

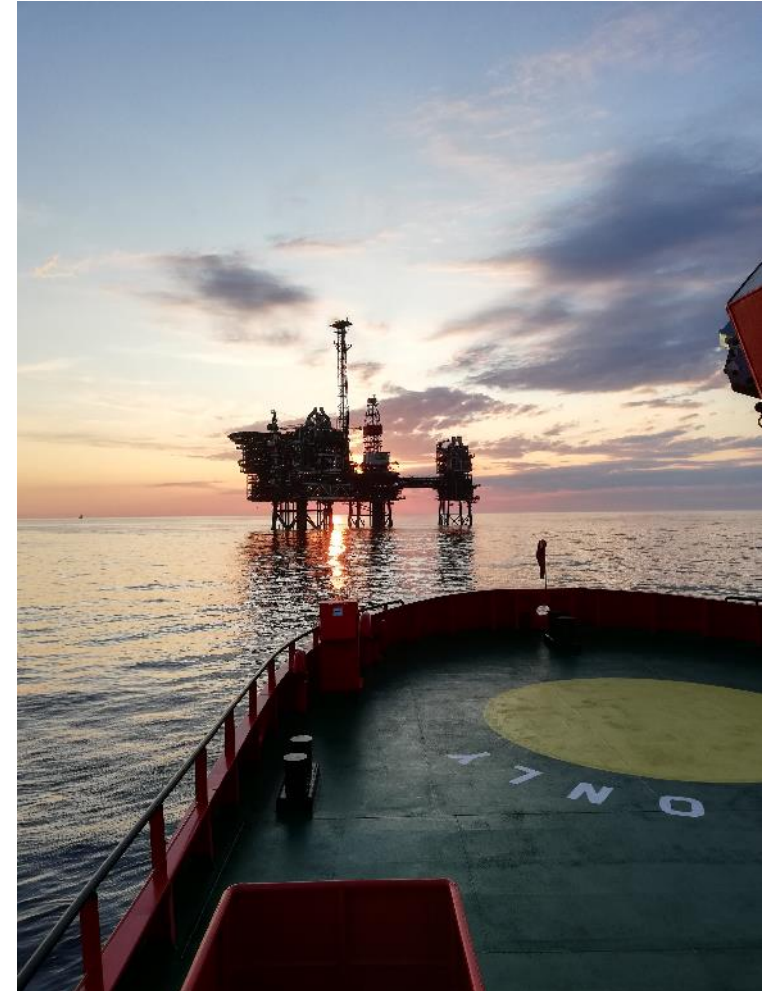


SERICA ENERGY plc

INTERIM RESULTS

Financial results for six months to 30 June 2019

24 September 2019



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Serica Energy

Establishing a leading mid-tier oil and gas producer

- Serica is a British-based independent upstream oil and gas company with operations centred on the UK North Sea where we have a full range of exploration, development and production assets
- We operate the Bruce, Keith and Rhum fields in the UK North Sea and are also non-operating partner in the Erskine field. In both of these projects Serica has demonstrated its ability to extend field life and access reserves that would have otherwise have been left behind
- Serica is focused on perfecting a strong corporate culture committed to safe and environmentally conscious operations whilst also driving increased operating efficiencies.
- Serica is a signatory of Oil & Gas UK's 'Vision 2035', an industry initiative to encourage discussion, debate and action in support of Energy Transition
- Quoted on the London AIM market under the ticker SQZ
- Over 80% of our production is natural gas, which has significant environmental advantages over other fossil fuels and so is a key element of the Energy Transition

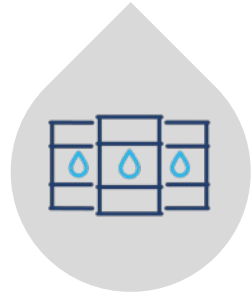


01

Highlights



1H 2019 highlights

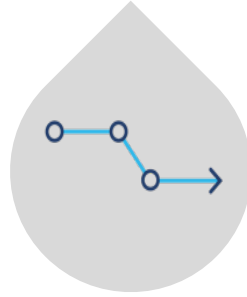


PRODUCTION

31,100 boe/day

1H 2019 production levels increased to over 31,000 boe/d from Bruce, Keith, Rhum and Erskine

FY 2018: 25,800 boe/d



OPERATING COSTS

30% Reduction

Operating costs (including production, processing, transportation and insurance) averaged US\$12.30/boe before non-cash depletion charges

FY 2018: US\$18/boe



OPERATING PROFIT

£52.5 million

Operating profit from continuing operations **£52.5 million**

1H 2018: £7.9 million loss
FY 2018: £8.0 million



CASH AND DEPOSITS

£88.2 million

Total cash balances and term deposits at 30 June 2019: **£88.2 million**

End 1H 2018: £15.9 million
End 2018: £43.1 million



CURRENCY

£

The majority of Serica's production is gas which is sold in Pounds Sterling. The majority of our costs are incurred in the UK and are therefore in also Pounds Sterling ("£")

This Interim 2019 Statement is the first to be issued in £

02

1H 2019 Financial Results



Group income statement

For the period ended 30 June 2019

	Six months ended 30 June 2019 £'000	Six months ended 30 June 2018 £'000	Year ended 31 Dec 2018 £'000	
Sales revenue	146,375	3,304	35,708	Includes BKR interests for full period
Cost of sales	(93,941)	(5,247)	(15,690)	
Gross profit / (loss)	52,434	(1,943)	20,018	Cash operating costs (£53.2 mm), non-cash depletion costs (£37.3 mm), stock adjustments (£3.4 mm)
Admin & other income / (expenses)	72	(2,528)	(3,214)	
BKR transition costs	-	(3,478)	(8,814)	Admin and share-based costs offset by hedging gains
OPERATING PROFIT / (LOSS)	52,506	(7,949)	7,990	
Bargain purchase gain on BKR	-	-	41,474	Transition completed in November 2018
BKR transaction and finance costs	(576)	27	(2,183)	
Profit / (loss) before taxation	51,930	(7,922)	47,281	2018 non-cash 'bargain purchase gain' booked in relation to completion of BKR transaction
Deferred Tax	(21,883)	1,825	12,005	
Profit / (loss) for the Period	30,047	(6,097)	59,286	No current cash tax payments. Deferred provision in respect of future payments once allowances are exhausted
Earnings per ordinary share (£)	0.11	(0.02)	0.22	

A healthy balance sheet with a strong cash position

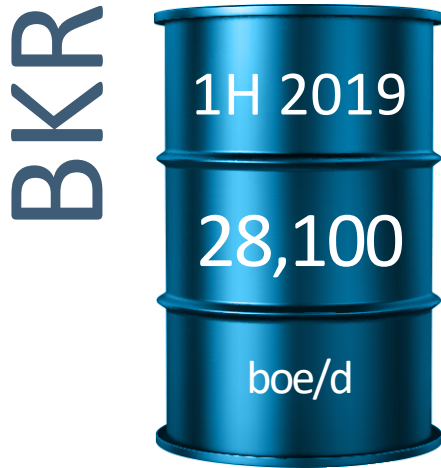
For the period ended 30 June 2019

	30 June 2019 £'000	31 Dec 2018 £'000	30 June 2018 £'000
Non-current assets	341,192	376,904	62,607
Current assets	135,607	100,919	20,995
TOTAL ASSETS	476,799	477,823	83,602
Current liabilities			
Trade and other payables	(27,843)	(38,616)	(7,198)
Financial Liabilities	(79,269)	(90,307)	
Provisions	(1,848)	(1,848)	(2,037)
Non-current liabilities			
Financial liabilities	(132,411)	(164,488)	(2,960)
Provisions	(22,903)	(22,647)	-
Deferred tax liabilities	(42,194)	(20,311)	
TOTAL LIABILITIES	(306,468)	(338,217)	(12,195)
NET ASSETS	170,331	139,606	71,407

- Serica has an extremely healthy balance sheet with a strong cash position
- Near term fixed liabilities are covered more than four-fold by cash, deposits and receivables
- Other financial liabilities comprise amounts due in relation to the BKR transactions. The bulk of these are directly proportional to future cash flows and by definition will be covered by the net cash flow received from the assets with the balance mainly relating to the success of future operations plus deferred consideration due when the assets are decommissioned
- Estimated future decommissioning liabilities in relation to small interests in Bruce (3.75%) and Keith (8.3333%). Other Erskine and BKR decommissioning liabilities retained by asset vendors
- Ref BKR Admission Document and Supplementary Admission Document

1H 2019 enhanced daily production on all production assets

Continued strong production (all figures net to Serica)



1H 2019 daily production is 12% higher than FY 2018 results
(FY 2018: 25,200 boe/d on a like-for-like basis)



1H 2019 daily production is 393% higher than FY 2018 results
(FY 2018: 600 boe/d)

Cumulative production 1H 2019 in excess of 31,000 boe/d

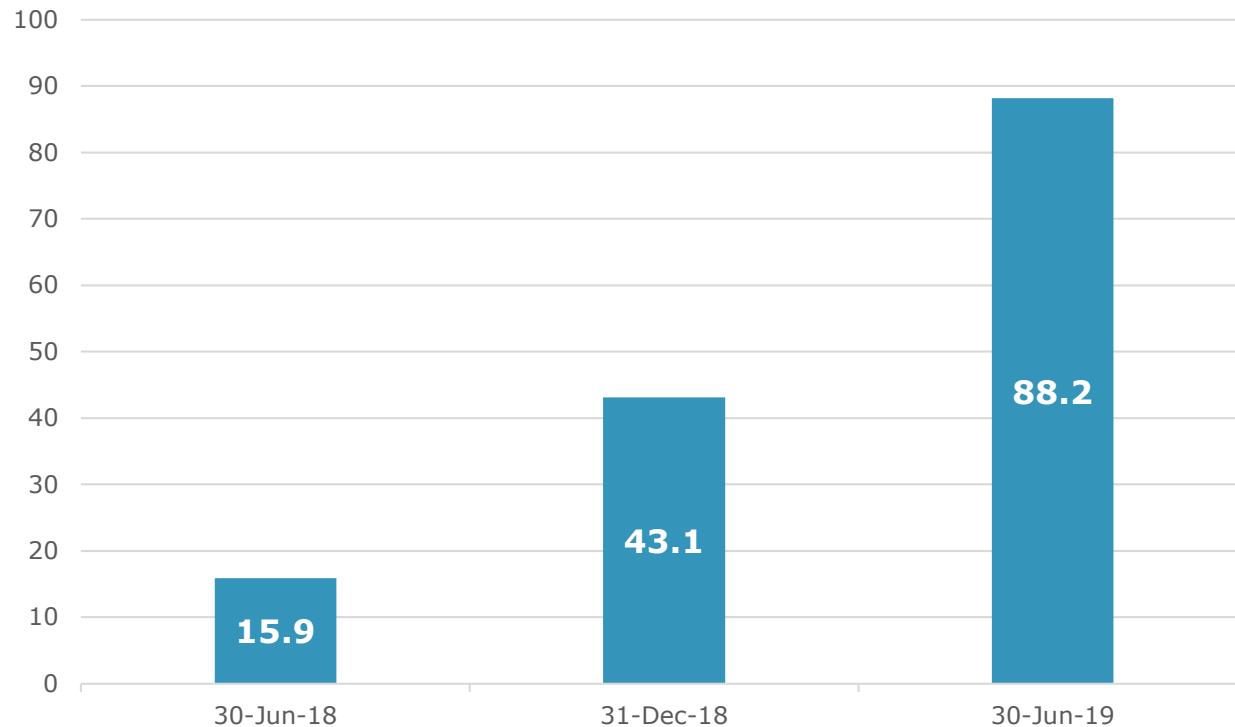
Previous Serica net 2019 Full Year guidance 26,000-30,700 boe/d

Increased confidence that Full Year results will be towards upper end of guidance range

Cash Position

Sustained cash build

Cash, cash equivalents and term deposits
£ million



- 30 June 2019 cash, cash equivalents and term deposits totalled £88.2 million (this compares with £15.9 million at 30 June 2018 and £43.1 million at 31 December 2018)
- Under the BKR Net Cash Flow Sharing arrangements* Serica retained 40% of the Net Cash Flow in 2018, rising to 50% in 2019, 60% in 2020 & 2021 and 100% thereafter
- £41.5 million of Net Cash Flow Sharing payments settled in 1H 2019 with remaining liabilities settled by end 2021
- First £2.0 million repayment of the gas prepayment facility in June with balance expected to be substantially repaid by year end

* The Net Cash Flow Sharing income from the interests in Bruce, Keith and Rhum purchased from BP, Total and BHP

03

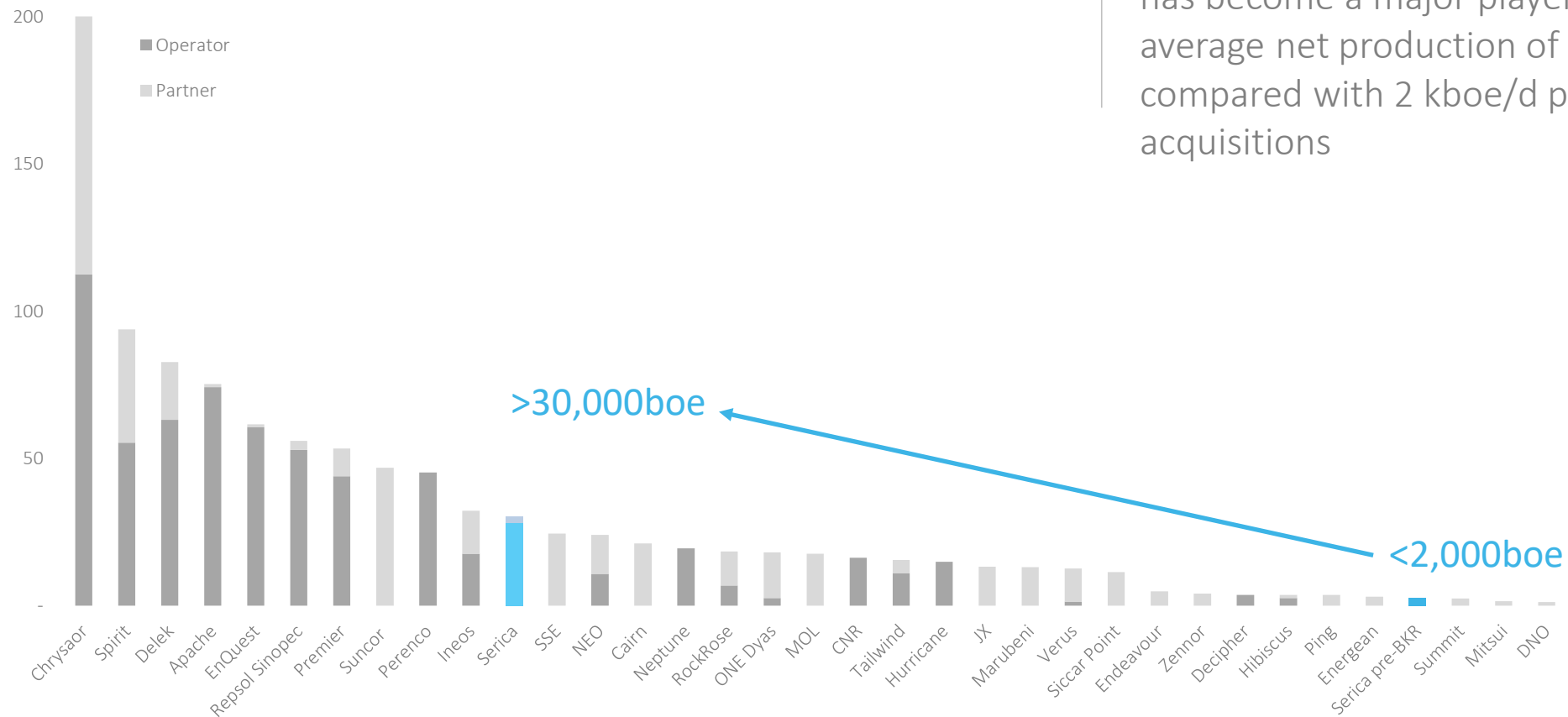
Corporate Profile

Serica has repositioned itself as a leading independent producer



Serica is now a leading independent producer on the UK Continental Shelf

UKCS net production ranking, split by operated and non operated production (2019e, kboe/d, excludes majors and NOCs)



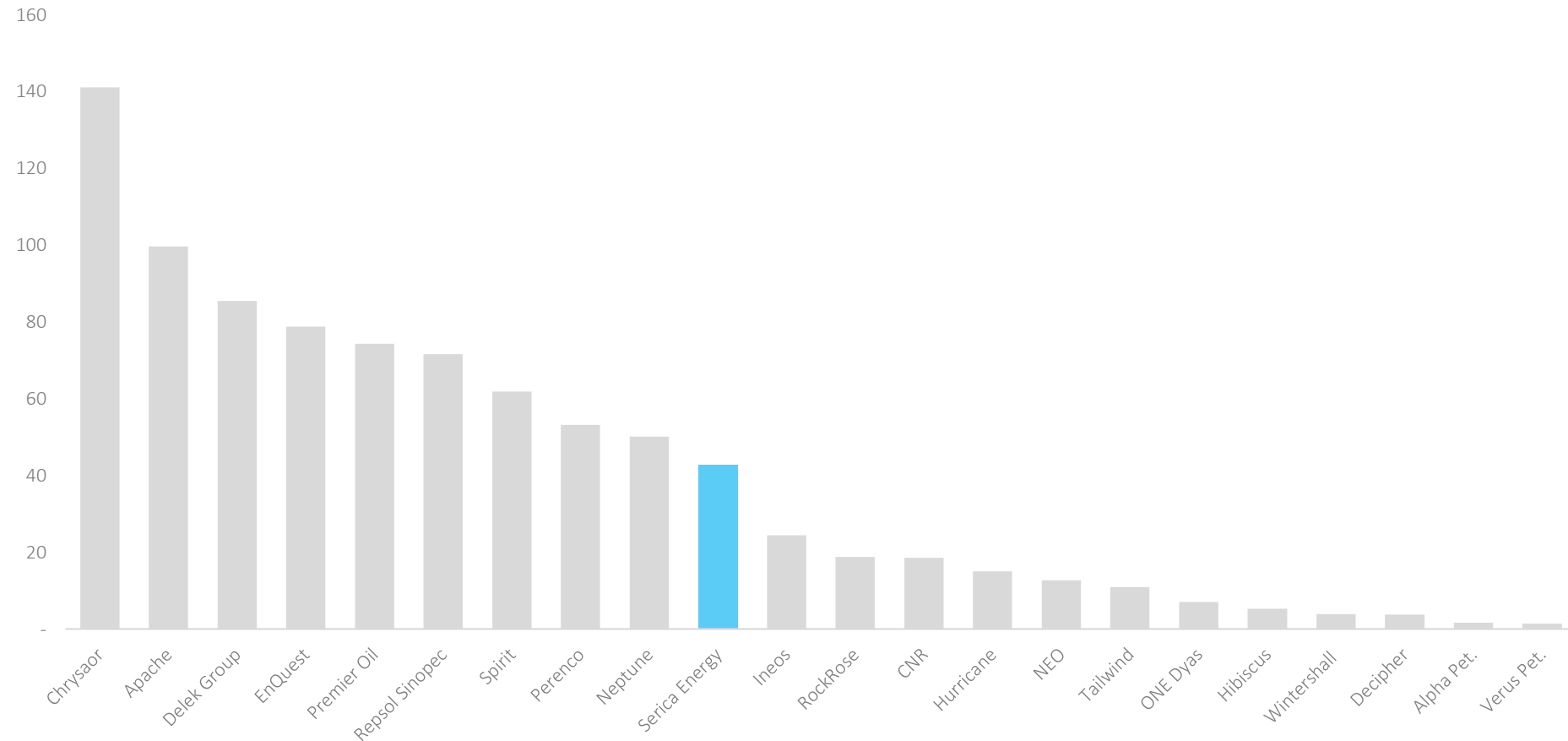
Following its acquisitions of various interests in the Bruce, Keith and Rhum fields, Serica has become a major player in the UKCS with average net production of ~30 kboe/d, compared with 2 kboe/d prior to the acquisitions

* Source: Wood Mackenzie

Serica is the 10th largest independent operator on the UK Continental Shelf

As operator of BKR Serica is responsible for operating over 40,000 boe/d of gross production

UKCS ranking of gross operated production* (2019e, kboe/d, excludes majors and NOCs)



* Source: Wood Mackenzie (Serica Energy actual 1H 2019)

04

Operational Improvements

As a nimble operator Serica can take a dynamic, decisive approach to the workplace, re-energising the operating culture by empowering our talented team



Case study one:

Successful field trial of technical innovation increases Bruce daily gas production by ~15%

The opportunity

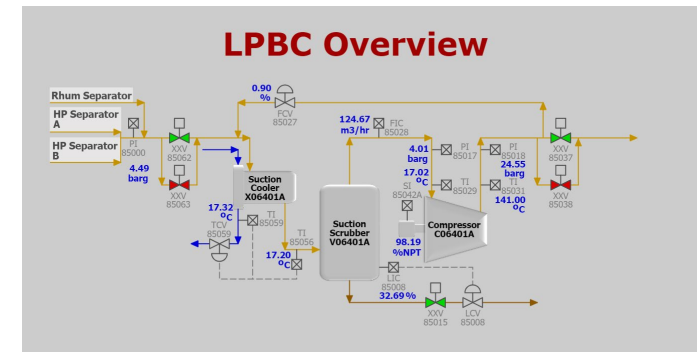
- A 2014 field development plan had identified an opportunity to provide sustained production increases by lowering suction pressures on the Bruce and Keith wells but trials were not prioritised

The team's solution

- Asset team reviewed equipment design parameters to identify safe limits
- Upgraded the instruments to cover the new operating range
- Upgraded the control software to allow the compressors to run in the new pressure regime
- Tried a stepwise reduction in pressure to establish a safe and sustainable new operating point

The outcomes

- Gas production on Bruce & Keith increased by ~15% during trial
- More stable wells (higher gas velocities, fewer liquid slugs)
- Identified further pressure reduction opportunities to further increase recovery



Case study two:

Bringing all wells online by re-energising Bruce operating culture

The opportunity

- Three of Bruce's 26 wells have been out of service for up to 5 years due to a combination of equipment failures and plant upset when wells were brought online



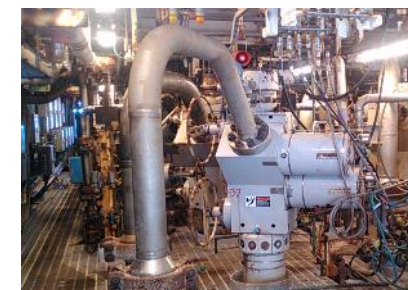
The team's solution

- Inspected failed equipment, identified solutions and prioritised repairs
- Reviewed well start up procedures, available plant configuration and best practices from other assets and companies
- Completed repairs, de-isolated wells (re-routing where necessary)
- Re-wrote well operating guidelines and instructed our offshore team on most efficient implementation



The outcomes

- All Bruce wells online for first time in at least 5 years
- Increased liquids (i.e. oil production only) from Bruce by 30%
- Improved oil/water separation recovering more oil for export



Case study three:

Inspiring the workforce to challenge the norm and identify opportunities for improvement

The opportunity

- Escape to sea ladder required fabric maintenance (cleaning up and painting) to prevent corrosion. Work is carried out over the side directly above the sea and in the 'splash zone', an area where waves impact. Weather conditions cause regular interruptions to work in this extremely exposed location



The team's solution

- Reviewed how the work had been done previously and looked for areas to improve
- Consulted market to see if alternative techniques/technologies/products could be used
- Identified a single coat paint system (previous 2/3 coats and surface blasting prior to painting) that required minimal preparation of the area to be painted and would stick and dry even in bad weather
- Tested the product in offshore conditions with good results



The outcomes

- Completed painting escape to sea ladder in 10 days (previously 30+ days)
- Minimised equipment downtime, improving safety
- Increased area that can be painted in 2019, reducing risk of repairs in future years



Case study four:

Maximising production and increasing operating options

The opportunity

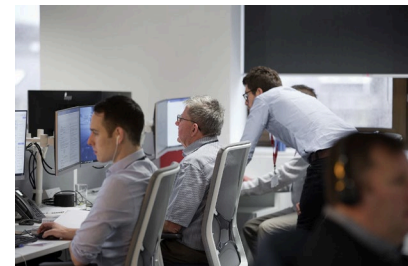
- In recent years interventions on Bruce had focused on protecting current production, not enhancing it
- Serica's new culture of innovation facilitated a cross-discipline discussion within the team, seeking an opportunity to find value increasing options

The team's solution

- Prioritised two well intervention campaigns in our annual plan and budget, guaranteeing personnel beds and resources
- Remodelled the potential of each well on a panel-by-panel basis, using latest well test performance to match the well performance
- Identified and ranked options to re-instate, protect or enhance production for every well, creating a balanced, focused work plan

The outcomes

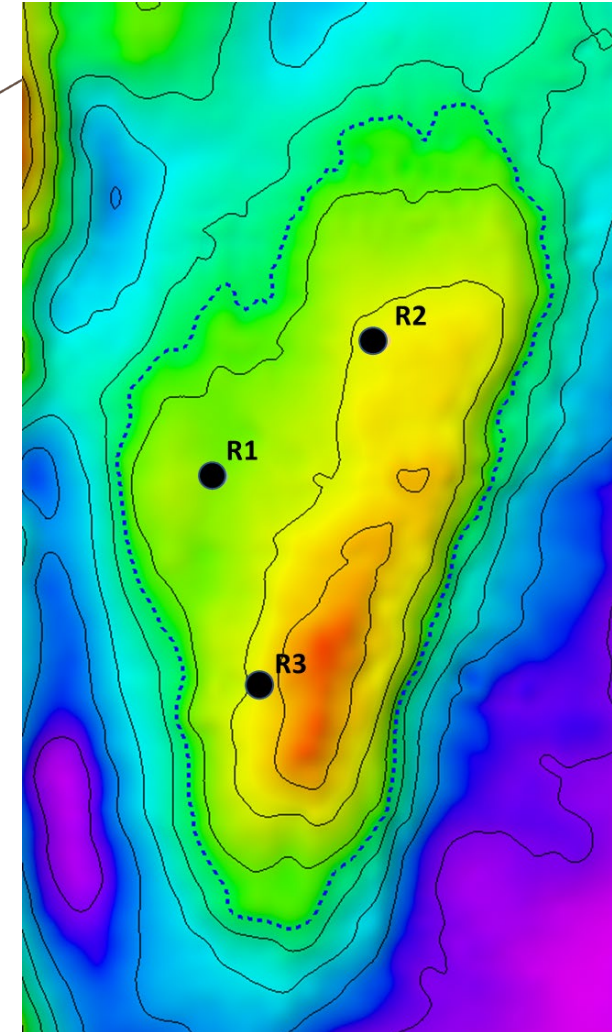
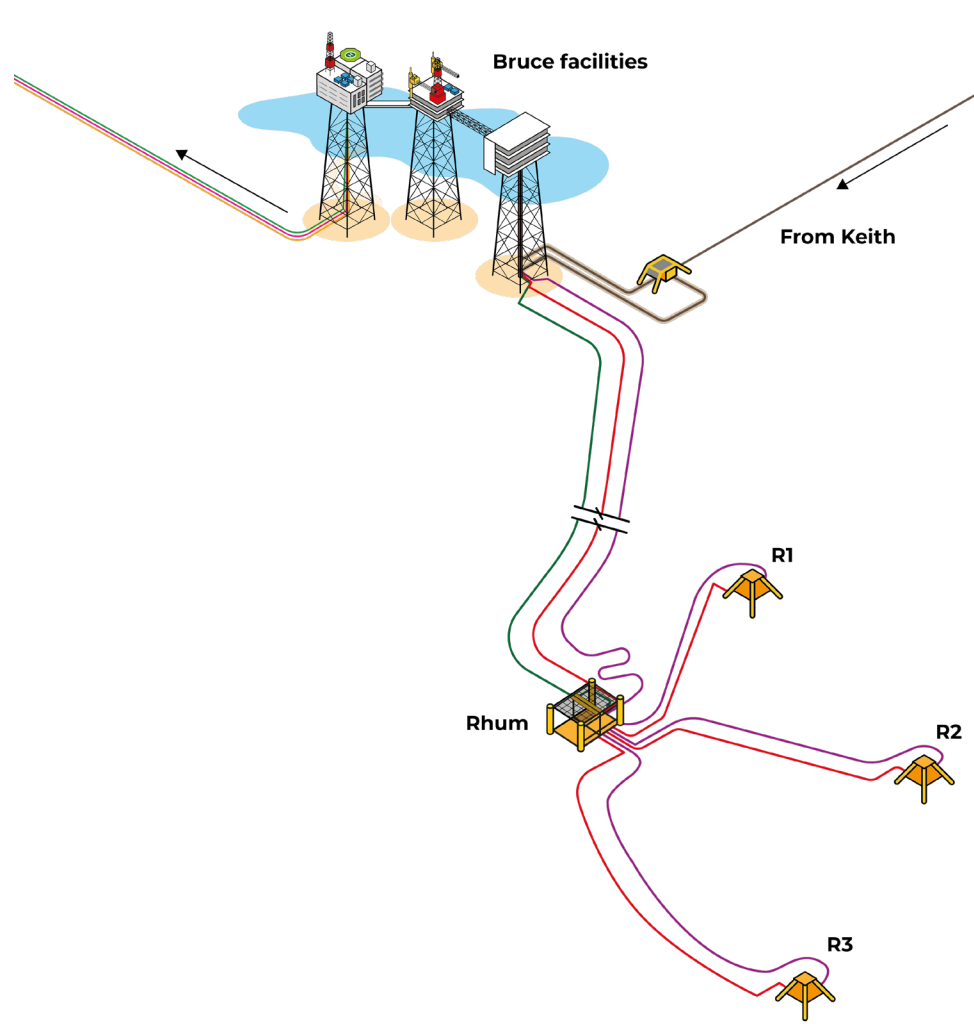
- Campaign agreed, defined, funded and currently in progress on Bruce with aim of increasing production
- Intervention is now integral to Serica's well management planning



Rhum Performance

Improving Rhum Reservoir Management

- Rhum is a gas field producing from two subsea wells (R1 and R2) tied back to Bruce
- A third well (R3) was drilled but never put into production due to technical issues
- R3 would produce from the same reservoir as R1 and R2. When put in production, it is expected to accelerate reserve recovery
- In August 2019 Serica performed inspection and diagnostic work to assess the condition of the R3 well. This work was successfully completed and has provided valuable data for planning the well intervention
- **Meanwhile production from R1 and R2 has continued at higher than anticipated levels meaning that the processing capacity available for R3 is currently lower than originally predicted**
- Preliminary economic analysis indicates that a deferral of the R3 CAPEX is beneficial
- Planning for the R3 intervention work continues with an expected execution commencement in late 2020 or early 2021



05

Strategy



We continue to implement the ongoing strategy to deliver growth



Leverage team and technology to maximise efficiency

- talented, motivated team in place and Aberdeen HQ fully operational
- focus on maximising 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 improved
- very strong balance sheet
- enhanced operating capability and strong regulatory authority relationship
- diversified asset base
- greater opportunity for organic growth and further acquisitions



Generate Value

Focus on Delivery of Total Shareholder Return

What's next?

Operations



BKR

- Serica continues to drive forward with efficiency programmes to reduce costs and increase uptime on BKR
- Serica is also developing a register of well drilling, stimulation and other opportunities



Erskine

- Serica welcomes Ithaca Energy's acquisition of Chevron's interest in Erskine
- Serica has worked well with Chevron and looks forward to continuing this relationship with Ithaca who have "defined infill drilling and step-out exploration targets" for Erskine



Columbus

- The Columbus development work continues on schedule for first production in 1H 2021
- The Columbus development well drilling is planned for Q4 2020



Rhum

- Inspection and diagnostic work on R3 was successfully completed in August 2019
- Planning for the R3 intervention work continues
- Application for renewal of OFAC license submitted



Bruce Hub

- The extensive infrastructure associated with the Bruce field offers significant capacity for third party tieback opportunities. Serica welcomes enquiries from potential shippers



UKCS 32nd Round

- Serica expects to be active in the 32nd Offshore Licensing Round and other licencing rounds in the coming year

What's next?

Finance



Diversified portfolio with low decommissioning liability

- Serica's diverse portfolio has **limited decommissioning liability** due to the innovative nature of the Erskine transaction and the various BKR transactions



Increased share of Net Cash Flow in 2020 and beyond

- **Serica's share of BKR Net Cash Flow increases by 20% at 1 Jan 20**
- Under the BKR Net Cash Flow Sharing arrangements Serica received 40% of the Net Cash Flow in 2018, rising to 50% in 2019, 60% in 2020 & 2021 and 100% thereafter



Balance sheet strength

- **Serica is essentially debt-free** (except for a small pre-payment facility with BP) and has a decreasing cost profile and increasing cash reserves
- This provides the flexibility to pursue growth opportunities and/or introduce a dividend strategy



Benefitting from historic tax losses

- Serica is still benefitting from the shelter provided by historic tax losses.
- These losses stood at £109.4 million at 31-Dec-18 and are expected to **provide cover until early 2020**

What's next?

Corporate

ONGOING STRATEGY

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

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

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

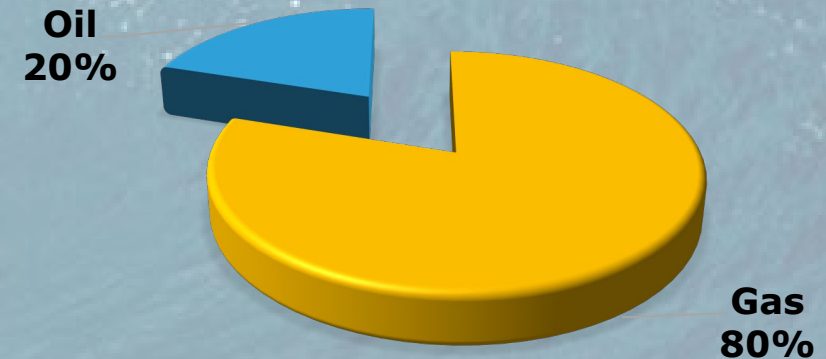
CHARACTERISTICS OF FUTURE TARGETS

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 utilize our multi-skilled operating team to add value when the current operator may be unable to do so

We are primarily concentrating on production and near-term production assets but we aim to expand the portfolio at all stages – exploration, appraisal and development

- Serica has established itself as a leading mid-tier oil and gas producer
- We have created a strong corporate culture committed to safe and environmentally conscious operations whilst also driving increased operating efficiencies
- Production has been increased on Bruce, Keith and Rhum while simultaneously reducing operating costs
- Serica has a very healthy balance sheet with strong cash build, no bank debt and limited decommissioning liabilities
- Over 80% of our production is natural gas, which has significant environmental advantages over other fossil fuels and so is a key element of the Energy Transition



06

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

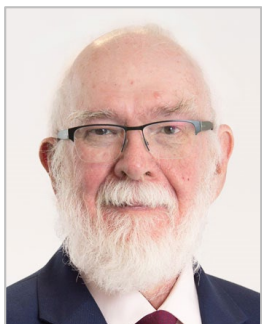
- Over 35 years' experience in the upstream oil and gas industry, including positions at Shell and Enterprise Oil
- First joined Serica in 2006
- Left Serica to become Chief Executive Officer of AIM-listed Circle Oil plc in 2015
- Re-joined Serica as CEO in November 2017



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 UK Petroleum Industry Association
- From 2004 until his retirement in 2015, Chief Executive of Oil & Gas UK (formerly UKOOA)
- 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



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