

Serica Energy plc (“Serica” or the “Company”)

Acquisition of BHP Interests in Bruce and Keith

London, 5 November 2018 – Serica Energy plc (AIM: SQZ) is pleased to announce that Serica Energy (UK) Limited (“Serica UK”) has signed a sale and purchase agreement (“SPA”) to acquire further interests in the Bruce and Keith fields and associated infrastructure in the UK North Sea (the “Transaction”).

Under the SPA, Serica UK will acquire a 16.00% interest in the Bruce field and a 31.83% interest in the Keith field and associated infrastructure (“BHP Assets”) from BHP Billiton Petroleum Great Britain Limited (“BHP”). The structure of the Transaction is the same as the deals entered into by Serica with BP and Total whereby Serica will acquire interests variously in the Bruce, Keith and Rhum fields.

The Transaction has an effective date of 1 January 2018 and completion is subject to completion of the previously announced acquisition of interests in the Bruce, Keith and Rhum fields from BP (“BP Transaction”). The Transaction is also subject to *inter alia* certain regulatory, government and partner consents with completion targeted for 30 November 2018.

The Transaction together with the previously announced purchases from BP and Total will result in Serica consolidating its ownership of the Bruce and Keith fields to 94.25% and 91.67% respectively post-completion.

Transaction highlights

Following completion of the BP Transaction and acquisition of further interests in the Bruce and Keith fields from Total E&P UK Limited (“Total E&P Transaction”) and transfer of operatorship of the Bruce, Keith and Rhum fields to Serica UK, the board believes the Transaction will further strengthen Serica’s position as one of the leading mid-tier independent oil and gas producers on the UK Continental Shelf and will provide incremental benefits to the Company.

- **Further increase in reserves and production**
 - Serica’s pro-forma net 2P reserves as at 1 August 2018 are expected to increase by approximately 4.0mmbœ from approximately 58.7mmbœⁱ post completion of the BP Transaction and Total E&P Transaction to approximately 62.7mmbœ post completion of this Transaction
 - Net production in 1H 2018 from the BHP Assets was approximately 1,760boe/d, of which 81% was gas
 - The Transaction is expected to be immediately cash flow and value accretive following completion
- **Structured to mitigate financial risk and maintain balance sheet resilience**
 - The bulk of the consideration under the Transaction is deferred and the initial cash consideration is expected to be funded by Serica UK’s share of net cash flows between 1 January 2018 and completion
- **Further increased scale in line with strategic growth plans**
 - The Transaction will enhance the value Serica expects to unlock from the Bruce/Keith/Rhum areas
 - No additional management and administrative resources will be required.
 - The Transaction will further increase Serica’s scale and profile, providing a broader base from which to attract funding and pursue investment opportunities

Principal terms of the Transaction

The initial cash consideration is £1 million, to be adjusted for working capital and 40% of post-tax cashflows from the effective date of 1 January 2018. The net 2P Reserves attributable to the BHP Assets as at 1 August 2018 are estimated to amount to approximately 4.0mboe.

BHP will also receive a share of pre-tax net cash flow from the BHP Assets under a Net Cash Flow Sharing Deed ("NCFSD") on the same terms as the net cash flow sharing deed entered into as part of the BP Transaction. BHP will receive a share of pre-tax net cash flow from the BHP Assets of 60% for the remainder of 2018, 50% in 2019 and 40% in each of 2020 and 2021. The net cash flow shares are calculated on a monthly basis. No amounts are payable by Serica UK unless this cash flow is positive and amounts are repayable to Serica UK in the event of negative cash flow, up to the amount of prior payments made to BHP in the same year. Excess losses in a year are carried forward to be offset against future income. As a constituent part of the calculation of the Monthly Net Cash Flow Payment, Serica shall, subject to the terms of the NCFSD, be entitled to propose the carrying out of Necessary Investment Works and / or Discretionary Investment Works.

BHP is retaining liability for the costs of decommissioning facilities and wells already in place. Serica will pay deferred consideration to BHP in respect of 30% of BHP's share of future decommissioning costs when due, reduced by the tax relief attributable to BHP on such costs. This element of consideration is capped by the amount of cumulative net cash flow received by Serica UK, as a result of the Transaction. Deferred consideration will also be payable in respect of the realised value of oil in the Bruce pipeline at the end of field life.

Completion of the Transaction is conditional *inter alia* on:

- Completion of the BP Transaction;
- Relevant third-party consents;
- OGA approval;
- HMRC clearance with respect to the tax treatment of the NCFSD; and
- The execution of certain decommissioning documents.

The BHP SPA also contains customary warranties in relation to the BHP Assets from BHP for a transaction of this nature.

Mitch Flegg, Chief Executive of Serica Energy, commented:

"We are delighted to have agreed with BHP to acquire their stakes in Bruce and Keith and to be consolidating our ownership in the fields to 94.25% and 91.67% respectively. This acquisition, in addition to the previously announced transactions with BP and Total, place us in an even better position to unlock increased value from the assets and benefit from economies of scale."

"Completion of the Transaction with BHP is anticipated to take place immediately after the respective completions of the BP and Total E&P Transactions. This will represent a major transformation for Serica in becoming one of the leading UK independent offshore operators and producers in the North Sea."

Background to and reason for the Transaction

In November 2017 Serica announced the BP Transaction under which Serica UK will acquire interests in the Bruce, Keith and Rhum fields in the North Sea and associated infrastructure from BP. Under the terms of the BP Transaction Serica UK will acquire a 36% interest in Bruce, a 34.83% interest in Keith and a 50% interest in Rhum. The deal has an effective date of 1 January 2018. Completion of the BP Transaction is targeted to take place on 30 November 2018.

In August 2018, Serica announced the Total E&P Transaction under which further interests in the Bruce and Keith fields and associated infrastructure in the UK North Sea are to be acquired from Total. Under the terms of the Total E&P Transaction, Serica UK will acquire a 42.25% interest in the Bruce field and a 25% interest

in the Keith field and associated infrastructure. The Total E&P Transaction also has an effective date of 1 January 2018 and completion will be subject to completion of the BP Transaction.

The BP Transaction was deemed a reverse takeover, an admission document was published and shareholders approved the BP Transaction at a General Meeting of the Company on 18 December 2017. There are still a number of conditions precedent which need to be satisfied ahead of completion of the BP Transaction. As part of the BP Transaction, operatorship of the Bruce, Keith and Rhum fields will be transferred from BP to Serica, along with approximately 110 BP staff.

This Transaction presents Serica with an opportunity to further increase its reserve and production base by assuming a greater interest in assets already well known to the Company and its shareholders. The Transaction is also structured in a way that minimises downside risk and dilution for shareholders, whilst also maintaining the Company's balance sheet resilience.

About the Assets

The net 2P Reserves attributable to the BHP Assets as at 1 August 2018 are estimated to amount to approximately 4.0 mmmboe. These reserves will provide a significant addition to the estimated 2P Reserves of approximately 58.7mmboe attributable to Serica (assuming completion of the BP Transaction and Total E&P Transaction).

The Bruce field was discovered in June 1974 and is located in the UK Northern North Sea, 350 km northeast of Aberdeen at a water depth of 122 metres and with an area of approximately 75 km². Field development was approved in 1990 and production started in 1993. Production is primarily gas with associated condensate and NGLs. The field produces from 11 reservoir units, separated by faulting and has had a cumulative production since 1993 of over 3tcf. To date there are over 60 well penetrations in the field with 21 producing wells.

The Keith field lies 6.8 km to the southwest of the Bruce field in a water depth of 120 meters and has been developed as a subsea tie-back to the Bruce complex. The Keith field was confirmed as a separate field to Bruce after drilling in 1987 and first came on production in 2000, with a second phase of development in 2002. No further capital programmes are planned on Keith as the field is in the final stages of its producing life. Subject to completion of the Total UK Acquisition, Serica UK intends to continue production from its single well as long as economically viable.

Wet gas from the Bruce and Keith fields is processed at the Bruce complex and then transported via a 6 km spur line through the Frigg pipeline to St. Fergus for Natural Gas Liquids extraction. Dry gas is delivered as part of a commingled gas stream at St. Fergus into the National Transmission System. NGLs are extracted at St. Fergus and transported via a 12-inch diameter, 22 km pipeline to Cruden Bay. The condensate is separated at the Bruce complex then exported via a 24-inch diameter line, 254 km to the Forties Unity platform. The liquids are then transported via the 36-inch diameter Forties pipeline 240 km to Cruden Bay, then overland to Grangemouth.

The BHP Assets include the Bruce field facilities which comprise three bridge-linked platforms. There is a production platform housing a crew of up to 168 with production and utilities equipment. The second platform is a drilling platform, with the third platform hosting reception and compression facilities.

The BHP Assets being acquired generated an operating profit before interest, taxation, depletion and amortisation of US\$14.68 million for the year ended 31 December 2017 based on unaudited financial information extracted from the BHP accounting records.

Summary of Assets (Net 2P Reserves as of 1 August 2018)

		Erskine	BP Assets	Total UK Assets	BHP Assets	Enlarged Group
Oil & Liquids	mmbbls	1.58	4.72	2.88	1.18	10.37
Gas	mmscf	8,737	236,263	42,525	16,589	304,114

Combined	mmboe	3.03	45.46	10.21	4.04	62.74
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Impact on Serica

The Transaction is structured to control risk and minimise shareholder dilution

The Transaction has been structured primarily on a deferred cash consideration basis, leaving Serica UK to pay a relatively small initial consideration of £1 million which is expected to be funded from Serica UK's share of net cash flow from the BHP Assets during the period from 1 January 2018 to completion of the Transaction. The Directors expect to be able to meet the future deferred cash consideration payable from Serica UK's share of the net cash flows from the BHP Assets following completion of the Transaction with the level of future payments linked to the performance of the BHP Assets thereby allowing both parties to share the benefits of improving field recoveries and production efficiencies.

Maintains the Company's balance sheet resilience

The consideration structure with its emphasis on future payments related to asset performance will assist Serica in maintaining its balance sheet resilience with net cash resources and limited borrowings. The Company's only borrowings at completion of the Transaction are expected to be drawings under the prepayment facility provided by BP in respect of the BP Transaction. In addition, the arrangements on decommissioning, under which BHP is retaining all of the decommissioning liabilities of existing facilities related to BHP Assets, will assist Serica in maintaining financial capability to support its future operations.

The Transaction is expected to be cash flow and value accretive

The Transaction is expected to be immediately cash flow and value accretive post-completion. Based on 2018 production rates, Serica's net production would increase by approximately 1,760boe/d as a result of the Transaction. Based on internal management estimates, pro-forma net 2P Reserves per Serica share are anticipated to increase by around 7%.

Increased scale

The Directors believe that scale is important in the international oil and gas industry. The Transaction will further increase Serica's prominence and profile, improving its ability to attract new investment funding when required. This increased scale places the Company in a strong position to grow both organically through application of technology and operational efficiencies and inorganically through further acquisitions.

Technical Information

The technical information contained in the announcement has been reviewed and approved by Clara Altobell, VP Technical at Serica Energy plc. Clara Altobell (MSc in Petroleum Engineering from Imperial College, London) has over 20 years of experience in oil & gas exploration, production and development and is a member of the Society of Petroleum Engineers (SPE) and the Petroleum Exploration Society of Great Britain (PESGB).

Regulatory

This announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

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Notes to Editors

Serica Energy is an oil and gas exploration and production company with exploration, development and production assets in the UK and exploration interests in the Atlantic margins offshore Ireland and Namibia. Serica holds an 18% non-operated interest in the Erskine field in the UK Central North Sea and a 50% operated interest in the Columbus field scheduled to commence development in 2019. OGA approval of the Columbus FDP was granted in October 2018.

Further information on the Company, the BP Transaction and the Total E&P Transaction can be found at www.serica-energy.com.

The Company is listed on the AIM market of the London Stock Exchange under the ticker SQZ and is a designated foreign issuer on the TSX. To receive Company news releases via email, please subscribe via the Company website.

Glossary

Term	Meaning
"2P"	proved plus probable reserves;
"bbls"	barrel of 42 US gallons;
"boe"	barrel of oil equivalent;
"boe/d"	barrels of oil equivalent per day;
"Discretionary Investment Works"	Any works or investment on the BHP Assets which is not classified as Necessary Investment Works;
"Dry Gas"	Dry Gas is a natural gas containing insufficient quantities of hydrocarbons heavier than methane to allow their commercial extraction or to require their removal in order to render the gas suitable for fuel use;
"Monthly Net Cash Flow Payment"	Monthly payments made subject to the terms of the NCFSD
"mmbbls"	million barrels of oil;
"mmboe"	million barrels of oil equivalents;
"mmscf"	million standard cubic feet;
"Necessary Investment Works"	Any works or investment relating to the above water facilities of the BHP Assets which; (i) is necessary in Serica's reasonable opinion to maintain production levels for the Bruce field up to the close of 2021; or (ii) is required to comply with directions from the UK Oil and Gas Authority or Health and Safety Executive;
"NGLs"	natural gas liquids extracted from gas streams;
"possible reserves"	possible reserves are those additional Reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves;
"probable reserves"	probable reserves are those additional Reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities

"proved reserves"	recovered will be greater or less than the sum of the estimated proved + probable reserves; proved reserves are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves;
"Reserves"	estimates of discovered recoverable commercial hydrocarbon reserves;
"Wet Gas"	Wet Gas is a natural gas containing sufficient quantities of hydrocarbons heavier than methane to allow their commercial extraction or to require their removal in order to render the gas suitable for fuel use.

ⁱ Throughout this document reserve figures are taken from the latest Serica internal management estimates dated 1 August 2018.