



SERICA ENERGY plc

ANNUAL GENERAL MEETING

27 June 2019



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01

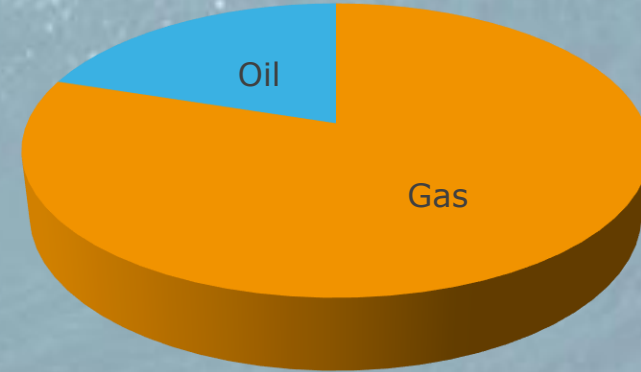
Introduction



Serica Energy

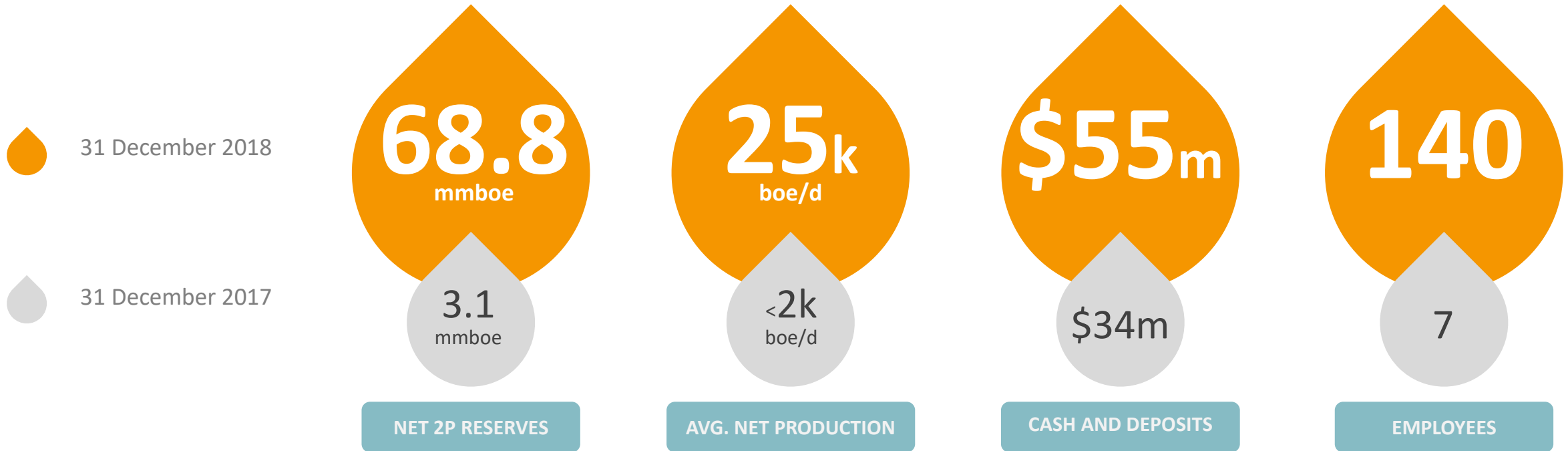
Establishing profile

- 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
- The Company is a signatory of Oil & Gas UK's 'Vision 2035', an industry initiative to encourage discussion, debate and action in support of Energy Transition
- Serica is 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



2018: The Start of a New Era for Serica

Spectacular growth during 2018

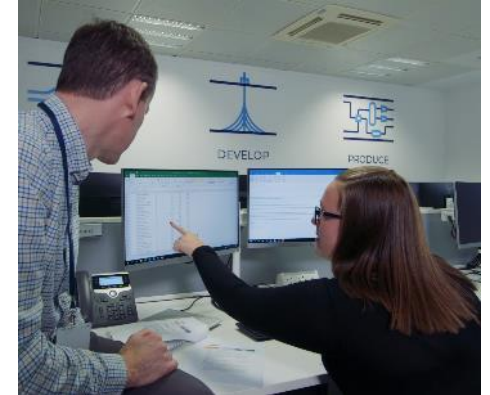


- Serica has established its position as a safe and reliable operator with responsibility for one of the major North Sea platforms
- This has been achieved without shareholder dilution or significant debt (apart from a pre-arranged drawdown facility with BP)
- The bulk of decommissioning liability has been left with previous owners of assets
- Serica retains substantial tax losses (US\$139.3 million at 1-Jan-19) which can be used to shelter future income

Serica Energy

A new team, a positive new culture

- Serica is an inclusive and supportive employer with strong leadership, encouraging a culture of individual accountability and ethical work practice
- In Aberdeen our 140+ team is delivering exceptional performance and building Serica's reputation as a reliable and safe operator, an excellent partner and a superb employer
- Staff committees are researching local community and environmental projects where personnel can really make a difference
- In London our experienced corporate team has the expertise and dynamism to make swift but measured decisions whilst seeking opportunities where Serica can deliver growth both organically and through value enhancing acquisitions



02

2018 Financial Results



2018 Highlights

A year of achievement



EARNINGS PER SHARE

+337%

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

2017: 5p



CASH AND DEPOSITS

+62%

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

2017: US\$ 34.0 million



ACQUISITION

30.11.18

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

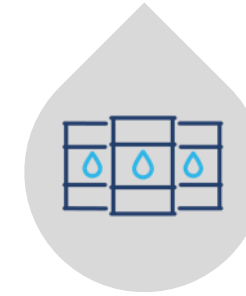


2P RESERVES

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

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

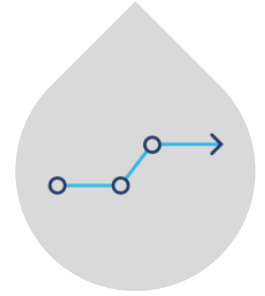
Incremental reserves added at Erskine



PRODUCTION

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

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



DEVELOPMENT



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

Field Development Plan approved in October 2018

Group Income Statement

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

2018 Year End Net 2P Reserves

Independent CPRs show significant reserves upgrade

1

Erskine
5.7 mmboe

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

2

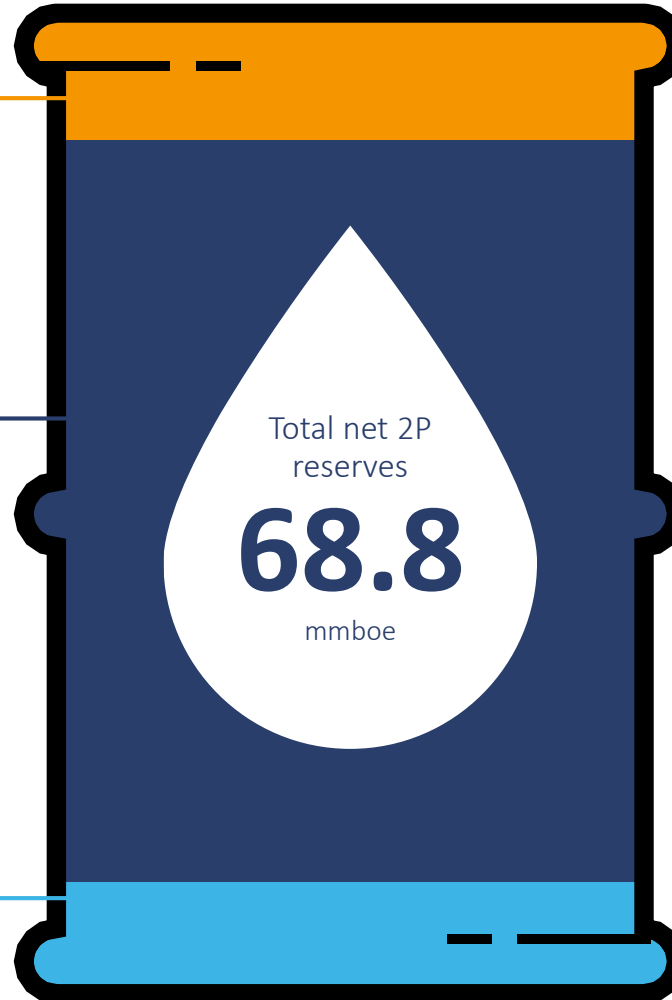
Bruce, Keith and Rhum
56.9 mmboe

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

3

Columbus
6.2 mmboe

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



- Erskine net 2P reserves have increased from 3.1 mmboe at the end of 2017 to 5.7 mmboe at the end of 2018. This revision is due to increased uptime (delivered by the Erskine bypass pipeline) leading to the acceleration of reserves recovery

- Bruce Keith and Rhum net 2P reserves at end of 2018 amounted to 56.9 mmboe

- The approval of the Columbus FDP in October 2018 has led to the Columbus net 2C Contingent Resources being reallocated as net 2P reserves amounting to 6.2 mmboe

03

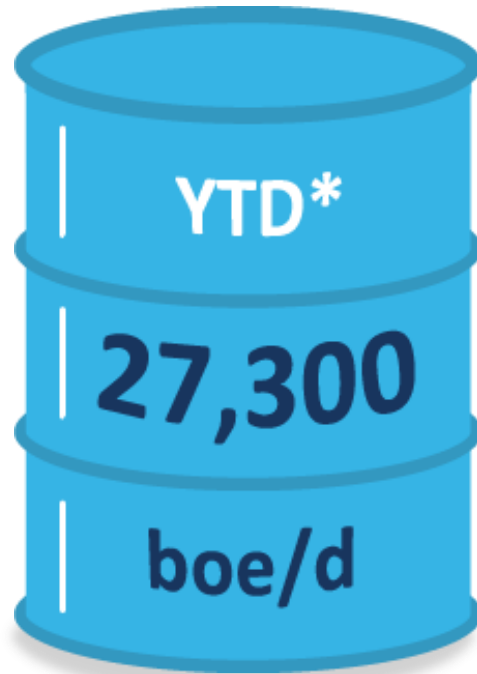
Production Assets



Net Serica YTD 2019 Production in Excess of 30,000 boe/d

Strong production during first 6 months of Serica BKR operatorship (all figures net to Serica)

Bruce, Keith & Rhum



FY 2018 25,200 boe/d (+9% as of end May 2019)

Erskine



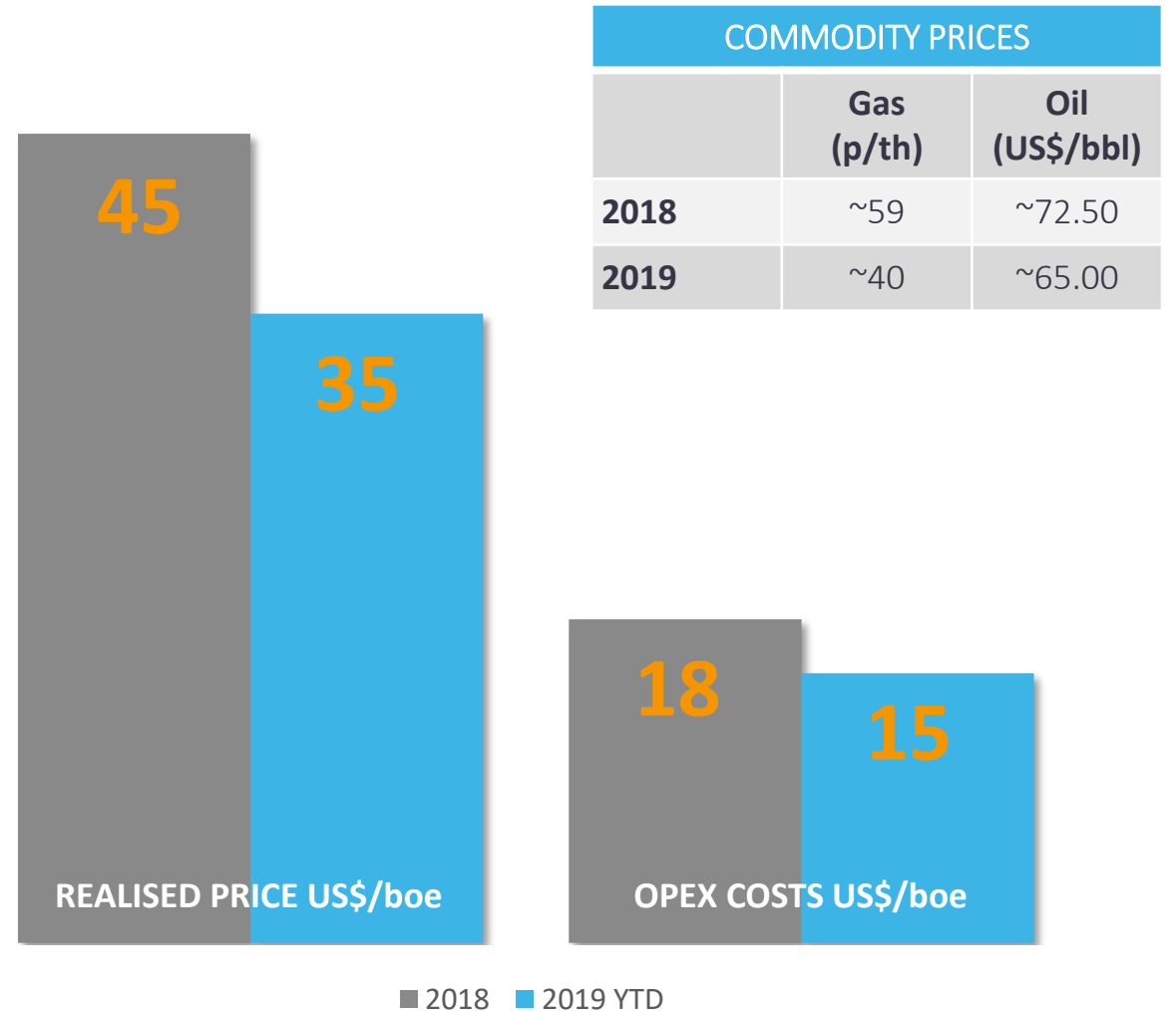
FY 2018 600 boe/d (+421% as of end May 2019)

Serica 2019 Full Year Guidance 26,000-30,700 boe/d

* YTD figures to end May 2019

2018/19 Financial Impact of Bruce, Keith and Rhum Transactions

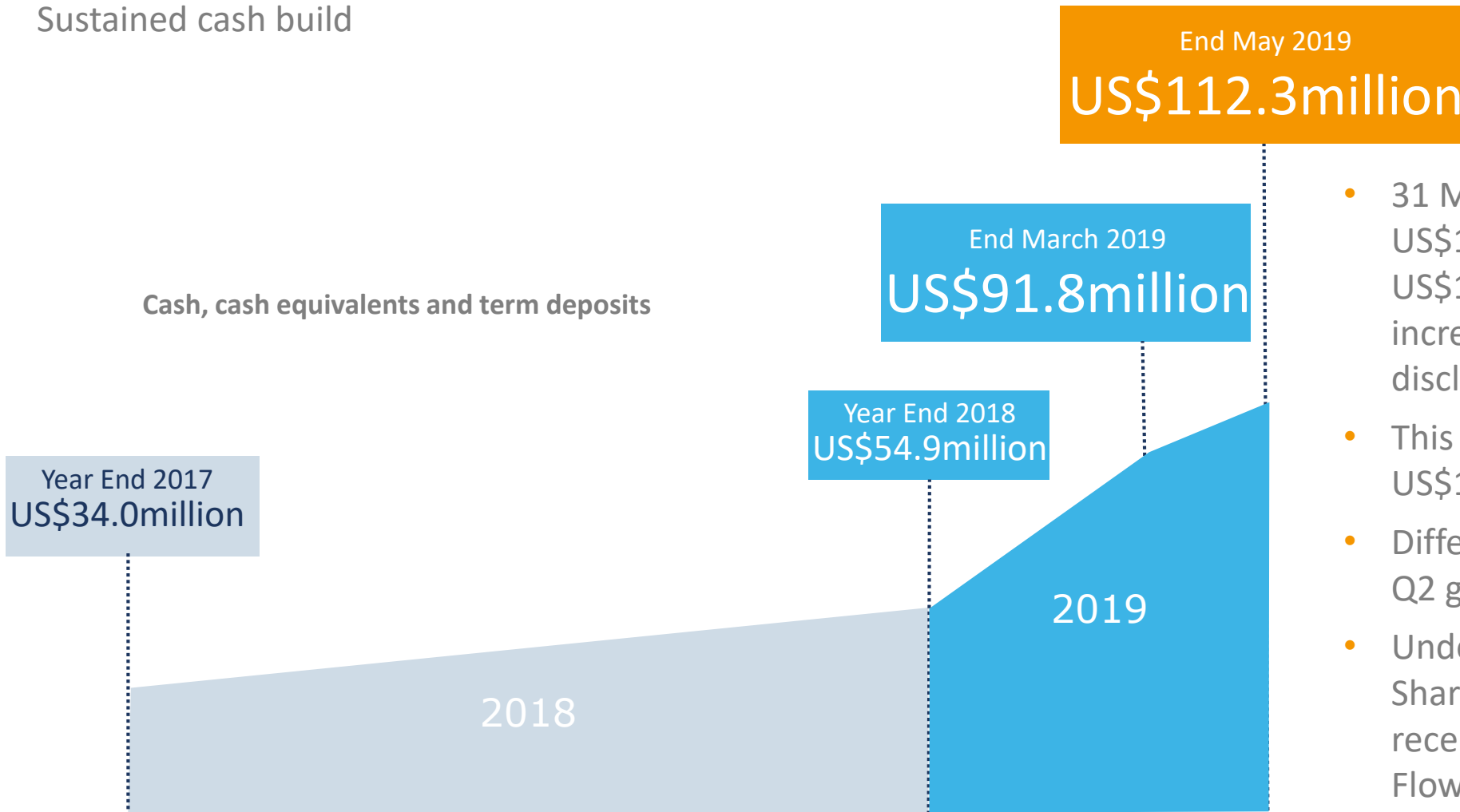
- 2018 commodity prices were strong with oil prices averaging ~US\$72.50/bbl and gas prices ~59p/therm. Serica's share of BKR production in 2018 (>80% gas) realised more than US\$45/boe
- In 2019 market prices have been weaker; YTD oil prices have averaged ~ USD\$65.00/bbl and gas prices ~40p/therm. Serica's share of all production YTD 2019 is estimated to have realised revenues of around US\$35/boe
- 2018 BKR operating costs were in line with expectations at ~US\$18/boe
- Provisional YTD 2019 operating costs have been reduced to below US\$15/boe



Cash Position

Sustained cash build

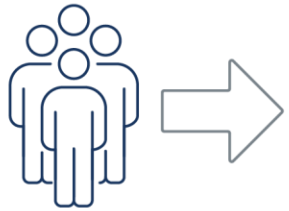
Cash, cash equivalents and term deposits



- 31 May cash balances of US\$112.3 million represent a US\$10.25 million per month increase from our 31 March disclosure of US\$91.8 million
- This compares to cash growth of US\$12.3 million per month in Q1
- Difference largely due to lower Q2 gas prices
- Under the Net Cash Flow Sharing arrangements* Serica received 40% of the Net Cash Flow in 2018, rising to 50 % in 2019 and 60% in 2020 & 2021

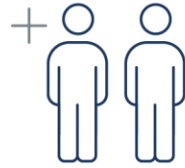
* The Net Cash Flow Sharing Arrangements cover income from the interests in Bruce, Keith and Rhum purchased from BP, Total and BHP

BKR Transition Completed 30 November 2018



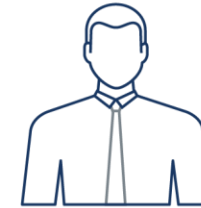
114

BP staff transferred



23

New jobs created



15

New technical authorities



315,000

Documents transferred



1.8 million

BP project files



403

OMS documents
(Operating Management System)



138

Contracts re-negotiated



31

PLANC
(permits, licences, authorisations,
notifications and consents)



130

IT applications

Bruce, Keith and Rhum

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

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

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

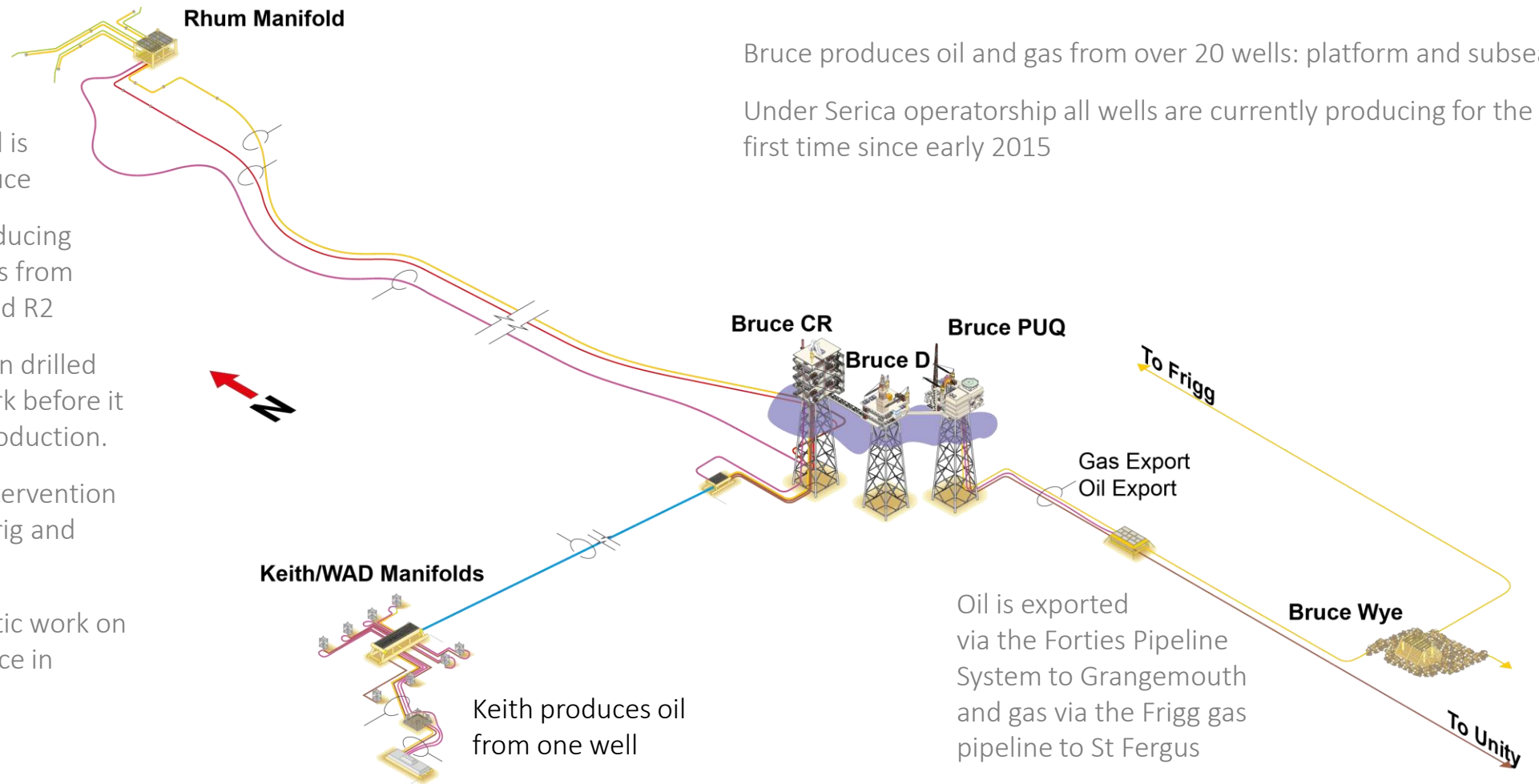
A third well, R3 has been drilled but needs remedial work before it can be brought onto production.

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

Inspection and diagnostic work on R3 planned to commence in August 2019

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

Under Serica operatorship all wells are currently producing for the first time since early 2015



Keith produces oil from one well

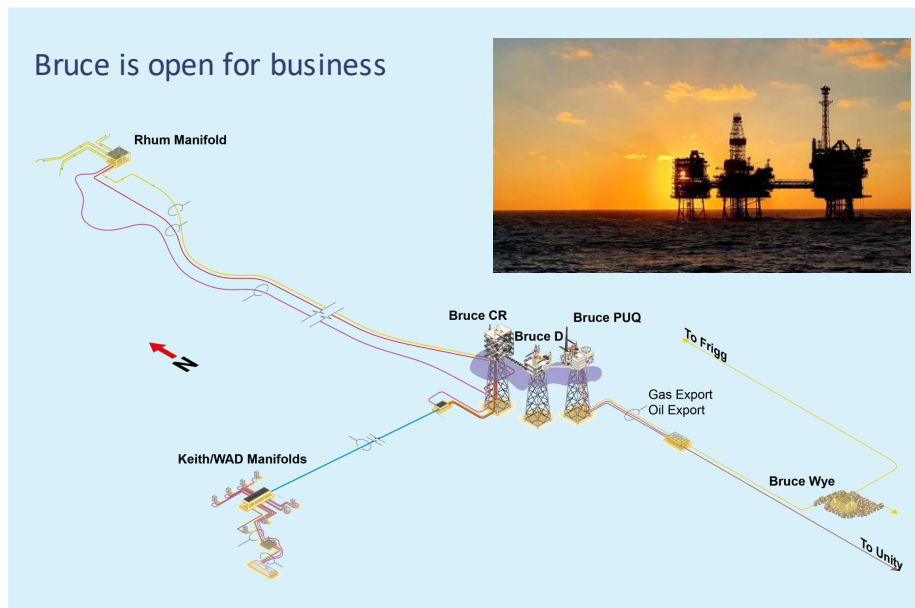
Oil is exported via the Forties Pipeline System to Grangemouth and gas via the Frigg gas pipeline to St Fergus

Bruce Facilities – Third Party Business

As our key asset, Bruce is the focal point of our team’s deep technical and operational skills. We apply our key business drivers to:

- extend life-of-field
- increase utilisation of facilities
- maximise economic recovery from the area as a whole
- bond and re-motivate the talented offshore team

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



Description	Unit	Max Capacity	Projected ullage (% of maximum capacity)				
			2019	2020	2021	2022	2023
Oil Handling Capacity	BPD	70,000	●	●	●	●	●
Gas Handling Capacity	mmscfd	440	●	●	●	●	●
Produced Water Capacity	BPD	20,000	●	●	●	●	●
Water Injection Capacity	BPD	35,000	●	●	●	●	●

● over 25% available
● 5-25%

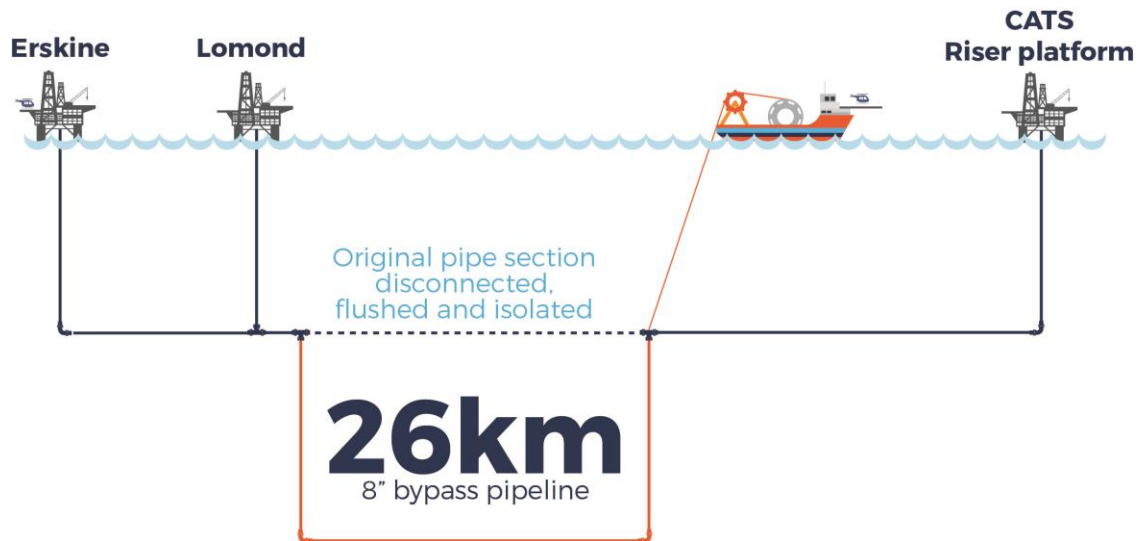
Erskine Field Flowing at Consistent Rates

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

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

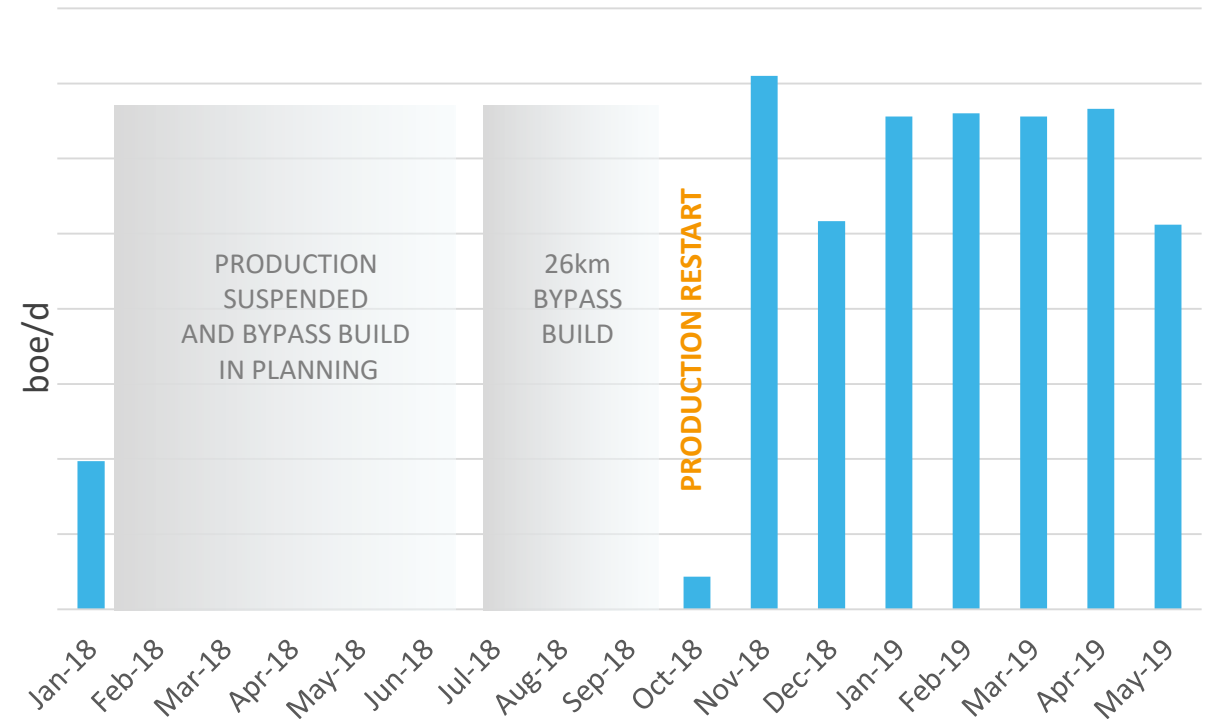
The pipelay was completed without incident and within budgeted time

A regular pigging programme is ongoing on the new line in order to prevent wax build up



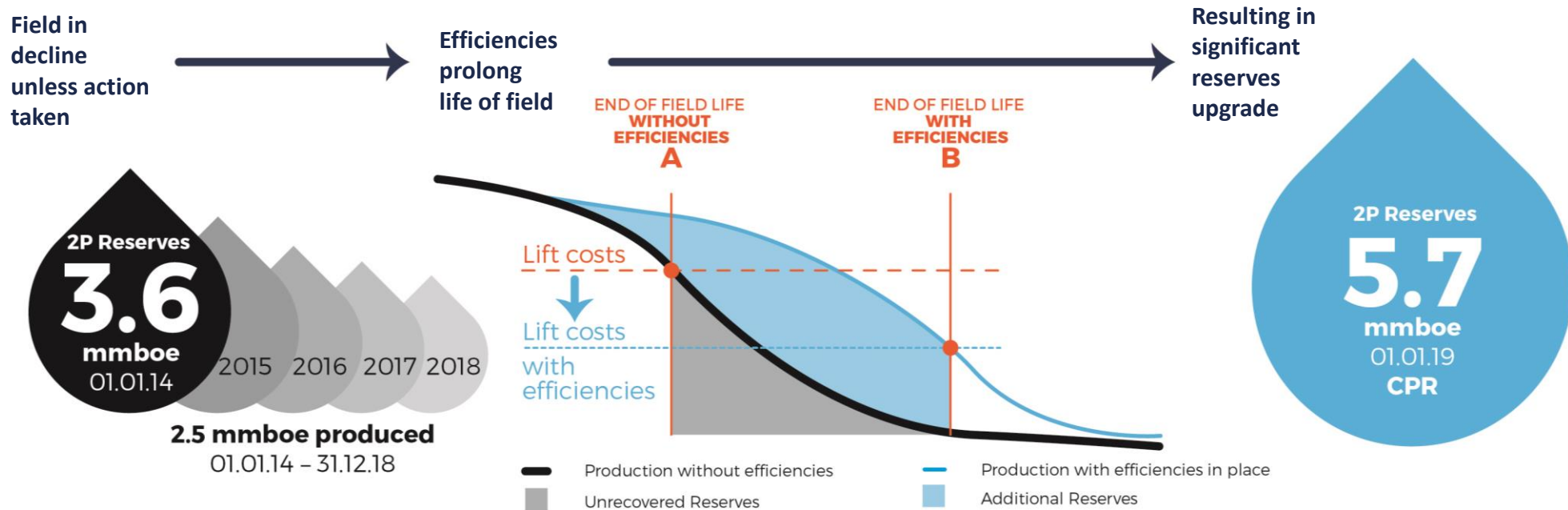
Intervention has delivered consistent 2019 net production of

3,200 boe/d



Erskine Reserves Increase

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



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

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

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

04

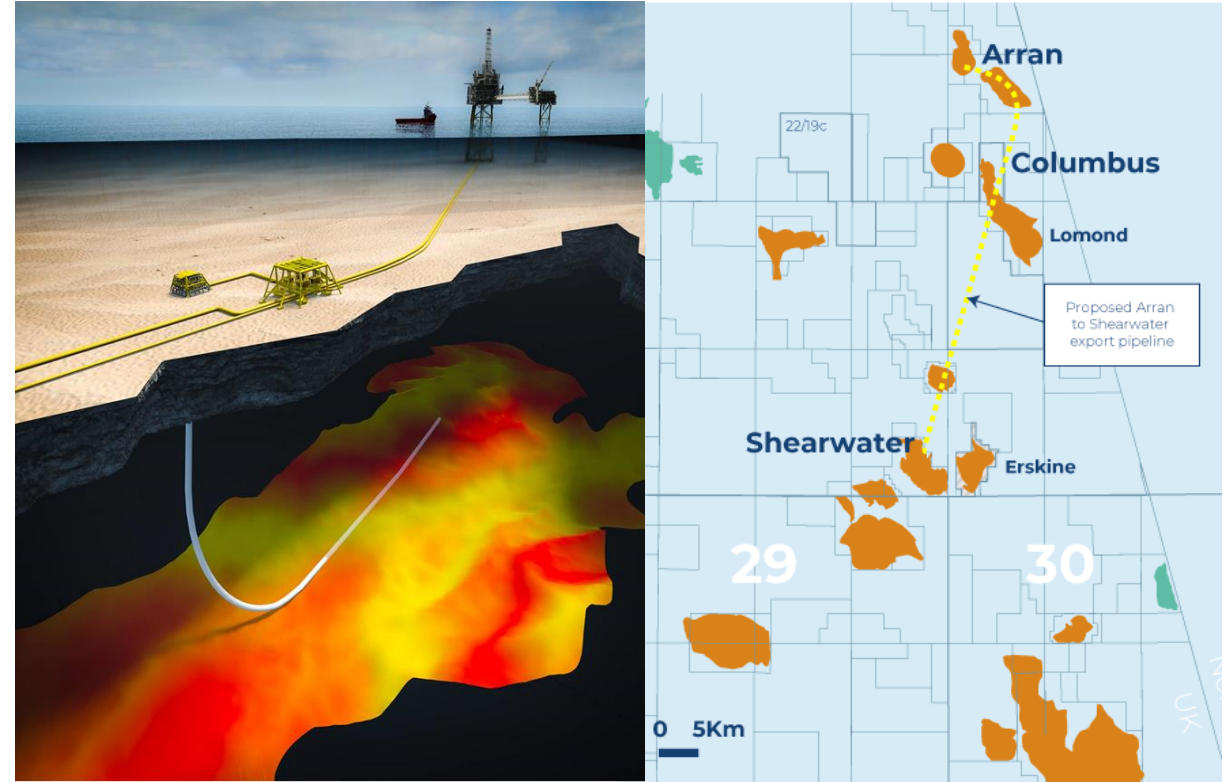
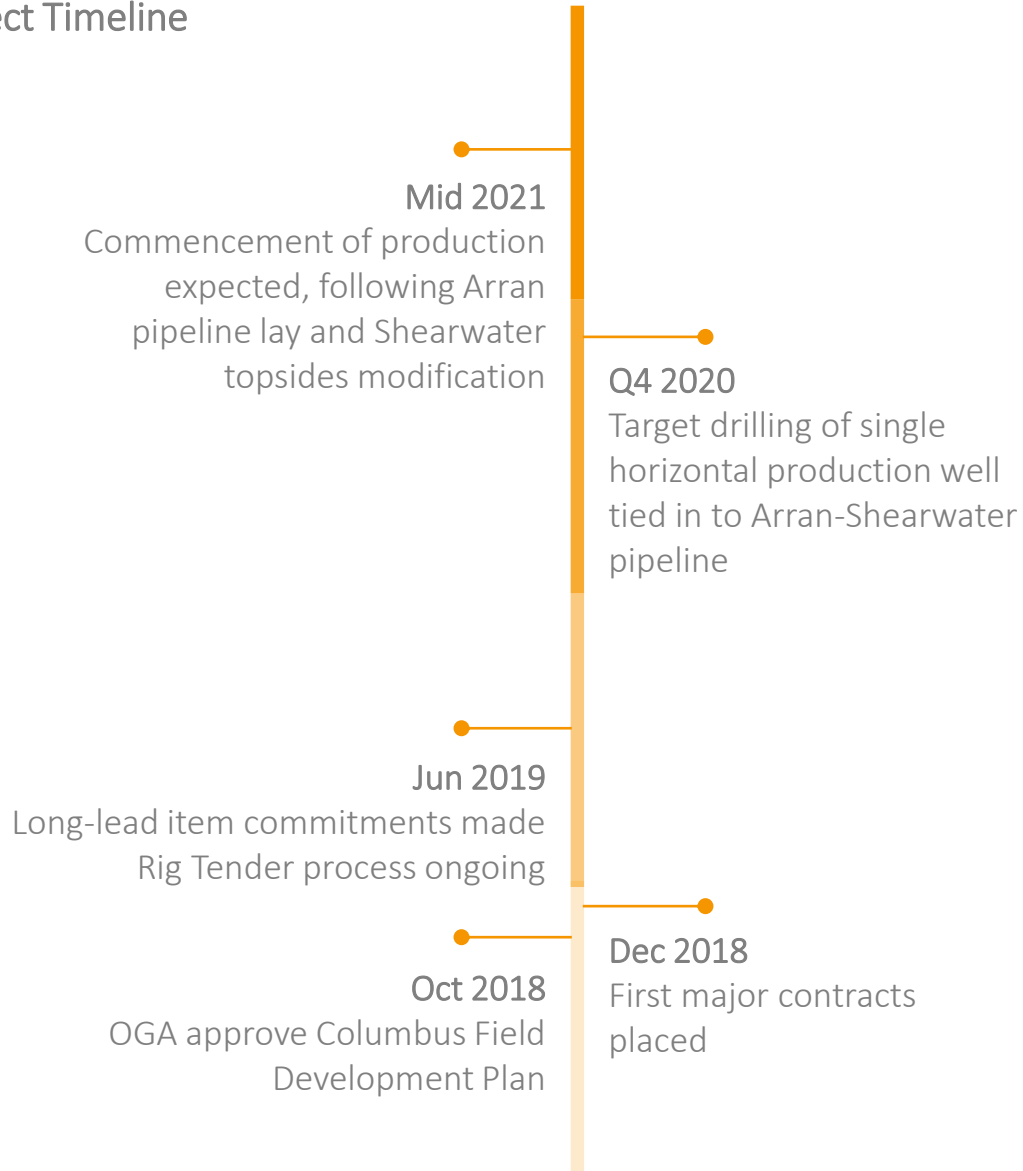
Other UK Operations

A full lifecycle portfolio



Columbus Development (Serica 50%)

Project Timeline



A COLLABORATIVE PROJECT WITH STRONG MUTUAL BENEFITS

Close collaboration between Columbus and Arran Operators, with development benefitting production from both fields

Production will be processed on the Shearwater platform, helping to extend the life of the hub

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

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

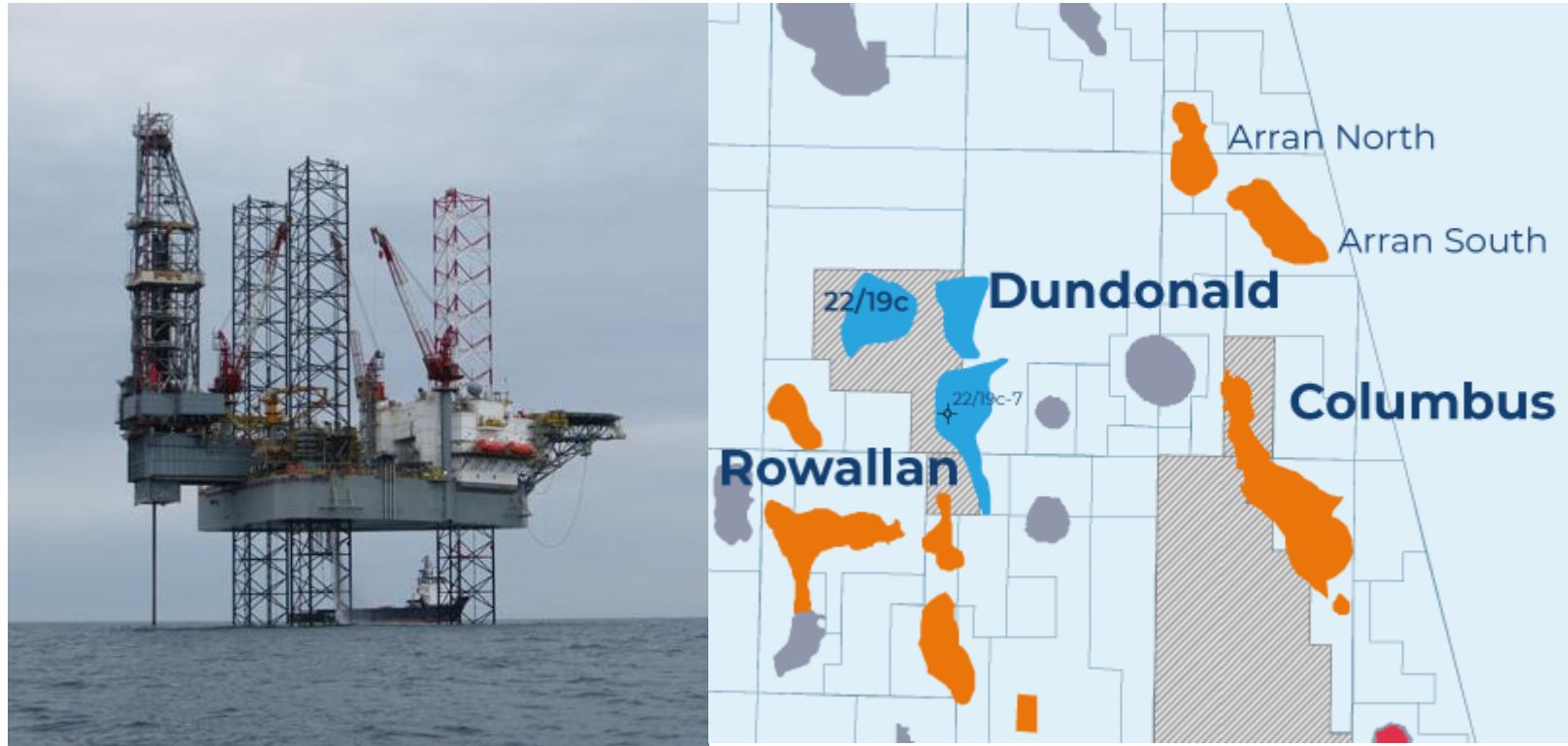
The well targeted the High Temperature and High Pressure Rowallan prospect

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

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

The decision was made to plug and abandon the well

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



05

Strategy



The Right Assets in the Right Hands at the Right Time

ONGOING STRATEGY

Serica's strategy is to identify and acquire assets where we can add value. This started with the 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

A 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
- enhanced operating capability
- diversified asset base
- greater opportunity for organic growth and further acquisitions



Generate Value

Focus on Delivery of Total Shareholder Return

06

Appendix



Our Board



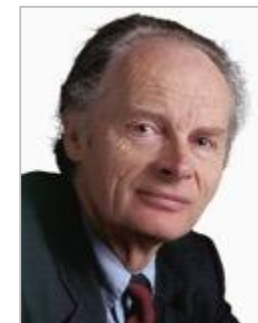
Tony Craven Walker
Executive Chairman

- 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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