

Serica Acquisition of BP Interests in Bruce, Keith and Rhum fields November 2017



A Transformational Acquisition for Serica

- **Serica to purchase BP interests in the Bruce (36%), Keith (34.83%) and Rhum (50%) North Sea fields**
- **Significant increase in reserves and production**
 - Sixteen-fold increase in net reserves
 - Seven-fold increase in net production
 - Includes transfer of operatorship to Serica
- **Diversification of production streams**
 - Field interests increase from one to four
 - Export routes increase from two to three
- **Transaction structured to mitigate risk**
 - Bulk of consideration is deferred and contingent
 - Gas sales arrangement including price hedging
- **Balance sheet strength maintained**
 - No fund raising required, 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
- **Increased scale - opportunity to drive further value**
 - Serica's team, combined with BP's team being transferred to Serica, provides basis for future opportunity and growth



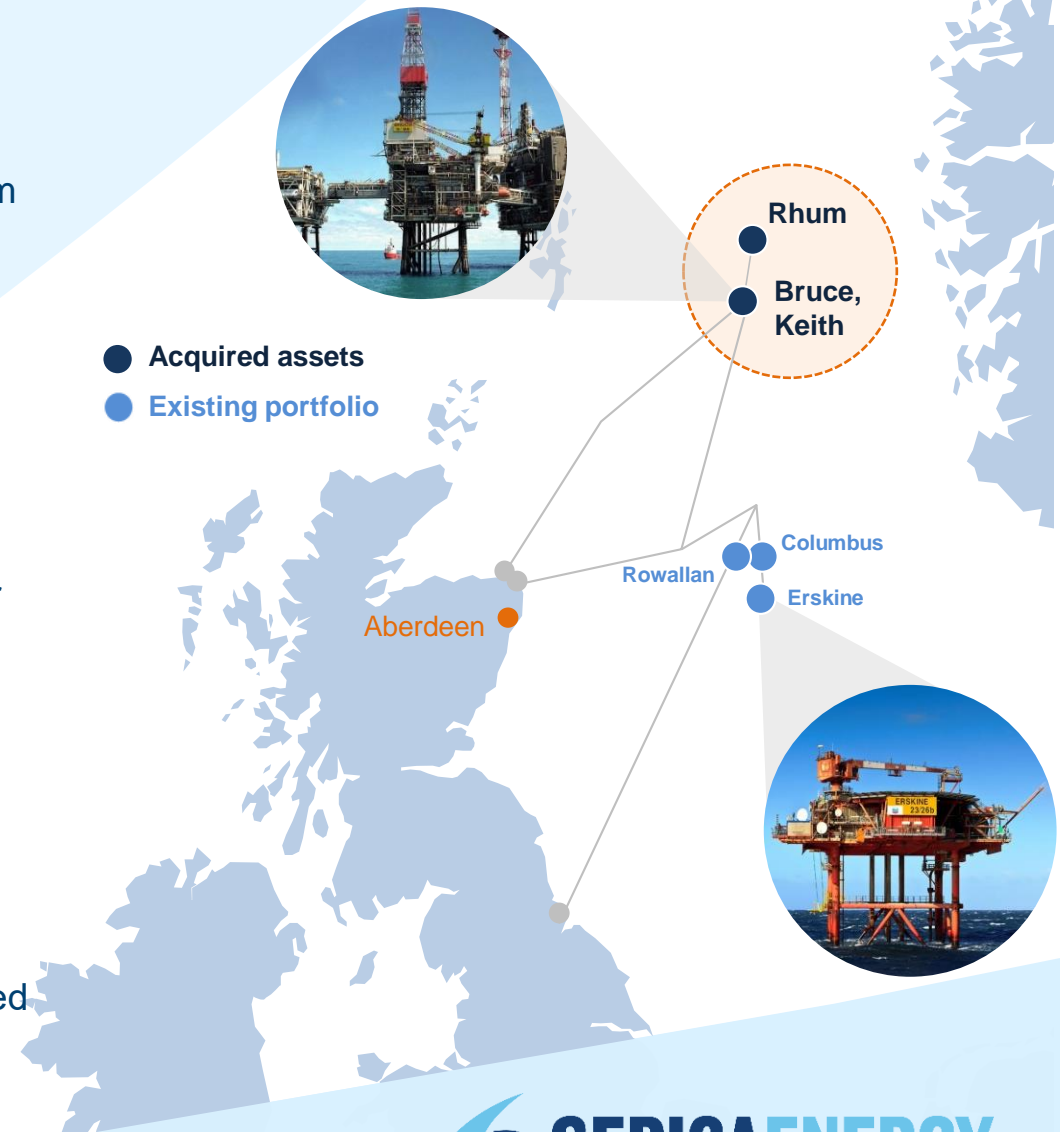
Transaction Overview



Main Features of the Transaction

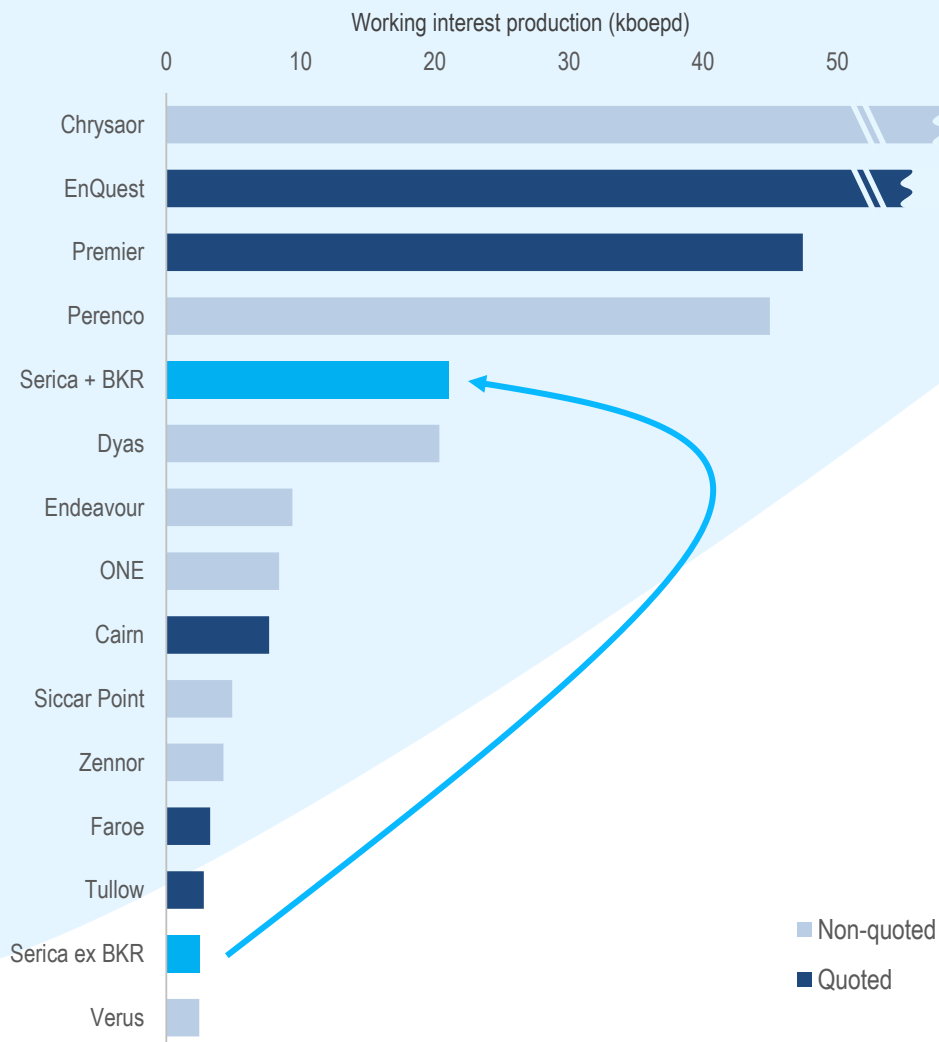
- **Transaction effective from 1 January 2018**; completion targeted for **mid-2018** subject to regulatory, government and partner consents
- **Initial Consideration of £12.8m cash** payable on completion
- **Deferred consideration payable** against performance of Rhum R3 well planned for workover in 2018
- Additional **earn-out structure** enables Serica and BP to share risk and **benefit from future asset performance**
- All **cash considerations** expected to be **covered by net cash flows** from the acquired assets
- **Gas prepayment facility of up to £16m** provides further cover for working capital at completion and for hedging costs
- **Decommissioning cost of existing assets retained by BP**
- Serica to pay BP **additional consideration equal to 30%** of such costs at time of decommissioning net of tax, capped at Serica's net cash flows from Bruce, Keith and Rhum
- **Reverse takeover under AIM rules**; Serica's shares suspended pending publication of Admission Document and General Meeting to approve transaction

Serica's North Sea portfolio



Repositions Serica in the North Sea

2017 estimate UKCS WI production ranking of European independents



- Serica will become the 3rd largest quoted European independent on the UKCS by production. The acquired assets:
 - averaged net H1 2017 production of **~18.5 kboepd***
 - contained **~50 mboe**** net 2P reserves (as at 1 June 2017)
- On completion, Serica will become **operator of the Bruce, Keith and Rhum fields:**
 - all BP employees associated with Bruce, Keith and Rhum expected to join Serica
 - provides means to optimise and extend field life and increase Maximum Economic Recovery
- **Material cash flow expected:**
 - would further strengthen Serica's balance sheet and provide basis for further growth opportunities

*based on OGA reported H1 2017 production volumes

**based on latest CPRs for Bruce, Keith and Rhum

Source: Bruce, Keith and Rhum production based on OGA reported H1 2017 production volumes. Source for all other volumes: Wood Mackenzie based on 2017 full year estimates for UKCS production only.

Transaction Details

Structure designed to control risk and minimise shareholder dilution:

- **£12.8m Initial Consideration** payable on completion - **anticipated mid-2018**

- Expected to be covered by interim net cash flows from the acquired assets
- Further cover provided by existing cash balances and gas prepayment facility
- No additional financing required

- **Earn-out for BP to receive share of pre-tax net cash flow from Bruce, Keith and Rhum over four years:**

2018	2019	2020	2021
60%	50%	40%	40%

- No amounts payable by Serica unless cash flow is positive
- Calculated on monthly basis with offset of positive and negative cash flows

- **£16m further consideration payable** if Rhum R3 well achieves minimum production threshold (**January 2019**)

- **Up to a further £23.1m payable** in three annual instalments subject to Rhum field production and realized gas sales prices:

- Instalments up to £7.7m each following end of 2019, 2020 and 2021
- Payments reduced if incremental field production and gas prices do not meet certain thresholds

- **BP retains liability for all costs of decommissioning facilities existing at completion (including Rhum R3)**

- Serica responsible for decommissioning costs relating to any new facilities installed after acquisition

- **Serica pays additional consideration equal to 30% BP's post-tax decommissioning costs**

- Consideration capped at Serica's net cash flows from the transaction

Product Sales Arrangements

- **Serica will sell** its share of Bruce, Keith and Rhum gas, oil and NGL production to BP entities
- The sale of production, consisting largely of gas, is **at standard spot market prices**
- To minimise downside risk and retain upside potential, 60% of 2018, 60% of 2019 and 40% of H1 2020 retained share of **gas production has been hedged** forward at 35p/therm floor
- As part of the gas sales arrangements, BP has provided a **Gas Prepayment Facility up to £16m**. This is available for:
 - Drawdown against completion consideration if required, and
 - Agreed hedging costs
 - The facility is repayable out of 35% of Serica's share of gas sales subject to a six-month payment holiday from completion
- As well as a **commodity price hedge**, the Gas Prepayment Facility provides **additional liquidity**
- Apart from the prepayment facility provided by BP, **Serica has no further borrowings**



Significant Production & Reserves Growth

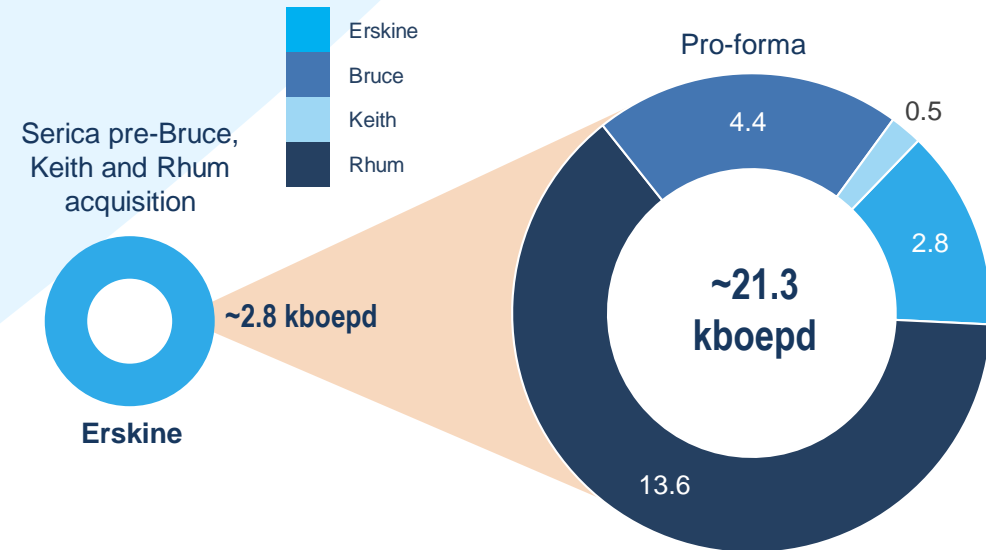
Production

- On the basis of H1 2017 production rates*, Serica's net production would increase some seven-fold from approximately 3,000 boepd to over 21,000 boepd
- Provides **diversified source of production** utilising **diversified export systems** (Frigg, CATS, Forties)
- Bruce, Keith and Rhum assets provide a **tax efficient balance** to the **Columbus development** and **Rowallan prospect** and fully utilise Serica's tax pool

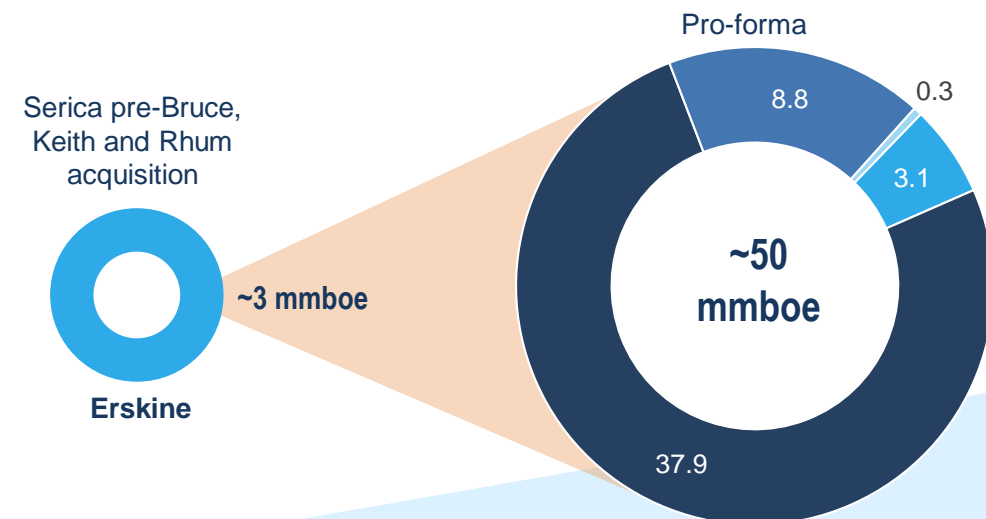
Reserves

- Serica's pro-forma net 2P reserves projected to grow from ~3 mmboe to ~50 mmboe** as at 1 January 2018
- Bruce and Keith are **late life fields** requiring **increased efficiencies** and **new investment** to extend field life
- Only 49% of recoverable gas reserves** are estimated to have been produced **from Rhum** as at 1 January 2018** with **51% remaining to be produced**

Net production by field (kboepd in H1 2017)*



Net 2P reserves (mmboe, estimated at 01.01.18)**



*based on average OGA reported H1 2017 production volumes

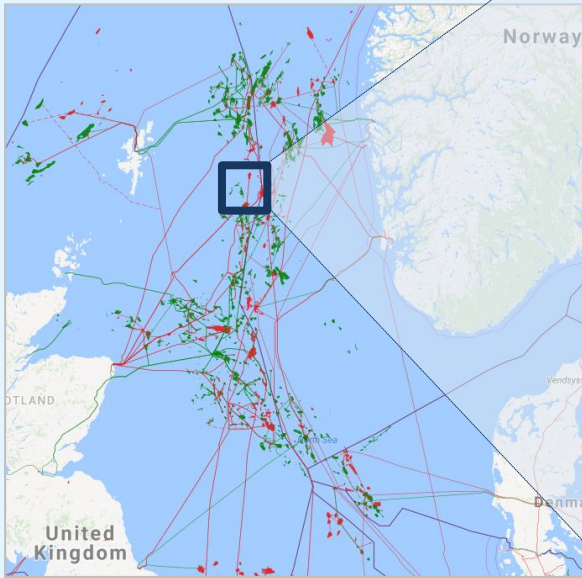
**based on most recent individual CPRs adjusted for estimated production between CPR date and 01.01.2018

Asset Overview

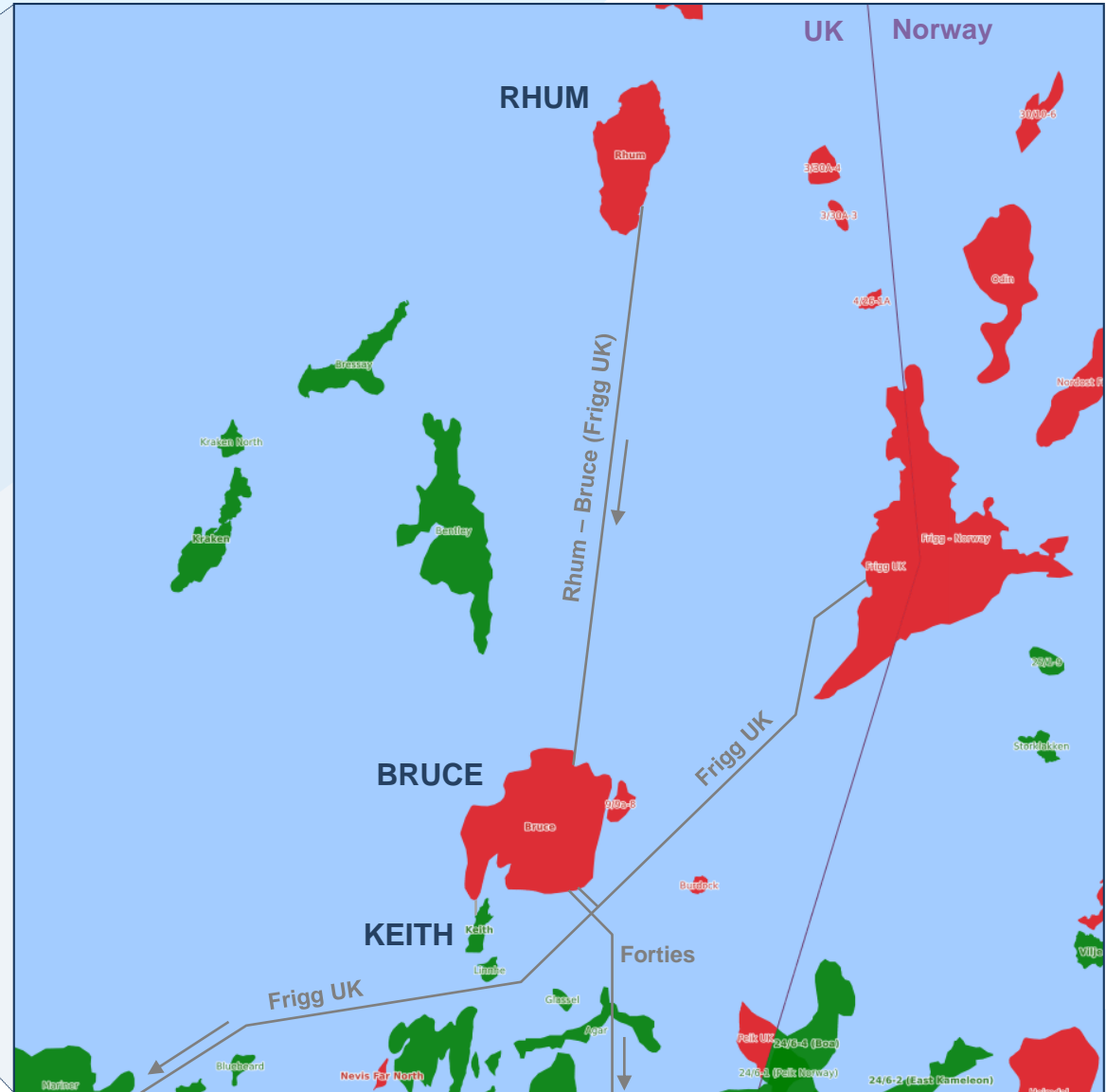


Bruce, Keith and Rhum – Location of assets

The Bruce, Keith and Rhum assets are located in the UK Northern North Sea, with access to established infrastructure



The acquisition of these assets will help diversify and balance Serica's North Sea portfolio



Bruce – Late life asset with untapped value

Bruce (36%)

Bruce gas field is located in **blocks 9/9a, 9/8a and 9/9b in the Northern North Sea**

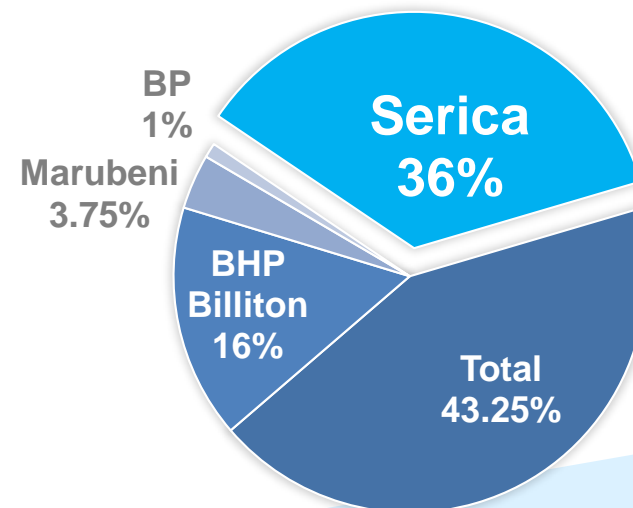
Partners: Total, BHP Billiton, Marubeni, BP

Operator: Serica (post completion)

- Producing via 21 active production wells with aggregate average gross production of 12.3 kboepd in H1 2017*
- Well stimulation commenced as part of field life extension programme
- Gas exported via the Frigg pipeline to the St Fergus terminal and liquids exported via the Forties Pipeline System
- Comprised of three linked platforms:
 - Production Utilities Quarters Platform with quarters for crew (max. 168 persons)
 - Drilling Platform
 - Compression / Reception Platform which hosts reception and compression facilities



Bruce Ownership (post completion)



Keith – Mature asset with residual value to 2019

Keith (34.83%)

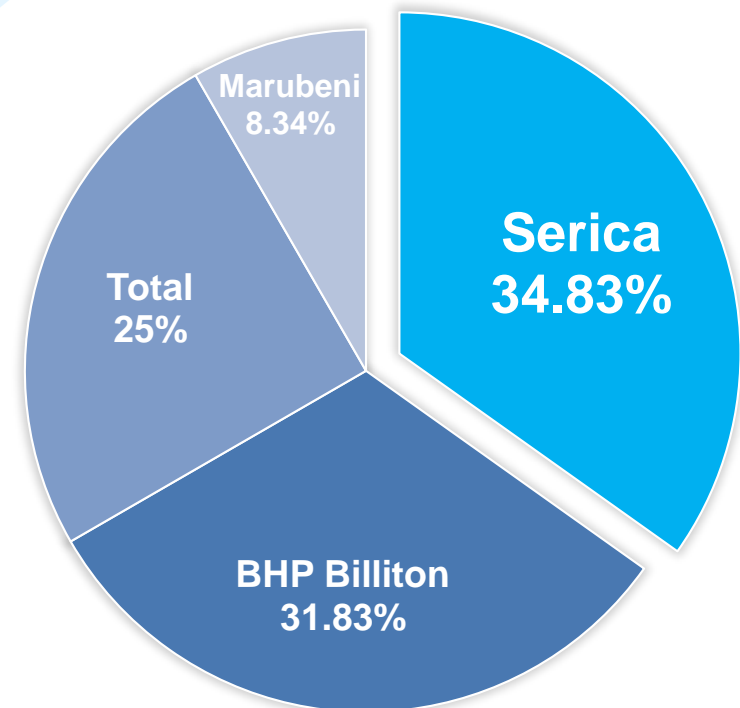
Keith field is located in **block 9/8a in the Northern North Sea**, 6.8 km to the southwest of Bruce

Partners: Total, BHP Billiton, Marubeni

Operator: Serica (post completion)

- Single well subsea tie-back to Bruce
- Average gross production of 1.3 kboepd in H1 2017*
- Very late life field, scheduled to cease production in 2019

Keith Ownership
(post completion)



Rhum – Strategic UK gas asset with significant potential

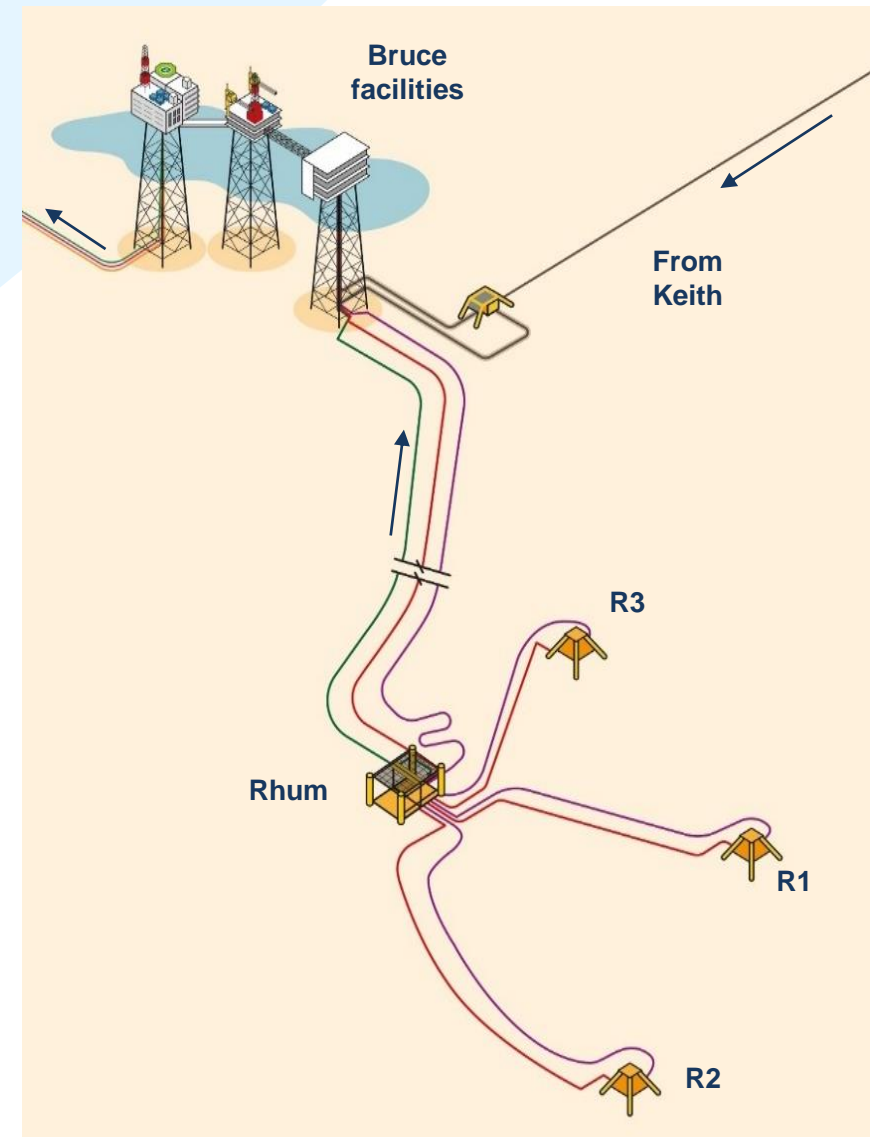
Rhum (50% WI)

Rhum gas field is located in block 3/29a, 44 km north of Bruce and is a subsea development tied back to the Bruce platform via an insulated pipeline

Partner: IOC (50%)

Operator: Serica (post completion)

- Two producing wells, Rhum R1 and Rhum R2, with average aggregate gross production of ~27 kboepd in H1 2017*
- High quality reservoir displaying ‘tank’ characteristics
- Rhum R3 well intervention planned by partners and is scheduled for 2018
- High pressure, high temperature reservoir
- High CO₂ content requires gas blending
- Only 49% of recoverable gas reserves are estimated to have been produced from Rhum as at 1 January 2018 with 51% remaining to be produced**

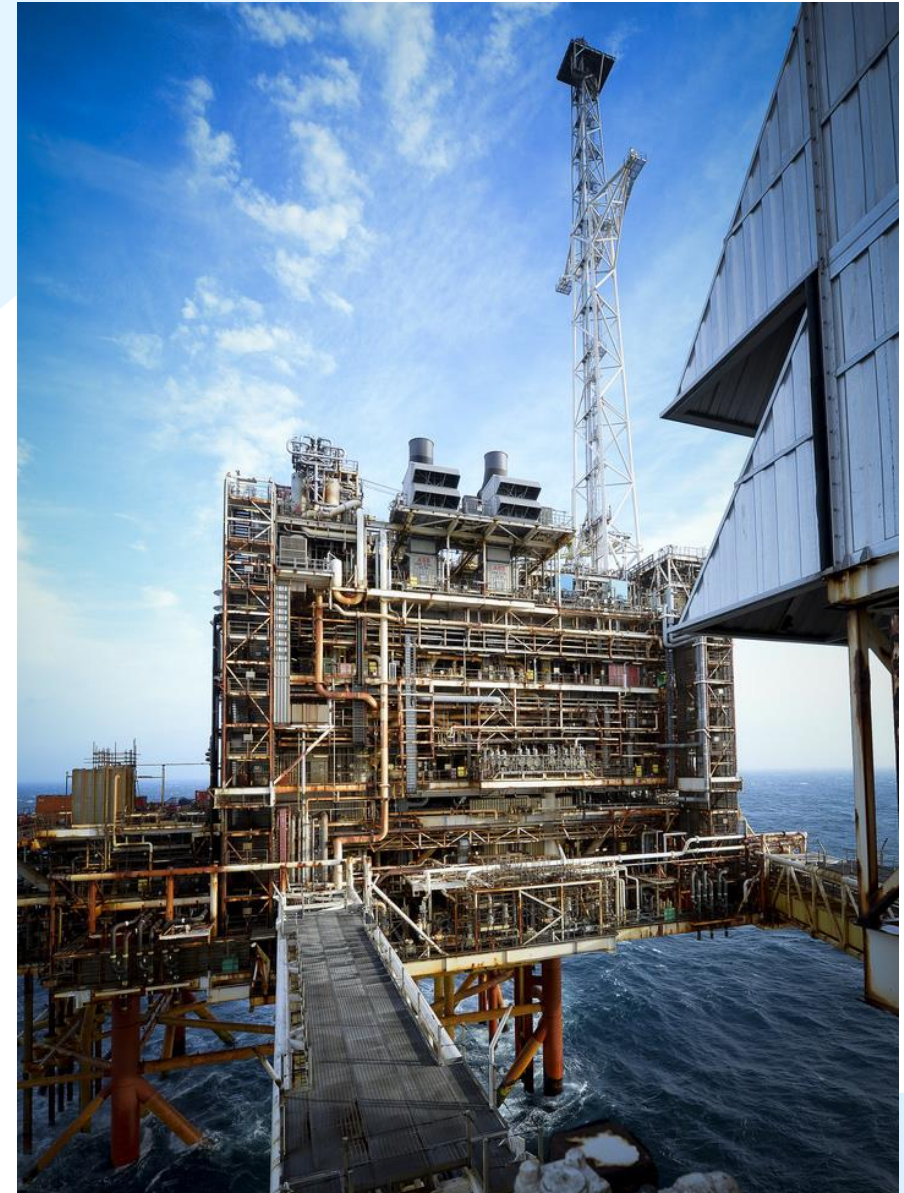


*Source: OGA

**based on most recent individual CPRs adjusted for estimated production between CPR date and 01.01.2018

Maximizing Economic Recovery

- Serica intends to **build upon BP's operational performance** at Bruce, Keith and Rhum to **extend field life**
- Serica's position as a **focused, flexible and financially robust independent** will allow it to pursue valuable upside potential to the benefit of **Serica, BP** (via the earn-out structure) **and field partners**
- Objectives are **fully aligned** with the aims of the **OGA's Maximising Economic Recovery Strategy (MER)**
- Serica proposes to undertake the investment needed to increase production levels as identified by BP and **extend reserve and infrastructure life**
- Serica is committed to maintaining the **highest HSE and employment standards**



Transaction Timetable

Announcement	Transitional Phase	Completion
21 November 2017	21 November through H1 2018	Mid 2018 (target)
<ul style="list-style-type: none">Transaction announced on 21 November 2017Shares suspended on AIM market pending release of Admission DocumentBP employees, partners and other stakeholders notified	<ul style="list-style-type: none">Admission Document released and General Meeting of Serica's shareholders held to approve transaction prior to end December 2017Full consultation held with BP employees to be transferred to SericaDiscussions held with field partners and OGA re transfer of operatorshipSafe and efficient establishment and transfer of systems and operational practices from BP to SericaObtaining all other consents and approvals where necessaryDevelopment and approval of Safety Case	<ul style="list-style-type: none">Serica becomes operator of the Bruce, Keith and Rhum fieldsBP employees transferred to Serica under full TUPE termsCompletion consideration paid net of working capital and interim period adjustments

Team and Integration



Serica Board and Management Structure

Tony Craven Walker
(Executive Chairman)



Originally a petroleum engineer with BP
Founded and built two oil companies – Charterhouse (bought by Petrofina) & Monument (bought by Lasmo)

Ian Vann
(Non-executive Director)



Directed and led BP's global exploration from 1996 until 2007
Appointed to board of Serica in 2007

Neil Pike
(Non-executive Director)



Responsible for Citibank's relationships with the oil and gas industry to retirement
Senior Non-executive director at Serica

Mitch Flegg
(CEO)



Former Serica Board member and leading member of team that acquired Erskine interest from BP.
Ran operations at Serica from 2006 to 2015
Re-joined Board as CEO in November 2017

Existing team member
Newly appointed

Danny Fewkes
(Group Treasurer)



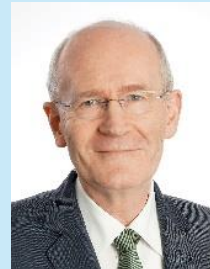
Joined Serica in January 2006 following listing on AIM, and appointed Group Treasurer in June 2015
A member of the ICAEW

Clara Altobell
(VP Technical)



Joined Serica from Burlington Resources in 2008 as Lead Petroleum Engineer
Now responsible for managing exploration, development and production portfolio

Andy Bell
(VP Finance)



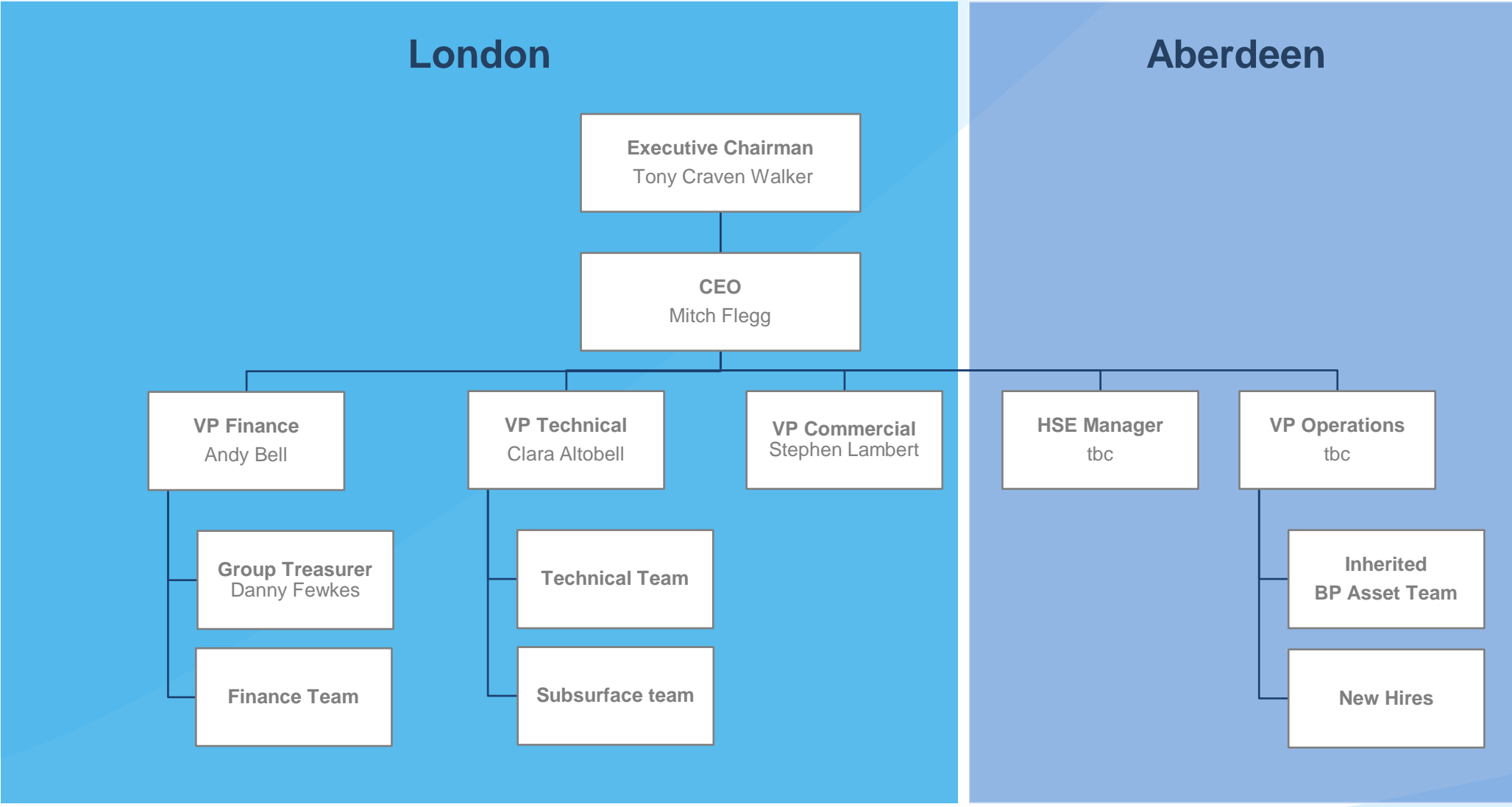
35 years experience of upstream finance and systems of reporting and control
Provided financial consultancy to Serica since 2004

Stephen Lambert
(VP Commercial)



Over 20 years of experience in commercial and business development in the independent and large cap sectors
A member of the ICAEW and CIOT

Organisation Structure Post-Transaction



New North Sea office to be established in Aberdeen

Taking Care of Our Staff

A safety-conscious, career-enhancing organisation

- All BP staff working the **majority of their time** on the Bruce, Keith and Rhum assets are expected to transfer to Serica
 - A **transition plan is being put in place** and it is anticipated that the change of ownership will take place over the next 6-9 months
 - Serica has committed to protect terms and conditions for transferring employees **above and beyond TUPE requirements** (where practicable) for a period of 12 months (Protected Period) after the date of transfer. The purpose of a Protected Period is to provide stability and comfort around terms and conditions for all of those who transfer
 - A **collective consultation process** will give those transferring the opportunity to ask more detailed and focused questions. Serica will work closely with BP to ensure that questions are reviewed and responded to throughout the entire process
- 
- Serica has **no plans to reduce the workforce** on taking control of the assets. Indeed, Serica looks forward to working with the new staff in order to accelerate investment necessary to enhance the performance and extend the life of these assets
 - Serica will **provide training and personal development** opportunities for all staff
 - Serica has the **highest regard for HSEQ** and will continue to work with all staff to maintain a safe, environmentally-friendly working environment

Track Record and Future



Proven Operational Track Record

Serica has an operational record ranging from exploration and field discovery through to development:

- Highly **experienced, reputable and strengthened management** with very successful track record
 - **Operated the discovery, appraisal and early stage development** of the Kambuna gas-condensate field, offshore NW Sumatra
 - **Operated the Columbus discovery and appraisal.** The discovery was planned, drilled and tested hydrocarbons within 12 months of initial licence award
 - **Drilled seventeen offshore wells as operator**, eight in North West Europe including the Atlantic offshore Ireland, and nine wells as operator in Indonesia
 - **Assisted significant improvement in Erskine production** since direct involvement in Erskine operations (H1 2017 production ~2.8 kboepd average net to Serica at reduced \$/boe cost)
- 
- An offshore oil platform is shown at night, illuminated by its own lights. The platform is a complex structure of steel beams and pipes, with a tall derrick on the left side. The sky is dark, and the sea is visible in the background.
- **Operated a harsh-environment, 4,150km² 3D seismic survey offshore Namibia** on behalf of group with BP and NAMCOR as partners
 - Currently on track to **submit a Field Development Plan for Columbus** in H1 2018 leading to Columbus field development

Serica's Financial Performance

Highlights:

£17.4m

Serica's H1 2017 revenue
(vs £1.4m in H1 2015)

+450%

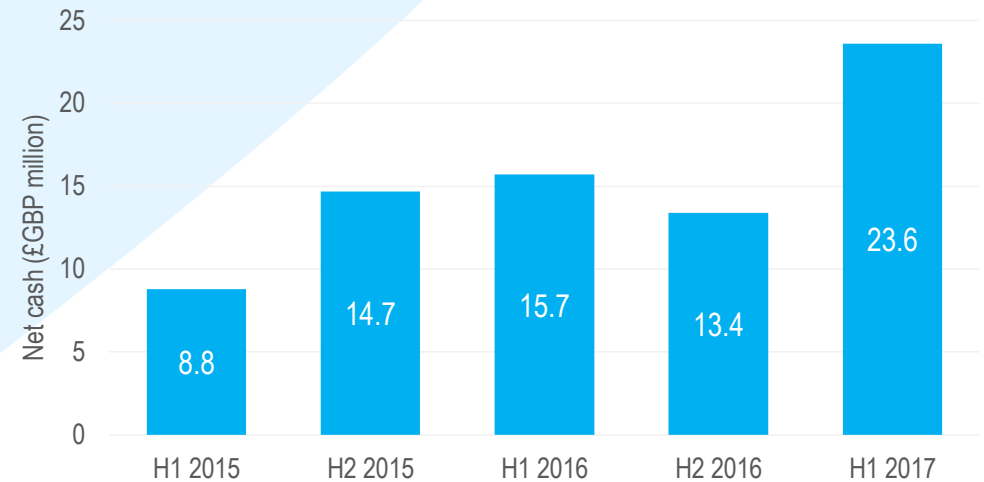
Serica's growth in share price since 1 January 2015

Strong balance sheet and innovative deal structure provides ability to carry out transaction without raising capital

Transaction will increase reserves and production per share with no dilution of equity

Serica's net cash position of £23.6m at end H1 2017 will be bolstered by the Gas Prepayment Facility of up to £16m provided by BP in conjunction with the Gas Sales Agreement. Serica has no borrowings other than this facility

Serica's net cash position (£GBPm)*



Serica's share price growth since Jan. 2015 (GBP/share)



Strongly Positioned for the Future

- Acquisition of Bruce, Keith and Rhum effective from 1 January 2018
- Completion anticipated mid-2018
- Serica production expected to increase materially
- Opportunities for further cost reductions
- 60% of 2018 , 60% of 2019 & 40% of H1 2020 retained share of gas production hedged at 35p/therm floor
- Operatorship positions Serica to deliver full potential of Bruce, Keith and Rhum and build new opportunities
- This transaction is designed to improve the future for Bruce, Keith and Rhum assets and staff
- Serica is committed to high HSE standards, improving the operational performance and profitably maximising the life of all its producing assets



Q&A

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