Serica Energy plc

("Serica" or the "Company")

Interim Results for the six months ended 30 June 2018

London, 28 September 2018 - Serica Energy plc (AIM: SQZ) today announces its financial results for the six months ended 30 June 2018. The results are included below and copies are available at www.serica-energy.com and www.sedar.com.

Results Highlights

Financial

- First half loss of US$8.4 million compared to a profit of US$10.3 million for the equivalent period last year resulting from suspension of Erskine production for the majority of the period and transition expenditure required to implement the BKR Transaction.

- Balance sheet remains robust with cash and cash equivalents plus term deposits at mid-year standing at US$21 million.

- No Group debt other than US$3.9 million drawn-down under a prepayment facility arranged with BP as part of the BKR Transaction with liquidity remaining strong throughout the period.

BKR and BK Transactions

- Good progress achieved on all elements of the transaction to acquire BP interests in the Bruce, Keith and Rhum fields ("BKR Transaction").

- Further acquisition of interests in Bruce and Keith from Total announced in August ("BK Transaction").

- Completion of both transactions targeted for 1 November to enable regulatory approval processes to complete.

- On completion Serica to benefit from receipt of 40% of post-tax net cash flows from the fields since 1 January 2018.

- Following completion Serica will assume operatorship and be the major partner in the Bruce, Keith and Rhum fields with 78.25%, 59.83% and 50% interests respectively.

Operations

Erskine Field (Serica 18%)

- Production from the Erskine field was suspended on 16 January and remained suspended throughout the period due to a blocked export pipeline carrying Erskine condensate from the Lomond platform to link into the Forties Pipeline System.

- A new 26km section of the line has been laid with construction recently completed and line tested and production is expected to recommence shortly.

Columbus Field (Serica 50% - Operator)

- Serica submitted a Field Development Plan ("FDP") to the Oil and Gas Authority on schedule at the end of June.

- The FDP is contingent on the construction of a new pipeline proposed by participants in the Arran field linking the fields to the Shearwater platform.

- Final approval of the FDP is expected before the end of 2018 with Columbus production start-up projected for the second quarter of 2021.

Exploration

- The Ensco 121, a modern high specification jack-up rig, has been contracted by ENI the Operator to drill the Rowallan prospect, a high pressure, high temperature prospect located close to the Erskine and Columbus fields.

- The well is targeted to commence drilling in December with Serica fully carried on all costs.

- P_{50} Prospective Resources in the Rowallan Prospect net to Serica are independently estimated to be 19.7 mmboe.

Commenting on the Results, Mitch Flegg, Serica's Chief Executive stated:

"The Company has made good progress in the first six months of 2018 despite the issues related to the Lomond condensate export pipeline. Serica has a solid cash base and is about to enter an exciting period of activity. Production from Erskine is expected to restart shortly, final approval of the Columbus FDP is due before the end of the year and the high-impact, fully-carried Rowallan exploration well will spud in December.

Most importantly, the BKR transaction is targeted to complete at the start of November. Preparations are almost complete and the Company has developed the necessary capabilities and processes to assume operatorship of these assets. Our new operational headquarters in Aberdeen are ready, our recruiting campaign has been extremely successful and we look forward to welcoming the members of BP staff who will transfer to Serica on completion of the BKR transaction.

We look forward to becoming operator of the Bruce, Keith and Rhum fields, so that we can take advantage of continued strong gas and oil prices and start to implement our plans to maximise recovery from these assets by prolonging field life. We will also continue to use our financial position in order to identify and pursue opportunities to grow our portfolio in the UK North Sea."

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.

In November 2017 Serica announced the BKR Transaction under which Serica UK will acquire interests in the Bruce, Keith and Rhum fields and associated infrastructure in the UK North Sea from BP. Under the terms of the BKR Transaction Serica UK will acquire a 36% interest in Bruce, a 34.83% interest in Keith and a 50% interest in Rhum ("BKR Assets"). The deal has an effective date of 1 January 2018.

In August 2018, Serica announced the proposed acquisition of further interests in the Bruce and Keith fields and associated infrastructure in the UK North Sea from Total E&P UK Limited ("Total E&P") ("BK Acquisition"). Under the terms of the BK Transaction, Serica will acquire a 42.25% interest in the Bruce field and a 25% interest in the Keith field ("BK Assets"). The BK Acquisition also has an effective date of 1 January 2018 and completion will be subject to completion of the BKR Transaction.

Further information on the Company 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.

INTERIM REPORT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

The following Interim Report of the operations and financial results of Serica Energy plc ("Serica") and its subsidiaries (together the "Group") contains information up to and including 27 September 2018 and should be read in conjunction with the unaudited interim consolidated financial statements for the period ended 30 June 2018, which have been prepared by and are the responsibility of the Company's management.

References to the "Company" include Serica and its subsidiaries where relevant. All figures are reported in US dollars ("US$") unless otherwise stated.

The results of Serica's operations detailed in the interim financial statements are presented in accordance with International Financial Reporting Standards ("IFRS").

The Company's shares are listed on AIM in London. Although the Company delisted from the TSX in March 2015, the Company is a "designated foreign issuer" as that term is defined under National Instrument 71-102 - *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers.* The Company is subject to the foreign regulatory requirements of the AIM market of the London Stock Exchange in the United Kingdom.

Serica is an oil and gas company with production, development and exploration activities based in the UK, Ireland and Namibia.

CHIEF EXECUTIVE REVIEW

The main event impacting first half financial results was the suspension of Erskine production early in the year to resolve a blockage in the Lomond to CATS Riser Platform condensate pipeline caused by wax build-up. Production was suspended on 16 January and remained suspended for the rest of the first half. This resulted in a first half loss of US$8.4 million compared to a profit of US$10.3 million for the equivalent period last year. With the new bypass section now installed and pressure tested, final preparations are being made to restart production in the coming days. Production is expected to build up rapidly to levels achieved in the first half of last year. Further benefit is expected from the recent strengthening of oil and gas prices.

The Group's consolidated balance sheet at mid-year remains robust. We hold no debt other than a prepayment facility arranged with BP as part of the BKR transaction and our liquidity has remained strong throughout the period. Cash and cash equivalents plus term deposits at mid-year stood at US$21 million notwithstanding the suspension of production during the period, the impact of one-off transition costs relating to the BKR transaction and an increase in administration costs required to oversee the Company's expansion. The BKR transition costs are projected to continue until completion of the BKR transactions when the Company is expected to benefit from receipt of completion proceeds resulting from strong production levels prevailing since the start of the year, further boosted by higher than anticipated gas prices.

We continued to make solid progress on all aspects of our growth strategy in the first half of the year aimed at building the foundations for strong future production performance. At the end of the period we submitted a field development plan for the Columbus field to the Oil and Gas Authority utilising a new pipeline to be constructed by the owners of the nearby Arran field. This pipeline, connecting the Arran fields to the Shearwater complex, is planned to pass close to Columbus and provides a commercial option for field development. Recent changes to equity holdings in the Arran partnership have affected their project approval timing, which is required before final approval of the Columbus field development plan, but this is still expected before the end of 2018 with production start-up projected for the second quarter of 2021.

On the Erskine field the restart of production is just pending final commissioning activities following a long period during which production was suspended due to wax build-up in the Lomond to CATS Riser Platform condensate export pipeline which caused a line blockage. Completion of a new 26km section of the pipeline means that we will be less exposed to the wax build-up problems in future years and should enable Erskine to reach its full potential.

The major effort since the turn of the year has been on the work required for successful completion of the transaction under which Serica will acquire interests in and operatorship of the Bruce, Keith and Rhum fields in the northern North Sea from BP (the "BKR transaction"). We were delighted to be able to announce on 3 August 2018 that we had reached agreement, conditional on completion of the BKR transaction, to acquire further interests in Bruce and Keith from Total (the "BK transaction"). Successful completion of these two interrelated transactions will place Serica as one of the leading independent UK Offshore operators and enable us to optimise the full performance of these valuable UK offshore assets, extend their producing life where possible and ensure maximum recovery of remaining reserves. Completion is conditional inter alia on a number of consents and significant progress has been made to bring these to a successful conclusion.

The transaction with BP requires the renewal of an authorisation from the US Office of Foreign Assets Control ("OFAC") for the provision of essential goods, services and support by certain US persons to the Rhum field, replacing an existing authorisation due to expire on 30 September 2018. This results from the interest held by The Iranian Oil Company (U.K.) Limited ("IOC") in the Rhum field. On 8 May the US Government announced the introduction of wider US sanctions on Iran which introduced a number of new regulatory hurdles. Constructive discussions have been held with the relevant UK and US authorities to meet these wider conditions. To provide more time for the authorisation processes to be completed, the completion schedule has been extended but we remain on track to complete the transactions with BP and Total and are hopeful that authorisations will be forthcoming to enable us to complete in this timeframe. Considerable effort has been expended to manage the complex transition requirements and Serica is ready to complete the transactions with BP and Total once all outstanding consents have been received. Following completion Serica will assume operatorship and be the major partner in the Bruce, Keith and Rhum fields with 78.25%, 59.83% and 50% interests respectively.

We are looking forward to a very active fourth quarter. A rig, the Ensco 121, has been contracted to drill the Rowallan well in which we have a fully carried 15% interest. With the well due to spud in December this year, Erskine restarting and Columbus close to final development decision the balance of 2018 should be an important period for Serica. Successful completion of the BKR transactions in the same period will be transformational for the Company and combine with our other activities to provide for an exciting period of growth. It is our intention to build on the strong platform created by these activities to seek further growth potential for the Company.

Mitch Flegg
Chief Executive Officer
27 September 2018

BKR ASSET ACQUISITION

On 21 November 2017 Serica announced that it had reached agreement to conditionally acquire the BKR Assets from BP. The BKR Assets comprise BP's interests in the Bruce, Keith and Rhum fields (36%, 34.83% and 50% respectively) in the North Sea along with associated oil and gas infrastructure. BP is retaining a 1% interest in the Bruce field. Subject to completion, Serica will also become the operator of the BKR Assets and the Directors anticipate that approximately 110 BP employees will be transferred to Serica. Serica has also now separately recruited several additional employees, with further appointments in progress.

The consideration being paid to BP comprises:

i) an initial consideration of £12.8 million payable on completion to be adjusted for working capital calculated from an effective date of 1 January 2018;

ii) a further contingent amount of up to £16 million dependent on the Rhum R3 Well (the third well on the Rhum field) achieving a specified minimum production threshold for 90 days during the first year following completion of the workover of the well;

iii) an additional contingent consideration of up to £23.1 million in aggregate payable in three instalments of up to approximately £7.7 million each in respect of 2019, 2020 and 2021 if the Rhum field production volumes and sales prices meet or exceed certain agreed levels. The amounts payable will be reduced if Rhum field production and the price achieved for sales of Rhum gas do not meet the agreed levels;

iv) deferred cash consideration calculated as a percentage (60% in 2018, 50% in 2019 and 40% in each of 2020 and 2021) of the net cash flows resulting from BP's interests in the BKR Assets from 2018 through to 2021. These will be calculated post-tax for the period up to completion and pre-tax for the periods after completion;

v) deferred consideration equal to 30% of BP's retained share of future decommissioning costs, reduced by the tax relief BP receives on such costs; and

vi) deferred consideration equal to 90% of Serica's share of the realised value of oil in the Bruce pipeline at the end of field life.

The deferred and contingent cash consideration is expected to be financed from the cash flow from the BKR Assets.

BP will retain liability for all the costs of decommissioning facilities, including wells existing at completion relating to the BKR Assets. Serica will pay for the costs of decommissioning new facilities.

As part of the acquisition, Serica has entered into product sales agreements with certain BP entities to off-take Serica's share of production of gas, oil and natural gas liquids from the BKR Assets on market terms. In addition, BP Gas has agreed to provide Serica with a prepayment facility of up to £16 million to provide for drawings to cover the cost of gas price hedging instruments which have been purchased by Serica in conjunction with signing the acquisition agreement and, if required, the initial consideration.

BK ASSET ACQUISITION

On 3 August 2018 Serica announced that it had reached agreement to conditionally acquire further interests in the Bruce and Keith fields from Total E&P UK Limited ("Total E&P") ("BK Acquisition"). The BK Assets comprise Total E&P's interests in the Bruce and Keith fields (42.25% and 25% respectively) in the North Sea along with associated oil and gas infrastructure. Total E&P is retaining a 1% interest in the Bruce field.

The consideration being paid to Total E&P comprises:

i) an initial consideration of US$5.0 million payable on completion to be adjusted for working capital calculated from an effective date of 1 January 2018;

ii) further cash consideration of US$15 million to be paid in three instalments of US$5 million. These instalments are payable subject to continued production from the Rhum field (production of which is transported via the BK Assets) with the instalments payable in three tranches approximately 8, 16 and 24 months following completion of the BK Acquisition. Should Rhum production be interrupted due to the application of US Sanctions limiting Rhum operations, the relevant instalments will be deferred, providing Serica with protection in the event that US Sanctions are imposed more widely than currently anticipated;

iii) deferred cash consideration calculated as a percentage (60% in 2018, 50% in 2019 and 40% in each of 2020 and 2021) of the net cash flows resulting from Total E&P 's interests in the BK Assets from 2018 through to 2021. These will be calculated post-tax for the period up to completion and pre-tax for the periods after completion;

iv) deferred consideration equal to 30% of Total E&P's retained share of future decommissioning costs, reduced by the tax relief Total E&P receives on such costs; and

v) deferred consideration equal to 90% of Serica's share of the realised value of oil in the Bruce pipeline at the end of field life.

The deferred and contingent cash consideration is expected to be financed from the expected cash flow from the BK Assets.

Total E&P will retain liability for all the costs of decommissioning facilities, including wells existing at completion relating to the BK Assets. Serica will pay for the costs of decommissioning new facilities.

Completion of the BK Acquisition will be subject to completion of the previously announced acquisition of interests in the Bruce, Keith and Rhum fields from BP ("BKR Transaction"). The BK Acquisition is also subject to inter alia certain regulatory, government and partner consents.

REVIEW OF OPERATIONS

UK Operations

Production

<u>Central North Sea: Erskine Field – Blocks 23/26a (Area B) and 23/26b (Area B), Serica 18%</u>

All of Serica's 2017 and 1H 2018 production came from its 18% interest in Erskine, a gas and condensate field located in the UK Central North Sea. Serica's co-venturers are Chevron, 50% (operator), and Chrysaor Limited, 32% as of November 2017. Erskine fluids are processed and exported via the Lomond platform, which is 100% owned and operated by Chrysaor Limited.

Erskine production during 2018 to date has been significantly impacted as field production was suspended from mid-January, with restart expected shortly. Production for 1H 2018 averaged 168 boe per day net, compared to 2,800 boe per day net for the 1H 2017 period during which high uptime performance from export facilities and good performance from the Erskine wells was achieved.

The suspension of Erskine production was caused by a blocked condensate export line. During cleaning operations in January 2018, a blockage occurred in the Lomond to CATS Riser Platform pipeline, through which Erskine condensate is exported to market. The blockage occurred during activities designed to maintain the export route by passing soft gel pigs through the pipeline. Chrysaor, the Operator of this pipeline, attempted various procedures to resolve this problem whilst also commencing a pipeline bypass plan.

In April, as remedial procedures to remove the blockage had not achieved a significant breakthrough, Chrysaor made the decision to cease clearance operations and instead concentrate on accelerating the pipeline bypass programme. An extended maintenance programme on the Lomond platform, designed to improve future performance of the facilities through reducing production interruptions and potentially reducing the duration and frequency of future planned shut-downs in the coming years was also carried out.

The pipeline bypass project involved the laying of a new 26km length of pipeline to bypass the zone affected by wax deposits. A route survey was completed and approvals for the work from the authorities were received in July. Pipeline construction began in August and following the recent conclusion of tie-ins and testing, the pipeline has been completed.

After a short commissioning period, a proactive cleaning programme will commence in order to keep the pipeline free of wax through high frequency pigging. Serica is working with the operators of Erskine and Lomond to improve uptime of the export facilities and return to performance levels seen at the beginning of 2017.

A CPR of the Erskine field confirmed Serica's share of estimated proven plus probable reserves at 3.1 million boe as of 1 January 2018.

Development

Central North Sea: Columbus Development – Blocks 23/16f and 23/21a (part), Serica 50%

The Columbus gas condensate field is located in Blocks 23/16f and 23/21a Columbus Subarea in the UKCS Central North Sea. Serica is Columbus development operator with partners EOG Resources United Kingdom Limited (25%) and Endeavour Energy UK Limited (25%). EOG recently announced its intention to sell its stake in Columbus to Tailwind Energy as part of a larger transaction. The field is located in the Eastern Central Graben, UK Central North Sea and the reservoir is located within the Forties Sandstone.

Two development options were evaluated, a subsea well into Columbus connected to a proposed pipeline between the nearby Arran field and the Shearwater platform, and an extended-reach development well into Columbus drilled directly from the Lomond platform. Serica and its partners chose to select the subsea well option and informed the OGA of this decision in March 2018.

In June 2018, Serica announced the submission of a Field Development Plan ("FDP") for the Columbus development. The FDP provides for the supply of up to 40 million cubic feet of gas per day (gross) at peak to the UK gas market and 1,150 barrels per day (gross) of condensate and natural gas liquids ("NGLs").

Under the FDP the development area will be drained by a single subsea well, which will be connected to the proposed Arran-Shearwater pipeline, through which Columbus production will be exported along with Arran field production. The FDP is therefore contingent on development approval and go-ahead for the Arran project. When the production reaches the Shearwater platform facilities, it will be separated into gas and liquids and exported via the SEGAL line to St Fergus and Forties Pipeline System to Cruden Bay respectively. Columbus development timing will depend on the Arran-Shearwater pipeline being tied into the Shearwater platform in Q3 2020. Columbus start-up is targeted for Q2 2021.

The OGA has indicated that its approval of the FDP will be subject to certain standard requirements including approval of the Columbus Environmental Statement ("ES"), which has been submitted to the Department for Business, Energy & Industrial Strategy and is progressing through the approval process.

In view of the time required to complete the ES approval process and in light of recent changes to equity interests in the Arran partnership and hence their project approval timing, both of which are required before the Columbus FDP can be approved, the OGA has confirmed an extension of the current licence term to mid-January 2019. Final approval of the FDP is expected before the end of 2018.

A CPR carried out in 2017 estimates net 2C contingent resources to Serica on the Columbus field to be 6.7 mmboe as at 30 June 2017. Once the FDP is approved, Columbus contingent resources will be redefined as reserves.

Exploration

Central North Sea: Rowallan Prospect - Block 22/19c, Serica 15%

Block 22/19c is located in the Central North Sea, around 20 km west of the Columbus field. It contains the Rowallan Prospect comprising potential condensate targets in the Triassic Skagerrak and the Middle Jurassic Pentland formations. Serica's partners comprise ENI UK Limited (operator – 40%), JX Nippon Exploration and Production (U.K.) Limited (25%) and Mitsui E&P UK Limited (20%).

Well preparations for the Rowallan Prospect are at an advanced stage with drilling targeted to commence in December this year. A vessel was deployed in December 2017 to complete a site survey in preparation for drilling and the operator, ENI UK Limited, has now contracted the Ensco 121 a modern high specification jack-up rig to drill this high pressure, high temperature prospect located close to the Erskine and Columbus fields. Serica is fully carried on all costs relating to the well.

A CPR carried out in 2017 estimated the P_{50} Prospective Resources in the Rowallan Prospect net to Serica to be 19.7 mmboe.

Pending UK Licences

In May 2018, Serica was provisionally awarded three new exploration licence areas on the UK Continental Shelf in the UK's 30th Offshore Licensing Round.

Rowallan South – Blocks 22/24f (split) and 22/25c (split), Serica Energy (UK) Limited: 20% working interest, operator ENI UK. These blocks lie directly to the south of the Rowallan Prospect, in which Serica holds a 15% interest and which is due to be drilled later this year. The blocks are offered on condition of making a 'drill or drop' decision to enter the next phase. The licence is expected to be formally awarded with a start date of 1 October 2018.

Columbus West – Block 23/21b, Serica Energy (UK) Limited: 50% working interest, operator Summit Exploration and Production. The block lies immediately to the west of the Columbus field. The proposed work programme contains further seismic reprocessing and a 'drill or drop' decision to enter the next phase. The licence is expected to be formally awarded with a start date of 1 October 2018.

Skerryvore – Blocks 30/12c (part), 30/13c (split), 30/17h, 30/18c and 30/19c (part), Serica Energy (UK) Limited: 20% working interest, operator Parkmead. The Skerryvore prospect lies in the Central North Sea, 60km south of the Erskine field. The proposed work programme includes shooting new 3D seismic data and a contingent well decision. There is a separate licence for block 30/19c with a drill or drop decision and both licences are expected to be formally awarded with a start date of 1 October 2018.

Ireland

Serica has no significant financial commitments outstanding on any of its three Irish licences and is seeking farm-in partners before committing to drill prospects identified on these licences.

Rockall Basin: Frontier Exploration Licences 1/09 and 4/13, Serica 100%

Licence 4/13 contains structural prospects Aghla Beg and Aghla More and the overlying stratigraphic prospect Derryveagh. A process to enhance the 3D seismic data over the prospects has enabled the identification of a fractured basement play within the Aghla Beg prospect. This work has also shown Aghla More to be relatively unfractured and so strengthens the interpretation that it comprises a clastic sedimentary section comparable to nearby Dooish discovery. Serica is holding discussions with the authorities about securing an extension of this licence beyond the November 2018 expiry of the current term.

Serica secured an extension of Licence 1/09 to January 2019. Licence 1/09 contains a large, clearly defined structural prospect, which is also analogous to the Dooish discovery. A study to further investigate the rock properties within the Muckish prospect and to identify other leads in the shallower sections of the licence is underway.

Serica is seeking a partner to participate in drilling a well in one or both of blocks 1/09 and 4/13.

Slyne Basin: Frontier Exploration Licence 1/06, Serica 100%

This licence contains the Bandon oil discovery drilled by Serica in 2009. A study to investigate the quality of oil that could be expected in the Boyne prospect located on the licence indicates that oil would be over 30° API, significantly lighter than that discovered in the Bandon well and capable of producing without assistance.

Serica is holding discussions with the authorities about securing an extension of this licence beyond its current November 2018 expiry and is seeking to identify a farm-in partner to participate in drilling the Boyne oil prospect. In the event of a commercial discovery, a swift development could be implemented to achieve an early first oil date.

Namibia

Luderitz Basin: Blocks 2512A, 2513A, 2513B and 2612A (part), Serica 85%

Serica obtained a one-year extension to the first renewal period of the licence running until the end of 2019. This licence period does not include a commitment to drill a well. The excellent 3D seismic data acquired in a major seismic programme operated by Serica has identified giant carbonate prospects as well as large Cretaceous fan prospects supported by seismic anomalies. Regional studies have shown that the location of the licence in the Luderitz basin is ideally placed for source rock maturity. Exploration activity has increased in the region, with exploration wells being drilled in the near term and an increase in M&A activity. Serica is seeking partners to participate in a further exploration and has secured the services of a specialist A&D company to assist in marketing these opportunities.

FINANCIAL REVIEW

Group loss after tax of US$8.4 million for 1H 2018 compares to a profit after tax of US$10.3 million for 1H 2017. Results for 1H 2018 were adversely impacted by suspension of Erskine field production from mid-January and also include US$4.8 million of costs related to the BKR acquisition.

BKR and BK Asset acquisitions

Details of the proposed acquisitions, of the BKR Assets from BP and of the BK assets from Total E&P are covered above. The deals have an effective date of 1 January 2018 and completion of the acquisition is expected to take place in Q4 2018. Although the most significant accounting aspects of the transactions will apply from the date of completion, under a prepayment facility arranged with BP Gas, drawings have been made to cover the initial consideration and cost of premiums payable for gas price puts purchased by Serica in conjunction with signing the BKR acquisition agreement.

Results from operations

A summary of the income statement results for continuing operations is given below.

<u>Income statement – continuing operations</u>

The 1H 2018 period has been significantly impacted by the extended Erskine field production suspension from 16 January. Serica generated a 1H 2018 gross loss of US$2.6 million (1H 2017: gross profit US$13.6 million) from its 18% Erskine field interest. Net combined oil and gas production of 30,400 boe in 1H 2018 compared to 507,000 boe for 1H 2017.

Sales revenues

The Company currently generates all its sales revenues from the Erskine field. Revenue is earned from oil, gas and NGL product streams. Serica's condensate allocation is sold as Forties crude oil. All products are sold at monthly average spot prices for the respective products. The Brent oil benchmark averaged over US$71 per barrel in 1H 2018 (1H 2017: average of US$52 per barrel) whilst UK NBP gas prices averaged approximately 52 pence per therm across the 1H 2018 period (1H 2017: average of 42 pence per therm).

Due to the extended production suspension covering most of 1H 2018, Erskine field production averaged 168 boe per day net to Serica in 1H 2018 (1H 2017: 2,801 boe per day net). Net gas production averaged 0.5 mmscf per day during 1H 2018 (1H 2017: 9.0 mmscf per day), whilst condensate production averaged 90 barrels per day (1H 2017: 1,312 barrels per day).

Sales revenues in 1H 2018 from lifted barrels of oil were US$4.0 million (1H 2017: US$11.9 million) at an average realised price of US$67.0/bbl (1H 2017: US$51.5/bbl). Associated NGL products earned additional revenue of US$0.03 million (1H 2017: US$0.2 million).

The 1H 2018 gas production was sold at prices averaging US$6.8 per mscf (1H 2017: US$5.3 per mscf) and generated US$0.6 million (1H 2017: US$8.7 million) of revenue net to Serica.

Three NGL products (Propane, Butane and Naphtha) are derived from associated gas production and contributed revenue of US$0.04 million (1H 2017: US$1.6 million) net to Serica.

Liquids over/underlift

Over/underlifts occur when volumes of oil and NGLs sold exceed/are below volumes produced and movements had historically been classified within revenues. Following the adoption of IFRS 15 'Revenue from Contracts with Customers', movement in liquids over/underlift is classified in cost of sales with effect from 1 January 2018.

Cost of sales in 1H 2018 also include US$3.3 million reflecting the increase in liquids overlift position at 30 June 2018 compared to 31 December 2017. The comparative 1H 2017 charge of US$0.6 million is classified in revenue.

Cost of sales and depletion charges

Cost of sales is driven by production from the Erskine field and comprises field operating costs, a depletion charge against the asset's net book amount and, with effect from 1 January 2018, movement in liquids over/underlift.

The overall 1H 2018 charge of US$4.0 million (1H 2017: US$8.3 million), excluding overlift movement, comprised direct field operating costs of US$3.9 million (1H 2017: US$7.1 million) and non-cash depletion of US$0.1 million (1H 2017: US$1.2 million). The most significant elements of the field operating costs are as follows: Erskine's contribution to the running costs of the Lomond facilities, standalone Erskine field operating costs, other transportation costs for use of the FPS and CATS pipelines, and charges for any necessary surface or sub-surface maintenance work. Significant operational expenditure continues during periods of field shut-down when no revenue is earned.

The US$3.2 million decrease in field operating costs from 1H 2017 to 1H 2018 arose from a reduction in variable operating costs directly linked to field production, and also a reduction in Erskine's contribution to Lomond facility costs, agreed following the reduced availability of the Lomond facilities in the period. Operating costs are billed in GB£.

Depletion charges principally represent the costs of Erskine acquisition spread over the estimated remaining commercial life of the field on a unit of production basis.

Other expenses and income

Other expenditure of US$1.8 million in 1H 2018 (1H 2017:US$0.1 million) represented hedging losses, including significant unrealised amounts, net of gains.

Pre-licence expenditure of US$0.04 million for 1H 2018 remained at a similar low level to the 1H 2017 charge of US$0.1 million. Pre-licence costs included direct costs and allocated general administrative costs incurred on oil and gas activities prior to the award of licences, concessions or exploration rights.

No exploration and evaluation ('E&E') asset impairment charges were recorded in 1H 2018. Asset write-offs of US$1.5 million in 1H 2017 related to the relinquished Doyle block in the UK.

Administrative expenses of US$1.4 million for 1H 2018 were increased from the 1H 2017 charge of US$0.9 million. This increase is mainly due to the recruitment of further members of the management team announced in November 2017 as part of the expansion the Company's operations.

Foreign exchange

Serica retains certain non-US$ cash holdings and other financial instruments relating to its operations. The US$ value of these may fluctuate from time to time causing reported foreign exchange gains and losses.

The impact of foreign exchange was significantly reduced in the 1H 2018 period with foreign exchange losses of US$0.04 million compared to 1H 2017 reported gains of US$0.3 million. The gains in 1H 2017 largely reflected an increase in the reported US$ equivalent of £ cash balances caused by the strengthening of £ against the US$ during that period. Unrealised gains on the revaluation of £ cash balances were partially offset by realised losses on settlement of significant £ creditors.

Other

Significant transaction and transition costs on the BKR Asset acquisition have been incurred throughout 1H 2018. These were largely incurred on the significant work streams associated with the preparations for the transfer of operatorship of the BKR Assets, including IT costs, the transfer of documentation and contracts, and general preparation covering all associated processes. US$4.8 million has been expensed in 1H 2018 with a further amount of US$1.3 million capitalised as fixtures and fittings mainly for information technology assets incurred during the BKR transition 1H 2018 period.

Finance revenue of US$0.2 million in 1H 2018, largely consisting of bank interest receivable, increased from US$0.1 million in 1H 2017.

Finance costs of US$0.1 million were incurred in 1H 2018 (1H 2017: US$0.1 million) largely comprising the interest accruing on the liability payable to BP relating to the Erskine acquisition.

Serica's significant UK ring fence tax losses brought forward have been applied to fully shelter Erskine net income from tax payments and are expected to be sufficient to cover future income from the field leaving a surplus available that can be applied to revenues from the BKR Asset acquisition after completion. The Group held approximately US$146 million of UK ring fence tax losses as at 31 December 2017.

The deferred taxation credit of US$2.5 million in 1H 2018 (1H 2017: charge of US$0.8 million) arose from the recognition of a corresponding deferred tax asset from historic tax losses expected to be utilised from future Erskine field profits.

Balance Sheet

During 1H 2018, the total carrying value of investments in E&E assets increased by US$1.0 million from US$53.4 million to US$54.4 million. The additions in the 1H 2018 period of US$1.0 million have occurred on the following assets. In the UK, US$0.6 million was incurred on the Columbus development and other exploration licences. In Ireland, US$0.2 million was incurred on exploration work on the Rockall licences and US$0.1 million on the Slyne interest. In Africa, US$0.1 million was incurred in respect of the Luderitz basin licence interests in Namibia.

The property, plant and equipment balance of US$9.5 million as at 30 June 2018 comprises the net book amount of the Erskine asset acquisition costs capitalised on completion of the transaction net of depletion charges to-date, and US$1.3 million for information technology assets incurred during the BKR transition process.

Trade and other receivables at 30 June 2018 totalled US$5.8 million, an increase of US$3.5 million from the 2017 year-end balance of US$2.3 million. The 30 June 2018 balance contain a new significant element of US$4.0 million in respect of an advance to

BP in settlement of the value of an overlift of oil sold, pending restart of Erskine production.

The financial asset of US$0.5 million reflects the fair value as at 30 June 2018 of a prepayment for gas put options covering floor prices for a proportion of production volumes through 2H 2018 to 1H 2020, purchased in conjunction with signing the BKR Assets acquisition agreement (2017: US$2.7 million).

Cash and cash equivalents, and short-term deposits, decreased from US$34.0 million to US$21.0 million during 1H 2018. Term deposits are disclosed separately on the face of the balance sheet when their term is greater than three months and they are unbreakable. Operating cash inflows from net Erskine field sales were significantly reduced in the 1H 2018 period compared to 1H 2017 due to the suspension of field production. The Company also paid the final US$2.8 million tranche (excluding interest) of Erskine consideration to BP and significant transition costs arising from the BKR Assets acquisition. Other cash outflows were incurred on E&E assets across the portfolio in the UK, Ireland and Namibia, ongoing administrative costs and corporate activity.

Short-term trade and other payables totalled US$9.5 million at 30 June 2018 (31 December 2017: US$7.8 million). This balance comprises US$4.1 million in respect of a liquids overlift position, liabilities associated with the BKR Assets acquisition, capital and operational liabilities for the Erskine interest, and other creditors and accruals for E&E asset, corporate and administrative expenditure.

Provisions of US$2.7 million comprise an estimate for certain contingent payments related to savings in Erskine field operating costs that may be made to BP under the terms of the Erskine acquisition.

Long-term financial liabilities of US$3.9 million as at 30 June 2018 comprise drawings under the BKR prepayment facility. The prepayment facility carries interest at one-month LIBOR plus 4.5% per annum compounded monthly and added to the outstanding amount and has a maximum duration of three years from initial drawings. Repayments will commence six months after completion of the BKR acquisition and be based on 35% of Serica's retained share of gas sales revenues from the BKR Assets including any price related hedging gains and after deduction of those proportions due to BP under the Net Cash Flow Sharing Deed.

Serica's share of estimated decommissioning costs relating to its 18% Erskine field interest will be met by BP up to a level of £31.3 million, adjusted for inflation, with Serica being responsible for any costs beyond that. No provision for decommissioning liabilities for the Erskine field is recorded at 30 June 2018 as the Company's current estimate for such costs is under the level to be funded by BP.

Cash balances and future commitments

Current cash position, capital expenditure commitments and other obligations

At 30 June 2018, the Group held cash and cash equivalents, and term deposits of US$21.0 million. Cash and term deposits had reduced to US$13.7 million by 26 September 2018.

At 30 June 2018, the Group held put options covering 2H 2018, 2019 and 1H 2020 daily volumes of 230,000, 240,000 and 160,000 therms of gas per day respectively, at floor prices of 35 pence per therm.

Erskine field commitments
Net revenues from the Erskine field are expected to cover ongoing field operational and capital expenditure.

Management believes there are sufficient resources to meet the current committed programme for 2018 but remains conscious that a single field income stream exposes it to operational and infrastructure risks and the consequent need for adequate working capital to cover associated fluctuations in revenue. Whilst the new pipeline section is expected to improve Erskine operational uptime considerably the field has a history of intermittent production performance caused by downstream infrastructure and operational expenditure which continues during periods of field shut-down when no revenue is earned. Successful completion of the BKR and BK Assets acquisitions will diversify the Group's sources of revenue.

Non-Erskine commitments
The Group has no significant exploration commitments.

In the UK, the Group's costs of the exploration well on 22/19c will be fully carried by a third party.

Progress towards the Columbus development continued with the submission of a Field Development Plan in June 2018. Capital costs associated with the project are expected to be funded from future Group operating cashflows.

Other

Asset values and Impairment

At 30 June 2018 Serica's market capitalisation stood at US$209.1 million (£158.4 million, based upon a share price of £0.60, which exceeded the net asset value at that date of US$94.3 million. By 26 September 2018 the Company's market capitalisation had increased to US$306.4 million. Management conducted a thorough review of the carrying value of the Group's assets and determined that no significant write-downs were required.

Additional Information

Additional information relating to Serica, can be found on the Company's website at www.serica-energy.com and on SEDAR at www.sedar.com

Approved on behalf of the Board
Mitch Flegg
Chief Executive Officer

27 September 2018

Forward Looking Statements

This disclosure contains certain forward looking statements that involve substantial known and unknown risks and uncertainties, some of which are beyond Serica Energy plc's control, including: the impact of general economic conditions where Serica Energy plc operates, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. Serica Energy plc's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that Serica Energy plc will derive therefrom.

Serica Energy plc

Group Income Statement

For the period ended 30 June

Continuing operations	*Notes*	Six months ended 30 June 2018 US$000 (Unaudited)	Six months ended 30 June 2017 US$000 (Unaudited)	Year ended 31 Dec 2017 US$000 (Audited)
Sales revenue	4	4,587	21,922	31,966
Cost of sales	5	(7,276)	(8,332)	(12,668)
Gross (loss)/profit		(2,689)	13,590	19,298
Other expense		(1,842)	(148)	(1,426)
Pre-licence costs		(41)	(99)	(303)
Impairment and write-off of E&E assets	6	-	(1,523)	(1,612)
Administrative expenses		(1,405)	(920)	(2,244)
Foreign exchange (loss)/gain		(44)	292	511
Share-based payments		(146)	(24)	(98)
BKR transaction costs	3	(4,783)	-	-
Operating (loss)/profit from continuing operations		(10,950)	11,168	14,126
BKR transaction costs	3	-	-	(3,386)
Finance revenue		178	81	246
Finance costs		(140)	(67)	(138)
(Loss)/profit before taxation		(10,912)	11,182	10,848
Taxation credit/(charge) for the period	10	2,510	(839)	6,255
(Loss)/profit after taxation and (loss)/profit for the period		(8,402)	10,343	17,103
Earnings per ordinary share (EPS)				
(Loss)/profit on continuing operations				
Basic and diluted EPS (US$)		(0.03)	0.04	0.06
(Loss/profit for the period				
Basic and diluted EPS (US$)		(0.03)	0.04	0.06

Group Statement of Comprehensive Income

There are no other comprehensive income items other than those passing through the income statement.

Serica Energy plc
Group Balance Sheet

	Notes	30 June 2018 US$000 (Unaudited)	31 Dec 2017 US$000 (Audited)	30 June 2017 US$000 (Unaudited)
Non-current assets				
Exploration & evaluation assets	6	54,407	53,413	52,742
Property, plant and equipment	7	9,534	7,640	7,608
Deferred tax asset		18,719	16,209	9,115
		82,660	77,262	69,465
Current assets				
Inventories		416	453	396
Trade and other receivables		5,778	2,274	4,931
Derivative financial asset		511	2,670	-
Term deposits		2,641	5,698	5,600
Cash and cash equivalents		18,374	28,279	25,083
		27,720	39,374	36,010
TOTAL ASSETS		110,380	116,636	105,475
Current liabilities				
Trade and other payables		(9,504)	(7,825)	(4,899)
Provisions		(2,690)	(2,234)	-
Non-current liabilities				
Trade and other payables		-	-	(2,924)
Financial liabilities		(3,908)	(3,825)	-
Provisions		-	(456)	(2,190)
TOTAL LIABILITIES		(16,102)	(14,340)	(10,013)
NET ASSETS		94,278	102,296	95,462
Share capital	8	229,546	229,308	229,308
Other reserves		20,959	20,813	20,739
Accumulated deficit		(156,227)	(147,825)	(154,585)
TOTAL EQUITY		94,278	102,296	95,462

Serica Energy plc
Group Statement of Changes in Equity

For the year ended 31 December 2017 and period ended 30 June 2018

Group

	Share capital US$000	Other reserves US$000	Deficit US$000	Total US$000
At 1 January 2017 (audited)	229,308	20,715	(164,928)	85,095
Profit for the period	-	-	10,343	10,343
Total comprehensive income	-	-	10,343	10,343
Share-based payments	-	24	-	24
At 30 June 2017 (unaudited)	229,308	20,739	(154,585)	95,462
Profit for the period	-	-	6,760	6,760
Total comprehensive income	-	-	6,760	6,760
Share-based payments	-	74	-	74
At 31 December 2017 (audited)	229,308	20,813	(147,825)	102,296
Loss for the period	-	-	(8,402)	(8,402)
Total comprehensive income	-	-	(8,402)	(8,402)
Issue of shares	238	-	-	238
Share-based payments	-	146	-	146
At 30 June 2018 (unaudited)	229,546	20,959	(156,227)	94,278

Serica Energy plc
Group Cash Flow Statement
For the period ended 30 June

	Six months ended 30 June 2018 US$000 (Unaudited)	Six months ended 30 June 2017 US$000 (Unaudited)	Year ended 31 Dec 2017 US$000 (Audited)
Operating activities:			
(Loss)/profit for the period	(8,402)	10,343	17,103
Adjustments to reconcile profit/(loss) for the period to net cash flow from operating activities			
Taxation charge/(credit)	(2,510)	839	(6,255)
BKR transaction costs	4,783	-	3,386
Net finance (income)/costs	(38)	(14)	(108)
Depletion and amortisation	87	1,217	1,710
Oil and NGL overlift increase	3,289	592	1,163
Impairment and write-offs of E&E assets	-	1,523	1,612
Unrealised and realised hedging losses	2,159	-	1,133
Share-based payments	146	24	98
Other non-cash movements	44	(292)	(406)
Cash outflow on BKR transaction	(3,632)	-	(1,867)
Increase in financial assets	-	-	(3,803)
(Increase)/decrease in receivables	(3,504)	1,568	4,110
Decrease /(increase) in inventories	37	5	(52)
Increase/(decrease) in payables	307	1,845	(291)
Net cash (out)/inflow from operations	(7,234)	17,650	17,533
Investing activities:			
Interest received	178	81	246
Purchase of E&E assets	(994)	(1,095)	(1,855)
Purchase of P, P & E	(1,981)	-	(72)
Cash outflow arising on asset acquisition	(2,775)	(2,775)	(2,775)
Changes in term deposits	3,057	(5,600)	(5,698)
Net cash outflow from investing activities	(2,515)	(9,389)	(10,154)
Financing activities:			
Issue of ordinary shares	238	-	-
Proceeds from borrowings	-	-	3,803
Finance costs paid	(254)	(133)	(135)
Net cash (out)/inflow from financing activities	(16)	(133)	3,668
Cash and cash equivalents			
Net (decrease)/increase in period	(9,765)	8,128	11,047
Effect of exchange rates on cash and cash equivalents	(140)	362	639
Amount at start of period	28,279	16,593	16,593
Amount at end of period	18,374	25,083	28,279

Serica Energy plc

Notes to the Unaudited Consolidated Financial Statements

1. Corporate information

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 27 September 2018.

Serica Energy plc is a public limited company incorporated and domiciled in England & Wales. The Company's ordinary shares are traded on AIM in London. The principal activity of the Company is to identify, acquire and exploit oil and gas reserves.

2. Basis of preparation and accounting policies

Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

These unaudited interim consolidated financial statements of the Group have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended 31 December 2017. These unaudited interim consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the consolidated financial statements and the notes thereto in the Serica Energy plc annual report for the year ended 31 December 2017.

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006.

Consolidated statutory accounts for the year ended 31 December 2017, on which the auditors gave an unqualified audit report, have been filed with the registrar of Companies. The report of the auditors included in that 2017 Annual Report was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

The cash flow statement for the year ended 31 December 2017 has been restated to reflect the fact that a net cash outflow of US$5,698,000 relating to changes in term deposits is now classified within investing activities instead of financing activities.

A number of new standards, amendments to existing standards and interpretations were applicable from 1 January 2018. The adoption of these amendments did not have a material impact on the Group's interim condensed consolidated financial statements for the period ended 30 June 2018.

Going Concern

The Directors are required to consider the availability of resources to meet the Group's liabilities for the foreseeable future. The financial position of the Group, its cash flows and capital commitments are described in the Financial Review above.

At 30 June 2018 the Company held net current assets of US$15.5 million including cash and term deposit resources of US$21.0 million. The Erskine asset acquisition brought to Serica a producing interest capable of generating robust continuing cash flow at current oil and gas prices. Existing resources plus Erskine revenues are expected to be sufficient to cover ongoing Erskine costs plus other operational, capital, technical and administrative costs in the short to medium term.

After making enquiries and having taken into consideration the above factors, the Directors have reasonable expectation that he Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim financial statements.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017. The impact of seasonality or cyclicality on operations is not considered significant on the interim consolidated financial statements.

The Group financial statements are presented in US dollars and all values are rounded to the nearest thousand dollars (US$000) except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Serica Holdings UK Limited, Serica Energy Holdings B.V., Serica Energy Corporation, Asia Petroleum Development Limited, Petroleum Development Associates (Asia) Limited, Serica Energy (UK) Limited, PDA Lematang Limited, Serica Glagah Kambuna B.V., Serica Foum Draa B.V., Serica Sidi Moussa B.V., Serica Energy Rockall B.V., Serica Energy Slyne B.V. and Serica Energy Namibia B.V.. Together, these comprise the "Group".

The Group has adopted IFRS 15 'Revenue from Contracts with Customers', with effect from 1 January 2018 and applied the modified retrospective transition method. The impact of the adoption of this standard is disclosed in notes 4 and 5.

All inter-company balances and transactions have been eliminated upon consolidation.

3. Segmental Information

The Group's business is that of oil & gas exploration, development and production. The Group's reportable segments are based on the location of the Group's assets.

The following tables present revenue, profit and certain asset and liability information regarding the Group's geographical reportable segments for the periods ended 30 June 2018 and 2017. Costs associated with the UK corporate centre are included in the UK & Ireland reportable segment.

Period ended 30 June 2018	UK & Ireland US$000	Africa US$000	Continuing Total US$000
Revenue	4,587	-	4,587
Operating and segment loss (1)	(10,950)	-	(10,950)
Finance revenue	178	-	178
Finance costs	(140)	-	(140)
Loss before taxation	(10,912)	-	(10,912)
Taxation credit for the period	2,510	-	2,510
Loss after taxation	(8,402)	-	(8,402)

	UK & Ireland US$000	Africa US$000	Total US$000
Other segment information:			
Segmental assets	106,552	3,828	110,380
Total assets			110,380
Segment liabilities	(15,992)	(110)	(16,102)
Total liabilities			(16,102)

Note (1) *BKR acquisition and transition costs:*

Year ended 31 December 2017
Significant transaction costs of US$3.4 million were expensed in the year ended 31 December 2017 on the proposed acquisition, announced on 21 November 2017, of the BKR Assets from BP. These 2017 expenses were largely incurred on the negotiation and documentation of the transaction and on the AIM Admission Document published on 30 November 2017 and also included other consultancy and advisor fees arising throughout the process.

Period ended 30 June 2018
During 1H 2018 significant further costs have been incurred on various aspects of this transaction. These were largely incurred on the significant transition work streams associated with the preparations for the transfer of operatorship of the BKR Assets, including IT costs, the transfer of documentation and contracts, and general preparation covering all associated processes. US$4.8 million has been expensed in 1H 2018 as an operating item with a further amount of US$1.3 million capitalised as fixtures and fittings mainly for information technology assets incurred during the BKR transition.

Period ended 30 June 2017	UK & Ireland US$000	Africa US$000	Continuing Total US$000
Revenue	21,922	-	21,922
Operating and segment profit/(loss)	11,182	(14)	11,168
Finance revenue	81	-	81
Finance costs	(67)	-	(67)
Profit before taxation	11,196	(14)	11,182
Taxation charge for the period	(839)	-	(839)
Profit after taxation	10,357	(14)	10,343

	UK & Ireland US$000	Africa US$000	Total US$000
Other segment information:			
Segmental assets	101,920	3,555	105,475
Total assets			105,475
Segment liabilities	(9,985)	(28)	(10,013)
Total liabilities			(10,013)

Year ended 31 December 2017	UK & Ireland US$000	Africa US$000	Continuing Total US$000
Revenue	31,966	-	31,966
Operating and segment profit/(loss)	14,145	(19)	14,126
BKR Transaction costs (1)	(3,386)	-	(3,386)
Finance revenue	246	-	246
Finance costs	(138)	-	(138)
Profit/(loss) before taxation	10,867	(19)	10,848
Taxation credit for the year	6,255	-	6,255
Profit/(loss) after taxation	17,122	(19)	17,103

	UK & Ireland US$000	Africa US$000	Total US$000
Other segment information:			
Segmental assets	112,943	3,693	116,636
Total assets			116,636
Segment liabilities	(14,307)	(33)	(14,340)
Total liabilities			(14,340)

4. Sales Revenue

	Six months ended 30 June 2018 US$000	Six months ended 30 June 2017 US$000	Year ended 31 Dec 2017 US$000
Gas sales	557	8,658	12,463
Oil sales	3,958	11,933	17,177
NGL sales	72	1,923	3,489
Increase in liquids overlift *	-	(592)	(1,163)
	4,587	21,922	31,966

*following the adoption of IFRS 15 'Revenue from Contracts with Customers', movement in liquids over/underlift is classified in cost of sales with effect from 1 January 2018.

5. Cost of sales

Six months ended 30 June:	Six months ended 30 June 2018 US$000	Six months ended 30 June 2017 US$000	Year ended 31 Dec 2017 US$000
Operating costs	3,900	7,115	10,958
Increase in liquids overlift *	3,289	-	-
Depletion (note 8)	87	1,217	1,710
	7,276	8,332	12,668

*following the adoption of IFRS 15 'Revenue from Contracts with Customers', movement in liquids over/underlift is classified in cost of sales with effect from 1 January 2018.

6. Exploration and Evaluation Assets

	Total US$000
Cost:	
At 1 January 2017 (audited)	65,734
Additions	1,095
Asset write-offs	(1,523)
At 30 June 2017 (unaudited)	65,306
Additions	760
Asset write-offs	(89)
At 31 December 2017 (audited)	65,977
Additions	994
At 30 June 2018 (unaudited)	66,971
Provision for impairment:	
At 1 January 2017 (audited)	(12,564)
Impairment (charge)/reversal for the period	-
At 30 June 2017 (unaudited) and 31 December 2017 (audited)	(12,564)
Impairment (charge)/reversal for the period	-
At 30 June 2018 (unaudited)	(12,564)
Net Book Amount:	
30 June 2018 (unaudited)	54,407
31 December 2017 (audited)	53,413
30 June 2017 (unaudited)	52,742
1 January 2017 (audited)	53,170

E&E asset write offs in the Income Statement in 2017 consisted of a US$1.6 million charge following the relinquishment of Doyle and a final minor charge against costs incurred on the Sidi Moussa block in Morocco.

7. Property Plant and Equipment

	Oil and gas properties US$000	Fixtures and fittings US$000	Total US$000
Cost:			
At 1 January 2017 (audited)	11,693	-	11,693
Additions/revisions	272	-	272
At 31 December 2017 (audited)	11,965	-	11,965
Additions	681	1,300	1,981
At 30 June 2018 (unaudited)	12,646	1,300	13,946
Depreciation and depletion:			
At 1 January 2017 (audited)	2,615	-	2,615
Charge for the period (note 5)	1,710	-	1,710
At 31 December 2017 (audited)	4,325	-	4,325
Charge for the period (note 5)	87	-	87
At 30 June 2018 (unaudited)	4,412	-	4,412
Net book amount:			
At 30 June 2018 (unaudited)	8,234	1,300	9,534
At 31 December 2017 (audited)	7,640	-	7,640
At 1 January 2017 (audited)	9,078	-	9,078

The oil and gas properties balance of US$8.2 million as at 30 June 2018 entirely comprises the net book amount of the Erskine asset acquisition costs capitalised on completion of the transaction on 4 June 2015. This includes non-cash consideration in the form of 13,500,000 ordinary shares issued to BP at nominal value of US$0.10 each as part of the acquisition consideration.

8. Equity Share Capital

As at 30 June 2018, the share capital of the Company comprised one "A" share of £50,000 and 263,982,819 ordinary shares of US$0.10 each. The "A" share has no special rights.

The balance classified as total share capital includes the total net proceeds (both nominal value and share premium) on issue of the Group and Company's equity share capital, comprising US$0.10 ordinary shares and one 'A' share.

Allotted, issued and fully paid: **Group**	Number	Share capital US$000	Share premium US$000	Total Share capital US$000
At 1 January 2017	263,679,040	26,458	202,850	229,308
Shares issued	-	-	-	-
At 31 December 2017	263,679,040	26,458	202,850	229,308
Shares issued	303,780	30	208	238
At 30 June 2018	263,982,820	26,488	203,058	229,546

In August 2018 550,000 ordinary shares were issued following the exercise of share options and in September 2018 a further 225,000 ordinary shares were issued following the exercise of share options. As at 27 September 2018 the issued voting share capital of the Company is 264,757,819 ordinary shares and one "A" share.

9. Share-Based Payments

Share Option Plans

The Company operates three discretionary incentive share option plans: the Serica Energy Plc Long Term Incentive Plan (the "LTIP"), which was adopted by the Board on 20 November 2017 which permits the grant of share-based awards, the 2017 Serica Energy plc Company Share Option Plan ("2017 CSOP"), which was adopted by the Board on 20 November 2017, and the Serica 2005 Option Plan, which was adopted by the Board on 14 November 2005. Awards can no longer be made under the Serica 2005 Option Plan, however, options remain outstanding under the Serica 2005 Option Plan. The LTIP and the 2017 CSOP together are known as the "Discretionary Plans".

A separate plan, the 2016 Serica Energy plc Company Share Option Plan ("2016 CSOP"), was approved for adoption at the Company's AGM in June 2016, but this was terminated with effect from 29 November 2017 following the adoption of two further discretionary plans on 20 November 2017, and there are no outstanding options under the 2016 CSOP.

The Discretionary Plans will govern all future grants of options by the Company to Directors, officers, key employees and certain consultants of the Group. The Directors intend that the maximum number of ordinary shares which may be utilised pursuant to the Discretionary Plans will not exceed 10% of the issued ordinary shares of the Company from time to time in line with the recommendations of the Association of British Insurers.

The objective of these plans is to develop the interest of Directors, officers, key employees and certain consultants of the Group in the growth and development of the Group by providing them with the opportunity to acquire an interest in the Company and to assist the Company in retaining and attracting executives with experience and ability.

Serica 2005 Option Plan
As at 30 June 2018, 7,640,550 options the Company had granted were outstanding. 400,000 of these options were granted to a consultant subject to performance conditions, and the 2,500,000 options granted to a director in July 2015 were all awarded at exercise prices higher than the current market price at the time of the grant to establish firm performance targets.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the period:

Serica 2005 Option Plan		**WAEP** **£**
Outstanding at 1 January 2017	8,466,330	0.28
Expired during the period	(270,000)	(1.036)
Outstanding at 30 June 2017 and at 31 December 2017	8,196,330	0.25
Exercised during the period	(66,000)	(0.75)
Exercised during the period	(237,780)	(0.214)
Expired during the period	(252,000)	(0.75)
Outstanding at 30 June 2018	7,640,550	0.22

As at 30 June 2018, the following director and employee share options were outstanding:

Expiry Date	Amount	Exercise cost £
January 2020	1,155,000	785,400
April 2021	50,000	15,685
January 2022	885,550	189,286
October 2022	400,000	116,000
January 2023	300,000	81,750
November 2023	400,000	72,000
January 2024	450,000	58,500
June 2025	1,500,000	99,000
July 2025	1,000,000	120,000
July 2025	1,000,000	180,000
July 2025	500,000	120,000

In August 2018, 550,000 share options under the Serica 2005 Option Plan were exercised. In September 2018, 225,000 share options under the Serica 2005 Option Plan were exercised.

Long Term Incentive Plan
The following awards have been granted to certain Directors and employees under the LTIP, these were deemed to be granted in November 2017 under IFRS 2.

Director/Employees	Total number of shares granted subject to Deferred Bonus Share Awards
Antony Craven Walker	225,000
Mitch Flegg	225,000
Employees below Board level (in aggregate)	575,000
	1,025,000

Deferred Bonus Share Awards involve the deferral of bonuses into awards over shares in the Company. They are structured as nil-cost options and may be exercised up until the fifth anniversary of the date of grant. They will vest on the later of the date of completion of the BKR Asset acquisition and 31 January 2019. They are not subject to performance conditions; however, they are conditional on completion of the BKR Acquisition, subject to the Board determining otherwise.

Director/Employees	Total number of shares granted subject to Performance Share Awards
Antony Craven Walker	1,500,000
Mitch Flegg	1,500,000
Employees below Board level (in aggregate)	2,250,000
	5,250,000

Performance Share Awards are subject to performance conditions based on average share price growth targets to be measured by reference to dealing days in the period of 90 days ending immediately prior to expiry of a three-year performance starting on the date of grant of a Performance Share Award. Performance Share Awards are structured as nil-cost options and may be exercised up until the tenth anniversary of the date of grant. They are not subject to completion of the BKR Acquisition.

Share-based compensation
The Company calculates the value of share-based compensation using a Black-Scholes option pricing model (or other appropriate model for those Directors' options subject to certain market conditions) to estimate the fair value of share options at the date of grant. There are no cash settlement alternatives. The estimated fair value of options is amortised to expense over the options' vesting period.

US$146,000 has been charged to the income statement in continuing operations for the six-month period ended 30 June 2018 (1H 2017 – US$24,000) and a similar amount credited to the share-based payments reserve, classified as 'Other reserve' in the Balance Sheet.

10. Taxation

The major components of income tax (charged)/credited in the consolidated income statement are:

	Six months ended 30 June 2018 US$000	Six months ended 30 June 2017 US$000	Year ended 31 Dec 2017 US$000
Current income tax charge	-	-	-
Deferred income tax credit/(charge)	2,510	(839)	6,255
Total taxation credit/(charge) for the period	2,510	(839)	6,255

Recognised and unrecognised tax losses
Following the acquisition of a producing UK asset in 2015, the Group has recognised a deferred tax asset of US$18.7 million as at 30 June 2018 in respect of certain carried forward losses that are expected to be utilised in the foreseeable future to offset the taxable profits that the acquired asset is expected to generate.

The Group has UK ring fence tax losses of approximately US$146.5 million available as at 31 December 2017 that are available indefinitely for offset against future ring fence trading profits of the company in which the losses arose.

Changes to UK corporation tax legislation

The main rate of UK corporation tax changed from 20% to 19% on 1 April 2017 and will change to 18% on 1 April 2020. The UK Finance Bill 2016 includes a reduction of the UK corporation tax rate to 17% on April 2020. This will replace the 18% UK corporation tax rate that is currently legislated to take effect. In March 2016 it was announced that the rate of Supplementary charge (SC) would be reduced from 20% to 10% with effect from 1 January 2016. This was substantively enacted on 6 September 2016 and reduced the headline rate of tax to 40% for ring-fenced trading profits.

11. Financial and derivative financial instruments

Financial instruments

The Group's financial instruments comprise cash and cash equivalents, bank loans and borrowings, accounts payable and accounts receivable. It is management's opinion that the fair value of its financial instruments approximate to their carrying values.

Derivative financial instruments

The Group enters into derivative financial instruments with various counterparties. The gas put option commodity contract with BP (fair value hierarchy level 2) is measured based on a consensus of mid-market values from third party providers based on the Black Scholes model with inputs of observable spot commodities price, interest rates and the volatility of the commodity.

12. Publication of Non-Statutory Accounts

The financial information contained in this interim statement does not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 December 2017, which are available at the Company's registered office at 52 George Street, London W1U 7EA and on its website at www.serica-energy.com and on SEDAR at www.sedar.com.

This interim statement will be made available at the Company's registered office at 52 George Street, London W1U 7EA and on its website at www.serica-energy.com and on SEDAR at www.sedar.com.

GLOSSARY

bbl	barrel of 42 US gallons
bcf	billion standard cubic feet
boe	barrels of oil equivalent (barrels of oil, condensate and LPG plus the heating equivalent of gas converted into barrels at a rate of 6,000 standard cubic feet per barrel)
boepd	barrels of oil equivalent per day
bpd	barrels of oil per day
caisson	A steel chamber that surrounds equipment below the waterline of a platform or rig.
CATS	Central Area Transmission System
CPR	Competent Persons Report
FDP	Field Development Plan
FEED	Front End Engineering Design
FPS	Forties Pipeline System
HPHT	High Pressure High Temperature
mscf	thousand standard cubic feet
mmbbl	million barrels
mmboe	million barrels of oil equivalent
mmscf	million standard cubic feet
mmscfd	million standard cubic feet per day
NBP	National Balancing Point
NGL	Natural Gas Liquid
P_{10}	A high estimate that there should be at least a 10% probability that the quantities recovered will actually equal or exceed the estimate
P_{50}	A best estimate that there should be at least a 50% probability that the quantities recovered will actually equal or exceed the estimate
P_{90}	A low estimate that there should be at least a 90% probability that the quantities recovered will actually equal or exceed the estimate
pigging	The process of sending a cleaning device, known as a pig, along a pipeline to clean and/or inspect the pipeline.
Proved 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.
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 recovered will be greater or less than the sum of the estimated proved + probable reserves.
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
Reserves	Estimates of discovered recoverable commercial hydrocarbon reserves calculated in accordance with the Canadian National Instrument 51-101
Contingent Resources	Estimates of discovered recoverable hydrocarbon resources for which commercial production is not yet assured, calculated in accordance with the Canadian National Instrument 51-101
Prospective Resources	Estimates of the potential recoverable hydrocarbon resources attributable to undrilled prospects, calculated in accordance with the Canadian National Instrument 51-101
TAC	Technical Assistance Contract
tcf	trillion standard cubic feet
UKCS	United Kingdom Continental Shelf