

**Serica Energy plc
General Meeting
18 December 2017**



A Transformational Acquisition for Serica

- **Serica to purchase BP interests in the Bruce (36%), Keith (34.83%) and Rhum (50%) North Sea fields**
- **Significant increase in reserves and production**
 - Sixteen-fold increase in net reserves
 - Seven-fold increase in net production
 - Includes transfer of operatorship to Serica
- **Diversification of production streams**
 - Field interests increase from one to four
 - Export routes increase from two to three
- **Transaction structured to mitigate risk**
 - Bulk of consideration is deferred and contingent
 - Gas sales arrangement including price hedging
- **Balance sheet strength maintained**
 - No fund raising required, no shareholder dilution
 - No impact on existing cash resources
 - No borrowings apart from prepayment facility provided by BP
 - Expected to be immediately cash-flow and value accretive
 - Tax efficient
- **Increased scale - opportunity to drive further value**
 - Serica's team, combined with BP's team being transferred to Serica, provides basis for future opportunity and growth



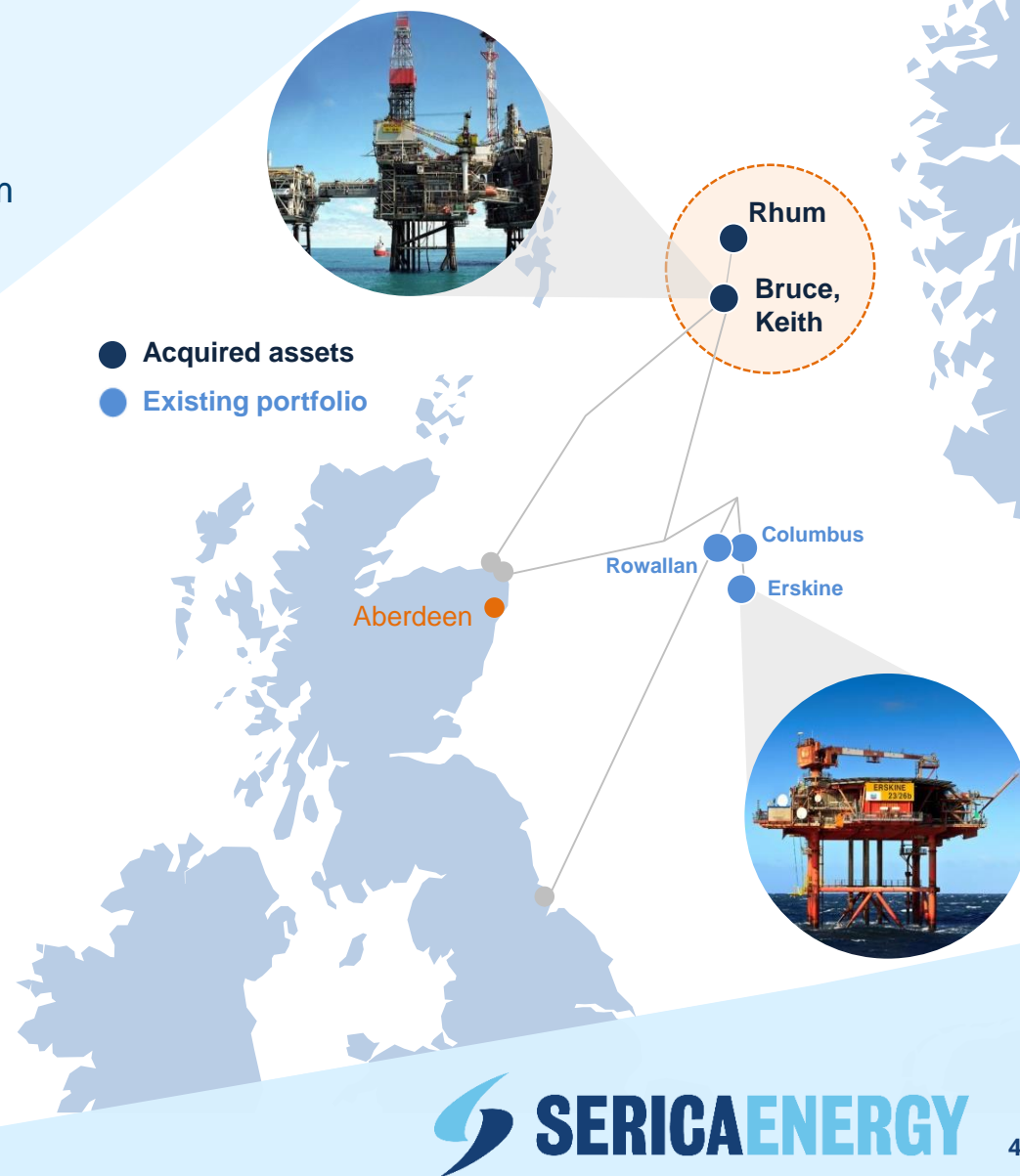
Transaction Overview



Main Features of the Transaction

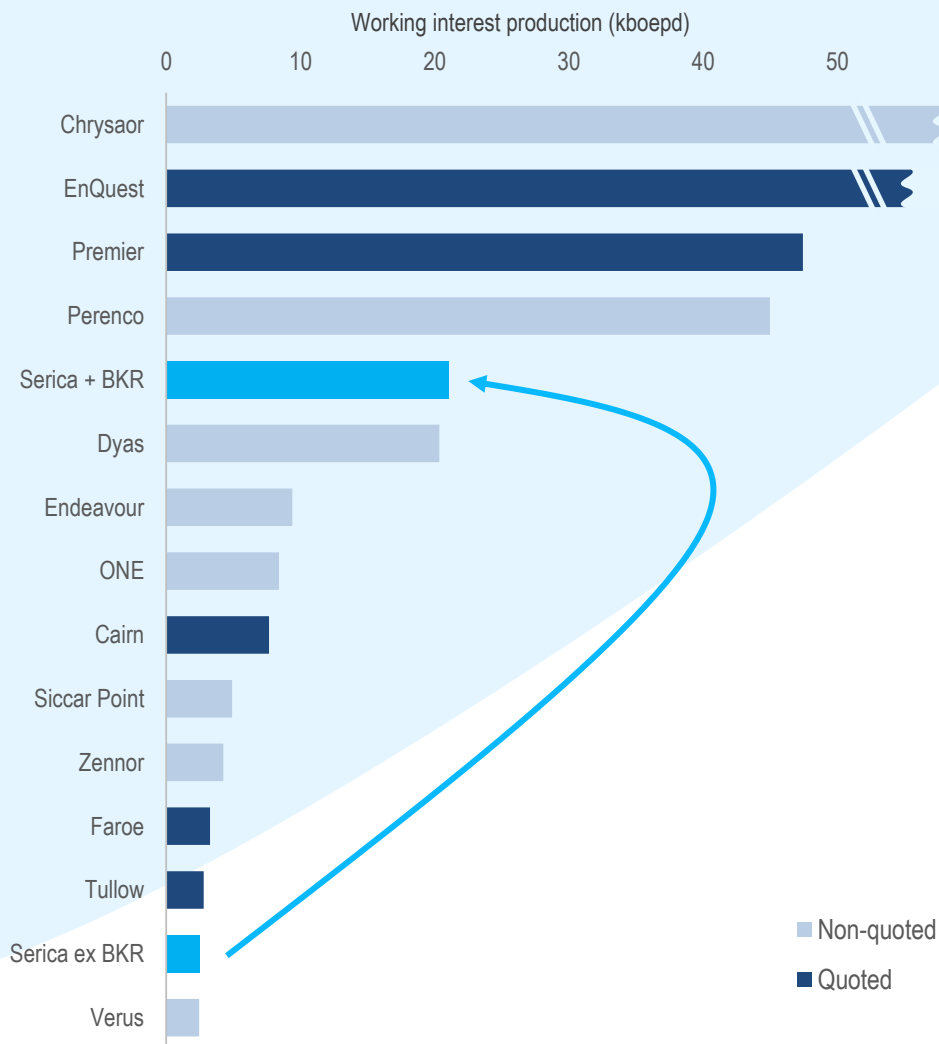
- **Transaction effective from 1 January 2018**; completion targeted for **mid-2018** subject to regulatory, government and partner consents
- **Initial Consideration of £12.8m cash** payable on completion
- **Deferred consideration payable** against performance of Rhum R3 well planned for workover in 2018
- Additional **earn-out structure** enables Serica and BP to share risk and **benefit from future asset performance**
- All **cash considerations** expected to be **covered by net cash flows** from the acquired assets
- **Gas prepayment facility of up to £16m** provides further cover for working capital at completion and for hedging costs
- **Decommissioning cost of existing assets retained by BP**
- Serica to pay BP **additional consideration equal to 30%** of such costs at time of decommissioning net of tax, capped at Serica's net cash flows from Bruce, Keith and Rhum
- **Reverse takeover under AIM rules**; Serica's shares were temporarily suspended pending publication of Admission Document

Serica's North Sea portfolio



Repositions Serica in the North Sea

2017 estimate UKCS WI production ranking of European independents



- Serica will become the 3rd largest quoted European independent on the UKCS by production. The acquired assets:
 - averaged net H1 2017 production of **~18.5 kboepd***
 - contained **~50 mboe**** net 2P reserves (as at 1 June 2017)

- On completion, Serica will become **operator of the Bruce, Keith and Rhum fields:**
 - all BP employees associated with Bruce, Keith and Rhum expected to join Serica
 - provides means to optimise and extend field life and increase Maximum Economic Recovery

- **Material cash flow expected:**
 - would further strengthen Serica's balance sheet and provide basis for further growth opportunities

*based on OGA reported H1 2017 production volumes
 **based on latest CPRs for Bruce, Keith and Rhum

Source: Bruce, Keith and Rhum production based on OGA reported H1 2017 production volumes. Source for all other volumes: Wood Mackenzie based on 2017 full year estimates for UKCS production only.

Transaction Details

Structure designed to control risk and minimise shareholder dilution:

- **£12.8m Initial Consideration** payable on completion - **anticipated mid-2018**

- Expected to be covered by interim net cash flows from the acquired assets
- Further cover provided by existing cash balances and gas prepayment facility
- No additional financing required

- **Earn-out for BP to receive share of pre-tax net cash flow from Bruce, Keith and Rhum over four years:**

2018	2019	2020	2021
60%	50%	40%	40%

- No amounts payable by Serica unless cash flow is positive
- Calculated on monthly basis with offset of positive and negative cash flows

- **£16m further consideration payable** if Rhum R3 well achieves minimum production threshold (**January 2019**)

- **Up to a further £23.1m payable** in three annual instalments subject to Rhum field production and realized gas sales prices:

- Instalments up to £7.7m each following end of 2019, 2020 and 2021
- Payments reduced if incremental field production and gas prices do not meet certain thresholds

- **BP retains liability for all costs of decommissioning facilities existing at completion (including Rhum R3)**

- Serica responsible for decommissioning costs relating to any new facilities installed after acquisition

- **Serica pays additional consideration equal to 30% BP's post-tax decommissioning costs**

- Consideration capped at Serica's net cash flows from the transaction

Product Sales Arrangements

- **Serica will sell** its share of Bruce, Keith and Rhum gas, oil and NGL production to BP entities
- The sale of production, consisting largely of gas, is **at standard spot market prices**
- To minimise downside risk and retain upside potential, 60% of 2018, 60% of 2019 and 40% of H1 2020 retained share of **gas production has been hedged** forward at 35p/therm floor
- As part of the gas sales arrangements, BP has provided a **Gas Prepayment Facility up to £16m**. This is available for:
 - Drawdown against completion consideration if required, and
 - Agreed hedging costs
 - The facility is repayable out of 35% of Serica's share of gas sales subject to a six-month payment holiday from completion
- As well as a **commodity price hedge**, the Gas Prepayment Facility provides **additional liquidity**
- Apart from the prepayment facility provided by BP, **Serica has no further borrowings**



Significant Production & Reserves Growth

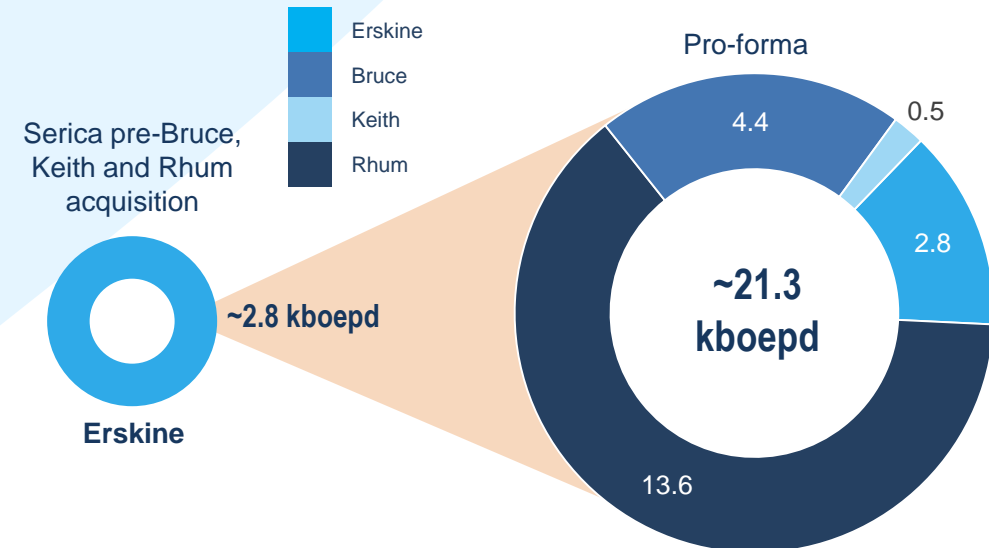
Production

- On the basis of H1 2017 production rates*, Serica's net production would increase some seven-fold from approximately 3,000 boepd to over 21,000 boepd
- Provides **diversified source of production** utilising **diversified export systems** (Frigg, CATS, Forties)
- Bruce, Keith and Rhum assets provide a **tax efficient balance** to the **Columbus development** and **Rowallan prospect** and fully utilise Serica's tax pool

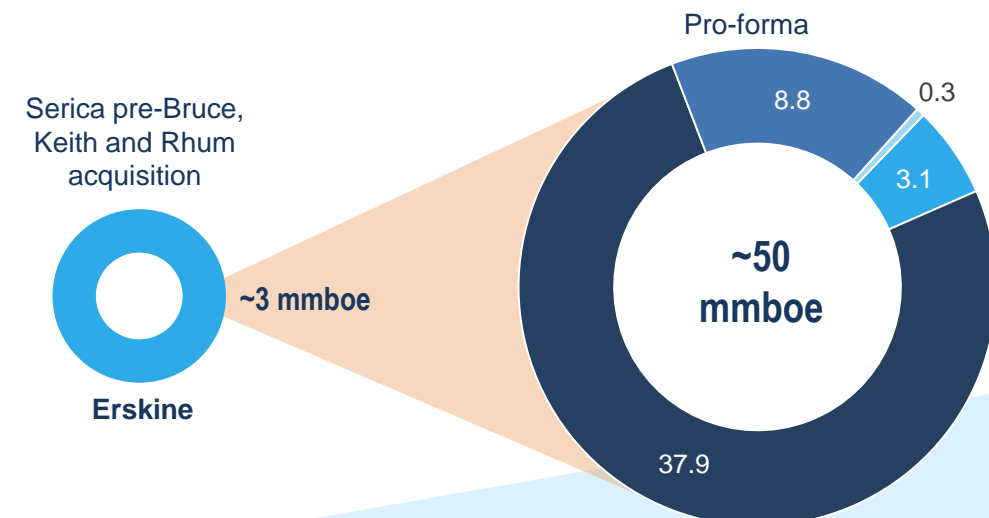
Reserves

- Serica's pro-forma net 2P reserves projected to grow from ~3 mmboe to ~50 mmboe** as at 1 January 2018
- Bruce and Keith are **late life fields** requiring **increased efficiencies** and **new investment** to extend field life
- Only 49% of recoverable gas reserves** are estimated to have been produced **from Rhum** as at 1 January 2018** with **51% remaining to be produced**

Net production by field (kboepd in H1 2017)*



Net 2P reserves (mmboe, estimated at 01.01.18)**

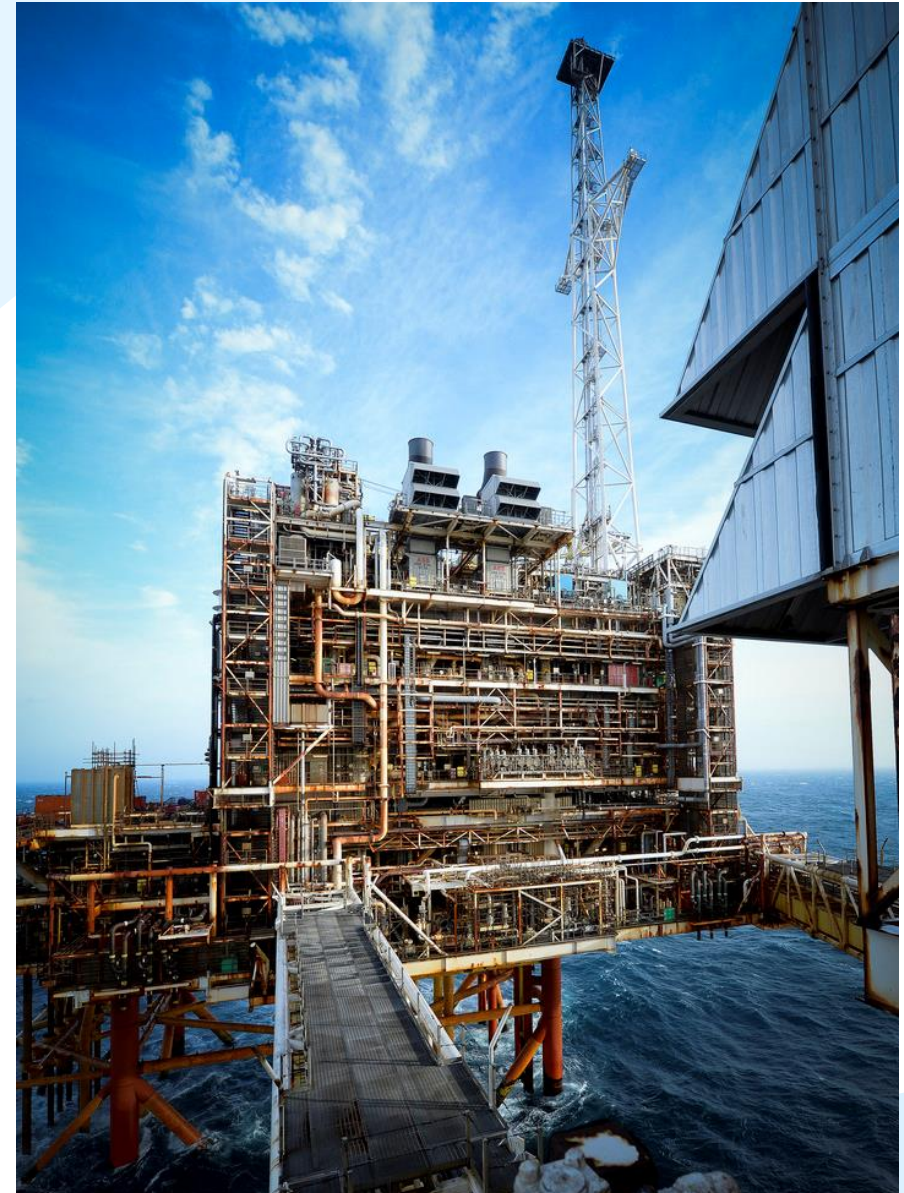


*based on average OGA reported H1 2017 production volumes

**based on most recent individual CPRs adjusted for estimated production between CPR date and 01.01.2018

Maximizing Economic Recovery

- Serica intends to **build upon BP's operational performance** at Bruce, Keith and Rhum to **extend field life**
- Serica's position as a **focused, flexible and financially robust independent** will allow it to pursue valuable upside potential to the benefit of **Serica, BP** (via the earn-out structure) **and field partners**
- Objectives are **fully aligned** with the aims of the **OGA's Maximising Economic Recovery Strategy (MER)**
- Serica proposes to undertake the investment needed to increase production levels as identified by BP and **extend reserve and infrastructure life**
- Serica is committed to maintaining the **highest HSE and employment standards**



Transaction Timetable

Date	Action
21 November 2017	<ul style="list-style-type: none">Transaction announcedShares suspended on AIM market pending release of Admission Document
30 November 2017	<ul style="list-style-type: none">Publication of Admission DocumentNotice of General MeetingTrading in shares recommenced
18 December 2017	<ul style="list-style-type: none">Shareholder General Meeting to Approve Transaction

Transition Timetable

Announcement Phase

21 November 2017
to now

- BP employees offshore and onshore notified through face-to-face engagement sessions
- Third party contractor engagement sessions held
- Engagement with all Joint Venture Partners
- Engagement with OGA and other regulatory bodies
- Commencement of BP-Serica transition process

Transitional Phase

Now through to
mid 2018

- Full consultation process for BP employees to be transferred to Serica
- Satisfy requirements of field partners and OGA re transfer of operatorship
- Safe and efficient establishment and transfer of systems and operational practices from BP to Serica
- Obtaining all other consents and approvals where necessary
- Development and approval of Safety Case
- Open new Operational Headquarters (incorporating a Centre of Excellence) in Aberdeen

Completion

Mid 2018
(target)

- Serica becomes operator of the Bruce, Keith and Rhum fields
- BP employees transferred to Serica under full TUPE terms
- Completion consideration paid net of working capital and interim period adjustments

Serica's Financial Performance

Highlights:

£17.4m

Serica's H1 2017 revenue
(vs £1.4m in H1 2015)

Strong balance sheet and innovative deal structure provides ability to carry out transaction without raising capital

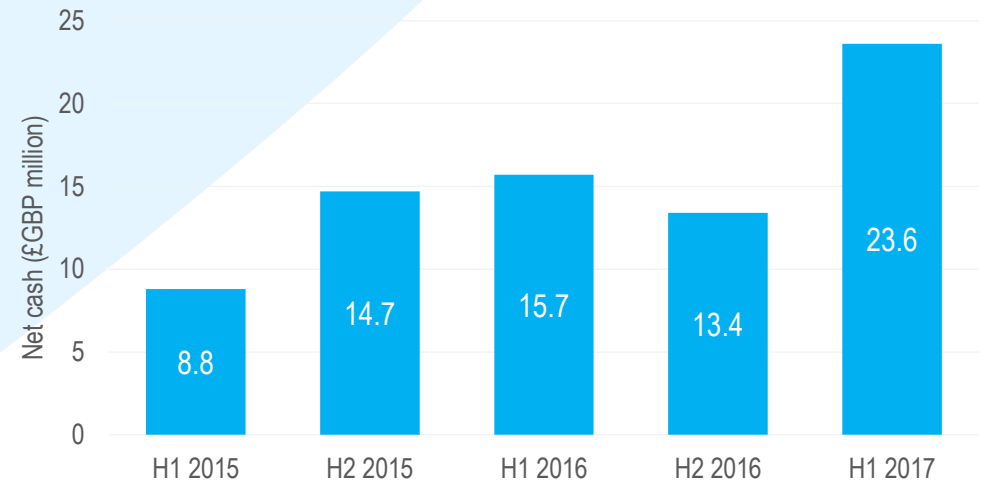
+1400%

Serica's growth in share price since 1 January 2015

Transaction will increase reserves and production per share with no dilution of equity

Serica's net cash position of £23.6m at end H1 2017 will be bolstered by the Gas Prepayment Facility of up to £16m provided by BP in conjunction with the Gas Sales Agreement. Serica has no borrowings other than this facility

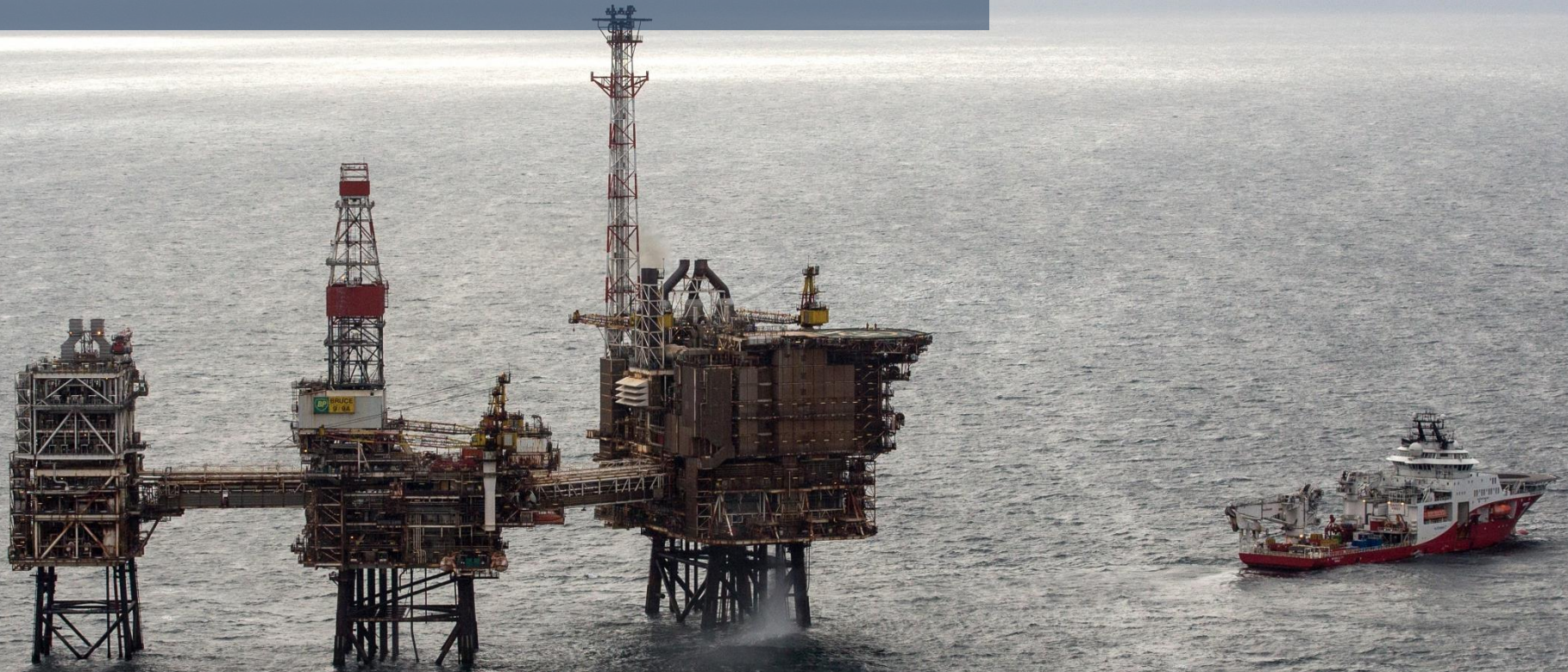
Serica's net cash position (£GBPm)*



Serica's share price growth since Jan. 2015 (GBP/share)

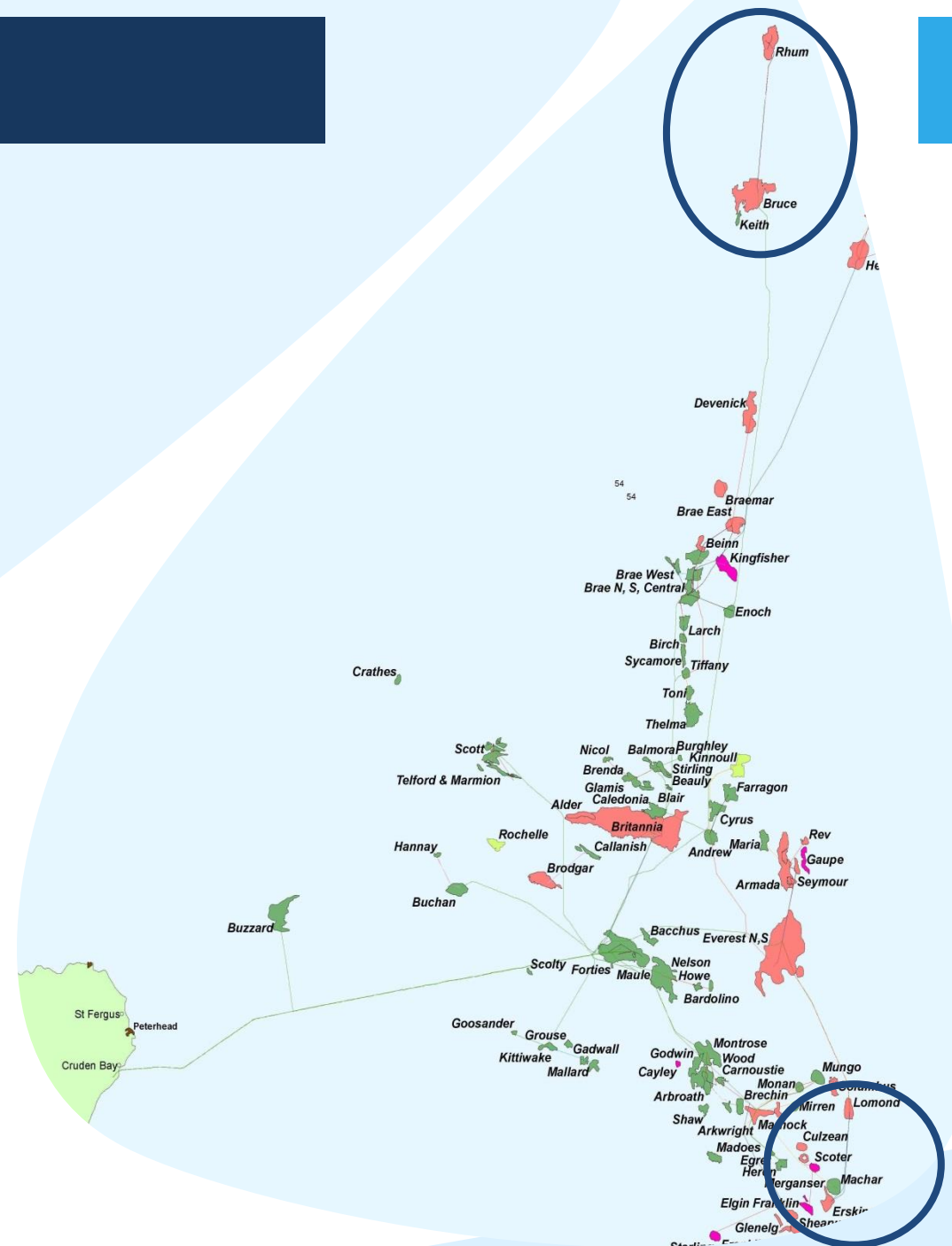


Activity Update



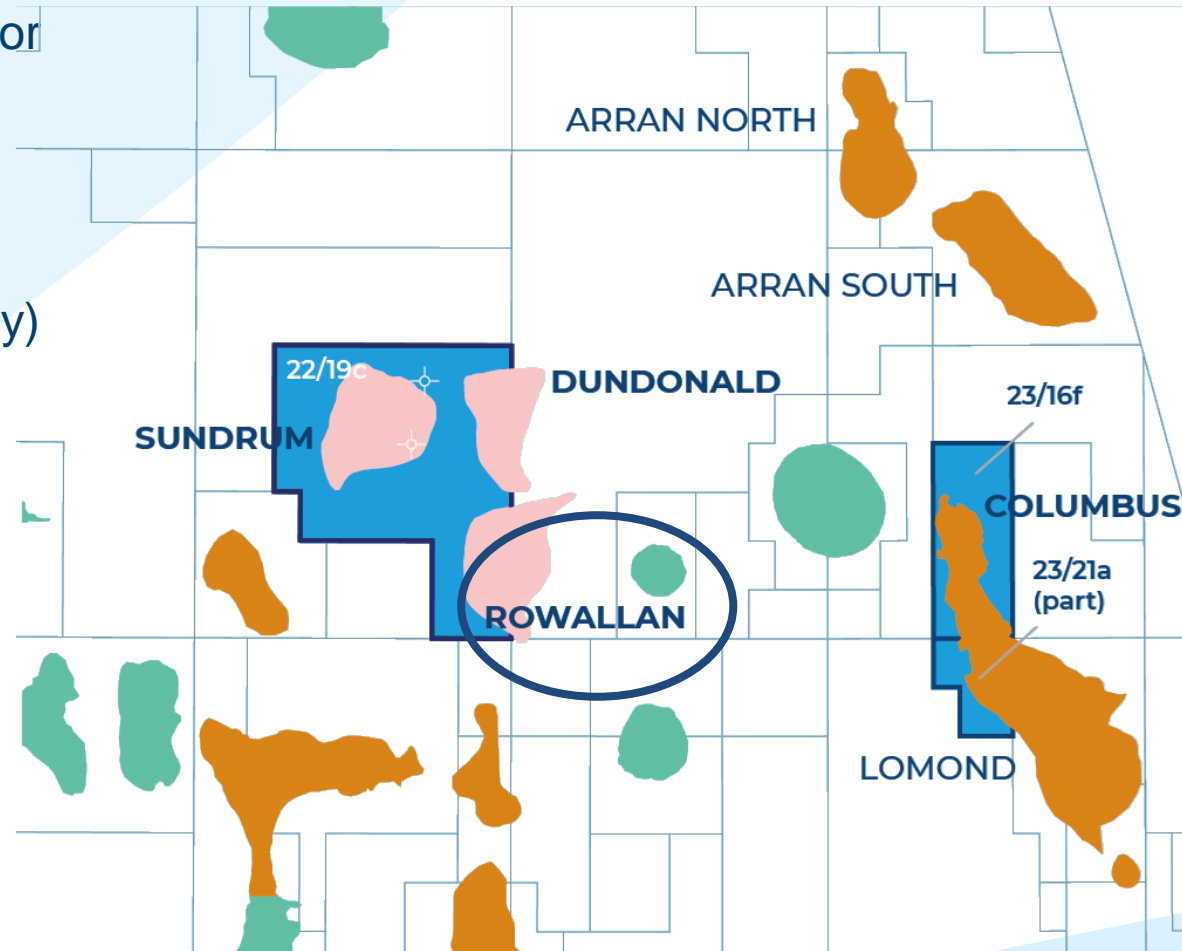
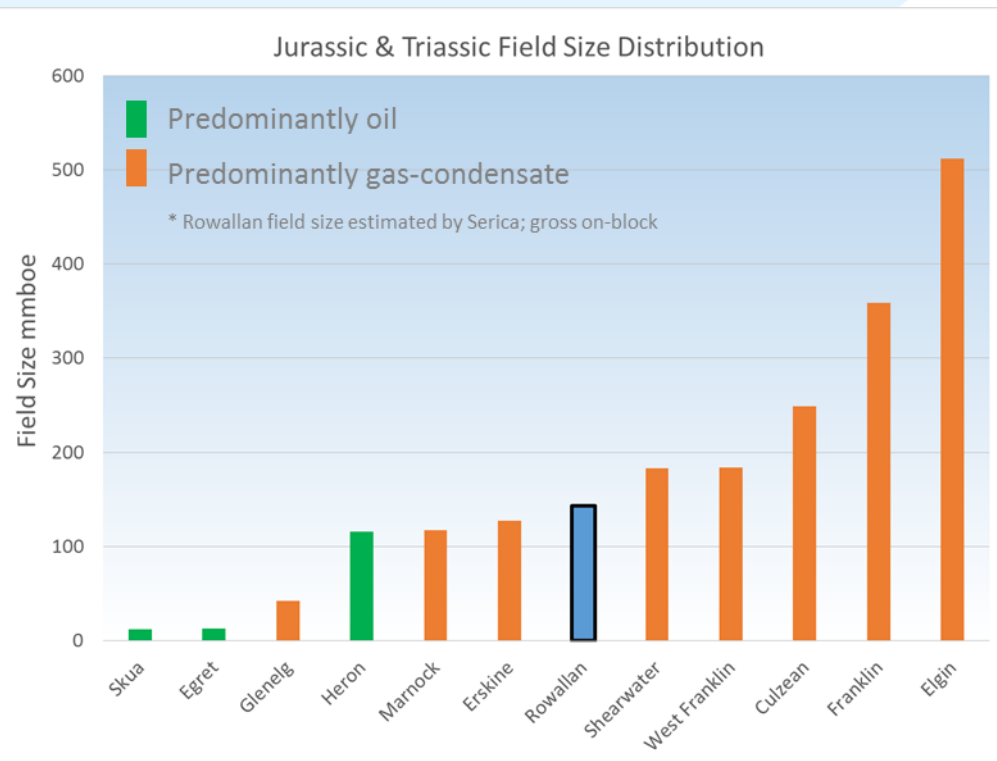
Forties Pipeline System “FPS”

- **Bruce, Rhum, Keith (BKR) and Erskine all produce condensate into FPS**
 - The fields cannot presently produce gas or condensate without FPS
 - Ineos FPS discovered a hairline crack in an onshore section of pipeline just south of Aberdeen
 - Ineos carried out a controlled de-pressurisation of the whole FPS system on 11 December 2017
 - Ineos has not given a firm time period for repair of the crack, but has said it is likely to be weeks and not days
- **Impact on Serica**
 - Erskine production will be deferred until the pipeline is brought back in service
 - Annual average production net to Serica for 2017 is predicted to be 2,000 boe per day
 - The effective date of the BKR transaction is 1 January 2018
 - 2017 production deferral on BKR will not impact Serica’s 2017 cashflow



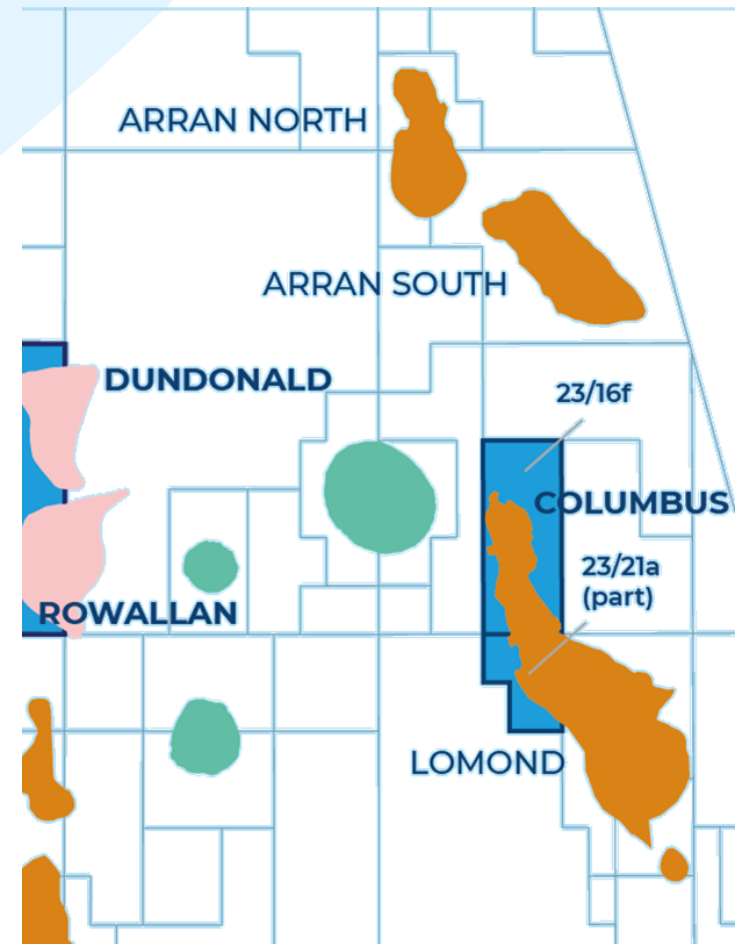
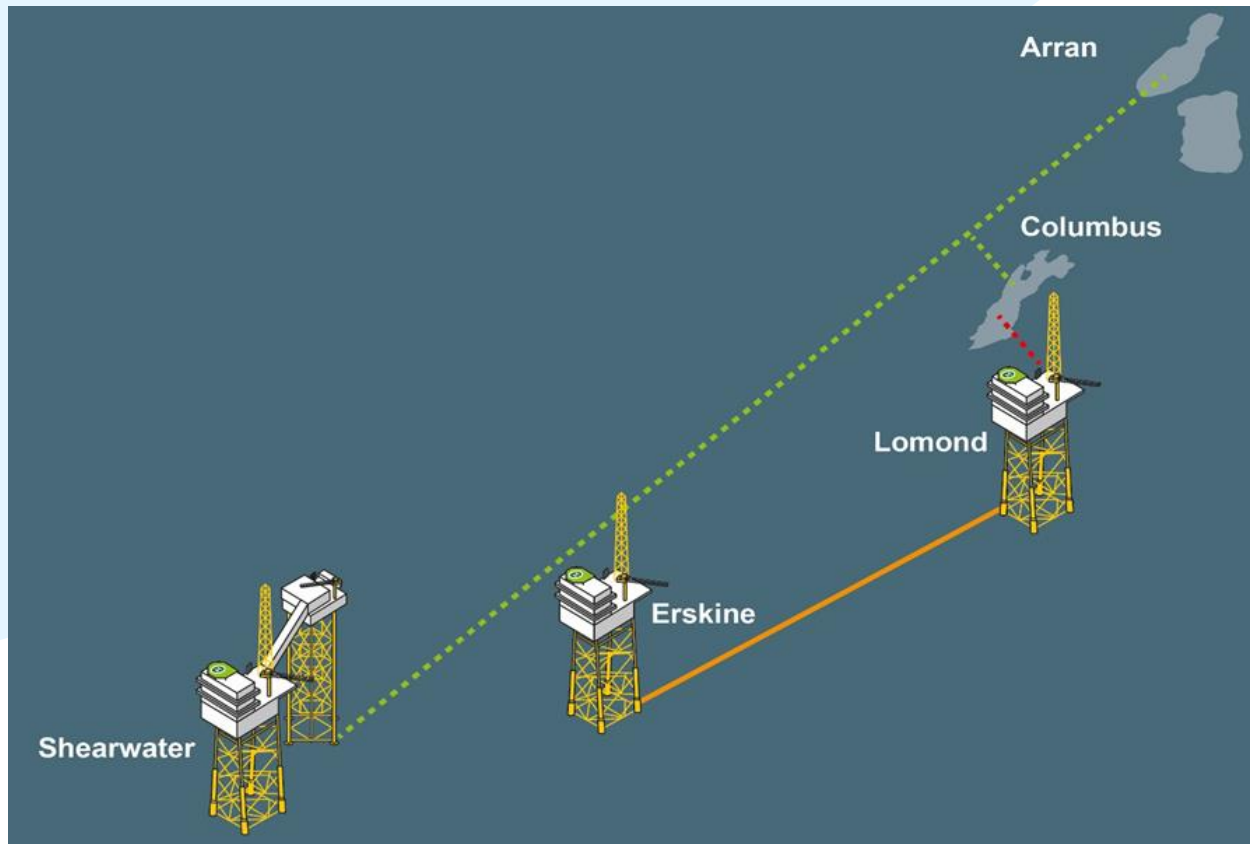
Rowallan Prospect: UK Block 22/19c (15%)

- Preparations for drilling continue
- A pre-drilling site survey is in progress
- Drilling is planned for Q3 2018
- Serica is fully carried and so pays no costs for drilling the well
- Success case gross estimated field size in line with major HPHT UKCS fields
- Serica's net Rowallan resource is estimated at 20 to 60mmboe (P50 and P10 respectively)



Columbus Development (50%)

- Offtake route selection under evaluation (technical and commercial)
- Intention to submit FDP by mid 2018
- First gas 2020 or 2021 depending on route
 - Long reach well from Lomond platform or
 - Tie-back to Shearwater platform via proposed Arran pipeline



Strongly Positioned for the Future

- Acquisition of Bruce, Keith and Rhum effective from 1 January 2018 with completion anticipated mid-2018
- Serica production expected to increase materially
- 60% of 2018 , 60% of 2019 & 40% of H1 2020 retained share of Bruce, Keith and Rhum gas production hedged at 35p/therm floor
- Operatorship positions Serica to deliver full potential of Bruce, Keith and Rhum through operational efficiency and the use of technology
- Enhanced operating capability will help create new opportunities to build portfolio of assets
- Annual average Erskine production net to Serica for 2017 is projected to be 2,000 boe per day
- Columbus offtake route election decision and FDP submission by mid 2018
- Fully carried Rowallan well planned for Q3 2018



Q&A

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