

SERICA ENERGY PLC

THIRD QUARTER 2009 REPORT TO
SHAREHOLDERS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial and operational results of Serica Energy plc and its subsidiaries (the "Group") contains information up to and including 27 November 2009 and should be read in conjunction with the attached unaudited interim consolidated financial statements for the period ended 30 September 2009. The interim financial statements for the three and nine months ended 30 September 2009 have been prepared by and are the responsibility of the Company's management, and the Company's independent auditors have not performed a review of these financial statements. Serica's activities are centred on the UK and Indonesia, with other interests in Vietnam, Ireland, Morocco and Spain.

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 below in this MD&A, and in the financial statements, are presented in accordance with International Financial Reporting Standards ("IFRS").

MANAGEMENT OVERVIEW

During the third quarter 2009 the Company has focused its attention on bringing the Kambuna field into production. On 11 August gas sales commenced from the field, an event which brings the Company its first significant production revenue.

The Company was also awarded a new frontier exploration licence in the Rockall Basin off the west coast of Ireland.

Subsequent to the period end, in November 2009, the Company announced that it had entered into a new US\$100 million senior secured revolving credit facility to replace its previous facility of a similar amount. The new facility, which has been arranged with J.P.Morgan plc, Bank of Scotland plc and Natixis as Mandated Lead Arrangers, is for a term of three years. The facility is principally to refinance the Company's outstanding borrowings on the Kambuna field but will also be available to finance the appraisal and development of the Columbus field and for general corporate purposes.

Field Appraisal and Development

Glagah Kambuna TAC - Kambuna Field, Offshore North Sumatra, Indonesia

The Company holds an interest of 50% in the Glagah Kambuna TAC.

Progress has continued throughout 2009 towards the first production from the Kambuna field and on 11 August gas sales commenced with gas being introduced to the pipeline system for transportation to the Belawan Power Plant, operated by the Indonesian state electricity generation company PLN.

Production from Kambuna was suspended on 25 September at PLN's request so that it could carry out repairs to its gas turbines. Production from the field restarted on 7 November at an initial rate of 10 million standard cubic feet per day ("mmscfd"). Resumption of gas sales also allowed condensate production to restart, with approximately 100 barrels of condensate produced for each million cubic feet of sales gas.

The gas sales contract with PLN provides for an average contract quantity of 35 mmscfd for the first twelve months and it has already been demonstrated that rates in excess of this can be delivered through the present temporary facilities. Following the unplanned shut-down, it is expected that PLN will nominate up to 40 mmscfd, in order to reduce its

potential annual take-or-pay liability. Gas sales to the second buyer, Pertiwi Nusantara Resources ("Pertiwi") are expected to commence in January 2010. The contract with Pertiwi provides for an average contract quantity of 12 mmscfd but, until the permanent onshore processing facility is completed in June 2010, the maximum total gas sales rate will be approximately 40 mmscfd, with about 4,000 barrels of condensate per day.

Once the permanent facilities are commissioned, total sales gas rates of approximately 50 mmscfd should be achievable. The buyers may nominate quantities in excess of the contract rates in order to make up for any shortfall. However, under the Take or Pay provisions of the contracts, at the end of each 12 month sales period Serica will receive the value of at least 90% of any gas contracted but not taken.

The Kambuna gas is used for power generation to supply electricity to the city of Medan in north Sumatra and for industrial uses. The gas sales prices per thousand standard cubic feet under the contracts with PLN and Pertiwi are approximately US\$5.40 and \$7.00 respectively, escalated at 3% per annum. The price for Kambuna condensate is based on the official Attaka Indonesian Crude Price less 11 cents per barrel. Attaka has historically traded at a slight premium to North Sea Brent Crude.

Columbus Field - Block 23/16f – UK Central North Sea

Block 23/16f contains the undeveloped Columbus field. Serica operates the block and holds a 50% interest.

In the first quarter of 2009, in the adjacent Block 23/21, Lomond field operator BG Group ("BG") completed drilling a well about three kilometres south of the 23/16f-11 Columbus discovery well. BG well 23/21-7 comprised a total of four penetrations of Forties sand reservoirs and the results have improved our knowledge of the distribution of Forties sand channels in the area. Discussions with the UK Department of Energy and Climate Change ("DECC"), BG and another field operator are in progress to determine how best to commercialise the Columbus field and other gas accumulations near to the Lomond field.

It is expected that a revised Field Development Programme for Columbus will be submitted to the UK government during 2010.

Chablis Area – Southern North Sea

The Chablis Area comprises part-Blocks 48/16a and 48/16b containing the Chablis discovery and Block 48/17d lying immediately east of Block 48/16b.

The commercial potential of the Chablis accumulation is unproven and no reserves can be attributed to the area at this time. Due to the very high annual licence rental fee for Block 48/16b, in September 2009 the Company relinquished its interests in Blocks 48/16a and 48/16b in favour of Hansa Hydrocarbons, which farmed into Serica's blocks in 2008.

Serica has however retained its 65% operated interest in Block 48/17d, which contains additional gas prospects that would have incremental value if the Chablis field was eventually developed.

Exploration

Indonesia

Kutai PSC

Serica is the operator of the Kutai PSC and has a 54.6% working interest.

The Company has completed seismic surveys in both the offshore and onshore parts of the PSC. The interpretation of the offshore 3D seismic data has revealed several exploration targets, of which the Dambus and Marindan prospects are the most significant. In 2010, Serica plans to drill two offshore wells and possibly an onshore well.

Vietnam

Block 06/94 PSC

In August 2009, following the drilling of the Tuong Vi exploration well, Serica and Australian Worldwide Energy (“AWE”) agreed to terminate the farm-out agreement for Block 06/94 and Serica has retained its original 33.33% interest in the 06/94 PSC. Serica’s share of the costs of the Tuong Vi well, in which no commercial volumes of hydrocarbons were found, was carried by AWE.

Recent activity in the Block 06/94 has included the acquisition of 600 square kilometers of 3D seismic data in an area on trend with the discovery announced by Premier Oil in the adjoining Block 07/03. The PSC partners are planning a 2010 drilling campaign.

Ireland

Slyne Basin

Serica is the operator and holds a 50% interest in Licence FEL 1/06 in the Slyne Basin off the west coast of Ireland. The licence comprises Blocks 27/4, 27/5 (west) and 27/9.

The Bandon exploration well 27/4-1, completed in June 2009, discovered a small oil accumulation that is unlikely to be commercial. The discovery of oil rather than gas was unexpected and Serica is re-evaluating the area using the new data from the well to determine the potential of the oil prospects now being identified in licence FEL 1/06 and also to confirm the potential of the remaining gas prospects.

Rockall Basin

In July 2009 the Company announced that it had been awarded Frontier Exploration Licence FEL 1/09 covering Blocks 5/17, 5/18, 5/22, 5/23, 5/27 and 5/28 in the northeastern part of the Rockall Basin off the west coast of Ireland. The six blocks cover a total area of 993 square kilometres. Serica is the licence operator and holds a 100% working interest.

The Rockall Basin has an areal extent of over 100,000 square kilometers in which only three exploration wells have been drilled to date and the basin is therefore regarded as very underexplored. Of these exploration wells the 12/2-1 Dooish gas-condensate discovery, drilled by Enterprise Oil in 2002 approximately nine kilometres to the south of the Licence, encountered a 214 metre hydrocarbon column.

In August, Serica acquired several new 2D long-offset seismic lines across the Muckish structure, a large exploration prospect already identified from existing 3D seismic data, in order to learn more about its potential to contain hydrocarbons. Muckish covers an area of approximately 30 square kilometers in a water depth of 1,450 metres.

United Kingdom

Blocks 113/26b and 113/27c

Serica holds a 100% interest in Blocks 113/26b and 113/27c in the East Irish Sea, in which the Company has identified two Sherwood Formation gas prospects, Conan and Doyle.

The Conan prospect exhibits a striking seismic amplitude anomaly at top reservoir level that is of the order of 28 square kilometres in area – making it the largest undrilled amplitude anomaly in the East Irish Sea basin. Recent technical studies have increased

confidence in the Conan prospect and a site survey has been acquired in preparation for drilling. The Company is seeking a farm-in partner to participate in this exploration project.

Block 22/19c

In June 2009 Serica announced the award of a Production Licence over UK Central North Sea Block 22/19c in the 25th Round of Offshore Licensing. Serica is the licence operator and holds a 100% working interest.

Block 22/19c is located approximately 20 kilometres to the west of Serica's Columbus field and contains two Palaeocene Forties Formation prospects known as Oates and Bowers. The Oates prospect is considered low risk and exhibits a well-defined amplitude response on the 3D seismic data similar to that seen in the Columbus field, in which the Company has drilled three successful wells. The Oates prospect lies at a depth of approximately 2,900 metres below sea level.

The Company is currently evaluating offers to farm-in to the Block and expects to drill the Oates prospect in 2010.

Morocco

Serica holds a 25% interest in two Petroleum Agreements for the contiguous areas of Sidi Moussa and Fom Draa, offshore Morocco, covering an area of approximately 12,700 square kilometres in the sparsely explored Agadir Basin, about 100 kilometres south west of the city of Agadir. Technical studies to reprocess the extensive 3D seismic database are underway.

Spain

The Company holds a 75% interest and operatorship in four exploration permits onshore northern Spain, where several gas prospects have been identified by Serica. The Company recently obtained a suspension of the Permits until November 2010 and Serica is currently seeking a farm-in partner prior to making a drill or drop decision.

Forward Programme

With gas and condensate sales having commenced from the Kambuna field, the Company's attention is now on reaching the present annual contract rate of 40 mmscfd and then to achieve a higher contract rate once supporting field data has been obtained.

Over the next twelve months Serica plans to carry out a significant exploration programme which includes the Conan prospect in the East Irish Sea, the Oates prospect in the UK Central North Sea and up to five wells in South East Asia.

FINANCIAL REVIEW

A detailed review of the Q3 2009 results of operations and other financial information is set out below.

Results of Operations

Serica generated an operating profit of US\$0.2 million for the three months ended 30 September 2009 ("Q3 2009") compared to an operating loss of US\$3.1 million for the three months ended 30 September 2008 ("Q3 2008").

	2009	2009	2009	2008	2008	2008	2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
<i>Continuing operations</i>							
Sales revenue	4,167	-	-	-	-	-	-
Cost of sales	(2,172)	-	-	-	-	-	-
Expenses:							
Administrative expenses	(1,387)	(1,615)	(1,624)	(2,404)	(1,832)	(2,447)	(1,945)
Exchange (loss)/gain	(64)	250	21	274	(677)	88	(55)
Pre-licence costs	(88)	(243)	(183)	(112)	(65)	(798)	(175)
Asset write offs	(66)	(221)	(7,147)	(23,659)	-	-	(375)
Share-based payments	(206)	(217)	(298)	(360)	(465)	(581)	(375)
Depreciation	(30)	(29)	(29)	(15)	(38)	(35)	(58)
Operating profit/(loss) before net finance revenue and tax	154	(2,075)	(9,260)	(26,276)	(3,077)	(3,773)	(2,983)
Profit on disposal	-	-	-	(6)	36,626	-	-
Finance revenue	7	11	27	326	630	298	569
Finance costs	(884)	(439)	(707)	(723)	(752)	(785)	(878)
(Loss)/profit before taxation	(723)	(2,503)	(9,940)	(26,679)	33,427	(4,260)	(3,292)
Taxation (charge)/credit	(202)	-	-	139	89	-	-
(Loss)/profit for the period – continuing	(925)	(2,503)	(9,940)	(26,540)	33,516	(4,260)	(3,292)
<i>Discontinued operations</i>							
Loss for the period - discontinued	-	-	-	(346)	-	(15)	(34)
(Loss)/profit for the period	(925)	(2,503)	(9,940)	(26,886)	33,516	(4,275)	(3,326)
Basic and diluted loss per share	(0.01)	(0.01)	(0.06)	(0.16)	N/A	(0.02)	(0.02)
Basic earnings per share	N/A	N/A	N/A	N/A	0.19	N/A	N/A
Diluted earnings per share	N/A	N/A	N/A	N/A	0.19	N/A	N/A

The Company generated its first sales revenue from the Kambuna field in Indonesia during Q3 2009 with the start up of production on 11 August. Serica's entitlement production in the quarter totalled 0.5 bcf of gas and 45,000 bbbls of condensate. The gas production was sold at prices averaging \$5.47 per Mscf and generated US\$2.7 million of revenue. Condensate production was sold referenced to spot prices and liftings in the quarter earned US\$1.4 million of revenue.

Cost of sales for Q3 2009 were driven by production from the Kambuna field and totalled US\$2.2 million. The charge comprised operating costs of US\$1.3 million, depletion and

amortisation of US\$1.4 million which were partially offset by a condensate stock adjustments credit of US\$0.5 million.

Administrative expenses of US\$1.4 million for Q3 2009 fell from Q2 2009 as the Company continued to carefully manage its financial resources. The decrease from US\$1.8 million for Q3 2008 also reflects a reduction in the US\$ equivalent of those general administrative costs incurred in £ sterling. Higher levels of cost were incurred on various transactions and other corporate activity in Q2 and Q4 2008.

No significant foreign exchange gains or losses were recorded in Q3 2009. Significant foreign exchange losses were incurred during Q3 2008 following the strengthening of the US\$ against £ sterling and the Norwegian Kroner, and its impact on the US\$ equivalent of cash deposits and other receivables denominated in those currencies.

Pre-licence costs include direct cost and allocated general administrative cost incurred on oil and gas interests prior to the award of exploration rights. The expense of US\$0.1 million for Q3 2009 was at a similar level to that incurred in Q3 2008.

Asset write offs in Q1 2009 of US\$7.1 million related to the costs incurred in 2009 on the completion of the Chablis appraisal well, which spudded in December 2008. Costs booked in respect of this asset from 2008 and earlier periods were written off in Q4 2008. The total Q4 2008 asset write-off charge of US\$23.6 million comprised Chablis (US\$11.4 million), Oak (US\$6.1 million) and Spanish assets (US\$6.1 million).

Share-based payment charges of US\$0.2 million reflect share options granted and compare with US\$0.5 million for Q3 2008 and US\$0.2 million for Q2 2009. Whilst further share options have been granted in January 2009, the incremental charge generated from those options has been offset by the significant decline in charges for options granted in prior years.

Negligible depreciation charges in all periods represent office equipment and fixtures and fittings. The depletion and amortisation charge of Kambuna field development costs is recorded within 'Cost of Sales'.

A profit on disposal of US\$36.6 million was generated in August 2008 upon the sale of a 15% interest in the Glagah Kambuna TAC for consideration of US\$52.7 million including working capital.

Finance revenue comprising interest income of US\$0.01 million for Q3 2009 compares with US\$0.6 million for Q3 2008 and US\$0.01 million for Q2 2009. The decrease from Q3 2008 is principally due to the significant reduction in average interest rate yields available in 2009 to negligible amounts, and a reduction in average cash deposit balances held in Q2 and Q3 2009 compared to prior periods.

Finance costs consist of issue costs and other fees spread over the term of the bank loan facility, and interest payable. Finance costs directly related to the Kambuna development were capitalised until the field was ready for commercial production during Q3 2009.

The taxation charge of US\$0.2 million reflects potential liabilities arising from production in Indonesia. Expenditures in prior and current periods have reduced any potential current income tax expense arising for 2008 and 1H 2009 to US\$nil. The taxation credit from continuing operations of US\$0.1 million in Q4 2008 arose from the release of deferred tax liabilities associated with the E&E assets written off in the quarter.

The results from discontinued operations arise following the disposal of the Company's Norwegian activities which completed in Q4 2008.

The net loss per share of US\$0.01 for Q3 2009 compares to net earnings per share of US\$0.19 for Q3 2008.

Summary of Quarterly Results

	2009	2009	2009	2008	2008	2008	2008	2007
Quarter ended:	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Sales revenue	4,167	-	-	-	-	-	-	-
(Loss)/profit for the quarter	(925)	(2,503)	(9,940)	(26,886)	33,516	(4,275)	(3,326)	(11,684)
Basic and diluted loss per share - US\$	(0.01)	(0.01)	(0.06)	(0.16)	-	(0.02)	(0.02)	(0.08)
Basic and diluted earnings per share - US\$	-	-	-	-	0.19	-	-	-

The third quarter 2009 results include first revenue streams from the Kambuna field, Indonesia.

The first quarter 2009 loss includes asset write offs of US\$7.1 million on the Chablis asset.

The fourth quarter 2008 loss includes asset write offs of US\$23.6 million on the Chablis, Oak and Spain assets.

The third quarter 2008 profit includes a profit of US\$36.6 million generated on the disposal of a 15% interest in the Kambuna field.

The fourth quarter 2007 loss includes asset write offs of US\$9.0 million in relation to the Biliton PSC.

Working Capital, Liquidity and Capital Resources

Current Assets and Liabilities

An extract of the balance sheet detailing current assets and liabilities is provided below:

	30 September 2009 US\$000	30 June 2009 US\$000	31 March 2009 US\$000	31 December 2008 US\$000
Current assets:				
Inventories	4,752	4,610	4,612	4,618
Trade and other receivables	10,468	7,452	8,346	7,069
Financial assets	1,500	1,500	-	-
Cash and cash equivalents	19,514	28,997	41,555	56,822
Total Current assets	36,234	42,559	54,513	68,509
Less Current liabilities:				
Trade and other payables	(16,419)	(15,724)	(22,513)	(14,599)
Financial liabilities	(64,782)	(59,395)	(44,127)	(32,105)
Total Current liabilities	(81,201)	(75,119)	(66,640)	(46,704)
Net Current (liabilities)/assets	(44,967)	(32,560)	(12,127)	21,805

At 30 September 2009, the Company had net current liabilities of US\$45.0 million which comprised current assets of US\$36.2 million less current liabilities of US\$81.2 million, giving an overall decrease in working capital of US\$12.4 million in the three month period. The net current liability position reflected the pending expiry of the debt facility which has since been refinanced.

Inventories comprise materials, spares and condensate stocks. The increase of US\$0.2 million from US\$4.6 million to US\$4.8 million over the period is chiefly due to unlifted condensate stock arising from Kambuna production as at 30 September 2009 partially offset by materials used during the quarter.

Trade and other receivables at 30 September 2009 totalled US\$10.5 million, and included US\$4.2 million of trade debtors from gas and condensate sales in the quarter. Other items included recoverable amounts from partners in joint venture operations in the UK and Indonesia, prepayments and sundry UK and Indonesian working capital balances.

Financial assets represent US\$1.5 million of restricted cash deposits, reclassified as a current asset during Q2 2009.

Cash and cash equivalents decreased from US\$29.0 million to US\$19.5 million in the quarter. The Company incurred significant capital expenditure on the Kambuna development in Indonesia and the cash generated from Q3 2009 revenues was not received until after the period end. Other costs were incurred on exploration work across the portfolio in South East Asia and the UK, together with ongoing administrative costs, operational expenses and finance costs. These cash outflows were partially offset by a further draw down in Q3 2009 of US\$5.0 million under the loan facility.

Trade and other payables of US\$16.4 million at 30 September 2009 chiefly include significant trade creditors and accruals from the Kambuna development and other creditors and accruals from UK and Indonesia. Other smaller items include sundry creditors and accruals for administrative expenses and other corporate costs.

Financial liabilities comprise drawings under the senior secured debt facility. Total US\$65.0 million drawings down are disclosed net of the unamortised portion of allocated issue costs.

Long-Term Assets and Liabilities

An extract of the balance sheet detailing long-term assets and liabilities is provided below:

	30 September 2009	30 June 2009	31 March 2009	31 December 2008
	US\$000	US\$000	US\$000	US\$000
Exploration & evaluation assets	82,755	75,843	71,816	69,711
Property, plant and equipment	106,715	103,174	88,865	68,526
Goodwill	295	295	295	295
Financial assets	-	-	1,500	1,500
Long-term other receivables	8,337	7,102	5,791	3,945
Financial liabilities	-	-	-	-
Deferred income tax liabilities	(295)	(295)	(295)	(295)

During Q3 2009, total investments in exploration and evaluation assets, increased from US\$75.8 million to US\$82.8 million. The US\$7.0 million increase consists of additions incurred on the following assets:

In the UK & Western Europe, US\$3.0 million was spent on seismic data in Block 22/19c, US\$0.8 million in Ireland, and US\$0.6 million was incurred on UK exploration work, G&A, and advancing the Columbus field development.

In South East Asia, US\$0.7 million was incurred on seismic, exploration work and G&A on the Kutai concession and US\$0.2 million on East Seruway, both in Indonesia.

All Q2 and Q3 2009 drilling costs associated with the Tuong Vi exploration well in Vietnam were borne by a third party following the farm out of the Company's interests announced in Q1 2009. This agreement was terminated in August 2009 with the Company retaining its 33.33% interest in the 06/94 PSC. US\$1.4 million was spent in the quarter on 3D seismic data acquisition and other G&G work.

The US\$3.5 million increase from US\$103.2 million to US\$106.7 million during the quarter in property, plant and equipment comprises US\$4.9 million of capital expenditure on the Kambuna development, offset by depletion charges of US\$1.4 million arising from the production of gas and condensate. Property, plant and equipment also includes immaterial balances of US\$0.2 million for office fixtures and fittings and computer equipment.

Goodwill, representing the difference between the price paid on acquisitions and the fair value applied to individual assets, remained unchanged at US\$0.3 million.

Financial assets represented by US\$1.5 million of restricted cash deposits at 31 December 2008 and 31 March 2009 are now classified in current assets.

Long-term other receivables of US\$8.3 million are represented by value added tax ("VAT") on Indonesian capital spend, which will be recovered from future production. The increase of US\$1.2 million in Q3 2009 related to the Kambuna expenditure incurred in the quarter.

Financial liabilities represented by drawings under the senior secured debt facility are classified in current liabilities.

The retained deferred income tax liability of US\$0.3 million arose in respect of certain capitalised assets retained in the Group.

Shareholders' Equity

An extract of the balance sheet detailing shareholders' equity is provided below:

	30 September 2009 US\$000	30 June 2009 US\$000	31 March 2009 US\$000	31 December 2008 US\$000
Total share capital	207,633	207,633	207,633	207,633
Other reserves	16,231	16,025	15,808	15,510
Accumulated deficit	(71,024)	(70,099)	(67,596)	(57,656)

Total share capital includes the total net proceeds (both nominal value and any premium) on the issue of equity capital.

Other reserves include amounts credited in respect of cumulative share-based payment charges. The increase in other reserves from US\$16.0 million to US\$16.2 million reflects the amortisation of share-based payment charges in Q3 2009.

Capital Resources

Available financing resources

Serica's prime focus has been to deliver value through exploration success. To date this has given rise to the Kambuna gas field development in Indonesia, with first production achieved in August 2009, and the Columbus gas discovery in the UK North Sea, for which development plans have been submitted. The Company is now enjoying its first significant revenues, complementing its exploration activities with producing interests.

Exploration to date has been equity financed. The Company's share of Kambuna development costs has been funded through drawings under its debt facility supplemented by cash proceeds from the disposal of 15% out of its 65% share in the field in 2008.

At 30 September 2009, the Company held cash and cash equivalents of US\$19.5 million, restricted cash of US\$1.5 million, and had available approximately US\$85 million of committed borrowing facilities for which all conditions precedent had been met, of which US\$65 million had been drawn and US\$20 million was undrawn.

On 16 November 2009 Serica announced that it entered into a new US\$100 million senior secured revolving credit facility to replace its previous facility of a similar amount. The new facility, which has been arranged with J.P.Morgan plc, Bank of Scotland plc and Natixis as Mandated Lead Arrangers, is for a term of three years. The facility is principally to refinance the Company's outstanding borrowings on the Kambuna field. It will also be available to finance the appraisal and development of the Columbus field and for general corporate purposes. The ability to draw under the new facility for development is determined both by the achievement of milestones on the relevant project and also by the availability calculated under a projection model.

As of 27 November 2009, the Company's debt facility was US\$72.5 million drawn out of a total facility of US\$100 million, resulting in a net debt position of approximately US\$50.2 million.

Overall, the start of revenues from Kambuna and the control that the Company can exert over the timing and cost of its exploration programmes both through operatorship and through farm-outs leave it well placed to manage its commitments through this

uncertain financial environment. Serica will continue to take a prudent approach to financial management so as to maintain the ability to build on its progress to date.

Lease commitments

At 30 September 2009, Serica had no capital lease obligations. At that date, the Company had commitments to future minimum payments under operating leases in respect of rental office premises, office equipment and motor vehicles for each of the following periods/years as follows:

	US\$000
31 December 2009	82
31 December 2010	72

Capital expenditure commitments, obligations and plans

The Company's most significant planned capital expenditure commitments for Q4 2009 are on the completion of the Kambuna field development. As at 30 September 2009, the Company's share of expected outstanding capital costs on the project totalled approximately US\$8.5 million. These expected costs include amounts contracted for but not provided as at 30 September 2009.

In Vietnam, capital commitments of US\$7.5 million are contracted in respect of the Company's 33.33% interest of the 2010 two-well drilling programme. The Company will seek a farm-in partner prior to the spudding of the first well in Q2 2010.

In addition to the planned expenditure noted above, the Company also has obligations to carry out defined work programmes on its oil and gas properties, under the terms of the award of rights to these properties, over the following periods as follows:

Three months ending 31 December 2009: US\$ nil
Year ending 31 December 2010: US\$18,100,000

These obligations reflect the Company's share of interests in the defined work programmes and were not formally contracted at 30 September 2009. The Company is not obliged to meet other joint venture partner shares of these programmes. The most significant obligations are in respect of the Kutai PSC in South East Asia, and drilling is expected to commence in 2010. Other less material minimum obligations include G&G, seismic work and ongoing licence fees in the UK and South East Asia.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet transactions or arrangements.

Critical Accounting Estimates

The Company's principal accounting policies are detailed in note 2 to the attached financial statements. International Financial Reporting Standards have been adopted. The costs of exploring for and developing petroleum and natural gas reserves are capitalised. A key source of estimation uncertainty that impacts the Company relates to the impairment of the Company's assets. Oil and gas properties are subject to periodic review for impairment whilst goodwill is reviewed at least annually. Impairment considerations necessarily involve certain judgments as to whether E&E assets will lead to commercial discoveries and whether future field revenues will be sufficient to cover capitalised costs. Recoverable amounts can be determined based upon risked potential, or where relevant, discovered oil and gas reserves. In each case, recoverable amount calculations are based upon estimates and management assumptions about future outcomes, product prices and performance.

Financial Instruments

The Group's financial instruments comprise cash and cash equivalents, bank loans and borrowings, accounts payable and accounts receivable. It is the management's opinion that the Group is not exposed to significant interest rate, credit or currency risks arising from its financial instruments other than as discussed below:

Serica has exposure to interest rate fluctuations on its cash deposits and its bank loans; given the level of expenditure plans over 2009/10 this is managed in the short-term through selecting deposit periods of one to three months. Treasury counterparty credit risks are mitigated through spreading the placement of funds over a range of institutions each carrying acceptable published credit ratings to minimise counterparty risk.

Where Serica operates joint ventures on behalf of partners it is entitled to recover the appropriate share of costs from these third parties. The majority of partners in these ventures are well established oil and gas companies. In the event of non payment, operating agreements typically provide recourse through increased venture shares.

Serica retains certain foreign currency cash holdings and other financial instruments necessary to support its operations. The US\$ reporting currency value of these may fluctuate from time to time causing reported foreign exchange gains and losses. Serica maintains a broad strategy of matching the currency of funds held on deposit with the expected expenditures in those currencies. Management believes that this mitigates much of any potential currency risk from financial instruments. Loan funding is available in US Dollars and Pounds Sterling and is drawn in the currency required.

It is management's opinion that the fair value of its financial instruments approximate to their carrying values, unless otherwise noted.

Share Options

As at 30 September 2009, the following director and employee share options were outstanding: -

Expiry Date	Amount	Exercise cost Cdn\$
December 2009	275,000	275,000
January 2010	600,000	600,000
June 2010	1,100,000	1,980,000

		Exercise cost £
November 2010	561,000	544,170
January 2011	1,275,000	1,319,625
May 2011	180,000	172,800
June 2011	270,000	259,200
November 2011	120,000	134,400
January 2012	756,000	771,120
May 2012	405,000	421,200
August 2012	1,200,000	1,182,000
March 2013	1,662,000	1,246,500
March 2013	850,000	697,000
October 2013	750,000	300,000
January 2014	750,000	240,000

Outstanding Share Capital

As at 27 November 2009, the Company had 176,518,311 ordinary shares issued and outstanding.

Business Risk and Uncertainties

Serica, like all companies in the oil and gas industry, operates in an environment subject to inherent risks. Many of these risks are beyond the ability of a company to control, particularly those associated with the exploration and development of economic quantities of hydrocarbons. Principal risks can be classified into four main categories: operational, commercial, regulatory and financial.

Operational risks include production interruptions, well or reservoir performance, spillage and pollution, drilling complications, delays and cost over-run on major projects, well blow-outs, failure to encounter hydrocarbons, construction risks, equipment failure and accidents. Commercial risks include access to markets, access to infrastructure, volatile commodity prices and counterparty risks. Regulatory risks include governmental regulations, licence compliance and environmental risks. Financial risks include access to equity funding and credit.

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.

Nature and Continuance of Operations

The principal activity of the Company is to identify, acquire and subsequently exploit oil and gas reserves primarily in Asia and Europe.

The Company's financial statements have been prepared with the assumption that the Company will be able to realise its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. During the three month period ended 30 September 2009 the Company generated a loss of US\$0.9 million from continuing operations, but earned its first revenues from the Kambuna field following the commencement of production in August. At 30 September 2009 the Company held cash and cash equivalents of US\$19.5 million and a financial asset of restricted cash of US\$1.5 million. Following the period end, the Company's debt facility was refinanced in November 2009 for a term of three years. The Company intends to utilise its existing cash balances and future operating cash inflows, together with the currently available portion of the US\$100 million senior secured debt facility, to fund the immediate needs of its investment programme and ongoing operations. Further details of the Company's financial resources and debt facility are given above in the Financial Review in this MD&A.

Additional Information

Additional information relating to Serica can be found on the Company's website at www.serica-energy.com and on SEDAR at www.sedar.com

Approved on Behalf of the Board

Paul Ellis
Chief Executive Officer

Christopher Hearne
Finance Director

27 November 2009

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 there from.

GLOSSARY

bbl	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)
bopd or bpd	barrels of oil or condensate per day
DCQ	Daily contract quantity
LNG	Liquefied Natural Gas (mainly methane and ethane)
LPG	Liquefied Petroleum Gas (mainly butane and propane)
mcf	thousand cubic feet
mm bbl	million barrels
mmBtu	million British Thermal Units
mmscfd	million standard cubic feet per day
PSC	Production Sharing Contract
TAC	Technical Assistance Contract
tcf	trillion standard cubic feet
TVDSS	True vertical depth sub sea

Serica Energy plc

Consolidated Group Income Statement

Unaudited		Three months ended 30 Sep 2009 US\$000	Three months ended 30 Sep 2008 US\$000	Nine months ended 30 Sep 2009 US\$000	Nine months ended 30 Sep 2008 US\$000
	Notes				
Sales revenue		4,167	-	4,167	-
Cost of sales		(2,172)	-	(2,172)	-
Gross profit		1,995	-	1,995	-
Administrative expenses		(1,387)	(1,832)	(4,626)	(6,224)
Foreign exchange (loss)/gain		(64)	(677)	207	(644)
Pre-licence costs		(88)	(65)	(514)	(1,038)
Asset write offs	5	(66)	-	(7,434)	(375)
Share-based payments		(206)	(465)	(721)	(1,421)
Depreciation		(30)	(38)	(88)	(131)
Operating profit/(loss) before finance revenue and tax		154	(3,077)	(11,181)	(9,833)
Profit on disposal		-	36,626	-	36,626
Finance revenue		7	630	45	1,497
Finance costs		(884)	(752)	(2,030)	(2,415)
(Loss)/profit before taxation		(723)	32,427	(13,166)	25,875
Taxation (charge)/credit for the period		(202)	89	(202)	89
(Loss)/profit for the period - continuing		(925)	33,516	(13,368)	25,964
<i>Discontinued operations</i>					
Loss for the period - discontinued	4	-	-	-	(49)
(Loss)/profit for the period		(925)	33,516	(13,368)	25,915
Earnings per ordinary share (EPS)					
Loss per ordinary share (LPS)					
Basic and diluted LPS – continuing (US\$)		(0.01)	-	(0.08)	-
Basic and diluted LPS (US\$)		(0.01)	-	(0.08)	-
Basic and diluted EPS – continuing (US\$)		-	0.19	-	0.15
Basic and diluted EPS (US\$)		-	0.19	-	0.15

Total Statement of Comprehensive Income

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

Serica Energy plc
Consolidated Balance Sheet

		30 Sep 2009	30 June 2009	31 March 2009	31 Dec 2008
	Notes	US\$000 (Unaudited)	US\$000 (Unaudited)	US\$000 (Unaudited)	US\$000 (Audited)
Non-current assets					
Exploration and evaluation assets	5	82,755	75,843	71,816	69,711
Property, plant and equipment	6	106,715	103,174	88,865	68,526
Goodwill		295	295	295	295
Financial assets		-	-	1,500	1,500
Other receivables		8,337	7,102	5,791	3,945
		<u>198,102</u>	<u>186,414</u>	<u>168,267</u>	<u>143,977</u>
Current assets					
Inventories		4,752	4,610	4,612	4,618
Trade and other receivables		10,468	7,452	8,346	7,069
Financial assets		1,500	1,500	-	-
Cash and cash equivalents		19,514	28,997	41,555	56,822
		<u>36,234</u>	<u>42,559</u>	<u>54,513</u>	<u>68,509</u>
TOTAL ASSETS		<u>234,336</u>	<u>228,973</u>	<u>222,780</u>	<u>212,486</u>
Current liabilities					
Trade and other payables		(16,419)	(15,724)	(22,513)	(14,599)
Financial liabilities	7	(64,782)	(59,395)	(44,127)	(32,105)
Non-current liabilities					
Financial liabilities		-	-	-	-
Deferred income tax liabilities		(295)	(295)	(295)	(295)
TOTAL LIABILITIES		<u>(81,496)</u>	<u>(75,414)</u>	<u>(66,935)</u>	<u>(46,999)</u>
NET ASSETS		<u>152,840</u>	<u>153,559</u>	<u>155,845</u>	<u>165,487</u>
Share capital					
Share capital	8	207,633	207,633	207,633	207,633
Other reserves		16,231	16,025	15,808	15,510
Accumulated deficit		(71,024)	(70,099)	(67,596)	(57,656)
TOTAL EQUITY		<u>152,840</u>	<u>153,559</u>	<u>155,845</u>	<u>165,487</u>

Serica Energy plc
Statement of Changes in Equity
For the period ended 30 September 2009

Group	Share capital US\$000	Other reserves US\$000	Deficit US\$000	Total US\$000
At 1 January 2009 (audited)	207,633	15,510	(57,656)	165,487
Share-based payments	-	298	-	298
Loss for the period	-	-	(9,940)	(9,940)
At 31 March 2009 (unaudited)	207,633	15,808	(67,596)	155,845
Share-based payments	-	217	-	217
Loss for the period	-	-	(2,503)	(2,503)
At 30 June 2009 (unaudited)	207,633	16,025	(70,099)	153,559
Share-based payments	-	206	-	206
Loss for the period	-	-	(925)	(925)
At 30 September 2009 (unaudited)	207,633	16,231	(71,024)	152,840

For the year ended 31 December 2008

Group	Share capital US\$000	Other reserves US\$000	Deficit US\$000	Total US\$000
At 1 January 2008 (audited)	158,871	13,729	(56,685)	115,915
Issue of share capital	51,046	-	-	51,046
Costs associated with shares issued	(2,465)	-	-	(2,465)
Share-based payments	-	375	-	375
Loss for the period	-	-	(3,326)	(3,326)
At 31 March 2008 (unaudited)	207,452	14,104	(60,011)	161,545
Conversion of options	181	-	-	181
Share-based payments	-	581	-	581
Loss for the period	-	-	(4,275)	(4,275)
At 30 June 2008 (unaudited)	207,633	14,685	(64,286)	158,032
Share-based payments	-	465	-	465
Profit for the period	-	-	33,516	33,516
At 30 September 2008 (unaudited)	207,633	15,150	(30,770)	192,013
Share-based payments	-	360	-	360
Loss for the period	-	-	(26,886)	(26,886)
At 31 December 2008 (audited)	207,633	15,510	(57,656)	165,487

Serica Energy plc
Consolidated Cash Flow Statement
For the period ended 30 September

Unaudited	Three months ended 30 Sep 2009 US\$000	Three months ended 30 Sep 2008 US\$000	Nine months ended 30 Sep 2009 US\$000	Nine months ended 30 Sep 2008 US\$000
Cash flows from operating activities:				
Operating loss (including discontinued)	154	(3,077)	(11,181)	(9,889)
Adjustments for:				
Depreciation	30	38	88	131
Depletion and amortisation	1,438	-	1,438	-
Asset write-offs	66	-	7,434	375
Share-based payments	206	465	721	1,421
(In)/decrease in receivables	(4,251)	785	(7,791)	9,289
(In)/decrease in inventories	(142)	473	(134)	3,151
In/(decrease) in payables	347	(4,256)	157	(12,973)
Cash generated from operations	(2,152)	(5,572)	(9,268)	(8,495)
Taxes received	-	-	-	-
Net cash outflow from operations	(2,152)	(5,572)	(9,268)	(8,495)
Cash flows from investing activities:				
Interest received	7	300	45	1,174
Proceeds from disposals	-	52,743	-	52,743
Purchases of property, plant & equipment	(5,009)	(9,511)	(39,715)	(47,484)
Purchases of E&E assets	(6,978)	(5,311)	(20,478)	(18,738)
Net cash used in investing	(11,980)	38,221	(60,148)	(12,305)
Cash proceeds from financing activities:				
Loan drawdowns	5,000	-	32,821	25,000
Issue of shares (net)	-	-	-	48,581
Proceeds on exercise of options	-	-	-	181
Finance costs paid	(351)	(376)	(713)	(1,176)
Net cash from financing activities	4,649	(376)	32,108	72,586
Cash and cash equivalents				
Net (decrease)/increase in period	(9,483)	32,273	(37,308)	51,786
Amount at start of period	28,997	42,151	56,822	22,638
Amount at end of period	19,514	74,424	19,514	74,424

Serica Energy plc

Notes to the Unaudited Consolidated Financial Statements

1. Corporate information

The interim condensed consolidated financial statements of the Group for the nine months ended 30 September 2009 were authorised for issue in accordance with a resolution of the directors on 27 November 2009.

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 Venture 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 nine months ended 30 September 2009 have been prepared in accordance with IAS 34 Interim Financial Reporting.

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 2008. 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 2008.

Going Concern

The financial position of the Group, its cash flows and available debt facilities are described in the Financial Review above. As at 30 September 2009 the Group had US\$45.3 million of debt net of available cash.

The Directors are required to consider the availability of resources to meet the Group and Company's liabilities for the foreseeable future. As described in the MD&A, the current business environment is challenging and access to new funding remains uncertain. The Group's previous debt facility was refinanced in November 2009 and the new facility is for a term of three years. As of 27 November 2009 the Group's debt facility was US\$72.5 million drawn resulting in a net debt position of some US\$50.2 million.

The Kambuna field commenced production in August 2009 and operating cash inflows are now being generated; gas sales contracts for Kambuna have been finalised at fixed prices and any fluctuations in condensate prices will be largely offset by variations in cost recovery entitlement; the Company has a record of prudent financial management, including the raising of capital through farm down and the sale of part of its Kambuna field interest; and, the Company has an established relationship with its existing banking syndicate.

After making enquiries and having taken into consideration the above factors, the Directors have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the interim condensed 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 2008, except for the adoption of the following new standards and interpretations, noted below,

International Accounting Standards (IAS / IFRSs)		Effective date
IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendment)	1 January 2009
IFRS 2	IFRS 2 – Vesting Conditions and Cancellations (Amendment)	1 January 2009
IFRS 7	Financial instruments: Disclosures (Amendment)	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1	Presentation of Financial Statements (Revised September 2007)	1 January 2009
IAS 23	Borrowing Costs (Revised March 2007)	1 January 2009

The adoption of these did not affect the Group's results of operations or financial position.

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 Energy Holdings B.V., Serica Holdings UK Limited, Serica Energy (UK) Limited, Serica Kutei B.V., Serica Nam Con Son B.V., Serica Glagah Kambuna B.V., Serica East Seruway B.V., Serica Sidi Moussa B.V., Serica Foun Draa B.V., Serica Energy Corporation, Asia Petroleum Development Limited, PDA Lematang Limited, APD (Asahan) Limited, APD (Biliton) Limited, Petroleum Development Associates (Asia) Limited, Serica Energia Iberica S.L., and Serica Energy Pte Limited. Together, these comprise the "Group".

All inter-company balances and transactions have been eliminated upon consolidation.

3. Segmental Information

The operating segment reporting format is determined to be geographical segments and they are based on the location of the Group's assets. The Group has only one business segment, that of oil & gas exploration and development.

The following tables present profit information on the Group's operating segments for the nine months ended 30 September 2009 and 2008 and certain asset and liability information as at 30 September 2009. No revenue was earned by the Group in the period ended 30 September 2008.

Nine months ended 30 September 2009 (unaudited)	Indonesia US\$000	Vietnam US\$000	UK & NW Europe US\$000	Spain US\$000	Total US\$000
Revenue	4,167	-	-	-	<u>4,167</u>
<i>Continuing</i> Loss for the period	(24)	(11)	(13,169)	(164)	<u>(13,368)</u>
Other segment information					
Segment assets	140,679	14,838	63,223	66	218,806
Unallocated assets					<u>15,530</u>
Total assets					<u>234,336</u>
Segment liabilities	(9,114)	(1,032)	(6,264)	(9)	(16,419)
Unallocated liabilities					<u>(65,077)</u>
Total liabilities					<u>(81,496)</u>
Nine months ended 30 September 2008 (unaudited)	Indonesia US\$000	Vietnam US\$000	UK & NW Europe US\$000	Spain US\$000	Total US\$000
<i>Continuing</i> Loss for the period	(1,394)	(13)	(8,389)	(44)	(9,840)
<i>Discontinued</i> Loss for the period					(49)
Loss for the period					<u>(9,889)</u>

4. Discontinued Operation

In June 2008 the Company reached agreement with Spring Energy Norway AS ("Spring") for the sale of Serica's Norwegian subsidiary, Serica Energy Norge AS, which held Serica's interests in Norway, comprising a 20% working interest in Norwegian offshore licences PL406 and PL407. Although the transaction completed in November 2008, assets and liabilities held as at 30 September 2008 for the interests being sold, were classified as part of a disposal group held for sale. Assets held for sale of US\$9.4 million chiefly comprised expenditure previously capitalised as exploration and evaluation assets, and liabilities of US\$4.9 million chiefly represented deferred tax liabilities associated with the assets. These assets and liabilities were disclosed separately on the Balance Sheet as at 30 September 2008.

There was no significant impact of this disposal group on the Income Statement for the nine months ended 30 September 2008. Cash outflows of the disposal group for the nine months ended 30 September 2008 totalled US\$1.7 million being expenditure incurred on Norwegian exploration and evaluation assets.

The agreement also includes a contingent payment to reflect the value of the Bream Field at the time that the field is brought onto production. Under the terms of the transaction Serica retains part of the upside value of the Bream field without being exposed to further appraisal and development costs or to the commitment of additional resources.

5. Exploration and Evaluation Assets

	Total US\$000
Net book amount: At 1 January 2009	69,711
Additions	20,478
Write offs	(7,434)
At 30 September 2009 (unaudited)	<u>82,755</u>

The E&E asset write offs during 2009 totalled US\$7,434,000 with the most significant component being the Q1 2009 charge of US\$7,147,000 which related to the costs incurred in 2009 on the completion of the Chablis appraisal well in Block 48/16b in the UK North Sea, which spudded in December 2008. Costs booked in respect of this asset from 2008 and earlier periods were written off in Q4 2008.

6. Property, Plant and Equipment

The increase in property, plant and equipment from US\$68.5 million to US\$106.7 million in the nine months ended 30 September 2009 arose from expenditure on the Kambuna field development offset by depletion charges.

7. Financial Liabilities

	30 Sep 2009 US\$000 (unaudited)	31 Dec 2008 US\$000
Current bank loans:		
Variable rate multi-option facility	<u>64,782</u>	<u>32,105</u>

Bank loans

The total gross liability as at 30 September 2009 was US\$65 million which is disclosed net of the unamortised portion of allocated issue costs. The loan was repayable within twelve months of the balance sheet date and therefore is classified as current.

On 16 November 2009 the Company entered into a new US\$100 million senior secured revolving credit facility to replace its previous facility of a similar amount. The new facility, which has been arranged with J.P.Morgan plc, Bank of Scotland plc and Natixis as Mandated Lead Arrangers, is for a term of three years. The facility is principally to refinance the Company's outstanding borrowings on the Kambuna field which commenced production of gas and condensate in August of this year. It will also be available to finance the appraisal and development of the Columbus field and for general corporate purposes.

The facility is secured by first charges over the Group's interest in the Kambuna field in Indonesia and the Columbus field in the UK North Sea and the shares of certain subsidiary companies.

Further details of the Company's financial resources and debt facility are given in the Q3 2009 Management's Discussion and Analysis.

8. Equity Share Capital

	30 Sep 2009 Number (unaudited)	30 Sep 2009 US\$000 (unaudited)	31 Dec 2008 Number	31 Dec 2008 US\$000
Authorised:				
Ordinary shares of US\$0.10	350,000,000	35,000	250,000,000	25,000
Ordinary 'A' share of £50,000	1	90	1	90
	<u>350,000,001</u>	<u>35,090</u>	<u>250,000,001</u>	<u>25,090</u>

On incorporation, the authorised share capital of the Company was £50,000 and US\$20,000,000 divided into one 'A' share of £50,000 and 200,000,000 ordinary shares of US\$0.10 each, two of which were issued credited as fully paid to the subscribers to the Company's memorandum of association. In January 2008 the authorised ordinary share capital was increased from 200,000,000 ordinary shares to 250,000,000 ordinary shares of US\$0.10.

In June 2009 the authorised ordinary share capital was increased from 250,000,000 ordinary shares to 350,000,000 ordinary shares of US\$0.10.

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.

Allotted, issued and fully paid:		Share capital US\$000	Share premium US\$000	Total Share capital US\$000
Group	Number			
At 1 January 2008	151,647,957	15,255	143,616	158,871
Shares issued (1)	24,770,354	2,477	46,104	48,581
Options exercised (2)	100,000	10	171	181
As at 31 December 2008 and at 30 September 2009	<u>176,518,311</u>	<u>17,742</u>	<u>189,891</u>	<u>207,633</u>

(1) In January 2008 until 31 March 2008, 19,826,954 ordinary shares were issued at £1.02 and 4,943,400 at Cdn\$2.10. The proceeds net of expenses are credited to share capital and share premium.

(2) In June 2008, 100,000 share options were converted to ordinary shares at a price of Cdn\$1.80.

9. 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 1,975,000 ordinary shares of the Company. No further options will be granted under the Serica BVI Option Plan.

As at 30 September 2009, the Company has granted 9,484,000 options under the Serica 2005 Option Plan, 8,779,000 of which are currently outstanding. 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 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 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.

3,020,000 of the 8,779,000 options currently outstanding under the Serica 2005 Option Plan are exercisable only if certain performance targets being met. These include the following options subject to market conditions; 220,000 options awarded to executive directors in December 2005, 1,200,000 options awarded to non-executive directors in August 2007 and 850,000 options awarded to executive directors in March 2008. In October 2008, 750,000 options were awarded to an executive director exercisable only if certain operational performance targets are 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. The estimated fair value of options is amortised to expense over the options' vesting period. US\$206,000 has been charged to the income statement in the three month period ended 30 September 2009 (three month period ended 30 September 2008: US\$465,000) and a similar amount credited to other reserves.

The assumptions made for the options granted during 2005, 2006, 2007 and March 2008 include a weighted average risk-free interest rate of 6%, no dividend yield and a weighted average expected life of options of three years. The volatility factor of expected market price of 50% used for options granted during 2005 and 2006 was reduced to 40% for options granted in 2007 and March 2008. The assumptions made for the options granted in October 2008 and January 2009 include a weighted average risk-free interest

rate of 4%, no dividend yield, a weighted average expected life of options of three years and a volatility factor of expected market price of 50%.

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

Serica BVI Option Plan	Number	WAEP Cdn\$
Outstanding at 31 December 2007	2,722,500	1.57
Expired during the year	(300,000)	(1.80)
Exercised during the year	(100,000)	(1.80)
Outstanding at 31 December 2008	2,322,500	1.53
Expired during the period	(247,500)	(2.00)
Outstanding as at 31 March 2009 (unaudited)	2,075,000	1.47
Expired during the period	(100,000)	(2.00)
Outstanding as at 30 June and September 2009 (unaudited)	1,975,000	1.45
Serica 2005 Option Plan		£
Outstanding at 31 December 2007	5,067,000	1.00
Granted during the year	3,412,000	0.69
Outstanding at 31 December 2008	8,479,000	0.87
Granted during the period	750,000	0.32
Cancelled during the period	(450,000)	(0.93)
Outstanding at 31 March, 30 June and as at 30 September 2009 (unaudited)	8,779,000	0.83

10. Taxation

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

Nine months ended 30 September:	2009 US\$000 (unaudited)	2008 US\$000 (unaudited)
Current income tax (charge)/credit	(202)	1,320
Deferred income tax (charge)/credit	-	(1,320)
Total tax (charge)/credit	<u>(202)</u>	<u>-</u>

In the nine months ended 30 September 2008, expected tax recoveries from Norwegian expenditure to date were recorded as a current income tax credit and were offset by a deferred income tax charge from the timing differences arising from capitalised exploration expenditure.

11. Subsequent Events

On 16 November 2009 the Company announced that it had entered into a new US\$100 million senior secured revolving credit facility to replace its previous facility of a similar amount. The new facility is for a term of three years.

12. Publication of Non-Statutory Accounts

The financial information contained in this interim statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 December 2008. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

This interim statement will be made available at the Company's registered office at 87-89 Baker Street, London W1U 6RJ and on its website at www.serica-energy.com and on SEDAR at www.sedar.com.