

# Serica Energy plc

("Serica" or the "Company")

## Sale of Exploration Interests in Indonesia

**London, 11 October 2011** - Serica Energy plc (AIM & TSX: SQZ) announces that it has sold its wholly owned subsidiary, Serica Indonesia Holdings BV, to Kris Energy Limited. Serica Indonesia Holdings BV holds Serica's Indonesian operating subsidiaries and the following exploration properties:

- An operated 30% interest in the Kutai PSC onshore and offshore East Kalimantan
- An operated 100% interest in the East Seruway PSC offshore North-West Sumatra, and
- Rights relating to certain Indonesian Joint Study Areas

Serica's 25% interest in the producing Kambuna gas field is not included in the sale.

As a result of the transaction Kris Energy Limited has taken over all responsibility for Serica's operating team in Jakarta and has paid a consideration of US\$3.14 million to Serica and reimbursed a further US\$0.3 million in respect of expenditures relating to those properties since the effective date of 1 September 2011. A further deferred consideration of up to US\$1.5 million becomes payable to Serica in the event of future awards of licence interests in the Joint Study Areas to Kris Energy Limited.

### **Background to the transaction**

In June 2011, the Company announced that it had reached conditional agreement with Pace Petroleum ("Pace") to sell its entire interests in Indonesia to Pace, including its interest in the Kambuna field, for US\$33 million (valued at 1 January 2011), as part of a strategic move by Serica to refocus the Company's resources on its exploration prospects in the UK, Ireland and Morocco and in new areas where it sees greater growth potential and opportunity. The transaction with Pace Petroleum was subject to funding to be provided by GEMS, an Asian Private Equity Group based in Hong Kong. At the time of the announcement in June, GEMS confirmed that they expected completion of their fund raising in July with the transaction completing expeditiously thereafter.

As at today's date GEMS have failed to advise the Company that they have completed their funding and the Company has therefore had to assume that GEMS and Pace will be unable to complete the transaction in a reasonable timeframe. Accordingly, the Company has reviewed alternative proposals to realise the value of its Indonesian properties. The sale of the Company's exploration properties to Kris Energy Limited will enable Serica to redirect expenditure which it would otherwise have incurred in those properties and substantially reduce its overhead costs.

The Company will continue to hold its interest in the producing Kambuna field for the time being. At an average daily gross production rate of approximately 10,900 boepd since the start of the year up to the end of August 2011 the field has produced at daily average rates of some 10 mmscfd of gas and 680 bpd of condensate to Serica's account during the period. Kambuna gas is currently sold at a price of US\$6.17 per mcf and condensate sales prices since the start of the year have averaged US\$116.42 per barrel.

**Commenting on the sale**, Tony Craven Walker, Chairman and Interim CEO, said:

**"The sale of Serica's Indonesian exploration interests and our operating subsidiary in Indonesia marks a positive change in strategy for the Company and allows us to begin to focus our resources on developing opportunities elsewhere which we believe offer far greater growth potential for shareholders. We shall be retaining our interest in the Kambuna field for the time being and will continue to benefit from the good prices that we are receiving for the production. We would like to thank our operating staff in Jakarta for the contribution they have made to the Company and wish them well within the Kris Energy group.**

**Our attention is now focused on bringing forward development of the North Sea Columbus field which we operate, accelerating the drilling of prospects which we hold in the UK, offshore Ireland and offshore Morocco, expanding our UK 2012 drilling programme, utilising the full value of our UK tax losses and adding to our portfolio with the award of new licence interests both in the UK and overseas.**

**In parallel with these activities we shall continue to review the potential for value enhancement through acquisition or consolidation to achieve greater diversity, tax efficiency, cost efficiency and scale, all of which we believe are essential to balance risk and opportunity."**

**Enquiries:**

**Serica Energy plc**

Tony Craven Walker, Chairman [tony.cravenwalker@serica-energy.com](mailto:tony.cravenwalker@serica-energy.com) +44 (0)20 7487 7300

Peter Sadler, Business Development Director [peter.sadler@serica-energy.com](mailto:peter.sadler@serica-energy.com) +44 (0)20 7487 7300

Chris Hearne, CFO [chris.hearne@serica-energy.com](mailto:chris.hearne@serica-energy.com) +44 (0)20 7487 7300

**J.P.Morgan Cazenove**

Patrick Magee [patrick.magee@jpmorgancazenove.com](mailto:patrick.magee@jpmorgancazenove.com) +44 (0)20 7588 2828

**RBC Capital Markets**

Josh Critchley [josh.critchley@rbccm.com](mailto:josh.critchley@rbccm.com) +44 (0)20 7002 2435

Matthew Coakes [matthew.coakes@rbccm.com](mailto:matthew.coakes@rbccm.com) +44 (0)20 7653 4871

**College Hill**

Nick Elwes [nick.elwes@collegehill.com](mailto:nick.elwes@collegehill.com) +44 (0)20 7457 2020

Catherine Maitland [catherine.maitland@collegehill.com](mailto:catherine.maitland@collegehill.com) +44 (0)20 7457 2020

Alexandra Roper [alexandra.roper@collegehill.com](mailto:alexandra.roper@collegehill.com) +44 (0)20 7457 2020

The technical information contained in the announcement has been reviewed and approved by Peter Sadler, Business Development Director of Serica Energy plc. Peter Sadler is a qualified Petroleum Engineer (MSc Imperial College, London, 1982) and has been a member of the Society of Petroleum Engineers since 1981.

## **NOTES TO EDITORS**

Serica Energy was formed in 2004 and, since then, has drilled 19 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 project sanction targeted for the latter half of 2011 or early 2012. 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 Morocco.

Serica has been involved in Indonesia since its inception. The sale of its Indonesian exploration interests represents a significant shift in the business strategy of Serica to focus on new areas, where it sees greater exploration potential, whilst also continuing to seek ways of expanding the Company's North Sea business to achieve synergies of scale, including through acquisition and consolidation.

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 [nick.elwes@collegehill.com](mailto:nick.elwes@collegehill.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 risks, 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.