

# Serica Energy plc

## ("Serica" or the "Company")

### Q3 2011 Results

London, 14 November 2011 – Serica Energy plc (TSX & AIM: SQZ), the oil and gas exploration and production company, today announces its financial results for the three and nine months ending 30 September 2011. The results and associated Management Discussion and Analysis are included below and copies are available at [www.serica-energy.com](http://www.serica-energy.com) and [www.sedar.com](http://www.sedar.com).

*The following provides highlights for the third quarter ending 30 September 2011 and subsequent period to date:*

#### **Substantial strategic progress achieved:**

- Indonesian exploration properties and Indonesian operating subsidiaries sold
- Kambuna gas field retained for the time being
- Large licence awarded in Irish Rockall Basin, complementing existing Rockall Basin licence
- Major licence awarded in the prospective Luderitz Basin, offshore Namibia
- Gross Exploration acreage post sale of Indonesia doubled as a result of awards
- New acreage contains several mapped prospects with very high potential
- Serica is now focused to exploit its significant Atlantic Margin position as well as its UK operations

#### **Operations as projected over the quarter:**

- Kambuna gas production averaged 36.4 mmscfd (gross) in line with expectations
- Kambuna condensate production averaged 2,342 bpd (gross) in line with expectations
- Average gas sales price US\$6.13 per mscf; condensate average price US\$116.90 per bbl
- Columbus Field Development Plan progressing – production still aimed for 2014

#### **Financial position remains positive:**

- Company continues to derive cash benefit from Kambuna gas and condensate sales
- Sales revenues for third quarter from Kambuna totalled US\$6.6 million
- Cash and cash equivalents at 30 September 2011 of US\$18.5 million (US\$3.1 million increase over quarter)
- Additional US\$3.4 million received post quarter end from sale of Indonesian exploration assets
- No debt and unutilised facilities of US\$50 million
- Loss before tax from continuing operations of US\$2.06 million

#### **Outlook:**

- Serica's prospect portfolio and drilling potential substantially increased
- Columbus continues to move towards project sanction
- Drilling of Doyle, Spaniards and one of South Otter prospects planned for 2012
- Efforts continue to increase this programme through farm out or acreage exchange
- Major prospects identified in Serica's Atlantic Margin licences aimed for drilling in 2013/2014
- Atlantic Margin prospects likely to attract major operator partnerships

**Tony Craven Walker**, Chairman of Serica commented:

***"The Company has seen very real progress in what has been a very positive third quarter and has some exciting opportunities ahead of it. The sale of Serica's Indonesian exploration interests and its operating subsidiaries in Indonesia, taken together with the significant acreage awards in Ireland and Namibia, which bring an enormous increase in acreage and some very large prospects, marks a positive change in strategy for the Company.***

***I believe that the potential of the Company's prospects will become apparent in the next few months as we prepare to drill our UK prospects in 2012 and also identify partners with whom we can exploit our very significant Atlantic Margin position."***

**14 November 2011**

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

**Notes to Editors**

Serica Energy plc is an oil and gas exploration and production company based in London, England, and holds exploration and production licences offshore in the UK, Ireland, Africa and in Indonesia. The Company's producing and development assets are a 25% interest in the producing Kambuna field offshore Indonesia and a 50% stake in that part of the Columbus field lying in UK Central North Sea block 23/16f.

**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.

To receive Company news releases via email, please contact [nick.elwes@collegehill.com](mailto:nick.elwes@collegehill.com) and specify "Serica press releases" in the subject line.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following management's 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 13 November 2011 and should be read in conjunction with the attached unaudited interim consolidated financial statements for the period ended 30 September 2011. The interim financial statements for the three and nine months ended 30 September 2011 have been prepared by and are the responsibility of the Company's management. The interim financial statements for the nine months ended 30 September 2011 and 2010 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 30 SEPTEMBER 2011**

Serica made considerable progress during the third quarter to conclude a number of strategic initiatives aimed at repositioning the Company.

Following the end of the quarter the Company has announced three transactions as part of its strategy to withdraw from Indonesia and focus on areas where it sees greater opportunity and potential. These announcements consist of the disposal of Serica's Indonesian exploration licences and Indonesian operating subsidiaries, a new licence award in the Rockall Basin offshore Ireland to complement Serica's existing position and the announcement of a major licence award in the Luderitz Basin, offshore Namibia.

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

The following discussion summarises these announcements and the main operational developments in the quarter ended 30 September 2011 and subsequent period to date.

#### ***Disposal of Indonesian exploration properties***

In June 2011, the Company announced that it had reached conditional agreement with Pace Petroleum ("Pace") to sell to Pace its entire interests in Indonesia, including its interest in the Kambuna field. The transaction with Pace Petroleum was subject to funding to be provided by GEMS, an Asian Private Equity Group based in Hong Kong. At the time of the announcement in June, GEMS confirmed that they expected completion of their fund raising in July with the transaction completing expeditiously thereafter.

During the third quarter it became apparent that GEMS were not going to be able to fulfil their stated intention to complete the necessary funding to close the transaction in a reasonable timeframe. Accordingly, during the third quarter, the Company reviewed alternative proposals to realise the value of its Indonesian properties.

On 11 October 2011, Serica announced the sale of its Indonesian exploration properties to Kris Energy Limited. The sale comprised Serica's wholly owned subsidiary, Serica Indonesia Holdings BV, which excluded Serica's interest in the producing Kambuna gas field but which held Serica's Indonesian operating subsidiaries and the following exploration properties:

- An operated 30% interest in the Kutai PSC onshore and offshore East Kalimantan

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

Serica's 25% interest in the producing Kambuna gas field was not included in the sale. Whilst the Company will continue to benefit from the cash flow it receives from this field it does not consider the asset to be core to its forward strategy and therefore continues to include it in the Group Balance Sheet at 30 September 2011 as an asset held for sale as part of a disposal group.

The consideration for the transaction with Kris Energy Limited amounted to US\$3.14 million together with a further US\$0.3 million in respect of expenditures relating to the properties since the effective date of 1 September 2011. Both sums have been received in October 2011 by Serica. A further deferred consideration of up to US\$1.5 million becomes payable to Serica in the event of future awards of licence interests in the Joint Study Areas to Kris Energy Limited.

The sale of Serica's exploration properties in Indonesia together with its Indonesian operating subsidiaries substantially reduces the Company's operating overhead and enables the Company to redirect expenditures which it would otherwise have incurred in those properties into new areas which Serica believes have far greater potential.

#### ***Award of Licensing Option 11/1 in Ireland***

On 16 October 2011, Serica announced that it had been awarded Licensing Option 11/1 (the "Licence") covering six blocks in the Irish Rockall Basin under the Irish 2011 Atlantic Margin Licensing Round. The area covered by the Licence, awarded by the Petroleum Affairs Division of the Department of Communications, Energy and Natural Resources, is immediately adjacent to the block containing the Dooish gas-condensate discovery and is a significant addition to Serica's existing Licence 1/09 which contains the Muckish prospect just to the north-east.

The award of the new blocks puts Serica in a particularly strong acreage position in the Rockall Basin where initial exploration results have already shown considerable promise. The size of the prospects in the Rockall Basin, coupled with the clear demonstration of a working petroleum system following the discovery of Dooish, gives clear optimism for the potential of the area.

Serica now has a strong position in the relatively unexplored Atlantic Margin basins offshore Ireland. Serica's discovery of oil in the Slyne Basin in 2009 and the Company's growing acreage position in the Rockall Basin, where Serica sees relatively low risk potential for large discoveries, gives the Company a strong presence in the emerging Irish Atlantic Margin. The award of this Licence completes a strategic objective for Serica to secure the licences lying adjacent to the Dooish discovery and will enable the Company to develop a comprehensive exploration programme to explore the substantial potential which it believes lies in the area.

#### ***Award of Licence in the Luderitz Basin, offshore Namibia***

On 3 November 2011, Serica confirmed the announcement made by the Namibian Ministry of Mines and Energy of the award to Serica of an 85% interest in a Petroleum Agreement covering four large blocks and part blocks in the prospective Luderitz Basin, offshore Namibia. The award was to Serica Energy Namibia B.V., a wholly owned subsidiary of Serica, in partnership with The National Petroleum Corporation of Namibia (Pty) Limited and Indigenous Energy (Pty) Limited. Serica is the operator of the group.

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 seismic data demonstrates the existence of large four-way dip closed structures lying wholly in the undrilled deep water parts of the

Licence Area together with the potential for sizable trapping mechanisms in stratigraphic pinch outs towards the shelf margin.

During the initial four-year exploration period of the Licence, Serica will conduct an extensive 3D seismic survey and undertake reprocessing of existing 2D seismic data. Whilst Serica will evaluate opportunities to bring forward early drilling of the large prospects already identified it is likely that Serica will wish to complete full seismic evaluation with the first well in the Licence therefore projected to be drilled in the third or fourth year of the initial period.

### **Summary**

The above transactions have been part of a strategic move by Serica to refocus the Company's resources on its exploration prospects in the UK, Ireland and Morocco and in new areas where it sees greater growth potential and opportunity. As a result of the sale of the Company's exploration properties and operating subsidiaries in Indonesia the Company is now able to focus its resources on building an exploration drilling programme in the UK and seek partners to participate in its Atlantic margin properties. With the awards of the blocks offshore Ireland and offshore Namibia, Serica now has substantial holdings in highly prospective acreage in the Atlantic Margin basins offshore Ireland, Morocco and Namibia to complement its existing UK prospects.

It is now the intention of Serica to bring forward a 2012 drilling campaign in the UK with the drilling of the Doyle, Spaniards and one of the South Otter prospects in blocks 113/27c, 15/21g and 210/19a-20a respectively whilst seeking to accelerate drilling campaigns to investigate the very material prospects which have been identified in Serica's Atlantic Margin acreage offshore Ireland, Morocco and Namibia. In parallel the Company expects to resolve the final outstanding issues necessary to bring the Columbus field to an early development decision with project sanction now targeted for the first quarter of 2012.

### **SUMMARY OF LICENCE HOLDINGS**

The following provides a summary of licence interests in which activities took place during the third quarter to date.

#### **United Kingdom**

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

These blocks, in which Serica has a 100% interest, are contiguous part blocks lying immediately adjacent to the 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, an emerging and successful play in the northern North Sea, 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, Serica is likely to seek a partner.

##### Central North Sea: Block 23/16f - Columbus field

Block 23/16f covers an area of approximately 52 square kilometres in the UK Central North Sea and contains the majority of the Columbus gas field. The gas in Columbus is rich in condensate and therefore requires processing before it can enter a gas transportation system. In an independent reserves report undertaken by Netherland, Sewell & Associates at the end of 2010, Serica's share of proved and probable reserves in the field is estimated to be 26.8 bcf of sales gas and 1.8 mmbbl of liquids, a net 6.3 mmboe to Serica. Serica has a 50% interest in Block 23/16f and is operator for the block.

The 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"). Serica has been actively co-operating with BG in the front end engineering design for a new Bridge Linked Platform to handle production from the Columbus field. The Bridge Linked Platform is planned to be installed adjacent to the existing Lomond field platform and receive production from Columbus and other nearby fields for processing on the Lomond platform and onward transportation to the CATS and Forties pipeline systems. The construction and use of the Bridge Linked Platform forms the basis of the Field Development Plan agreed by the Columbus field partners (Serica, Endeavour Energy UK Limited, EOG Resources United Kingdom Limited, BG and SSE E&P UK Limited) and submitted to DECC in June 2011.

With field engineering plans largely complete and awaiting DECC approval, discussions have taken place with BG throughout the quarter to determine the relative interests of the 23/16f and 23/21 partners in the Columbus field which is now the main outstanding item required before financing initiatives can be commenced. Following recent discussions with BG it is anticipated that an early resolution to these discussions will be reached to enable financing options to be put in place. Project sanction is anticipated to be sought in the first quarter of 2012 for production to commence in 2014.

#### Central North Sea: Block 15/21g – Spaniards Prospect

Block 15/21g, in which Serica has a 30% interest, lies immediately west of the Scott oilfield and contains a potentially significant extension to the existing Jurassic oil discovery well 15/21-38 in Block 15/21a, which flowed 2,660 bpd of 25° API oil from a good quality Jurassic-aged Upper Claymore sand. The Spaniards prospect is a stratigraphic trap and pressure interpretation suggests that the oil column in the discovery well may extend down-dip into Block 15/21g.

During the second quarter, the 15/21a and 15/21g groups concluded their discussions on plans to drill a joint well to test the prospect. On 30 June, the Block 15/21g partners, announced they had agreed terms to acquire a 70 per cent interest in a part of adjoining Block 15/21a. The area in Block 15/21a to be acquired includes the 15/21a-38z Spaniards/Gamma discovery. In consideration, the Block 15/21g group have agreed to assign to the Block 15/21a group a 30 per cent interest in Block 15/21g, and have agreed to fund the cost of the first well to appraise the Spaniards/Gamma discovery. It has also been 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.

As a result of the agreement, which is subject to DECC approval, Serica will have a 21% interest in the amalgamated area covering the Spaniards prospect 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.

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

Serica has a 65% interest in these blocks and work during the third quarter of 2011 has focussed on detailing Doyle, the Sherwood sand gas prospect lying in the north of Block 113/27c. Plans are being brought forward for a well to be drilled in 2012 to test the Doyle prospect.

#### Pending UK Licences

The Company expects to receive the award of further licences under the 26th Round of UK Offshore Licensing when environmental assessments, currently being undertaken by DECC, have been completed.

## **Ireland**

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

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

The shallow Jurassic oil discovery made by Serica in 2009 in the Bandon exploration well 27/4-1 provides clear evidence of the presence of oil in this part of the Slyne Basin although the discovery itself was not commercial. Deeper Jurassic oil prospects of potentially commercial size are, however, evident at the Liffey and Boyne locations in addition to the separate gas prospects at those locations. The Company has acquired site survey data in preparation for a drilling programme to test these prospects and is currently seeking a farm-in partner.

### Rockall Basin: Blocks 5/17, 5/18, 5/22, 5/23, 5/27, and 5/28 - Muckish Prospect

Serica holds a 100% working interest in six blocks covering a total area of 993 square kilometres in the north-eastern part of the Rockall Basin 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, approximately nine kilometres to the south of the licence, encountered a 214 metre hydrocarbon column.

A large exploration prospect, Muckish, has been mapped on Serica's licence. Further evaluation of the data has increased confidence in the potential of the prospect, which covers an area of approximately 30 square kilometres in a water depth of 1,450 metres and is therefore large. Serica intends to find a partner to join in drilling a well on Muckish.

### Rockall Basin: Blocks 11/5, 11/10, 11/15, 12/1, 12/6 and 12/11(part) - Midleton Prospects

With the award of this licence, Serica now has two licences to explore some 2,220 square kilometres in the Rockall Basin. The Licence covers an extended area of proven hydrocarbon potential in which large prospective structures have already been identified from existing 3D seismic data.

The area covered by the Licence award contains two pre-Cretaceous fault block prospects, Midleton and West Midleton which are analogous to the proven gas-condensate bearing Dooish structure lying immediately to the east. These complement and provide additional diversity to the Muckish prospect lying in Serica's acreage just to the north east and the award will enable a comprehensive exploration programme covering the Muckish and Midleton prospects. Given the size of the prospects and their position in a proven gas-condensate bearing basin, the award of the Licence significantly expands the options open to Serica to deliver an active drilling campaign in the area.

Under the terms of the Licence award Serica will undertake 2D and 3D seismic reprocessing work and other geological studies in the first two years to firm up the prospects following which the Company has an option to convert the Licence into a full Exploration Licence.

## **Morocco**

### Sidi Moussa and Foug Draa Petroleum Agreements

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



drop decision is required to be made at the end of the initial phases of the Agreements recently extended by the Moroccan authorities to June 2012 for both licenses.

The Tarfaya Basin is geologically analogous to the oil producing salt basins of West Africa. Sidi Moussa and Fom Draa are covered by over 5,200 square kilometres of modern 3D seismic data and over 7,000 kilometres of 2D seismic data. Evaluation of this data is now largely complete and demonstrates the presence of a number of significant prospects in the blocks. The analysis is now being made available to potential farm-in partners which Serica and its partners will require before entering the drilling phase.

## **Spain**

### Abiego, Barbastro, Binéfar and Peraltilla Exploration Permits

The Company held a 75% interest and operatorship in the Abiego, Barbastro, Binéfar and Peraltilla Exploration Permits onshore northern Spain. Serica and its joint venture partner have given notice to relinquish the Permits in October 2011.

## **Indonesia**

A summary of Serica's interests in Indonesia and operational developments in the third quarter is detailed below. As noted in the Management Overview, Serica sold its Indonesian exploration interests and Indonesian operating subsidiaries following the quarter end. The sale was effective 1 September 2011. Serica's sole remaining interest in Indonesia subsequent to the sale is its 25% interest in the Glagah Kambuna Technical Assistance Contract ("TAC"). This asset is being retained by Serica for the time being but continues to be under review for sale as it is not considered to be core to Serica's forward strategy.

### North Sumatra: Glagah Kambuna TAC - Kambuna Field

Serica has a 25% share in the Kambuna field located in the Glagah Kambuna TAC offshore north-west Sumatra. During the quarter the field produced at an average rate of 36.4 mmscfd with approximately 2,342 barrels per day of condensate. Average prices realised during the quarter for gas and condensate sales respectively were US\$6.1 per mcf and US\$116.9 per barrel. The highest price achieved during 2011 to date is US\$126 per barrel, achieved in April. Average production rates for the nine months to the end of September were 38.6 mmscfd of gas and 2,658 barrels per day of condensate. The Kambuna gas is used for power generation to supply electricity to the city of Medan in North Sumatra and for industrial uses.

Following the reserve revision at the end of 2010 the field has now commenced its anticipated natural decline and production rates are expected to fall in line with reservoir pressure depletion. Compression facilities will be installed to enhance the production capacity of the field as planned in the first quarter of 2012 and the field operator is reviewing options to drill an additional well, Kambuna #5, to exploit the gas bearing potential of a likely northern extension of the field. It had been intended that this well be drilled in the latter half of 2011 but the lack of a suitable rig at an acceptable price in this timeframe has resulted in the deferral of the well. Discussions are in hand with Pertamina with a view to the possibility of drilling the well in 2012.

### North Sumatra: East Seruway PSC

Serica disposed of its 100% interest in the East Seruway Production Sharing Contract ("PSC") offshore North Sumatra, to Kris Energy on 11 October 2011 and no longer has an interest in this block. The sale took effect from 1 September 2011.

#### East Kalimantan: Kutai PSC

Serica was the operator of the Kutai PSC and held a 30% interest. The Company disposed of its interest in the Kutai PSC to Kris Energy on 11 October 2011 and no longer has an interest in this block. The sale took effect from 1 September 2011.

### **FORWARD PROSPECTS**

Serica has positive cash balances, no debt, income generating production in Indonesia, a field slated for development in the UK, a UK drilling programme planned for 2012 and a growing portfolio of high potential prospects in four different Atlantic Margin basins. Due to their materiality these prospects are likely to appeal to substantially larger oil companies and discussions have already commenced with a view to seeking partners with whom Serica can work to exploit the considerable potential which lies in its portfolio and bring forward the drilling of these prospects.

In parallel, the Company shall be seeking to secure development sanction for the Columbus field, which the Company operates. Preparations are also in hand for an active 2012 UK drilling programme. This programme is planned to commence with the Doyle, Spaniards and one of the South Otter prospects in the East Irish Sea, Central North Sea and Northern North Sea respectively. Drilling is planned to start in the first half of 2012, but could be extended if licence applications, currently held for environmental assessment, are approved.

The Company has seen very real progress in what has been a very positive third quarter and has some exciting opportunities ahead of it. The sale of Serica's Indonesian exploration interests and its operating subsidiaries in Indonesia, taken together with the significant acreage awards in Ireland and Namibia, which bring an enormous increase in acreage and some very large prospects, marks a positive change in strategy for the Company.

It is the Company's intention to pursue these opportunities and to seek to find ways of demonstrating the value of the Company's properties to shareholders. In addition to bringing larger companies into some of our Atlantic Margin interests we shall also continue to evaluate opportunities to accelerate value, particularly in the UK, through acquisition or consolidation to achieve greater diversity, tax efficiency, cost efficiency and scale, all of which we believe are essential to balance risk and opportunity.

## FINANCIAL REVIEW

A detailed review of the Q3 2011 results of operations and other financial information is set out below.

As a result of the decision by the Company to dispose of its remaining Indonesian assets, the various assets and associated liabilities of the Company's Indonesian business were presented as held for sale in the Group Balance Sheet at 30 June 2011. This presentation format is also applicable as at 30 September 2011. The financial results of the Indonesian businesses, including income from its currently retained Kambuna field interest, are disclosed as discontinued operations and separate from the results of the retained core business segments.

### Results of Operations

	2011 Q3 US\$000	2011 Q2 US\$000	2011 Q1 US\$000	2010 Q4 US\$000	2010 Q3 US\$000	2010 Q2 US\$000	2010 Q1 US\$000
<b>Continuing operations</b>							
Sales revenue	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-
Gross profit/(loss)	-	-	-	-	-	-	-
Expenses:							
Pre-licence costs	(192)	(641)	(231)	(265)	(134)	(612)	(738)
E&E and other asset write offs	-	-	-	(3,709)	(29)	(77)	-
Administrative expenses	(1,292)	(1,502)	(1,423)	(1,621)	(1,494)	(1,528)	(1,566)
Foreign exchange (loss)/gain	(78)	19	70	(146)	108	16	77
Share-based payments	(238)	(224)	(302)	(267)	(233)	(230)	(501)
Depreciation	(87)	(86)	(89)	(71)	(27)	(11)	(22)
Operating loss before net finance revenue and taxation	(1,887)	(2,434)	(1,975)	(6,079)	(1,809)	(2,442)	(2,750)
Finance revenue	2	2	8	11	13	20	13
Finance costs	(174)	(199)	(812)	(894)	(921)	(1,001)	(1,267)
Loss before taxation	(2,059)	(2,631)	(2,779)	(6,962)	(2,717)	(3,423)	(4,004)
Taxation (charge)/credit	-	-	-	-	-	-	-
Loss for the period from continuing operations	(2,059)	(2,631)	(2,779)	(6,962)	(2,717)	(3,423)	(4,004)
<b>Discontinued operations</b>							
(Loss)/profit for the period from discontinued operations	(403)	(8,711)	314	(33,150)	2,998	1,777	1,264
<b>(Loss)/profit for the period</b>	<b>(2,462)</b>	<b>(11,342)</b>	<b>(2,465)</b>	<b>(40,112)</b>	<b>281</b>	<b>(1,646)</b>	<b>(2,740)</b>
Earnings per share (EPS)	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Basic and diluted EPS on loss from continuing operations	(0.01)	(0.01)	(0.02)	(0.04)	(0.02)	(0.02)	(0.02)
Basic and diluted EPS on (loss)/profit for the period	(0.01)	(0.06)	(0.01)	(0.23)	0.002	(0.01)	(0.02)

## **Continuing operations**

Continuing operations exclude the Group's Indonesian assets. The Company generated a loss before tax from continuing operations of US\$2.1 million for the three months ended 30 September 2011 ("Q3 2011") compared to a loss before tax of US\$2.7 million for Q3 2010.

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\$0.2 million for Q3 2011 compared with US\$0.1 million for Q3 2010. Significant work was undertaken in Q2 and Q3 2011 in the UK, Ireland and in new areas of activity. In October, the Company announced that it had been awarded a Licensing Option 11/1 covering six blocks in the Irish Rockall Basin under the Irish 2011 Atlantic Margin Licensing Round. In November, the Company announced it had been awarded an 85% interest in a Petroleum Agreement covering four large blocks and part blocks in the Luderitz Basin, offshore Namibia. The Company is still awaiting the outcome of certain applications from the 26<sup>th</sup> Licensing Round in the UK.

There were no significant asset write offs in Q3 2011 or Q3 2010. Asset write offs in Q4 2010 primarily included the E&E asset costs of the Oates prospect in the UK North Sea.

Administrative expenses of US\$1.3 million for Q3 2011 were reduced from the same period last year. The Company continues to manage carefully its financial resources.

The impact of foreign exchange was not significant in Q3 2011 or Q3 2010.

Share-based payment costs of US\$0.2 million in Q3 2011 reflected share options granted in past periods and compared with US\$0.2 million for Q3 2010. No share options have been granted in Q3 2011.

Negligible depreciation charges in all periods represent office equipment and fixtures and fittings.

Finance revenue comprising bank deposit interest income has been negligible in all periods during 2010 and 2011 to date.

Finance costs consist of interest payable, arrangement costs spread over the term of the bank loan facility, and other financing fees. Finance costs of US\$0.2 million in Q3 2011 have fallen significantly from US\$0.9 million in Q3 2010. The arrangement costs associated with the November 2009 financing were fully amortised during Q1 2011 following the loan repayment in February 2011. Ongoing finance costs currently only consist of unutilised facility fees.

The net loss per share from continuing operations of US\$0.01 for Q3 2011 compares to a net loss per share of US\$0.02 for Q3 2010.

## **Discontinued operations**

The results of discontinued operations below are those generated from Serica's South East Asia operations which are recognised as held for sale as at 30 June and 30 September 2011.

	2011	2011	2011	2010	2010	2010	2010
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
<i>Discontinued operations</i>							
Sales revenue	6,579	6,613	8,577	9,413	10,018	6,537	5,334
Operating costs	(1,481)	(1,675)	(1,727)	(2,141)	(2,191)	(1,657)	(1,290)
Depletion	-	(3,777)	(5,286)	(5,873)	(2,421)	(1,793)	(1,392)
Cost of sales	(1,481)	(5,452)	(7,013)	(8,014)	(4,612)	(3,450)	(2,682)
Gross profit/(loss)	5,098	1,161	1,564	1,399	5,406	3,087	2,652
Expenses:							
Impairment of fixed assets	-	-	-	(11,797)	-	-	-
Pre-licence costs	(152)	(133)	(7)	(128)	-	(53)	(23)
E&E and other asset write offs	(235)	(170)	(339)	(25,671)	-	-	-
Administrative expenses	(249)	(268)	(226)	(384)	(220)	(230)	(281)
Foreign exchange gain/(loss)	(4)	3	(2)	(2)	(3)	2	3
Share-based payments	-	-	-	-	-	-	-
Depreciation	-	-	-	(1)	(2)	(1)	(2)
Operating profit/(loss)	4,458	593	990	(36,584)	5,181	2,805	2,349
Other	-	(363)	-	-	-	-	-
Loss recognised on remeasurement to fair value	(3,246)	(8,687)	-	-	-	-	-
Finance revenue	-	-	-	-	-	-	117
Finance costs	(12)	(11)	(10)	-	-	-	-
Profit/(loss) before taxation	1,200	(8,468)	980	(36,584)	5,181	2,805	2,466
Taxation (charge)/credit	(1,603)	(243)	(666)	3,434	(2,183)	(1,028)	(1,202)
(Loss)/profit for the period	(403)	(8,711)	314	(33,150)	2,998	1,777	1,264

### *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 both Q2 and Q3 2011, the cycle of eligible cost recovery was such that the full capped amount of cost recovery could not be claimed by the contractors in these periods, therefore giving lower contractor entitlement revenues and an increased government share of gross revenue. This has reduced Serica's reported entitlement revenues as a proportion of gross sales volumes in Q2 and Q3 2011 compared to earlier periods. Unclaimed cost recovery amounts are carried forward to future periods.

In Q3 2011, gross Kambuna field gas production averaged 36.4 mmscf per day (Q3 2010 40.5 mmscf per day) together with average condensate production of 2,342 barrels per day (Q3 2010 3,390 barrels per day). The Q3 2011 gas production was sold at prices averaging US\$6.1 per mscf (Q3 2010 US\$6.0 per mscf) and generated US\$3.6 million (Q3 2010 US\$5.1 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\$3.0 million (Q3 2010 US\$4.9 million) of revenue net to Serica at an average price of US\$116.9 per barrel (Q3 2010 US\$77.2 per barrel).

### *Cost of sales and depletion charges*

Cost of sales were driven by production from the Kambuna field and totalled US\$1.5 million in Q3 2011, entirely comprised of field operating costs. In accordance with IFRS 5, following the reclassification of the Kambuna Field producing assets from 'property, plant and equipment' to 'assets held for sale' at 30 June 2011, no depletion has been charged in Q3 2011.

The Q3 2011 expense is therefore not directly comparable to the total Q3 2010 charge of US\$4.6 million which comprises both non cash depletion of US\$2.4 million and operating costs of US\$2.2 million. Depletion charges per boe increased significantly for Q4 2010, Q1 and Q2 2011 as the result of the 2010 year end reduction in estimated Kambuna field reserves.

### *Other expenses*

The Q4 2010 pre-tax impairment related to the Kambuna field and resulted from the 2010 year end reduction in estimated reserves.

Minor asset write offs in Q3 2011 of US\$0.2 million were in respect of the Kutai PSC in Indonesia. There were no asset write offs in Q3 2010. Asset write offs in Q4 2010 largely included E&E expenses from the Kutai PSC, which was sold in October 2011.

Under IFRS 5, the assets and associated liabilities of the Indonesian disposal group were initially reclassified at 30 June 2010. A fair value remeasurement exercise was performed to measure the disposal group at the lower of its carrying amount and fair value less costs to sell. This remeasurement generated a loss of US\$8.7 million which was recognised in the Q2 2011 results of discontinued operations. The carrying value was revisited at 30 September 2011 leading to a remeasurement loss of US\$3.2 million recognised in Q3 2011, which largely reflects the production achieved during the period.

The Q3 2011 taxation charge of US\$1.6 million was entirely comprised of current tax charges. The Q3 2010 charge of US\$2.2 million comprised a current tax charge of US\$0.4 million and a deferred tax charge of US\$1.8 million.

### **Summary of Quarterly Results**

Quarter ended:	2011 30 Sep US\$000	2011 30 June US\$000	2011 31 Mar US\$000	2010 31 Dec US\$000	2010 30 Sep US\$000	2010 30 Jun US\$000	2010 31 Mar US\$000	2009 31 Dec US\$000
Sales revenue	6,579	6,613	8,577	9,413	10,018	6,537	5,334	3,476
(Loss)/profit for the quarter	(2,462)	(11,342)	(2,465)	(40,112)	281	(1,646)	(2,740)	19,148
Basic and diluted loss per share US\$	(0.01)	(0.06)	(0.01)	(0.22)	-	(0.01)	(0.02)	-
Basic and diluted earnings per share US\$	-	-	-	-	0.002	-	-	0.11

The second quarter 2011 loss includes a loss 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\$29.4 million attributed to the Kutai and Oates E&E assets and an impairment charge of US\$11.8 against the Kambuna development and production asset.

The fourth quarter 2009 profit includes a profit of US\$26.9 million generated on the disposal of a 25% interest in the Kambuna field, Indonesia and certain E&E asset interests in South East Asia.

## Working Capital, Liquidity and Capital Resources

### Current Assets and Liabilities

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

	30 Sep 2011 US\$000	30 June 2011 US\$000	31 March 2011 US\$000	31 December 2010 US\$000
<b><i>Continuing operations</i></b>				
Current assets:				
Inventories	809	1,622	2,803	2,748
Trade and other receivables	1,950	3,743	11,517	14,669
Financial assets	523	537	-	-
Cash and cash equivalents	18,450	15,395	22,041	30,002
Total Current assets	21,732	21,297	36,361	47,419
Less Current liabilities:				
Trade and other payables	(3,688)	(4,251)	(12,709)	(13,574)
Income tax payable	-	-	(2,101)	(1,466)
Financial liabilities	-	-	-	(11,671)
Total Current liabilities	(3,688)	(4,251)	(14,810)	(26,711)
Net Current assets	18,044	17,046	21,551	20,708
<b><i>Discontinued operations</i></b>				
Assets held for sale	34,531	39,289	-	-
Liabilities associated with assets held for sale	(4,461)	(5,846)	-	-

At 30 September 2011, the Company had net current assets from continuing operations of US\$18.0 million which comprised current assets of US\$21.7 million less current liabilities of US\$3.7 million, giving an overall increase in working capital of US\$1.0 million in the three month period.

Inventories decreased from US\$1.6 million to US\$0.8 million over the Q3 2011 period following the disposal of certain stocks held. The balance as at 30 September 2011 relates to retained items of oilfield equipment.

Trade and other receivables of US\$2.0 million at 30 September 2011 included advance payments on ongoing operations, recoverable amounts from partners in joint venture operations in the UK, Ireland and Morocco, sundry working capital balances, and prepayments. With effect from 30 June 2011, trade and other receivables associated with Indonesian operations are now classified within 'assets held for sale'. US\$2.5 million of trade debtors from gas and condensate sales in August and September outstanding at 30 September 2011 are therefore not included in the trade and other receivables balance above.

Financial assets at 30 September 2011 represented US\$0.5 million of short term restricted cash deposits.

Cash and cash equivalents increased from US\$15.4 million to US\$18.5 million in the quarter. The 30 September 2011 balance of US\$18.5 million excludes US\$3.4 million of proceeds received from Kris Energy in October on completion of the disposal of Indonesian exploration properties noted above. During Q3 2011 the Company generated US\$6.6 million of revenues from the Kambuna field but also incurred current tax, field operating and capital costs. Other costs included exploration work across the portfolio in the UK, Ireland and new venture areas, Columbus Field Development Plan expense



together with ongoing administrative costs and corporate activity. Cash balances held in Indonesian operations are no longer classified in cash and cash equivalents.

Trade and other payables at 30 September 2011 include trade creditors and accruals from ongoing operations on the Columbus field development, the UK, Ireland and Morocco exploration programmes, payables for administrative expenses and other corporate costs.

All current tax creditors arise from Indonesian operations and are now classified as 'liabilities associated with assets held for sale'.

Financial liabilities at 31 December 2010 comprise drawings under the senior debt facility and are disclosed net of the unamortised portion of allocated issue costs. The balance was classified as short-term and was fully repaid in February 2011.

#### Assets held for sale and associated liabilities

The assets and liabilities recorded in respect of South East Asia interests being sold were initially classified as part of a disposal group held for sale as at 30 June 2011. As at 30 September 2011 these assets and liabilities continue to be classified as 'held for sale'. The amounts stated in the balance sheet as at both 30 June and 30 September 2011 have been written down to the estimated fair value less costs to sell of the disposal groups.

As at 30 September 2011	Book cost US\$000	Loss on re- measurement US\$000	30 Sep 2011 US\$000
<b>Asset held for sale</b>			
Property, plant and equipment	28,971	(8,041)	20,930
Exploration & evaluation assets	6,814	(3,473)	3,341
Long-term other receivables	3,726	(172)	3,554
Inventories	843	(247)	596
Financial assets	-	-	-
Trade and other receivables	5,333	-	5,333
Cash	777	-	777
<b>Total</b>	<b>46,464</b>	<b>(11,933)</b>	<b>34,531</b>
<b>Liabilities associated with assets held for sale</b>			
Trade and other payables	(2,331)	-	(2,331)
Taxation payable	(391)	-	(391)
Provisions	(1,739)	-	(1,739)
Deferred income tax liabilities	(227)	227	-
<b>Total</b>	<b>(4,688)</b>	<b>227</b>	<b>(4,461)</b>

#### *Assets held for sale*

Exploration and evaluation assets ("E&E assets") represent capitalised costs incurred to date on the East Seruway PSC.

Property, plant and equipment chiefly comprise the net book amount of the capital expenditure on the Company's interest in the Kambuna field.

Long-term other receivables are represented by value added tax ("VAT") on Indonesian capital spend which will be recovered from future production.

Other working capital assets are all associated with South East Asia operations.

*Liabilities associated with assets held for sale*

Trade and other payables at 30 September 2011 chiefly include creditors and accruals from the Kambuna field operations. Other liabilities include sundry creditors and accruals from the ongoing Indonesian exploration programmes.

The current taxation creditor of US\$0.4 million arises in respect of Kambuna operations.

Provisions of US\$1.7 million were in respect of Kambuna field decommissioning payments.

## Long-Term Assets and Liabilities

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

	30 Sep 2011 US\$000	30 June 2011 US\$000	31 March 2011 US\$000	31 December 2010 US\$000
Exploration & evaluation assets	65,352	64,967	70,748	68,604
Property, plant and equipment	536	623	32,394	37,546
Financial assets	530	677	1,682	1,431
Long-term other receivables	-	-	4,585	4,748
Financial liabilities	-	-	-	-
Provisions	-	-	(1,716)	(1,706)
Deferred income tax liabilities	-	-	(1,370)	(1,339)

During Q3 2011, total investments in petroleum and natural gas properties represented by exploration and evaluation assets ("E&E assets") increased from US\$65.0 million to US\$65.4 million as US\$0.4 million of additions were incurred in respect of continuing operations. US\$0.25 million was incurred on the Columbus FDP and other UK and Ireland exploration work and G&A. US\$0.15 million was incurred on the Morocco interests.

Indonesia E&E asset costs were reclassified as 'assets held for sale' as at 30 June 2011.

The property, plant and equipment balance of US\$0.5 million at 30 September 2011 represents office fixtures and fittings and computer equipment (31 December 2010: US\$0.8 million). In previous periods, property, plant and equipment chiefly comprised the net book amount of the capital expenditure on the Company's interest in the Kambuna development. These amounts were reclassified as 'assets held for sale' as at 30 June 2011.

Financial assets at 30 September 2011 represented US\$0.5 million of restricted cash deposits.

Long-term other receivables are represented by value added tax ("VAT") on Indonesian capital. These assets are now classified as 'assets held for sale'.

Financial liabilities represented by drawings under the senior secured debt facility are disclosed net of the unamortised portion of allocated issue costs.

Provisions of US\$1.7 million at 31 March 2011 and 31 December 2010 were in respect of Kambuna field decommissioning payments in Indonesia. This provision is now classified as 'liabilities associated with assets held for sale'.

The deferred income tax liabilities arise in respect of the Company's Kambuna asset in Indonesia. These liabilities were fully released in the Q2 2011 period following the reclassification of the Kambuna asset book cost as an asset held for sale.

## Shareholders' Equity

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

	30 Sep 2011 US\$000	30 June 2011 US\$000	31 March 2011 US\$000	31 December 2010 US\$000
Total share capital	207,702	207,702	207,702	207,657
Other reserves	19,192	18,954	18,730	18,428
Accumulated deficit	(112,362)	(109,900)	(98,558)	(96,093)

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 credited in respect of cumulative share-based payment charges. The increase in other reserves from US\$19.0 million to US\$19.2 million reflects a credit to equity in respect of share-based payment charges in Q3 2011.

### Asset values and Impairment

At 30 September 2011 Serica's market capitalisation stood at US\$50.4 million (£32.2 million), based upon a share price of £0.1825, which was exceeded by the net book value at that date of US\$114.5 million (£73.3 million). By 13 November 2011 the Company's market capitalisation had increased to US\$52.0 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 Company's debt facility was fully repaid in February 2011.

At 30 September 2011, the Company held cash and cash equivalents of US\$18.5 million and US\$1.1 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 disposal or the revenues from a retained 25% Kambuna interest, 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 30 September 2011;

Contractual Obligations	Total US\$000	<1 year US\$000	1-3 years US\$000	>3 years US\$000
Long term debt	-	-	-	-
Operating leases	873	601	272	-
Other long term obligations	1,826	260	696	870
Total contractual obligations	2,699	861	968	870

All bank debt was repaid in February 2011.

Other long term obligations relate to decommissioning payments in Indonesia.

### *Lease commitments*

At 30 September 2011, 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 2011	152
31 December 2012	539

### *Capital expenditure commitments, obligations and plans*

Following the disposal in October 2011 of the Company's interests in the Kutai PSC and East Seruway PSC in Indonesia, the Company has no further obligations in respect of these properties.

The Company's most significant share of expected outstanding capital costs on the Kambuna project were for the proposed Kambuna North well and totalled approximately a net US\$5.0 million. These costs were not committed as at 30 September 2011. However, the Kambuna North well will now not be drilled in 2011 due to the unavailability of a suitable drilling rig. Considerations for drilling the well in 2012 are under review.

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. There are currently no material work obligations as at 30 September 2011. Other less material minimum obligations include G&G, seismic work and ongoing licence fees in the UK and Ireland.

### 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 and 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 2011/12 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 and is drawn in the currency required.

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

## Share Options

As at 30 September 2011, the following director and employee share options were outstanding:

<b>Expiry Date</b>	<b>Amount</b>	<b>Exercise cost Cdn\$</b>
December 2014	200,000	200,000
January 2015	600,000	600,000
June 2015	1,100,000	1,980,000

  

		<b>Exercise cost £</b>
August 2012	1,200,000	1,182,000
October 2013	750,000	300,000
January 2014	431,000	137,920
November 2015	298,000	289,060
January 2016	1,065,000	1,102,275
June 2016	270,000	259,200
November 2016	120,000	134,400
January 2017	543,000	553,860
May 2017	210,000	218,400
March 2018	1,230,000	922,500
March 2018	850,000	697,000
January 2020	3,696,000	2,513,280
April 2021	450,000	141,188

In November 2011, 20,000 employee share options with an expiry date of January 2014 and 210,000 employee share options with an expiry date of January 2020 were cancelled.

## Outstanding Share Capital

As at 13 November 2011, the Company had 176,660,311 ordinary shares issued and outstanding.

## Business Risk and Uncertainties

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

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

In addition to the principal risks and uncertainties described herein, the Company is subject to a number of other risk factors generally, a description of which is set out in the Company's latest Annual Information Form available on [www.sedar.com](http://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 current activities are located primarily in Western Europe, North Africa and 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 30 September 2011 the Company generated a loss of US\$2.1 million from continuing operations. At 30 September 2011 the Company had US\$18.5 million of net cash in continuing operations.

The Company intends to utilise its existing cash balances and future operating cash inflows, together with the currently available portion of the US\$50 million senior secured debt facility, to fund the immediate needs of its investment programme and ongoing operations. Further details of the Company's financial resources and debt facility are given above in the Financial Review in this MD&A.

## **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 can be found on the Company's website at [www.serica-energy.com](http://www.serica-energy.com) and on SEDAR at [www.sedar.com](http://www.sedar.com)

Approved on Behalf of the Board

Tony Craven Walker  
Chairman

Christopher Hearne  
Finance Director

14 November 2011



## **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.

## Serica Energy plc

### Group Income Statement

For the period ended 30 September

Unaudited		Three months ended 30 Sep 2011 US\$000	Three months ended 30 Sep 2010 US\$000	Nine months ended 30 Sep 2011 US\$000	Nine Months Ended 30 Sep 2010 US\$000
<b>Continuing operations</b>	<i>Note</i>				
<b>Sales revenue</b>		-	-	-	-
Cost of sales		-	-	-	-
<b>Gross profit</b>		-	-	-	-
Pre-licence costs		(192)	(134)	(1,064)	(1,484)
E&E and other asset write offs		-	(29)	-	(106)
Administrative expenses		(1,292)	(1,494)	(4,217)	(4,588)
Foreign exchange (loss)/gain		(78)	108	11	201
Share-based payments		(238)	(233)	(764)	(964)
Depreciation		(87)	(27)	(262)	(60)
<b>Operating loss from continuing operations</b>		(1,887)	(1,809)	(6,296)	(7,001)
Finance revenue		2	13	12	46
Finance costs		(174)	(921)	(1,185)	(3,189)
<b>Loss before taxation</b>		(2,059)	(2,717)	(7,469)	(10,144)
Taxation charge for the period	10	-	-	-	-
<b>Loss for the period from continuing operations</b>		(2,059)	(2,717)	(7,469)	(10,144)
<b>Discontinued operations</b>					
(Loss)/profit for the period from discontinued operations	4a)	(403)	2,998	(8,800)	6,039
<b>(Loss)/profit for the period</b>		(2,462)	281	(16,269)	(4,105)
<b>Loss per ordinary share (EPS)</b>					
<i>Loss on continuing operations</i>					
Basic and diluted EPS (US\$)		(0.01)	(0.02)	(0.04)	(0.06)
<i>Loss for the period</i>					
Basic and diluted EPS (US\$)		(0.01)	0.002	(0.09)	(0.02)

### Total Statement of Comprehensive Income

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

**Serica Energy plc**  
**Consolidated Balance Sheet**

		30 Sep 2011 US\$000	30 June 2011 US\$000	31 Dec 2010 US\$000	30 Sep 2010 US\$000
	Notes	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)
<b>Non-current assets</b>					
Exploration & evaluation assets	5	65,352	64,967	68,604	85,080
Property, plant and equipment	6	536	623	37,546	52,257
Goodwill		-	-	-	148
Financial assets		530	677	1,431	1,458
Other receivables		-	-	4,748	6,187
		<u>66,418</u>	<u>66,267</u>	<u>112,329</u>	<u>145,130</u>
<b>Current assets</b>					
Inventories		809	1,622	2,748	3,696
Trade and other receivables		1,950	3,743	14,669	13,459
Financial assets		523	537	-	-
Cash and cash equivalents		18,450	15,395	30,002	40,513
		<u>21,732</u>	<u>21,297</u>	<u>47,419</u>	<u>57,668</u>
Assets held for sale	4b)	34,531	39,289	-	-
<b>TOTAL ASSETS</b>		<u>122,681</u>	<u>126,853</u>	<u>159,748</u>	<u>202,798</u>
<b>Current liabilities</b>					
Trade and other payables		(3,688)	(4,251)	(13,574)	(14,411)
Income taxation payable		-	-	(1,466)	(1,265)
Financial liabilities	7	-	-	(11,671)	(12,313)
<b>Non-current liabilities</b>					
Financial liabilities		-	-	-	-
Provisions		-	-	(1,706)	-
Deferred income tax liabilities		-	-	(1,339)	(4,972)
Liabilities associated with assets held for sale	4b)	(4,461)	(5,846)	-	-
<b>TOTAL LIABILITIES</b>		<u>(8,149)</u>	<u>(10,097)</u>	<u>(29,756)</u>	<u>(32,961)</u>
<b>NET ASSETS</b>		<u>114,532</u>	<u>116,756</u>	<u>129,992</u>	<u>169,837</u>
Share capital	8	207,702	207,702	207,657	207,657
Other reserves		19,192	18,954	18,428	18,161
Accumulated deficit		(112,362)	(109,900)	(96,093)	(55,981)
<b>TOTAL EQUITY</b>		<u>114,532</u>	<u>116,756</u>	<u>129,992</u>	<u>169,837</u>

**Serica Energy plc**  
**Statement of Changes in Equity**  
For the period ended 30 September 2011

**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
Share-based payments	-	302	-	302
Proceeds on exercise of options	45	-	-	45
Loss for the period	-	-	(2,465)	(2,465)
At 31 March 2011 (unaudited)	207,702	18,730	(98,558)	127,874
Share-based payments	-	224	-	224
Loss for the period	-	-	(11,342)	(11,342)
At 30 June 2011 (unaudited)	207,702	18,954	(109,900)	116,756
Share-based payments	-	238	-	238
Loss for the period	-	-	(2,462)	(2,462)
At 30 September 2011 (unaudited)	<u>207,702</u>	<u>19,192</u>	<u>(112,362)</u>	<u>114,532</u>

For the year ended 31 December 2010

**Group**

	Share capital US\$000	Other reserves US\$000	Deficit US\$000	Total US\$000
At 1 January 2010 (audited)	207,633	17,197	(51,876)	172,954
Share-based payments	-	501	-	501
Loss for the period	-	-	(2,740)	(2,740)
At 31 March 2010 (unaudited)	207,633	17,698	(54,616)	170,715
Conversion of options	24	-	-	24
Share-based payments	-	230	-	230
Loss for the period	-	-	(1,646)	(1,646)
At 30 June 2010 (unaudited)	207,657	17,928	(56,262)	169,323
Share-based payments	-	233	-	233
Loss for the period	-	-	281	281
At 30 September 2010 (unaudited)	207,657	18,161	(55,981)	169,837
Share-based payments	-	267	-	267
Loss for the period	-	-	(40,112)	(40,112)
At 31 December 2010 (audited)	<u>207,657</u>	<u>18,428</u>	<u>(96,093)</u>	<u>129,992</u>

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

Unaudited	Three months ended 30 Sep 2011 US\$000	Three months ended 30 Sep 2010 US\$000	Nine months ended 30 Sep 2011 US\$000	Nine months ended 30 Sep 2010 US\$000
Cash flows from operating activities:				
Loss for the period	(2,462)	281	(16,269)	(4,105)
Adjustments to reconcile loss for the period to net cash flow from operating activities				
Taxation	1,603	2,183	2,512	4,413
Net finance costs	184	908	1,206	3,026
Depreciation	87	29	262	65
Depletion and amortisation	-	2,421	9,063	5,606
Asset write offs	235	29	744	106
Loss on re-measurement to fair value	3,246	-	11,933	-
Share-based payments	238	233	764	964
Decrease/(increase) in receivables	4,135	(124)	8,357	(8,474)
Decrease/(increase) in inventories	820	(509)	842	(841)
(Decrease)/increase in payables	(1,819)	6,400	(8,043)	6,054
Cash generated from operations	6,267	11,851	11,371	6,814
Taxation paid	(1,791)	-	(4,925)	-
<b>Net cash flow from operations</b>	<b>4,476</b>	<b>11,851</b>	<b>6,446</b>	<b>6,814</b>
Cash flows from investing activities:				
Purchase of property, plant & equipment	(447)	(1,577)	(1,286)	(4,064)
Purchase of E&E assets	(477)	(9,600)	(3,562)	(19,050)
Proceeds from disposals	-	382	-	99,532
Interest received	2	13	12	727
<b>Net cash (outflow)/inflow from investing</b>	<b>(922)</b>	<b>(10,782)</b>	<b>(4,836)</b>	<b>77,145</b>
Cash proceeds from financing activities:				
Repayments of loans and borrowings	-	-	(11,800)	(60,050)
Proceeds on exercise of options	-	-	45	24
Finance costs paid	(172)	(530)	(636)	(1,832)
<b>Net cash from financing activities</b>	<b>(172)</b>	<b>(530)</b>	<b>(12,391)</b>	<b>(61,858)</b>
<b>Cash and cash equivalents</b>				
Net (decrease)/increase in period	3,382	539	(10,781)	22,101
Effect of exchange rates on cash and cash	(30)	-	6	-
Amount at start of period	15,875	39,974	30,002	18,412
Amount at end of period (see note 4b)	19,227	40,513	19,227	40,513

## **Serica Energy plc**

### **Notes to the Unaudited Consolidated Financial Statements**

#### **1. Corporate information**

The interim condensed consolidated financial statements of the Group for the nine months ended 30 September 2011 were authorised for issue in accordance with a resolution of the directors on 14 November 2011.

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 nine months ended 30 September 2011 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 2010. 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 2010.

##### **Going Concern**

The financial position of the Group, its cash flows and available debt facilities are described in the Financial Review in the Q3 2011 Management's Discussion and Analysis. As at 30 September 2011, the Group had US\$18.5 million of net cash held in continuing operations.

The Directors are required to consider the availability of resources to meet the Group and Company's liabilities for the foreseeable 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 2010, except for the adoption of the following new standards and interpretations, noted below,

<b>International Accounting Standards (IAS / IFRSs)</b>		<b>Effective date</b>
IAS 24	Related Party disclosures	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
IFRS	Improvements to IFRS	Issued May 2010

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

The Group financial statements are presented in US dollars and all values are rounded to the nearest thousand dollars (US\$000) except when otherwise indicated.

### **Basis of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Serica Energy 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 Kutei B.V., Serica Glagah Kambuna B.V., Serica East Seruway B.V., Serica Foun Draa B.V., Serica Sidi Moussa B.V., Serica Indonesia Holdings B.V. and Serica Energy Pte Limited. Together, these comprise the "Group".

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

### 3. Segmental Information

The 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 nine months ended 30 September 2011 and 2010 and certain asset and liability information as at 30 September 2011 and 2010. Costs associated with Spain, the Morocco licences and the corporate centre in the UK are included in the UK & NW Europe reportable segment. Segmental assets classified as 'other' include oilfield equipment currently retained but held in South East Asia. The information for the Indonesia segment is classified as discontinued.

	Continuing	Continuing	Continuing	Discontinued	
Nine months ended 30 September 2011 (unaudited)	UK & NW Europe US\$000	Other US\$000	Total US\$000	US\$000	Total US\$000
Revenue	-	-	-	21,769	
Loss for the period	(7,469)	-	(7,469)	(8,800)	
Other segmental information					
Segmental assets	87,341	809	88,150	34,531	122,681
Unallocated assets			-	-	-
Total assets			88,150	34,531	122,681
Segmental liabilities	(3,688)	-	(3,688)	(4,461)	(8,149)
Unallocated liabilities			-	-	-
Total liabilities			(3,688)	(4,461)	(8,149)
Nine months ended 30 September 2010 (unaudited)	Continuing UK & NW Europe US\$000	Continuing Other US\$000	Continuing Total US\$000	Discontinued US\$000	
Revenue	-	-	-	21,889	
(Loss)/profit for the period	(10,144)	-	(10,144)	6,039	
Other segmental information					
Segmental assets	71,775	97,262	N/A	N/A	169,037
Unallocated assets					33,761
Total assets					202,798
Segmental liabilities	(4,057)	(16,591)			(20,648)
Unallocated liabilities					(12,313)
Total liabilities					(32,961)



#### 4. Discontinued operation

As a result of the decision by the Company to dispose of its remaining Indonesian assets, the various assets and associated liabilities of the Company's Indonesian business have been presented as held for sale in the Group Balance Sheet at 30 June and 30 September 2011. The financial results of the Indonesian business disposal groups are disclosed as discontinued operations and separate from the results of the retained core business segments.

##### a) Results of discontinued operations

The results of the discontinued operations are presented below:

Unaudited	Three months ended 30 Sep 2011 US\$000	Three months ended 30 Sep 2010 US\$000	Nine months ended 30 Sep 2011 US\$000	Nine months ended 30 Sep 2010 US\$000
	<i>Note</i>			
<b>Sales revenue</b>	6,579	10,018	21,769	21,889
Cost of sales	(1,481)	(4,612)	(13,946)	(10,744)
<b>Gross profit</b>	5,098	5,406	7,823	11,145
Pre-licence costs	(152)	-	(292)	(76)
E&E and other asset write offs	(235)	-	(744)	-
Administrative expenses	(249)	(220)	(743)	(731)
Foreign exchange gain	(4)	(3)	(3)	2
Depreciation	-	(2)	-	(5)
<b>Operating profit</b>	4,458	5,181	6,041	10,335
Other costs	-	-	(363)	-
Loss recognised on remeasurement to fair value	(3,246)	-	(11,933)	-
Finance revenue	-	-	-	117
Finance costs	(12)	-	(33)	-
<b>Profit/(loss) before taxation</b>	1,200	5,181	(6,288)	10,452
Taxation charge for the period	(1,603)	(2,183)	(2,512)	(4,413)
<b>(Loss)/profit for the period</b>	(403)	2,998	(8,800)	6,039
<b>Loss per ordinary share (EPS)</b>	US\$	US\$	US\$	US\$
Basic and diluted EPS on result in period	(0.002)	0.02	(0.05)	0.03

## Analysis of Sales Revenue

Nine months ended 30 September:	2011 US\$000	2010 US\$000
Gas sales	12,462	11,171
Condensate sales	9,307	10,718
	<u>21,769</u>	<u>21,889</u>

## Analysis of Cost of sales

Nine months ended 30 September:	2011 US\$000	2010 US\$000
Operating costs	4,628	5,471
Depletion *	9,063	5,606
Movement in inventories of oil	255	(333)
	<u>13,946</u>	<u>10,744</u>

\* Under IFRS 5 no depletion charge is recorded in Q3 2011 as the book costs associated with the Kambuna producing asset are classified as an 'asset held for sale'.

## Taxation

The major components of taxation in the discontinued operations are:

Nine months ended 30 September:	2011 US\$000	2010 US\$000
Current income tax charge	3,851	876
Deferred income tax (credit)/charge	(1,112)	3,537
Release of deferred tax on fair value remeasurement	(227)	-
Total tax charge	<u>2,512</u>	<u>4,413</u>

The net cash flows attributable to the disposal group in discontinued operations are as follows:

Nine months ended 30 September:	2011 US\$000	2010 US\$000
Operating cash inflows	10,022	14,716
Investing cash (out)/inflows (1)	(2,408)	84,550
Financing cash outflows (2)	-	-
Net cash inflow	<u>7,614</u>	<u>99,266</u>

(1) Investing cash inflows in 2010 include proceeds of US\$99,150,000 received from the 2009 asset disposal to Kris Energy.

(2) Repayments of loans and borrowings are classified as corporate cash outflows and excluded from discontinued operations.

## b) Assets and liabilities

The amounts stated in the balance sheet as at 30 June and 30 September 2011 have been written down to the estimated fair value less costs to sell of the disposal groups.

The major classes of assets and liabilities of the South East Asia operations held for sale as at 30 September 2011 were as follows:

As at 30 September	Book cost US\$000	Loss on remeasurement US\$000	30 Sep 2011 US\$000
<b>Assets</b>			
Plant, property and equipment	28,971	(8,041)	20,930
Exploration and evaluation assets	6,814	(3,473)	3,341
Other receivables – long term	3,726	(172)	3,554
Inventories	843	(247)	596
Financial asset	-	-	-
Cash	777	-	777
Trade and other receivables	5,333	-	5,333
	<u>46,464</u>	<u>(11,933)</u>	<u>34,531</u>
<b>Liabilities</b>			
Trade and other payables	(2,331)	-	(2,331)
Taxation payable	(391)	-	(391)
Provisions	(1,739)	-	(1,739)
Deferred tax liabilities	(227)	227	-
	<u>(4,688)</u>	<u>227</u>	<u>(4,461)</u>
Net assets of disposal groups			<u>30,070</u>

## Analysis of cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise amounts from both continuing and discontinued operations;

	30 Sep 2011 US\$000
Cash held in continuing operations	18,450
Cash held in discontinued operations	777
Total per consolidated cash flow statement	<u>19,227</u>

## 5. Exploration and Evaluation Assets

	Total US\$000
Net book amount:	
At 1 January 2011 (audited)	68,604
Additions	3,085
Reclassifications to assets held for sale (see note 4b)	(6,722)
At 30 June 2011 (unaudited)	<u>64,967</u>
Additions	385
At 30 September 2011 (unaudited)	<u>65,352</u>

## 6. Property Plant and Equipment

	Oil and gas properties US\$000	Computer / IT equipment US\$000	Fixtures, fittings and equipment US\$000	Total US\$000
Cost:				
At 1 January 2011 (audited)	61,005	286	949	62,240
Additions	771	-	68	839
Reclassifications to assets held for sale	(61,776)	-	(110)	(61,886)
At 30 June 2011 (unaudited)	<u>-</u>	<u>286</u>	<u>907</u>	<u>1,193</u>
Additions	-	-	-	-
At 30 September 2011 (unaudited)	<u>-</u>	<u>286</u>	<u>907</u>	<u>1,193</u>
Depreciation and depletion:				
At 1 January 2011 (audited)	24,299	208	187	24,694
Charge for the period	9,063	20	155	9,238
Reclassifications to assets held for sale	(33,362)	-	-	(33,362)
At 30 June 2011 (unaudited)	<u>-</u>	<u>228</u>	<u>342</u>	<u>570</u>
Charge for the period	-	8	79	87
At 30 September 2011 (unaudited)	<u>-</u>	<u>236</u>	<u>421</u>	<u>657</u>
Net book amount:				
At 30 September 2011	<u>-</u>	<u>50</u>	<u>486</u>	<u>536</u>
At 30 June 2011	<u>-</u>	<u>58</u>	<u>565</u>	<u>623</u>
At 1 January 2011	<u>36,706</u>	<u>78</u>	<u>762</u>	<u>37,546</u>

Oil and gas property costs associated with Indonesian operations were reclassified as assets held for sale in the Group Balance Sheet as at 30 June 2011. See note 4b) for further information.

## 7. Financial Liabilities

	30 September 2011 US\$000	31 December 2010 US\$000
Current bank loans:		
Variable rate multi-option facility	-	(11,671)

On 16 November 2009 the Company entered into a new US\$100 million senior secured revolving credit facility to replace its previous facility of a similar amount. The facility, which has been arranged with J.P.Morgan, Bank of Scotland plc and Natixis as Mandated Lead Arrangers, is for a term of three years. The facility was initially used to refinance the Company's outstanding borrowings on the Kambuna field and is also available to finance the appraisal and development of the Columbus field and for general corporate purposes. The facility is secured by first charges over the Group's interest in the Kambuna field in Indonesia and the Columbus field in the UK North Sea and the shares of certain subsidiary companies.

Following the debt repayments in 2010, management reduced the facility to US\$50 million total capacity in Q4 2010 so as to restrict ongoing facility costs.

The total gross liability as at 31 December 2010 was US\$11.8 million which is disclosed net of the unamortised portion of allocated issue costs. All drawings under the facility were repaid in February 2011 and were classified as current as at 31 December 2010.

Further details of the Company's financial resources and debt facilities are given in the Q3 2011 Management's Discussion and Analysis.

## 8. 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 authorized 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.

<b>Allotted, issued and fully paid:</b>		Share	Share	Total
<b>Group</b>	Number	capital	premium	Share capital
		US\$000	US\$000	US\$000
At 1 January 2010	176,518,311	17,742	189,891	207,633
Options exercised (i)	52,000	5	19	24
At 31 December 2010	176,570,311	17,747	189,910	207,657
Options exercised (ii)	90,000	9	36	45
At 30 September 2011	176,660,311	17,756	189,946	207,702

i) In April 2010, 52,000 share options were converted to ordinary shares at a price of £0.32.

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

As at 13 November 2011 the issued voting share capital of the Company is 176,660,311 ordinary shares.

## 9. Share-Based Payments

### Share Option Plans

Following a reorganisation (the "Reorganisation") in 2005, the Company established an option plan (the "Serica 2005 Option Plan") to replace the Serica Energy Corporation Share Option Plan (the "Serica BVI Option Plan").

Serica Energy Corporation ("Serica BVI") was previously the holding company of the Group but, following the Reorganisation, is now a wholly owned subsidiary of the Company. Prior to the Reorganisation, Serica BVI issued options under the Serica BVI Option Plan and, following the Reorganisation, the Company has agreed to issue ordinary shares to holders of Serica BVI Options already awarded upon exercise of such options in place of the shares in Serica BVI to which they would be entitled. There are currently options outstanding under the Serica BVI Option Plan entitling holders to acquire up to an aggregate of 1,900,000 ordinary shares of the Company. No further options will be granted under the Serica BVI Option Plan.

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

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

As at 30 September 2011, the Company has granted 14,137,500 options under the Serica 2005 Option Plan, 11,113,000 of which are currently outstanding. 5,492,000 of the 11,113,000 options outstanding at 30 September 2011 under the Serica 2005 Option Plan are exercisable only if certain performance targets being met.

The Company calculates the value of share-based compensation using a Black-Scholes option pricing model (or other appropriate model for those Directors' options subject to certain market conditions) to estimate the fair value of share options at the date of grant. The estimated fair value of options is amortised to expense over the options' vesting period. US\$238,000 has been charged to the income statement in the three month period ended 30 September 2011 (three month period ended 30 September 2010: US\$233,000) and a similar amount credited to other reserves.

The modification of options in December 2009 and options granted in 2010 were consistently valued in line with the Company's valuation policy, assumptions made included a weighted average risk-free interest rate of 4%, 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:

<b>Serica BVI Option Plan</b>	<b>Number</b>	<b>WAEP Cdn\$</b>
Outstanding at 31 December 2009	1,975,000	1.45
Expired during the year	(75,000)	1.00
Outstanding at 31 December 2010	1,900,000	1.46
Expired during the period	-	-
Outstanding at 30 September 2011	1,900,000	1.46
<b>Serica 2005 Option Plan</b>		<b>£</b>
Outstanding at 31 December 2009	8,672,000	0.82
Granted during the year	4,453,500	0.67
Exercised during the year	(52,000)	0.32
Cancelled during the year	(209,000)	0.88
Outstanding at 31 December 2010	12,864,500	0.82
Exercised during the period	(90,000)	0.32
Cancelled during the period	(1,141,000)	0.84
Outstanding at 31 March 2011	11,633,500	0.78
Granted during the period	450,000	0.31
Cancelled during the period	(592,500)	0.77
Outstanding at 30 June 2011	11,491,000	0.76
Cancelled during the period	(378,000)	0.76
Outstanding at 30 September 2011	11,113,000	0.76

In January 2011, 90,000 share options were exercised by employees other than directors at a price of £0.32.

In April 2011, 450,000 share options were granted at an exercise price of £0.31. For 400,000 of these options the award granted is subject to performance criteria.

In November 2011, 230,000 employee options granted under the Serica 2005 Option Plan were cancelled.



## **10. Taxation – continuing operations**

There is no current or deferred income tax charge in the income statement in respect of continuing operations.

## **11. 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 2010. Those accounts, upon which the auditors issued an 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](http://www.serica-energy.com) and on SEDAR at [www.sedar.com](http://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](http://www.serica-energy.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).