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

Operations Update

London, 10 January 2017 - Serica Energy plc (AIM: SQZ), an independent oil and gas company with production, development and exploration licence interests in the UK North Sea and exploration interests in Ireland, Morocco and Namibia, is pleased to provide a year-end operations update as follows:

Highlights:

UK North Sea Erskine Field

- Strong production since late August field restart averaging 3,150 boepd net to Serica, ahead of guidance
- December production average over 3,800 boepd net to Serica at improved commodity prices
- Lomond offtake facilities achieved uptime in excess of 80% since end August restart and averaged 95% in December
- New Lomond operator continues to drive costs down and improve reliability

Columbus Development

- Serica working with other hub partners to maximise economic recovery from the area
- Development plan for Columbus targeted for 2017
- Improved facilities performance increasing confidence in Lomond as potential off-take route

Exploration

- Preparations in progress for Rowallan drilling in 2018. Long-lead items planned for 2017
- Costs of Rowallan and Doyle wells carried by third parties
- Expected extension of Namibian licence will afford more time to conclude a farm-out
- Renewed industry interest in Ireland

Finance

- Cash balance of US$16.6 million as at 31 December expected to increase to over US$20 million after receipt of December net sales
- Cash resources enhanced by strong production and much improved commodity prices
- No borrowings or material capital commitments

Tony Craven Walker, Serica's Chairman commented:

"A strong second half operational performance from the Erskine field, boosted by much improved commodity prices and favourable exchange rate movements, has helped Serica following the six-month Erskine shut-in earlier in the year. The underlying resilience of Serica's balance sheet has allowed the Company to absorb the period of no income resulting from the shut-in and to enter 2017 in a strong position to take advantage of new opportunities to grow its asset base."

Overview

Following the successful restart of the Erskine field in late August, we are pleased to report sustained strong performance since then. During this period Serica's share of oil and gas production has averaged approximately 3,150 boe per day, exceeding our previous 2,500-3,000 boe per day guidance. This offers confidence that the improvement work carried out on the Lomond platform, through which Erskine product is exported, is now paying dividends. In recent months Erskine has demonstrated consistent capability to achieve production rates of 20,000-23,000 boe per day gross (3,600 - 4,100 boe net to Serica) when unconstrained by offtake and transportation facility restrictions.

It is also encouraging that the second half of the year saw improved commodity prices. The Brent oil benchmark has averaged US$50 per barrel since Erskine restart whilst UK gas prices have shown an even stronger rise from 30 pence per therm in the first half of the year to over 40 pence per therm since the end of August, with over 45 pence per therm realised in November and December. A gas sales contract, under which Serica supplied approximately one quarter of its Erskine gas production at relatively low contract prices (approximately 30 pence per therm in the 2015/6 contract year), terminated on 30 September allowing Serica the full benefit of the higher prices since then.

Operating costs since August are averaging well below our guidance of US$20 per boe, including transportation costs, reflecting overall cost reductions, sustained production rates and also the impact of the lower £/US$ exchange rate. In addition to continuing cost control and improved production uptime, future costs per barrel can also be reduced through the introduction of new third party throughput to Lomond including the Columbus field whose progress is discussed below.

Strong net income from Erskine since re-start of production in late August has allowed Serica to rebuild cash resources. As at 31 December, cash balances were US$16.6 million before receipt of December sales which are expected to add in excess of US$3.5 million net of operating costs. The Company has no borrowings and minimal licence expenditure commitments.

Serica, as operator of the Columbus gas and condensate field, continues work on export options. Improved Lomond facility reliability offers support for prioritising the Lomond offtake route as compared to higher capital cost alternatives. It is expected that a full development plan will be compiled during the course of 2017 ready for presentation to the Oil and Gas Authority ("OGA"). The OGA initiative to encourage all parties within North Sea hub areas to work more closely together to maximise combined economic benefit and reserves recovery has already brought all parties within the Lomond hub area into closer co-operation. In addition to the Lomond and Erskine producing fields this incorporates Serica's Columbus development plus several other fields in the area.

Though markets have been showing little enthusiasm for exploration investment, this can be expected to change once the impact of greatly-reduced industry investment programmes begins to be felt on commodity prices and the full effects of cost reductions have filtered through. Serica's exploration strategy is to hold significant interests in acreage offering a balance between risk and opportunity, with a mix of lower risk mature basins and high risk, high reward frontier areas. Associated expenditure is mitigated through farm-outs as far as possible. The costs of Serica's most likely next two exploration wells, on the Rowallan prospect in Central North Sea block 22/19c and on the Doyle prospect in East Irish Sea block 113/27c, are both subject to carry arrangements. The Company is also continuing to pursue opportunities to farmdown its interest in Namibia and its Irish offshore acreage.

Production and Operations

Central North Sea: Erskine Field – Blocks 23/26a (Area B) and 23/26b (Area B)

Erskine field production since the 29 August production restart has delivered strong and consistent volumes, averaging approximately 3,150 boe per day to year-end despite a series of capacity restrictions on the Forties Pipeline, through which Erskine liquids are exported, and some minor system trips on the Lomond offtake facilities. The strong performance of the Erskine wells over the last 18 months, when unconstrained by offtake restrictions, fully supports current estimates of ultimate recovery and may leave scope for further upside.

Improved planning and communication between the Erskine and Lomond facility operators, supported by Serica, has resulted in reducing production interruptions. This has been achieved by identifying system vulnerabilities and planning more efficient maintenance programmes. Production efficiency has exceeded 80% since the end of August to the end of the year and averaged 95% for December, demonstrating continued performance improvement.

Having assessed the lessons from the blockage of the Lomond to Everest condensate export pipeline last year, the Lomond facilities operator has implemented a number of changes to reduce the chance of a reoccurrence. These include improved pipeline monitoring and more regular pigging programmes, the first of which commenced in November.

Ongoing reductions to the Erskine/Lomond cost-base have combined with increased throughput volumes to lower Erskine operating costs, including transportation costs, for the September-to-December period to well below our guidance of US$20 per boe which takes account of a level of planned and unplanned shut-ins. This illustrates that maintaining production volumes is as important as cutting costs in the drive to minimise costs per barrel.

Apart from maximising production volumes from the existing Erskine and Lomond fields, this also drives the strategy to bring other fields such as Columbus through the Lomond hub as soon as practicable to the benefit of all hub fields. Recent analysis by Oil & Gas UK suggests that average operating costs of US$16 per barrel are now being achieved through the UK North Sea as a whole, setting a benchmark for all operators which should sustain profitable North Sea operations even during future periods of low commodity prices.

No significant capital investment is planned for Erskine in 2017.

Development

Central North Sea: Columbus Field – Blocks 23/16f and 23/21a

Serica, as operator and 50% owner of the Columbus development, has been working with its partners and, under the OGA's Maximising Economic Recovery ("MER") initiative, with neighbouring field operators to determine optimal development and offtake solutions. The steadily improving reliability of the Lomond facilities provides encouragement for Columbus to use these facilities, an approach that Serica's management believes would deliver the best economic value for other facility users. In addition to lowering operating costs per barrel for all parties, this can extend the economic life of the facilities thus maximising total reserves recovery.

The current low cost plan for Columbus is based on a single well development delivering estimated P50 6.2* million boe of contingent resources net to Serica. During 2017 Serica expects to be working on a full development plan. The recent rise in UK gas prices is encouraging but it is important to ensure the development is underpinned by sound economics through what may continue to be a period of volatile commodity prices.

Current plans for 2017 include reaching agreement on the offtake route and drilling plans, gaining partner support for an investment decision and compiling a full development plan for presentation to the OGA.

*The contingent resources figure has been derived from an independent competent persons report prepared by Netherland, Sewell and Associates Inc.

Exploration

Although most companies have been reluctant to commit to new capital spend since 2014, progress on reducing drilling costs allied to firmer indications on the mid-term direction of commodity prices offer encouragement for companies to look ahead to 2018 and beyond with greater confidence.

In the Central North Sea, a licence extension for block 22/19c (Serica 15%) to June 2019 now allows operator ENI and its partners to progress drilling plans. These comprise a high pressure, high temperature, exploration well on the Rowallan Prospect with a site survey in summer

2017, long lead items purchased in H2 2017 and a likely spud date in mid-2018. Serica is fully carried and will not incur any costs on this licence up to the completion of the well. Drilling success would deliver material value to Serica.

In East Irish Sea block 113/27c (Serica 20%), a farm in partner is being sought by the operator to enable an exploration well on the Doyle prospect to be drilled in 2018. Serica's costs of an exploration well are carried and, although the carry is capped, reductions in rig rates and other drilling costs offer encouragement that this cap is unlikely to be breached.

In Namibia and Ireland, licence extensions will allow Serica more time to bring in partners to unlock the potential of this acreage. In Namibia, an application to extend the Company's Luderitz Basin licence (Serica 85%) to December 2018 is awaiting final signature which will enable the Company to utilise its US$50 million 3D seismic survey and pre-drill scoping to engage potential co-investors.

In Ireland, applications have been made to extend the Company's Rockall Basin licence FEL 4/13 (Serica 100%) and Slyne Trough licence FEL 1/06 (Serica increasing to 100%). Recent increased farm-in activity in the Porcupine Basin to the south offers encouragement of finding partners to drill in Serica's acreage.

A constructive approach by regulatory authorities during the industry down-turn allows companies such as Serica, who have demonstrated long-term commitment to exploration acreage, to retain their assets and defer commitments in order that they are ready to participate in drilling as soon as industry appetite returns.

Commodity price exposure

Responding to recent years of high commodity price volatility, Serica employs limited price hedging programmes when management considers the cost-to-risk ratio warrants this. Serica currently has coverage for daily volumes of 750 barrels of oil and 40,000 therms per day (4,000 mmscf/day) of gas at average floor prices of US$35 per barrel and 38 pence per therm respectively to end Q1 2017. These all take the form of put options which place no ceiling on sales prices. We will continue to look for opportunities to protect against oil and gas downside where we consider market pricing offers good value.

Outlook

Serica has weathered the setback of the six-month Erskine shut-in caused by a pipeline blockage down-stream of the Lomond platform and is now enjoying significant growth in revenues and net income. Management is continuing to work with its partners to reduce the Erskine/Lomond cost base, further raise facility and export route uptime and improve alignment with all stake-holders.

The challenging environment of the past two-years has precipitated extensive reviews within the high-cost North Sea sector and extended focus beyond simple cost cutting, important though that is. Recent industry analysis indicates that average UK North Sea operating costs have been cut from US$29 to around US$16 per barrel since 2014. To sustain and enhance these gains requires extending perspectives beyond individual field performance towards the often complex relationships between all offtake hub participants and transport networks. Greater alignment can optimise overall production rates, reserves recovery and efficient cost-bases, meeting the OGA's objectives for maximising ultimate UK North Sea reserves extraction.

Though the short-term commodity-price outlook remains uncertain, we are optimistic that the industry re-set of the past two-years will underpin the North Sea sector for some time to come, encouraging extension of existing field lives as well as development of many small, as yet undeveloped, new fields.

We have been working hard on adding to our single-field production stream through progressing Columbus towards a development decision whilst also looking for acquisition opportunities and believe 2017 can be a transformational year for the Company.

Technical Information

The technical information contained in the announcement has been reviewed and approved by Clara Altobell, Head of Operations 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, Morocco and Namibia. Further information on the Company 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 contact serica@instinctif.com and specify "Serica press releases" in the subject line.

FORWARD LOOKING STATEMENTS

This disclosure contains certain forward looking statements that involve substantial known and unknown risks and uncertainties, some of which are beyond Serica Energy plc's control, including: geological, geophysical and technical risk, the impact of general economic conditions where Serica Energy plc operates, industry conditions, changes in laws 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.