SERICA ENERGY plc
Third Quarter 2005 Report to Shareholders – September 30, 2005

Management Overview

On September 1, 2005 Serica completed a re-organisation under which ordinary shares in a new UK-registered parent company, Serica Energy plc, were offered, on a one-for one basis, for existing common shares in the previous parent, Serica Energy Corporation. The move from the British Virgin Islands-registered parent was required by the TSX Ventures Exchange (TSX-V) and facilitates Serica's recently announced intention to apply for its shares to be admitted to the London AIM market whilst retaining its TSX-V listing.

On the operational front Serica announced, in early October, the successful initiation of drilling in Indonesia. Daily flow rates of 17.5 million cubic feet of gas and 1,500 barrels of gas condensate, from testing of the Kambuna-2 well drilled in the Glagah Kambuna TAC, confirm the potential first identified in Kambuna-1 and support an early development of the Kambuna Field. A preliminary development plan will be submitted to Pertamina by year-end which will include a 3D seismic survey and an appraisal well in 2006.

Following straight on from Kambuna-2, the Togar-1A exploration well, drilled in the Asahan Offshore PSC, was announced as a gas discovery in late October. Although not considered commercial at this stage, the discovery of gas offers strong encouragement for a number of other prospects on the block. A new 1500 km 2D seismic survey on the block has just been acquired in order to determine drilling locations.

Reflecting its strategy of sharing exploration risk whilst retaining significant block interests, prior to the commencement of drilling, Serica farmed-out 25% working interests in Glagah Kambuna and Asahan to Duinord Petroleum Inc. in return for a 50% cost carry on the two-well programme plus some US$1 million in back costs. Serica has also recently acquired an additional 15% interest in Asahan from PT Medco Energi International TBK. Following completion of the wells, Serica retains 55% working interests in each of Asahan and Glagah Kambuna and will remain operator of both contracts. These transactions are subject to the necessary government approvals.

In the North Sea, Serica was awarded two blocks in the UK Government's 23rd licensing round, 23/16f and 14/15a. Serica has a 50% interest and is the operator of each block and its partners are Endeavour Energy and Paladin Expro respectively. Delineation work in the Company's existing UK licences has identified drillable prospects with oil and gas potential and discussions continue to identify suitable partners for the drilling phase.

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" or the "Company") should be read in conjunction with the attached unaudited interim consolidated financial statements for the three and nine-month periods ended September 30, 2005 and also with its MD&A and audited consolidated financial statements for the year ended December 31, 2004. The interim financial statements for the three and nine-month periods ended September 30, 2005 have been prepared by and are the responsibility of the Company's management and the independent auditors have not performed a review of these statements.

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

Serica's activities are centred on Indonesia, the UK and Spain. The Company has limited current oil and gas production with the main emphasis placed upon exploration and its future drilling programs. During the first nine months of 2005 work has continued on building the Company's financial position, adding to its properties and the initiation of drilling on Serica's Indonesian properties.

Results of Operations

Serica generated a loss of US$0.72 million for the three months ended September 30, 2005 (“Q3 2005”) compared to US$3.28 million for the three months ended September 30, 2004.

	2005			2004			
US$000	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**36**	32	31	33	41	43	39
Expenses:							
Operating	**-**	-	-	-	-	-	-
Administrative	**1,335**	980	1,113	1,181	1,252	1,587	857
Stock-based compensation	**254**	383	78	52	27	31	57
Depletion, depreciation & amortization	**4**	4	4	4	3	3	9
Amortization of deferred charges	**-**	61	20	34	-	-	-
Interest, net	**(61)**	(101)	(82)	(144)	(11)	(14)	(1)
Foreign exchange loss (gain)	**240**	600	24	(260)	(18)	34	63
Loss (gain) on disposal	**-**	-	-	-	-	(28)	(113)
Release of abandonment costs	**-**	-	-	(122)	-	-	-
Net loss before tax	**(1,736)**	(1,895)	(1,126)	(712)	(1,212)	(1,570)	(833)
Income taxes	**1,018**	(1,490)	(41)	-	-	-	-
Future taxes	**-**	2,249	-	-	(2,064)	-	-
Net loss for the period	**(718)**	(1,136)	(1,167)	(712)	(3,276)	(1,570)	(833)

Revenues from oil and natural gas production are recognized on the basis of the Company’s net working interest in its properties. Revenues throughout each period were generated from Serica’s 10% interest in the Harimau producing gas and gas condensate field. Whilst steady during 2005, the decrease in sales revenues from US$0.12 million for the nine-month period ended September 30, 2004 to US$0.10 million for the nine-month period ended September 30, 2005 reflected the gradual decline in production levels partly offset by higher sales prices. Direct operating costs for the field during these periods were carried by Medco Energi Limited.

Administrative expenses of US$1.34 million for Q3 2005 compare to US$1.25 million for the same period last year and US$0.98 million for Q2 2005. The increase over the past quarter reflects a lower level of capitalisation of costs associated with specific exploration properties.

The increase in Q3 2005 stock-based compensation costs to US$0.25 million from US$0.03 million for the same period last year reflects stock option awards made during the course of 2004 and 2005. However, a reduction from US$0.38 million for Q2 2005 reflects a lower level of new awards in Q3. Negligible depletion, depreciation and amortisation charges in all periods represent office equipment only. The costs of petroleum and natural gas properties are not currently subject to such charges pending further evaluation. Deferred charges had been fully written off by mid-year following the redemption on June 30, 2005 of the ENI Investments plc loan note acquired with Firstearl in Q3 2004.

Net interest income of US$0.06 million in Q3 2005 compares with US$0.10 million in Q2 2005 and minimal levels for the equivalent periods last year. The increase from last year was due to higher cash balances. Exchange losses on foreign denominated current assets and liabilities decreased to US$0.24 million for Q3 2005 compared to a much higher level of US$0.60 million in Q2 2005. This largely related to the sterling-denominated ENI loan notes for which payment was received in early July 2005. There have been no gains on disposals so far this year whilst a gain of US$0.14 million arose during the equivalent period of last year on the sale of shares in a company listed on the TSX Venture Exchange.

Expenditures during Q3 2005 have reduced income tax expense for the year to date by US$1.02 million, reducing the tax expense for the nine months to September 30, 2005 to US$0.51 million.

The net loss for the period of US$0.72 million was down from US$3.28 million for Q3 2004 resulting in a decline in the net loss per share to US$0.01.

Working Capital, Liquidity and Capital Resources

1. Current Assets and Liabilities

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

	Sept 30, 2005 US$000	June 30, 2005 US$000	March 31, 2005 US$000	Dec 31, 2004 US$000
Current Assets:				
Cash and cash equivalents	**10,182**	7,077	9,152	1,729
Accounts receivable	**844**	8,054	2,014	1,839
Short-term investments	**18**	18	7,106	7,204
Inventory	**313**	419	260	258
Total Current Assets	**11,357**	15,568	18,532	11,030
Less Current Liabilities:				
Accounts payable and accruals	**(7,948)**	(5,878)	(1,862)	(1,314)
Net Current Assets	**3,409**	9,690	16,670	9,716

At September 30, 2005 the Company had net current assets of US$3.41 million which comprised current assets of US$11.36 million less current liabilities of US$7.95 million, giving an overall reduction in working capital of US$6.28 million in the quarter. Following the addition of substantial new funds through the exercise of US$9.85 million of warrants in the nine months to September 30, 2005, net outgoings in Q3 covered operational expenses and exploration work. This is mostly reflected in an increase in accruals, the bulk of which related to Q3 drilling on the Glagah Kambuna TAC and drilling preparations on the Asahan Offshore PSC.

2. Long-Term Assets and Liabilities

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

	Sept 30, 2005 US$000	June 30, 2005 US$000	March 31, 2005 US$000	Dec 31, 2004 US$000
Property, plant and equipment	**22,676**	15,744	12,661	11,618
Long-term accounts receivable	**832**	341	126	302
Goodwill	**2,382**	2,382	2,382	2,382
Deferred charges	**-**	-	61	81
Long-term accounts payable	**(155)**	(155)	(151)	(155)
Future income taxes	**(2,197)**	(2,197)	(4,446)	(4,446)

During Q3 2005, investments in petroleum and natural gas properties, represented by property, plant and equipment expenditure, were US$6.93 million bringing the total for 2005 to-date to US$11.06 million. Of the Q3 investments, US$6.46 million was spent in Indonesia principally on drilling activity on the Asahan and Glagah Kambuna concessions, US$0.40 million in the UK on exploration work and a further US$0.07 million in Spain

The long-term accounts receivable of US$0.83 million represents value added tax (“VAT”) on Indonesian capital spend, which is expected to be recovered once fields commence production.

Goodwill, representing the difference between the price paid on acquisitions and the fair value applied to individual assets, remained unchanged at US$2.38 million. The balance of deferred charges, which represent costs related to the Firstearl acquisition, have been charged to profits in the first half of 2005 following the redemption of the ENI loan note.

Long-term accounts payable, which comprises mainly VAT payable in Indonesia, was unchanged from June 30, 2005. The future income taxes were also unchanged from June 30, 2005.

3. Shareholders' Equity

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

	Sept 30, 2005 US$000	June 30, 2005 US$000	March 31, 2005 US$000	Dec 31, 2004 US$000
Share capital	7,475	42,726	41,941	33,047
Contributed surplus	36,298	717	334	256
Deficit	(16,826)	(16,108)	(14,972)	(13,805)

Share capital represents shares at nominal value. Upon the reorganisation and introduction of a new parent company, Serica Energy plc, the premium of US$35.4 million over nominated value has been transferred to contributed surplus.

Issued share capital during Q3 was increased by the exercise of 100,000 Serica warrants at Cdn$0.80 each and 102,500 warrants at Cdn$1.20. Share options of 5,000 were also exercised at Cdn$0.50.There was also an adjustment of US$0.09 million in respect of proceeds from the exercise of 116,250 warrants received at the end of Q2 2005 but not reconciled until Q3.

4. Capital Resources

At September 30, 2005 Serica had US$3.41 million of net working capital and no significant long-term debt. In view of the limited revenues currently generated from oil and gas production, Serica is dependent upon supplementing existing financial resources through the raising of additional finance as required to fund its investment program and ongoing operations.

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 financial statements. There have been no changes in accounting policies during the period. The cost of exploring for and developing petroleum and natural gas reserves are capitalised. Unproved properties are subject to periodic impairment tests whilst the costs of proved properties are depleted over producing field lives. In each case, calculations are based upon management assumptions about future outcomes, product prices and performance.

Financial Instruments

The Company's financial instruments comprise cash, accounts payable and accounts receivable. The ENI loan note was redeemed on June 30, 2005 and the proceeds of £3.75 million received in early July. It is the management's opinion that, following redemption of the ENI loan note and conversion of the bulk of proceeds to US dollars to match the Company's expenditure profile, the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments and that their fair values approximate their carrying values unless otherwise stated.

Disclosure for Venture Issuers without Significant Revenue

To-date the Company has not had significant revenue from operations. The following table is a break-down of the material cost components for Q3 2005 and Q3 2004.

Three months ended September 30:	**2005**	2004
	US$000	US$000
Capitalised exploration and development costs	**6,932**	2,791
Expensed research and development costs	**nil**	nil
General and administrative expenses	**1,335**	1,252
Material costs not included above	**nil**	nil

Warrants and Stock Options

As at September 30, 2005, the following warrants and options were outstanding: -

	Expiry Date	**Amount**	**Value Cdn$**
Warrants	Aug 6, 2006	6,609,375	7,931,250
	Jul 28, 2006	1,521,876	1,826,250
Stock options	Aug 2007	600,000	666,000
	Jun 2008	700,000	1,260,000
	Feb 2009	1,187,500	2,375,000
	May 2009	100,000	200,000
	Dec 2009	445,000	445,000
	Jan 2010	600,000	600,000
	Jun 2010	1,130,000	2,034,000
	Jun 2010	70,000	126,000

Business Risk and Uncertainties

Serica, like all exploration companies in the oil and gas industry, operates in an environment subject to inherent risks. Many such risks are beyond the ability of a company to control, particularly those associated with the exploring for and developing economic quantities of hydrocarbons: volatile commodity prices; governmental regulations; and environmental matters.

Nature and Continuance of Operations

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

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company currently has relatively minor operating revenues and, during the periods ended December 31, 2004 and September 30, 2005 the Company incurred losses of US$6.39 million and US$3.02 million respectively from continuing operations. Continued operations of the Company are therefore dependent upon the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future, none of which is assured. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Additional Information

Additional information relating to Serica Energy plc can be found on SEDAR at www.sedar.com

Approved on Behalf of the Board

Paul Ellis	Christopher Hearne
Chief Executive Officer	Chief Financial Officer

November 16 , 2005

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
Consolidated Balance Sheet

		September 30, 2005 US$000 (Unaudited)	December 31, 2004 US$000 (Audited)
Assets			
Current			
Cash and cash equivalents		**10,182**	1,729
Accounts receivable		**844**	1,839
Short-term investments	*Note 4*	**18**	7,204
Inventory		**313**	258
		11,357	11,030
Property, plant and equipment		**22,676**	11,618
Long-term accounts receivable		**832**	302
Goodwill		**2,382**	2,382
Deferred charges		**-**	81
		37,247	25,413
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accruals		**7,435**	1,314
Current tax liability	*Note 5*	**513**	-
		7,948	1,314
Long-term accounts payable		**155**	155
Future income taxes		**2,197**	4,446
		2,352	4,601
Shareholders' equity			
Share capital	*Note 6*	**7,475**	33,047
Contributed surplus	*Note 8*	**36,298**	256
Deficit		**(16,826)**	(13,805)
		26,947	19,498
		37,247	25,413

The accompanying notes are an integral part of these financial statements

Serica Energy plc
Consolidated Statement of Operations

	Three months ended Sept 30, 2005 US$000 (Unaudited)	Three months ended Sept 30, 2004 US$000 (Unaudited)	**Nine months ended Sept 30, 2005 US$000 (Unaudited)**	Nine months ended Sept 30, 2004 US$000 (Unaudited)
Revenue	**36**	41	**99**	123
Expenses (income)				
Operating	**-**	-	**-**	-
Administrative	**1,335**	1,252	**3,428**	3,696
Stock-based compensation	**254**	27	**715**	115
Depreciation, depletion and amortization	**4**	3	**12**	15
Amortization of deferred charges	**-**	-	**81**	-
Interest, net	**(61)**	(11)	**(244)**	(26)
Foreign exchange loss / (gain)	**240**	(18)	**864**	79
Gain on disposal of investments	-		-	(141)
	1,772	1,253	**4,856**	3,738
Net loss before tax	**(1,736)**	(1,212)	**(4,757)**	(3,615)
Income taxes				
Income tax expense / (credit)	**(1,018)**	-	**513**	-
Future income tax	**-**	(2,064)	**(2,249)**	(2,064)
	(1,018)	(2,064)	**(1,736)**	(2,064)
Net loss for the period	**(718)**	(3,276)	**(3,021)**	(5,679)
Deficit, beginning of period	**(16,108)**	(9,817)	**(13,805)**	(6,124)
Cost of merger	**-**	-	**-**	(1,290)
Deficit, end of period	**(16,826)**	(13,093)	**(16,826)**	(13,093)
Loss per common share				
Basic and diluted	(0.01)	(0.07)	(0.04)	(0.12)

The accompanying notes are an integral part of these financial statements

Serica Energy plc
Consolidated Statement of Cash Flows

	Three months ended Sept 30, 2005 US$000 (Unaudited)	Three months ended Sept 30, 2004 US$000 (Unaudited) (Restated)	**Nine months ended Sept 30, 2005 US$000 (Unaudited)**	Nine months ended Sept 30, 2004 US$000 (Unaudited) (Restated)
Operating activities				
Net loss for the period before tax	**(1,736)**	(1,212)	**(3,021)**	(3,615)
Depreciation, depletion and amortization	**4**	3	**12**	15
Amortization of deferred charges	**-**	-	**81**	**-**
Gain on disposal of investment	**-**	-	**-**	(141)
Stock based compensation	**254**	27	**715**	115
Foreign exchange	**240**	-	**864**	-
Income taxes	**1,018**	-	**300**	-
	(220)	(1,182)	**(1,049)**	(3,626)
Changes in working capital				
Accounts receivable	**164**	(307)	**482**	1,633
Accounts payable	**3,361**	181	**3,835**	(1,113)
Inventory	**106**	(32)	**(54)**	(62)
Cash provided by (used in) operating activities	**3,411**	(1,340)	**3,214**	(3,168)
Investing activities				
Purchases of property, plant and equipment	**(6,936)**	(585)	**(11,070)**	(2,089)
Purchase of subsidiary undertaking	-	(7,009)	-	(7,009)
Proceeds on disposal of investment	**-**	-	**-**	411
Cost of merger	**-**	-	**-**	(1,290)
Cash acquired on merger	**-**	-	**-**	1,654
Cash acquired on acquisition	**-**	1,656	**-**	1,713
Cash used in investing activities	**(6,936)**	(5,938)	**(11,070)**	(6,610)
Financing activities				
Proceeds on exercise of options/issue of shares	**2**	8,361	**2**	8,461
Proceeds on exercise of ENI loan note	**6,555**		**6,555**	
Proceeds on exercise of warrants	**73**	-	**9,752**	-
Cash provided from financing activities	**6,630**	8,361	**16,309**	8,461
Increase (decrease) in cash and cash equivalents	**3,105**	1,083	**8,453**	(1,317)
Cash and cash equivalents, beginning of period	**7,077**	1,852	**1,729**	4,252
Cash and cash equivalents, end of period	**10,182**	2,935	**10,182**	2,935

The consolidated statement of cash flows for the three months and nine months ended September 30, 2004 have been restated to include the prior period adjustments made in the 2004 Annual Report.

The accompanying notes are an integral part of these financial statements

Serica Energy plc
Notes to the Unaudited Consolidated Financial Statements (Unaudited)
For the period ended September 30, 2005

Unless otherwise stated, amounts presented in these notes are in US dollars (“US$”) or Canadian dollars (“Cdn$”) except number of shares.

1. Nature and Continuance of Operations

The principal activity of the Company is to identify, acquire and subsequently exploit oil and gas reserves primarily in Asia and Europe and the provision of ancillary services to third parties in such respect.

The Company was formed on January 29, 2004 by a merger of Petroleum Development Associates (Oil & Gas) Limited (“PDA”) and Kyrgoil Holding plc (“KGO”) and was continued under the name of Serica Energy plc.

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company currently has relatively minor operating revenues and, during the periods ended December 31, 2004 and September 30, 2005 the Company incurred losses of US$6.39 million and US$3.02 million respectively from continuing operations. Continued operations of the Company are therefore dependent upon the Company’s ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future, none of which is assured. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

These interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles following the same accounting Policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2004. These unaudited 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 audited consolidated financial statements and notes included in the Company’s Annual Report for the year ended December 31, 2004.

3. Acquisitions

On August 22, 2005, Asia Petroleum Development Limited acquired an additional 15% interest in the Asahan Offshore Production Sharing Contract (“PSC”) from PT Medco Energi Internasional TBK subject to the necessary government approvals. The consideration of US$1,000,000 will be paid in cash.

The net effect of the acquisition on the Company’s balance sheet and the provisional allocation of assets at acquisition were as follows:

	Book Value US$000	Fair Value Adjustment US$000	Preliminary Fair Value US$000
Property, plant and equipment	988	-	988
Accounts payable	12	-	12
	1,000	-	1,000

The above numbers are preliminary. Adjustments may occur as a result of obtaining more information regarding asset valuations, liabilities assumed and revisions of preliminary estimates of fair values made at the date of purchase.

4. Investments

Included in investments is an interest in convertible debentures of a company traded on the TSX Venture Exchange.

	Percentage ownership 2005	**2005 US$000**	2004 US$000
Investment represents:			
Convertible debentures	1.7%	18	15

The investment is in a company that carries on oil and gas exploration, development and production activities in Thailand. The convertible debentures were issued in the amount of Cdn$22,000 and bear interest at the rate of 10% per annum. The debentures are convertible into 27 common shares for each whole multiple of Cdn$10.50 of indebtedness. The maturity date of the debentures is March 30, 2006.

The Company's Floating Rate Guaranteed Unsecured Loan Note 2005 issued by ENI Investments plc on February 15, 2001 was redeemed on June 30, 2005. The proceeds received in July 2005 were £3,752,174 (US$6,555,515).

5. Accounts Payable and Accruals

The Company has recorded a current tax liability of US$0.51 million in the nine-month period to September 30, 2005 reflecting the proportion of the taxable gain arising on redemption of the ENI loan note not covered by existing tax loses. Management anticipate that sufficient additional tax losses will be available by the end of 2005 to fully shelter any tax due and consequently the current tax liability recorded will reverse by year end.

6. Share Capital

Authorized capital:

Authorized – Unlimited number of common shares with no par value.

Issued Capital:	Capital shares Number	In value US$000
January 1, 2005	62,685,758	33,047
Conversion of warrants (a)	10,926,900	8,894
March 31, 2005	73,612,658	41,941
Conversion of warrants (b)	978,125	785
June 30, 2005	74,590,783	42,726
Conversion of warrants (c)	202,500	167
Conversion of options (d)	5,000	2
Adjustment for prior period	-	(94)
September 30, 2005	74,798,283	42,801

(a) During the 3 months to March 31, 2005 10,851,900 and 75,000 share purchase warrants were converted to ordinary shares at a price of Cdn$1.00 and Cdn$0.80 each respectively

(b) During the 3 months to June 30, 2005 512,500 and 465,625 share purchase warrants were converted to ordinary shares at a price of Cdn$0.80 and Cdn$1.20 each respectively.

(c) During the 3 months to September 30, 2005 100,000 and 102,500 share purchase warrants were converted to ordinary shares at a price of Cdn$0.80 and Cdn$1.20 each respectively. In addition, 5,000 options were converted to ordinary shares at a price of Cdn$0.50 each.

7. Share Purchase Warrants

As at September 30, 2005, the following share purchase warrants were outstanding:

Number of warrants	Exercise price per warrant	Expiry date
6,609,375	Cdn$1.20	Aug 6, 2006
1,521,876	Cdn$1.20	Jul 28, 2006
8,131,251		

8. Contributed Surplus

	US$000
January 01, 2005	255
Amortization of fair value of stock options	716
September 30 2005	971
Share premium	35,327
Total Contributed Surplus	36,298

Share premium has arisen as a result of a Group restructuring which now has Serica Energy plc as the parent company for the Group. Share capital represents the number of shares issued at nominal value with the difference reflected as share premium in Serica Energy plc.

9. Stock Options

A Stock Option Plan has been established for the benefit of directors, officers and key employees. Under the plan, the terms, conditions and limitations are determined at the discretion of the Board of Directors. The options are exercisable until June 15, 2010, at a range of Cdn$1.00 to Cdn$2.00 per share and vest over periods ranging from immediately to three years. 4,832,500 common shares have been authorized for grant under the terms of the plan.

The Company calculated the value of stock-based compensation using a Black-Scholes option pricing model to estimate the fair value of stock options at the date of grant. The estimated fair value of options is amortized to expense over the options' vesting period. US$254,000 and US$716,000 has been charged to income in the three months ended September 30, 2005 and the nine months ended September 30, 2005 respectively and a similar amount credited to contributed surplus.

The assumptions made for the options granted during 2005 include a volatility factor of expected market price of 50%, a weighted average risk-free interest rate of 6.0%, no dividend yield and a weighted average expected life of options of three years. The weighted average grant date fair value was US$0.41 per share.

The following table summarizes changes in the Company's stock options during the period:

	Number of shares	Exercise price per share Cdn$	Weighted average exercise price Cdn$
Outstanding January 1, 2005	3,087,500	0.50 to 2.00	1.65
Granted	2,500,000	1.00 to 1.80	1.61
Cancelled / Exercised	(755,000)	0.50 to 2.00	1.87
Outstanding September 30, 2005	**4,832,500**		**1.59**

The following table summarizes information about stock options outstanding at September 30, 2005:

Exercise price	Number of shares outstanding	Weighted average remaining life (years)	Number of shares exercisable
Cdn$1.00	1,045,000	5	-
Cdn$1.11	600,000	3	533,333
Cdn$1.80	1,900,000	3	500,000
Cdn$2.00	1,287,500	4	572,500
Total	**4,832,500**		**1,605,833**

10. Subsequent Events

On October 14, 2005, the Company posted a circular to shareholders seeking inter alia, authority for a further issue of shares in connection with the admission of its ordinary shares to the AIM market of the London Stock Exchange. On November 14, 2005 the resolutions were duly passed at an extraordinary general meeting of the Company.