

Serica Energy plc (“Serica” or the “Company”)

Acquisition of Marubeni Interests in Bruce and Keith

London, 6 November 2018 – Serica Energy plc (AIM: SQZ) is pleased to announce that Serica Energy (UK) Limited (“Serica UK”) has signed a further sale and purchase agreement (“SPA”) to acquire additional interests in the Bruce and Keith fields and associated infrastructure in the UK North Sea (the “Transaction”).

Under the SPA, Serica UK will acquire the 3.75% interest in the Bruce field and the 8.33% interest in the Keith field and associated infrastructure (“Marubeni Assets”) owned by Marubeni Oil & Gas (UK) Limited (“Marubeni”). The structure of the Transaction differs from the other deals that Serica has entered into with BP, Total E&P and BHP, in that Serica will acquire the decommissioning obligations of Marubeni, but will receive in turn a cash consideration from Marubeni, and there will be no deferred or contingent consideration. This reflects in part the small interest in Bruce being acquired.

The Transaction has an effective date of 1 January 2018 and completion is subject to completion of the previously announced acquisition of interests in the Bruce, Keith and Rhum fields from BP (“BP Transaction”). The Transaction is also subject to *inter alia* certain regulatory, government and partner consents with completion targeted for 30 November 2018.

The Transaction together with the previously announced purchases from BP, Total E&P and BHP will result in Serica consolidating its ownership of the Bruce and Keith fields to 98% and 100% respectively post-completion.

Transaction highlights

Following completion of the BP Transaction and acquisition of further interests in the Bruce and Keith fields from Total E&P UK Limited (“Total E&P Transaction”) and BHP Billiton Petroleum Great Britain Limited (“BHP Transaction”) and transfer of operatorship of the Bruce, Keith and Rhum fields to Serica UK, the board believes the Transaction will further consolidate Serica’s position as one of the leading mid-tier independent oil and gas producers on the UK Continental Shelf and will provide incremental benefits to the Company. The Transaction is expected to be immediately cash flow and value accretive following completion.

- **Further increase in reserves and production**
 - Serica’s pro-forma net 2P reserves as at 1 August 2018 are expected to increase by approximately 0.95mmboe from approximately 62.7mmboeⁱ post completion of the BP Transaction, Total E&P Transaction and BHP Transaction to approximately 63.7mmboe post completion of the Transaction
 - Net production in 1H 2018 from the Marubeni Assets was approximately 410boe/d, of which 81% was gas
- **Decommissioning liability more than covered by expected cash flow**
 - Serica is assuming liability for the decommissioning of the Marubeni Assets (a 3.75% interest in Bruce and an 8.33% interest in Keith). Serica expects to generate ample cash flow from the Marubeni Assets to meet these liabilities.
- **Immediate benefit to cash position**
 - Firm negative consideration plus 2018 net cash flows to-date will be due to Serica at completion
- **In line with strategic growth plans**
 - The Transaction is expected to enhance Serica’s capability to unlock value from the Bruce/Keith/Rhum area
 - No additional management and administrative resources will be required

Principal terms of the Transaction

The cash consideration for the Transaction is a payment of US\$1 million by Marubeni to Serica, to be adjusted for working capital and interim period cash flows from the effective date of 1 January 2018. The net 2P Reserves attributable to the Marubeni Assets as at 1 August 2018 are estimated to amount to approximately 0.95mmboe.

Marubeni will not receive a share of cash flow from the Marubeni Assets following completion and there is no other deferred or contingent consideration.

Serica will be liable for all the costs of decommissioning facilities and wells arising in relation to the interest being acquired from Marubeni. Serica will also be responsible for the provision of its share of security against future obligations calculated in accordance with the Bruce and Keith Decommissioning Security Agreements.

Completion of the Transaction is conditional *inter alia* on:

- Completion of the BP Transaction;
- Relevant third-party consents; and
- OGA approvals.

The SPA also contains customary warranties in relation to the Marubeni Assets from Marubeni for a transaction of this nature.

Mitch Flegg, Chief Executive of Serica Energy, commented:

“We are targeting completion of the transactions with BP, Total E&P, BHP and Marubeni on 30 November 2018 and our ownership in Bruce will then increase to 98% and in Keith to 100%. On that date over 110 staff will transfer from BP to Serica to join the team that we have recruited in our new operational headquarters in Aberdeen.

It is our intention to build on the excellent work that has been performed by BP and its partners in Bruce, Keith and Rhum. With our consolidated ownership of the three fields, and as operator, we will be in a strong position to deliver enhanced returns from these assets and extend their operating lives for the benefit of our shareholders and fellow stakeholders in the North Sea and Aberdeen.”

About the Assets

The net 2P Reserves attributable to the Marubeni Assets as at 1 August 2018 are estimated to amount to approximately 0.95 mmboe. These reserves are in addition to the estimated 2P Reserves of approximately 62.7mmboe attributable to Serica assuming completion of the BP Transaction, Total E&P Transaction and BHP Transaction.

The Bruce field was discovered in June 1974 and is located in the UK Northern North Sea, 350 km northeast of Aberdeen at a water depth of 122 metres and with an area of approximately 75 km². Field development was approved in 1990 and production started in 1993. Production is primarily gas with associated condensate and NGLs. The field produces from 11 reservoir units, separated by faulting and has had a cumulative production since 1993 of over 3tcf. To date there are over 60 well penetrations in the field with 21 producing wells.

The Keith field lies 6.8 km to the southwest of the Bruce field in a water depth of 120 meters and has been developed as a subsea tie-back to the Bruce complex. The Keith field was confirmed as a separate field to Bruce after drilling in 1987 and first came on production in 2000, with a second phase of development in 2002. No further capital programmes are planned on Keith as the field is in the final stages of its producing life. Subject to completion of the Total E&P Transaction, Serica UK intends to continue production from its single well as long as economically viable, but the well is currently scheduled to cease production in 2019.

Wet gas from the Bruce and Keith fields is processed at the Bruce complex and then transported via a 6 km spur line through the Frigg pipeline to St. Fergus for Natural Gas Liquids extraction. Dry gas is delivered as part of a commingled gas stream at St. Fergus into the National Transmission System. NGLs are extracted at St. Fergus and transported via a 12-inch diameter, 22 km pipeline to Cruden Bay. The condensate is separated at the Bruce complex then exported via a 24-inch diameter line, 254 km to the Forties Unity platform. The liquids are then transported via the 36-inch diameter Forties pipeline 240 km to Cruden Bay, then overland to Grangemouth.

The Marubeni Assets include the Bruce field facilities which comprise three bridge-linked platforms. There is a production platform housing a crew of up to 168 with production and utilities equipment. The second platform is a drilling platform, with the third platform hosting reception and compression facilities.

The Marubeni Assets being acquired generated an operating profit before interest, taxation, depletion and amortisation of US\$3.65 million for the year ended 31 December 2017 based on unaudited financial information extracted from the Marubeni accounting records.

Summary of Assets (Net 2P Reserves as of 1 August 2018)

		Erskine	BP Assets	Total E&P Assets	BHP Assets	Marubeni Assets	Enlarged Group
Oil & Liquids	mmbbls	1.58	4.72	2.88	1.18	0.29	10.65
Gas	mmscf	8,737	236,263	42,525	16,589	3,907	308,021
Combined	mmboe	3.03	45.46	10.21	4.04	0.95	63.69

Technical Information

The technical information contained in the announcement has been reviewed and approved by Clara Altobell, VP Technical at Serica Energy plc. Clara Altobell (MSc in Petroleum Engineering from Imperial College, London) has over 20 years of experience in oil & gas exploration, production and development and is a member of the Society of Petroleum Engineers (SPE) and the Petroleum Exploration Society of Great Britain (PESGB).

Regulatory

This announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

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Notes to Editors

Serica Energy is an oil and gas exploration and production company with exploration, development and production assets in the UK and exploration interests in the Atlantic margins offshore Ireland and Namibia. Serica holds an 18% non-operated interest in the Erskine field in the UK Central North Sea and a 50% operated interest in the Columbus field scheduled to commence development in 2019. OGA approval of the Columbus FDP was granted in October 2018.

In November 2017 Serica announced the BP Transaction under which Serica UK will acquire interests in the Bruce, Keith and Rhum fields in the North Sea and associated infrastructure from BP. Under the terms of the BP Transaction Serica UK will acquire a 36% interest in Bruce, a 34.83% interest in Keith and a 50% interest in Rhum. The deal has an effective date of 1 January 2018. Completion of the BP Transaction is targeted to take place on 30 November 2018.

In August 2018, Serica announced the Total E&P Transaction under which further interests in the Bruce and Keith fields and associated infrastructure in the UK North Sea are to be acquired from Total. Under the terms of the Total E&P Transaction, Serica UK will acquire a 42.25% interest in the Bruce field and a 25% interest in the Keith field and associated infrastructure. The Total E&P Transaction also has an effective date of 1 January 2018 and completion will be subject to completion of the BP Transaction.

Most recently, Serica announced the BHP Transaction under which further interests in the Bruce and Keith fields and associated infrastructure in the UK North Sea are to be acquired from BHP. Under the terms of the BHP Transaction, Serica UK will acquire a 16.0% interest in the Bruce field and a 31.83% interest in the Keith field and associated infrastructure. The BHP Transaction also has an effective date of 1 January 2018 and completion will be subject to completion of the BP Transaction.

The BP Transaction was deemed a reverse takeover, an admission document was published and shareholders approved the BP Transaction at a General Meeting of the Company on 18 December 2017. There are still a number of conditions precedent which need to be satisfied ahead of completion of the BP Transaction. As part of the BP Transaction, operatorship of the Bruce, Keith and Rhum fields will be transferred from BP to Serica, along with approximately 110 BP staff.

The Transaction presents Serica with an opportunity to further increase its reserve and production base by assuming a greater interest in assets already well known to the Company and without any dilution for shareholders.

Further information on the Company, the BP Transaction, the Total E&P Transaction, the BHP Transaction and this Transaction can be found at www.serica-energy.com.

The Company is listed on the AIM market of the London Stock Exchange under the ticker SQZ and is a designated foreign issuer on the TSX. To receive Company news releases via email, please subscribe via the Company website.

Glossary

Term	Meaning
"2P"	proved plus probable reserves;
"bbls"	barrel of 42 US gallons;
"boe"	barrel of oil equivalent;
"boe/d"	barrels of oil equivalent per day;
"Dry Gas"	Dry Gas is a natural gas containing insufficient quantities of hydrocarbons heavier than methane to allow their commercial extraction or to require their removal in order to render the gas suitable for fuel use;
"mmbbls"	million barrels of oil;
"mmboe"	million barrels of oil equivalents;
"mmscf"	million standard cubic feet;

"NGLs"	natural gas liquids extracted from gas streams;
"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;
"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;
"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;
"Reserves"	estimates of discovered recoverable commercial hydrocarbon reserves;
"Wet Gas"	Wet Gas is a natural gas containing sufficient quantities of hydrocarbons heavier than methane to allow their commercial extraction or to require their removal in order to render the gas suitable for fuel use.

ⁱ Throughout this document reserve figures are taken from the latest Serica internal management estimates dated 1 August 2018.