

Serica Energy plc

("Serica" or the "Company")

Chairman's AGM Statement

London, 30 June 2015 – At the Annual General Meeting on Tuesday 30th June 2014 Tony Craven Walker, Serica's Chairman, made the following comments:

In the introductory paragraph to the Chairman's Report accompanying the 2014 Financial Statements I stated that 2014 was a torrid year for upstream oil and gas companies and a particularly difficult year for the independents.

That is certainly not an understatement. We have had to work extremely hard and take extreme measures in a very difficult market but I am very pleased to say that the efforts put in by the team at Serica enable me to be able to report that the Company is today in far stronger shape than many in its peer group. We had to contend with an ever increasing industry cost base, increasing transaction complexity, high taxation levels and an oil price collapse. To combat these forces we implemented a cost cutting initiative at the start of this year which has seen our overhead costs cut by 50%. This has included cuts at the Board level, cuts in staff costs and contractor costs and a major reduction in office space. This has enabled us to preserve our cash resources whilst seeking to put the Company on a stronger financial footing.

At the Annual General Meeting last year I reported on the transaction that we had just agreed with BP to purchase an 18% interest in the producing North Sea Erskine field. It has taken us a year to complete that transaction for all the reasons that I have given above but that it completed at all in the teeth of the headwinds we were facing is due to the tenacity and perseverance of the Serica team and to the constructive efforts of both BP, from whom we were buying the asset, and Chevron, the operator of the asset. I am delighted that we were able to complete what is a very important deal for the Company. We are already beginning to see the signs of what I hope will be a very profitable investment for the Company and one which can provide the basis for further investment.

We shall shortly be providing shareholders with an update on the Company focussing, in particular, on the Erskine transaction and our Central North Sea position but that is not to ignore our other assets. We still retain important interests in frontier areas west of Ireland, offshore Morocco and offshore Namibia. We have undertaken a major seismic survey offshore Namibia and last year drilled two wells offshore Morocco. In all these activities the Company was carried for the major part of the costs. Although the two wells in Morocco did not produce the results that we were all hoping for, and we have written off the related expenditure, our downside was largely covered and we have participated in two important wells largely at other people's cost. We are reviewing our position in Morocco, which so far has not lived up to industry expectations, but that is the nature of exploration – it is a high risk game and if it was easy there would be a lot more millionaires in the world.

We have managed the risk by working up the prospects and securing carries through farm-outs. This is a perfectly valid business model and Serica has been very successful in securing partners in this way. We continue to seek farm-in partners for our acreage offshore Namibia and Ireland but, with the current over supply of oil and the consequential drop in oil price coupled with the very high costs which have built up with high oil prices, we believe that the farm-out market will be less buoyant than it has been in past years. Fortunately, or perhaps by good judgement, we do not have any material commitments

associated with our licences which have not been farmed out and that enables us to focus on areas where we see greater opportunity to build value in the near term. We believe that, with the fall in the oil price, government efforts to reduce taxes and improve the operating environment and major companies reshaping their portfolios costs will fall and there are immediate opportunities to secure a stronger production base from which we can extract additional value. We have achieved this with the Erskine field acquisition and we hope that this will lead to further transactions and attract new partners with whom we can do business. We are already seeing that and we are already seeing the potential which can be unlocked in Erskine.

Before moving on to the presentation I would like to express special thanks to Chris Hearne and Mitch Flegg. Chris is here today as a shareholder. Without them the Erskine deal would not have happened in the form that it took and I am very grateful to them for putting up with my urging whilst negotiating what I believe to be a very good deal for the Company and for shareholders. That their talents and skills have been recognised by other companies is not a surprise and I am delighted that both of them have been offered very senior positions in other companies. It has been a pleasure working with them and I am sure that all shareholders will join me in expressing thanks and wish them well in their new roles.

Also here are Clara Altobell and Danny Fewkes whom we have made Head of Operations and Group Treasurer respectively. They were both very involved in bringing that deal to a successful close and Clara has been running all our other assets whilst Mitch focussed on getting Erskine done. The Erskine transaction involved just under 3,000 documents, over 100 agreements and required the consents or approvals not only of DECC but also of over 26 other companies with interests in the pipeline, platform and onshore facilities and the purchasers of the gas, condensate and LPG streams with a further 15 required to give novations. This gives an insight into the complexity of doing business in the North Sea and the talents that the Company has to bring a transaction like Erskine to a successful conclusion. Danny will attest to many late nights as he wrestled with the complex interaction of all the various documents.

Now to the presentation. I will start it off but will ask Clara to take over when we get into the specific assets. I will then round it off at the end before we open the floor to questions.

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