apply to existing licences
  - Partnering process continues with interested parties

***Recommendations are expected to make existing licences more sought-after***



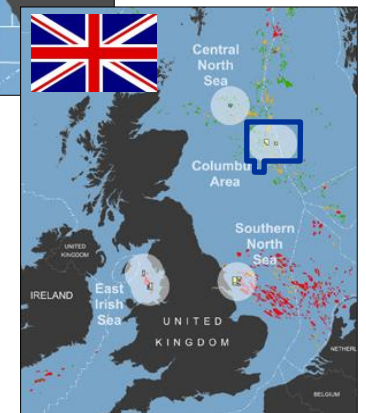
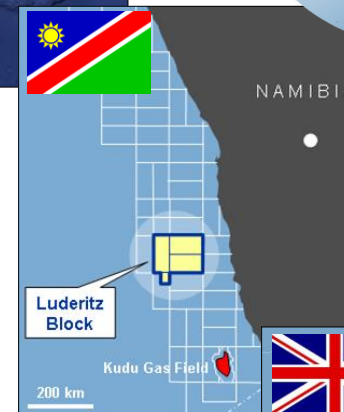
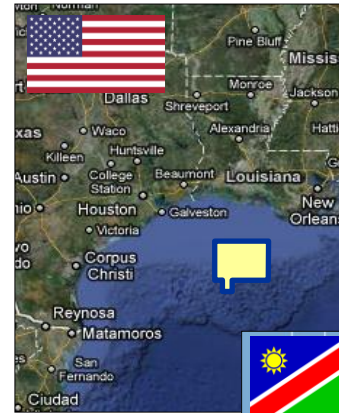
# Namibia

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# Why Namibia?

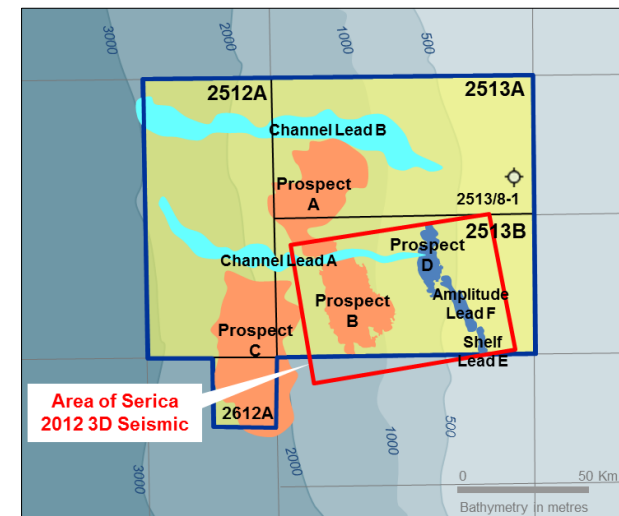
- Highly under-explored but prospective continental margin
- Several proven hydrocarbon systems including recent oil discovery
- Close to large markets
- Stable democracy
- Favourable fiscal terms
- Business language is English
- Serica has very large 17,384 km<sup>2</sup> acreage holding within the central Luderitz Basin
- Luderitz blocks equate to approximately one third of the size of the UK Central Graben



***Huge, largely unexplored offshore area with proven hydrocarbon systems***

# Serica Namibia Introduction

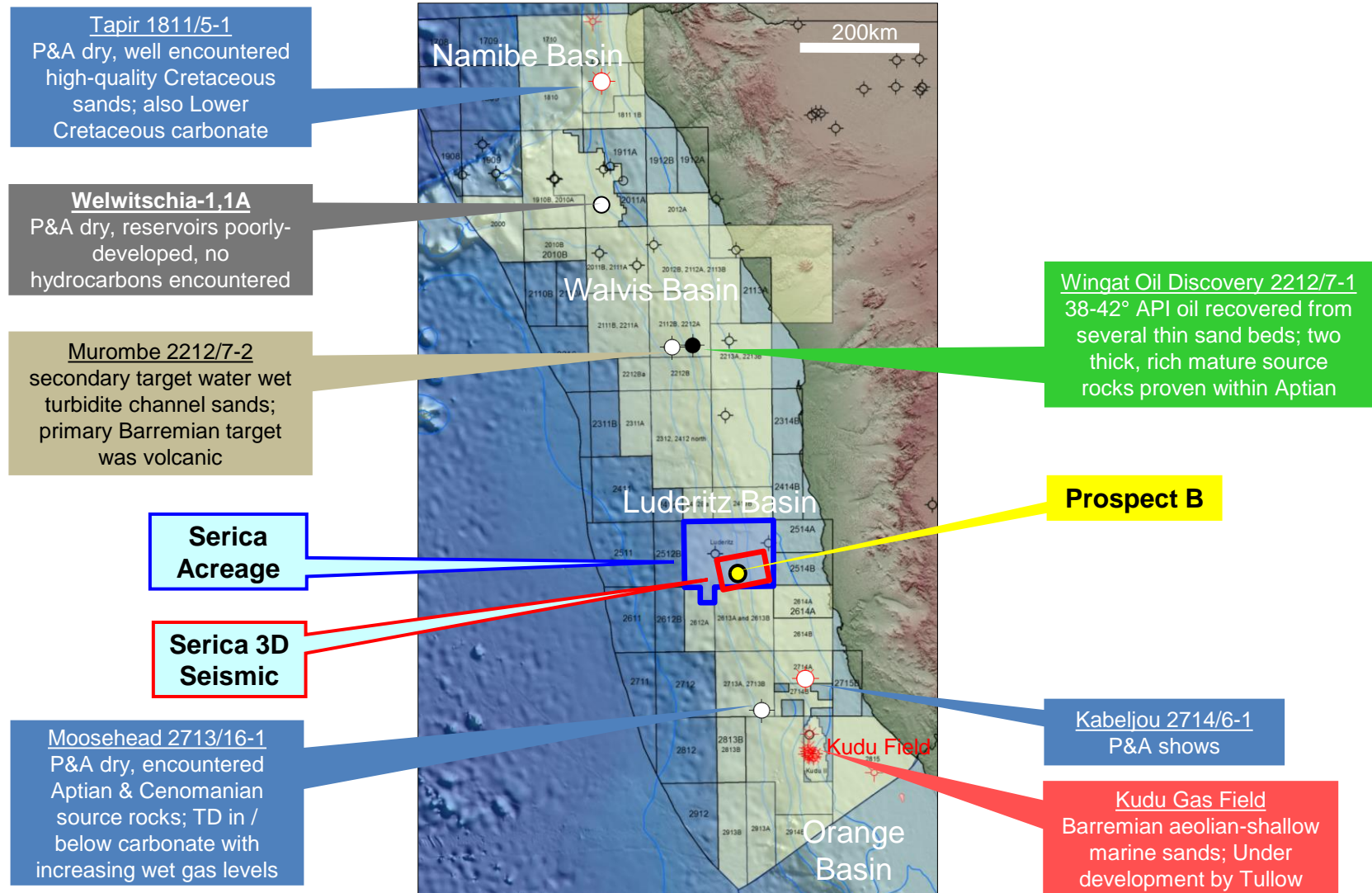
- Serica 85% (operator) NAMCOR (10%) & IEPL (5%)
- Water depth 500 – 2000 m
- 4,176 km<sup>2</sup> 3D seismic data acquired in 2012
- Multiple Lower Cretaceous structural prospects with billion-barrel oil potential
- Further prospects at shallower levels, within canyon-channel turbidite systems and along the shelf edge
- Prospect B carbonate platform mapped on 3D seismic and high-graded for drilling
- Farm-out process underway with closing date in Q3 2014



Prospect outlines based upon Serica final mapping April 2014

**Multiple structural prospects, canyon-channel systems and shelf-edge plays**

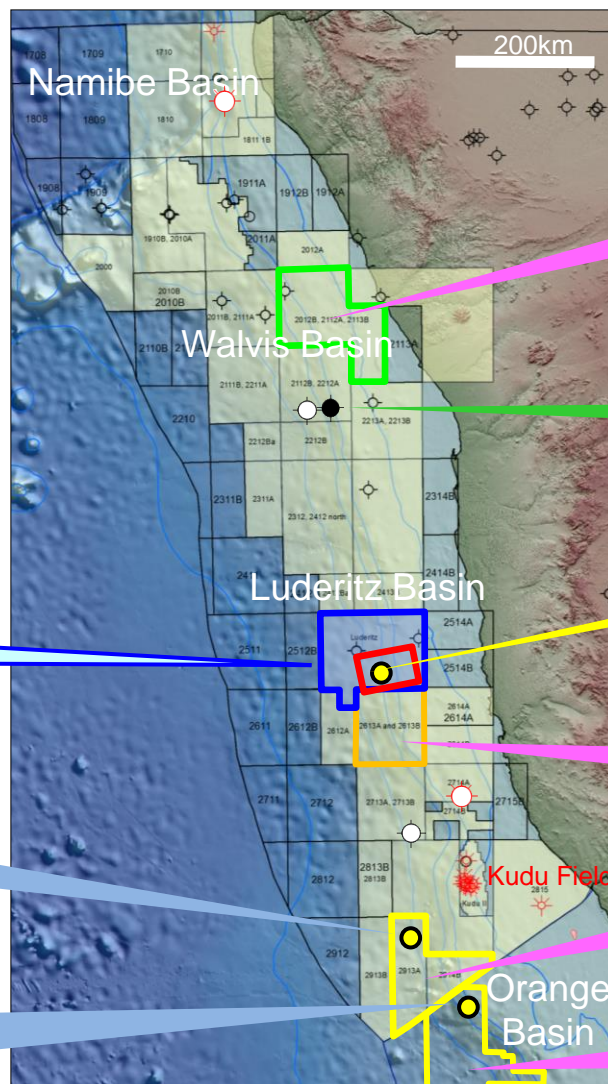
# Namibia Recent Exploration History 2012 to Present Day



**Drilling has proven all elements of a working hydrocarbon system**

# Namibia Recent Farm-in Activity

- Recent entry of Tullow, Shell, Murphy and OMV, 2013-2014



**Serica Acreage**

Tullow farm-in to Pancontinental, September 2013

Wingat Oil Discovery 2212/7-1

**Prospect B**

Murphy and OMV farm-in to Cowan, 2014

Shell taken over Signet Blocks, February 2014

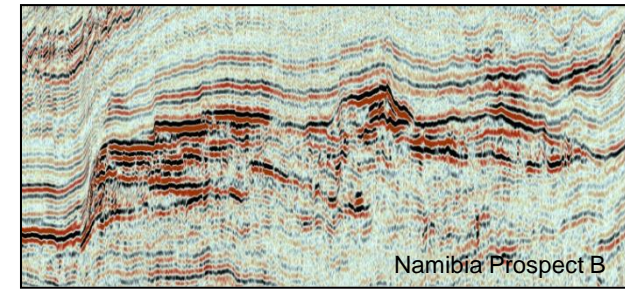
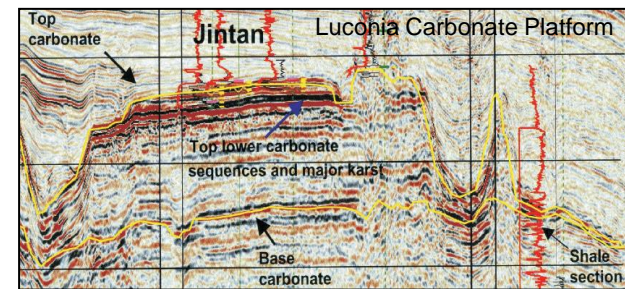
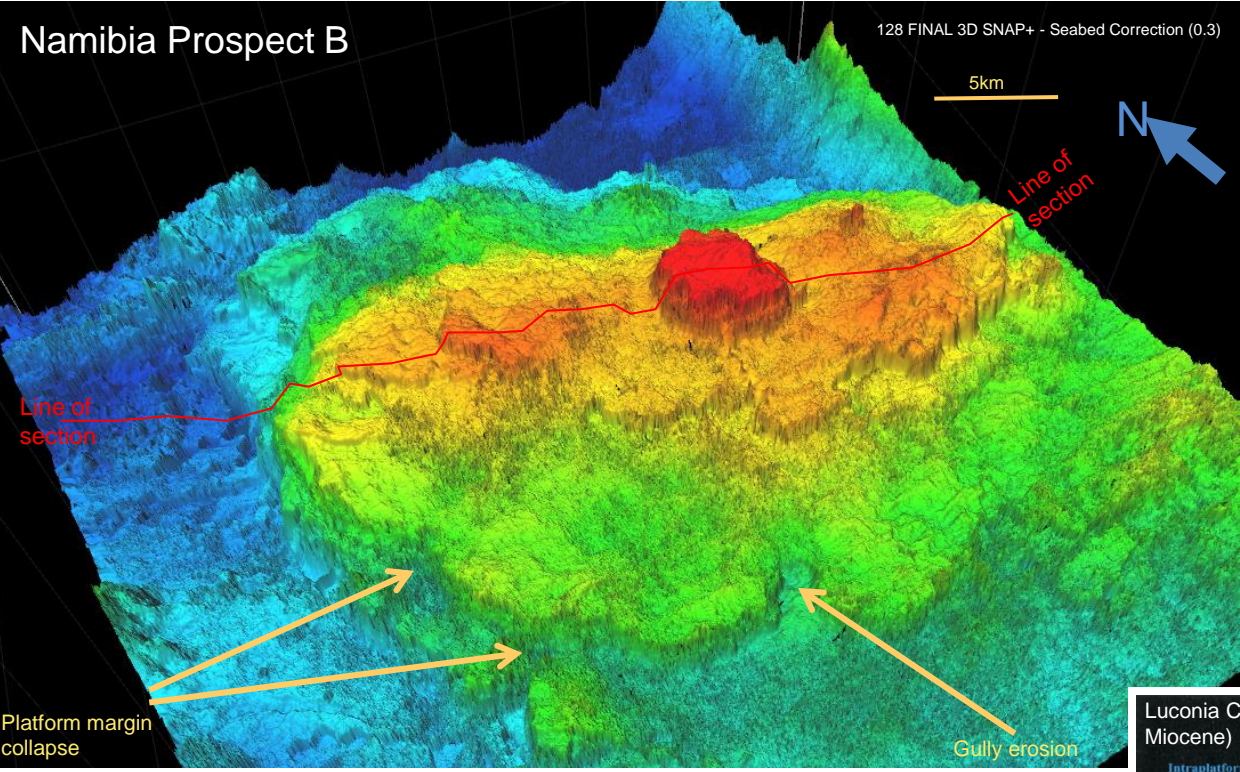
Shell deep-water South African acreage (part of) awarded 2012

Shell Prospect A: large Lower Cretaceous carbonate build-up

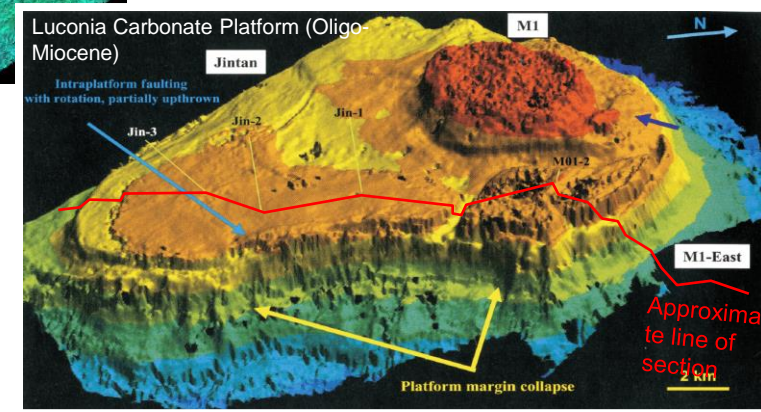
Aardwolf Prospect: Lower Cretaceous carbonate build-up mapped on 3D seismic; analogous to Serica's Prospect B

# Prospect B, Barremian Carbonate (3D Depth Perspective)

Namibia Prospect B



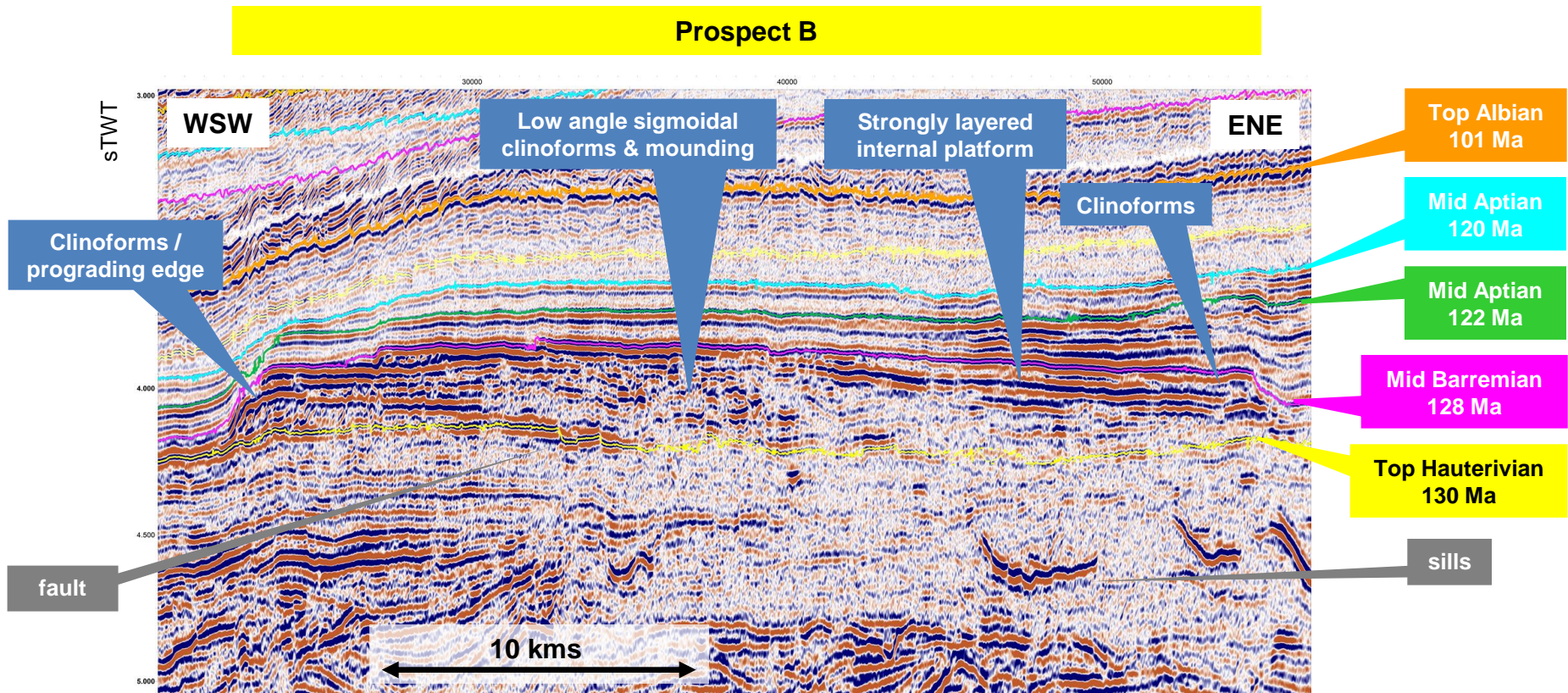
- Giant Lower Cretaceous structural prospect
- 700 km<sup>2</sup> maximum areal closure and 300 m relief
- Similarities to known carbonate reservoirs worldwide



**Prospect B: giant structure analogous to known carbonate fields**

# Prospect B Seismic Character

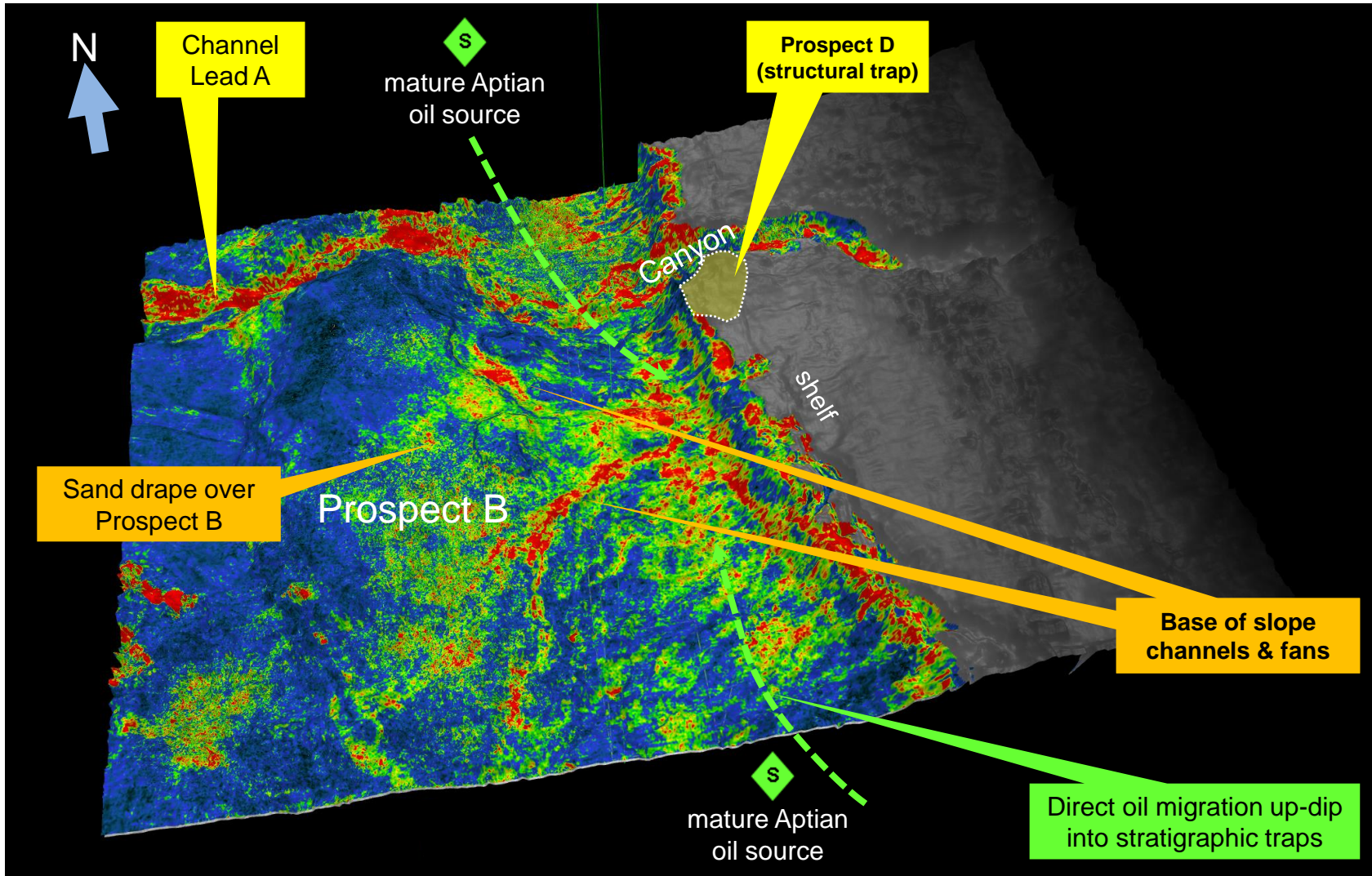
(Inline 4400 flattened on 0.25 \* seabed)



- Distinctive back-stepping, clinoforms, mounding, layering and evidence of hydrothermal activity
- Microbial and/or chemogenic carbonate reservoir model
- Potential analogues with Lower Cretaceous discoveries offshore Brazil and Angola

***Prospect B: seismic character consistent with carbonate reservoir***

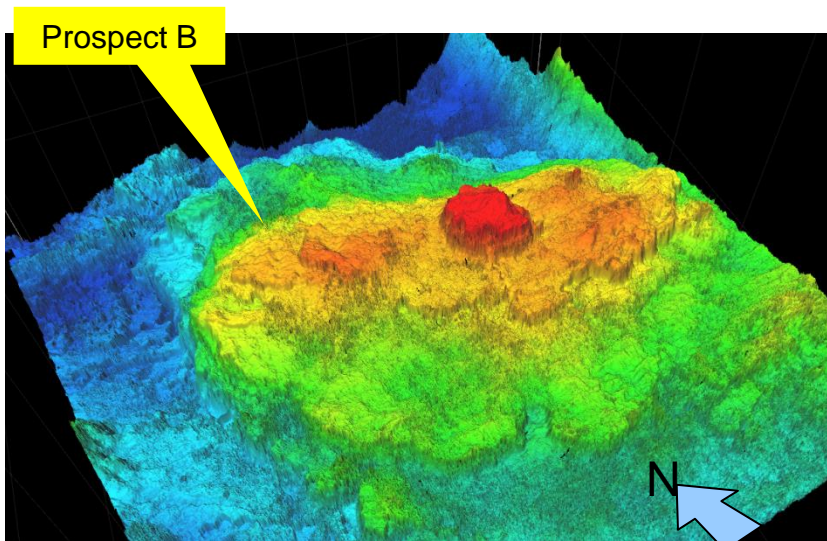
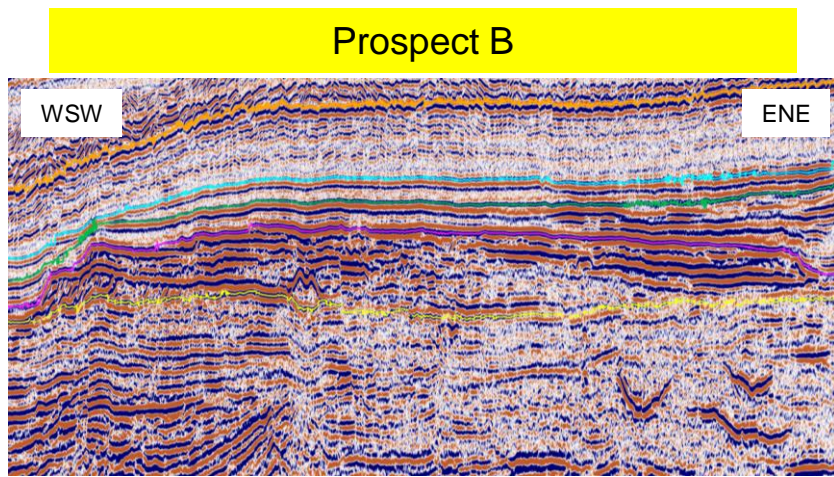
# Stratigraphic Upside above Prospect B



*Significant upside above and adjacent to Prospect B*



# Namibia Prospect B Conclusions



Prospect B Depth Perspective - Top Barremian 128 Ma

- Multiple Lower Cretaceous structural prospects with billion-barrel oil potential
- Prospect B: giant structure mapped on high-quality 3D seismic
- Seismic character consistent with a carbonate platform
- Further prospects at shallower levels, within canyon-channel turbidite systems and along the shelf edge
- Farm-out process underway with closing date in Q3 2014

Prospect B Resources *	P <sub>90</sub> (low)	P <sub>50</sub> (best)	P <sub>10</sub> (high)	
NSAI, Sept. 2013	138	622	2810	mmbbls

\* Resource estimate based on NSAI September 2013 interpretation of 3D seismic data. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. NI 51-101 compliant.

***Strong industry interest in farm out opportunity***

# Morocco

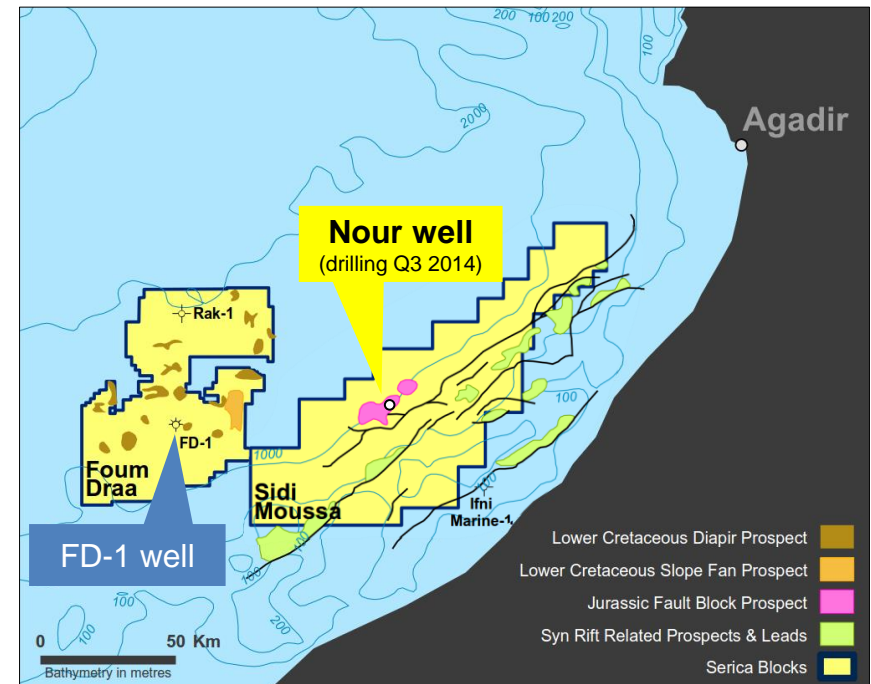
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# Serica Morocco Foum Draa & Sidi Moussa Licences

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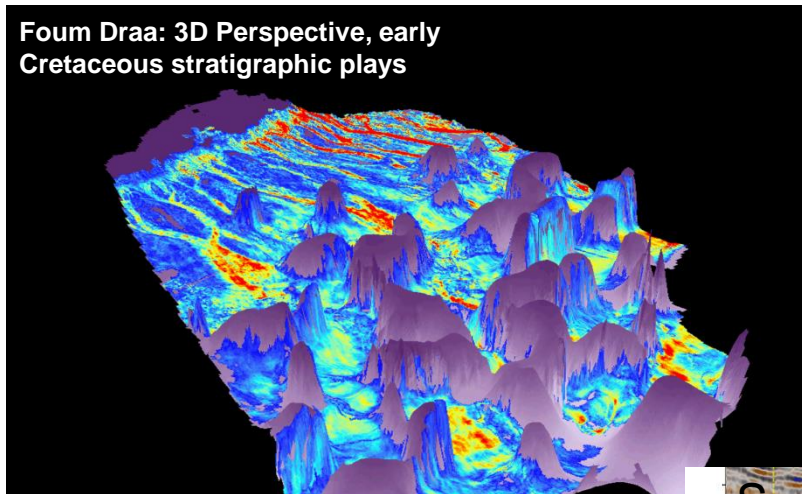
- Highly prospective frontier area with recent upsurge in exploration activity
- Licences covered by high-quality 3D seismic
- Operated by large, reputable exploration companies:
  - Foum Draa operated by Cairn (Serica 8.33%)
  - Sidi Moussa operated by Genel (Serica 5%)
- Fig Prospect drilled by FD-1 well, Q4 2013, P&A dry
- Nour Prospect to be drilled Q3 2014



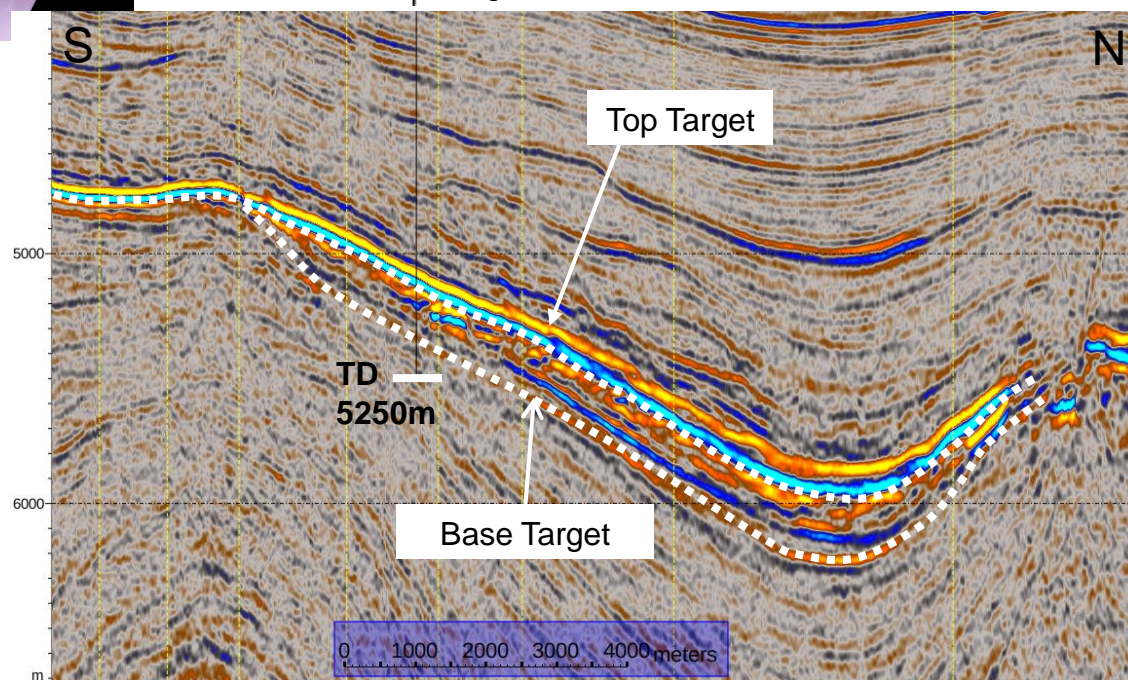
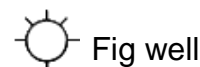
***Forthcoming Sidi Moussa well testing a different play to Foum Draa well***

# Foum Draa Licence: The Fig Prospect

Foum Draa: 3D Perspective, early Cretaceous stratigraphic plays

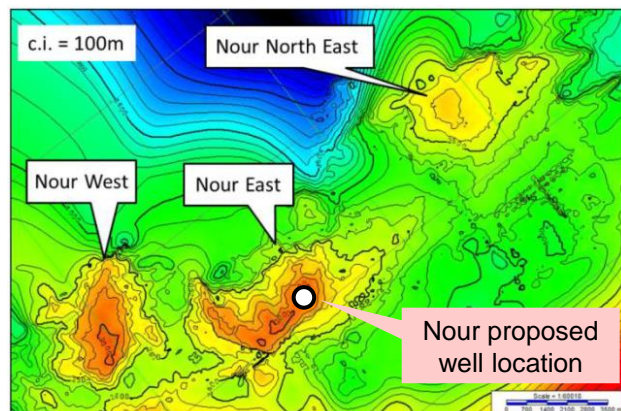
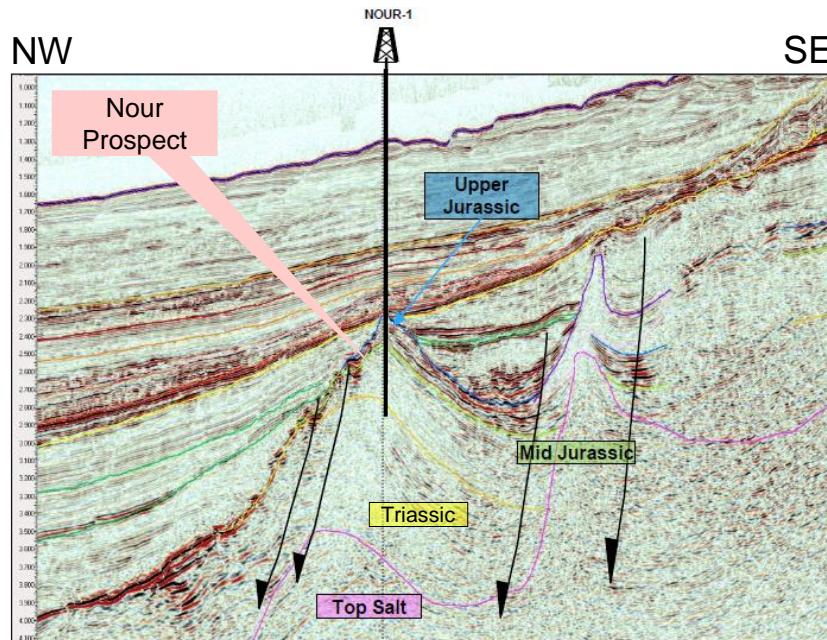


- Fig Prospect was an early Cretaceous / latest Jurassic high-amplitude feature interpreted as a turbidite channel stratigraphic play
- Well reached TD December 2013
- P&A Upper Jurassic 5250m



- The well did not encounter clastic reservoirs
- Gas shows with C<sub>1</sub> to C<sub>5</sub> indications suggests a deeper working hydrocarbon system

# Sidi Moussa Licence: The Nour Prospect



Depth Map, Top Upper Jurassic

- Well scheduled for Q3 2014
- Serica has 5% (capped) carried interest
- Three plays:
  - Upper Jurassic carbonate reef play analogous to Cap Juby oil discovery
  - Middle Jurassic oolitic shoals play
  - Deeper Triassic sandstones
- Nour-1 water depth 980m
  - Top Upper Jurassic reservoir: 1936m TVDSS
  - Top Middle Jurassic reservoir: 2110m TVDSS
- Nour well targeting 300mmbbls gross unrisks resources\*

\* Resource estimate quoted by Genel (May 2014)

***Nour structural prospect analogous to Cap Juby oil discovery***

**Finance**

**SERICAENERGY**



- 
- Successful financing in November 2013 raised gross \$19.5mm
  - End year cash balances \$26.1mm, no debt; cash of \$20mm at 31 May 2014
  - Existing resources cover 2014/15 work programme and commitments
  - UK tax losses of \$175.0mm available for offset against future taxable income
  - Loss for the year of \$5.1mm (2012: loss \$16.4mm incl. Spaniards well \$8.8mm)
  - Kambuna production ceased in July 2013, Erskine acquisition brings new revenue
  - Strategic options to fund future growth include:
    - Realisation of asset value through farm-out or sale
    - Corporate transactions
    - Debt for future production acquisitions

- 
- Placing and Open Offer successfully concluded in November 2013 raising gross proceeds of US\$19.5 million
  - First capital raise since January 2008
  - 67,408,729 new Ordinary shares admitted to AIM on 15 November 2013
  - Raised at small discount of 1.4% to relevant mid-market price
  - Strong support from existing and new shareholders
  - Provides funding to meet exploration programme from 1H 2014 and to support further business growth
  - Provides platform to bring projects to maturity, to optimise and ultimately realise value across the portfolio



- 
- Current programme through 2014/2015 fully funded through 2013 equity raise
  - Forward exploration well programme includes:
    - Sidi Moussa – 2H 2014 (capped carry)
    - Doyle prospect – 2015 (capped carry)
    - Block 22/19c – 2015/6 (full carry)
    - Wells in Namibia and Ireland contingent on successful partnering process
  - Tax losses shelter Erskine net revenues and offer competitive advantage for further revenue acquisitions in UKCS
  - Erskine provides immediate and long term production and cash flow:
    - Serica estimates field life at least to 2020
      - 1,234 boed net - 2014
    - Significant expected increased performance post Lomond refurbishment