



SERICA ENERGY PLC

2018

FULL YEAR RESULTS

A Year of Achievement



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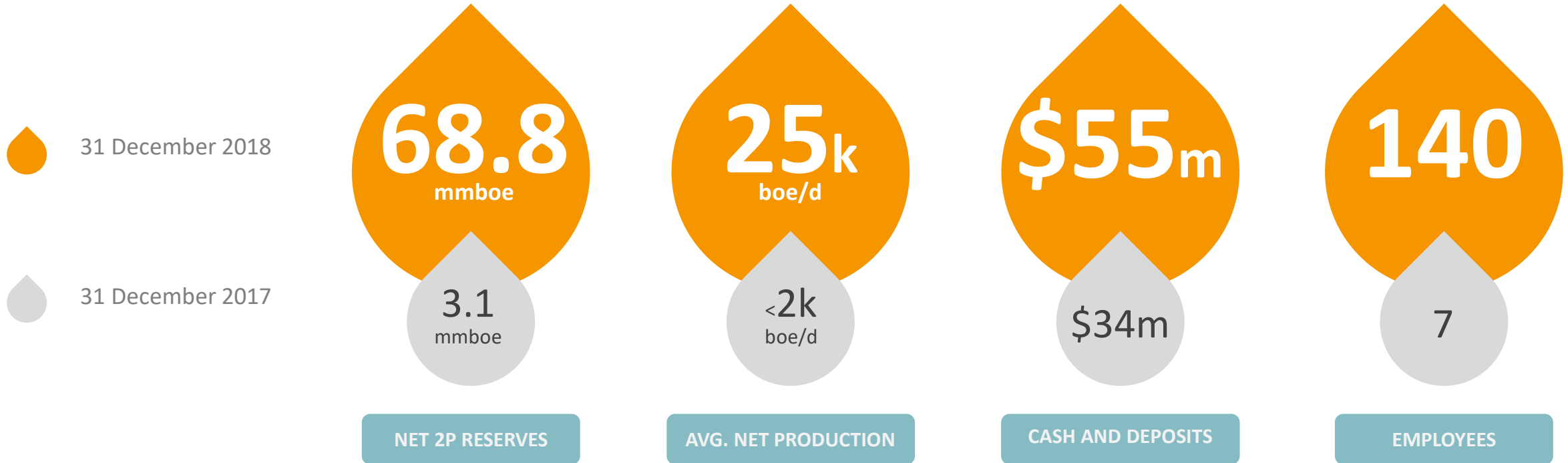
01

2018 Financial Results



2018: The Start of a New Era for Serica

Spectacular growth during 2018



- 2018 has been a year of real achievement for all Serica stakeholders, employees and shareholders alike, and has laid the foundations for future growth
- Serica completed four major transactions with separate companies; BP, Total, BHP and Marubeni, resulting in Serica now owning and operating 98% of Bruce, 100% of Keith and 50% of Rhum
- Serica has established its position as a safe and reliable operator with responsibility for one of the major North Sea platforms
- This has been achieved without shareholder dilution or significant debt (apart from a pre-arranged drawdown facility with BP)
- The Company retains substantial tax losses which can be used to shelter future income

2018 Highlights

A year of achievement



EARNINGS PER SHARE

+337%

2018 basic EPS on profit for the year: **22p** – after impact of BKR transaction

2017: 5p



CASH AND DEPOSITS

+62%

Total cash balances and term deposits at 31 December 2018: **US\$54.9 million**

2017: US\$ 34.0 million



ACQUISITION

30.11.18

The acquisition of BP, Total UK, BHP and Marubeni interests in the Bruce, Keith and Rhum (BKR) fields completed on 30 November 2018

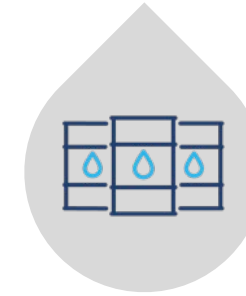


2P RESERVES

68.8 mmboe >**25,000 boe/d**

Total net 2P reserves have benefitted from BKR acquisition and from FDP approval of Columbus development

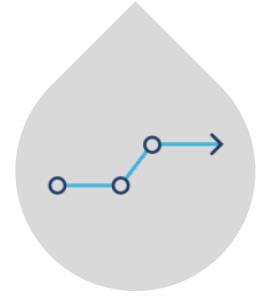
Incremental reserves added at Erskine



PRODUCTION

Combined full year production from Bruce, Keith, Rhum and Erskine net to Serica

Q1 2019 production levels increased to over 30,000 boe/d



DEVELOPMENT



Columbus offtake route selected via the proposed Arran-to-Shearwater pipeline

Field Development Plan approved in October 2018

Group Income Statement

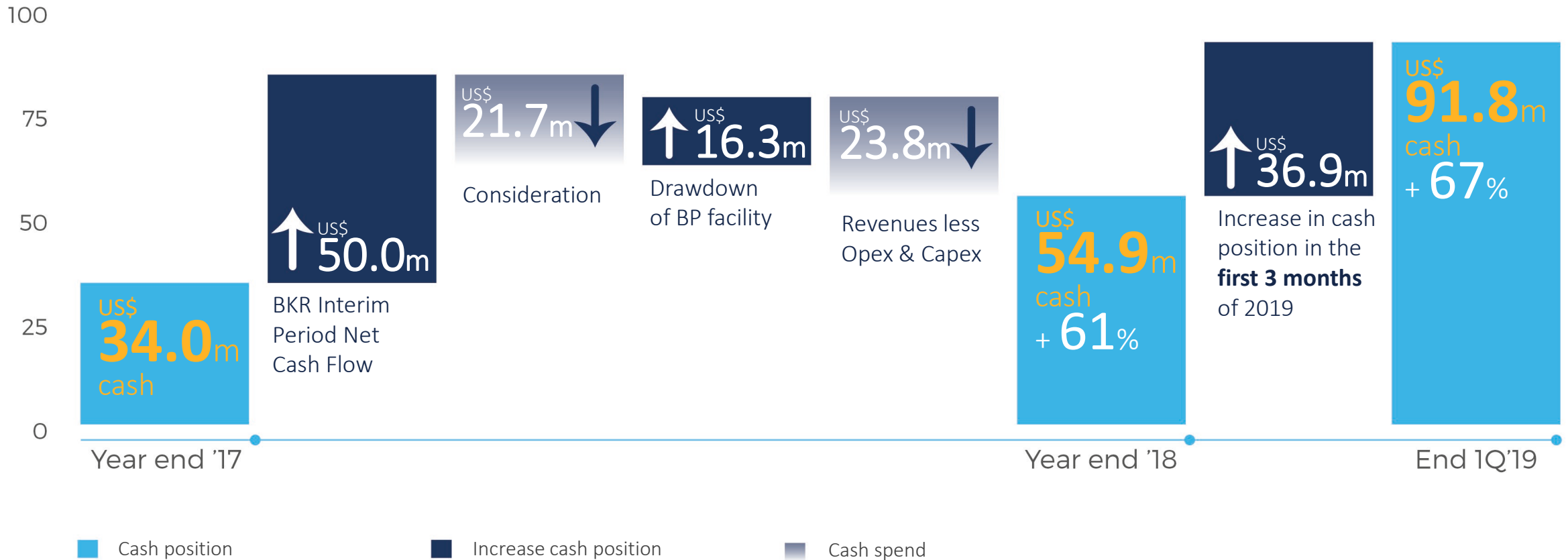
	2018 US\$000	2017 US\$000	
Revenue	45,747	31,966	2.5 months production from Erskine and 1 month from BKR
Cost of Sales	(20,543)	(12,668)	Mainly operating cost, some Erskine costs reduced during 9.5 month shut-in
Gross profit	25,204	19,298	Heavily curtailed Erskine income plus 1 month from BKR still exceeded full year 2017 income
Admin expenses	(4,802)	(2,244)	Increase reflects gearing up organisation in preparation for BKR completion
BKR transition costs	(11,690)	-	Operator and process set up costs to be partially recovered in 2019 through net cash flow sharing arrangements
Impairment, exchange etc.	385	(2,928)	2018 exploration write-downs more than offset by Columbus impairment reversal
Operating profit	9,097	14,126	Limited 2018 production contributions
Bargain purchase gain on BKR acquisition	52,938	-	Excess of fair value of assets acquired over consideration payable calculated in accordance with IFRS accounting rules
BKR transaction and finance costs	(2,822)	(3,278)	Principally costs of AIM Readmission and associated fees
Profit before taxation	59,213	10,848	
Deferred tax	15,504	6,255	Reflects acceleration of utilisation of historic tax losses
PROFIT FOR THE YEAR	74,717	17,103	Heavily influenced by 'bargain gain' but underlying performance greatly strengthened
Earnings per ordinary share (US\$)	0.28	0.06	

Cash Position

Sustained and growing cash build

Cash, cash equivalents and term deposits

US\$million



2018 Year End Net 2P Reserves

Independent CPRs show significant reserves upgrade

1

Erskine
5.7 mmboe

As at 31/12/18 Independent CPR performed by
Netherland Sewell and Associates

2

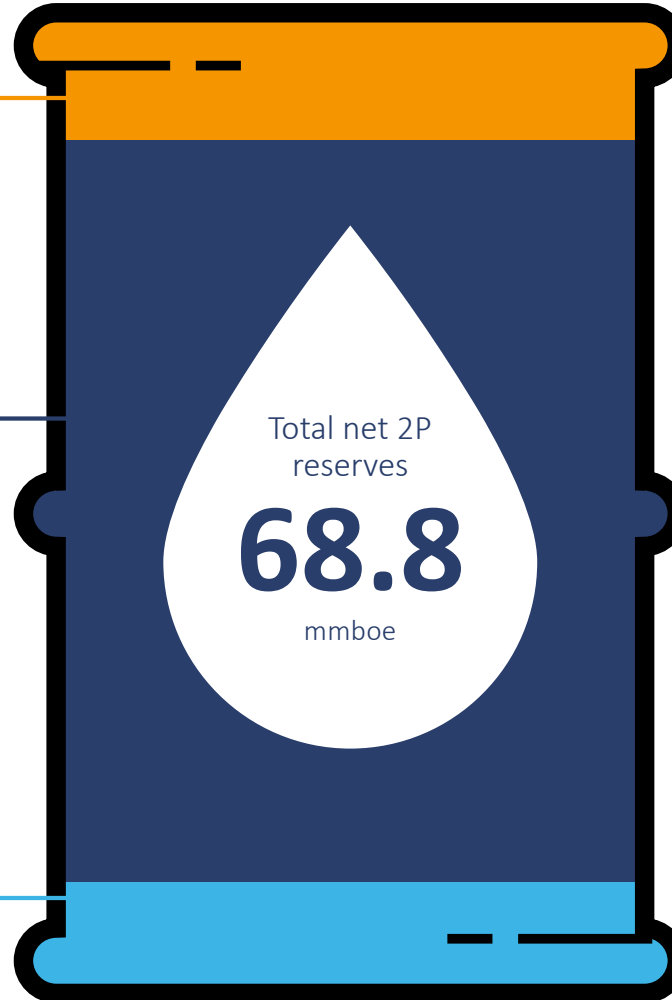
Bruce, Keith and Rhum
56.9 mmboe

As at 1/1/19 Independent CPR performed by
Ryder Scott

3

Columbus
6.2 mmboe

As at 31/12/18 Independent CPR performed by
Netherland Sewell and Associates



- Erskine net 2P reserves have increased from 3.1 mmboe at the end of 2017 to 5.7 mmboe at the end of 2018. This revision is due to increased uptime (delivered by the Erskine bypass pipeline) leading to the acceleration of reserves recovery
- Bruce Keith and Rhum net 2P reserves at end of 2018 amounted to 56.9 mmboe
- The approval of the Columbus FDP in October 2018 has led to the Columbus net 2C Contingent Resources being reallocated as net 2P reserves amounting to 6.2 mmboe

02

Bruce, Keith and Rhum



A Series of Acquisitions in 2018 Delivering Material Value

Strategically important transactions to purchase interests in Bruce, Keith and Rhum



Additional revenue streams diversify production portfolio

- Serica's strategy has been to reduce reliance on a single producing asset (Erskine) by gaining interests in three more producing fields



Significant additions to production volumes and reserves

- The acquisition of interests in Bruce, Keith and Rhum increased Serica's 2P reserves by over 60 mmboe (at effective date)
- Net production from the acquired assets was over 24,000 boe/d for 2018



Maintains balance sheet strength

- Bulk of consideration payments deferred and linked to asset performance and commodity price
- No shareholder dilution



Immediate impact at completion

- Acquisitions immediately cash flow and value accretive
- Transactions effective 1 January 2018 and completed on 30 November 2018

2018 Financial Impact of Bruce, Keith and Rhum Transactions



>US\$45/boe realised price

2018 commodity prices were strong with oil prices averaging ~US\$72.50/bbl and gas prices ~59p/therm. Serica's share of BKR production in 2018 (>80% gas) realised more than US\$45/boe

2018 BKR operating costs in line with expectations at ~US\$18/boe

*Cash BKR operating, processing and transportation costs



\$50 million BKR adjustment

Under the net cash flow sharing arrangements Serica received a 40%** share of the 2018 net cash flow, which was then adjusted for notional tax of 40%, for the period from the effective date of the transaction until the completion date

US\$50 million received by Serica before payment of initial consideration of approximately US\$22 million

**Serica will receive a 50% share of cash flow in 2019, 60% in 2020 & 2021 and 100% thereafter



>24,000 boe/d 2018 net production

Full year production (net to the BKR interests acquired by Serica) for 2018 amounts to over 24,000 boe/d



60 mmboe increased reserves

The acquisition of interests in the Bruce, Keith and Rhum fields added over 60 mmboe to Serica's net 2P reserves at effective date of transaction



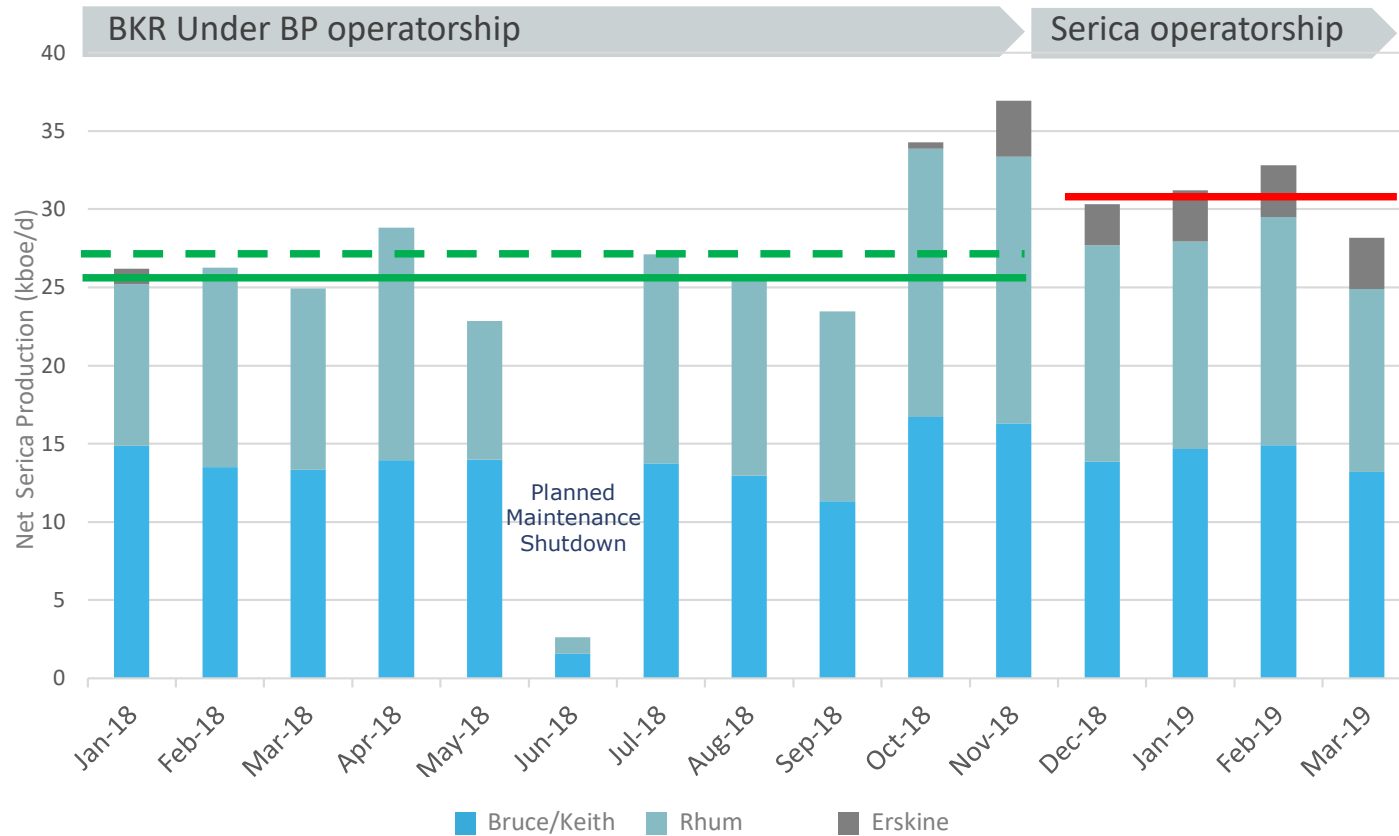
US\$139.3 million Serica's tax losses

Serica expects to optimise the value of its pool of brought forward UK tax losses by accelerating their use against future taxable profits

The amount of the pool was approximately **US\$139.3 million** at 1 January 2019

Serica 2018 and Q1 2019 Production Performance

Strong production during first 4 months of Serica BKR operatorship

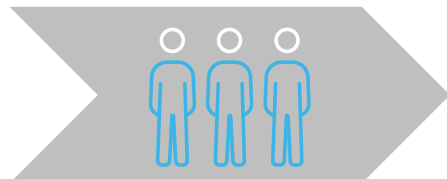


Average net production:

- Jan 18 - Nov 18 BKR under BP operatorship
- - Jan 18 - Nov 18 (excluding impact of pre-planned shutdown)
- Dec 18 - Mar 19 under Serica operatorship

2018/9 Average Net Production (boe/d)		
Field	Jan – Nov '18	Dec '18 – Mar '19
Erskine	500	3,100
Rhum	12,000	13,300
Bruce & Keith	12,900	14,100
	25,400	30,500

Transition Completed 30 November 2018



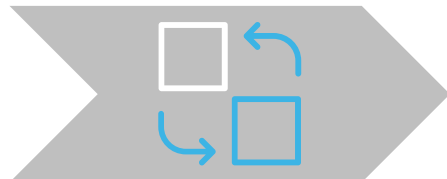
114

BP staff transferred



23

new jobs created



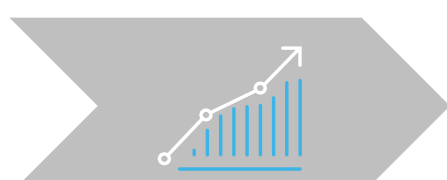
315,000

controlled documents transferred



1.8 million

BP project files received and processed



138

procurement contracts in place



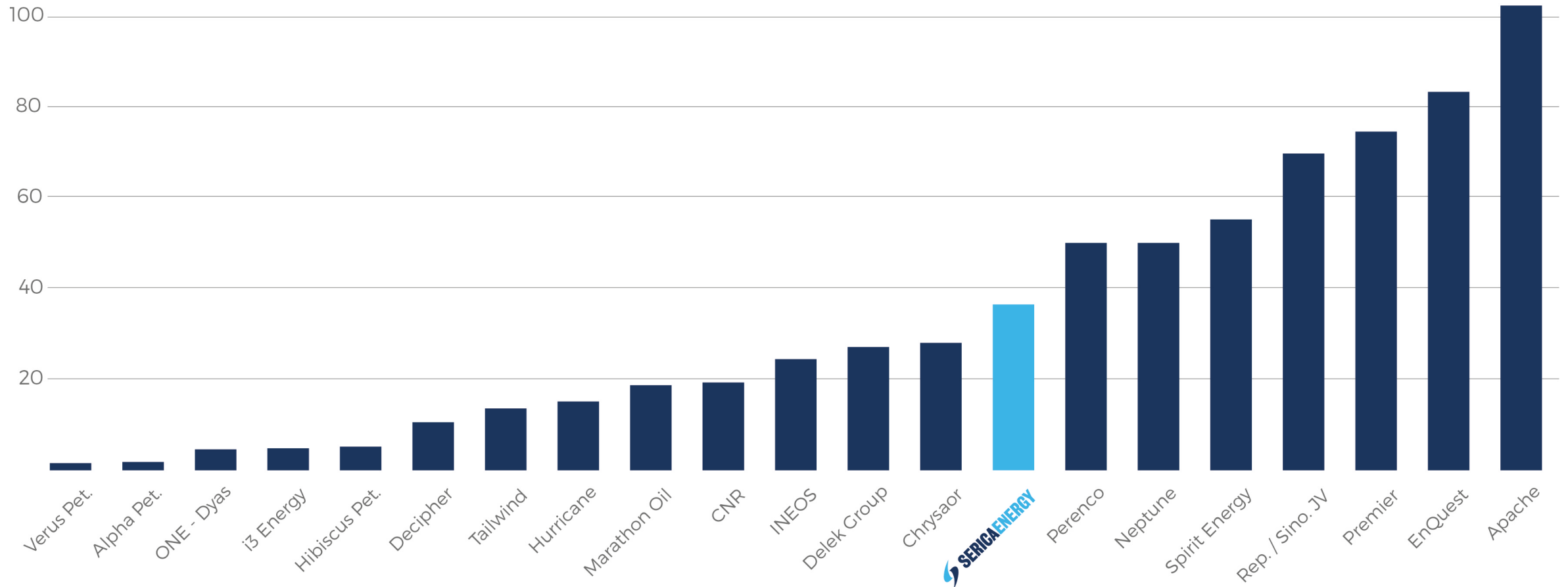
BKR Deals Take Serica Into New Era

Serica is now re-positioned as one of the leading independent companies operating on the UKCS

UKCS ranking of gross operated production

2019 kboe/d, exc majors and NOCs

Source: Wood McKenzie



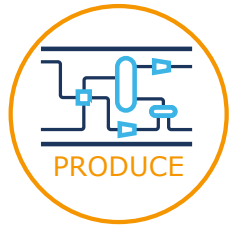
03

Operations

A full lifecycle portfolio



A Value-Generating Portfolio in the UKCS



BKR and Erskine

Serica now has production from four fields into two platforms exported via three offtake routes. 2018 net production averaged over 25,000 boe/d and Q1 2019 net production is averaging over 30,000 boe/d



BKR

Serica now operates one of the major offshore facilities in the UK sector of the North Sea, handling up to 50,000 boe/d of gross gas and liquids production



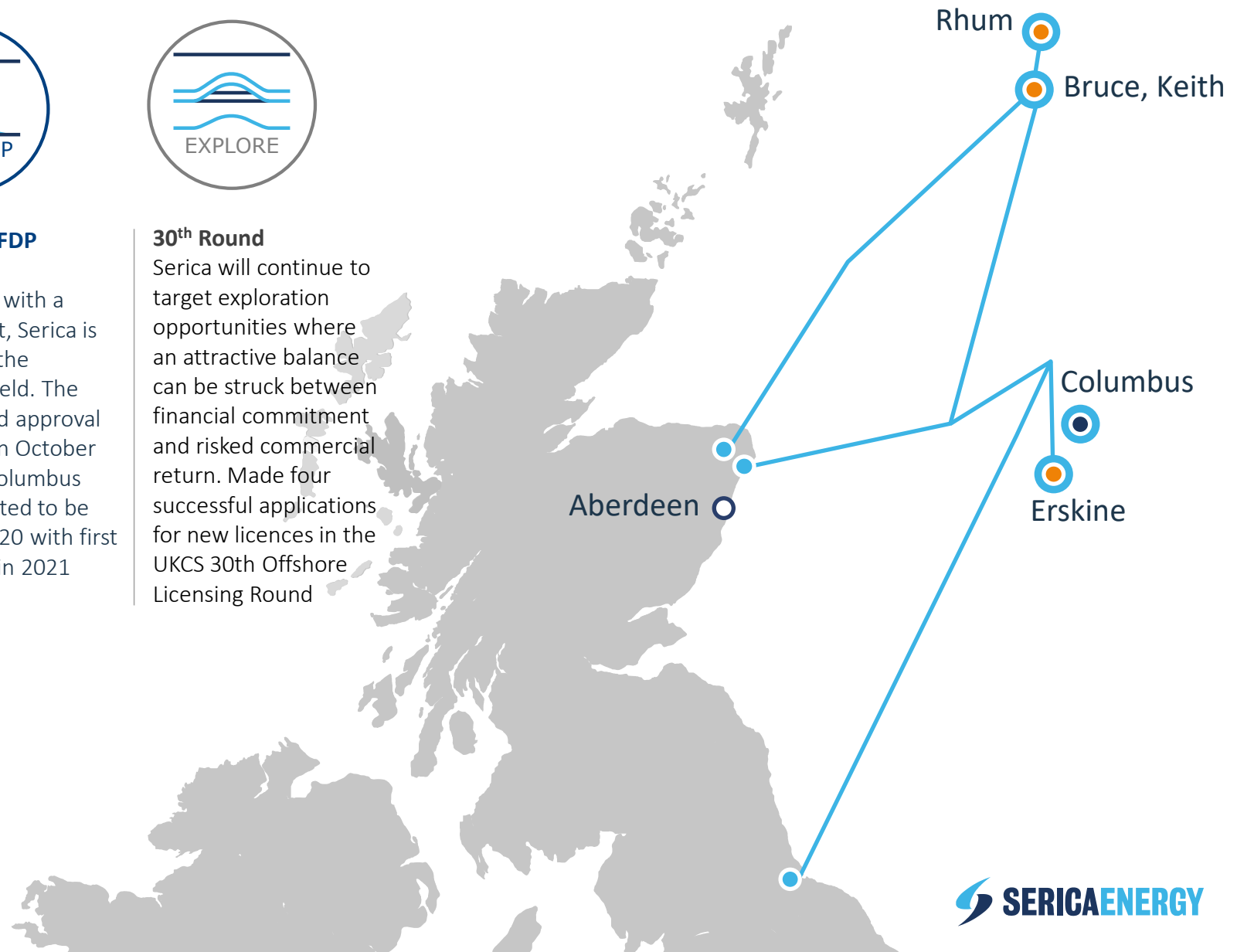
Columbus: FDP approved

As operator with a 50% interest, Serica is developing the Columbus field. The OGA granted approval of the FDP in October 2018, the Columbus well is targeted to be drilled in 2020 with first production in 2021



30th Round

Serica will continue to target exploration opportunities where an attractive balance can be struck between financial commitment and risked commercial return. Made four successful applications for new licences in the UKCS 30th Offshore Licensing Round



Bruce, Keith and Rhum Reservoir Management

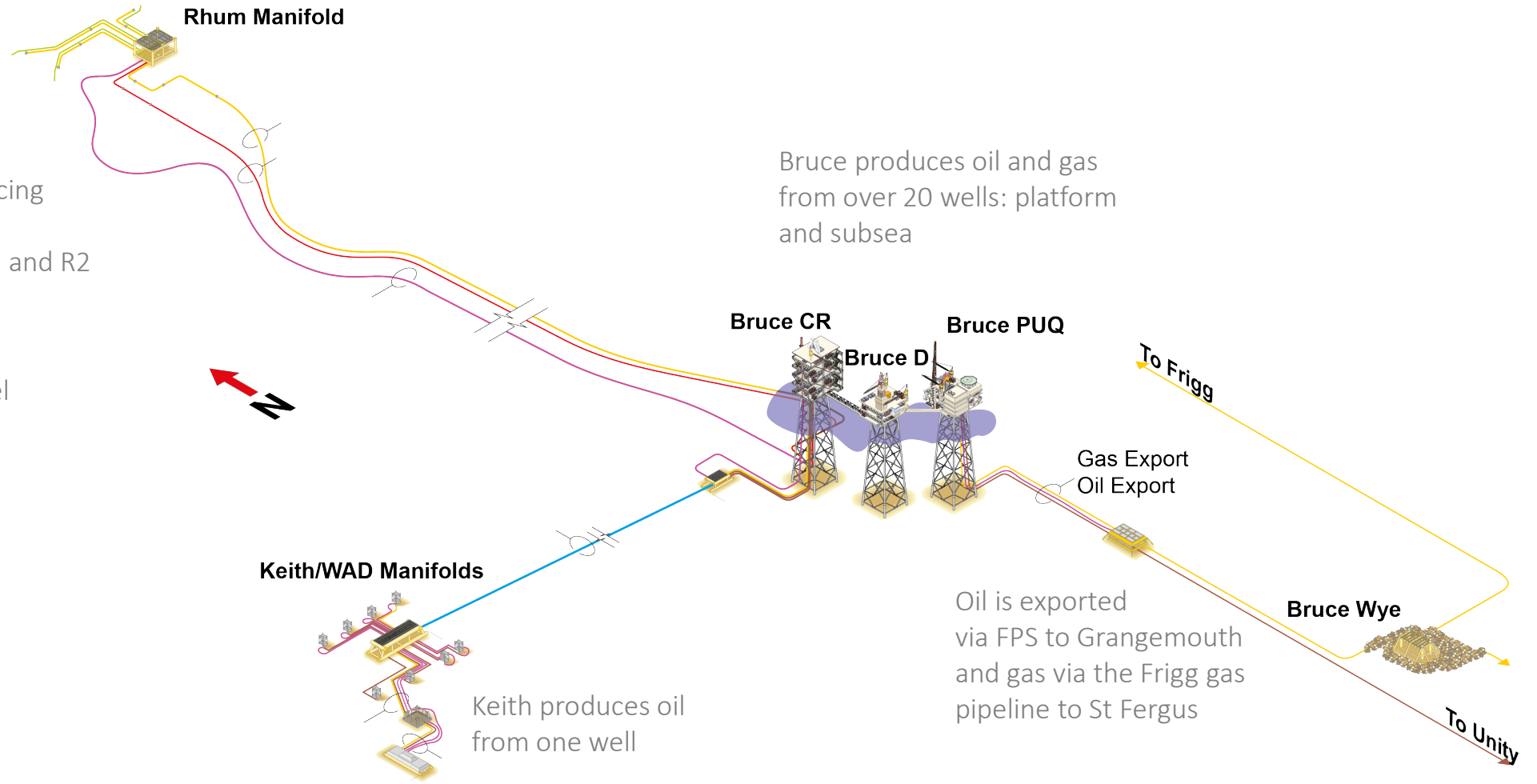
Serica has 98% of Bruce, 100% Keith and 50% of Rhum

Rhum produces gas and is a subsea tie-back to Bruce

Rhum is capable of producing over 30,000 boe/d gross from two subsea wells, R1 and R2

Serica is planning the R3 intervention work and investigating rig and vessel availability

Inspection work on R3 will commence in 2019



Bruce produces oil and gas from over 20 wells: platform and subsea

Keith produces oil from one well

Oil is exported via FPS to Grangemouth and gas via the Frigg gas pipeline to St Fergus

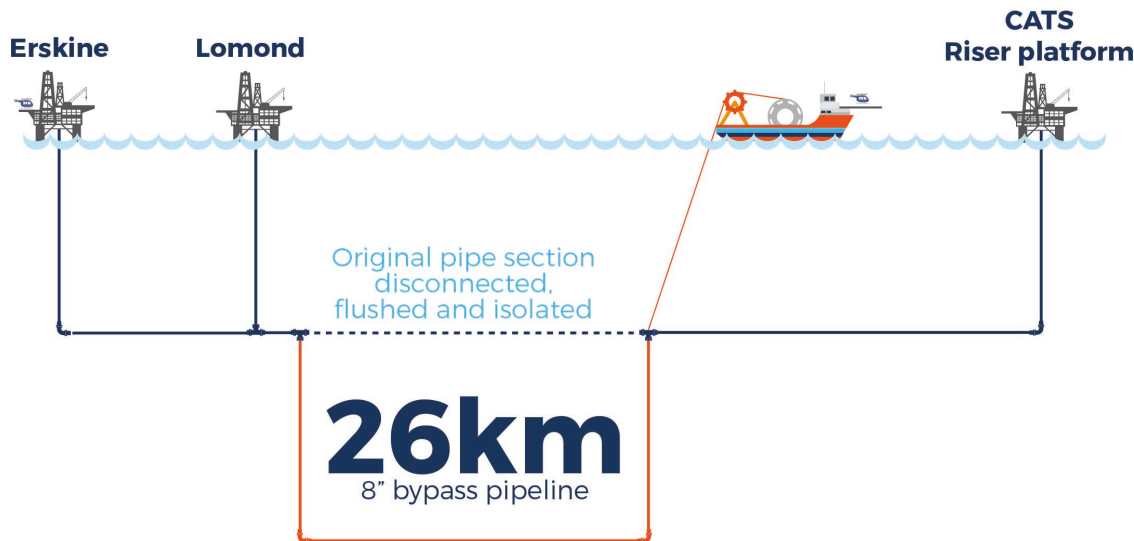
Erskine Field Flowing at Increased Rates

A 26km section of the condensate export line from Lomond to the CATS Riser Platform has been replaced

The cost to Serica of the bypass pipeline was comparable to 40 days of Serica Erskine field revenue

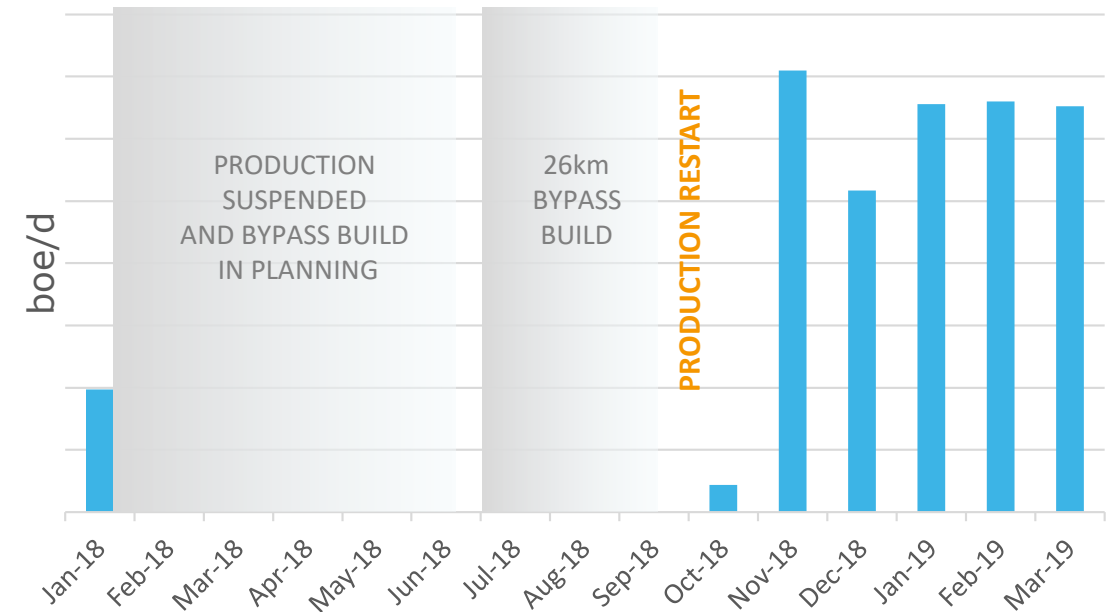
The pipelay was completed without incident and within budgeted time

A regular pigging programme has commenced on the new line in order to prevent wax build up



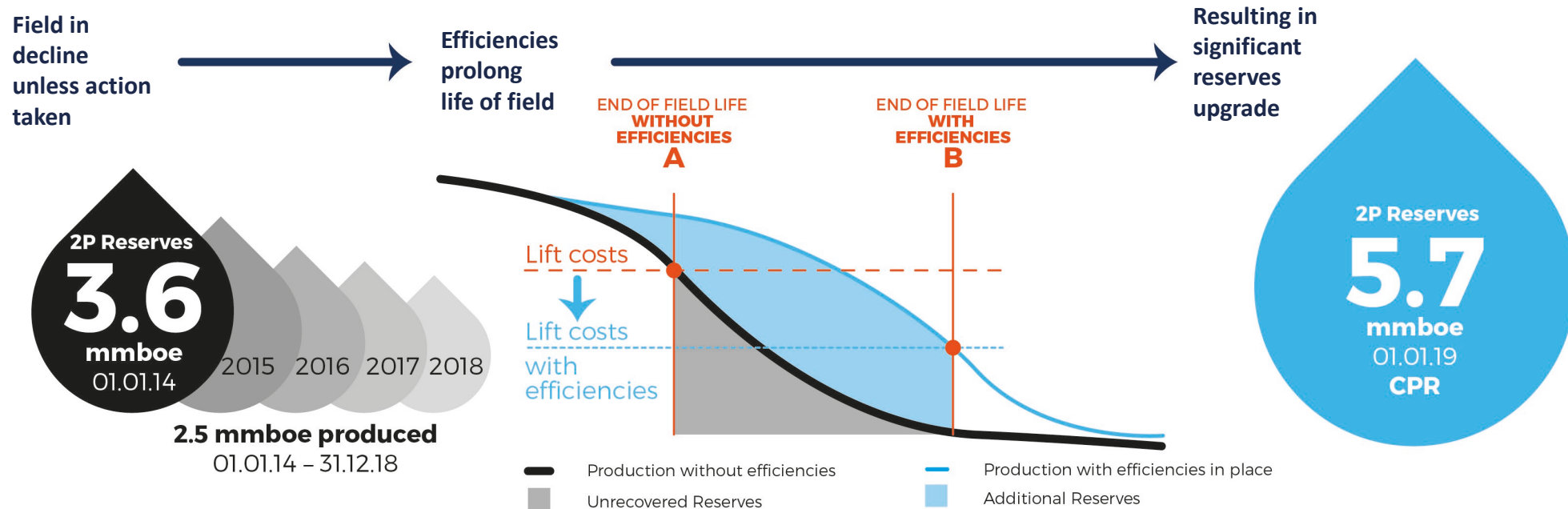
Intervention has delivered consistent net production of

3,000+ boe/d



Erskine Reserves Increase

Demonstrates the ability of focused operators to add value to mid & late life assets



The independent CPR evaluation of Serica net 2P reserves at the effective date of purchase (1-Jan-14) was 3.6 million boe. Since then, cumulative net Serica production from Erskine has been 2.5 million boe

The latest independent CPR (1-Jan-19) indicates that Serica net 2P reserves have **increased** to 5.7 million boe. This increase has been achieved without drilling any new wells or any intervention in existing wells

The increase is due to improved efficiency (in this case improved uptime due to the bypass pipeline) and focus on reducing lifting costs. Serica believe that similar focus on efficiency, cost and quick decision making can be applied elsewhere (e.g BKR) to extend field life and boost reserves

Columbus Development (Serica 50%)

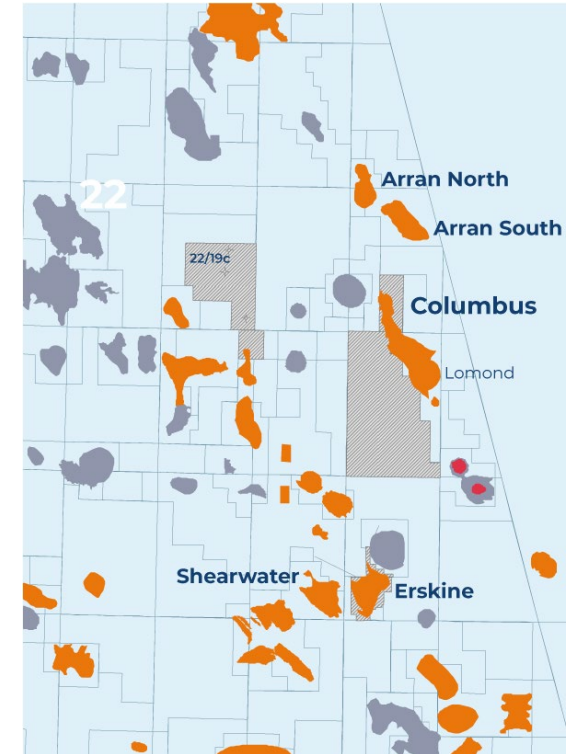
Columbus development sanctioned by Serica and Columbus Partners

FDP submitted in June 2018 and approved by OGA in October 2018

The Columbus development area will be drained by a single producing well tied into the recently approved Arran to Shearwater pipeline and processed on the Shearwater platform

The Columbus well is targeted to drill in 2020

Production is expected to commence in 2021 after the Arran development is complete (pipeline laid and topsides modifications at Shearwater) and the Columbus well tied in



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

Well 22/19c-7 spudded on 30 December 2018

The well targeted the High Temperature and High Pressure Rowallan prospect

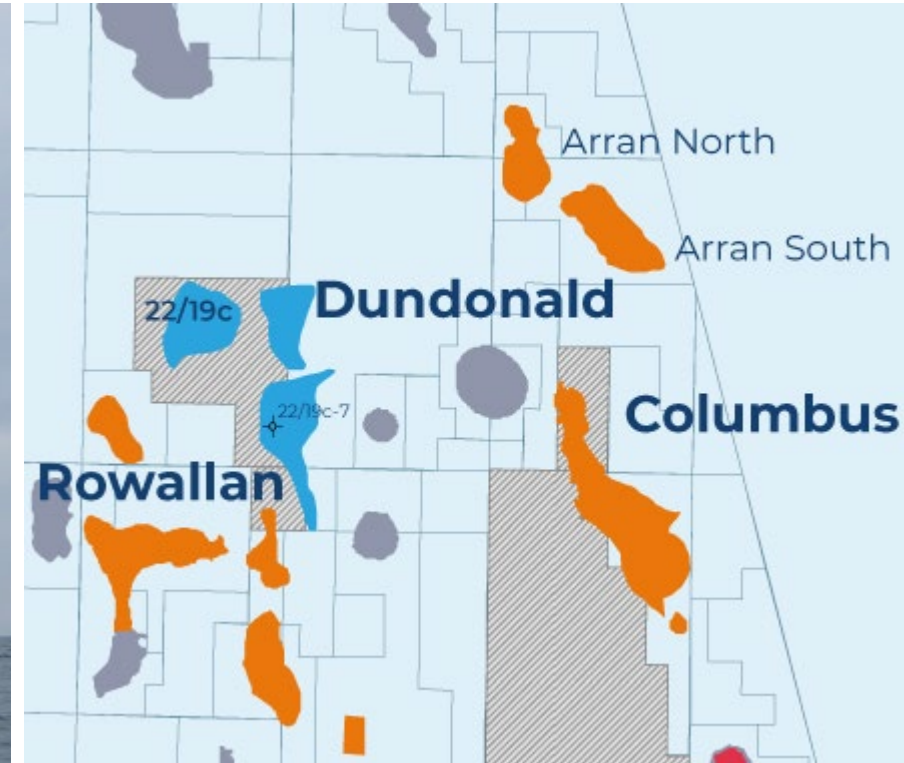
The well reached a total depth of 4,641m on 3 April 2019

182m section of sandstone and shale was encountered but no hydrocarbons were present

The decision was made to plug and abandon the well

Serica is fully carried and so paid no costs for drilling the well

The data acquired from the well will be used to evaluate the remaining prospectivity on block 22/19c



04

Strategy

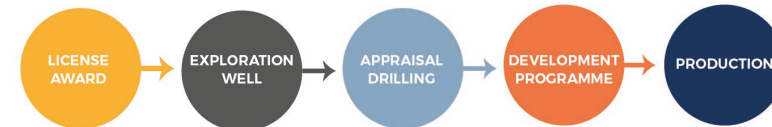


A Corporate Strategy with Production at its Heart

Serica's M&A strategy utilises the flexibility provided by operational capability and strong cash flow from production. These combined resources mean that the Company is superbly positioned to react quickly when attractive growth opportunities arise at any point in the oil & gas life cycle



TRADITIONAL LINEAR APPROACH



The oil industry's traditional, linear approach compromises the ability to pursue ad-hoc opportunities meaning that business growth can often only be achieved sequentially

Serica's strategy avoids this limitation

The Right Assets in the Right Hands at the Right Time

ONGOING STRATEGY

Serica's strategy is to identify and acquire assets where we can add value. This started with the 2015 Erskine acquisition and continued with the 2018 BKR transactions

Serica has demonstrated the ability to unlock value by solving commercial and political problems. We have now developed a sizable operating capability and will be able to use this to solve operational and/or subsurface problems

Serica is largely debt-free and so the cashflow from ongoing operations (Erskine and BKR) can be deployed for future projects

CHARACTERISTICS OF FUTURE TARGETS

Our operating expertise is Central & Northern North Sea based and (coupled with potential tax synergies) this means that the search for new opportunities is focused on the UKCS

Serica is focused on identifying value rather than volume and will continue to look for assets (preferably operated rather than non-operated) where Serica can add value when the current operator may be unable to do so

Serica has a multi-skilled operating team. We aim to expand the portfolio at all stages – exploration, appraisal, development and production

A Strategy to Deliver Growth



Optimise team and technology to maximise efficiency

- talented, motivated team in place and Aberdeen HQ fully operational
- focus on economic recovery of oil & gas
- harness technology and creativity to extend life of fields
- establish hub strategy for Bruce facilities, encourage third-party business and exploration opportunities



Use newly-earned scale and prominence to attract investment opportunities

- market perception of Serica now changed
- enhanced operating capability
- diversified asset base
- greater opportunity for organic growth and further acquisitions



Generate Value

Focus on Delivery of Total Shareholder Return

05

Appendix



Our Board



Tony Craven Walker
Executive Chairman

- A leading figure in the British independent oil industry since the early 1970s, having started his career at BP in 1966
- Founded two British independent oil companies: Charterhouse Petroleum, where he held the post of Chief Executive; and Monument Oil and Gas, where he was Chief Executive and later Chairman
- Founder member of BRINDEX (Association of British Independent Oil Exploration Companies)
- Appointed non-executive Chairman of Serica in 2004. Became Executive Chairman in June 2015



Mitch Flegg
Chief Executive

- Over 35 years' experience in the upstream oil and gas industry, including positions at Shell and Enterprise Oil
- First joined Serica in 2006
- Left Serica to become Chief Executive Officer of AIM-listed Circle Oil plc in 2015
- Re-joined Serica as CEO in November 2017



Neil Pike
Non-executive Director

- Involved in the global petroleum business as a financier since joining the energy department at Citibank in 1975
- An industry specialist with Citibank throughout his career, he was closely involved in the development of specialised oil field finance
- Latterly, he was responsible for Citibank's relationships with the oil and gas industry worldwide
- Appointed to the Board of Serica in 2004

Our Board



Ian Vann

Non-executive Director

- Joined BP in 1976
- Directed and led BP's global exploration efforts from 1996 until his retirement in January 2007
- Appointed to the executive leadership team of the Exploration & Production Division of BP in 2001, initially as Group Vice President, Technology and later as Group Vice President, Exploration and Business Development
- Appointed to the Board of Serica in 2007



Trevor Garlick

Non-executive Director

- Over 35 years' experience in North Sea Upstream operations and development
- BP Head of Country in Norway 2007 and Regional President for UK and Norway 2010-2016
- Operator's Co-Chair of the industry association Oil and Gas UK 2014 – 2016
- Director of Opportunity North East Limited and Vice Chairman of the Oil & Gas Technology Centre
- Appointed to the Board of Serica in 2018



Malcolm Webb

Non-executive Director

- Joined Burmah Oil in 1974 as a legal adviser
- Held senior legal and management roles at the British National Oil Corporation, Charterhouse Petroleum Plc and PetroFina SA
- From 2000 to 2004, Director General of the industry association Oil & Gas UK
- From 2004 until his retirement in 2015, Chief Executive of Oil & Gas UK
- Appointed to the Board of Serica in 2018

Senior Management Team



Andy Bell
VP Finance



Stephen Lambert
VP Commercial



Clara Altobell
VP Technical



Mike Killeen
VP Operations



Danny Fewkes
Group Treasurer



Carol Stewart
Business Manager



Fergus Jenkins
Manager of Projects



For further information visit

www.serica-energy.com

or email

info@serica-energy.com