

Serica Energy plc ("Serica" or the "Company")

ACQUISITION OF 18% INTEREST IN UK PRODUCING ERSKINE FIELD FROM BP

London, 17 June 2014 - Serica Energy plc (AIM & TSX: SQZ) announces that it has agreed to acquire an 18% interest in UK blocks 23/26a (Area B) and 23/26b (Area B) containing the Erskine Field, located in the UK Central North Sea, from BP Exploration Operating Company Limited and Britoil Limited both wholly owned subsidiaries of BP plc (together "BP") for US\$11.1 million in cash plus 27 million new Ordinary Shares in the Company subject to certain working capital adjustments on completion. The transaction is *inter alia* conditional on consent of the other participants in the Erskine Field and related agreements and on approval by the Department of Energy and Climate Change.

Highlights

- The transaction provides Serica with an immediate and long term cash flow stream. Net production for the year 2014 accruing to the interest acquired is estimated to be 1,234 boepd after providing for periods of shutdown to meet planned maintenance programmes. Provision for decommissioning at the end of field life has been provided for on the basis that Serica's estimate of decommissioning costs relating to the asset acquired will be met by BP, on an inflation adjusted basis, with Serica being responsible for any costs above this level.
- The transaction increases Serica's proven and probable reserves from an estimated 5.2mmboe to an estimated 8.8mmboe (Company estimates) and increases proven and probable reserves per share by 53% (after adjusting for the maximum number of new Ordinary shares to be issued as part of the consideration).
- The transaction has strong synergies with Columbus, being a gas and gas condensate stream which uses the Lomond platform as export facility, one of the planned alternative export routes for Columbus production, and complements Serica's efforts to bring the Columbus field into production.
- The transaction is tax efficient for Serica, accelerating recovery of both past and future tax losses in the UK, and is in line with Serica's strategy to unlock the value of its existing assets and build a platform from which it can generate future growth.
- The transaction is both asset and income accretive to Serica on a per share basis and is accretive on a reserves per share basis.

Tony Craven Walker, Chairman commented:

"The agreement to buy an interest in the producing Erskine field from BP is an important step for Serica. As well as having operational and taxation synergies, it increases the reserve backing per share, enhances the overall value of our assets, generates a valuable income stream for the Company and expands our existing interests in the Central North Sea.

The Erskine field produces through the Lomond facilities which lie close to the Columbus field. The Lomond field facilities continue to offer one of the preferred development options for Columbus. Securing an interest in Erskine provides us with a valuable foothold in a nearby producing field together with access to associated infrastructure and will assist us in our ongoing efforts to bring Columbus on to production.

BP will be taking an interest in Serica as a result of the transaction and we welcome BP as a shareholder. Serica intends to build upon this acquisition to secure a stronger presence in the UK as well as overseas where we are seeking to broaden our existing portfolio in Ireland, Morocco and Namibia."

The Erskine Field

The Erskine Field is a producing gas and gas condensate field operated by Chevron and is estimated by the Company to have remaining reserves net to the interest acquired of approximately 3.6 mmmboe. Average daily gross production during Q1 2014, after which production was suspended for infrastructure maintenance, was 10,092 boepd. The field recommenced production on 10 June. Fluids from the field are transported from the Erskine platform (a normally unmanned wellhead platform) to the BG operated Lomond platform where they are processed and gas is delivered via the CATS pipeline system to the terminal at Teeside. 60% of the gas is purchased by SSE on formula contract prices and 40% is sold in the market at spot prices. The condensate separated at the Lomond platform is delivered via the Forties pipeline to Cruden Bay.

During 2013, post-tax profits of approximately \$10.2 million are attributable to the asset acquired for that period. However, it should be noted that this figure is not representative of future anticipated profits which are expected to be materially affected by increased costs, changes in production levels and by periods of closure for scheduled maintenance.

Key transaction terms

Under the terms of the Sale and Purchase Agreement, Serica will pay a consideration to BP amounting to US\$11.1 million in cash plus 27 million Serica new Ordinary Shares (the "Consideration Shares") subject to certain working capital adjustments between 1 January 2014, the Effective Date of the transaction, and the completion date. The Consideration Shares will be allotted to BP on fulfilment of the abovementioned conditions precedent ("Completion") and will rank pari passu with existing Serica Ordinary Shares. The working capital adjustments will be applied against the consideration at Completion and may result in a reduction in the number of Consideration Shares. The number of new Ordinary Shares to be issued on Completion as Consideration Shares will not exceed 27 million (approximately 9.7% of the enlarged company) or be less than 13.5 million (approximately 5.1% of the enlarged company). BP has agreed to hold the shares as an investment for a period not less than one year with any subsequent sales subject to standard orderly market provisions. The cash consideration is being made from Serica's current cash resources.

The terms of the Sale and Purchase Agreement also provide for certain future contingent payments to be made by Serica in the event that operating costs for the field fall below current projections. Provision for decommissioning of the facilities at end of field life has been catered for on the basis that BP will be responsible for all decommissioning costs up to a ceiling equal to Serica's current estimate of decommissioning costs relating to the asset acquired, adjusted for inflation, with Serica responsible for any costs in excess of this ceiling.

Impact on Serica

The transaction represents a material addition to Serica's interests in the Central area of the North Sea and will provide production and cash flow to the business and tax efficiencies as well as strong synergies with Serica's existing operations. Serica's strategy regarding its existing assets is unchanged with ongoing exploration to be funded out of existing cash and cash flows from the Erskine field.

The transaction brings an asset which has strong synergies with Columbus, being a gas and gas condensate stream which uses the Lomond platform as export facility. It strengthens Serica's position and augments Serica's economics as the Company negotiates an export option for Columbus production which lies eight kilometres from the Lomond platform. It extends Serica's strategic focus on the Central North Sea which includes HPHT prospects in Block 22/19c, in which Serica has a 15% carried interest, as well as the Columbus field.

Production from the Erskine field is currently subject to inefficiencies in the transportation and processing plant downstream of the Erskine platform, particularly at the Lomond platform. Work is currently in hand to improve production efficiency which will require a shut down for scheduled maintenance between end October 2014 and end February 2015. Serica believes that the Erskine field is capable of significantly improved production performance if these current efforts to improve efficiencies are successful.

Technical Information

The reserve estimates contained in this release are Company estimates derived from Operator estimates and have not been prepared in full compliance with Canadian National Instrument 51-101.

The technical information contained in the announcement has been reviewed and approved by Mitch Flegg, Chief Operating Officer of Serica Energy plc. Mitch Flegg (BSc in Physics from Birmingham University) has 32 years of experience in oil & gas exploration and development and is a member of the Society of Petroleum Engineers (SPE) and the Petroleum Exploration Society of Great Britain (PESGB).

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NOTES TO EDITORS

Serica Energy is an oil and gas exploration and production company with exploration and development assets in the UK and Norway and exploration interests in the Atlantic margins offshore Ireland and West Africa. The Company is actively exploring its licences offshore UK, Ireland, Morocco and Namibia in partnership with other companies. Further information on the Company can be found at www.serica-energy.com.

The Company is listed on the London AIM and is listed as a designated foreign issuer on the Toronto Stock Exchange in both cases under the ticker SQZ. To receive Company news releases via email, please contact serica@instinctif.com and specify "Serica press releases" in the subject line.

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: geological, geophysical and technical risk, the impact of general economic conditions where Serica Energy plc operates, industry conditions, changes in laws, taxes 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.

DEFINITIONS AND GLOSSARY OF ABBREVIATIONS

"barrel"	42 US gallons
"bpd"	barrels per day
"boepd"	barrels of oil equivalent per day (barrels of oil, condensate and LPG plus gas volumes converted into barrels at a rate reflecting the energy content of the gas)

"DSA"	Decommissioning Security Agreement
"DRD"	Decommissioning Relief Deed
"HPHT"	High pressure, High temperature
"mmboe"	millions of barrels of oil equivalent
"mmscfd"	millions of standard cubic feet per day
"net"	the portion that is attributed to the equity interests acquired
"proved reserves"	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"	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 plus probable reserves
"reserves"	estimates of discovered commercially recoverable hydrocarbons