

Serica Energy plc

("Serica" or the "Company")

Chairman's AGM Statement

London, 26 June 2014 - At the Annual General Meeting held on 26th June 2014, Tony Craven Walker, Serica's Chairman, made the following comments:

Serica's business, as you know, is focused on two areas – one, the UK offshore sector where we have a discovery which we have been trying to bring into production – the other, a portfolio of very interesting, high-impact exploration properties located in the Atlantic margins which we see as bringing longer term reward. Although our share price, along with many others in the sector, has taken a pummelling over the past year I know of nothing which has removed the potential of the Company and I hope today that we can demonstrate where that potential lies and what we are doing to realise it. As an exploration company we are faced with uncertainties like any other business if not greater but, perhaps perversely, we also see these as opportunities. We like to live by the adage that "where there is uncertainty there is opportunity" and opportunities abound in Serica.

Whilst we have been making good progress in all our licence interests, very good in some areas, we have very recently announced a transaction to purchase a stake in the Erskine field in the North Sea which I hope will set us on a course to radically improve the performance of our UK business so I will be spending a bit of time talking about that whilst Mitch will follow with a full overview of all of our activities. We can then follow with a question and answer session.

Shareholders will know that the main challenge in the UK over the past twelve months has been how to resolve the delay in the Columbus field development resulting from BG's decision early in 2013 not to build the Bridge Linked Platform at Lomond, then an integral part of our plans to develop Columbus. Although we have been consistent in our statements that there are no technical impediments to hooking Columbus up directly to the Lomond platform we have so far not been able to reach commercial arrangements with BG, the operator of Lomond, which provide, in our view, an acceptable and proportionate commercial return to the Columbus partners whilst also providing BG with a reasonable return on its risk and investment.

We are persevering with our efforts to seek a commercial solution and still believe that Lomond provides the easiest and most cost effective route for Columbus. We do have recourse to DECC to request that they implement powers that they have available to impose a solution under the 2011 Energy Act but our preference has been to look at different ways in which we can gain access to the related infrastructure and gain better alignment with the nearby operators, which would include BG as operator of the adjacent Lomond field.

I and my fellow Board members are delighted that we have been able to reach agreement with BP in an imaginative deal which we announced last week and which will result in us acquiring an 18% interest in the Erskine field and be positioned alongside BG and Chevron who are partners in the field. Such an acquisition will go some way towards repairing the impact on our share price caused by last year's cancellation of the Lomond BLP and, I hope, will assist us in finding a solution to develop Columbus and build our North Sea business.

The Erskine field is operated by Chevron and uses the BG operated Lomond platform for the treatment and export of its production stream, approximately 57% of which, on a boe basis, is condensate and 43% is gas so it is rich in liquids. Mitch will have much more to say on the interrelationship between Erskine, Lomond and Columbus and our efforts to build a stronger position

in the area around Columbus but the assets are clearly inter-related and the transaction is significant for the Company. Not only will it give us a position in the nearby infrastructure and align us more with BG and Chevron as operators of Erskine and Lomond respectively, which is important in our efforts to develop Columbus, but it also provides us with an income stream to replace that which we lost when we ceased production from Kambuna in Indonesia last year.

Under the transaction, BP will become a shareholder in the Company and we welcome them to the register. The purpose behind giving BP an interest in the Company is to enable them to benefit from improved performance in Erskine which is hoped for in the future, to extract the synergies which result from Serica owning an interest in both Erskine and Columbus and to benefit from the efforts we are making to get Columbus on production, which would have a follow-on beneficial impact on Erskine. By having a stake in Serica, BP retains an indirect interest in the Erskine field and its upside whilst enabling us to secure an interest in a producing field and the related infrastructure. I hope that it is an indication of a renewed and greater co-operation between the larger established companies who need to rationalise their portfolios and the smaller companies who are the natural buyers and we shall be looking to BG and Chevron to share the same vision. As a smaller company we have been frustrated in all our efforts to date and hope that this is the break through that we have been seeking for so long.

Shareholders may have read the Wood Report, commissioned by the Department of Energy and Climate Change, which focuses wholly on the problems experienced by the operators of smaller fields to gain access to infrastructure on terms which provide sufficient returns for the field partners. Implementation of this report, the findings of which DECC have accepted in full, will be fundamental to ensuring that small discoveries are not left stranded in the North Sea, particularly at a time of uncertainty in the security of energy supplies. Amongst other findings, the report advocates stronger co-operation and greater alignment between North Sea operators to open up greater sharing of facilities.

Our efforts to gain access to infrastructure related to Columbus are wholly in line with these findings of the Wood Report and are intended to lead to greater co-operation on infrastructure sharing. The transaction is subject to consents of the partners in Erskine, namely Chevron and BG, and to approval by DECC. So far discussions with the Erskine partners have been positive and I believe that we will be made a welcome new partner in the group. We look forward to working with them both to improve the performance and outturn of the Erskine/Lomond/Columbus complex.

The Erskine transaction is important, not only for Serica but also for the two existing participants in the Erskine/Lomond complex as well as for BP. Success will also likely lead to further acquisitions which we would seek to achieve in order to build and strengthen the Company's capabilities in an industry where size matters and which is seeing considerable change. Since the start of the year, all the major oil companies are going through a period of asset realisation and re-focus and this has traditionally been a period of opportunity for the smaller companies to expand to spread risk, balance the quality of their assets, attract finance to grow their portfolios and achieve a minimum critical mass. We would like to do more to build upon success in Erskine and our interest in Columbus and have made that clear to our partners in the adjacent fields and to other industry players. We are very well placed to achieve that both at home and overseas.

Serica has a strong, gas orientated portfolio in the UK offshore which provides a very good platform from which to grow. Overseas, we have an exploration based portfolio containing a number of well-defined, exceptionally high impact and ready to drill prospects and are looking to secure farm-in partners. As a result of the financing which we successfully completed last autumn the Company has the funds necessary for ongoing operations. We have no debt and no unfunded commitments. We are technically skilled having drilled some 17 wells as operator in places as diverse as the North Sea, Indonesia and the Atlantic Ocean off Ireland and we operated one of the largest 3D seismic surveys

undertaken offshore Namibia. We have all the attributes to grow both in the UK and our non-UK portfolios. Our strategy is to seek to do this through our contacts in the industry, through acquisition and through being a leading player in the consolidation which we expect to see in the industry. The changes now taking place as larger companies look to improve the performance and value of their own assets and other companies seek to diversify risk provide us with the opportunity to achieve this. Hopefully the markets will begin to see the potential and we will see some resuscitation in share prices.

I don't intend to spend time going through our individual assets as I will leave that to Mitch but we have a nucleus growing in the Central North Sea around Columbus and Block 22/19c – where ENI has joined us as a new partner and operator with plans to drill a high pressure high temperature well in early 2016. ENI bring considerable experience in HPHT technology and we are delighted to welcome them to the group. We are carried through a well in the block with a 15% interest. In both the East Irish Sea and the Southern North Sea our partnership with Centrica is also working well and we expect to see the Doyle well drilled in the East Irish Sea early next year. Overseas we are looking to add new ventures to complement our existing portfolio in Ireland, Morocco and Namibia and expect to see the next well start drilling in August in our Sidi Moussa licence. We are carried by third parties in both the Doyle and the Sidi Moussa wells so shareholders' interests are protected whilst retaining significant upside on success. This is a core plank of our business strategy and there is much to look forward to.

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