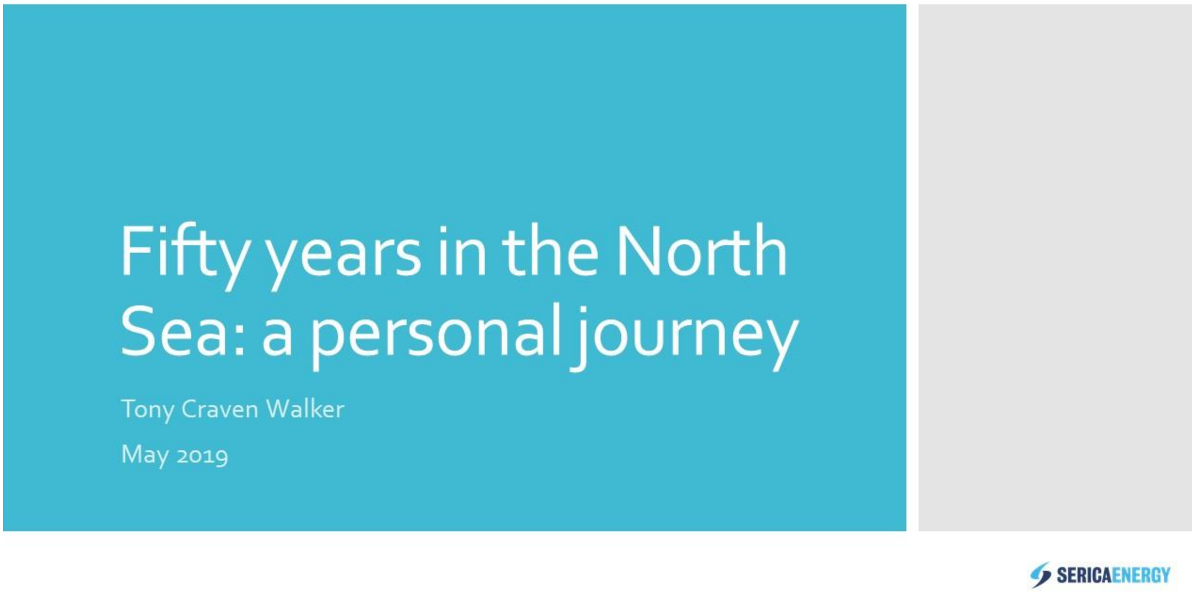
FIFTY YEARS IN THE NORTH SEA: A PERSONAL JOURNEY PRESENTATION BY TONY CRAVEN WALKER TO SCOTTISH OIL CLUB – EDINBURGH 16 MAY 2019



Ladies and Gentlemen. I am delighted to be here today.

As we are in Scotland, the home of whisky, I was tempted to call this talk "Tony Walker – Started 1965 - Still Going Strong". Then I read about Algy Cluff's retirement last week described as "The Last Man Standing" so I was tempted to call it "The Last Man Still Standing". But I decided on FIFTY YEARS IN THE NORTH SEA: A PERSONAL JOURNEY. With around one hour allotted that works out at around one year per minute so I had better get a move on!

Actually it has been 54 years since I joined the oil industry but what a journey it has been. One which is not over just yet as far as I am concerned and one which has given me great challenges and great pleasure. Before diving into things I thought it might be fun to mention that Anton Ziolkowski, your President, and I go back way into the 1950's when we were neighbours living next door to each other as small boys in London. It is curious and always amazing how the world works to find that we are in the same industry and he has invited me to speak today. I will keep to myself some of the pranks that Anton and I got up to as youngsters, “tin-can tommy” and “mud-ball sling” spring to mind, as I certainly don’t want to embarrass your president.

My talk today is intended to be a more of a personal journey rather than a corporate presentation but 50 years is a very long time to summarise in an hour or less. 50 years in the oil industry is even more difficult given the variety of challenges and opportunities provided by the industry. My career has involved working initially with a major oil company before being instrumental in creating and developing three successful British independent oil companies which I will be looking back on today.

I have survived oil embargoes, the 1967 Arab/Israeli war, three oil price crashes, the creation and dismemberment of the British National Oil Corporation, the first miners’ strike, the problems relating to pit closures in the early 1990’s, the opportunities resulting from the collapse of the Soviet Union in 1989 - where we were amongst the first entrants to Turkmenistan as a result of which I was granted a Turkmenistan passport - and, more recently, the complexities caused by the US policies towards Iran and how those affect the North Sea.

This journey has involved all three phases of the North Sea oil and gas industry – from discovery in 1965, through the peak production years of the 1980’s and 1990’s and now, in the mature phase which still abounds with great opportunity.

How to start!

Early Cambridge Days Emerging Opportunity

SERICAENERGY

I graduated from Cambridge with a degree in Mathematics in 1965. My ambitions as a young man with the world at his feet at the time were to do something in aeronautical engineering or something in the world of computing. I have always been fascinated with the potential of computing power and still am. I could easily have immersed myself in the new world that was just about to take off at the end of the decade with the development of microprocessors and, indeed, we are now about to see yet more remarkable things happen as we enter the era of artificial intelligence. But, whilst things were happening in the computer world in the US, there was little in the way of vision or support for budding computer entrepreneurs in the UK. I therefore applied for a job at Rolls Royce.

I remember walking through the quadrangle at Selwyn College on a lovely June summer’s day when the last term of my time at Cambridge had ended and I realised I had to make some decisions. I had received some sort of offer from Rolls Royce. If I recall correctly the salary on offer was the princely sum of £200 per year. I was feeling pretty dejected.

Every now and then in life an event happens which results in a complete change in course. The trick is to be aware of it when it does happen and to flick out a tongue rather as the sleeping chameleon does when a fly wanders past. I have always thought of life in this way – to be patient but not to be asleep at the wheel. To look out for and grab the chance when it comes from left field.

The first of those fly-by events happened when I was thirteen when I was fortunate, after a series of curious mishaps, to be inspired by a wonderful teacher to whom I owe much for how my life turned out. It could have been very different – a sort of sliding door moment. The second was on that day in Cambridge.

Whilst musing about the miserable £200 offer I met a friend who was at the opposite end of the emotional spectrum – happy, cheery and whistling. I asked him why so cheerful? He replied that he had just been offered a job paying £2,000 per year – ten times my offer!

I was, to say the least, gobsmacked – he only read English literature too!

Who would pay such a salary I asked?

A company called Aramco he replied – and it was tax free too!

Who was Aramco I asked.

"An oil company" he said, "They produce oil and gas in Saudi Arabia".

And why tax-free?

"There is no tax in Saudi Arabia".

In those days, the marginal UK income tax rate was 98%. This provided little incentive to developing a career in the UK. With earnings for science graduates well behind those offered to budding civil servants, or in the financial or services industry such as my friend was entering, every incentive was to leave and the taxation structure was the killer.

I remember saying the immortal words “do oil companies employ mathematicians and engineers?” I knew nothing about the oil industry. It was three months before the discovery of gas in the North Sea at West Sole and it was generally believed that there was little chance of oil, a belief which spawned the famous comment by a senior BP manager at the time that he would “drink out of his hat all the oil that was discovered in the North Sea”.

So the exploration and production business offered the chance for me of excitement, travel, technical challenges, good pay and low taxes. I therefore cast around for a job which would allow me to follow my technical aspirations but which also guaranteed that I would be working overseas. After a year at Birmingham University being taught Petroleum Engineering by the wonderful Professor Colin Wall, who went on to run the courses at Imperial College, I joined BP in 1966 and was posted to Libya to work on the giant Sarir oil field deep in the Libyan Desert.

The decision to join the upstream oil industry changed my life. It resulted in me meeting Christine, my wife of 45 years whom I met in the Sahara, and exposed me to the excitement and challenges of working in one of the world’s technically most challenging and riskiest of businesses – a business with both geological and geopolitical risk, operating often in the most inhospitable and undeveloped parts of the world.

When I joined I debated with Colin how long the then known reserves worldwide would last. He replied that they would be “just about sufficient to see me through my career”! 54 years later, with the extraordinary technical achievements that have taken place over that period, the oil has not run out. Quite the reverse.

If I was to be asked the same question as I asked Colin all those years ago – would there be sufficient oil and gas reserves to see a young man or young woman through a career – I would reply the same – “should be - just about”. But I would now temper it with the comment that this would be part of a managed transition from a world dependent on fossil fuels, which have served us so well, to newer technologies developing alternative energy sources. In my view only the major energy companies can achieve this but production of oil and gas will need to continue in parallel as new technologies take over.

If I was to be asked the same question in relation to the UK offshore I would reply similarly even though we are now in the mature phase. You cannot predict the future. There are massive opportunities as the industry changes and new, experienced but focused players emerge. Technological changes, new techniques and new efficiencies continue to occur to improve production, extend recovery and resources and gradually shift to new energy technologies. In our existing business I have already mentioned artificial intelligence which is likely to bring new insight into exploration and new techniques into such issues as maintenance planning. New technologies such as 3D printing will also have a role in improving downtime and production efficiencies.

During my first eight years in the industry I worked with BP. It was then, and still is, a wonderful company. BP has seen more transformations I think than most other majors and has survived and blossomed due to its ability to both trail-blaze, adapt and be innovative. When I went to Libya in 1966 it was the only major producing area that BP had west of Suez. All of its major assets were in the middle-east in Iran, Iraq, Kuwait, and Abu Dhabi. Now BP is completely repositioned and a major force internationally.

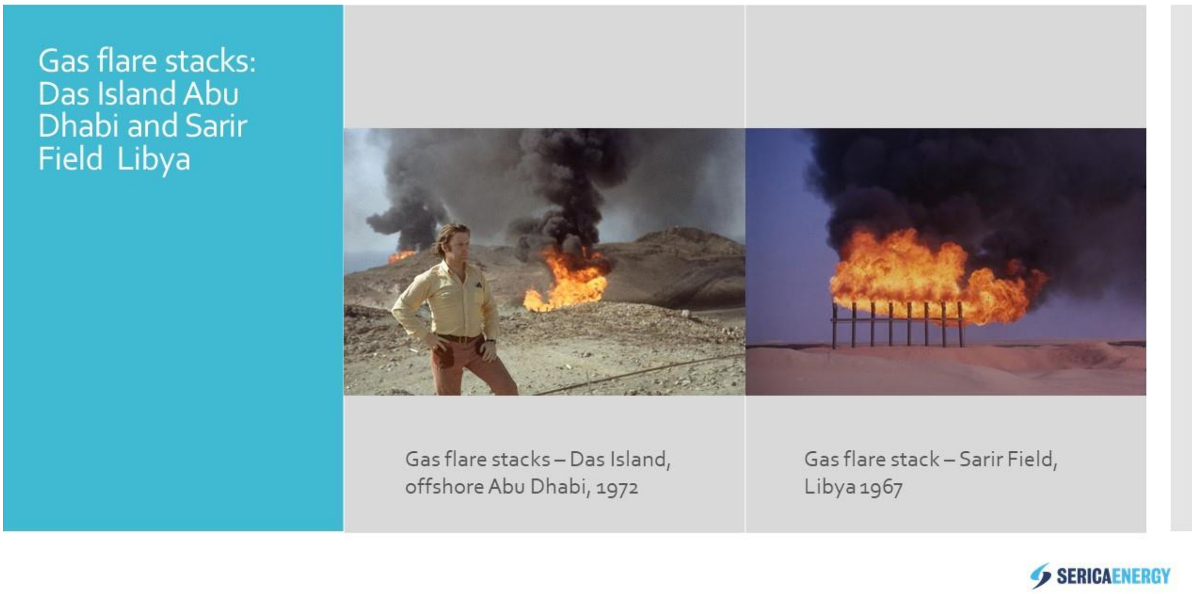
SERICAENERGY

I worked initially in the Libyan desert as a petroleum engineer in the field and on drilling rigs. I then moved to Benghazi as a senior Petroleum Engineer responsible for designing and installing one of the first dedicated computer systems in North Africa. I spent many idyllic days driving across wide open deserts or through huge sand dunes and, occasionally, sleeping under the stars whilst testing remote oil discoveries. My time spent in Libya was my first introduction to the unpredictability of the Middle East and conflict in the Arab world. These photos show the simplicity and halcyon world in which we worked in those days – a far cry from the technological complexity of modern offshore production.

I was in the desert at the time of the six day war in June 1967 between Israel and Egypt, a war which had catastrophic consequences for the Arabs and whose effect is still being felt today. It resulted in the loss to Israel of Egypt's Sinai peninsula and Gaza Strip, the West Bank, then occupied by Jordan, and Syria's Golan Heights as well as the closure – for eight years – of the Suez Canal, so vital to the transportation of middle-eastern oil to Western Europe.

The closure of the canal was to have a major effect on BP's strategies, involving as it did the blocking of the main route for nearly all of BP's oil exports to Europe. Only its Libyan fields of any size lay to the west of the blocked canal. Libya, therefore, suddenly became most important, but it was also clear that the closure of the Suez Canal was having a major impact on BP's needs to get oil quickly to Western Europe, and particularly the UK, to replace the tonnage that was now having to sail all around the tip of Africa. Little did they know then that oil lay in abundance on their doorstep in the North Sea.

BP and Arco made the major Prudhoe Bay discoveries in northern Alaska only one year later and in 1970 BP discovered the Forties Field which was to open up the oil province offshore UK. These discoveries were profoundly to change BP and reduce their middle-east dependency. I moved to Houston and Alaska to work first on the Alaskan field developments. Then, in 1972, after a short spell on Zakum offshore Abu Dhabi, back to the UK to work on the hugely important Forties Field development.



This is a shot taken on Das Island in Abu Dhabi in 1972 with another taken in Libya a few years earlier. Apart from the virile, handsome chap on the left you might be amazed to note the amount of crude carry-over in the gas flare stacks. It would be unimaginable today. That oil at that time was in super-abundance and was priced at less than $3 per barrel might explain a lot but, of course, environmental considerations had not yet come to the fore. It is hard for me to imagine that was almost half a century ago.

From Abu Dhabi to London. My North Sea life had started. Little did I know that it would keep me fully occupied for 47 years and counting.

It might be interesting to some of you here this evening to know that the discovery of Forties was a bit haphazard. There was no clear structure on seismic, only a "nose" and a sixth sense on the part of the BP geophysicists – a bit of "suck it and see". Many of the world's great discoveries have been made in this way. All the great geologists and geophysicists need luck. The Forties discovery well was drilled by BP with the Sea Quest rig stopping on its way to test the "nose" before proceeding to a destination further north. The rest is history.

I was young and wet behind the ears but I had been lucky to be in the midst of great changes over that three year period and was gaining experience rapidly. I worked as the personal assistant to Matt Linning, the driving force behind the effort to get the Forties Field onto production. Forties was one of the first big North Sea oil discoveries in the UK sector and the first really large discovery to be developed. Massively important to the UK, the Forties Field platforms are still there today, 45 years later. In 1972 we were at the leading edge of offshore technology; the biggest platforms at that time being constructed in the deepest and roughest waters. Sir Ian Wood has described it as a science fiction sort of development at that time. It was. The Forties Field was discovered just after the first moon landing. It was a time of great adventure.

Matt Linning was an inspiration to work for and one of the unsung heroes of the early North Sea development. A small, strongly built Scotsman with a glinting sense of humour he sounded, when he spoke, exactly as Sean Connery and had the same mobile eyebrow movement. He motivated the huge project and all who worked on it and taught me a great deal, always asking me questions and making me question whether the status quo was really the best way of doing things. I have always asked those questions ever since to the point that I have gained and seem to have retained the reputation of being a bit of a rebel!

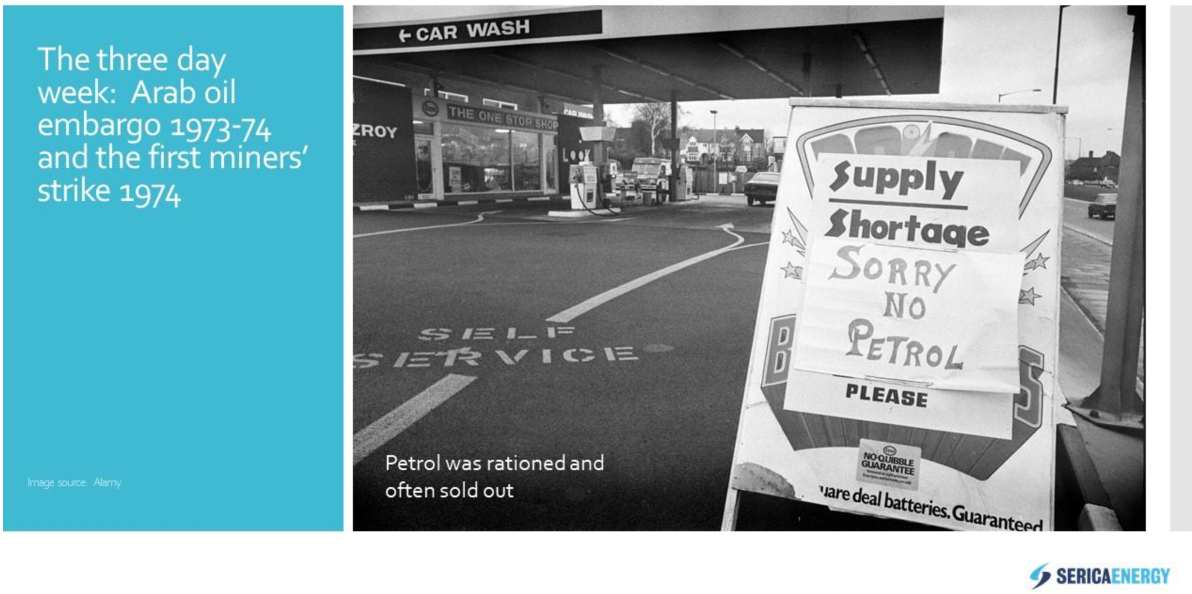
There was some irony in all of this. I had joined the oil and gas exploration business in order to ensure that I could escape the UK tax system but fate would have it that oil was found in the North Sea and here I was, back in the UK, paying the high levels of tax that I had tried to escape. But I now loved the business, the risks, the people and the adventure of it all and it was back in the UK that I started to learn things which were so different from the world of pure petroleum engineering that I had experienced so far.

I still love it and I see huge potential still remaining. The opportunities to streamline infrastructure and field ownership to remove misalignments, the opportunities to simplify the complex contractual arrangements that have grown over the years, the applications of new technologies to enhance and extend production and identify new reserves, the opening up of data bases such as now being done by the OGA, the opportunities for leaner, fit for purpose companies to bring a new focus and a new approach. All these are in front of us. I shall speak a bit later of what we are doing at Serica but Serica is one of the new breed bringing much needed invigoration to the North Sea.

At the age of 29, I was given responsibilities that I had never had before and, although Matt Linning and others such as the great Alan Baldwin at BP were always – I am sure – looking over my shoulder, I felt that I was out on my own.

In October 1973 we suffered the first of the great oil crises when the OPEC countries decided not to supply oil to countries that had, in their view, supported Israel in the Yom Kippur war with Egypt and Syria. This coincided with OPEC forcing oil prices up against the major oil companies which, at that time, controlled most of the Middle Eastern and West African production.

This action by OPEC coincided with the British Coal miner's dispute with Edward Heath's Conservative Government. The UK found itself doubly squeezed.

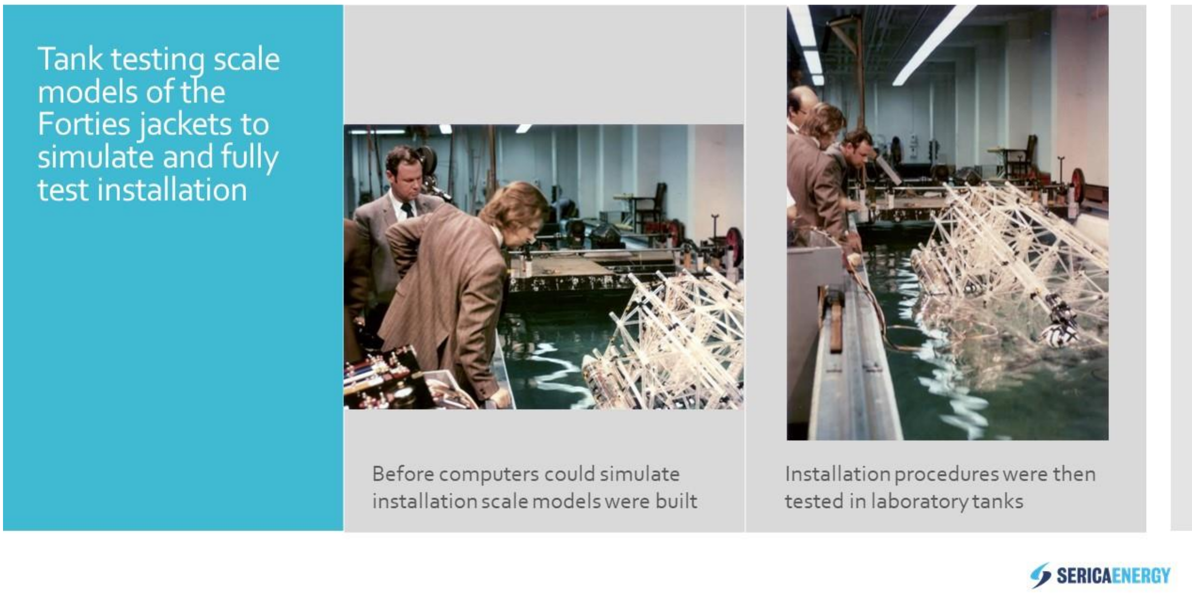


The combination of the oil embargo and the miners' strike in the UK was the three day week with massive shortages of petroleum products. We were issued with ration books for petrol and fuel and electricity was provided only during scheduled periods – hard to imagine today. I still have my petrol ration books as a souvenir and hope that I never have to use them!

The pressure to get North Sea production on stream as quickly as possible became even more urgent. I found myself being made responsible on the Forties Field project for helping with the allocation of limited fuel and petroleum supplies to contractors working furiously to get the Forties Field onto production to give the UK an independent oil supply. My job was trying to assess how to prioritise between them. Quite a responsibility for a young man. I was beginning to see and understand what huge and complex organisations the major oil companies were, what difficult decisions they took and what responsibilities they faced.

I saw the logistical side of the business and met people who had to weigh up the different choices that had to be made. I began to understand the length of the chain that brought crude oil from deep underground half-way around the world to be refined and processed and how the multitude of products that resulted were distributed to the customer. I knew the risks and I had seen first-hand the responsible way in which these were tackled but I now began to understand how huge but yet how efficient and beautifully managed these organisations were.

Whilst on the Forties Field project as Project Co-ordinator I was exposed to both the development and the financing of the field. It is hard to imagine now but, in those days, we did not have the sophisticated computer design systems we take for granted today. Design and engineering drawings were largely by hand and we built scale models to test the application.



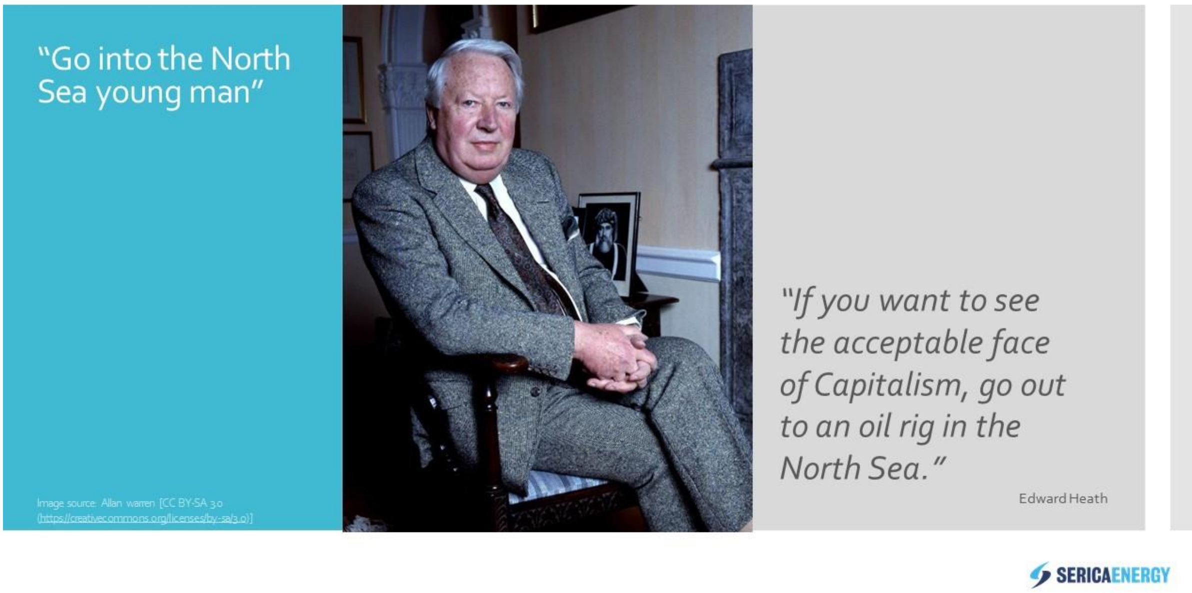
This is a shot of a model of the Forties jacket system being tank tested. That is me in the forefront looking knowledgeable! At the time this was very advanced engineering. It was not believed that a self-floating jacket could be constructed and floated out to location, upended and installed so the Forties jackets had removable floatation units which you can see in the photos. Only one year later I was on the Thistle Field development which was building a self-floater standing in deeper water and a harsher more northern environment, carrying a greater number of drilling slots and both drilling and production facilities together on the topsides. Such was the speed of the technical advance.

I was assigned to work with the small team that raised the first project finance loan that BP had ever raised. My role was to provide project input to the financing team. The loan arrangement was a trail-blazer for BP at that time. I saw the enormous time pressures that bankers can work under, turning round every night a document that ran to several hundred pages before the advent of word processors that we take for granted today. I saw the decisions that had to be made on future tax structures, costs and oil prices. I saw the analysis of risk and the debate about where those risks should fall. I saw the valuations and cash flow analyses and how these were done under different scenarios. In short I began to see how oil fields were financed.

Looking back 45 years later it is amazing to see how few of the assumptions that we made when financing the Forties oil field actually came to fruition and how irrelevant our investment calculations were. I learnt then not to wholly believe the output of what we now call "spreadsheets" but to think through instead what the risks might be with the output. I learnt about the unpredictability of the future, oil price projections that rose but never fell, how everyone used the same basic projections to avoid having to explain why they took a different view. I learnt how that brings both pitfalls and opportunity for the canny and the patient. I learnt how to view spreadsheets as a "fuzzy" tool, an algorithm whose pronouncements need to be interpreted and not necessarily believed, much as we have to do with AI today.

We raised the finance and the decision to develop the field was made when a Conservative Government was in power. We had no idea that, within less than two years, Labour would be in power and that tax ring-fencing, petroleum revenue taxes and the creation of that most outdated of concepts, the State owned National Oil Corporation BNOC, would be in place. None of these had been in our scenario planning or our project economics. The oil price projections which we had made as part of the project financing, and which were for the then projected field life, assumed that oil prices in the year 2000 would be around US$2 per barrel!

How miles off the mark we were. The whole basis on which we made those investment decisions – the pricing and the tax structure – was changed beyond recognition during the course of the project from the assumptions that we made before even a drop of oil was produced. But the economists amongst you might like to note that BP made exactly the same rate of return on the project after all those changes as the return on which they based the project economics. That we were saved by the quadrupling and subsequent quadrupling again of oil prices would be an understatement.



Which brings me to the world of the Independents, which has been my patch for the last 45 years. My years with BP had opened my mind and prepared me well.

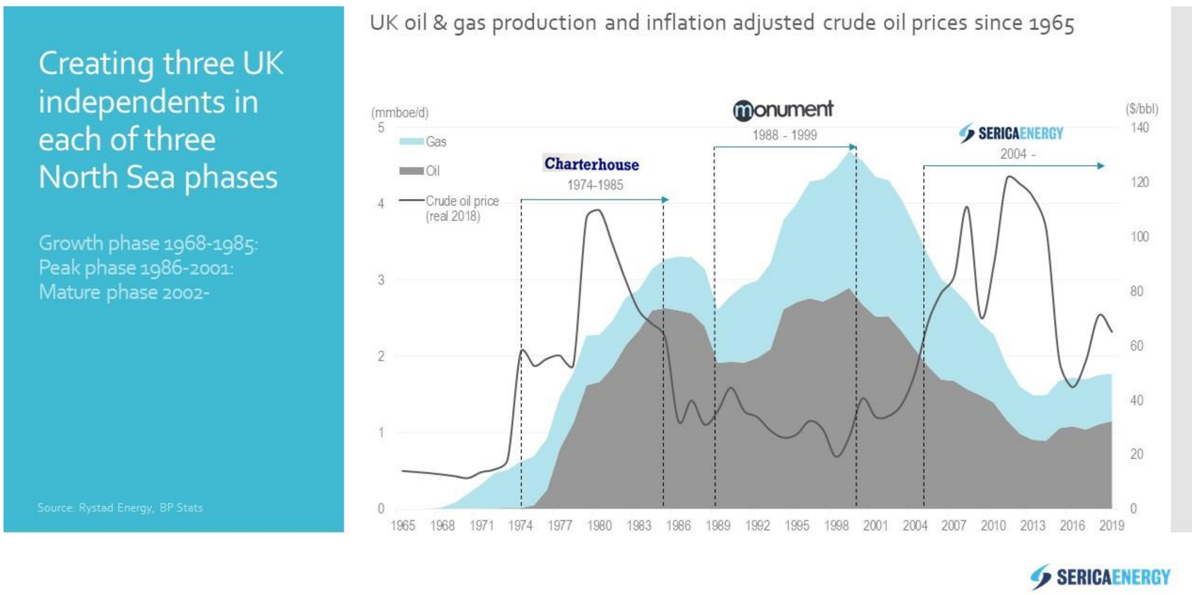
It was on the Forties Field project, and having seen all sorts of shapes and sizes of US and Canadian oil companies operating in the North Sea, that I wondered why there were not more British companies on their own home turf. It was taken as a given at the time that the Americans and Canadians knew more about oil and gas exploration than anyone else. But hadn't BP and Shell, in their original form, been two of the great international exploration companies and weren't they British companies? I always thought of Shell as being British!

Questioning the status quo again I started to wonder why there were no British Independent Oil Companies. I started to look around and saw that even the cooks that made hamburgers on the offshore rigs were American. Why not British? I was sure a Scotsman or an Englishman (or even a Welshman like me) could cook a hamburger equally as well. I started to think about forming my own Independent Oil Company. I had seen them in the States when I worked in Houston and Alaska. I was keen to try something different, something where I felt

I could make a difference. During the 3-day week I remember seeing a newspaper stand with the headlines “Go into the North Sea, young man, says Ted Heath”. I took it as a message.

I left BP on 1st May 1974. I was 31. No one said a word to me or a goodbye and I found myself, for the first time, on my own without the protection of the BP Shield that had covered me for my working career until then. I had very little to fall back on and felt suddenly very vulnerable.

In my career I have created three different British Independent Oil Companies more or less from scratch generating a combined value of around $2 billion. I am not sure if that is unique but it certainly feels that way. Each was formed in a different way and moulded to meet the circumstances at the time of formation.



This graph shows the three phases of the North Sea, the early North Sea build-up phase when we created Charterhouse Petroleum, the plateau phase for oil production when Monument Oil and Gas saw its growth and now the mature declining phase which offers great opportunity to companies such as Serica. I have overlaid this with the oil price curve adjusted for inflation to 2018 prices. This illustrates two things: the first that, in real terms, the price peak in the mid-

1970's was similar to that in 2013, the second is the vulnerability to independents at times of price weaknesses. In 1985 and 1999, when prices were in the low cycle, Charterhouse and Monument respectively disappeared through take-over by larger companies.

Each of the three companies has contributed significantly to the UK industry and each was very successful. Serica Energy, the last of the three, still is and is going strong. Serica is now a leading offshore operator, operating one of the largest offshore platforms in the northern North Sea, and has been able to bring its own form of skills and experience to protecting and enhancing an important part of the UK's North Sea production. Serica's efforts have already resulted in increasing both reserves and production and extending reserve life. I am proud of this and hope to share a little of the background behind the formation of each of the companies this evening.

The first was Charterhouse Petroleum, started in 1974 at the start of the North Sea oil boom when I left BP and joined Charterhouse Japhet, then a small merchant bank in London. Like many of the merchant banks and the broking houses at that time Charterhouse Japhet had its own small company which had a tiny interest in one North Sea licence. None of these banks had any real knowledge of the oil business or what to do with these assets. In Charterhouse Japhet's case its interest had arisen as part of the fee charged by the bank to assist foreign oil companies applying for North Sea licences in the very important Fourth Licensing Round. Charterhouse Petroleum, as it became, was my vehicle during the first growth phase of the North Sea. It coincided with the need to educate Government and the financial markets of the role that UK companies and UK investors could play in the important, emerging new industry. No-one understood that at the time.

Charterhouse's interest, comprising a single 1% holding in Block 211/18, was obtained as a fee for advising Signal Oil and Gas, an American oil company. It illustrates perfectly the way in which opportunities arise out of the blue and how large vibrant companies can be formed from very small beginnings. Signal had formed a bidding group comprising Signal with 20%, United Canso, a Canadian exploration company with 20%, Champlin Pacific, an American railroad company with 20%, Santa Fe, an American drilling company with 20% and, amazingly, the National Israeli Oil Company with 20%. All were non-British. Santa Fe had been invited to join the group to secure Block 211/18, which the UK government through the perceptive Angus Beckett would only award to a consortium which had a rig available and would drill within six months of award. Such were the pressures of the time to find our own resources following the Arab oil embargo. Santa Fe had the Bluewater 3, an early generation semi-submersible built for Gulf of Mexico work – not for the more demanding North Sea but in those days – needs must.

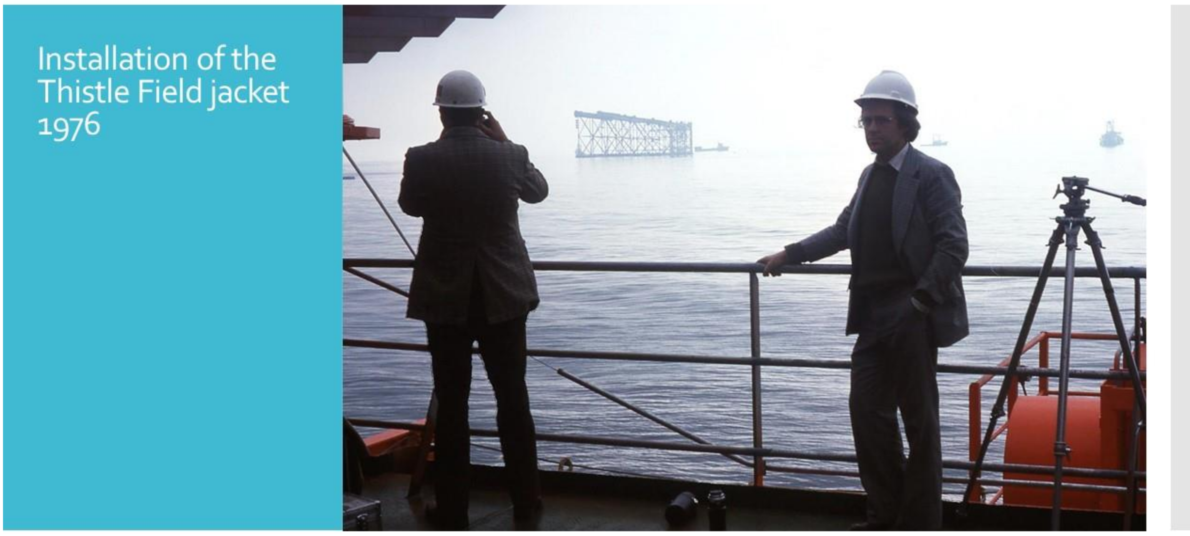
Signal's problem was that Santa Fe operated drilling rigs throughout the Arab world and could not join a group in which the National Israeli Oil Company was also a partner without immediately being put on the Arab boycott list. Something had to be done and fast. Charterhouse was asked to shelter the 20% interest held by the National Israeli Oil Company until a solution could be found. In the end Tricentrol (the old Trinidad Central Oilfields) was asked to join the group with 10% as a new British partner, Signal increased its interest to 24%

and each of Champlin and Santa Fe increased their holdings by 2.5%. The balancing 1% was given to Charterhouse as a fee for helping. Being innocent bankers they thought they were getting an over-riding royalty. Little did they realise it was a full working interest! That was my opportunity and on such twists are companies built.

What was not known at the time was that the National Israeli Oil Company retained a hidden interest by way of a 5% carry out of the 24% held by Signal. This must have come as a considerable surprise later on to Anthony Wedgewood Benn. In 1975, as Secretary of State for Energy, he contrived the takeover by the British National Oil Corporation of Burmah Oil's assets, one of the great pilfering of corporate assets by a government in modern times. Burmah Oil had taken over Signal Oil and Gas and had thus inherited the arrangement with the National Israeli Oil Company. That the British Government ended up carrying the National Israeli Oil Company on exploration and production in the North Sea is a great irony and one which probably discomforted the then Labour Government when they found out.

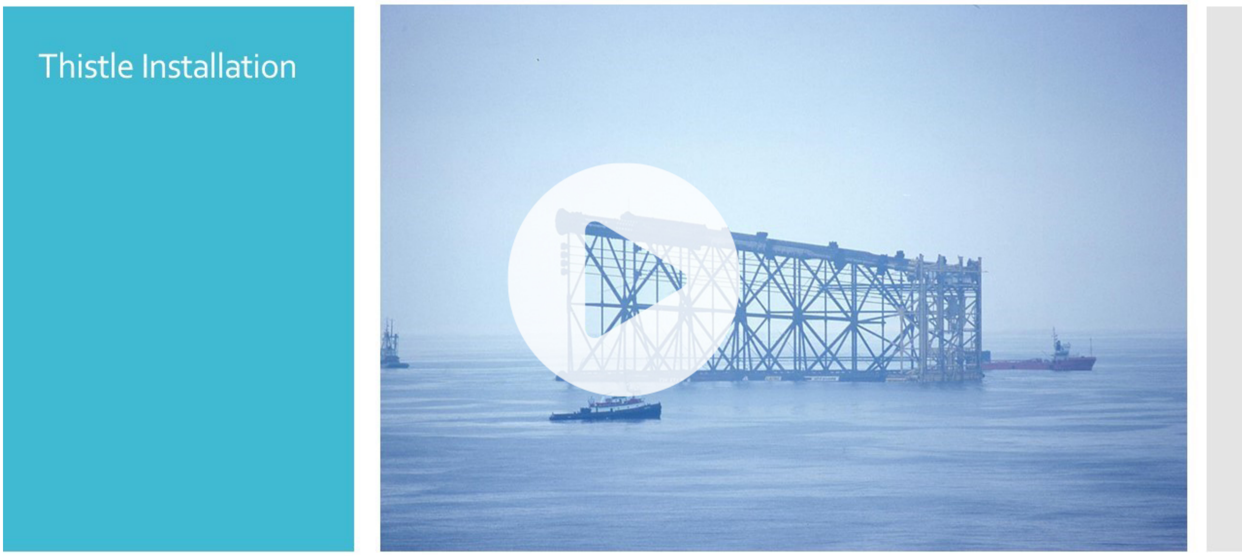
With Charterhouse, my introduction to the world of the small oil exploration companies had begun. I had no personal capital to start an oil company and didn't really know how to do it. I had just felt that banks had money, some of them also seemed to have oil interests which they knew little about. Therefore joining a bank would be a good way to get into the business of getting my own company up and running. The Thistle Field and Deveron had been discovered in Block 211/18. Charterhouse needed some in-house expertise and I spotted the opportunity. It was as simple as that.

The Thistle Field jacket was installed in 1976. Just to prove I was there – rather like Forrest Gump, here is photographic evidence.



SERICAENERGY

I mentioned earlier that the Thistle jacket was a self-floater, designed to float out and up-end in 530 feet of water. It was installed in 1976 and, as a self-floater, was a considerable advance on the Forties platforms installed a couple of years earlier. This is an animated sequence compiled from photographs of the installation which I took in 1976. **CLICK IMAGE BELOW TO PLAY ANIMATION (NON-IOS DEVICES ONLY). MAY REQUIRE FLASH DOWNLOAD.**

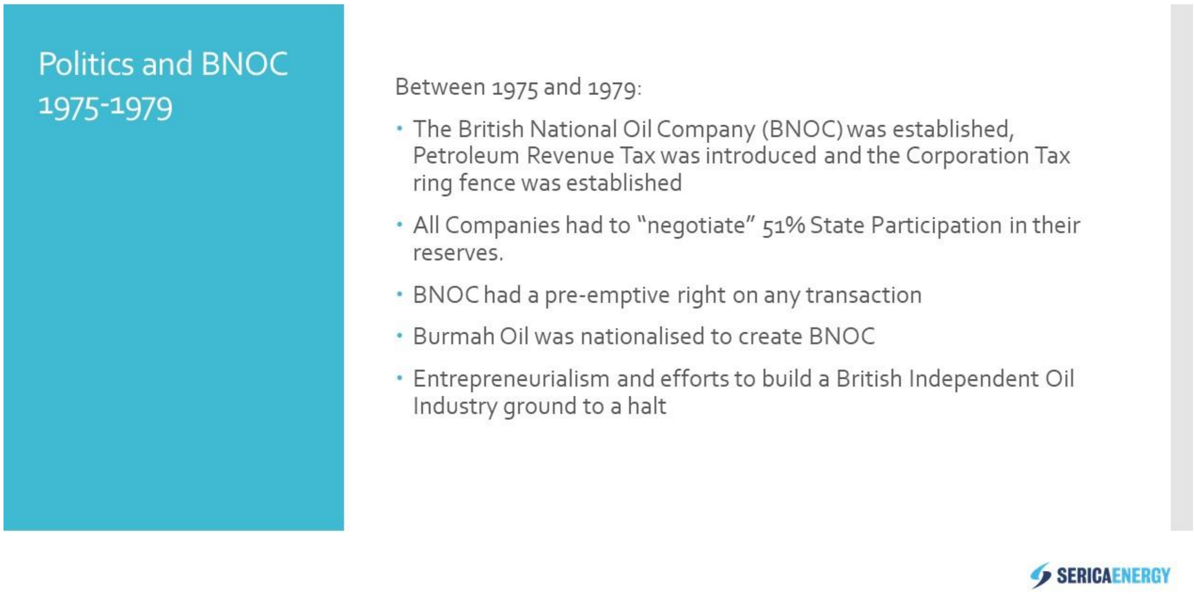


SERICAENERGY

Thistle field reserves at that time were predicted at around 330 mmbbls. That has been significantly exceeded under the new operatorship of Enquest and is a prime example of technical advances and the benefits from a change to a new breed of lower cost more focused operator.

One of the first things that Charterhouse did was to raise the profile of British companies trying to do business in the North Sea and to lobby for the budding UK independents by joining forces with the embryo industry that existed then. We realised that no-one believed that there were any oil industry skills in Britain and thought that the Americans and Canadians knew it all. We were severely disadvantaged. How wrong they were but how to get that point across? We had to have a lobby group. Brindex, the Association of British Independent Exploration Companies was formed. We worked with companies such as Ball and Collins, Premier Consolidated Oilfields (under the redoubtable Roland Shaw), Algy Cluff's Cluff Oil, Tricentrol, the nascent Clyde Petroleum under Colin Phipps the Labour MP, LSMO and Scot (who were to combine to form Lasmo), Carless Capel Leonard and Charterhall. In all we were a motley crew of 12 companies. The charter was signed up early in 1974 and Brindex was born. I became one of the original founder members. It is still going today.

Brindex was to play an important role in bringing the names and the abilities of the UK Exploration Industry to the attention of the various oil ministers in the UK and for redressing some of the imbalances that were present in those days to bring them more in favour of British indigenous companies and home based skills. It was an uphill struggle in the early days. The emphasis was all on getting oil out of the ground quickly and it was clear that, with the advanced technology of the day, only the big companies could do that. We knew that they did not have a surfeit of knowledge, particularly when it came to the early exploration phase when risks and knowledge should be shared. But it was not possible to convince anyone of that case.

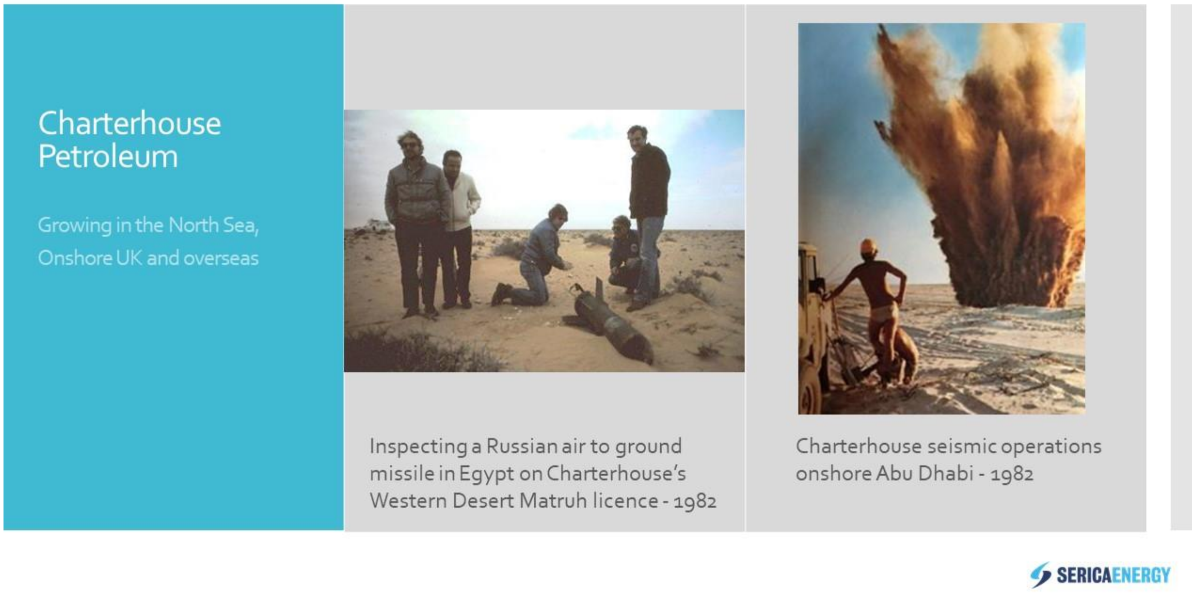


The problem was made even worse when the Labour Government was elected in 1974 after the collapse of Ted Heath's Conservative Government. In 1975, just as we were starting, we suddenly found ourselves flicked to one side as the Government, in the shape of the British National Oil Corporation, decided that it could and should do everything itself. We were virtually put out of business and watched helplessly the archaic concept of a Government thinking it could run a high risk industry using tax-payers' capital up against very large and highly experienced international oil groups.

We knew it was doomed to failure and that the oil groups, most of them non-British, would win out in the end to the detriment of those of us already in the industry who had the skills, the training, the experience and the knowledge to manage the risks and build a serious new British Industry based on the capital markets. We knew that the possibility of building a British oil industry outside BP and Shell would be the loser and the foreign owned oil companies the winners. Our view was that the State was there to regulate, not participate (other than through taxation). We were in for a long and arduous slog, completely wasteful of the British talent that found itself for four long years having to negotiate with its own Government on whether it would be allowed to develop a business. We had to be patient.

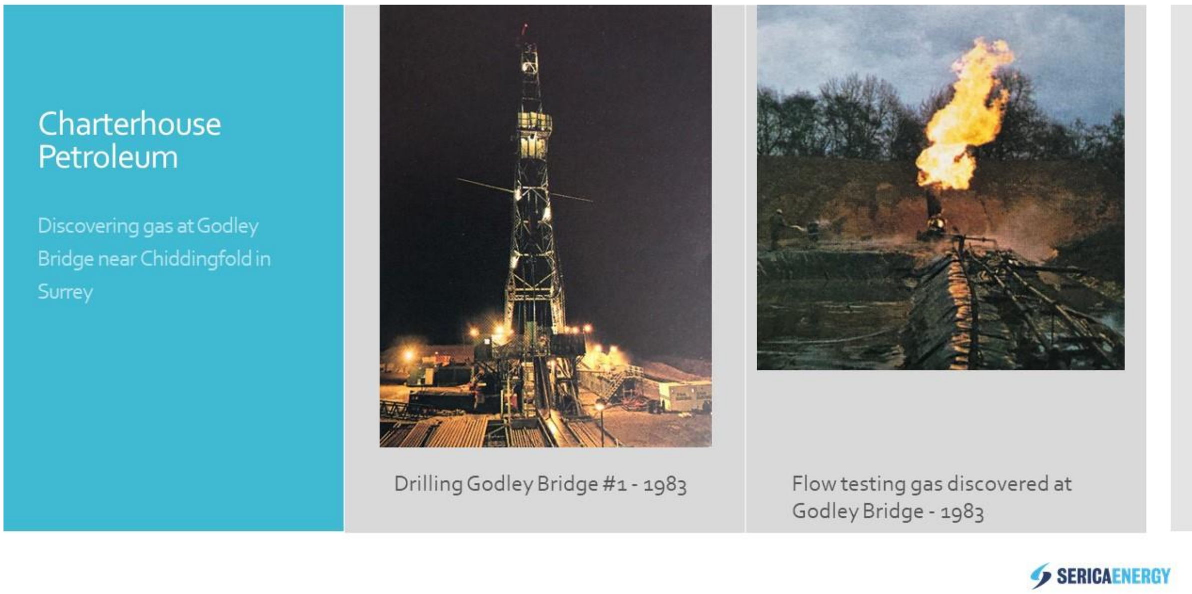
It was a very frustrating period. But we persevered. In 1979 we were finally given the chance which we had been waiting for for so long. The new Conservative Government opened up the North Sea to a new breed of Independents and openly encouraged British companies to participate. In fact it was a requirement that foreign groups had British partners. I'd even like to think that it was partly due to the efforts of Brindex, the association we had formed 5 years earlier. There was such a rush to participate. Companies such as milk companies, biscuit manufacturers, newspaper owners, banks and anything else you can think of dived in. Charterhouse Petroleum, which was run by oilmen and many of the other Independents got stampeded in the rush. Nevertheless the early years of the 1980's saw real expansion of the early entrants and our patience during the frustrating '70's was rewarded.

We took Charterhouse Petroleum public shortly after, reducing the stake held by the Charterhouse Group initially from 100% to 48% and then down in the next couple of years in two steps to the lower teens. The Company went from strength to strength with a major expansion of UK licence interests both on and offshore. We were one of the largest onshore licence holders in Southern England as well as producing from offshore. We were also expanding abroad. We obtained an exploration licence to explore offshore Abu Dhabi and were one of the first to investigate the potential of the Western Desert in Egypt.



The first of these photographs is of me taking an interest in a Russian air to ground missile that lay in the middle of our concession amongst a massive amount of equipment from the Second World War offensives to navigate, including numerous mine-fields. The other photo is of Charterhouse Petroleum seismic operations onshore Abu Dhabi. I hasten to add that is not me in the second photo!

Charterhouse was blazing a new trail for the emerging British independents and we blossomed in those early years of the 1980's. We grew from four North Sea licences to a multiple of that, increasing our interest in Thistle, acquiring interests in the Forties and Buchan fields and expanding interests in a large swathe of onshore licences in southern England including the Humbly Grove and Horndean fields.



These are photos of drilling and testing operations at Godley Bridge near Chiddingfold in Surrey in 1983. Interestingly we had, as you would expect if you were drilling in Surrey, a pretty active local protestor who appeared to be well versed in industry affairs. It turned out to be someone from one of our competitor companies! Nevertheless, he was, and still is, a great friend of mine and is still very active heading up an independent producer.

And we had become an operator. The future was looking bright. But we were still small and we needed to amalgamate to build a wider spread of interests and increase production to optimise our risk management capability. We had to be able to absorb shocks (such as the oil price crash of 1985/86), improve our financing capacity and broaden our technical capabilities. These are all pertinent requirements for every independent today and they were then. This is the nature of the oil industry, understood well by the independents, a business which is as much to do with risk management, and opportunity creation through M&A and industry combinations to create synergies, as it is to finding and developing reserves.

In 1985 we became concerned at the toppiness of oil prices, then hitting the mid 30's dollars per barrel. The world had gone from perceived shortage to glut, from peak oil to peak demand, just as it was to do again twice on approximately 15 year cycles, in 1999 and 2014.

In this business you can't stand still and look out of the window and think you are doing well. You have to anticipate and prepare. In these circumstances there is safety, synergy and new opportunity in consolidation followed by rationalisation and I tried my first foray into the dark world of public market mergers and acquisitions. Up to then all my transactions had been negotiated on a bilateral basis with single counter-parties where value can be created for both parties. In the case of public market transactions you are hung out to dry with vultures circling. You are not in control of your own destiny and are exploited by others. Strategies and long-term value creation are out with the wind and short-term expectations take over. I learnt the lesson that to mess with the public market you needed to sup with a long spoon.

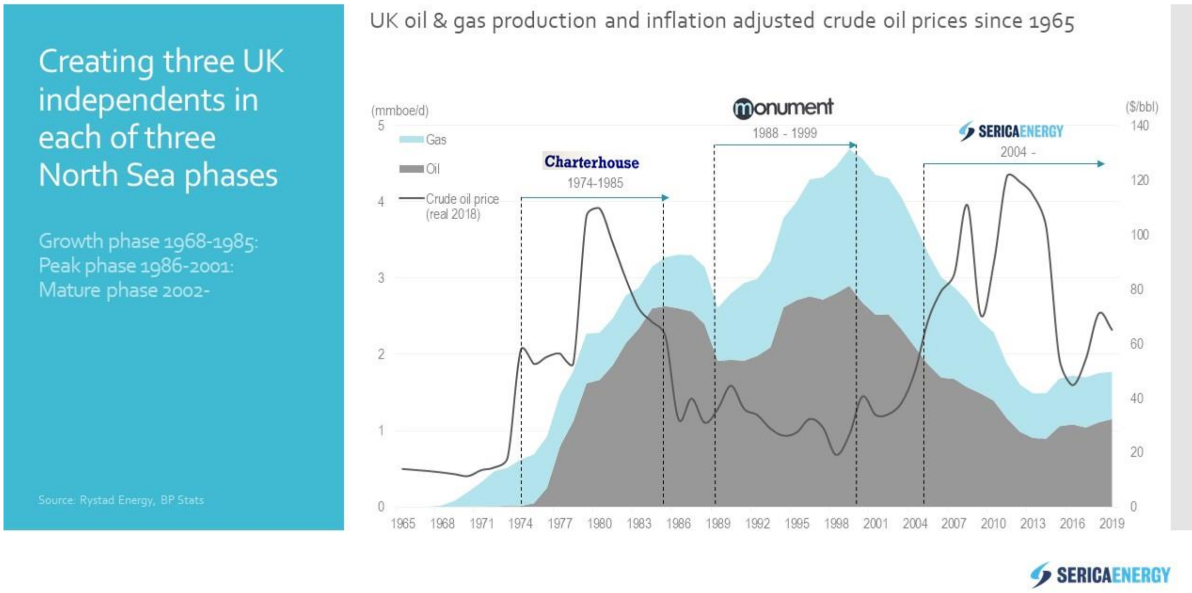
Our efforts to gain strength and expand opportunity as oil prices started to fall entailed merging Charterhouse Petroleum with Saxon Oil, another British independent who had just discovered the Miller Field in the North Sea. Both Boards agreed on terms and the logic was seen by both sets of shareholders. But the effort was to result in both companies being lost to others. In the case of Saxon Oil they went to Enterprise Oil who stepped in at the last minute with a cash bid that was beyond our resources. Enterprise also had Government protection in the form of a golden share – tipping the scales well against us.

It meant that three great friends – myself, John Heaney of Saxon and Graham Hearne of Enterprise – were locked in public battle.

This is a cartoon which came out at that time, me on the right, Graham in the middle with the cash. You will be pleased to know that, such is the nature of this industry, both partnering and competing, that Graham and I are still the very closest of friends. As Graham said at the time: "Tony, friends is friends and biz is biz". Too true! It sums up the oil industry where we are both partners to share risk and competitors to deter complacency.

The failure of the deal resulted in Charterhouse Petroleum being taken over shortly after for just over $200 million by Petrofina, the Belgian oil company. We had built the Company from a tiny interest in one UK Block and had survived the Labour Government squeeze of the 1970's but I was out of a job after 12 years of effort with little to show for it as oil prices crashed to $8 per barrel.

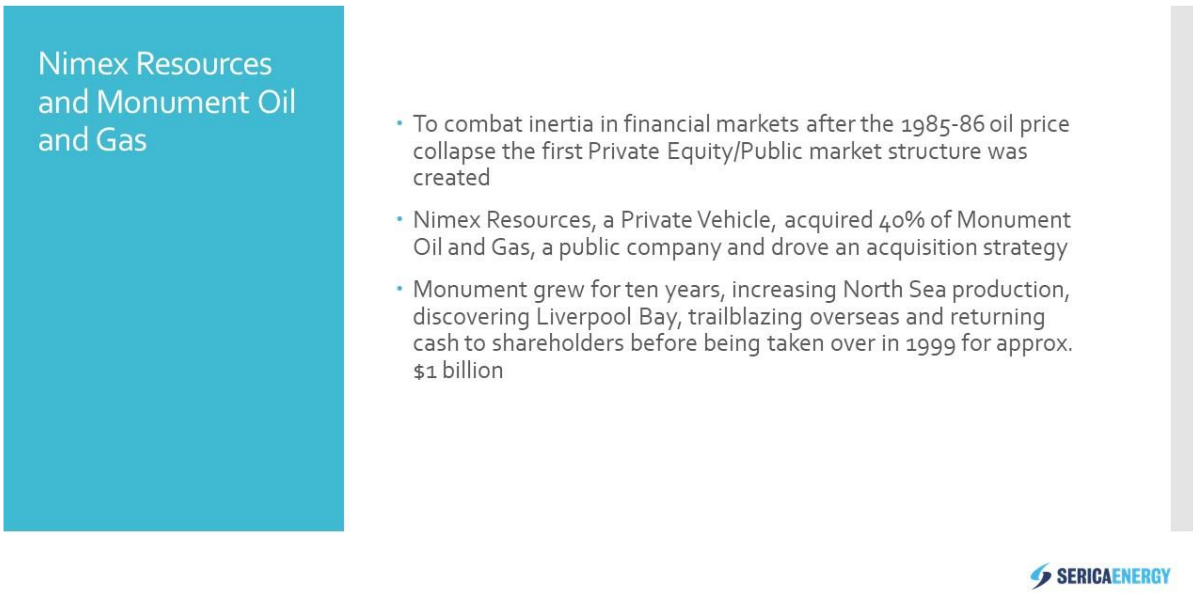
I was older and wiser. I also learnt another lesson from the episode which was fundamental in helping me form my next venture. This was about how business works and always to get things in writing. When starting Charterhouse I had asked to be given an equity interest in whatever independent oil company I managed to create. I thought that we had agreed that I would have a 5% interest – this was certainly discussed at the parent company Board. My naivety was that I forgot, in my enthusiasm, to get that in writing, and that was to come back and hit me 12 years later when the value had been created. It was a mistake I was never to make again in my future career.



The era for accelerating North Sea production growth was now over as you can see from this chart and we were now into the plateau years from a discovery and production point of view. With oil prices at a cyclical low but out of a job, I saw massive opportunity to rebuild. But I was disappointed with the city reaction. It is strange to me that long-term financial institutions, by and large, do not see opportunity when industry cycles are at a low point and opportunities abound. I was given a lunch by way of a thank-you from my major shareholders when Charterhouse Petroleum escaped the oil price crash of 1985/86. I was grateful for the lunch but a bit miffed that this was the peak of my reward after 12 years of slog. I was even more miffed when my efforts over lunch to restart were met with the comment from a major institution, “Tony, if we were to invest in oil we would certainly invest in you but we believe that oil prices are going to fall to $1 and stay there!”

Raising money in the UK for oil from investing institutions in 1986 was clearly impossible however obvious it was that it was a great buying moment. So I turned to a different type of investor and looked to longer-term European investors to form my second company. In doing so, I was not going to make the same mistake as I did with Charterhouse Petroleum. I wanted a stake in my own efforts. With the amount of capital required in the oil business, and I had very little, this required some financial ingenuity and a new financial structure.

Today it is called Private Equity. Then that phrase did not exist – at least not in the UK. I wanted three investors as three is better than two from a founder perspective and found Groupe Bruxelles Lambert and Paribas in Brussels and Paris respectively and Electra Investment Trust in London and engineered a new financial structure. With them I formed Nimex Resources, a private company in which I had a founder shareholding.



I was off and running and had the support of core equity that I needed. The model, unique at the time, was to marry that private core equity with public capital but in such a way that I was not to be dumped by the public markets at times of downturn when opportunities arose. We bought a 40% stake in a small quoted company called Monument Oil and Gas. This had tiny interests in a number of stranded North Sea licences (between 1% and 1¼% if I recall correctly) and a little bit of cash but nothing else. With 40% we were able to dictate the strategy and use Monument as the vehicle to build an oil business. I am happy to say that the 60% public shareholders were keen to join the ride.

It had taken me nearly two years to do this and we were now a different model at a different time for the North Sea. The strategy for Monument was simple. Indeed, although Charterhouse Petroleum and, later, Serica were all formed differently at different times in the North Sea cycle my strategy for each has been broadly the same. I am a risk taker by nature but the risk has to be calculated and capable of being managed. I am also an explorer by nature but I use my instincts as a petroleum engineer and mathematician to try to accommodate the risk. I recognised early on that exploration success cannot really be predicted and can be quite arbitrary no matter how good your exploration team. I have referred to the Forties discovery but I have seen many wells in my 54 years that were successes when predicted to fail or failures when the assessed risk was small. Serica's own Rowallan well, drilled recently in the North Sea, was one of those. It was a great prospect with successful analogues all round and many parties trying to farm in but it was a dry hole. Fortunately Serica was fully carried as a result of our approach to risk management.

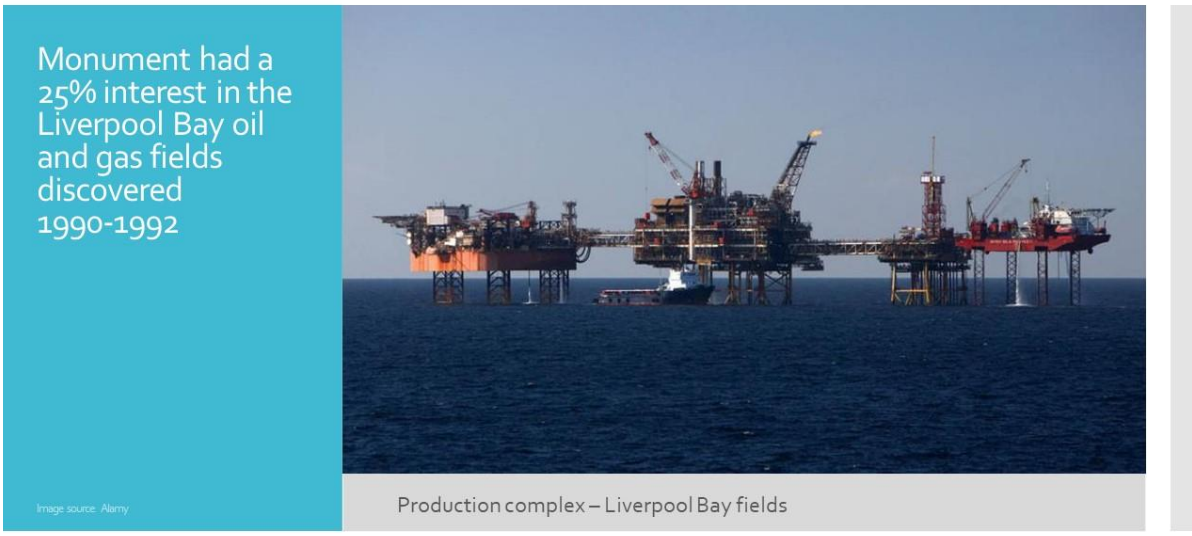
Instead of following the traditional path therefore, namely to explore, hopefully find, then appraise and finally produce (which itself can take years longer than the investment horizon of the average investor) our strategy at Monument was to do things in reverse.

With the financial structure in place we looked to do a series of transactions. The first were to be acquisitions of producing interests to give us the bedrock needed to then move back up the chain. The next were to be portfolio acquisitions, ideally with a core producing asset but with a wide portfolio of exploration and appraisal assets. They were to be centred in the North Sea and each had to have what we then called a "barn-burner" now known as a high impact well. We didn't much care where the exploration was as long as we could manage the financial liabilities attached to any commitments.

Two months later we bought interests in the Forties, Thistle, Deveron, Don and Buchan fields offshore and Humbly Grove and Horndean onshore fields that I knew well, increasing the size of Monument five-fold and giving us around 7,000 bpd production in one step. That gave us the production base we needed. Within 12 months we made our first portfolio acquisition when we acquired a privately owned company called Renown Energy. That gave us further North Sea production by placing us in Ravenspurn North, Esmond, Forbes and Gordon and, ironically given the recent transaction we have done with Serica, a small interest in Bruce and Keith in the northern North Sea. Even more ironically, Monument sold its Bruce and Keith interests to Total in July 1990 for £7.8 million, now part of the package that Serica has just repurchased from Total as part of the BKR deal. If you hang around long enough what goes around comes around!

With the Renown deal Monument also bought a large portfolio of exploration interests in 31 UK blocks and interests in the Netherlands, Italy, Spain, Portugal, Australia and the USA. At the time I was quoted as saying “We are now a proper oil company”. From a standing start we had done this in just over a year. That was possible in those boom days of the late 1980s. In parallel, through Nimex, we had separately built up a portfolio of properties in Pakistan, Thailand, the Philippines, Egypt, Turkey, Malaysia, Australia and the East China Sea, the plan being to ultimately merge the companies when Monument was strong enough. One year later, that merger took place with Monument buying all of Nimex’s oil and gas interests.

At this point we had increased Monument’s share price in twenty four months by approximately 300% and Monument was capitalised at over $300 million, forty times greater than the market value of Monument when we started two years earlier. The financial structure which we put in place, marrying private equity with public markets, was extremely powerful. We made one other acquisition, that of Swedish Exploration Company AB in 1991, which put us into production in Australia and South America and opened up an array of new opportunities.



SERICAENERGY

But it was Monument's role with a 25% interest in the discovery we made of oil and gas in Liverpool Bay, 10 miles off the coast of North Wales, which catapulted us into the next league. As a Welshman, born in Bangor just up the coast, I was proud of that discovery. I think I am the only Welshman to have discovered and developed oil and gas in Wales, the Hamilton and Douglas oil and gas fields offshore Colwyn Bay. The fields were estimated to be capable of supplying half the energy requirements of Wales.

We were almost there. All we had to do was develop the fields. No mean trick for a new company. Our share of development costs was almost the same size as the company. We put together a £300 million debt facility secured against a contract we had to supply gas to a new power station at Connah's Quay near the Wirral. All was good until, in 1993, we ran into the backlash following the Government's proposal to close 31 coal mines which were deemed uneconomic.

Coal closures 1992- 1993 and moratorium on gas-fired power stations

Image source: Alamy

In 1992 the government announced 31 pit closures resulting in a backlash and moratorium on all new gas-fired power stations – the "dash for gas"

SERICAENERGY

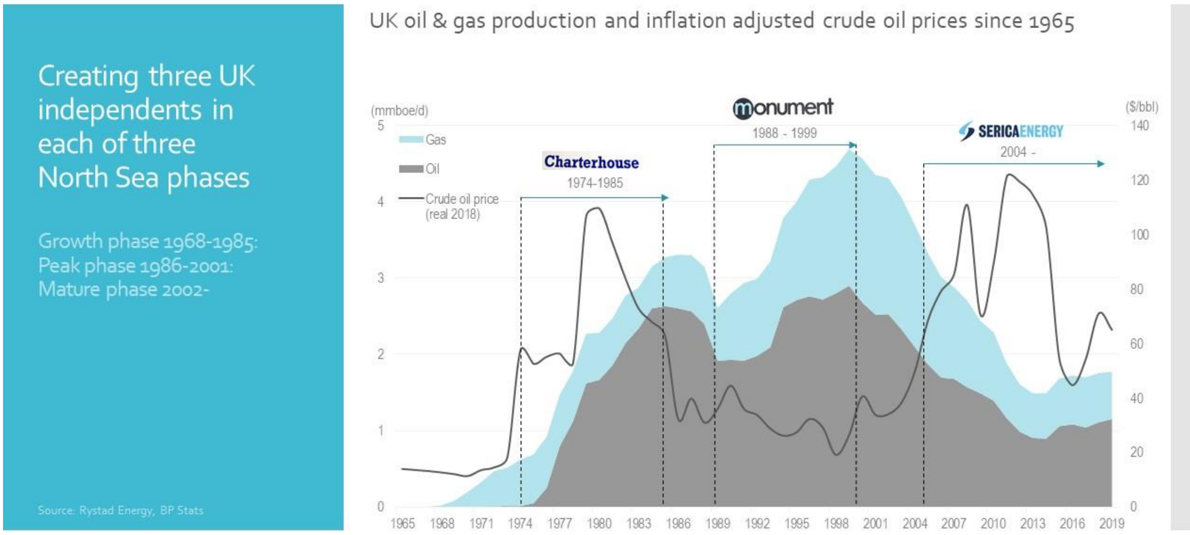
The Government's reaction to the backlash was to place a moratorium on all construction of new-gas fired power stations whilst the miners' rebellion against the proposed pit closures was addressed. It was do or die for us – Monument's very survival depended on there being a solution. I found myself leading the effort to help the Government resolve the issue. I threw myself into it completely, discarding everything else. I spent days in the House of Commons pouncing on unsuspecting MPs. I gave newspaper and TV interviews extolling the virtues of gas. I produced reams of statistics showing the negative effects on the offshore industry, jobs and revenues. I became a bit of a bête noir for the coal miners but it was essential to make the case for moving to cleaner gas. It was close but we succeeded – Liverpool Bay was given the go-ahead in a White Paper in March 1993.

It was my first brush with the potential for politics to put us out of business. It was to be 25 years later that we ran into it again, this time with Serica in the North Sea and the impact of the US imposed sanctions on Iran. My experiences with the coal miners, and belief that we could solve a problem when all seemed against us but all logic pointed that there must be a solution, were to stand me in good stead.

Monument went from strength to strength after that. We developed the Liverpool Bay fields and expanded overseas. We undertook a large seismic operation in Laos and were a leading company in the new emerging countries of the Soviet Union with Monument trail-blazing as operator of a producing field and the leading company in Western Turkmenistan. They were exciting times.

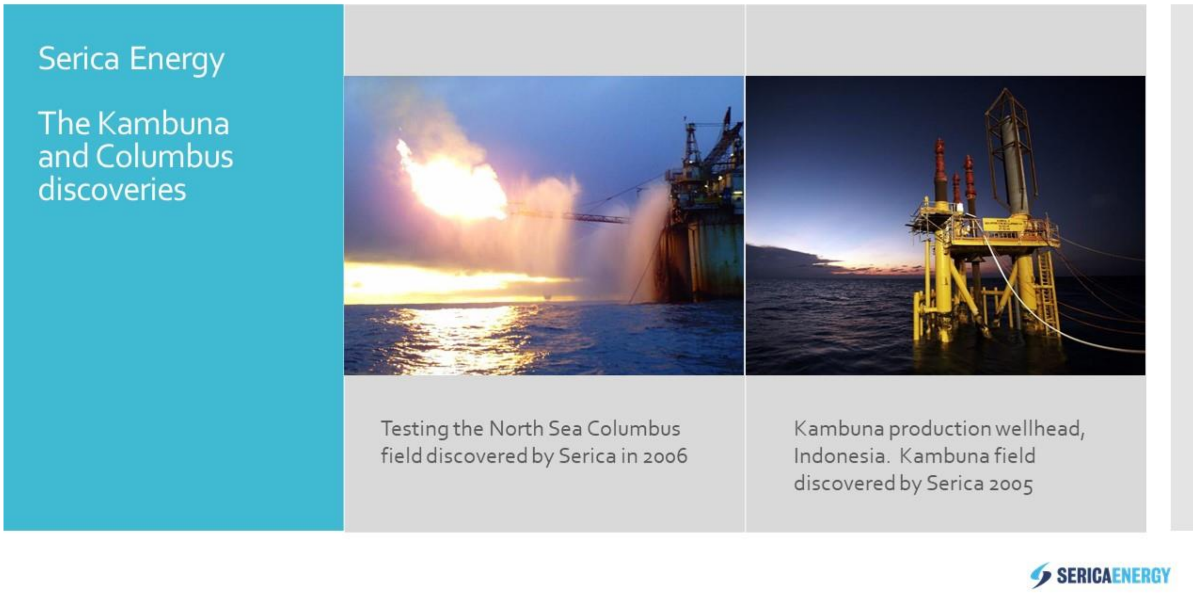
My only sadness was that Monument was to be taken over, at another low in stock markets coinciding with a low in oil prices, just as Charterhouse Petroleum was. I look back at that and see opportunity lost. It was the period when three potentially great UK independents - Monument, Lasmo and Enterprise – were all taken over at a time when all three companies were trying to amalgamate into a single really significant independent to capitalise on the low oil prices which had momentarily dropped to $17 per barrel. Nevertheless we had produced a very good return for those shareholders who backed us at the start and a reputation that helped when starting again. We had raised capital on the way but we had already returned $50 million to shareholders when Monument was taken over for just under $1 billion in May 1999, substantial growth from the $150,000 we had started with as founders 10 years earlier.

Which brings me to Serica.



We are now looking at the mature phase of North Sea production and the development of Serica took a different route. Serica started in 2004 as an exploration company focused in the North Sea and Indonesia hence the Company's name. The "Serica" was the second fastest tea clipper ship sailing between the UK and South East Asia. "Cutty Sark Petroleum" just didn't have the right ring to it!

The period from 2002 to 2008 was characterised by inexorably rising oil prices. Brent rose from around $23 per barrel in 2002 to a peak of over $140 per barrel over the next six years and stock markets followed in their usual over-enthusiastic way. Before the crash back to $30 per barrel in 2008 the over-exuberance of the stock market encouraged a proliferation of new exploration companies with little regard for risk management or longer-term business strategies. Companies were encouraged to explore and take risk. It was simply a lottery.



Serica made two discoveries in that period, the Kambuna gas field discovered in 2005 in Indonesia and the Columbus gas field discovered one year later in the Central North Sea. The Company was the operator for both fields and commenced the development of Kambuna soon after discovery with high hopes to do the same with Columbus. Both were relatively small but showed good economics.

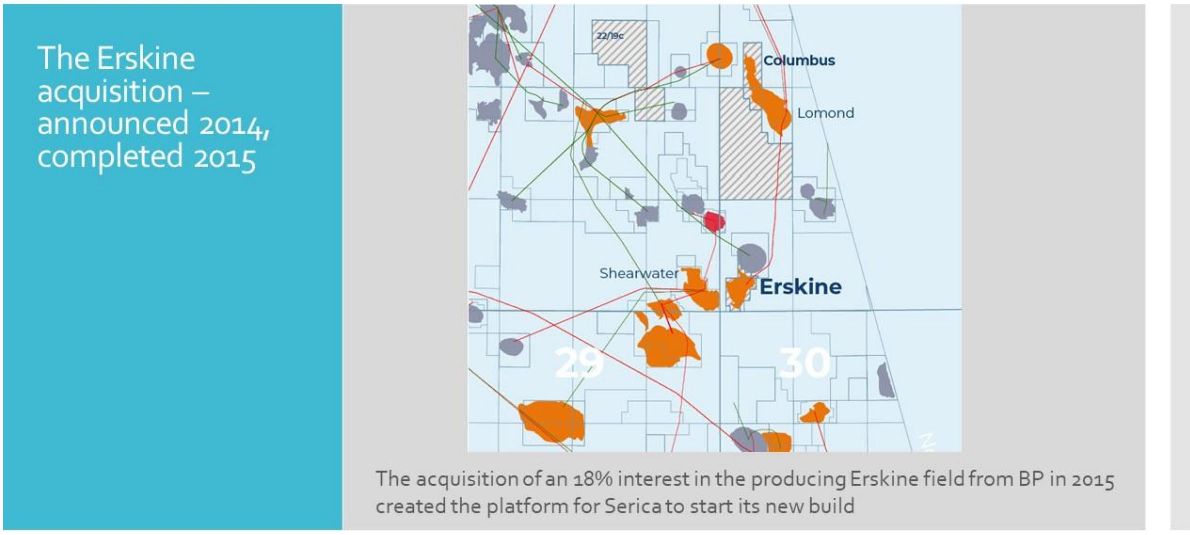
I had joined the Board as non-executive Chairman with a view to helping the executive begin a transition to a producing company to cover the exploration risk and I got my stake in the Company by helping to fund the Kambuna discovery well. The Company was successful with Kambuna and also reduced its stake at a profit with a series of sales. The development of Columbus has taken far longer due to the complexities of gaining access to infrastructure in the North Sea but, with the development announced last year following OGA led initiatives, we are now finally on the way. It has only taken 12 years! This is a good example of the difficulties in approaching the business in a linear fashion, from exploration through appraisal then development before finally getting production many years later. It does not exactly encourage investment. With the drying up of capital following the oil price fall and financial crash of 2008 it was time to reposition.

We focused first on cutting back on exploration. The Company had built up significant commitments and the start to the strategy was to farm-out as many of these as possible. We also decided to sell our interests in Indonesia and refocus closer to home. This took time and we were not able to avoid spending on a couple of wells that we would have preferred not to. In 2011 I took over the management role as Interim Chief Executive with the intention of effecting a Company turn-around and rebuild. In 2012 we completed five farm-outs and in 2013 we finally closed our business in Indonesia. We were ahead of the other independents in wanting to reposition but our share price was struggling as investors started to move away from the sector.

Our plan was to do exactly that which I have described earlier – namely to seek to acquire an interest in a producing field to which we could then add value by building around it. I stress the latter point. We did not just want to buy a cash flow. It had to be a cash flow to which we could add value through our own efforts. This time though we did not have a Nimex to underpin us and we were working in a market where oil prices were at an all-time high with the expectations of sellers again at stratospheric levels. We were also very tightly constrained by the reluctance of financial investors to support.

The secret here is perseverance and patience. We looked at a large number of angles but most were out of reach for a small public company. Our share price was now only 12p per share from a high a few years earlier of some six or seven times that. Our shareholders had been supportive and patient and we were determined to try to find a transaction which would not dilute them. I guess that was partly driven by the fact that I was a significant holder with around 3% and had invested at a much higher price! It tends to make one focus! During the difficult 2013-2014 period we continued to cut back on our running costs to conserve capital. After a lot of effort reviewing option after option the fly finally drifted past the waiting chameleon and we grabbed it.

We had spent eight years working on trying to get Columbus on production. We knew a lot about the nearby Lomond facilities which had seen three changes of operator in that time. In 2013 BG, as then Lomond operator, told us that Lomond was likely to cease production around 2018-2019. That was far too short a time to develop Columbus but we didn't believe it. Decommissioning that early would result in a loss of UK reserves, particularly in Erskine which produced across the platform. We therefore looked at Erskine and spotted a stranded asset in BP's 18% holding. If we could buy that it would position us in the infrastructure that we had spent so long trying to access for Columbus development. We therefore approached BP.

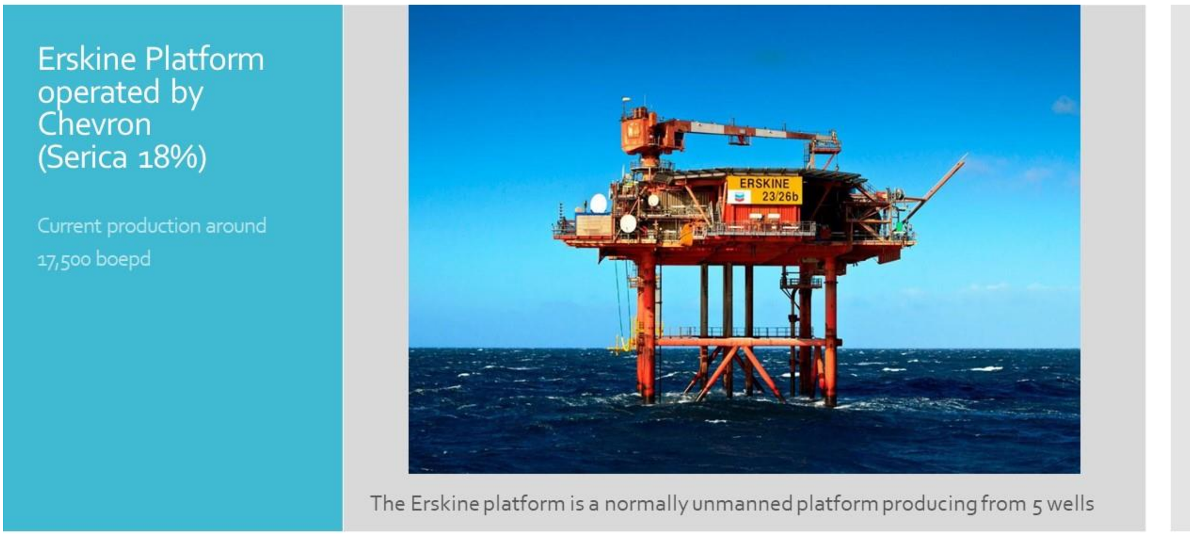


SERICAENERGY

Erskine was small and irrelevant to BP. They had tried to sell it earlier but, because of the Lomond uncertainties and poor infrastructure performance, there were no buyers. To us it was by no means small and irrelevant and we believed that performance could be improved. In early June 2014 we struck a deal with BP to purchase the asset. The agreed price was $16 million but, because we simply didn't have that money, we offered part in the form of Serica shares. We held our breath and BP accepted. They knew we could bring new blood to the asset and maybe shake things up a bit. They were happy to sell at the value to them and then to share in whatever we could do to add new value. It was a great new model for a real win-win.

Although a tiny deal this showed great innovation by BP. We paid what it was worth to BP but, because of the structuring of the deal, they have benefitted multi-fold from the added value that we have been able to unlock with the Erskine partners. Serica and its shareholders benefitted massively as well because the deal structure enabled us to buy the asset without raising capital and to add the value for the benefit of all. It is an absolutely perfect example of what can be achieved by imagination, alignment and collaboration in the North Sea. It provided the building block that we needed and has enabled Serica to become today one of the leading independent North Sea offshore producers and operator.

We signed the deal with BP in June 2014 but, almost immediately, oil prices crashed from around $115 per barrel to some $40 per barrel a year later. I like to jest that it was our deal that triggered the crash in oil prices as the crash started the day that we signed. It was a serious problem for us but we stuck to it. I think the Erskine deal was the only deal that completed in that year of price turbulence. Out of the many deals announced at that time many failed to complete.



The Erskine platform is a normally unmanned platform producing from 5 wells

It took us a year to convince the Erskine partners that we would be a good new partner. Although the deal was only between us and BP there were over 240 documents to be signed and novated involving over 20 other companies, some of course who wanted something in return for signing. This is a good example of the level of commercial complexity existing in the North Sea which needs to be massively simplified to improve efficiencies now we are in the mature period. It is to be hoped that the OGA will find a way of streamlining things but alignment between different groups must also be a target for the industry.

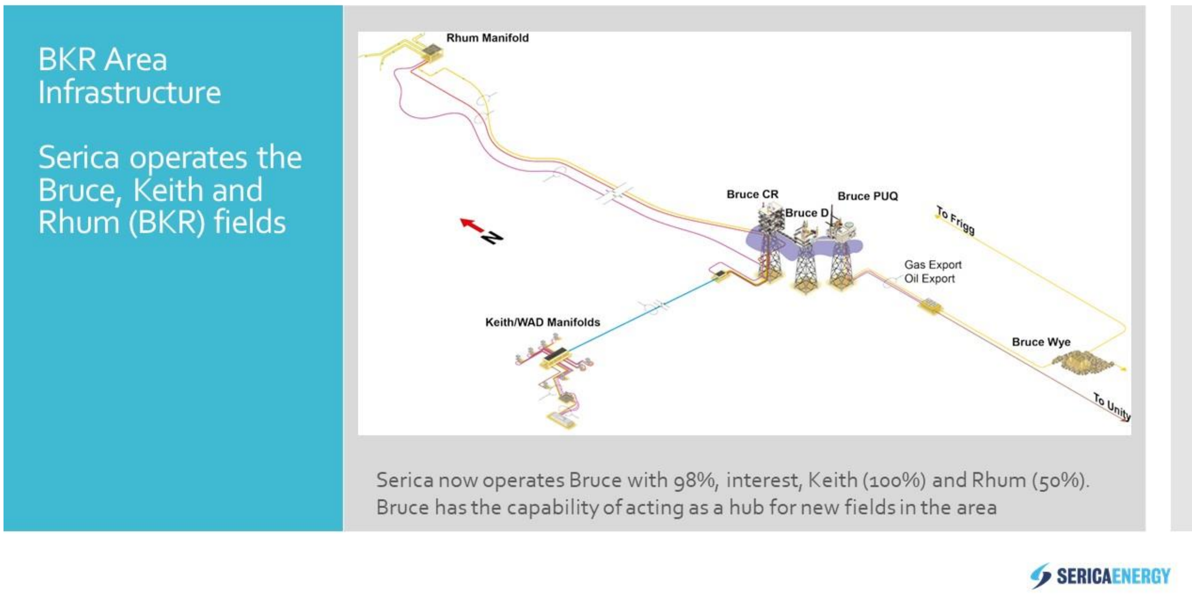
By the time we got to completion our share price had collapsed to end 75% down, at around 4-5p, and the entire sector was struggling. Market confidence and confidence in our ability to complete was at an all-time low. But we never changed the price we had agreed one year earlier, tempting though it was. The deal was not about oil prices, it was about the opportunity to add value through hands-on input, improving performance, cutting cost and extending production life. It was about aligning the partners and finding ways of getting people to work together. BP could see that and they helped on the completion.

I would like to share with you some of the extraordinary gains that have resulted since we did the Erskine deal, some of which I believe would not have happened without Serica taking a stake and without new ownership coming to Lomond. They illustrate perfectly what lies ahead in the North Sea and what new focused partners, in this case Serica and Chrysaor, can bring to old assets working with Chevron as the Erskine operator. When we agreed to purchase Erskine in 2014 the date set by the Lomond operator for cessation of production was 2020. It is now nearer 2028 – eight years later. At the time of completion of the Erskine transaction, production uptime at Lomond was extraordinarily low and the average annual production rate net to our interest in 2014 was only around 1,100 boepd. Uptime is now over twice what it was when we purchased the asset, average production some three times and costs have been halved. Any one of those would have added value and we have all three. The result is that we and our partners have also added large volumes of reserves equivalent to a new discovery.

This graph illustrates the reserves that have been added to Erskine as a result of the partners working closely together. Notwithstanding that approximately 13.9 mmboe has been produced from Erskine since 1 January 2014, when 20 mmboe were estimated to be remaining, the Erskine 2P gross reserves as at 1 January this year have been re-evaluated on improved performance to stand now at 31.7 mmboe (of which 5.7 mmboe is net to Serica).

Adjusting for the reserves produced since we completed the Erskine deal this is an increase of some 25.6 mmboe on the estimate made at the time of the acquisition. This is a decent oil discovery in its own right for which any explorer would be pleased and has come about as the result of efficiencies to which Serica has made a significant contribution. And we never had to drill a well to find it!

The Erskine transaction enabled us to rebuild the Company's strength and positioned us to do the four simultaneous deals on Bruce, Keith and Rhum which we completed nearly six months ago and which have now established Serica as a major North Sea operator and producer – the ambition that we set ourselves four years ago. We have spun plates and positioned ourselves on a pin during the intervening period to achieve it and the fact that we managed it without any shareholder dilution or bank financing is something that I am very proud of.



We now directly employ over 140 people and many more via contractors, are operating major offshore facilities carrying some 50,000 boepd, net production to us is currently some 32,000 boepd and we have no debt. We have achieved this without shareholder dilution by sharing the benefits of what we can bring to the table with the previous owners - in this case BP, Total and BHP.

Through the sharing arrangements structured into the BKR deals, these companies are benefiting in a number of ways. Apart from the increases in performance through innovation, lower costs and focus, as we saw at Erskine, Serica had to resolve the difficult problem surrounding the potential sanctions issues relating to the interest held in Rhum by the Iranian Oil Company, a subsidiary of the National Iranian Oil Company. It was a very complex problem and the solution turned out to be equally complex. The UK Government was not in a position to hold the asset under a Temporary Management Scheme as it had done earlier in the decade but the loss to the UK of undeveloped reserves accompanying early termination of infrastructure due to the imposition of US sanctions, as well as the loss to the exchequer, would have been enormous.

After a great deal of very hard work by some very talented people, and a not inconsiderable amount of brainstorming and consulting, Serica was able to find a solution acceptable to all parties, which has effectively removed any Iranian management or economic benefit from the licence during the period of US sanctions. In parallel, we were also able to resolve the partner misalignment issues between the Rhum field on the one hand and Bruce and Keith on the other by purchasing the interests of Total, BHP and Marubeni in Bruce and Keith as well as that of BP. We now have 100% of Keith, 98% of Bruce and 50% of Rhum and operate all three fields. This will help improve field efficiencies and longer term reserve recovery massively.

SERICAENERGY

The transactions that Serica has done with BP, and the related deals with Total and BHP, are transformational for Serica but have also brought considerable but less obvious benefit to the selling parties. I would like to get this point across strongly as it is often missed. They are very good examples of innovation on the part of both buyer and seller which has produced significant additional value shared by both and which would otherwise not be available to either.

In the case of BP, the new value created by Serica through the Erskine and BKR transactions has been shared with BP with the result that BP has received a significant return. Serica's share price has increased from around 5p at the time of the completion of the Erskine transaction in mid-2015, to around 130p today, a 26-fold increase over less than four years. That is a compound rate of return of some 125% per annum - not bad! Through the 5% shareholding which BP took as part of the consideration for the Erskine sale, BP have now received many times more than the value that Erskine was worth to them.

In the case of the BKR transactions BP, and the other Bruce partners, are also benefiting substantially from the added value that we are bringing to the assets. They have already converted what would have been a large negative value if we had not been able to resolve the Rhum sanctions issues into a significant positive value. At the time of the announcement of our deal with BP, BP put £300 million as the amount that they expect to receive from the transaction. If the deal had not been done and the sanctions issues not resolved the result would probably have been a large negative cash flow. By restructuring the assets in the way that we have we have also opened up the possibility of the Bruce facilities being available to provide a hub for new discoveries in the area. In short, as smaller, more focussed independent companies take over assets and bring new ideas we will see reserve life extending and new reserves developed, thereby sustaining Britain's energy needs as the whole energy scene evolves.

I am now, you will be glad to hear, nearing the end of the presentation. My journey is now up to date but much opportunity lies ahead. I hope that I have been able to give you a flavour of why I love this industry. There are always opportunities if you can spot them and have the patience and perseverance to make them happen. It is not a "get-rich-quick" business. I reckon that it takes around ten years to build a reasonably substantial business which can attract technical talent, be innovative, manage the risk and grow. I have helped grow three independent companies from scratch and, ignoring the gaps in between, each has taken around ten years. Across the three companies I have helped generate some $2 billion of value on the way but it is the challenge and the feeling of achievement in a very tough business that has kept me motivated. Serica is now well poised to grow further and we have the management, technical, financial, commercial and operating teams to do so, attracted by the deals which we have been able to do. The road forward is to continue to be innovative, to spot opportunity to do things differently, not to look for the last buck but to look to create and jointly share greater value, to align interests and consolidate to spread risk, exploit synergies and bring in new technologies and not to stand still, recognising that the world, and particularly the North Sea, is changing. The UK Offshore will rely upon new, emerging independent companies like Serica to fulfil its full promise and Serica will, hopefully, play its full part.

Maturity is not the end of the game – you just have to look at me!

Thank you.