SERICA ENERGY PLC

FIRST QUARTER 2012 REPORT TO SHAREHOLDERS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management discussion and analysis ("MD&A") of the financial and operational results of Serica Energy plc ("Serica") and its subsidiaries (together the "Group") contains information up to and including 10 May 2012 and should be read in conjunction with the attached unaudited interim consolidated financial statements for the period ended 31 March 2012. The interim financial statements for the three months ended 31 March 2012 have been prepared by and are the responsibility of the Company's management. The interim financial statements for the three months ended 31 March 2012 and 2011 have not been reviewed by the Company's independent auditors.

References to the "Company" include Serica and its subsidiaries where relevant. All figures are reported in US dollars ("US$") unless otherwise stated.

The results of Serica's operations detailed below in this MD&A, and in the financial statements, are presented in accordance with International Financial Reporting Standards ("IFRS").

MANAGEMENT OVERVIEW – QUARTER ENDED 31 MARCH 2012

OPERATIONS OVERVIEW

Serica is an oil and gas company with exploration and development activities based in the UK, Ireland, Namibia and Morocco, together with a production interest in the Kambuna Field in Indonesia.

The Company operates a large proportion of its licences. In the UK it is the Development Operator of the Columbus field. It operates all of its East Irish Sea licences and Northern North Sea Blocks 210/19a and 210/20a. In Namibia it is Operator for its Luderitz Basin Blocks where it is now conducting one of the largest 3D offshore seismic surveys in Namibia to-date. In Morocco it is Technical Operator for the Foum Draa and Sidi Moussa Blocks. In Ireland it operates twelve blocks in the Rockall Basin and three in the Slyne Basin. This places Serica in a very strong position to unlock the value in its properties.

During the first quarter of 2012 the Company made major steps to demonstrate the value of its oil and gas and exploration licences. Its business activities are now focussed in two separate hubs – the UK Offshore area, including an economic interest in the Bream field in Norway, and a substantial portfolio of properties in four distinct Atlantic margin basins. The Company retains an interest in the producing Kambuna field in Indonesia.

The most significant events to take place in the first quarter were:

- In the UK, the completion of negotiations with all partners in the Columbus field and associated infrastructure to enable the Columbus field to be developed,
- In Namibia, the farm-out to BP of part of Serica's interest in the Luderitz Basin in Namibia and the placing of a contract to commence a large 3D acquisition survey over Serica's licence blocks,
- In Morocco, the commencement of a campaign to farm-out part of the Foum Draa and Sidi Moussa Licences.

Serica is positioned as a Company with no debt, a development project and near term drilling in the UK, an expanding position in new Atlantic Margin plays offshore Europe and Africa which hold great potential and ongoing production in Indonesia.

The following discussion summarises the significant announcements and the main operational developments in the quarter ended 31 March 2012 and subsequent period to date.

The Columbus Field Development, UK Central North Sea

During the first quarter, negotiations were concluded which now enable the development of the Columbus gas-condensate field to go ahead without further delay. This marks a major step forward for the Company and is a positive step to bring new fields in the area on to production. The agreements, which are subject to formal approval processes, were reached after extensive negotiations with BG as Operator of the nearby Lomond facilities, with partners in the Columbus field and with the partners in the nearby Arran field, which will also be sharing Lomond production facilities.

Serica is the Operator of the Columbus field on behalf of its partners, Endeavour Energy UK Limited, EOG Resources United Kingdom Limited, BG International Limited and SSE UK E&P Limited and, as Operator, will be responsible for the drilling of two production wells and the installation of sub-sea manifolds and pipeline to take the two-phase gas and gas-condensate stream to a Bridge Linked Platform to be constructed by BG adjacent to the Lomond Platform. On the basis of the agreements reached, the Company’s interest in the Columbus field will be 33.2%.

With negotiations now concluded between the various companies involved in the project, Serica is engaged in putting in place the financing required for its share of development costs and to secure Department of Energy and Climate Change (“DECC”) approval of the Columbus Field Development Plan, which was submitted to DECC in 2011. Discussions have already commenced with debt providers to meet the development costs and it is hoped that formal approvals can be achieved to enable full project sanction to take place in the second quarter or early third quarter of 2012. On this basis, first production from the Columbus field can be achieved by end 2014.

The reaching of agreement on the arrangements between the various companies involved in the project represents a landmark for the Company. Taken together with the UK Chancellor’s announcement in the March 2012 Budget, which doubled the small field allowances which are expected to be available to Columbus, and the Company’s carried forward tax position, the conclusion of negotiations relating to cost sharing and transportation results in improved economics to Serica and a project which is robust and commercially attractive for the Company.

Farm-out of Namibian interests and commencement of seismic survey

In late December 2011, Serica was awarded an 85% interest in a Petroleum Agreement covering Blocks 2512A, 2513A, 2513B and 2612A (part) in the Luderitz Basin, offshore Namibia.

In March 2012, the Company announced that it had agreed to farm-out an interest in the Luderitz Basin Blocks to BP. Under the transaction, BP will pay US$5 million to Serica, a sum covering the Company’s past costs, and earn a 30% interest in the licence by meeting the full cost of an extensive 3D seismic survey. As a result of the farm-out, Serica's interest in the licence following completion of the seismic survey will be 55%. Contemporaneously, the Company announced that it had signed a contract with Polarcus Seismic Limited to acquire up to 4,150 square kilometres of 3D seismic across the licence. The survey will considerably exceed Serica’s obligations for seismic acquisition under the licence terms.

Serica has also granted an option for BP to increase its interest in the licence by meeting the full cost of drilling and testing a deep-water exploration well to the Barremian level before the end of the first four year exploration period. In the event that this option is exercised by BP, the Company's interest in the licence will be 17.5% carried through drilling and testing the first well. This interest will have very considerable value if the exploration drilling is successful. Serica will continue to be the Operator of the licence during the initial seismic period with BP taking over as Operator if it exercises its option to drill and test a well.

On 1 May Serica announced that the vessel Polarcus Nadia had arrived on station to commence the 3D seismic survey which will take place over a 4,150 square kilometre area in the south eastern portion of the Company's Luderitz Basin Blocks. The blocks contain a number of very large structures which are evident from existing 2D seismic data. The 3D survey is planned to take three months to complete and is aimed at achieving three objectives:

- fully delineate a large four-way dip closed structure which underlies the survey area (one of three which have been identified in the blocks),

- map potential pinch out prospects which are expected to been have formed in conjunction with a large channel sand feature crossing the survey area, and

- demonstrate hydrocarbon potential through the presence of hydrocarbon indicators.

Initial results of the survey are expected to be available towards the end of the third quarter of 2012 and will enable early decisions to be taken on a forward drilling plan.

Morocco, Ireland and UK exploration

During the first quarter the Company initiated a major farm-out campaign for the Foum Draa and Sidi Moussa Blocks in the Atlantic Margin offshore Morocco on behalf of the partners in the blocks. Serica is Technical Operator of the Foum Draa and Sidi Moussa Blocks with a 25% interest. Following extensive reprocessing of over 5,200 square kilometres of 3D seismic and 7,000 line kilometres of 2D seismic, the Company has mapped 33 prospects and leads on the blocks which demonstrate all the characteristics of a significant oil and gas province. The farm-out opportunity, which is ongoing, has attracted considerable interest.

Towards the end of the quarter, and following the award of a further six blocks and part blocks in the Irish Rockall Basin in the fourth quarter of 2011, the Company released information relating to its Rockall Basin Licences where it is the Operator with 100% of twelve blocks and part blocks. Using an extensive 3D seismic data set the Company has mapped a large tilted fault block structure (Muckish) with over 30 square kilometre closure lying in Blocks 5/22 and 5/23 and has identified two further prospects (Midleton and West Midleton) in the recently awarded blocks. Given the proximity of the nearby Dooish discovery, the blocks have high potential and Serica is commencing a farm-out campaign to attract partners.

Both of these farm-in opportunities lie in Atlantic Margin areas which are seeing increasing interest in the oil industry due to the existence of very large structures in largely unexplored areas and the availability of technology to explore these areas. With licences in the offshore basins of Namibia, Morocco and Ireland, each of which were awarded on terms designed to attract investment, Serica has acreage which is attracting a great deal of industry interest.

In the UK, plans are in hand to drill the Spaniards appraisal well in Block 15/21a with the well scheduled for the third quarter. The amalgamation agreement to combine Block 15/21g and neighbouring Block 15/21a, containing the Spaniards discovery well, was finalised in January 2012. Serica has a 21% interest in the amalgamated area and will be required to contribute a 30% share of the cost of drilling the appraisal well and a 17.14% share of the cost of drilling a follow-up well.

The Company is also the Operator of two UK blocks in which drilling is scheduled later this year or in 2013. Drilling on one of these, Block 113/27c containing the Doyle prospect, has been held pending the outcome of the UK 27th Licensing Round expected later this year. The other, Block 210/20a, contains the South Otter prospects in which Serica has 100%. The commitment to drilling Block 210/20a is subject to securing a partner.

Bream field, Norway

Serica has an indirect economic interest in the Bream field in Norway resulting from the sale of its 20% interest in the field in 2008 for a contingent payment due to be received upon the start of production from the field. The Company does not have a direct interest in the field and therefore does not have first hand knowledge of field development plans but it was announced in the first quarter by one of the field participants that a development concept has been selected comprising an FPSO and subsea wells with artificial lift. The announcement stated that "a specific FPSO has been identified and front end engineering studies are being conducted for both this vessel and the associated subsea systems and wells". It further advised that a project sanction decision will be taken after the engineering studies and FPSO contract negotiations are completed in the second quarter of 2012 and indicated, on that basis, a first oil date for the field of late 2015.

The consideration receivable by Serica on the start of Bream production is linked to oil prices prevailing at the time. On the basis of current forward oil prices and an indicated first oil date of late 2015, the consideration to which the Company would be entitled, assuming the field is developed as indicated, would be over US$20 million. There is no certainty however of actual future prices, which may be higher or lower than projected by the forward oil price curve, or of the project proceeding as indicated, and the consideration due to the Company would be adjusted accordingly.

Kambuna field, Sumatra, Indonesia

Serica has a 25% interest in the producing Kambuna gas field offshore North Sumatra, Indonesia. The field currently provides the Company with its operating cash flow. During the quarter the field produced at an average rate of 16 mmscfd with approximately 1,000 barrels per day of condensate at average prices of US$6.4 per mcf and US$125.0 per barrel respectively.

The Kambuna field has commenced its natural decline and production rates are expected to fall in line with reservoir pressure depletion. Compression facilities to arrest this production decline were successfully installed in February 2012. As a result of de-bottlenecking and the installation of compression facilities the field is expected to produce at a rate of 20 mmscfd, with commensurate levels of condensate production, until the fourth quarter 2012.

FINANCIAL OVERVIEW

As a result of prudent cash management and Serica's successful farm-out policy, the Company's net cash balances have remained broadly unchanged at approximately US$20 million throughout 2011 notwithstanding an increase in activities during that period. Current cash and restricted cash balances at 10 May 2012 amount to US$18.7 million and this amount will be further boosted by the receipt of US$5.0 million in respect of back costs from the BP farm-out.

As a result, Serica has sufficient existing cash resources to fund its current exploration commitments and on-going operations, including the cost of the Spaniards well to be drilled in the third quarter. Overhead costs throughout the year are expected to be more than covered by cash generated from the Kambuna field which also contributes to on-going activities. The Company currently is undrawn on its existing US$50 million facility and, in addition, is evaluating further funding alternatives with debt providers.

SUMMARY OF LICENCE HOLDINGS

The following summary gives further detailed information on Serica's licence interests in which activities took place during the first quarter and subsequent to the end of the first quarter to date.

United Kingdom

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

Block 23/16f covers an area of approximately 52 square kilometres in the UK Central North Sea and contains the majority of the Columbus field. The gas in Columbus is rich in condensate and therefore requires processing before it can enter a gas transportation system. Serica has a 50% interest in Block 23/16f and is Operator for the block.

The Columbus field extends from Block 23/16f to the south into Block 23/21 which contains the Lomond field and is operated by BG International Limited ("BG"). As a consequence of the field extending over two blocks, the participants in the field (Serica, Endeavour Energy UK Limited, EOG Resources United Kingdom Limited, BG and SSE E&P UK Limited) have been in discussions to determine the proportion of the field to lie in each block and the cost sharing arrangements to apply between the participants.

Parallel discussions have been held between Serica, as Operator of Block 23/16f, and BG as Operator of the Lomond platform, to agree on the terms under which Columbus field production could be exported through the Lomond field facilities. Due to restrictions on the Lomond platform, such an export route requires the construction of a new platform linked by a bridge to the Lomond platform. The Bridge Linked Platform ("BLP") is planned to be installed adjacent to the Lomond platform and carry production from Columbus and other nearby fields for processing on the Lomond platform, and onward transmission to the CATS and Forties pipeline systems, and requires the participation of other fields to support its construction. To this end, BG has reached separate arrangements with the participants in the nearby Arran field under which production from the Arran field will also be transported via the BLP and the Lomond facilities.

These negotiations have been complex but reached a conclusion during the first quarter of 2012 with all participants agreeing the cost sharing and production sharing arrangements and the detailed terms to provide access for the Columbus field production through the BLP, Lomond facilities and the CATS and Forties pipeline systems. Under the cost sharing arrangements the participants in the Columbus field (other than BG) will be responsible for the drilling of two production wells, the installation of sub-sea manifolds and the laying of a pipeline to take the two-phase gas and gas-condensate stream to the BLP ("the Columbus field facilities") whilst BG will be responsible for the construction of the BLP and provide access to the BLP for the Columbus field production. The tariff and cost sharing terms for the BLP and Lomond facilities reflect these cost sharing arrangements. Serica will be the Operator for the Columbus field facilities with an interest of 33.2%.

These agreements now enable the Columbus project to proceed to project sanction. The field development plan, based on the above two-well scheme with export through the Lomond facilities via the BLP, was submitted by Serica to DECC in 2011 on behalf of all the field participants and remains the basis for the field development. At the end of the first quarter, following agreement on the cost sharing and reserves apportionment, the Company commenced discussions with debt providers and has received a proposal for project funding which it is evaluating. Serica will be proceeding with these financing discussions with a view to receiving final DECC approval and sanctioning the project, together with the other participants, towards the end of the second quarter of 2012 or early in the third quarter. This will enable the target production date of end 2014 to be achieved.

Independent consultant Netherland, Sewell & Associates ("NSAI") carried out a reserves report on the Columbus field for the end of 2011. This report estimates that the gross Proved plus Probable Reserves of the field are 70.6 bcf of gas and 4.9 mm bbl of liquids, a total of 16.7 mmboe. Serica holds a 50% interest in those Columbus reserves lying in Block 23/16f. After providing for reserves lying in the adjacent Block, NSAI estimates the Company's share of proved and probable reserves in the field to be 23.6 bcf of sales gas and 1.6 mmbbl of liquids, a net 5.6 mmboe to Serica.

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

Block 15/21g, in which Serica was initially awarded a 30% interest, lies immediately west of the Scott oil field and is believed to contain a potentially significant extension to the oil discovery in Block 15/21a made by well 15/21-38z, which flowed 2,660 bpd of 25° API oil from a good quality Jurassic-aged Upper Claymore sand. Interpretation of pressure data, supported by the presence of oil saturations in down-dip well 15/21-2, indicates that the discovery tested by well 15/21-38z, the Spaniards discovery, may extend across both 15/21a and 15/21g.

In June 2011, the Block 15/21g partners, announced they had agreed terms to acquire a 70 per cent interest in part of Block 15/21a including the Spaniards discovery. In consideration, the Block 15/21g group agreed to assign to the Block 15/21a group a 30 per cent interest in Block 15/21g, and agreed to fund the cost of a well to appraise the Spaniards discovery. It was also agreed that a subsequent appraisal well, if deemed necessary and approved by the partnership, would be funded on promoted terms by the current Block 15/21a partners, after which funding for any further wells would be by equity share.

The agreement to combine Blocks 15/21g and 15/21a was finalised in January 2012. Serica now has a 21% interest in the amalgamated area covering the Spaniards discovery and will be required to contribute a 30% share of the cost of drilling the first well to appraise the discovery and a 17.14% share of the cost of drilling a follow-up well if a second well is drilled.

Site survey data has been acquired and plans are in place to secure a rig to drill the Spaniards appraisal well in the third quarter of 2012.

Northern North Sea: Blocks 210/19a and 210/20a

These blocks, in which Serica has a 100% interest, are a contiguous block and part block lying immediately adjacent to the producing Otter oilfield. A number of oil prospects have been provisionally identified on the blocks at Jurassic Brent Group and Home Sand levels. Two of the Brent Group prospects are down-faulted traps and the other is a conventional Brent fault block. The fourth prospect is in a Jurassic reservoir known as the Home Sand. Serica is planning to drill the first well to test one of the prospects, known as the South Otter prospects, in 2012. Before drilling, the Company is seeking a partner.

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

Serica has a 65% interest in these blocks. A gas prospect lying in the north of Block 113/27c, the Doyle prospect, has been fully matured as the result of work done in 2011 and is ready to drill. Plans are in hand for the well to be drilled in 2012 but are held until the outcome of the UK 27th Licensing Round, expected later this year, is known.

East Irish Sea: Block 110/8b

In December 2011, Serica was awarded a 100% interest and the operatorship of Block 110/8b in the East Irish Sea. The work commitment comprises a 3D seismic reprocessing programme, planned to delineate the Darwen North gas prospect which has been identified in the block. The block also contains a small undeveloped oil discovery which will be re-evaluated.

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

In December 2011, Blocks 47/2b (Split), 47/3g (Split), 47/7 (Split) & 47/8d (Part) in the Southern North Sea were offered under a single licence to a group in which Serica has a 37.5% interest. Centrica is the Operator for the group. These blocks are contiguous part blocks immediately adjacent to the York field, also operated by Centrica

A number of gas prospects, including a possible extension to North York, have been identified on the blocks at both the Leman (Permian) and Namurian (Carboniferous) levels. The work obligation comprises a 3D seismic acquisition survey and reprocessing of existing seismic data. Funds have been budgeted for the 3D seismic survey to be undertaken by the partnership during the second half of 2012.

Ireland

Rockall Basin: Blocks 5/17, 5/18, 5/22, 5/23, 5/27, and 5/28 - Muckish Prospects and Blocks 11/5, 11/10, 11/15, 12/1, 12/6 and 12/11(part) - Midleton and West Midleton Prospects

Serica holds a 100% working interest in two licences covering twelve blocks and part blocks over an area totalling 2,220 square kilometres in the north-eastern part of the Rockall Basin in the Atlantic margin off the west coast of Ireland.

The Rockall Basin extends over 100,000 square kilometres in which only three exploration wells have been drilled to date. The basin is therefore regarded as very underexplored. Of these exploration wells, the 12/2-1 Dooish gas-condensate discovery, lying south and east of the licences, encountered a 214 metre hydrocarbon column. This gas-condensate discovery proves the presence of potentially commercial hydrocarbons in the north-eastern Rockall Basin.

A large exploration prospect, Muckish, has been mapped in Blocks 5/22 and 5/23. Further evaluation of 3D seismic data coverage and the close vicinity of Dooish gives confidence in the potential of the prospect, which covers an area of approximately 30 square kilometres with over 600 metres of vertical closure in a water depth of 1,450 metres. Serica is reviewing alternatives to fund a well on this large, high potential prospect, including the potential of a farm-out to attract drilling partners, and is bringing forward plans in preparation for drilling.

Blocks 11/5, 11/10, 11/15, 12/1, 12/6 and 12/11(part) were awarded to Serica under the Irish 2011 Atlantic Margin Licensing Round in October 2011. These complement and provide additional diversity to the Muckish prospect just to the north east and the award of the licence significantly expands the options open to the Company to deliver an active drilling campaign.

The area covered by the licence award contains two pre-Cretaceous fault block prospects, Midleton and West Midleton, identified from existing 3D seismic data. Like Muckish these are analogous to the nearby proven gas-condensate bearing Dooish discovery. Serica will undertake 2D and 3D seismic reprocessing work and other geological studies to firm up these two additional prospects.

On the basis of the commercial terms which apply to the Company's Rockall Licences, a discovery on any of Muckish, Midleton or West Midleton, which are large, well defined prospects lying in a proven hydrocarbon province, would be very material to Serica and would be of great economic benefit to the Irish economy.

<u>Slyne Basin: Blocks 27/4, 27/5 (west) and 27/9 - Liffey & Boyne Prospects</u>

These blocks cover an area of 611 square kilometres in the Slyne Basin off the west coast of Ireland. The Company holds a 50% interest in the blocks and operates the Licence.

Serica proved the presence of oil in the Slyne Basin when it drilled the Bandon exploration well 27/4-1 in 2009 and made a shallow Jurassic oil discovery. Although the discovery was not commercial, deeper Jurassic oil prospects of potentially commercial size, where the oil would be of much higher quality, are clearly evident at the Liffey and Boyne locations. These oil prospects overlay separate, deeper gas prospects and thereby provide multiple drilling targets. The Company has acquired site survey data in preparation for a drilling programme to test these prospects and has commenced a review of financing alternatives including the potential for a farm-in partner.

Namibia

<u>Luderitz Basin: Blocks 2512A, 2513A, 2513B and 2612A (part)</u>

In late December 2011, the Company was awarded an 85% interest in a Petroleum Agreement covering four large blocks and part blocks over approximately 17,400 square kilometres in the prospective Luderitz Basin, offshore Namibia. Serica Energy Namibia B.V., a wholly owned subsidiary of Serica, is in partnership with The National Petroleum Corporation of Namibia (Pty) Limited ("NAMCOR") and Indigenous Energy (Pty) Limited, and is the Operator of the group.

The Company agreed to make the following signature payments to NAMCOR in respect of the award:

- US$1 million cash payment to NAMCOR
- US$2 million through an allotment to NAMCOR of 6 million ordinary shares of Serica (which represents approximately 3.28% of the enlarged issued share capital of Serica); the actual terms being subject to variation as described below

The issue of the shares to NAMCOR is intended to provide NAMCOR and the Government of the Republic of Namibia with an additional return in the event of success with the project. To the extent that the value of 6 million ordinary shares is more than US$2 million on the day of allotment, then the Company may reduce the number of shares allotted; alternatively, if the value is less than US$2 million, the Company may either increase the number of shares allotted or pay the cash equivalent of the difference to NAMCOR. The US$1 million cash payment was made to NAMCOR in January 2012 and the Company expects to allot the shares in the second quarter of 2012.

The Luderitz Basin is one of three under-explored sedimentary basins lying south of the Walvis Ridge offshore Namibia. The licence award comprises Blocks 2512A, 2513A, 2513B and 2612A (part) in the centre of the basin and covers an area of approximately 17,400 square kilometres. Existing 2D seismic data demonstrates the existence of three large four-way dip closed structures lying wholly within the undrilled deep water parts of the licence area together with the potential for sizable traps in stratigraphic pinch outs towards the shelf margin. During the initial four-year exploration period of the licence, Serica is required to conduct an extensive 3D seismic survey and undertake reprocessing of existing 2D seismic data.

In March 2012 the Company announced that it had agreed to farm-out an interest in the licence to BP. Under the transaction, BP will pay US$5 million to Serica, a sum covering Serica's past costs, and earn a 30% interest in the licence by meeting the full cost of an extensive 3D seismic survey. As a result of the farm-out, the Company's interest in the licence following completion of the seismic survey will be 55%. Contemporaneously, the Company announced that it had signed a contract with Polarcus Seismic Limited to acquire up to 4,150 square kilometres of 3D seismic across the licence. The survey considerably exceeds Serica's obligations for seismic acquisition under the licence terms.

On 1 May 2012, the Company announced that this survey had commenced with the arrival on station of the vessel Polarcus Nadia. The survey is planned to take three months to complete and is aimed at achieving three objectives:

- fully delineate a large four-way dip closed structure which underlies the survey area,
- map potential pinch out prospects which are expected to been have formed in conjunction with a large channel sand feature crossing the survey area, and
- demonstrate hydrocarbon potential through the presence of hydrocarbon indicators.

The deep water geological basins offshore Namibia, including the Luderitz Basin, are at the early frontier stage of exploration. Although the presence of very large structures has been shown to exist from seismic surveys, very few wells have been drilled in the deeper water Namibian basins to date and the full hydrocarbon potential of the area has not yet been fully tested. Water depths in Serica's Luderitz Basin Blocks range from 300 to 3,000 metres. Drilling in these depths of water, whilst becoming more commonplace in the industry, requires sophisticated drilling techniques and equipment and is very costly.

The Company has therefore granted an option for BP to increase its interest in the Licence by meeting the full cost of drilling and testing an exploration well to the Barremian level before the end of the first four year exploration period. In the event that this option is exercised, Serica's interest in the licence will be 17.5% carried through the first well. This will have very considerable value if the exploration drilling is successful. Serica will continue to be Operator of the licence during the initial seismic period, with BP taking over as Operator if it exercises its option to drill and test a well.

Morocco

Sidi Moussa and Foum Draa Petroleum Agreements

Serica holds a 25% interest in the Sidi Moussa and adjacent Foum Draa Petroleum Agreements offshore Morocco. The blocks together cover a total area of approximately 12,700 square kilometres in the sparsely explored Tarfaya-Ifni Basin and extend from the Moroccan coastline into water depths reaching a maximum of 2,000 metres.

The Tarfaya-Ifni Basin is geologically analogous to the oil producing salt basins of West Africa and exhibits significant potential. Sidi Moussa and Foum Draa are covered by over 5,200 square kilometres of modern 3D seismic data and over 7,000 kilometres of 2D seismic data. Serica has completed the evaluation of this data which demonstrates the presence of a large number of salt diapir related prospects, stratigraphic traps and tilted fault block plays.

Consideration is now being given to extending the licence into the next phase which will include the drilling of a well. As part of this consideration, the analysis of the blocks undertaken by the Company is being made available to potential farm-in partners on behalf of Serica and its partners.

Indonesia

In 2012, Serica's sole remaining interest in Indonesia is its 25% interest in the Glagah Kambuna Technical Assistance Contract ("TAC") which contains the producing Kambuna gas field. Whilst the Company continues to benefit from the cash flow it receives from this field, it does not consider the asset to be core to its forward strategy.

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

The Glagah Kambuna TAC covers an area of approximately 380 square kilometres and lies offshore North Sumatra. Serica holds an interest of 25% in the TAC. The gas from the Kambuna field is used for power generation to supply electricity to the city of Medan in North Sumatra and for industrial uses.

The Kambuna field has commenced its natural decline and production rates are expected to fall in line with reservoir pressure depletion. Compression facilities to arrest this production decline were successfully installed in February 2012 and will enhance the production capacity of the field after the first quarter of 2012. Production rates in the first quarter of 2012 were reduced during the compression facility work in January and February but, although the compression facilities are expected to be fully functional in May following a commissioning period, production increased to an average rate of 20 mmscfd in March as a result of de-bottlenecking which took place during the compressor installation. This production rate is expected to be maintained until the fourth quarter of 2012.

During the first quarter the field produced at an average rate of 16 mmscfd (Q1 2011: 40 mmscfd, Q4 2011: 23 mmscfd) with approximately 1,000 barrels per day of condensate (Q1 2011: 2,940 bpd, Q4 2011 1,489 bpd). Average prices realised during the quarter for gas and condensate sales respectively were US$6.4 per mcf (Q1 2011: US$6.1 per mcf, Q4 2011: US$6.2 per mcf) and US$125.0 per barrel (Q1 2011: US$116.9 per barrel, Q4 2011: US$114.1 per barrel). The highest price achieved during 2012 is US$130 per barrel, achieved in March.

Serica commissioned an independent reserves audit on the Kambuna field for its 2011 annual reserves filings. This reserves report, carried out by RPS Energy, the same consultants as used by the Operator, estimates that at 31 December 2011 the gross Proved plus Probable Reserves of the field are 17.5 bcf of sales gas and 1.1 mm bbl of condensate, a total of 4.7 mmboe. These new estimates include slight revisions in reserves from the figures previously reported by Serica in 2010. In view of the anticipated near term depletion of the field, which is expected to occur in 2013, the Company bases its financial planning and reporting for the Kambuna field on Proved reserves only, which RPS Energy estimated to be, at 31 December 2011, 11.2 bcf of sales gas and 0.6 mm bbl of liquids, a total of 2.9 mmboe.

FORWARD PROSPECTS

In the first quarter of 2012 the Company achieved all of the targets that it set for the quarter. These were to complete negotiations on the Columbus field to enable project sanction to proceed, secure a farm-out agreement for the Luderitz Basin Blocks in Namibia and start the seismic acquisition survey in Namibia. We were very pleased that we were able to achieve those targets in the very tight time frame that we set ourselves as they increase the underlying value of the Company's assets substantially. The transaction with BP puts a high value on our Luderitz Basin Blocks and the agreements on Columbus both increase and accelerate the value of that asset.

We now look to the second quarter and the challenges for the rest of the year. The Company has a valuable business in the UK with reserves to be brought on-line and well defined prospects to be drilled. We are in discussions with debt providers to finance Columbus and it is our target to have brought these discussions to a sufficiently advanced point to enable full Columbus development sanction to be given this quarter. We will be participating in the Spaniards well planned for the third quarter and will be seeking to drill the Doyle and South Otter Blocks later in the year if we can.

Outside the UK we shall be following proposals for the development of Bream with interest as it is a material asset for the Company. On the exploration front, the Company’s portfolio of Atlantic margin acreage, in four distinct basins, exhibits the potential for significant discoveries of oil or gas and we are optimistic about the opportunities which these prospects bring to the Company. It is the Company's intention, for the balance of this year, to continue to accelerate the work programmes on these licences and thereby demonstrate their considerable value. This is happening in Namibia and we are confident that we can achieve similar results in our Morocco and Irish blocks which are also known to contain many prospects with very substantial potential.

Serica has carefully managed its financial resources and has built an enviable portfolio of properties. We intend to continue to manage our finances prudently and to seek the most efficient ways of crystallising the value of our assets. We continue to evaluate opportunities to unlock additional value in our UK portfolio and bringing Columbus to the point of development helps this objective. Overseas, we shall be seeking to attract finance to drill the very clear and very high impact prospects that the Company has now matured, in order to maximise returns for all shareholders.

The balance of 2012 promises to be an exciting time with much opportunity.

FINANCIAL REVIEW

A detailed review of the Q1 2012 results of operations and other financial information is set out below.

Results of Operations

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").

The financial results of the Indonesian exploration business disposal group that was sold in October 2011 are disclosed as discontinued operations and separate from the results of the retained business segments. The Q1 2011 financial results detailed below have therefore been restated to disclose this business disposal group as 'discontinued'. The financial results of the Kambuna field interest had been disclosed in the Q2 2011 and Q3 2011 reports to shareholders as part of discontinued operations but are now disclosed within continuing operations together with the results of the retained core business segments.

	Q1 2012 US$000	Restated * Q1 2011 US$000
Continuing operations		
Sales revenue	4,038	8,577
Cost of sales	(4,261)	(7,013)
Gross (loss)/profit	(223)	1,564
Expenses:		
Pre-licence costs	(111)	(228)
E&E asset and other write offs	-	-
Administrative expenses	(1,415)	(1,451)
Foreign exchange gain	47	67
Share-based payments	(175)	(272)
Depreciation	(84)	(89)
Operating loss before net finance revenue and tax	(1,961)	(409)
Gain on disposal	1,023	-
Finance revenue	3	8
Finance costs	(172)	(822)
Loss before taxation	(1,107)	(1,223)
Taxation charge for the period	(284)	(666)
Loss for the period from continuing operations	(1,391)	(1,889)
Discontinued operations		
Loss for the period from discontinued operations	-	(576)
Loss for the period	(1,391)	(2,465)
Loss per ordinary share - EPS		
Basic and diluted EPS on loss for the period from continuing operations (US$)	(0.01)	(0.01)
Basic and diluted EPS on loss for the period (US$)	(0.01)	(0.01)

* Restated for discontinued operations

Continuing operations

Serica generated a gross loss of US$0.2 million for the three months ended 31 March 2012 ("Q1 2012") from its retained 25% interest in the Kambuna Field (Q1 2011: gross profit of US$1.6 million).

Sales revenues

The Company currently generates all its sales revenue from the Kambuna field in Indonesia. Revenue is recognised on an entitlement basis for the Company's net working field interest. Entitlement revenues are higher in those periods where the full capped amount of cost recovery entitlement is eligible to be claimed out of gross revenue. In the 2011 periods, the cycle of eligible cost recovery was such that the full capped amount of cost recovery could not be claimed by the contractors, therefore giving lower contractor entitlement revenues and an increased government share of gross revenue. Unclaimed cost recovery amounts are carried forward to future periods.

The field has now commenced its anticipated natural decline and production rates began to fall during 2011 in line with reservoir pressure depletion. In addition, production rates in January and February 2012 were reduced during compression facility work, designed to enhance the production capacity of the field after the first quarter of 2012. In Q1 2012, gross Kambuna field gas production averaged 16.2 mmscf per day (Q1 2011 39.6 mmscf per day) together with average condensate production of 998 barrels per day (Q1 2011 2,940 barrels per day). The Q1 2012 gas production was sold at prices averaging US$6.4 per mscf (Q1 2011 US$6.1 per mscf) and generated US$2.1 million (Q1 2011 US$5.0 million) of revenue net to Serica. Condensate production is stored and sold when lifted at a price referenced to the Indonesia Attaka official monthly crude oil price. Liftings in the period earned US$1.9 million (Q1 2011 US$3.6 million) of revenue net to Serica at an average price of US$125.0 per barrel (Q1 2011 US$110.7 per barrel).

Cost of sales and depletion charges

Cost of sales were driven by production from the Kambuna field and totalled US$4.3 million in Q1 2012 (Q1 2011: US$7.0 million). The charge comprised direct operating costs of US$1.7 million (Q1 2011 US$1.8 million), non cash depletion of US$2.7 million (Q1 2011 US$5.3 million) and an increase in condensate inventory of US$0.1 million (Q1 2011 US$0.1 million increase).

Operating costs per boe increased significantly in the Q1 2012 period as the reduced production levels in January and February noted above were not offset by corresponding reductions in production costs. Depletion charges per boe have also increased for the Q1 2012 period against Q1 2011 as the Company revised its accounting estimate of entitlement reserves for depletion purposes from 'proved and probable' to 'proved', with effect from 1 July 2011. This reduction in entitlement reserve base generated further increases in the depletion charge per boe for the second half of 2011.

Other expenses and income

The Company generated a loss before tax from continuing operations of US$1.1 million for Q1 2011 compared to a loss before tax of US$1.2 million for Q1 2011.

Pre-licence costs include direct cost and allocated general administrative cost incurred on oil and gas interests prior to the award of licences, concessions or exploration rights. The expense of US$0.1 million and US$0.2 million for the respective Q1 2012 and Q1 2011 periods is not significant. More material pre-licence work was performed in later 2011 quarters, culminating in the following awards; Block 110/8b in the East Irish Sea, four blocks in the Southern North Sea, a further six blocks in the Rockall Basin in Ireland, and four large blocks and part blocks in the Luderitz Basin in Namibia.

There were no asset write offs in continuing operations in Q1 2011 or Q1 2012.

Administrative expenses of US$1.4 million for Q1 2012 decreased from US$1.5 million for the same period last year. The Company continues to reduce overheads and expects savings to give further benefit in 2012.

The impact of foreign exchange was not significant in Q1 2012 or Q1 2011.

Share-based payment costs of US$0.2 million in Q1 2012 reflected share options granted and compare with US$0.3 million for Q1 2011.

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

In March 2012 the Company announced that it had agreed to farm-out an interest in its Namibian licence to BP. Under the transaction, BP will pay to Serica a sum of US$5.0 million covering Serica's past costs and earn a 30% interest in the licence by meeting the full cost of an extensive 3D seismic survey. As a result of the farm-out, Serica's interest in the licence following completion of the seismic survey will be 55%. The accounting gain of US$1.0 million on disposal recorded in the Q1 2012 income statement relates to the recognition of recovery for those past costs incurred that had been expensed as pre-licence costs in previous periods. The re-imbursement of those past costs capitalised as E&E assets on the award of the licence in December 2011 or capitalised as incurred in Q1 2012, are treated as a reduction from the book cost of the asset. Completion of the farm-out transaction is subject to the consent of the Ministry of Mines and Energy in Namibia.

Finance revenue comprising bank deposit interest income has been negligible in both periods.

Finance costs consist of interest payable, arrangement costs spread over the term of the bank loan facility and other fees. The significant reduction in expense from US$0.8 million in Q1 2011 to US$0.2 million in Q1 2012 arose following the full repayment of outstanding liabilities in February 2011. All facility arrangement costs have been amortised and no interest is currently payable. The only ongoing cost related to other minor fees.

The Q1 2012 taxation charge of US$0.3 million (Q1 2011: US$0.7 million) arose from Indonesian operations, and comprised a current tax charge of US$0.3 million (Q1 2011: US$0.6 million) and a deferred tax charge of US$nil (Q1 2011: US$0.1 million). Current tax is charged on the profit oil or gas element of sales revenue rather than the cost recovery component.

The net loss per share of US$0.01 for Q1 2012 compares to a net loss per share of US$0.01 for Q1 2011.

Summary of Quarterly Results

Quarter ended:	2012 31 Mar US$000	2011 31 Dec US$000	2011 30 Sep US$000	2011 30 Jun US$000	2011 31 Mar US$000	2010 31 Dec US$000	2010 30 Sep US$000	2010 30 Jun US$000
Sales revenue	4,038	5,342	6,579	6,613	8,577	9,413	10,018	6,537
(Loss)/profit for the quarter	(1,391)	(4,101)	(2,462)	(11,342)	(2,465)	(40,112)	281	(1,646)
Basic and diluted loss per share US$	(0.01)	(0.02)	(0.01)	(0.06)	(0.01)	(0.22)	-	(0.01)
Basic and diluted earnings per share US$	-	-	-	-	-	-	0.002	-

The fourth quarter 2011 loss includes an impairment charge of US$2.3 million against the Kambuna production asset.

The second quarter 2011 loss includes a charge of US$8.7 million recognised on the re-measurement to fair value of the Indonesian disposal group as at 30 June 2011.

The fourth quarter 2010 loss includes asset write offs of US$29.5 million attributed to the Kutai and Oates E&E assets and an impairment charge of US$11.8 million against the Kambuna production asset.

Discontinued operations

The results of discontinued operations below are those generated from Serica's South East Asia exploration business which was disposed of in October 2011.

At 30 June 2011, as a result of the Board's strategic decision to exit Indonesia, the Group's interests in the region were classified as a disposal group held for sale and therefore included as discontinued operations. In October 2011, the Group completed the disposal of its operated exploration portfolio; however the Group's 25% non-operated interest in Kambuna has not yet been sold. The directors concluded that as at 31 December 2011 and 31 March 2012, whilst still available for sale, Serica's interest in Kambuna no longer meets the IFRS 5 criteria to be classified as an asset held for sale, because an active marketing program is no longer in place, and therefore the results of this part of the disposal group are disclosed within continuing operations together with the results of the retained core business segments.

Discontinued operations	Q1 2012 US$000	*Restated Q1 2011 US$000
Expenses:		
Pre-licence costs	-	(10)
E&E asset and other write-offs	-	(339)
Administrative expenses	-	(198)
Foreign exchange gain	-	1
Share-based payments	-	(30)
Operating loss before net finance revenue and tax	-	(576)
Loss recognised on remeasurement to fair value	-	-
Profit on disposal	-	-
Finance revenue	-	-
Loss before taxation	-	(576)
Taxation charge for the period	-	-
Loss for the period	-	(576)

Asset write-offs in Q1 2011 were in respect of E&E and other expenses from the Kutai PSC in Indonesia, which was sold in October 2011. 2011 expenditure on the asset was expensed as incurred.

In October 2011 the Company completed the disposal of its portfolio of operated exploration interests in South East Asia to Kris Energy Limited for base consideration of US$3.4 million and a further contingent payment of US$1.0 million received in December 2011. The transaction generated a loss of US$3.6 million (chiefly comprising a loss recognised on re-measurement to fair value of US$3.7 million as at 30 September 2011) after deducting booked asset costs and other transaction costs and fees.

Working Capital, Liquidity and Capital Resources

Current Assets and Liabilities

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

	31 March 2012 US$000	31 December 2011 US$000	31 March 2011 US$000
Current assets:			
Inventories	1,672	1,572	2,803
Trade and other receivables	15,521	9,338	11,517
Financial assets	669	647	-
Cash and cash equivalents	16,640	19,946	22,041
Total Current assets	34,502	31,503	36,361
Less Current liabilities:			
Trade and other payables	(9,274)	(10,267)	(12,709)
Income tax payable	(284)	(302)	(2,101)
Total Current liabilities	(9,558)	(10,569)	(14,810)
Net Current assets	24,944	20,934	21,551

At 31 March 2012, the Company had net current assets of US$24.9 million which comprised current assets of US$34.5 million less current liabilities of US$9.6 million, giving an overall increase in working capital of US$4.0 million in the three month period.

Inventories increased from US$1.6 million to US$1.7 million over the Q1 2012 period.

Trade and other receivables at 31 March 2012 totalled US$15.5 million. The increase in amounts receivable from the 2011 year-end balance of US$9.3 million is largely caused by the Namibian asset back cost contributions of US$5.0 million due following the farm-out to BP announced in March. These amounts will be received once the formal approvals from the relevant authorities are obtained. The balance also includes; US$3.7 million of trade debtors from gas and condensate sales from the Kambuna field, advance payments on ongoing operations, short-term Indonesian VAT receivables, recoverable amounts from partners in joint venture operations in the UK, Africa and Indonesia, sundry UK and Kambuna asset working capital balances, and prepayments.

Financial assets at 31 December 2011 represented US$0.7 million of restricted cash deposits.

Cash and cash equivalents decreased from US$19.9 million to US$16.6 million in the quarter. During Q1 2012 the Company generated US$4.0 million of revenues from the Kambuna field. Cash outflows were incurred on Kambuna field operating costs and current tax, the first Namibia asset signature payment of US$1.0 million, and other ongoing work in Namibia and Morocco. Other costs included exploration work across the portfolio in the UK and Ireland together with new venture costs, ongoing administrative costs and corporate activity.

Trade and other payables of US$9.3 million at 31 March 2012 include US$2.0 million of signature payment liabilities arising on the award of the Namibian licences in December, and trade creditors and accruals from UK & Kambuna operations. Other items include sundry creditors and accruals from the ongoing exploration programmes, payables for administrative expenses and other corporate costs.

The current tax creditor of US$0.3 million arises in respect of the Kambuna field in Indonesia. First cash tax payments from Kambuna field revenues were made in April 2011.

Long-Term Assets and Liabilities

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

	31 March 2012 US$000	31 December 2011 US$000	31 March 2011 US$000
Exploration & evaluation assets	66,442	69,083	70,748
Property, plant and equipment	16,496	18,719	32,394
Financial assets	274	394	1,682
Long-term other receivables	3,377	3,613	4,585
Provisions	(2,035)	(2,029)	(1,716)
Deferred income tax liabilities	-	-	(1,370)

During Q1 2012, total investments in petroleum and natural gas properties represented by exploration and evaluation assets ("E&E assets") decreased from US$69.1 million to US$66.4 million. These amounts exclude the Kambuna development costs which are classified as property, plant and equipment.

The net US$2.7 million decrease consists of US$1.3 million of additions less US$4.0 million of back cost contributions recognised from the Company's Q1 2012 farm-out of Namibia licence interests to BP. The US$1.3 million of additions on continuing operations were incurred on the Luderitz basin licence interests in Namibia, on ongoing work in Morocco, and in the UK & Ireland, on the Columbus FDP, other exploration work and G&A.

Property, plant and equipment chiefly comprise the net book amount of the capital expenditure on the Company's interest in the Kambuna development. During Q1 2012, the Company's investment decreased from US$18.2 million to US$16.1 million. This US$2.1 million decrease comprised depletion charges of US$2.6 million arising from the production of gas and condensate, partially offset by US$0.5 million of capex additions in the period. The property, plant and equipment also included balances of US$0.4 million (31 December 2011: US$0.5 million) for office fixtures and fittings and computer equipment.

Financial assets at 31 March 2012 represented US$0.3 million of restricted cash deposits.

Long-term other receivables of US$3.4 million are represented by value added tax ("VAT") on Indonesian capital spend which is expected to be recovered from the Indonesian authorities.

Provisions of US$2.0 million at 31 March 2012 (31 December 2011: US$2.0 million) are in respect of Kambuna field decommissioning payments in Indonesia.

The deferred income tax liability as at 31 March 2011 arose in respect of the Company's retained Kambuna asset interest in Indonesia.

Shareholders' Equity

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

	31 March 2012 US$000	31 December 2011 US$000	31 March 2011 US$000
Total share capital	207,702	207,702	207,702
Other reserves	19,650	19,475	18,730
Accumulated deficit	(117,854)	(116,463)	(98,558)

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

Other reserves mainly include amounts in respect of cumulative share-based payment charges. The increase from US$19.5 million to US$19.7 million in Q1 2012 reflects proportional charges in the period for options issued in 2012 and prior years.

Asset values and Impairment

At 31 March 2012 Serica's market capitalisation stood at US$101.0 million (£63.2 million), based upon a share price of £0.3575, which was exceeded by the net asset value at that date of US$109.5 million. By 10 May 2012 the Company's market capitalisation had decreased to US$79.7 million. Management conducted a thorough review of the carrying value of its assets and determined that no further write-downs were required beyond those already disclosed above.

Capital Resources

Available financing resources and debt facility

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 and the Columbus gas field in the UK North Sea, for which development plans are being formulated.

Typically exploration activities are equity financed whilst field development costs are principally debt financed. In the current business environment, access to new equity and debt remains uncertain. Consequently, the Company has given priority to the careful management of existing financial resources.

In November 2009 the Company replaced its US$100 million debt facility with a new three-year facility for an equal amount. The new facility, which was arranged with J.P.Morgan plc, Bank of Scotland plc and Natixis as Mandated Lead Arrangers, was principally to refinance the Company's outstanding borrowings on the Kambuna field. It was also put in place to finance the appraisal and development of the Columbus field and for general corporate purposes.

Following the debt repayments in 2010, management reduced its debt facility to US$50 million total capacity so as to restrict ongoing facility costs. The ability to draw under the 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. The outstanding amount under the Company's debt facility was fully repaid in February 2011.

At 31 March 2012, the Company held cash and cash equivalents of US$16.6 million and US$0.9 million of short and long-term restricted cash in continuing operations. Overall, the current cash balances held, the crystallisation of value from Indonesia either through the revenues from a retained 25% Kambuna interest or a disposal, 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.

Summary of contractual obligations

The following table summarises the Company's contractual obligations as at 31 March 2012;

Contractual Obligations	Total US$000	<1 year US$000	1-3 years US$000	>3 years US$000
Long-term debt	-	-	-	-
Operating leases	544	538	6	-
Other long term obligations	1,805	500	870	435
Total contractual obligations	2,349	1,038	876	435

Other long-term obligations relate to decommissioning payments in Indonesia.

Lease commitments

At 31 March 2012, 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 and office equipment for each of the following period/years as follows:

	US$000
31 December 2012	404
31 December 2013	140

Capital expenditure commitments, obligations and plans

As at 31 March 2012, the Company's share of expected outstanding capital costs on the Kambuna project were approximately a net US$0.5 million, and are in respect of a condensate pipeline and the installation of a permanent compressor.

In addition to the above, the Company also typically 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. The Company is not obliged to meet other joint venture partner shares of these programmes.

The most significant obligations are in respect of the Company's recently awarded Namibian licence. Under the terms of the licence the Company has a minimum obligation expenditure on exploration work of US$15.0 million covering the entire initial four year period of the licence, ending in December 2015. Following the farm-out transaction with BP noted in the operations review, the Company's work programme obligation will be carried by a third party.

Other less material minimum obligations include G&G, seismic work and ongoing licence fees in the UK and Ireland.

Following the finalisation of the amalgamation agreement to combine the Central North Sea Blocks 15/21g and 15/21a in January 2012, the venture partners are now committed to drill an appraisal well which is expected to take place in 2H 2012. Serica's estimated 30% share of costs is approximately US$7.8 million.

Off-Balance Sheet Arrangements

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

Critical Accounting Estimates

The Company's significant accounting policies are detailed in note 2 to the attached interim financial statements. International Financial Reporting Standards have been adopted. The costs of exploring for and developing petroleum and natural gas reserves are capitalised. The capitalisation and any write off of E&E assets, or depletion of producing assets, necessarily involve certain judgments with regard to whether the asset will ultimately prove to be recoverable. Key sources of estimation uncertainty that impact the Company relate to assessment of commercial reserves and 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 judgements 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 estimations and management assumptions about future outcomes, product prices and performance. Management is required to assess the level of the Group's commercial reserves together with the future expenditures to access those reserves, which are utilised in determining the amortisation and depletion charge for the period and assessing whether any impairment charge is required.

Financial Instruments

The Group's financial instruments comprise cash and cash equivalents, bank loans and borrowings, accounts payable and accounts receivable. It is management's opinion that the Group is not exposed to significant interest or 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 2012/13 this is managed in the short-term through selecting treasury 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 seeks 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 cash holdings and other financial instruments relating to its operations, limited to the levels necessary to support those 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 actual potential currency risk from financial instruments. Loan funding is available in US Dollars and Pounds Sterling.

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 31 March 2012, the following director and employee share options were outstanding:

Expiry Date	Amount	Exercise cost Cdn$
December 2014	200,000	200,000
January 2015	600,000	600,000
June 2015	1,100,000	1,980,000
		Exercise cost £
August 2012	1,200,000	1,182,000
October 2013	750,000	300,000
January 2014	371,000	118,720
November 2015	298,000	289,060
January 2016	765,000	791,775
June 2016	270,000	259,200
November 2016	120,000	134,400
January 2017	393,000	400,860
May 2017	210,000	218,400
March 2018	1,020,000	765,000
March 2018	850,000	697,000
January 2020	3,486,000	2,370,480
April 2021	450,000	141,188
January 2012	2,144,960	458,485

In January 2012, 859,690 share options were granted to two executive directors and 1,285,270 share options were granted to certain employees other than directors with an exercise cost of £0.21375 and an expiry date of 10 January 2022.

In April 2012, 110,000 share options were exercised by employees other than directors at a price of £0.32.

In April 2012, 1,902,500 share options were cancelled.

Outstanding Share Capital

As at 10 May 2012, the Company had 176,770,311 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 and uncertainties. The Board regularly considers the principal risks to which the company is exposed and monitors any agreed mitigating actions. The overall strategy for the protection of shareholder value against these risks is to retain a broad portfolio of assets with varied risk/reward profiles, to apply prudent industry practice in all operations, to carry insurance where available and cost effective, and to retain adequate working capital.

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

Investment Returns: Management seeks to raise funds and then to generate shareholder returns though investment in a portfolio of exploration acreage leading to the drilling of wells and discovery of commercial reserves. Delivery of this business model carries a number of key risks.

Risk	Mitigation
Market support may be eroded obstructing fundraising and lowering the share price	• Management regularly communicates its strategy to shareholders • Focus is placed on building an asset portfolio capable of delivering regular news flow and offering continuing prospectivity
General market conditions may fluctuate hindering delivery of the company's business plan	• Management aims to retain adequate working capital to ride out downturns should they arise
Management's decisions on capital allocation may not deliver the expected successful outcomes	• Rigorous analysis is conducted of all investment proposals • Operations are spread over a range of areas and risk profiles
Each asset carries its own risk profile and no outcome can be certain	• Management aims to avoid over-exposure to individual assets and to identify the associated risks objectively

Operations: Operations may not go according to plan leading to damage, pollution, cost overruns and poor outcomes.

Risk	Mitigation
Individual wells may not deliver recoverable oil and gas reserves	• Thorough pre-drill evaluations are conducted to identify the risk/reward balance • Exposure is selectively mitigated through farm-out
Wells may blow out or equipment may fail causing environmental damage and delays	• The Group retains fully trained and experienced personnel • The planning process involves risk identification and establishment of mitigation measures • Emphasis is placed on engaging experienced contractors • Appropriate insurances are retained
Production may be interrupted generating significant revenue loss	• Serica's only producing field, Kambuna, is in the later stages of production and insurance is not considered cost-effective

Operations may take far longer or cost more than expected	• Management applies rigorous budget control • Adequate working capital is retained to cover reasonable eventualities
Resource estimates may be misleading curtailing actual production and reducing reserves estimates	• The Group deploys qualified personnel • Ongoing performance is monitored • Regular third-party reports are commissioned

Personnel: The company relies upon a pool of experienced and motivated personnel to identify and execute successful investment strategies	
Risks	**Mitigation**
Key personnel may be lost to other companies	• The Remuneration Committee regularly evaluates incentivisation schemes to ensure they remain competitive
Personal safety may be at risk in demanding operating environments, typically offshore	• A culture of safety is encouraged throughout the organisation • Responsible personnel are designated at all appropriate levels • The Group maintains up-to-date emergency response resources and procedures • Insurance cover is carried in accordance with industry best practice
Staff and representatives may find themselves exposed to bribery and corrupt practices	• Company policies and procedures are communicated to personnel regularly • Management reviews all significant contracts and relationships with agents and governments

Commercial environment: World and regional markets continue to be volatile with fluctuations and access issues that might hinder the company's business success	
Risk	**Mitigation**
Volatile commodity prices mean that the company cannot be certain of the future sales value of its products	• Kambuna gas is sold under long-term contracts and similar arrangements will be considered for Columbus production • Such contracts can be supplemented by price hedging although none is currently in place for Kambuna condensate • Budget planning considers a range of commodity pricing
The company may not be able to get access, at reasonable cost, to infrastructure and product markets when required	• A range of different off-take options have been considered for Columbus and field partners are currently in advanced negotiation
Credit to support field development programmes may not be available at reasonable cost	• Serica's existing facility was designed to fund part of Columbus capital costs • Funding requirements for Kambuna were significantly mitigated through part disposal

Fiscal regimes may vary, increasing effective tax rates and reducing the expected value of reserves	• Operations are currently spread over a range of different fiscal regimes in Indonesia, Western Europe and Africa • Before committing to a significant investment the likelihood of fiscal term changes is considered when evaluating the risk/reward balance

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. Its activities are located in the UK, Ireland, Namibia and Morocco, together with a currently retained interest in the Kambuna Field in Indonesia.

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 31 March 2012 the Company generated a loss of US$1.4 million from continuing operations. At 31 March 2012 the Company had US$16.6 million of net cash. Cash and restricted cash balances as at 10 May 2012 were US$18.7 million.

The Company intends to utilise its existing cash balances and future operating cash inflows 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.

Key Performance Indicators ("KPIs")

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

Additional Information

Additional information relating to Serica, including the Company's annual information form, 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

(Signed) *"Antony Craven Walker"* (Signed) *"Christopher Hearne"*

Antony Craven Walker
Chief Executive Officer

Christopher Hearne
Finance Director

11 May 2012

Forward Looking Statements

This disclosure contains certain forward looking statements that involve substantial known and unknown risks and uncertainties, some of which are beyond Serica Energy plc's control, including: the impact of general economic conditions where Serica Energy plc operates, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. Serica Energy plc's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that Serica Energy plc will derive therefrom.

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)
boepd	barrels of oil equivalent per day
bopd or bpd	barrels of oil or condensate per day
FPSO	Floating Production, Storage and Offtake vessel (often a converted oil tanker)
LNG	Liquefied Natural Gas (mainly methane and ethane)
LPG	Liquefied Petroleum Gas (mainly butane and propane)
mcf	thousand cubic feet
mmbbl	million barrels
mmboe	million barrels of oil equivalent
mmBtu	million British Thermal Units
mmscfd	million standard cubic feet per day
PSC	Production Sharing Contract
Proved Reserves	Proved reserves are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
Probable Reserves	Probable reserves are those additional Reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves.
Possible Reserves	Possible reserves are those additional Reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves
Reserves	Estimates of discovered recoverable commercial hydrocarbon reserves calculated in accordance with the Canadian National Instrument 51-101
Contingent Resources	Estimates of discovered recoverable hydrocarbon resources for which commercial production is not yet assured, calculated in accordance with the Canadian National Instrument 51-101
Prospective Resources	Estimates of the potential recoverable hydrocarbon resources attributable to undrilled prospects, calculated in accordance with the Canadian National Instrument 51-101
TAC	Technical Assistance Contract
tcf	trillion standard cubic feet

Serica Energy plc

Group Income Statement

For the period ended 31 March

Unaudited *Continuing operations*	Notes	Three months ended 31 March 2012 US$000	*Restated Three months ended 31 March 2011 US$000
Sales revenue	4	4,038	8,577
Cost of sales	5	(4,261)	(7,013)
Gross (loss)/profit		(223)	1,564
Pre-licence costs		(111)	(228)
E&E and other asset write offs		-	-
Administrative expenses		(1,415)	(1,451)
Foreign exchange gain		47	67
Share-based payments		(175)	(272)
Depreciation		(84)	(89)
Operating loss before net finance revenue and tax		(1,961)	(409)
Gain on disposal	7	1,023	-
Finance revenue		3	8
Finance costs		(172)	(822)
Loss before taxation		(1,107)	(1,223)
Taxation charge for the period	11	(284)	(666)
Loss for the period		(1,391)	(1,889)
Discontinued operations			
Loss for the period	6	-	(576)
Loss for the period		(1,391)	(2,465)
Loss per ordinary share (EPS)			
Basic and diluted EPS on continuing operations (US$)		(0.01)	(0.01)
Basic and diluted EPS on loss for the period (US$)		(0.01)	(0.01)

* Restated for discontinued operations – see note 6

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

	Notes	31 March 2012 US$000 (Unaudited)	31 Dec 2011 US$000 (Audited)	31 March 2011 US$000 (Unaudited)
Non-current assets				
Exploration & evaluation assets	7	66,442	69,083	70,748
Property, plant and equipment	8	16,496	18,719	32,394
Financial assets		274	394	1,682
Other receivables		3,377	3,613	4,585
		86,589	91,809	109,409
Current assets				
Inventories		1,672	1,572	2,803
Trade and other receivables		15,521	9,338	11,517
Financial assets		669	647	-
Cash and cash equivalents		16,640	19,946	22,041
		34,502	31,503	36,361
TOTAL ASSETS		121,091	123,312	145,770
Current liabilities				
Trade and other payables		(9,274)	(10,267)	(12,709)
Income taxation payable		(284)	(302)	(2,101)
Non-current liabilities				
Provisions		(2,035)	(2,029)	(1,716)
Deferred income tax liabilities		-	-	(1,370)
TOTAL LIABILITIES		(11,593)	(12,598)	(17,896)
NET ASSETS		109,498	110,714	127,874
Share capital	9	207,702	207,702	207,702
Other reserves		19,650	19,475	18,730
Accumulated deficit		(117,854)	(116,463)	(98,558)
TOTAL EQUITY		109,498	110,714	127,874

Serica Energy plc
Statement of Changes in Equity

For the year ended 31 December 2011 and period ended 31 March 2012

Group

	Share capital US$000	Other reserves US$000	Deficit US$000	Total US$000
At 1 January 2011 (audited)	207,657	18,428	(96,093)	129,992
Loss for the year	-	-	(20,370)	(20,370)
Total comprehensive income	-	-	(20,370)	(20,370)
Share-based payments	-	1,047	-	1,047
Proceeds on exercise of options	45	-	-	45
At 31 December 2011 (audited)	207,702	19,475	(116,463)	110,714
Loss for the period	-	-	(1,391)	(1,391)
Total comprehensive income	-	-	(1,391)	(1,391)
Share-based payments	-	175	-	175
At 31 March 2012 (unaudited)	207,702	19,650	(117,854)	109,498

Serica Energy plc
Consolidated Cash Flow Statement
For the period ended 31 March

Unaudited	(Unaudited) Three months ended 31 March 2012 US$000	(Unaudited) Three months ended 31 March 2011 US$000
Cash flows from operating activities:		
Loss for the period	(1,391)	(2,465)
Adjustments to reconcile loss for the period to net cash flow from operating activities		
Taxation	284	666
Net finance costs	171	814
Gain on disposal	1,023	-
Depreciation	84	89
Depletion and amortisation	2,653	5,286
Asset write offs	-	339
Share-based payments	175	302
(Increase)/decrease in receivables	(2,930)	1,677
(Increase) in inventories	(100)	(55)
(Decrease) in payables	(992)	(230)
Cash generated from operations	(1,023)	6,423
Taxation paid	(302)	-
Net cash (out)/inflow from operations	(1,325)	6,423
Cash flows from investing activities:		
Purchase of property, plant & equipment	(514)	(223)
Purchase of E&E assets	(1,336)	(2,144)
Proceeds from disposals	-	-
Interest received	3	8
Net cash outflow from investing	(1,847)	(2,359)
Cash flows from financing activities:		
Repayments of loans and borrowings	-	(11,800)
Finance costs paid	(166)	(263)
Net cash outflow from financing activities	(166)	(12,063)
Cash and cash equivalents		
Net decrease in period	(3,338)	(7,999)
Effect of exchange rates on cash and cash equivalents	32	38
Amount at start of period	19,946	30,002
Amount at end of period	16,640	22,041

Serica Energy plc

Notes to the Unaudited Consolidated Financial Statements

1. Corporate information

The interim condensed consolidated financial statements of the Group for the three months ended 31 March 2012 were authorised for issue in accordance with a resolution of the directors on 10 May 2012.

Serica Energy plc is a public limited company incorporated and domiciled in England & Wales. The Company's ordinary shares are traded on AIM and the TSX Exchange. The principal activity of the Company is to identify, acquire and exploit oil and gas reserves.

2. Basis of preparation and accounting policies

Basis of Preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2012 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 2011. 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 2011.

Going Concern

The financial position of the Group, its cash flows and available debt facilities are described in the Financial Review in the Q1 2012 Management's Discussion and Analysis. As at 31 March 2012, the Group had US$16.6 million of net cash. Cash and restricted cash balances as at 10 May 2012 were US$18.7 million.

The Directors are required to consider the availability of resources to meet the Group and Company's liabilities for the forseeable future.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the interim 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 2011.

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 Corporation, Serica Energy Holdings B.V., Asia Petroleum Development Limited, Petroleum Development Associates (Asia) Limited, Serica Energia Iberica S.L., Serica Holdings UK Limited, Serica Energy (UK) Limited, PDA Lematang Limited, APD (Asahan) Limited, APD (Biliton) Limited, Serica Glagah Kambuna B.V., Serica Foum Draa B.V., Serica Sidi Moussa B.V., Serica Energy Rockall B.V., Serica Energy Slyne B.V. and Serica Energy Namibia B.V.. Together, these comprise the "Group".

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

3. Segmental Information

The Group's business is that of oil & gas exploration, development and production. The Group's reportable and geographical segments are based on the locations of the Group's assets.

The following tables present profit information on the Group's geographical segments for the three months ended 31 March 2012 and 2011 and certain asset and liability information as at 31 March 2012 and 2011. Costs associated with the UK corporate centre are included in the UK & Ireland reportable segment. Reportable information in respect of the Group's interest in the producing Kambuna field in Indonesia is disclosed as a separate segment.

Three months ended 31 March 2012 (unaudited)

	UK & Ireland US$000	Africa US$000	Kambuna US$000	Total US$000
Continuing				
Revenue	-	-	4,038	4,038
(Loss)/profit for the period	(1,845)	1,011	(557)	(1,391)
Other segmental information				
Segmental assets	76,386	6,497	27,458	110,341
Unallocated assets				10,750
Total assets				121,091
Segmental liabilities	(3,708)	(2,075)	(5,810)	(11,593)
Unallocated liabilities				-
Total liabilities				(11,593)

Three months ended 31 March 2011 (unaudited)

	UK & Ireland US$000	Africa US$000	Kambuna US$000	Total US$000	*Restated Discontinued US$000
Continuing					
Revenue	-	-	8,577	8,577	-
(Loss)/profit for the period	(2,573)	(174)	858	(1,889)	(576)

	UK & W Europe US$000	Spain US$000	Indonesia US$000	Total US$000
Other information				
Segmental assets	76,581	57	56,232	132,870
Unallocated assets				12,900
Total assets				145,770
Segmental liabilities	(7,329)	-	(10,567)	(17,896)
Unallocated liabilities				-
Total liabilities				(17,896)

*Restated for discontinued operations – see note 6

4. Sales Revenue

Three months ended 31 March:	2012 US$000	2011 US$000
Gas sales	2,111	4,936
Condensate sales	1,927	3,641
	4,038	8,577

5. Cost of sales

Three months ended 31 March:	2012 US$000	2011 US$000
Operating costs	1,725	1,781
Depletion	2,653	5,286
Movement in inventories of oil	(117)	(54)
	4,261	7,013

6. Discontinued operations

The results of discontinued operations below are those generated from Serica's South East Asia operations which were disposed of in October 2011.

At 30 June 2011, as a result of the Board's strategic decision to exit Indonesia, the Group's interests in the region were classified as a disposal group held for sale and therefore included as discontinued operations. In October 2011, the Group completed the disposal of its operated exploration portfolio; however the Group's 25% non-operated interest in Kambuna has not yet been sold. The directors concluded that as at 31 December 2011 and 31 March 2012, whilst still available for sale, Serica's interest in Kambuna no longer meets the IFRS 5 criteria to be classified as an asset held for sale, because an active marketing program is no longer in place, and therefore the results of this part of the disposal group are disclosed within continuing operations together with the results of the retained core business segments.

Discontinued operations	Q1 2012 US$000	Q1 2011 US$000
Expenses:		
Pre-licence costs	-	(10)
E&E asset and other write-offs	-	(339)
Administrative expenses	-	(198)
Foreign exchange gain	-	1
Share-based payments	-	(30)
Operating loss before net finance revenue and tax	-	(576)
Loss recognised on re-measurement to fair value	-	-
Profit on disposal	-	-
Finance revenue	-	-
Loss before taxation	-	(576)
Taxation charge for the year	-	-
Loss for the period	-	(576)

Asset write offs in Q1 2011 were in respect of E&E and other expenses from the Kutai PSC in Indonesia, which was sold in October 2011. 2011 expenditure on the asset was expensed as incurred.

In October 2011 the Company completed the disposal of its portfolio of operated exploration interests in South East Asia to Kris Energy Limited for base consideration of US$3.4 million and a further contingent payment of US$1.0 million received in December 2011. The transaction generated a loss of US$3.6 million (chiefly comprising a loss recognised on re-measurement to fair value of US$3.7 million as at 30 September 2011) after deducting booked asset costs and other transaction costs and fees.

7. Exploration and Evaluation Assets

	Total
	US$000
Net book amount:	
At 1 January 2012 (audited)	69,083
Additions	1,336
Disposals	(3,977)
At 31 March 2012 (unaudited)	66,442

Disposals in E&E assets in the quarter arose from the farm-out of an interest in the Company's Namibian licence to BP announced in March 2012. Receipt of the aggregate US$5.0 million in respect of back cost contributions will occur on completion of the farm-out transaction which is subject to the consent of the Ministry of Mines and Energy in Namibia.

The re-imbursement due for the past Namibia costs capitalised as E&E assets is treated as a reduction from the book cost of the asset and noted above.

The accounting gain of US$1.0 million on disposal recorded in the Q1 2012 income statement relates to the recognition of recovery for those past costs incurred that had been expensed as pre-licence costs in previous periods.

8. Property Plant and Equipment

	Oil and gas properties	Computer / IT equipment	Fixtures, fittings and equipment	Total
	US$000	US$000	US$000	US$000
Cost:				
At 1 January 2012 (audited)	62,598	189	901	63,688
Additions	514	-	-	514
At 31 March 2012 (unaudited)	63,112	189	901	64,202
Depreciation and depletion:				
At 1 January 2012 (audited)	44,329	149	491	44,969
Charge for the period	2,653	8	76	2,737
At 31 March 2012 (unaudited)	46,982	157	567	47,706
Net book amount				
At 31 March 2012	16,130	32	334	16,496
At 1 January 2012 (audited)	18,269	40	410	18,719

9. Equity Share Capital

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

The share capital of the Company comprises one "A" share of £50,000 and 176,660,310 ordinary shares of US$0.10 each. The "A" share has no special rights.

The balance classified as total share capital includes the total net proceeds (both nominal value and share premium) on issue of the Group and Company's equity share capital, comprising US$0.10 ordinary shares and one 'A' share.

Allotted, issued and **Group**	Number	Share capital US$000	Share premium US$000	Total Share capital US$000
At 1 January 2011	176,570,311	17,747	189,910	207,657
Options exercised (i)	90,000	9	36	45
At 31 December 2012 and 31 March 2012	176,660,311	17,756	189,946	207,702

i) In January 2011, 90,000 share options were converted to ordinary shares at a price of £0.32.

In April 2012, 110,000 share options were converted to ordinary shares at a price of £0.32, and as at 10 May 2012 the issued voting share capital of the Company is 176,770,311 ordinary shares.

10. 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 1,900,000 ordinary shares of the Company. No further options will be granted under the Serica BVI Option Plan.

The Serica 2005 Option Plan is comprised of two parts, the basic share option plan and a part which constitutes an Enterprise Management Incentive Plan ("EMI Plan") under rules set out by the H.M. Revenue & Customs in the United Kingdom. Options granted under the Serica 2005 Option Plan can be granted, at the discretion of the Board, under one or other of the two parts but, apart from certain tax benefits which can accrue to the Company and its UK employees if options are granted under the part relating to the EMI Plan meeting the conditions of that part of the Serica 2005 Option Plan, all other terms under which options can be awarded under either part are substantially identical. The Serica 2005 Option Plan will govern all future grants of options by the Company to Directors, officers, key employees and certain consultants of the Group.

The Directors intend that the maximum number of ordinary shares which may be utilised pursuant to the Serica 2005 Option Plan will not exceed 10 per cent. of the issued ordinary shares of the Company from time to time, in line with the recommendations of the Association of British Insurers.

As at 31 March 2012, the Company has granted 16,532,460 options under the Serica 2005 Option Plan, 12,327,960 of which were outstanding. 6,351,690 of the 12,327,960 options outstanding at 31 March 2012 under the Serica 2005 Option Plan are exercisable only if certain performance targets being met. 1,902,500 options under the Serica 2005 Option Plan were cancelled in April 2012.

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$175,000 has been charged to the income statement in continuing operations in the three month period ended 31 March 2012 (three month period ended 31 March 2011: US$272,000) and a similar amount credited to other reserves. US$30,000 has been charged to the income statement in discontinued operations for the three month period ended 31 March 2011.

The options granted in 2011 and 2012 were consistently valued in line with the Company's valuation policy, assumptions made included a weighted average risk-free interest rate of 3%, no dividend yield, and a volatility factor 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 2010	1,900,000	1.46
Expired during the year	-	-
Outstanding at 31 December 2011	1,900,000	1.46
Expired during the period	-	-
Outstanding as at 31 March 2012	1,900,000	1.46
Serica 2005 Option Plan		**£**
Outstanding at 31 December 2010	12,864,500	0.78
Granted during the year	450,000	0.31
Exercised during the year	(90,000)	0.32
Cancelled during the year	(3,041,500)	0.81
Outstanding at 31 December 2011	10,183,000	0.75
Granted during the period	2,144,960	0.21
Outstanding at 31 March 2012	12,327,960	0.66

In January 2012, 859,690 share options were granted to two executive directors and 1,285,270 share options were granted to certain employees other than directors with an exercise cost of £0.21375 and an expiry date of 10 January 2022.

In April 2012, 110,000 share options were exercised by employees other than directors at a price of £0.32.

In April 2012, 1,902,500 share options under the Serica 2005 Option Plan were cancelled.

11. Taxation

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

Three months ended 31 March:	2012 US$000	2011 US$000
Current income tax charge	284	635
Deferred income tax charge	-	31
Total tax charge	284	666

12. Publication of Non-Statutory Accounts

The financial information contained in this interim statement does not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 December 2011. Those accounts, upon which the auditors issued and unqualified opinion, are available at the Company's registered office at 52 George Street, London W1U 7EA and on its website at www.serica-energy.com and on SEDAR at www.sedar.com.

This interim statement will be made available at the Company's registered office at 52 George Street, London W1U 7EA and on its website at www.serica-energy.com and on SEDAR at www.sedar.com.