

# Serica Energy plc

## ("Serica" or the "Company")

### Announces AGM Results

London 25<sup>th</sup> June: Serica Energy plc ("Serica" or the "Company") (TSX Venture: SQZ; AIM: SQZ) is pleased to announce that all of the resolutions set out in the Notice of the Annual General meeting dated 20<sup>th</sup> May 2010 were duly passed at the Annual General Meeting today.

Serica also announces that a statement made today by Tony Craven Walker, Chairman, given at the AGM today is attached and the AGM presentation is available at [www.serica-energy.com](http://www.serica-energy.com).

**25 June 2010**

### Enquiries:

#### Serica Energy plc

Paul Ellis, CEO	<a href="mailto:paul.ellis@serica-energy.com">paul.ellis@serica-energy.com</a>	+44 (0)20 7487 7300
Chris Hearne, CFO	<a href="mailto:chris.hearne@serica-energy.com">chris.hearne@serica-energy.com</a>	+44 (0)20 7487 7300

#### J.P.Morgan Cazenove

Patrick Magee	<a href="mailto:patrick.magee@jpmorgancazenove.com">patrick.magee@jpmorgancazenove.com</a>	+44 (0)20 7588 2828
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#### RBC Capital Markets

Josh Critchley	<a href="mailto:joshua.critchley@rbccm.com">joshua.critchley@rbccm.com</a>	+44 (0)20 7002 2435
Matthew Coakes	<a href="mailto:matthew.coakes@rbccm.com">matthew.coakes@rbccm.com</a>	+44 (0)20 7653 4871

#### CollegeHill

Nick Elwes	<a href="mailto:nick.elwes@collegehill.com">nick.elwes@collegehill.com</a>	+44(0)20 7457 2020
Simon Whitehead	<a href="mailto:simon.whitehead@collegehill.com">simon.whitehead@collegehill.com</a>	+44(0)20 7457 2020

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## **Text of Chairman's statement at Serica Energy plc annual General Meeting – June 25, 2010.**

The following is the text of the presentation made by Tony Craven Walker, Chairman of Serica Energy plc, to shareholders at the Annual General Meeting held at 10.00 am on Friday, 25<sup>th</sup> June 2010 at The Registry, Royal Mint Court, London, EC3N 4QN.

Our meeting last year was held on 25th June, exactly one year ago. In the intervening 12 months the Company has seen the commencement of production from the Kambuna field in Indonesia and raised over \$100 million from the sale of part of our interest in that field together with the disposal of our Vietnam interests and of part of our holding in the Kutai exploration block in Indonesia. We also replaced our bank facilities with a new three year facility and covered a significant part of the drilling costs associated with our 2010 drilling programme through industry farm-outs. As a result of these transactions, the Company is able to carry out a very active drilling programme this year in good financial shape.

Four offshore exploration wells are planned on a range of differing prospects. The first of these wells was drilled in May this year on the Conan prospect in the East Irish Sea. The well was located south east of the Isle of Man over a prospect which the Company identified from the analysis of seismic amplitudes. We had high hopes for the well. The prospect was located very close to existing gas fields, in which similar seismic amplitudes were recognised, and was the largest remaining undrilled amplitude anomaly in the East Irish Sea.

It is the nature of exploration though that "Lady Luck" always plays a large role and that geology is not always predictable. Although we recognised that alternative technical explanations for the seismic anomaly existed, and we took the precaution of farming-out our interest before drilling to substantially defray the downside cost, we were disappointed that the well did not live up to expectations and did not find hydrocarbons. That is particularly disappointing to the exploration team that worked so hard to identify and evaluate the prospect. However, it has not written off other prospects which we have in the area, to which we will return at some point. On a positive note, the Company drilled the Conan well as operator without incident and on budget, demonstrating the technical skills of the Company's operations team.

Looking forward, our next well will be drilled on the Oates prospect in the Central North Sea, located some 20 kilometres to the west of the Columbus field. This well is expected to commence drilling in late July. Again we have farmed down our original 100% holding, to accommodate the inevitable risk. Serica now has a 50% carried interest in the well with the result that a successful outcome would have a very material benefit to the Company, whilst a disappointing outcome would be at negligible cost.

We expect to know the outcome of the Oates well around the end of August when we should also be starting our two well drilling programme in the Kutai PSC, offshore East Kalimantan in Indonesia. The programme will commence with the drilling of the Dambus well followed by the Marindan well. Serica holds a 30% interest in these wells, both of which could be material to the Company if successful.

Shareholders are therefore exposed this year to an exploration drilling programme which holds much promise and which is now underway. The differing natures and geographical locations of the prospects means that the outcome of any one well will not change the prospectivity of the other wells and each should be taken as they come.

The Company has done its best to mitigate against a negative outcome by farming out or reducing its interests in the individual wells so that the programme is easily met from the Company's financial resources. However, it is not possible to provide for market exuberance pre-drilling or over-reaction post results such as we saw on the Conan well. Given the upside potential of the programme, it is to be expected that the Company's share price performance

may be particularly volatile as each well starts to drill and as results are announced, but that is the nature of the business that we are in. Suffice to say that the Company's core assets and its financial resources are sound and provide a solid basis from which to undertake this programme.

These core assets consist of the Kambuna field, which started production last August and in which we now have a 25% interest, and the Columbus field which, as we announced recently, has entered the Front End Engineering and Design phase with a view to seeking field development sanction towards the end of this year. This phase is the result of collaboration between three groups led by Serica, Dana and BG to bring production from the Columbus and Arran fields together into a single development based on BG's Lomond field platform. This arrangement is indicative of the collaboration required to enable independent producers and infrastructure owners in the North Sea to bring new oil and gas reserves onto the market in as timely, efficient and economic a fashion as possible.

Access to North Sea infrastructure, which is generally owned by the long-established major operators, is one of the most pressing problems facing independent operators as they seek to bring smaller discoveries to the market. This has been particularly relevant to the development of the Columbus field. Columbus was discovered by Serica in 2006 and it has taken much longer than we anticipated to reach agreements with the owners of the infrastructure through which we have to transport our production. This is a problem which needs generally to be addressed if the UK is going to be able to maintain and optimise production from the North Sea. We are very pleased to have reached the stage in respect of Columbus where the project is now moving forward.

Last year I said that we were conducting business in a very uncertain financial environment which provided particular difficulties for the smaller companies. The fact that Serica has been able to manage its business without recourse to shareholders during a time of such substantial upheaval in the financial markets, and against a very uncertain economic background, speaks volumes for the achievements of the executive and staff of the Company. Against that background we have also been able to put together a forward drilling programme which holds much potential and I would like to congratulate our exploration staff for their skills in doing so. It is my hope that they will see success in that programme and be able to weather the occasional disappointment – the overall programme is certainly well balanced.

This year, in addition to the ongoing uncertain economic background and financial conditions which remain tight, we also have to contend with the changes that we are likely to see as a result of the BP Macondo incident in the Gulf of Mexico – changes that will affect large and small companies alike. Whilst the rewards are great and the global requirement for oil and gas is not likely to lessen in the near future, the oil and gas exploration business is hazardous and the risks are high. Companies that can manage these risks are likely to be successful, and I include Serica amongst these. However, we will undoubtedly have to adapt to changes in perception of the industry and what it contributes, and to changes in the regulatory regime likely to be faced by the industry in the future.

We at Serica are very conscious of these factors and recognise that they will bring extra pressures, but they will also bring opportunities to develop and expand the business. As I said in my presentation to shareholders last year the industry is largely opportunity driven and, with the continuing support of shareholders and our bankers, I believe that we have the management experience and knowledge in Serica to identify and take advantage of these opportunities.

A final word on our stock market listings. The Company's shares are listed in both London and Canada. In Canada our listing is on the TSX Venture Exchange which, being the junior exchange, tends to restrict the number of Canadian institutions able to invest in the Company. We have therefore applied for a graduation of our listing to the main board of the

Toronto Stock Exchange, the TSX. We expect this move to the TSX to improve the liquidity of our shares in Canada and hope to be able to announce the completion of our graduation shortly.