

# Serica Energy plc

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

### Interim Results

**London, 12 August 2014** – Serica Energy plc (TSX & AIM: SQZ), the oil and gas exploration and production company with assets in the UK, Norway and the Atlantic margins off Africa and Ireland, today announces its interim financial results for the six months ended 30 June 2014. The results are summarised below and copies are available at [www.serica-energy.com](http://www.serica-energy.com) and [www.sedar.com](http://www.sedar.com).

### Highlights:

#### Acquisition of 18% UK North Sea Erskine Field Interest from BP

- Increases Serica's 2P reserves from estimated 5.2 mmboc to 8.8 mmboc
- Provides immediate and long term tax-efficient cash flow stream
  - Net production for 2014 accruing to 18% interest estimated at 1,234 boepd
  - Average daily field production in July of 16,474 boepd gross, 2,965 boepd net to Serica
- Strong synergies with existing UK operations, in particular Columbus
- Consideration of US\$11.1 million and 27 million new Ordinary Shares
  - Effective date of 1 January 2014 with completion forecast for Q4 2014 subject to various partner consents and government approvals
  - Funded from current cash with consideration payable at completion expected to be reduced by benefit arising from interim period value inflows
  - Decommissioning liability retained by BP

### Operations

- In Morocco, exploration drilling ongoing on the SM-1 well on the Sidi Moussa licence, targeting an operator estimated 300 mmboc of prospective resources. Costs of wells substantially covered by farm-out limiting Serica's financial exposure
- Progress continues on Serica's UK gas-centric projects
  - Completion of Centrica farm-out to carry Serica for 20% on Doyle well in Block 113/27c announced in August. Drilling of Doyle prospect in 1H 2015
  - ENI joins as operator in block 22/19c where large HPHT prospects are evident - Serica (15% interest) fully carried by JX Nippon through first well expected in 2016
  - Export route for Columbus field under negotiation - commercial discussions continue with BG and others - infrastructure support from Wood Report and DECC
- Competent Person's Report flags major potential in all of Serica's licences
- Operator of Bream has indicated FEED engineering work underway with project sanction decision targeted for year-end, Serica due a substantial payment on start of production

### Financial

- Period end cash balance of US\$19.0 million, nil debt
- All major exploration commitments farmed-out

- Loss for the six month period from continuing operations of US\$2.6 million (1H 2013: US\$2.6 million)

**Tony Craven Walker, Serica’s Chairman commented:**

*"Serica has made excellent progress in the first half of the year, in particular with our acquisition of BP’s stake in the Erskine Field. This agreement marks an important step for Serica by generating a valuable tax efficient income stream for the Company, and assisting us in our ongoing efforts to bring Columbus on to production by providing us with a foothold in a nearby producing field together with access to associated infrastructure.*

*We have a number of exciting upcoming prospects on the exploration front, including the Sidi Moussa Block, offshore Morocco, which commenced drilling in July. We completed the farm-out to Centrica of our Doyle prospect in the East Irish Sea with the well expected to be drilled in the first half of 2015. ENI joined us in Block 22/19c, where large high pressure high temperature prospects are evident. In each case the cost of the wells are substantially covered by our farm-out partners, in line with our strategy of providing shareholders with exposure to material upside at very little cost.*

*We have made substantial advances in the first half of 2014 and, given the breadth of opportunities we are seeing both within the North Sea and further afield, we expect this to continue."*

**Enquiries:**

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**NOTES TO EDITORS**

Serica Energy was formed in 2004 and, since then, has drilled 20 wells in locations as diverse as the UK Offshore, the Atlantic margin offshore Ireland, offshore Indonesia (North West Sumatra, East Kalimantan and Java) and offshore Vietnam. Seventeen of these wells were drilled by the Company as Operator, fourteen of the wells encountered oil or gas and six of these were commercial. The first of the commercial discoveries, the Kambuna field in North West Sumatra, was developed by the Company. The second, the Columbus field in the UK North Sea, is now in the pre-development stage with final project sanction pending. The Company also has a residual economic interest in the Bream oil field offshore Norway, which will be crystallised when the field is developed, and licence interests offshore Ireland, Morocco and Namibia. Further information on the Company can be found at [www.serica-energy.com](http://www.serica-energy.com).

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 31 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).

The Company is listed on both the Toronto Stock Exchange and the London AIM under the ticker SQZ.

To receive Company news releases via email, please contact [serica@instinctif.com](mailto: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 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.

## **INTERIM REPORT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014**

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 11 August 2014 and should be read in conjunction with the unaudited interim consolidated financial statements for the period ended 30 June 2014, which have been prepared by and are the responsibility of the Company's management and have not been reviewed by the Company's independent auditors.

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 and on the Canadian TSX Exchange. 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 regulatory requirements of the AIM market of the London Stock Exchange in the United Kingdom.

Serica is an oil and gas company with exploration and development activities based in the UK, Ireland, Namibia and Morocco, and an economic interest in an oilfield offshore Norway. The Company's interest in the Kambuna field in Indonesia was formally terminated on 31 December 2013.

## **CHAIRMAN AND CHIEF EXECUTIVE REVIEW**

During the first half of 2014 Serica made good progress and added considerable value to the Company, laying the foundation to improve the performance of its oil and gas assets. The acquisition of an 18% interest in the producing Erskine field from BP, which was announced in mid-June, will provide significant tax-sheltered income and is aimed at giving the Company access to infrastructure which is fundamental to our ability to release value from our UK oil and gas assets, particularly the nearby Columbus field. This acquisition will help us achieve our objectives in the vicinity of Columbus and accelerate its development.

We are currently in the process of completing the Erskine acquisition, where we require the approval of BG and Chevron as existing field participants as well as the consent of the Department of Energy and Climate Change ("DECC"). The Wood Report, commissioned by DECC has made it clear that greater co-operation from existing operators in the North Sea is critical to developing the UK's remaining reserves of oil and gas. The efforts which we are making have received very welcome support and encouragement from DECC, and given the importance of the Erskine transaction and the demonstrable value it brings as a result of providing Serica with access to infrastructure local to Columbus it is our expectation that these consents will be forthcoming.

The Company is strongly placed to build on this transaction. The successful equity raising completed in November 2013 has given us the core funding to secure and build on this important asset and we will be seeking further acquisitions to expand our operations, release the value of our tax losses and add further synergies, particularly in the Central North Sea. The Company has no debt and no significant financial commitments, a result of the Company's prudent financial management and farm-out strategies over the past few years, and we are therefore well placed to meet our ongoing obligations both as an Erskine partner and in our other joint ventures in the UK and overseas.

On the exploration front, we have a number of exciting upcoming prospects. The first of these, the Nour prospect in the Sidi Moussa Block offshore Morocco, commenced drilling on 30 July with the spudding of well SM-1. Serica has a 5% carried interest in this well up to a gross cap of US\$50 million and the well is expected to take between sixty and ninety days to complete. We also announced, on 5 August, the completion of the farm-out of our Doyle prospect in the East Irish Sea and the expected drilling of that well in the first half of 2015. The licence covering Doyle has been farmed-out to Centrica as part of our policy to limit the downside for shareholders whilst retaining a large stake in the upside. We are carried for our 20% share of the well up to a gross cap of £11 million. The Doyle prospect is located close to infrastructure which is also operated by Centrica with the result that it should be possible for a successful discovery to be very rapidly brought on stream.

No less significantly, we announced in the first half that ENI had joined us in Block 22/19c where we and our partner, JX Nippon, have identified three large high pressure high temperature (HPHT) prospects which have the potential to contain major reserves of gas and gas condensate. Serica has a 15% interest in this block and a full uncapped carry on the first well making this a valuable asset within Serica's portfolio. The block is located close to the Columbus and Erskine fields and adds to our focus on this part of the North Sea.

On the development side we are looking for progress on the development of Columbus and negotiations continue, and we are also expecting to see progress accelerated on the Bream field in Norway, as a result of a recent announcement by the field operator which targets development sanction at the end of this year. With a substantial payment due to Serica on first production assuming current oil prices, this represents encouraging

progress and is a step forward for the Company achieving tangible value from this asset. On the exploration front shareholders are also exposed to success over the coming months with minimal downside. Whilst we never forecast the results of our upcoming drilling programme, the fact that we are carried for the bulk of our costs when taken with the size of the prize on success means that any discovery would have a material impact. Taken together, the Company is poised for transformational change on a number of fronts over the coming months.

In summary, we have seen Serica make very substantial advances in the first half of 2014 and given the opportunities we are seeing both within the North Sea and further afield, it is our expectation that this will continue. Erskine has showed strong performance since the announcement of the acquisition, averaging approximately 3,000 boepd net to Serica's interest up to 1 August when production was suspended to provide for a planned two-week maintenance of the CATS pipeline system. With improvements to related infrastructure performance expected following extensive maintenance work scheduled to take place over the coming winter months we believe that the field will provide Serica with strong cash flows in the years to come and provide a foundation upon which to develop new business. We have provided for the planned closure accompanying this maintenance work and have taken expected cost increases into account in our financial planning.

Our financial position also provides us with the capacity for growth. With no debt and minimal financial commitments, our share of forecast decommissioning costs on Erskine underpinned by BP and increasing cash flows the Company's financial position remains robust. At the half year net current assets stood at just over US\$20 million with cash balances at US\$19 million and no debt. Depending on the date of completion of the Erskine transaction, the cash consideration payable to BP, standing at US\$11.1 million is likely to be considerably reduced as a result of working capital adjustments relating to production and field costs since 1 January 2014, the date of valuation for the purposes of the transaction, and can be met by the Company from existing resources without the need to raise additional financing.

### ***Forward Strategy***

Serica is well financed and has a strong, gas orientated portfolio in the UK offshore which it expects will show increasing value in the light of projected material gas shortages and rising gas prices. The Erskine transaction is important and provides a very good platform from which to grow. 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 in order 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.

Overseas, we have an exploration-based portfolio containing a number of well-defined, exceptionally high impact and drill ready 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 our UK and non-UK portfolios. Our strategy is to seek to do this leveraging our contacts in the industry, through acquisitions and by taking advantage of consolidation opportunities which we expect to see in the coming months. 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.

Serica is in a good position to achieve its objectives and, with our portfolio of prospects rich with potential and a lean but strong and experienced management team, we are continually looking to opportunities and synergies both to expand and to unlock the value of our business.

## **OPERATIONAL DEVELOPMENTS**

The Company's properties are focussed in two separate areas – the UK Offshore area together with an economic interest in the Bream field in Norway, and a portfolio of very interesting, high-impact properties located in the Atlantic margins which are seen as bringing longer term reward. Full details are included in the Review of Licence Holdings below. The main operational activities during the first half are as follows:

### ***Erskine field interest acquisition***

In June, Serica was pleased to announce that agreement had been reached with BP in an innovative deal which will result in the Company acquiring an 18% interest in UK blocks 23/26a (Area B) and 23/26b (Area B), located in the UK Central North Sea and containing the Erskine field. The other partners in the field are BG and Chevron (operator).

The key elements to the transaction provide that Serica will pay consideration to BP of US\$11.1 million in cash plus 27 million new Ordinary Shares in Serica on completion subject to certain working capital adjustments. Estimated decommissioning costs will be met by BP. The Effective Date of the transaction is 1 January 2014, so working capital and interim period adjustments will be applied against the consideration and can reduce both cash or share consideration at completion (to a minimum of 13.5 million new Ordinary Shares).

The transaction, which is subject to the approval of BG and Chevron as partners in the Erskine field, and to consent of DECC will increase Serica's 2P reserves from an estimated 5.2 mmboe to 8.8 mmboe (Company estimates) and on completion, provides the Company with an tax efficient income stream to replace income from Kambuna which ceased production in Indonesia last year.

We also expect to derive significant additional benefit from the strong synergies with Serica's existing operations. The Erskine, Lomond and Columbus assets are clearly inter-related and the transaction is significant for the Company and our efforts to build a stronger position in the area around Columbus. It will give us a position in the nearby infrastructure and more closely align Serica with Chevron and BG as operators of Erskine and Lomond respectively. This is important in our efforts to find a solution to develop Columbus.

Fuller details of the transaction are given in the financial review update below.

### ***Columbus field***

The main challenge for Serica 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. The acquisition of an interest in Erskine, which uses the facilities at Lomond, will help us in that respect.

The Wood Report, commissioned by DECC, 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.

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.

#### ***Other operational developments***

In Morocco, an exploration well SM-1 on the Sidi Moussa block spudded on 30 July to appraise the Nour prospect and drilling is currently ongoing. The well is targeting an operator estimate of unrisked prospective resources at 300 mmboe. Serica has a 5% carried interest in this well up to a gross cap of US\$50million, thereby substantially covering Serica's financial exposure.

In the UK East Irish Sea, on 5 August the Company was pleased to announce the completion of the farm-out of Blocks 113/26b and 113/27c (Licence P.1482) with Centrica through its subsidiary Hydrocarbon Resources Limited ("HRL"). Under the agreement, HRL has acquired an operated 45% interest in the licence, with Serica retaining 20%, in consideration for HRL bearing Serica's share of costs associated with the drilling of an exploration well, up to a gross cap of £11 million. In addition, the transaction involved the transfer from Serica to HRL of a 15% interest and operatorship in the adjacent Block 113/22a (Licence P.2124), which was awarded in the 27th Offshore Licensing Round. The Doyle gas prospect, lying in the north of Block 113/27c and extending into Block 113/22a, is ready to drill. The site survey for this prospect has been completed and drilling is expected to commence in the first half of 2015. In the event of a commercial discovery, Doyle is ideally placed for a fast-track development and early gas production due to available capacity in nearby infrastructure. Successful negotiations with the nearby Walney Extension Wind Farm owners have secured a corridor for a potential gas pipeline to Rhyl.

In the UK Central North Sea Block 22/19c, in March 2014, the operator JX Nippon executed an agreement with ENI for the latter to join the block as operator with a 50% interest. Serica has a full carry on this licence up to and including the drilling of an exploration well. Significant deep HPHT potential is seen in the Jurassic and Triassic, and ENI bring considerable experience in HPHT technology to the partnership. Plans are advanced to drill an HPHT well in early 2016.

In Namibia, Serica commenced a farm-out process to attract one or more new partners to enter the Joint Venture arrangement with the aim of drilling the first exploration well as soon as possible.

In Ireland, in partnership with RWE, Serica has launched a farm-out campaign to follow up on the 2009 Bandon oil discovery on our Slyne licence. Subject to identifying a suitable partner or partners a well is targeted to be drilled on the Boyne prospect in

2015. Efforts have also continued to identify partners to accelerate drilling on our Muckish prospect in the Rockall Basin.

## **REVIEW OF LICENCE HOLDINGS**

The following summary gives further detailed information on Serica's licence interests in which activities took place during, and subsequent to the end of 1H 2014.

### **United Kingdom**

#### Central North Sea: Block 23/16f - Columbus Field Development

Block 23/16f covers an area of approximately 22 square kilometres in the UK Central North Sea and contains the majority of the Columbus gas field. The Columbus field, containing gas rich in condensate, extends from Block 23/16f into Block 23/21 to the south, operated by BG International Limited ("BG"). Block 23/21 includes the Lomond platform and the producing Lomond field. Serica has a 50% interest as operator in Block 23/16f and will be the operator for Columbus field facilities with an interest of 33.2%.

The main challenge for this asset 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 ("BLP") at Lomond, then an integral part of our plans to develop Columbus.

The partners in Block 23/16f obtained a two year extension from DECC for the second phase of the licence (P1314), which now expires in December 2015. This cooperation from DECC is indicative of their support to help reach a positive conclusion and extends the timeframe to achieve agreement for an export route. As part of this process, the part of the block east of the Columbus accumulation has been relinquished such that the portion retained, which contains the Columbus field, has an area of 22 square kilometres.

Some progress has been made towards a revised development plan under which the Columbus field would be tied back directly to the Lomond platform without need for a BLP. Preliminary engineering studies showed that this solution is technically feasible and could be delivered within an acceptable time frame. The original field development plan, as submitted to DECC, was designed to evaluate the potential for additional reserves which may exist as an extension to Columbus and this would remain the intention in any revised plan designed to take account of a modified export route.

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.

However, in addition to negotiations with BG, discussions have continued with other infrastructure operators who can provide alternatives in the event that negotiations with BG fail to reach a commercial conclusion. 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.

Independent consultant NSAI carried out a reserves report on the Columbus field for the end of 2013. This report estimated that the gross Proved plus Probable Reserves of the field are 66.0 bcf of gas and 4.5 mmbbl of liquids, a total of 15.5 mmbbl. Serica holds a 50% interest in those Columbus reserves lying in Block 23/16f. After providing for reserves lying in the adjacent Block, NSAI estimates the Company's share of proved and

probable reserves in the field to be 21.9 bcf of sales gas and 1.5 mmbbl of liquids, a net 5.2 mmboe to Serica.

#### Central North Sea: Block 15/21g and 15/21a (part) – Spaniards Appraisal

Serica has a 21% interest in the amalgamated area of Block 15/21g and Block 15/21a (part). The focus of the forward work programme is to mature the Spaniards West prospect so that a decision can be made whether to drill another well or withdraw from the licence.

#### Central North Sea: Block 22/19c

Block 22/19c is located approximately 20 kilometres to the west of Serica's Columbus field. Following the farm-out of an 85% interest to JX Nippon in 2012, Serica has a 15% interest in the block and has a full carry on this licence up to and including the drilling of an exploration well.

In 1H 2014 JX Nippon executed and completed an agreement with ENI for the latter to join the block as operator with a 50% interest.

The group has identified significant deep High Pressure High Temperature ("HPHT") potential in the Jurassic and Triassic and ENI bring considerable experience in HPHT technology. A site survey is expected to be acquired in 2015 in preparation for drilling an HPHT exploration well in early 2016.

A Competent Person's Report ("CPR") conducted by Netherland, Sewell & Associates, Inc ("NSAI") and commissioned by Serica, has assessed the highest ranked prospect to contain between a P<sub>90</sub> of 40mmboe and a P<sub>10</sub> of 243mmboe of unrisks prospective gross resources.

#### Southern North Sea: Blocks 47/2b (Split), 47/3g (Split), 47/7 (Split) & 47/8d (Part)

Serica has a 37.5% interest in the blocks which are operated by Centrica. These blocks are contiguous part blocks immediately adjacent to the producing York field, also operated by Centrica.

A number of gas prospects, including a possible extension to the York field, have been identified on the blocks at Leman (Permian) level with additional leads at Namurian (Carboniferous) level. The work obligation, comprising a 3D seismic acquisition survey and reprocessing of existing seismic data, has been completed.

#### East Irish Sea: Block 110/8b

Serica has a 100% interest and operatorship of Block 110/8b. Recent drilling by Centrica in the adjoining block to the north is likely to have investigated prospectivity for gas in the area of the Darwen North prospect lying in the north of Block 110/8b but results of the drilling have not been released.

#### East Irish Sea: Blocks 113/26b and 113/27c - Doyle Prospect

In August 2014, following the receipt of the required approvals, the Company announced the completion of the agreement with Centrica, through Centrica's subsidiary HRL, for the farm-out of UK East Irish Sea Blocks 113/26b and 27c. Under the agreement, HRL acquired an operated 45% interest in the licence, while Serica has retained 20%, in consideration for HRL bearing Serica's share of costs associated with the drilling of an exploration well up to a gross cap of £11 million.

A Triassic gas prospect, the Doyle prospect, lies in the north of Block 113/27c. A fault and dip closed structure, this prospect has been fully matured and is ready to drill. The site survey has been completed and the well is expected to be drilled in early 2015.

#### East Irish Sea: Block 113/22a

In November 2013 Serica was awarded a Traditional Licence in the 27th Offshore Licensing Round, announced by DECC. Block 113/22a in the East Irish Sea was awarded to a group in which Serica had a 35% operated interest.

This block is adjacent to Serica Block 113/27c and the farm-out agreement for Blocks 113/26b and 113/27c with Centrica noted above, extended to the new licence offered. Following the completion of the farm-out in August, Serica has a 20% interest both in the Block 113/22a and in Blocks 113/26b & 27c. The other participants in the licence award are HRL 45% (and operator), MPX Limited 25% and Agora Limited (a subsidiary of Cairn Energy) 10%.

The Doyle prospect in Block 113/27c is believed to extend into Block 113/22a.

### **Ireland**

#### Frontier Exploration Licence 1/09: Blocks 5/17, 5/18, 5/22, 5/23, 5/27, and 5/28 - Muckish Prospects

Serica holds a 100% working interest in six blocks in this licence covering a total area of 993 square kilometres in the north-eastern part of the Rockall Basin off the west coast of Ireland.

A large exploration gas condensate prospect, Muckish, has been fully delineated from 3D seismic data in Blocks 5/22 and 5/23. Muckish is analogous to the nearby Dooish gas condensate discovery and provides material upside in a proven hydrocarbon basin. The evaluation of 3D seismic data coverage and the nearby Dooish gas-condensate discovery, give confidence in the potential of the prospect which covers an area of approximately 30 square kilometres with over 600 metres of vertical closure in a water depth of 1,450 metres. The NSAI CPR attributes P<sub>50</sub> unrisked prospective resources of 677bcf (with a range from a P<sub>90</sub> of 155bcf to a P<sub>10</sub> of 3.4tcf) to the Muckish prospect with a geological risk factor of 26%.

Serica has secured a two-year extension to the first phase of the licence covering the blocks and is moving forward with plans to perform a site survey in preparation for securing partners to participate in drilling the Muckish prospect.

#### Frontier Exploration Licence 4/13 - Blocks 11/10, 11/15, 12/1(part), 12/6 and 12/11(part) - Middleton Prospects

In December 2013, following the initial two year period of the licence award, Serica took the option to convert Licence Option 11/01, also located in the Rockall Basin, into a full Frontier Exploration Licence ("FEL"). Following a mandatory 25% relinquishment at the time of the option conversion into FEL 4/13, the three blocks and two part blocks now cover an area of approximately 925 square kilometres.

The area covered by the licence contains two pre-Cretaceous fault block prospects, Middleton and West Middleton which are analogous to the proven gas-condensate bearing Dooish discovery lying immediately to the east. These complement and provide additional diversity to the Muckish prospect lying in Serica's acreage just to the north east and the award will enable a comprehensive exploration programme covering the Muckish and Middleton prospects.

Serica is undertaking 2D and 3D seismic reprocessing work and other geological studies to firm up these two additional prospects. Recent in-house analysis of the extensive seismic database has also indicated the presence of deepwater fans, a play type not previously considered. This will be fully evaluated during this licence phase.

#### Frontier Exploration Licence 01/06: Blocks 27/4, 27/5 (west) and 27/9 - Liffey & Boyne Prospects

Licence FEL 1/06 covers an area of approximately 305 square kilometres in the Slyne Basin off the west coast of Ireland. Serica (operator) holds a 50% interest in three blocks which lie some 40 kilometres south of the Corrib discovery, which has reserves of approximately 800 bcf of gas.

In 2009 Serica drilled a well (Bandon) on the blocks and found a new oil play with a 50m column in a shallow high quality Jurassic reservoir, the Bandon discovery. Deeper prospects, such as the Boyne and Liffey prospects, have been identified with the potential for commercial accumulations.

The Company, in partnership with RWE, has launched a farm-out campaign to follow up on the 2009 Bandon oil discovery made by Serica. Subject to identifying a suitable partner or partners a well is targeted to be drilled on the Boyne prospect in 2015.

The Irish authorities commissioned a Wood Mackenzie report into the fiscal regime; the results of the review were announced on 18 June. This was considered to have a delaying effect on the farm-out market as companies awaited its recommendations. The recommendations to increase the maximum rate of tax applying to new licences from 40% to 55%, importantly do not apply to existing licences.

NSAI in their CPR attribute P<sub>50</sub> gross unrisked prospective resources (for the combined Jurassic and Triassic objectives in Boyne and Liffey) of 215mmboe (with a range from a P<sub>90</sub> of 56mmboe to a P<sub>10</sub> of 824mmboe).

## **Namibia**

### Luderitz Basin: Blocks 2512A, 2513A, 2513B and 2612A (part)

Serica has an 85% interest in a Petroleum Agreement covering Blocks 2512A, 2513A, 2513B and 2612A (part) in the Luderitz Basin, offshore Namibia in partnership with The National Petroleum Corporation of Namibia (Pty) Limited ("NAMCOR") and Indigenous Energy (Pty) Limited. The blocks lie in the centre of the basin and cover a total area of approximately 17,400 square kilometres.

During 2013, Serica, in partnership with BP, undertook the processing and interpretation of an extensive 4,180 square kilometre 3D seismic survey undertaken by Serica in 2012. The survey, covering approximately 25% of the licensed area and costing approximately US\$50 million, was fully funded by BP under the terms of a farm-out agreement with Serica and was designed to delineate the size and nature of Prospect B, one of three large structures identified on the licence at Lower Cretaceous (Barremian) level, and to examine prospectivity at shallower levels.

The results of this survey are positive. Processing of the data confirms Prospect B as having the clear characteristics of a large carbonate platform extending over 700 square kilometres with a vertical closure of up to 300 metres. The expectation of a predominantly carbonate structure has been reinforced by third party drilling elsewhere in Namibia which has proven the presence of large structures with associated carbonate build-up at Lower Cretaceous level.

The survey also confirmed the presence of large submarine canyon-channel turbidite sand systems at both Lower and Upper Cretaceous levels. These, together with further leads and other large prospects on the licence, provide considerable additional potential.

An independent assessment of the unrisks prospective resources contained in our Namibian licence has been performed by NSAI and covers prospects which have been mapped from early 2D seismic as well as the highly detailed 3D. This CPR recognises the multi-prospect nature of the licence and gives a combined best estimate of gross unrisks prospective oil resources associated with 7 prospects and 2 leads identified on licence of 2,297 million barrels and 437 million barrels respectively. It also states that Prospect B at the primary Barremian level alone contains P<sub>50</sub> unrisks prospective recoverable oil resources of 623 million barrels (with a P<sub>90</sub> to P<sub>10</sub> range of 138 million to 2.81 billion barrels). The report gives a geological risk factor of 16%.

In December 2013, BP elected not to exercise an option to increase its interest in the licence and assigned its 30% interest to Serica under the terms of Serica's farm-out agreement with BP. Serica now holds an interest of 85% in the licence in partnership with The National Petroleum Corporation of Namibia (Pty) Limited ("NAMCOR") and Indigenous Energy (Pty) Limited.

The withdrawal of BP leaves Serica with a valuable and extensive, fully interpreted data set and provides the Company with an opportunity to attract new partners and to retain a larger percentage interest. In 1H 2014 Serica commenced a farm-out process to attract one or more new partners to enter the Joint Venture arrangement with the aim of drilling the first exploration well as soon as possible.

## **Morocco**

### Sidi Moussa and Foug Draa Petroleum Agreements

Serica holds licence interests in the Sidi Moussa and adjacent Foug Draa Petroleum Agreements offshore Morocco. The blocks cover a total area of approximately 8,375 square kilometres in the sparsely explored Tarfaya-Ifni Basin and extend from the Moroccan coastline into water depths reaching a maximum of 2,000 metres. The Tarfaya-Ifni Basin is geologically analogous to the oil producing salt basins of West Africa. Under the terms of the licence agreements the participants are required to carry the State oil company ONHYM for a 25% interest through the exploration and appraisal phase. Both licences are currently in the First Extension Period, which entails the drilling of a commitment well in each block.

#### *Sidi Moussa*

Serica has a 5% working interest in the Sidi Moussa licence and cost exposure is considerably limited under a farm-out agreement whereby the operator Genel will carry Serica's retained 5% working interest for the first US\$50million of gross well costs. The rig *Noble Paul Romano* was contracted by Genel and the SM-1 well spudded on 30<sup>th</sup> July 2014 to evaluate the Nour prospect. This prospect is a carbonate draped tilted fault block structure that Genel estimates to hold prospective resources of 300 million barrels with a 20% chance of success. Drilling operations are expected to take between sixty and ninety days.

#### *Foug Draa*

Following a farm-out to Cairn Energy, Serica has an 8.33% interest in the Foug Draa licence and in late 2013 the FD-1 well was drilled. Although commercial hydrocarbons and clastic reservoir rocks were not found, gas shows were encountered indicating an active thermogenic petroleum system. The well was plugged and abandoned. Under the terms of the 2012 farm out agreement Serica was carried by Cairn for its share of drilling costs up to a gross well cost of US\$60 million.

The group is now evaluating the valuable data recovered from the well and will soon agree on a forward plan for the licence.

### **Norway**

Serica has a significant economic interest in the development of the Bream field and is due a substantial payment on first production. In their Trading and Operations update (July 2014), the Operator, Premier, stated: "In Norway, FEED engineering work for the Premier-operated Bream development is underway and negotiations for the provision of a FPSO are progressing. A project sanction decision is targeted for year-end".

### **Other – Erskine Field**

In June 2014 the Company announced the acquisition of 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. The transaction is inter alia conditional on consent of the other participants in the Erskine Field and related agreements and on approval by DECC. Fuller details of the Erskine interest acquisition are provided in the Finance Review below.

## **FINANCE REVIEW**

### **Results from operations**

Following the cessation of production and the decommissioning of the Kambuna field facilities in the second half of 2013, the financial results of the Kambuna field business segment are disclosed within 'discontinued operations' in the financial statements and separate from the results of the retained core business segments. 2013 interim period comparative figures have been restated accordingly. A high level summary of the income statement results for continuing and discontinued operations is given below.

#### Income statement – continuing operations

The Company generated a loss before tax from continuing operations of US\$2.6 million for 1H 2014 compared to a loss before tax of US\$2.6 million for 1H 2013.

The pre-licence expenditure of US\$0.3 million for 1H 2014 was in line with the 1H 2013 charge of US\$0.2 million due to a similar level of activity in the year. 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.

There were no asset write-offs from continuing operations in 1H 2014. Asset write offs of US\$0.3 million in 2013 included minor exploration and evaluation ("E&E") asset and obsolete inventory amounts.

Administrative expenses of US\$2.2 million for 1H 2014 were increased from US\$2.0 million for 1H 2013. The Company has worked to reduce overhead in recent years. The underlying level of administrative expense has remained unchanged from 1H 2013, and the increase in the reported US\$ charge during 1H 2014 is largely due to impact of the stronger £sterling exchange rate in that period.

No significant finance costs were incurred in either period following the expiry of the loan facility in March 2013. No finance costs are currently being incurred.

#### Income statement - discontinued operations

Serica generated a loss from discontinued operations of US\$0.4 million for the six month period ended 30 June 2014 (1H 2013: profit of US\$0.6 million). Field production from its 25% interest in the Kambuna field ceased in July 2013, the facilities were decommissioned in 2H 2013 and the Glagah Kambuna TAC was formally terminated in December 2013. The 1H 2014 loss has arisen from minor costs incurred as residual matters are closed out.

### **Balance Sheet**

During 1H 2014, total investments in E&E assets increased by US\$4.2 million from US\$74.6 million to US\$78.8 million. The most significant exploration costs in the period were incurred on the following assets:

In Africa, US\$1.9 million was capitalised on the Foug Draa licence in Morocco (largely consisting of 2014 costs of the FD-1 well drilled in Q4 2013, but where operations continued into January 2014) and US\$0.9 million was incurred in respect of the Luderitz basin licence interests in Namibia.

US\$0.8 million was incurred in the UK on the York asset, Columbus development and other exploration licences. In Ireland, US\$0.4 million was incurred on exploration work on the Rockall licences and US\$0.2 million on the Slyne interest.

Property, plant and equipment balances as at 30 June 2013 chiefly comprised the net book amount of the expenditure on the Kambuna asset and were fully depleted to US\$ nil in 2013.

Long-term other receivables of US\$0.2 million are represented by value added tax ("VAT") on Indonesian capital spend which continues to be recovered from the Indonesian authorities.

Trade and other receivables at 30 June 2014 totalled US\$2.5 million, a decrease of US\$1.4 million from the 2013 year-end balance of US\$3.9 million. The fall is mainly attributable to the part-recovery during the period of Indonesian trade debtors and a significant drop in Kambuna JV partner recoverables as activity on the asset closed out.

Cash and cash equivalents decreased from US\$26.1 million to US\$19.0 million in the period. Cash outflows were incurred on the 2013 FD-1 well (US\$3.1 million) in Morocco and Kambuna field decommissioning in Indonesia (US\$1.1 million). Other costs included exploration work across the portfolio, Columbus Field Development Plan expense together with new venture costs, ongoing administrative costs and corporate activity.

Trade and other payables totalled US\$1.8 million at 30 June 2014 and were significantly reduced from the 2013 year-end balance of US\$4.4 million which included creditors and accruals of US\$1.7 million from the Fom Draa well drilling in Morocco and final creditors of US\$1.1 million from the Kambuna field operations and decommissioning.

Provisions of US\$1.6 million at 30 June 2013 were in respect of obligations to decommission the Kambuna in Indonesia. This process was completed in Q4 2013 and any unpaid liabilities were classified in trade and other payables as at 31 December 2013. All Kambuna decommissioning liabilities have been settled as at 30 June 2014.

## **Capital raising, cash and future commitments**

### Current cash position, capital expenditure commitments and other obligations

At 30 June 2014, the Group held cash and cash equivalents of US\$19.0 million and US\$0.4 million of short-term restricted cash. Management believe these are sufficient resources to meet the current committed programme for 2014 and 2015.

The Group's main near term exploration commitments in 2014 are on the Sidi Moussa licence where an exploration well is currently drilling. The Company is carried for its share of expenditure up to a gross cap of US\$50 million and has currently budgeted to pay some US\$2.6 million, being its paying share of costs over and above the agreed cap.

In the UK East Irish Sea, the exploration well on the Doyle prospect slated for 2015 is also subject to a cap although no overrun is currently forecast. The Group has no significant commitments on its other exploration licences.

The Company will continue to give priority to the careful management of existing financial resources. Although a key objective for the Group is to get the Columbus development back on track when the final decision to proceed with the Columbus development is made, the Group would use alternative means of finance to fund its share of development costs.

## **Erskine acquisition**

Under the terms of the Sale and Purchase Agreement with BP to acquire an 18% interest in UK blocks 23/26a (Area B) and 23/26b (Area B) containing the Erskine Field, 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 completion of the transaction 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 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 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.

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 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 mboe. 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. 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 and has performed well in period from restart to date. Average daily gross production in July was 16,474 boepd (2,965 boepd net to Serica's interest).

The cash consideration for the acquisition is being made from Serica's current cash resources. However the actual cash paid on completion is projected to be considerably reduced as Serica will benefit from cash generated by the field after the effective date of 1 January 2014.

## **Other**

### Asset values and Impairment

At 30 June 2014 Serica's market capitalisation stood at US\$50.6 million (£29.7 million), based upon a share price of £0.1188, which was exceeded by the net asset value at that date of US\$99.3 million. By 8 August 2014 the Company's market capitalisation had increased to US\$59.9 million. Management conducted a thorough review of the carrying value of the Group's assets and determined that no significant write-downs were required.

## Business Risk and Uncertainties

Serica, like all companies in the oil and gas industry, operates in an environment subject to inherent risks and uncertainties. The Board regularly considers the principal risks to which the company is exposed and monitors any agreed mitigating actions. The overall strategy for the protection of shareholder value against these risks is to retain a broad portfolio of assets with varied risk/reward profiles, to apply prudent industry practice in all operations, to carry insurance where available and cost effective, and to retain adequate working capital.

The principal risks currently recognised and the mitigating actions taken by the management are as follows:

<b>Investment Returns:</b> Management seeks to raise funds and then to generate shareholder returns through investment in a portfolio of exploration acreage leading to the drilling of wells and discovery of commercial reserves. Delivery of this business model carries a number of key risks.	
<b>Risk</b>	<b>Mitigation</b>
Market support may be eroded obstructing fundraising and lowering the share price	<ul style="list-style-type: none"> <li>• Management regularly communicates its strategy to shareholders</li> <li>• Focus is placed on building an asset portfolio capable of delivering regular news flow and offering continuing prospectivity</li> </ul>
General market conditions may fluctuate hindering delivery of the company's business plan	<ul style="list-style-type: none"> <li>• Management aims to retain adequate working capital to ride out downturns should they arise</li> </ul>
Management's decisions on capital allocation may not deliver the expected successful outcomes	<ul style="list-style-type: none"> <li>• Rigorous analysis is conducted of all investment proposals</li> <li>• Operations are spread over a range of areas and risk profiles</li> </ul>
Each asset carries its own risk profile and no outcome can be certain	<ul style="list-style-type: none"> <li>• Management aims to avoid over-exposure to individual assets and to identify the associated risks objectively</li> </ul>

<b>Operations:</b> Operations may not go according to plan leading to damage, pollution, cost overruns or poor outcomes.	
<b>Risk</b>	<b>Mitigation</b>
Individual wells may not deliver recoverable oil and gas reserves	<ul style="list-style-type: none"> <li>• Thorough pre-drill evaluations are conducted to identify the risk/reward balance</li> <li>• Exposure is selectively mitigated through farm-out</li> </ul>
Wells may blow out or equipment may fail causing environmental damage and delays	<ul style="list-style-type: none"> <li>• The Group retains fully trained and experienced personnel</li> <li>• The planning process involves risk identification and establishment of mitigation measures</li> <li>• Emphasis is placed on engaging experienced contractors</li> <li>• Appropriate insurances are retained</li> </ul>
Operations may take far longer or cost more than expected	<ul style="list-style-type: none"> <li>• Management applies rigorous budget control</li> <li>• Adequate working capital is retained to cover reasonable eventualities</li> </ul>

Resource estimates may be misleading and exceed actual reserves recovered	<ul style="list-style-type: none"> <li>• The Group deploys qualified personnel</li> <li>• Regular third-party reports are commissioned</li> <li>• A prudent range of possible outcomes are considered within the planning process</li> </ul>
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**Personnel:** The company relies upon a pool of experienced and motivated personnel to identify and execute successful investment strategies

Risks	Mitigation
Key personnel may be lost to other companies	<ul style="list-style-type: none"> <li>• The Remuneration Committee regularly evaluates incentivisation schemes to ensure they remain competitive</li> </ul>
Personal safety may be at risk in demanding operating environments, typically offshore	<ul style="list-style-type: none"> <li>• A culture of safety is encouraged throughout the organisation</li> <li>• Responsible personnel are designated at all appropriate levels</li> <li>• The Group maintains up-to-date emergency response resources and procedures</li> <li>• Insurance cover is carried in accordance with industry best practice</li> </ul>
Staff and representatives may find themselves exposed to bribery and corrupt practices	<ul style="list-style-type: none"> <li>• Company policies and procedures are communicated to personnel regularly</li> <li>• Management reviews all significant contracts and relationships with agents and governments</li> </ul>

**Commercial environment:** World and regional markets continue to be volatile with fluctuations and infrastructure access issues that might hinder the company's business success

Risk	Mitigation
Volatile commodity prices mean that the company cannot be certain of the future sales value of its products	<ul style="list-style-type: none"> <li>• Price mitigation strategies may be employed at the point of major capital commitment</li> <li>• Gas may be sold under long-term contracts reducing exposure to short term fluctuations</li> <li>• Oil and gas price hedging contracts may be utilised where viable</li> <li>• Budget planning considers a range of commodity pricing</li> </ul>
The company may not be able to get access, at reasonable cost, to infrastructure and product markets when required	<ul style="list-style-type: none"> <li>• A range of different off-take options are pursued wherever possible</li> </ul>
Credit to support field development programmes may not be available at reasonable cost	<ul style="list-style-type: none"> <li>• Serica seeks to build and maintain strong banking relationships and initiates funding discussions at as early a stage as practicable</li> </ul>
Fiscal regimes may vary, increasing effective tax rates and reducing the expected value of reserves	<ul style="list-style-type: none"> <li>• Operations are currently spread over a range of different fiscal regimes in Western Europe and Africa</li> <li>• Before committing to a significant</li> </ul>

	investment the likelihood of fiscal term changes is considered when evaluating the risk/reward balance
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In addition to the principal risks and uncertainties described herein, the Company is subject to a number of other risk factors generally, a description of which is set out in our latest annual information form available on [www.sedar.com](http://www.sedar.com).

### **Key Performance Indicators (“KPIs”)**

The Company’s main business is the acquisition of interests in prospective exploration acreage, the discovery of hydrocarbons in commercial quantities and the crystallisation of value whether through production or disposal of reserves. The Company tracks its non-financial performance through the accumulation of licence interests in proven and prospective hydrocarbon producing regions, the level of success in encountering hydrocarbons and the development of production facilities. In parallel, the Company tracks its financial performance through management of expenditures within resources available, the cost-effective exploitation of reserves and the crystallisation of value at the optimum point. A review of the Company’s progress against these KPIs is covered in the operations and financial review within this Interim Report.

### **Additional Information**

Additional information relating to Serica, can be found on the Company’s website at [www.serica-energy.com](http://www.serica-energy.com) and on SEDAR at [www.sedar.com](http://www.sedar.com)

Approved on behalf of the Board  
Christopher Hearne  
Finance Director

11 August 2014

### **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

Unaudited

	Notes	Six months ended 30 June 2014 US\$000	Six months ended 30 June 2013 * US\$000	Year ended 31 Dec 2013 US\$000
<b>Continuing operations</b>				
<b>Sales revenue</b>		-	-	-
Cost of sales		-	-	-
<b>Gross profit/(loss)</b>		-	-	-
Pre-licence costs		(309)	(159)	(330)
E&E and other asset write offs		-	(18)	(299)
Administrative expenses		(2,241)	(2,046)	(4,458)
Foreign exchange gain/(loss)		154	(81)	341
Share-based payments		(174)	(121)	(252)
Depreciation		-	(107)	(109)
<b>Operating loss from continuing operations</b>		(2,570)	(2,532)	(5,107)
Finance revenue		16	10	16
Finance costs		-	(38)	(38)
<b>Loss before taxation</b>		(2,554)	(2,560)	(5,129)
Taxation credit/(charge) for the period	9	-	-	-
<b>Loss after taxation and loss for the period</b>		(2,554)	(2,560)	(5,129)
<b>Discontinued operations</b>				
(Loss)/profit for the period	4	(376)	570	121
Loss for the period		(2,930)	(1,990)	(5,008)
<b>Loss per ordinary share (EPS)</b>				
<i>Loss on continuing operations</i>				
Basic and diluted EPS (US\$)		(0.01)	(0.01)	(0.03)
<i>Loss for the period</i>				
Basic and diluted EPS (US\$)		(0.01)	(0.01)	(0.03)

**Total Statement of Comprehensive Income**

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

\* restated for discontinued operations – see note 4

**Serica Energy plc**  
**Consolidated Balance Sheet**

		30 June 2014 US\$000 (Unaudited)	31 Dec 2013 US\$000 (Audited)	30 June 2013 US\$000 (Unaudited)
<b>Non-current assets</b>	Notes			
Exploration & evaluation assets	5	78,756	74,609	70,472
Property, plant and equipment	6	-	-	47
Other receivables		235	1,293	1,622
		<u>78,991</u>	<u>75,902</u>	<u>72,141</u>
<b>Current assets</b>				
Inventories		206	258	243
Trade and other receivables		2,460	3,851	5,715
Financial assets		434	420	388
Cash and cash equivalents		19,018	26,062	14,883
		<u>22,118</u>	<u>30,591</u>	<u>21,229</u>
<b>TOTAL ASSETS</b>		<u>101,109</u>	<u>106,493</u>	<u>93,370</u>
<b>Current liabilities</b>				
Trade and other payables		(1,789)	(4,417)	(5,002)
Provisions		-	-	(1,605)
<b>TOTAL LIABILITIES</b>		<u>(1,789)</u>	<u>(4,417)</u>	<u>(6,607)</u>
<b>NET ASSETS</b>		<u>99,320</u>	<u>102,076</u>	<u>86,763</u>
Share capital	7	227,958	227,958	209,758
Other reserves		20,471	20,297	20,166
Accumulated deficit		(149,109)	(146,179)	(143,161)
<b>TOTAL EQUITY</b>		<u>99,320</u>	<u>102,076</u>	<u>86,763</u>

**Serica Energy plc**  
**Statement of Changes in Equity**

For the year ended 31 December 2013 and period ended 30 June 2014

**Group**

	Share capital US\$000	Other reserves US\$000	Deficit US\$000	Total US\$000
At 1 January 2013 (audited)	209,758	20,045	(141,171)	88,632
Loss for the period	-	-	(1,990)	(1,990)
Total comprehensive income	-	-	(1,990)	(1,990)
Share-based payments	-	121	-	121
At 30 June 2013 (unaudited)	209,758	20,166	(143,161)	86,763
Loss for the period	-	-	(3,018)	(3,018)
Total comprehensive income	-	-	(3,018)	(3,018)
Share-based payments	-	131	-	131
Issue of shares	18,200	-	-	18,200
At 31 December 2013 (audited)	227,958	20,297	(146,179)	102,076
Loss for the period	-	-	(2,930)	(2,930)
Total comprehensive income	-	-	(2,930)	(2,930)
Share-based payments	-	174	-	174
At 30 June 2014 (unaudited)	227,958	20,471	(149,109)	99,320

**Serica Energy plc**  
**Consolidated Cash Flow Statement**

For the period ended 30 June

Unaudited

	Six months ended 30 June 2014	Six months ended 30 June 2013	Year ended 31 Dec 2013
	US\$000	US\$000	US\$000
<b>Operating activities:</b>			
Loss for the period	(2,930)	(1,990)	(5,008)
Adjustments to reconcile loss for the period to net cash flow from operating activities			
Net finance costs	(16)	32	28
Depreciation	-	107	109
Depletion and amortisation	-	991	1,036
Asset write offs	-	18	299
Other non-cash movements	(154)	-	(310)
Share-based payments	174	121	252
Decrease in receivables	2,374	2,375	4,570
Decrease in inventories	52	238	24
Decrease in payables	(882)	(1,382)	(2,108)
Use of provisions	-	-	(1,607)
Cash generated from operations	(1,382)	510	(2,715)
Taxation paid	-	-	-
<b>Net cash (out)/inflow from operations</b>	<b>(1,382)</b>	<b>510</b>	<b>(2,715)</b>
Cash flows from investing activities:			
Purchase of E&E assets	(5,861)	(8,822)	(13,094)
Cash inflow from disposals	-	933	933
Interest received	16	10	16
<b>Net cash outflow from investing activities</b>	<b>(5,845)</b>	<b>(7,879)</b>	<b>(12,145)</b>
Cash flows from financing activities:			
Gross proceeds from issue of shares	-	-	19,525
Fees from issue of shares	-	-	(1,325)
Finance costs paid	-	(38)	(38)
<b>Net cash (out)/inflow from financing activities</b>	<b>-</b>	<b>(38)</b>	<b>18,162</b>
<b>Cash and cash equivalents</b>			
Net (decrease)/increase in period	(7,227)	(7,407)	3,302
Effect of exchange rates on cash and cash equivalents	183	(55)	415
Amount at start of period	26,062	22,345	22,345
Amount at end of period	19,018	14,883	26,062

## **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 2014 were authorised for issue in accordance with a resolution of the directors on 11 August 2014.

Serica Energy plc is a public limited company incorporated and domiciled in England & Wales. The Company's ordinary shares are traded on AIM and the TSX Exchange. 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 2014 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 in accordance with International Financial Reporting Standards following the same accounting policies and methods of computation as the consolidated financial statements for the year ended 31 December 2013. 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 2013.

A number of new standards, amendments to existing standards and interpretations were applicable from 1 January 2014. 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 2014.

##### **Going Concern**

The financial position of the Group, its cash flows and capital commitments are described in the Financial Review above. Following the capital raising of US\$18.2 million (net of expenses) which completed in November 2013, the Group held cash and cash equivalents of US\$19.0 million as at 30 June 2014.

The Directors are required to consider the availability of resources to meet the Group and Company's liabilities for the foreseeable future. The Group will use these funds to pay its share of drilling costs over the contractual US\$50 million cap on the Sidi Moussa well in Morocco, which spudded in Q3 2014. The Group's planned exploration well on the Doyle prospect in 2015 is also subject to a capped carry, which is not currently forecast to be exceeded.

The cash in place will cover exploration, technical and administrative costs associated with its ongoing business in the short to medium term and it will also meet its obligations in respect of the Erskine field acquisition. When the final decision to proceed with the Columbus development is made, the Group would use alternative means of finance to fund its share of development costs.

The Group has a record of prudent financial management with particular success in the raising of capital through farm down and will seek to continue this strategy.

After making enquiries and having taken into consideration the above factors, the Directors have reasonable expectation that the 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 2013.

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 Fom 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".

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 2014 and 2013. Costs associated with the UK corporate centre are included in the UK & Ireland reportable segment. Reportable information in respect of the Group's interest in the producing Kambuna field in Indonesia is disclosed as a separate segment, with income statement information for the Kambuna field in Indonesia additionally classified as 'discontinued'.

Period ended 30 June 2014	UK & Ireland US\$000	Africa US\$000		Continuing Total US\$000	Discontinued US\$000
<b>Revenue</b>	-	-		-	-
Operating and segment loss	(2,484)	(86)		(2,570)	(376)
Finance revenue				16	-
Loss before taxation				(2,554)	(376)
Taxation charge for the period				-	-
<b>Loss after taxation</b>				(2,554)	(376)
	UK & Ireland US\$000	Africa US\$000	Kambuna US\$000	Total US\$000	
Other segment information:					
Segmental assets	87,805	7,175	729	95,709	
Unallocated assets				5,400	
<b>Total assets</b>				<u>101,109</u>	
Segment liabilities	(1,318)	(426)	(45)	(1,789)	
<b>Total liabilities</b>				<u>(1,789)</u>	

Period ended 30 June 2013	UK & Ireland US\$000	Africa US\$000		Continuing Total US\$000	Discontinued US\$000
<b>Revenue</b>	-	-		-	3,523
Operating loss and segment loss	(2,532)	-		(2,532)	574
Finance revenue				10	-
Finance costs				(38)	(4)
Loss before taxation				(2,560)	570
Taxation charge for the period				-	-
<b>Loss after taxation</b>				(2,560)	570

\*restated

	UK & Ireland US\$000	Africa US\$000	Kambuna US\$000	Total US\$000
Other segment information:				
Segmental assets	80,779	1,783	5,308	87,870
Unallocated assets				<u>5,500</u>
<b>Total assets</b>				<u>93,370</u>
Segment liabilities	(3,260)	(223)	(3,124)	<u>(6,607)</u>
<b>Total liabilities</b>				<u>(6,607)</u>

\* restated for discontinued operations – see note 4

Unallocated assets and liabilities comprise financing items (including cash on deposit).

#### 4. Discontinued Operation

During 2012 and 2013, Serica's sole remaining interest in Indonesia was its 25% interest in the Glagah Kambuna Technical Assistance Contract ("TAC"). The TAC covered an area of approximately 380 square kilometres offshore North Sumatra and contained the Kambuna gas field. Throughout the first half of 2013 the Company continued to benefit from cash flows from field production but, in July 2013, the field reached the end of its economic life and was shut-in. The partnership agreed handover arrangements with the Indonesian authorities which involved securing the three wells and wellhead structure. Following the completion of the agreed decommissioning procedures in Q4 2013, the TAC was formally terminated on 31 December 2013 and the facilities handed over to Pertamina.

Following the developments of the Kambuna business segment in the second half of 2013, the financial results of the Kambuna field are now disclosed as 'discontinued' operations and separate from the results of the continuing business segments. The 2013 interim results from the Kambuna business segment have therefore been restated accordingly.

#### Results of discontinued operations

The results of the discontinued operations are presented below:

	Period ended 30 June 2014 US\$000	Period ended 30 June 2013 US\$000	Year ended 31 December 2013 US\$000
<b>Sales revenue</b>	-	3,523	4,032
Cost of sales	(376)	(2,949)	(3,905)
<b>Gross (loss)/profit</b>	(376)	574	127
Administrative expenses	-	-	-
<b>Operating (loss)/profit</b>	(376)	574	127
Finance costs	-	(4)	(6)
<b>(Loss)/profit before taxation</b>	(376)	570	121
Taxation charge for the year	-	-	-
<b>(Loss)/profit for the period</b>	(376)	570	121
<b>Earnings per ordinary share (EPS)</b>	US\$	US\$	US\$
Basic and diluted EPS on result in period	(0.002)	0.003	0.001

## Sales Revenue

Six months ended	2014	2013
	US\$000	US\$000
Gas sales	-	1,579
Condensate sales	-	1,944
	<u>-</u>	<u>3,523</u>

Gas sales revenue in 2013 arose from three customers, the most significant being PLN and Pertiwi. All condensate sales revenue in 2013 was from one customer, PLN.

## Cost of Sales

Six months ended	2014	2013
	US\$000	US\$000
Operating costs	376	1,719
Depletion (see note 6)	-	991
Movement in inventories of oil	-	239
	<u>376</u>	<u>2,949</u>

## Finance Costs

Finance costs consist entirely of the unwinding of a discount on the Kambuna decommissioning provision.

## Other

There are no taxation components within discontinued operations.

The net cash flows attributable to the disposal group in discontinued operations are as follows:

Period ended 30 June:	2014	2013
	US\$000	US\$000
Operating cash inflows	1,346	2,782
Investing cash outflows	-	-
Financing cash outflows	-	-
Net cash inflow	<u>1,346</u>	<u>2,782</u>

## 5. Exploration and Evaluation Assets

	Total US\$000
Net book amount: At 1 January 2013 (audited)	66,880
Additions	3,610
Asset write-offs	(18)
At 30 June 2013 (unaudited)	<hr/> 70,472
Additions	4,250
Asset write-offs	(113)
At 1 January 2014 (audited)	<hr/> 74,609
Additions	4,147
At 30 June 2014 (unaudited)	<hr/> <hr/> 78,756

## 6. Property Plant and Equipment

	Oil and gas properties US\$000	Computer / IT equipment US\$000	Fixtures, fittings and equipment US\$000	Total US\$000
<b>Cost:</b>				
At 1 January 2013 (audited)	62,842	189	901	63,932
Additions	-	-	-	-
At 30 June 2013 (unaudited)	62,842	189	901	63,932
Disposals *	(62,842)	-	-	(62,842)
At 1 January 2014 (audited)	-	189	901	1,090
Additions	-	-	-	-
At 30 June 2014 (unaudited)	-	189	901	1,090
<b>Depreciation and depletion:</b>				
At 1 January 2013 (audited)	61,806	181	800	62,787
Charge for the period	991	8	99	1,098
At 30 June 2013 (unaudited)	62,797	189	899	63,885
Charge for the period	45	-	2	47
Disposals *	(62,842)	-	-	(62,842)
At 1 January 2014 (audited)	-	189	901	1,090
Charge for the period	-	-	-	-
At 30 June 2014 (unaudited)	-	189	901	1,090
<b>Net book amount:</b>				
At 30 June 2014 (unaudited)	-	-	-	-
At 1 January 2014 (audited)	-	-	-	-
At 30 June 2013 (unaudited)	45	-	2	47
At 1 January 2013 (audited)	1,036	8	101	1,145

\*The Kambuna field oil and gas properties were handed over to the Indonesian authorities on 31 December 2013.

## 7. Equity Share Capital

The concept of authorised share capital was abolished under the Companies Act 2006 and shareholders approved the adoption of new Articles of Association at the 2010 Annual General Meeting which do not contain any reference to authorised share capital.

The share capital of the Company comprises one "A" share of £50,000 and 250,179,039 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.

<b>Allotted, issued and fully paid:</b>		Share	Share	Total
<b>Group</b>	Number	capital	premium	Share capital
		US\$000	US\$000	US\$000
At 1 January 2013 and 30 June 2013	182,770,311	18,367	191,391	209,758
Shares issued (i)	67,408,729	6,741	11,459	18,200
At 31 December 2013 and 30 June 2014	250,179,040	25,108	202,850	227,958

- i) In November 2013, the Company raised US\$18.2 million (net of expenses) through the issue of 67,408,729 ordinary shares at 18 pence each. The issue price represented a discount of 1.4% to the mid-market price of 18.25 pence per ordinary share on 21 October 2013, the announcement date of the share placing and open offer being 22 October 2013.

As at 11 August 2014 the issued voting share capital of the Company is 250,179,039 ordinary shares and one "A" share.

As noted above in the operations and finance review, Serica expects to satisfy part of an agreed consideration to BP for the acquisition of an 18% interest in UK blocks 23/26a (Area B) and 23/26b (Area B) containing the Erskine Field, through the allotment of 27 million Serica new Ordinary Shares (the "Consideration Shares"). The Consideration Shares will be allotted to BP on completion of the transaction and will rank pari passu with existing Serica Ordinary Shares. 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).

## 8. Share-Based Payments

### Share Option Plans

Following a reorganisation (the "Reorganisation") in 2005, the Company established an option plan (the "Serica 2005 Option Plan") to replace the Serica Energy Corporation Share Option Plan (the "Serica BVI Option Plan").

Serica Energy Corporation ("Serica BVI") was previously the holding company of the Group but, following the Reorganisation, is now a wholly owned subsidiary of the Company. Prior to the Reorganisation, Serica BVI issued options under the Serica BVI Option Plan and, following the Reorganisation, the Company has agreed to issue ordinary shares to holders of Serica BVI Options already awarded upon exercise of such options in place of the shares in Serica BVI to which they would be entitled. There are currently options outstanding under the Serica BVI Option Plan entitling holders to acquire up to an aggregate of 900,000 ordinary shares of the Company. No further options will be granted under the Serica BVI Option Plan.

The Serica 2005 Option Plan is comprised of two parts, the basic share option plan and a part which constitutes an Enterprise Management Incentive Plan ("EMI Plan") under rules set out by the H.M. Revenue & Customs in the United Kingdom. Options granted under the Serica 2005 Option Plan can be granted, at the discretion of the Board, under one or other of the two parts but, apart from certain tax benefits which can accrue to the Company and its UK employees if options are granted under the part relating to the EMI Plan meeting the conditions of that part of the Serica 2005 Option Plan, all other terms under which options can be awarded under either part are substantially identical. The Serica 2005 Option Plan 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 Serica 2005 Option Plan will not exceed 10 per cent. of the issued ordinary shares of the Company from time to time, in line with the recommendations of the Association of British Insurers.

As at 30 June 2014, the Company has granted 20,332,460 options under the Serica 2005 Option Plan, 10,680,460 of which were outstanding. 5,944,690 of the 10,680,460 options outstanding at 30 June 2014 under the Serica 2005 Option Plan are exercisable only if certain performance targets being met.

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\$174,000 has been charged to the income statement in continuing operations for the six month period ended 30 June 2014 (2013 – US\$121,000) and a similar amount credited to the share-based payments reserve, classified as 'Other reserve' in the Balance Sheet. US\$nil has been charged to the income statement in discontinued operations for the period ended 30 June 2014 (2013 – US\$nil).

The options granted in 2014 and 2013 were consistently valued in line with the Company's valuation policy. Assumptions made included a weighted average risk-free interest rate of 3%, no dividend yield, a weighted average expected life of three years, and a volatility factor of expected market price of in a range from 50-70%.

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

<b>Serica BVI Option Plan</b>	<b>Number</b>	<b>WAEP Cdn\$</b>
Outstanding as at 1 January 2013, 30 June 2013 and 1 January 2014	1,900,000	1.46
Expired during the period	(1,000,000)	1.80
Outstanding at 30 June 2014	900,000	1.09
<b>Serica 2005 Option Plan</b>		<b>£</b>
Outstanding at 1 January 2013	9,058,460	0.52
Granted during the period	400,000	0.27
Outstanding at 30 June 2013	9,458,460	0.51
Granted during the period	400,000	0.18
Expired during the period	(750,000)	0.40
Outstanding at 31 December 2013	9,108,460	0.50
Expired during the period	(228,000)	0.32
Granted during the period	1,800,000	0.13
Outstanding at 30 June 2014	10,680,460	0.44

On 4 January 2014, 228,000 share options under the Serica 2005 Option Plan expired.

On 30 January 2014, 1,200,000 share options were granted to directors and 600,000 share options granted to employees other than directors, all with an exercise cost of £0.13 and an expiry date of 29 January 2024.

On 31 March 2014, 1,000,000 share options under the Serica BVI Option Plan expired.

## Share Options

As at 30 June 2014, the following director and employee share options were outstanding:

<b>Expiry Date</b>	<b>Amount</b>	<b>Exercise cost Cdn\$</b>
December 2014	200,000	200,000
January 2015	600,000	600,000
June 2015	100,000	180,000

  

		<b>Exercise cost £</b>
November 2015	280,000	271,600
January 2016	135,000	139,725
June 2016	270,000	259,200
January 2017	243,000	247,860
May 2017	210,000	218,400
March 2018	594,000	445,500
March 2018	350,000	287,000
January 2020	2,203,500	1,498,380
April 2021	450,000	141,188
January 2022	2,144,960	458,485
October 2022	1,200,000	348,000
January 2023	400,000	109,000
November 2023	400,000	72,000
January 2024	1,800,000	234,000

## 9. Taxation

The major components of income tax in the consolidated income statement are:

Six months ended 30 June:	2014 US\$000	2013 US\$000
Current income tax charge	-	-
Deferred income tax credit	-	-
Total tax charge	-	-

## 10. 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 2013, 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](http://www.serica-energy.com) and on SEDAR at [www.sedar.com](http://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](http://www.serica-energy.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## GLOSSARY

bbbl	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 4,800 standard cubic feet per barrel for Kambuna, which has a relatively high calorific value, and 6,000 standard cubic feet per barrel for Columbus)
FPSO	Floating, production, storage and offloading unit
mmscf	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
P <sub>10</sub>	A high estimate that there should be at least a 10% probability that the quantities recovered will actually equal or exceed the estimate
P <sub>50</sub>	A best estimate that there should be at least a 50% probability that the quantities recovered will actually equal or exceed the estimate
P <sub>90</sub>	A low estimate that there should be at least a 90% probability that the quantities recovered will actually equal or exceed the estimate
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