Serica Energy plc
("Serica" or the "Company")

2011 Annual Report to Shareholders

London, 30 March 2012 – Serica Energy plc (TSX & AIM: SQZ), the oil and gas exploration and production company, announces its results for the year ended 31 December 2011. The results and associated Management Discussion and Analysis are included below and copies are available at www.serica-energy.com and www.sedar.com.

The Company is upgrading its web-site to take account of its expanding operations and the new content will be available from Monday 2 April 2012 at www.serica-energy.com.

Operational Highlights:

UK Assets

- Columbus field:
    - Negotiations concluded with BG for export via Lomond platform, subject to final documentation, partner and Board approvals
    - Clears way for project sanction. DECC approval targeted for 2Q 2012
    - All engineering and design studies completed
    - Environmental Statement has been submitted and approved
    - NSAI estimate 11.2 mmboe gross reserves in Block 23/16f
- Well to appraise Spaniards discovery scheduled for 3Q 2012.
- Wells planned for Doyle and South Otter subject to farm out
- Two further UK licences awarded at year end

Non-UK Assets

- **Namibia**:
    - Awarded an 85% interest in central Luderitz Basin blocks, offshore Namibia
    - Large structures identified
    - Secured farm-out with BP. BP will carry the full cost of extensive 3D seismic survey and pay Serica's past costs to earn 30%
    - Polarcus Seismic Limited contracted to begin up to 4,150 sq km seismic acquisition in April 2012
    - Serica will remain as operator during the seismic acquisition phase
- **Ireland**:
    - Six new blocks awarded in Irish Rockall Basin, Serica operator
    - Three large prospects mapped: Muckish, Midleton, West Midleton
    - Farm-out campaigns commenced for licences in the Slyne and Rockall Basins
- **Morocco:**
    - Multi salt diapir and tilted fault block prospects identified and mapped
    - Farm-out process underway prior to drilling the first well
- **Indonesia:**
    - Sale of Indonesia exploration properties to Kris Energy in October 2011
    - Kambuna gas field average daily production of 35 mmscfd of gas and 2,363 bbl/day of condensate

- Average prices realised for gas and condensate during the year were US$6.16 per mcf and US$115.8 per barrel respectively

Financial Highlights:

- 2011 sales revenue of US$27.1 million
- Gross profit before expenses of US$1.5 million
- Loss before tax of US$11.3 million (from continuing operations)
- Increased field allowances improve Columbus economics
- At the year-end:
  - Cash position of US$20 million
  - No debt
  - Carry forward tax losses available of approximately US$138.7 million

Outlook:

- Company now focused on two business units
  - UK North Sea & East Irish Sea and
  - International exploration in four Atlantic Margin basins
- Field development expected for Columbus
  - Project sanction anticipated 1H 2012 with production expected to commence 2014 or early 2015
- Exploration portfolio with high impact potential
  - Major 3D seismic survey of up to 4,150 sq kms in Namibia starts in April 2012
  - Farm-outs planned for Ireland and Morocco to bring forward drilling
  - Spaniards appraisal well to be drilled in 3Q 2012
  - Doyle and South Otter prospects await farm-in partners

Tony Craven Walker, Chairman and Interim CEO of Serica commented:

"2011 has been a tough but rewarding year for Serica. The Company has undergone a fundamental change in strategy and has repositioned itself with a growing portfolio in emerging areas that we believe hold great promise.

With the sale of our Indonesian exploration assets Serica is now focussed on the UK North Sea and the Atlantic Margin where we have built up a significant presence for a company of our size. With this in mind 2012 promises to be a busy and exciting year for the company.

I would like to thank the team at Serica and its shareholders for their continued support as we look forward to the year ahead."

30 March 2012

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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 was formed in 2004 and, since then, has drilled 19 wells in locations as diverse as the UK Offshore, the Atlantic margin offshore Ireland, offshore Indonesia (North West Sumatra, East Kalimantan and Java) and offshore Vietnam. Seventeen of these wells were drilled by the Company as Operator, fourteen of the wells encountered oil or gas and six of these were commercial. The first of the commercial discoveries, the Kambuna field in North West Sumatra, was developed by the Company. The second, the Columbus field in the UK North Sea, is now in the pre-development stage with project sanction targeted for first half 2012. The Company also has a residual economic interest in the Bream oil field offshore Norway, which will be crystallised when the field is developed, and licence interests offshore Ireland, Morocco and Namibia.

The Company is listed on both the Toronto Stock Exchange and the London AIM under the ticker SQZ.

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

FORWARD LOOKING STATEMENTS

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

CHAIRMAN'S REPORT

Dear Shareholder

2011 has been a year of positive change for Serica, a year during which the Company has disposed of its Indonesian exploration assets and has repositioned itself with a growing portfolio of properties in emerging new areas which we believe have great potential to build a thriving and exciting business.

The Company is now focussed on two business units - our UK North Sea and East Irish Sea business and our growing international exploration business. These two business units have significantly different characteristics but each has considerable unrealised value to be unlocked. Serica has the skill sets to exploit this potential and we expect to see considerable progress to this end in 2012.

UK Assets

Our UK business is centred on the Columbus field discovered by Serica in 2006. Bringing that field onto production has been our main UK focus but has been frustrated over the past couple of years or so by the difficulties in reaching agreement with adjacent infrastructure holders. As a gas/gas condensate field it can only be produced if a transportation route for the gas can be accessed. We and our partners in the field have been working towards reaching agreement with BG, as operator of the adjacent Lomond platform, with the target for agreement being the first quarter of 2012. I am very pleased to be able to say that we have now, subject to final documentation, Board and partner approvals, concluded negotiations with BG which will allow us to sanction the project.

Serica, as the Columbus operator, submitted the Field Development Plan to the Department of Energy and Climate Change in June 2011 on behalf of all the Columbus partners. The Environmental Statement has also been submitted and has been approved. All of the basic engineering and design studies have been completed. With the final principles on cost sharing and transportation awaiting Board approvals and the Chancellor's recent announcement on field allowances improving Columbus economics, there is little to stand in the way of the project progressing and we are aiming for early sanction to enable first gas for end 2014/early 2015.

An independent review of reserves in the Columbus field has also been completed. As in past years this was conducted by Netherland Sewell & Associates ("NSAI") who interpret gross 2P Columbus reserves to be 16.7 million barrels of oil equivalent. These reserves are split between blocks 23/16f operated by Serica and 23/21 operated by BG. To be consistent with final cost sharing agreements between the participants in the blocks, NSAI have interpreted the percentage of reserves lying in Block 23/16f as 67% and interpret gross 2P Columbus reserves lying in Serica's Block 23/16f to be 11.2 million barrels oil equivalent, a net 5.6 million barrels to Serica. This reduction of 0.7 million barrels from last year's reported figures is due entirely to the adjusted split of reserves between the blocks.

There is considerable upside growth potential in our UK business. In Block 15/21g we are committed to drill a well to explore the possibility of an extension to the Spaniards discovery lying in the adjacent Block 15/21a (part). This is expected to start in the third quarter. Serica will have a 21% field interest in the event that this well is successful and the extension of Spaniards is proven.

Two further UK wells are planned in other blocks which are both operated by Serica. In East Irish Sea Block 113/27c, the Doyle prospect is ready to drill. Due to the proximity of this prospect to acreage offered in the recently announced 27th Licensing Round, we will probably wish to defer a decision on the well at least until applications for the Round are closed but we are discussing the possibility of farming-out part of our holding in the block with parties who have expressed an interest in joining us. In the Northern North

Sea, Block 210/20a contains several clearly defined prospects and the Company plans to bring in a partner before drilling. We have a 100% interest in the block.

Serica received a boost at the year end with the award of two further UK licences under the delayed 26th Licensing Round. One of these, consisting of four part blocks surrounding the York gas field in the Southern North Sea, contains a number of low risk gas prospects. The licence is operated by Centrica who also operate the adjacent York field. The second licence, covering Block 110/8b in the East Irish Sea, holds a gas prospect lying just south of the Morecambe gas field operated by Centrica. We shall be undertaking work on both blocks in 2012.

In summary, Serica has a valuable business in the UK with reserves to be brought on-line and well defined prospects to be drilled. Reaching a conclusion on cost sharing and transportation allows us to develop Columbus, an important turning point for the Company, but it will still be a couple of years before we see production from the field. We have therefore been investigating the possibility of acquiring UK production or to merge the Company's UK business with a business which brings UK production. Such steps would result in making the business far more efficient from the perspective of risk balance and help us to accelerate our drilling programme and unlock value. We shall continue to investigate the possibilities. In the meantime we are looking forward to developing Columbus and finally bringing it onto production.

Non-UK Assets

We have also made great progress outside the UK during 2011. The sale in October of our exploration properties and operating subsidiaries in Indonesia has allowed us to reposition the Company's portfolio into new areas which we believe hold far greater potential. These efforts culminated late in the year with material awards being made to Serica in the Atlantic waters offshore Ireland and Namibia. Coupled with our existing acreage in Ireland and Morocco, these awards have given us a strong Atlantic margin presence for a company of Serica's size.

We now have the opportunity to build on this new exploration portfolio. Apart from an indirect interest in the Bream oil field in Norway, which is awaiting a development decision, and the direct holding that we retain in the producing Kambuna gas field in Indonesia, the major impact of our non-UK business lies in these potentially exciting exploration projects located in the deep water basins of the Atlantic margins of Ireland, Morocco and Namibia. The Company is continuing to look for more opportunities showing the same material potential elsewhere.

The characteristics of our Atlantic margin licences are very different from the interests that we hold in the UK. The size of the prospects in each area are of a different order of magnitude and the size of the licence blocks is very large (approximately 12,700 square kilometres in the case of the Morocco blocks and appropriately 17,400 square kilometres in the case of the Namibian blocks). They are also generally located in much deeper water. Serica's objectives in each case, therefore, have been to high-grade the prospects through a complete and thorough review of all seismic information and to bring in partners with the appropriate deep water technology once there is clearly established prospectivity.

This strategy has met with very real success in Namibia where, in December, we were awarded an 85% interest in a large licence offshore in the central Luderitz Basin. The Luderitz Basin displays many of the attributes required for significant accumulations of oil and gas, including clear evidence from existing seismic data of very large potential trapping mechanisms, but there has been very little exploration drilling to-date. With water depths in Serica's blocks ranging from 300 to 3,000 metres the blocks are at the early, frontier stage. Drilling in these depths of water requires sophisticated drilling techniques and equipment and is very costly.

We are very pleased, therefore, that BP has agreed to farm-in to our Namibian licence to earn a 30% interest by paying a sum covering our past costs and meeting the full cost of a large 3D survey covering 4,150 square kilometres. Serica will remain as operator during the seismic acquisition phase and has contracted Polarcus Seismic Limited to start the acquisition programme in April. In the event that the seismic data substantiates the potential which we believe exists in the blocks we will wish to drill to prove the presence of hydrocarbons. To this end we have given BP the option to earn a further 37.5% in the licence by meeting the cost of a well drilled to the Barremian. By entering into this transaction we have been able to make a very early start on the licence whilst limiting our financial exposure and retaining both early stage operatorship and a significant interest in what could become a very valuable licence if the drilling is successful.

Our licences offshore Morocco and in the Atlantic offshore Ireland also contain many large prospects all of which hold the potential for material hydrocarbon discoveries and we are now bringing forward plans for both areas. The blocks in Morocco were awarded in 2009. Serica has undertaken a very detailed re-interpretation since then of existing 3D seismic data and this work has demonstrated the presence of a large number of salt diapir-related prospects and tilted fault block plays. Given the water depths of up to 2,000 metres we are now in the farm-out stage prior to moving forward to drilling the first well.

In Ireland we have mapped significant prospects lying close to an existing discovery. With the award to Serica in October 2011 of the blocks containing the Midleton and West Midleton prospects we now have two new prospects to complement the very sizeable Muckish prospect. Serica has a 100% interest in the 12 blocks containing these three large prospects in the Rockall Basin lying close to the Dooish gas condensate discovery and is now reviewing opportunities to invite partners to join in a drilling campaign.

To the south, Serica has a 50% interest as operator in three Slyne Basin blocks and part blocks where we encountered oil in the Jurassic with our first well drilled in 2009. Subsequent evaluation of information from this well combined with re-interpretation of seismic data has now shown the presence of further Jurassic oil prospects in the blocks as well as deeper Triassic gas prospects.

In summary, Serica's portfolio of Atlantic margin acreage, in four distinct basins, exhibits the potential for significant discoveries of oil or gas and we are optimistic about the opportunities which these prospects bring to the Company. The exploration and development nature of our assets in the UK, coupled with the very high-impact prospects which we hold outside the UK in new frontier areas, places the Company in an enviable position with two businesses both of which have material upside.

Finances and management

We have continued to manage our finances prudently during this period of change whilst we have added materially to our exploration assets. At the year-end, our cash position of US$20 million, with all debt repaid, was higher than our net cash position at the start of the year when we had US$11.7 million of debt. Net current assets at the year-end were unchanged over the year. This was achieved despite falling revenues from the Kambuna field, which is now in decline. Whilst our expenditure levels are expected to rise as we take on new projects the Company continues to contain its finances as it enters 2012. The transaction with BP in Namibia will enable the Company to accelerate its programme there with minimum financial impact and we shall be reviewing financing options for Columbus now that we are nearing project sanction.

2011 has been a tough but ultimately rewarding year, a year in which all of the employees at Serica committed themselves fully to the task in hand. Without this commitment, the Company would not have been able to achieve the successful rebuilding that we have seen which forms a strong basis upon which we can generate future growth. On behalf of shareholders I would like to thank the whole Serica team.

During the period since last April I have been acting as Interim CEO and it has been a pleasure to work with a team such as that at Serica. With the changes now made to the Company's portfolio and direction, Columbus close to sanction and a growing exploration programme, we are nearing the position where we can conclude our search for a suitable successor to fill the position of CEO and take the Company forward. 2012 promises to be an interesting and rewarding year and I and my Board colleagues look forward to it with much anticipation.

Tony Craven Walker
Chairman and Interim CEO
29 March 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial and operational results of Serica Energy plc and its subsidiaries (the "Group") should be read in conjunction with Serica's consolidated financial statements for the year ended 31 December 2011.

Serica's activities are based in the UK, Ireland, Namibia, Morocco and the retained interest in the Kambuna Field in Indonesia. References to the "Company" include Serica and its subsidiaries where relevant. All figures are reported in US dollars ("US$") unless otherwise stated.

REVIEW OF LICENCE HOLDINGS AND OPERATIONS

Serica holds offshore licence interests in the UK North Sea, the UK East Irish Sea, Ireland, Namibia, Morocco and Indonesia.

The following table summarises the Company's Licences as at 31 December 2011.

Block(s)	Description	Role	% at 31/12/11	Location
UK				
15/21g	Exploration	Non-operator	21%	Central North Sea
15/21a (part)	Exploration	Non-operator	21%	Central North Sea
22/19c	Exploration	Non-operator	50%	Central North Sea
23/16f	Columbus Field Development planned	Operator	50%	Central North Sea
47/2b (split)	Exploration	Non-operator	37.5%	Southern North Sea
47/3g (split)	Exploration	Non-operator	37.5%	Southern North Sea
47/7 (split)	Exploration	Non-operator	37.5%	Southern North Sea
47/8d (part)	Exploration	Non-operator	37.5%	Southern North Sea
110/2d	Exploration	Operator	100%	East Irish Sea
110/8b	Exploration	Operator	100%	East Irish Sea
113/26b	Exploration	Operator	65%	East Irish Sea
113/27c	Exploration	Operator	65%	East Irish Sea
210/19a	Exploration	Operator	100%	Northern North Sea
210/20a	Exploration	Operator	100%	Northern North Sea
Ireland				
27/4	Exploration	Operator	50%	Slyne Basin
27/5 (part)	Exploration	Operator	50%	Slyne Basin
27/9	Exploration	Operator	50%	Slyne Basin
5/17	Exploration	Operator	100%	Rockall Basin
5/18	Exploration	Operator	100%	Rockall Basin
5/22	Exploration	Operator	100%	Rockall Basin
5/23	Exploration	Operator	100%	Rockall Basin

5/27	Exploration	Operator	100%	Rockall Basin
5/28	Exploration	Operator	100%	Rockall Basin
11/5	Exploration	Operator	100%	Rockall Basin
11/10	Exploration	Operator	100%	Rockall Basin
11/15	Exploration	Operator	100%	Rockall Basin
12/1	Exploration	Operator	100%	Rockall Basin
12/6	Exploration	Operator	100%	Rockall Basin
12/11 (part)	Exploration	Operator	100%	Rockall Basin
Namibia				
2512A	Exploration	Operator	85%	Luderitz Basin
2513A	Exploration	Operator	85%	Luderitz Basin
2513B	Exploration	Operator	85%	Luderitz Basin
2612A (part)	Exploration	Operator	85%	Luderitz Basin
Morocco				
Foum Draa	Exploration	Non-operator	25%	Tarfaya-Ifni Basin
Sidi Moussa	Exploration	Non-operator	25%	Tarfaya-Ifni Basin
Indonesia				
Glagah Kambuna TAC	Kambuna Field Production	Non-operator	25%	Offshore North Sumatra

The following is a summary of the status of operations on these licences and other operational developments in the year.

United Kingdom

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. 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 to 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 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 period to date to determine final cost sharing arrangements and the relative interests of the 23/16f and 23/21 partners in the Columbus field. Subject to final documentation and the approval of partners, negotiations have now been concluded to enable the project to proceed and financing options to be put in place. Project sanction is anticipated to be sought in the first half of 2012 and it is expected that production will commence in late 2014 or early 2015.

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

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

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

In June 2011, the Block 15/21g partners, announced they had agreed terms to acquire a 70 per cent interest in part of Block 15/21a. The area in Block 15/21a to be acquired includes the 15/21a-38z discovery. In consideration, the Block 15/21g group agreed to assign to the Block 15/21a group a 30 per cent interest in Block 15/21g, and agreed to fund the cost of the first well to appraise the Spaniards discovery. A subsequent appraisal well, if deemed necessary and approved by the partnership, would be funded on promoted terms by the current Block 15/21a partners, after which funding for any further wells would be by equity share.

The amalgamation agreement to combine Block 15/21g and Block 15/21a was finalised in January 2012. Serica now has a 21% interest in the amalgamated area covering the

Spaniards discovery and will be required to contribute a 30% share of the cost of drilling the first well to appraise the discovery and a 17.14% share of the cost of drilling a follow-up well.

Plans are in place to acquire site survey data and secure a rig to drill the Spaniards appraisal well in Q3 2012.

Central North Sea: Block 22/19c

Block 22/19c is located approximately 20 kilometres to the west of Serica's Columbus field. Serica holds a 50% interest in the block which is operated by Premier.

East Irish Sea: Block 110/2d

Serica holds a 100% interest in this block. Technical work is being carried out to assess the block's potential.

East Irish Sea: Block 110/8b

In December 2011, in the final stage of the 26th Round of UK Offshore Licensing announced by the Department of Energy and Climate Change, the Company was awarded a 100% interest and the operatorship of Block 110/8b in the East Irish Sea. The work commitment comprises a 3D seismic reprocessing programme planned to delineate a gas prospect, Darwen North, which has been identified in the block.

The block also contains a small undeveloped oil discovery which will be re-evaluated.

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

Serica has a 65% interest in these blocks. Work during 2011 has focussed on maturing the Doyle 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 although, in view of open acreage nearby being offered in the UK 27th Licensing Round, this may be deferred at least until applications are closed.

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.

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

In December 2011, Blocks 47/2b (Split), 47/3g (Split), 47/7 (Split) & 47/8d (Part) in the Southern North Sea were offered under a single licence to a group in which Serica has a 37.5% interest. Centrica is the operator for the group. These blocks are contiguous part blocks immediately adjacent to the York field, also operated by Centrica. A number of gas prospects, including a possible extension to North York, have been provisionally identified on the blocks at both the Leman (Permian) and Namurian (Carboniferous) levels. The work obligation comprises a 3D seismic survey and reprocessing of existing seismic data.

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 deeper 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 Prospects

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

In October 2011, the Company was awarded Licensing Option 11/1 covering six blocks in the Irish Rockall Basin under the Irish 2011 Atlantic Margin Licensing Round. Serica now has two licences to explore some 2,220 square kilometres in the Rockall Basin. The 2011 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 discovery 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.

Namibia

Luderitz Basin: Blocks 2512A, 2513A, 2513B and 2612A (part)

In November 2011, Serica confirmed the announcement made by the Namibian Ministry of Mines and Energy of the award to Serica Energy Namibia B.V., a wholly owned subsidiary of 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 to Serica, concluded in December, was in partnership with The National Petroleum Corporation of Namibia (Pty) Limited and Indigenous Energy (Pty) Limited. Serica is the operator of the group.

In respect of the award, Serica agreed to make the following signature payments to NAMCOR:

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

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

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

During the initial four-year exploration period of the licence, Serica is required to conduct an extensive 3D seismic survey and undertake reprocessing of existing 2D seismic data. In March the Company announced that it had agreed to farm-out an interest in the licence to BP. Under the transaction, BP will pay to Serica a sum covering Serica's past costs and earn a 30% interest in the licence by meeting the full cost of an extensive 3D seismic survey. As a result of the farm-out, Serica's interest in the licence following completion of the seismic survey will be 55%. Contemporaneously, Serica announced that it had signed a contract with Polarcus Seismic Limited to acquire up to 4,150 square kilometres of 3D seismic across the licence. The survey will considerably exceed Serica's obligations for seismic acquisition under the licence terms.

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

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

Morocco

Sidi Moussa and Foum Draa Petroleum Agreements

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

The Tarfaya-Ifni Basin is geologically analogous to the oil producing salt basins of West Africa. Sidi Moussa and Foum Draa are covered by over 5,200 square kilometres of modern 3D seismic data and over 7,000 kilometres of 2D seismic data. Evaluation of this data is now largely complete and demonstrates the presence of a large number of salt diapir related prospects and tilted fault block plays. 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

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 gave notice to relinquish the permits in October 2011.

Indonesia

A summary of Serica's interests in Indonesia and developments during 2011 is detailed below.

In Q4 2010 the Company announced it was undertaking a strategic review of its operations in South East Asia. As at 30 June 2011, as a result of the decision by the Company to dispose of its remaining Indonesian assets and a conditional sale agreed in June to dispose of the operations, the various assets and associated liabilities of the Company's entire Indonesian business formed part of a disposal group and were presented as held for sale in the Group Balance Sheet at 30 June 2011. The financial results of this Indonesian business disposal group were disclosed as discontinued operations and separate from the results of the retained business segments. During the third quarter, the Company continued to review proposals to realise the value of its Indonesian properties.

In October 2011, Serica announced the sale of its Indonesian exploration properties to Kris Energy Limited. The sale, with an effective date of 1 September 2011, 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

The base 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. These sums were received on completion in October 2011 and a further contingent consideration payment of US$1.0

million was received in December 2011, following the award of a licence in a Joint Study Area to Kris Energy Limited. A further contingent consideration payment of up to US$0.5 million becomes payable to Serica in the event of a future award to Kris Energy Limited of a second licence interest in a Joint Study Area.

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 held by Serica for the time being and 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.

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

The Glagah Kambuna Technical Assistance Contract ("TAC") covers an area of approximately 380 square kilometres and lies offshore North Sumatra. Serica holds an interest of 25% in the TAC which contains the producing Kambuna gas field.

The Kambuna gas is used for power generation to supply electricity to the city of Medan in North Sumatra and for industrial uses. The gas sales prices per thousand standard cubic feet under the contracts with PLN and Pertiwi Nusantara Resources ("Pertiwi") in December 2011 were approximately US$5.6 and US$7.0 respectively, escalated at 3% per annum. Kambuna gas yields significant volumes of condensate (light oil) which is sold to the state oil company Pertamina at the official Attaka Indonesian Crude Price less 11 cents per barrel.

Gross Kambuna field production in 2011 was 12,653 million standard cubic feet of gas and 862,600 barrels of condensate, equivalent to gross average daily production for the year of 35 mmscfd and 2,363 bbl/day. Average prices realised during the year for gas and condensate sales respectively were US$6.16 per mcf and US$115.8 per barrel. The highest price achieved during 2011 is US$126.1 per barrel, achieved in April 2011.

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. During the fourth quarter the field produced at an average rate of 23 mmscfd with approximately 1,489 barrels per day of condensate. Average prices realised during the quarter for gas and condensate sales respectively were US$6.18 per mcf and US$114.1 per barrel.

Compression facilities have been successfully installed in February 2012 to enhance the production capacity of the field after the first quarter of 2012. During 2011 the field operator reviewed 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 the timeframe resulted in the deferral of the well. It is now considered unlikely this well will be drilled in 2012 although discussions may reopen with Pertamina with a view to investigating this possibility.

Serica commissioned an independent reserves audit on the Kambuna field for its 2011 annual reserves filings. This new reserves report, carried out by RPS Energy, the same consultants as used by the operator, estimates that at 31 December 2011 the gross Proved plus Probable Reserves of the field are 17.5 bcf of sales gas and 1.1 mm bbl of condensate, a total of 4.7 mmboe. These new estimates include slight revisions in reserves from the figures previously reported by Serica in 2010.

The Company has assessed the expected useful life of the future economic benefits embodied in the asset and considers that, given the relatively short remaining field life, the production profiles associated with proved reserves better reflect this expected remaining useful life. Accordingly the Company has concluded that it is appropriate to use proved reserves as a basis for the specific depletion calculation for the Kambuna field asset with effect from 1 July 2011. RPS Energy estimates that at 31 December 2011 the gross Proved Reserves of the field are 11.1 bcf of sales gas and 0.6 mm bbl of condensate, a total of 2.9 mmboe.

The performance of the field will continue to be monitored throughout 2012 as further production information becomes available.

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.

GLOSSARY

bbl	barrel of 42 US gallons
bcf	billion standard cubic feet
boe	barrels of oil equivalent (barrels of oil, condensate and LPG plus the heating equivalent of gas converted into barrels at a rate of 4,800 standard cubic feet per barrel for Kambuna, which has a relatively high calorific value, and 6,000 standard cubic feet per barrel for Columbus)
boepd	barrels of oil equivalent per day
bopd or bpd	barrels of oil or condensate per day
LNG	Liquefied Natural Gas (mainly methane and ethane)
LPG	Liquefied Petroleum Gas (mainly butane and propane)
mcf	thousand cubic feet
mm bbl	million barrels
mmboe	million barrels of oil equivalent
mmBtu	million British Thermal Units
mmscfd	million standard cubic feet per day
PSC	Production Sharing Contract
Proved Reserves	Proved reserves are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
Probable Reserves	Probable reserves are those additional Reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves.
Possible Reserves	Possible reserves are those additional Reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves
Reserves	Estimates of discovered recoverable commercial hydrocarbon reserves calculated in accordance with the Canadian National Instrument 51-101
Contingent Resources	Estimates of discovered recoverable hydrocarbon resources for which commercial production is not yet assured, calculated in accordance with the Canadian National Instrument 51-101
Prospective Resources	Estimates of the potential recoverable hydrocarbon resources attributable to undrilled prospects, calculated in accordance with the Canadian National Instrument 51-101
TAC	Technical Assistance Contract
tcf	trillion standard cubic feet

FINANCIAL REVIEW

Results of Operations

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

The financial results of the Indonesian business disposal group that was sold in October 2011 are disclosed as discontinued operations and separate from the results of the retained business segments. The financial results of the Kambuna field interest had been disclosed in the Q2 2011 and Q3 2011 reports to shareholders as part of discontinued operations. The directors consider that as at 31 December 2011, whilst still available for sale, this operation no longer meets the IFRS 5 criteria to recognise it as an asset held for sale and therefore include as 'discontinued'. The annual financial results of the Kambuna field are therefore now disclosed within continuing operations together with the results of the retained core business segments.

Continuing operations	**2011**	Restated * 2010
	US$000	US$000
Sales revenue	27,111	31,302
Cost of sales	(25,648)	(18,758)
Gross profit	1,463	12,544
Expenses:		
Impairment of fixed assets and goodwill	(2,314)	(11,797)
Pre-licence costs	(1,507)	(1,858)
E&E asset and other write offs	(355)	(4,091)
Administrative expenses	(6,011)	(6,570)
Foreign exchange (loss)/gain	(46)	60
Share-based payments	(844)	(1,117)
Depreciation	(348)	(132)
Operating loss before net finance revenue and tax	(9,962)	(12,961)
Finance revenue	15	57
Finance costs	(1,394)	(4,083)
Loss before taxation	(11,341)	(16,987)
Taxation charge for the year	(3,149)	(979)
Loss for the year from continuing operations	(14,490)	(17,966)
Discontinued operations		
Loss for the year from discontinued operations	(5,880)	(26,251)
Loss for the year	(20,370)	(44,217)
Loss per ordinary share - EPS		
Basic and diluted EPS on loss for the year from continuing operations (US$)	(0.08)	(0.10)
Basic and diluted EPS on loss for the year (US$)	(0.12)	(0.25)

* Restated for discontinued operations

Continuing operations

Serica generated a gross profit of US$1.5 million for the year ended 31 December 2011 (2010: US$12.5 million) from its retained 25% interest in the Kambuna field.

Sales revenues
Serica currently generates all its sales revenue from the Kambuna field in Indonesia. Revenue is recognised on an entitlement basis for the Company's net working field interest. Entitlement revenues are higher in those periods where the full capped amount of cost recovery entitlement is eligible to be claimed out of gross revenue. In the Q2, Q3 and Q4 2011 periods, the cycle of eligible cost recovery was such that the full capped amount of cost recovery could not be claimed by the contractors, therefore giving lower contractor entitlement revenues and an increased government share of gross revenue. This has reduced Serica's reported entitlement revenues as a proportion of gross sales volumes in Q2, Q3 and Q4 2011 compared to earlier periods. Unclaimed cost recovery amounts are carried forward to future periods.

In 2011, gross Kambuna field gas production averaged 35 mmscf (2010: 31 mmscf) per day together with average condensate production of 2,363 barrels per day (2010: 2,685 bpd). Field commissioning work was completed in Q4 2010. The 2011 gas production was sold at prices averaging US$6.16 per Mscf (2010 US$5.88 per Mscf) and generated US$15.1 million (2010 US$15.3 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 year earned US$12.0 million (2010 US$16.0 million) of revenue net to Serica at an average price of US$115.8 per barrel (2010 US$80.8 per barrel).

Cost of sales and depletion charges
Cost of sales for 2011 were driven by production from the Kambuna field and totalled US$25.6 million (2010 US$18.8 million). The charge comprised direct operating costs of US$7.7 million (2010 US$7.6 million), non cash depletion of US$17.7 million (2010 US$11.5 million) and a decrease in condensate inventory of US$0.2 million (2010 US$0.3 million increase). The direct operating costs are broadly in line with field production but the depletion charges per boe increased significantly for Q4 2010 and the first two quarters in 2011 following the Kambuna field reserves downgrade previously announced in the 2010 Annual Report. With effect from 1 July 2011, the Company revised its accounting estimate of entitlement reserves for depletion purposes from 'proved and probable' to 'proved'. The reduction in entitlement reserve base generated further increases in the depletion charge per boe for the second half of 2011.

The Company generated a loss before tax from continuing operations of US$11.3 million for 2011 compared to a loss before tax of US$17.0 million for 2010.

The 2011 US$2.3 million (2010 US$11.8 million) pre-tax impairment related to the Kambuna field and was recorded against oil and gas property, plant and equipment.

Pre-licence costs included direct costs and allocated general administrative costs incurred on oil and gas activities prior to the award of licences, concessions or exploration rights. The expense of US$1.5 million for 2011 was lower than the 2010 charge of US$1.9 million. Significant work was performed in both years, in 2010 mainly on the 26th Licensing Round in the UK and in 2011 in Namibia and Ireland. During 2011 the Company was awarded interests in Blocks 210/19a and 210/20a in the UK Northern North Sea, Block 110/8b in the East Irish Sea, four blocks in the Southern North Sea, a further six blocks in the Rockall Basin in Ireland, and four large blocks and part blocks in the Luderitz Basin in Namibia.

Asset write-offs in 2011 of US$0.4 million (2010 of US$4.1 million) included minor working capital amounts and costs from relinquished licences. The 2010 asset write off of US$4.1 million was primarily attributed to the Oates block (US$3.5 million).

Administrative expenses of US$6.0 million for 2011 decreased from US$6.6 million for 2010. The Company has worked to reduce overhead during 2011 and expects these savings to give further benefit in 2012.

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

Share-based payment costs of US$0.8 million reflected share options granted and compare with US$1.1 million for 2010.

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

Finance revenue for 2011, comprising interest income of US$0.02 million, compares with US$0.06 million for 2010. Bank deposit interest income has been negligible in both periods.

Finance costs consist of interest payable, arrangement costs spread over the term of the bank loan facility and other fees. The significant reduction in expense from US$4.1 million in 2010 to US$1.4 million arose following the full repayment of outstanding liabilities in February 2011. All facility arrangement costs have been amortised and no interest is currently payable. The only ongoing cost related to other minor fees.

The taxation charge of US$3.1 million (2010 US$1.0 million) arose from Indonesian operations, and comprised a current tax charge of US$4.4 million (2010: US$1.1 million) and a deferred tax credit of US$1.3 million (2010: US$0.1 million). Current tax is charged on the profit oil or gas element of sales revenue rather than the cost recovery component. The significant increase in current tax charge of 2011 compared to 2010 is due to the higher proportion of profit gas or oil as part of recorded field revenue in this cycle of the field life.

The net loss per share from continuing operations of US$0.08 for 2011 compares to a net loss per share of US$0.10 for 2010.

Discontinued operations

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

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

Discontinued operations	**2011**	2010
	US$000	US$000
Sales revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Expenses:		
Pre-licence costs	(292)	(66)
E&E asset and other write-offs	(788)	(25,395)
Administrative expenses	(621)	(783)
Foreign exchange loss	(3)	(5)
Share-based payments	(203)	(114)
Depreciation	-	(5)
Operating loss before net finance revenue and tax	(1,907)	(26,368)
Other costs	(363)	-
Loss recognised on remeasurement to fair value	(3,720)	-
Profit on disposal	110	-
Finance revenue	-	117
Loss before taxation	(5,880)	(26,251)
Taxation charge for the year	-	-
Loss for the year	(5,880)	(26,251)

Asset write offs in 2011 and 2010 were in respect of E&E and other expenses from the Kutai PSC in Indonesia, which was sold in October 2011. 2011 expenditure on the asset was expensed as incurred.

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

Summary of Quarterly Results

Quarter ended:	31 Mar US$000	30 Jun US$000	30 Sep US$000	31 Dec US$000
2011				
Sales revenue	8,577	6,613	6,579	5,342
(Loss)/profit for the quarter	(2,465)	(11,342)	(2,462)	(4,101)
Basic earnings per share US$	(0.01)	(0.06)	(0.01)	(0.02)
Diluted earnings per share US$	(0.01)	(0.06)	(0.01)	(0.02)
2010				
Sales revenue	5,334	6,537	10,018	9,413
(Loss)/profit for the quarter	(2,740)	(1,646)	281	(40,112)
Basic earnings per share US$	(0.02)	(0.01)	0.002	(0.22)
Diluted earnings per share US$	(0.02)	(0.01)	0.002	(0.22)

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

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

Working Capital, Liquidity and Capital Resources

Current Assets and Liabilities

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

	31 December 2011 US$000	31 December 2010 US$000
Current assets:		
Inventories	1,572	2,748
Trade and other receivables	9,338	14,669
Financial assets	647	-
Cash and cash equivalents	19,946	30,002
Total Current assets	31,503	47,419
Less Current liabilities:		
Trade and other payables	(10,267)	(13,574)
Income tax payable	(302)	(1,466)
Financial liabilities	-	(11,671)
Total Current liabilities	(10,569)	(26,711)
Net Current assets	20,934	20,708

At 31 December 2011, the Company had net current assets of US$20.9 million which comprised current assets of US$31.5 million less current liabilities of US$10.6 million, giving an overall increase in working capital of US$0.2 million in the year.

Inventories decreased from US$2.7 million to US$1.6 million over the year, largely due to the disposal of certain equipment.

Trade and other receivables at 31 December 2011 totalled US$9.3 million, which included US$3.7 million of trade debtors from gas and condensate sales in November and December. The decrease in amounts receivable from the 2010 balance of US$14.7 million is largely caused by the disposal of balances attributed to the Indonesian exploration operations. Other items included advance payments on ongoing operations, recoverable amounts from partners in joint venture operations in the UK and Indonesia, sundry UK and Indonesian working capital balances, and prepayments.

Financial assets at 31 December 2011 represented US$0.6 million of restricted cash deposits.

Cash and cash equivalents decreased from US$30.0 million to US$20.0 million in the year. During 2011 the Company generated US$27.1 million of revenues from the Kambuna field but also repaid US$11.8 million to reduce its debt liability to US$nil. Cash outflows were incurred on Kambuna field operating costs, Kambuna cash tax payments of US$5.7 million in respect of current and prior periods, and outstanding liabilities from the 2010 Kutai exploration drilling programme in Indonesia. Other costs included seismic work across the portfolio in Ireland, Columbus Field Development Plan expense together with new venture costs, ongoing administrative costs and corporate activity.

Trade and other payables of US$10.3 million at 31 December 2011 chiefly include US$3.4 million of liabilities arising on the signature of the Namibian licences in December, and trade creditors and accruals from UK & Kambuna operations. Other items include sundry creditors and accruals from the ongoing exploration programmes, payables for administrative expenses and other corporate costs.

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

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

Long-Term Assets and Liabilities

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

	31 December 2011 US$000	31 December 2010 US$000
Exploration and evaluation assets	69,083	68,604
Property, plant and equipment	18,719	37,546
Financial assets	394	1,431
Long-term other receivables	3,613	4,748
Provisions	(2,029)	(1,706)
Deferred income tax liabilities	-	(1,339)

During 2011, total investments in petroleum and natural gas properties represented by exploration and evaluation assets ("E&E assets") increased from US$68.6 million to US$69.1 million. These amounts exclude the Kambuna development costs which are classified as property, plant and equipment.

The net US$0.5 million increase consists of US$7.4 million of additions (US$6.3 million on continuing operations) less the US$6.9 million of asset book costs from the East Seruway PSC which was sold in October 2011.

The US$6.3 million of additions on continuing operations were incurred on the following assets:

In Africa, US$3.4 million was incurred upon the signature of the Luderitz basin licence interests in Namibia and US$0.6 million was incurred on ongoing work on the Morocco interests.

In the UK & Ireland, US$0.8 million was incurred on the Columbus FDP (including FEED work on the BLP), US$0.8 million on a site survey and other exploration work in Ireland and US$0.7 million on other UK exploration work and G&A.

Property, plant and equipment chiefly comprise the net book amount of the capital expenditure on the Company's interest in the Kambuna development. During 2011, the Company's investment decreased from US$36.7 million to US$18.2 million. This US$18.5 million decrease comprised depletion charges of US$17.7 million arising from the production of gas and condensate, the Q4 2011 impairment of US$2.3 million, partially offset by US$1.5 million of capex additions in the year. The property, plant and equipment also included balances of US$0.5 million (2010: US$0.8 million) for office fixtures and fittings and computer equipment.

Financial assets at 31 December 2011 represented US$0.4 million of restricted cash deposits.

Long-term other receivables of US$3.6 million are represented by value added tax ("VAT") on Indonesian capital spend which is expected to be recovered from the Indonesian authorities.

Provisions of US$2.0 million at 31 December 2011 are in respect of Kambuna field decommissioning payments in Indonesia.

The deferred income tax liability as at 31 December 2010 arose in respect of the Company's retained Kambuna asset interest in Indonesia.

Shareholders' Equity

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

	31 December 2011 US$000	31 December 2010 US$000
Total share capital	207,702	207,657
Other reserves	19,475	18,428
Accumulated deficit	(116,463)	(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 in respect of cumulative share-based payment charges. The increase from US$18.4 million to US$19.5 million reflects proportional charges in 2011 for options issued in 2011 and prior years.

Asset values and Impairment

At 31 December 2011 Serica's market capitalisation stood at US$49.8 million (£32.2 million), based upon a share price of £0.1825, which was exceeded by the net asset value at that date of US$110.7 million. By 28 March 2012 the Company's market capitalisation had increased to US$100.8 million. Management conducted a thorough review of the carrying value of its assets and determined that no further write-downs were required beyond those already disclosed above.

Capital Resources

Available financing resources and debt facility

Serica's prime focus has been to deliver value through exploration success. To-date this has given rise to the Kambuna gas field development in Indonesia and the Columbus gas field in the UK North Sea, for which development plans are being formulated.

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

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

Following the debt repayments in 2010, management reduced its debt facility to US$50 million total capacity so as to restrict ongoing facility costs. The ability to draw under the facility for development is determined both by the achievement of milestones on the relevant project and also by the availability calculated under a projection model. The outstanding amount under the Company's debt facility was fully repaid in February 2011.

At 31 December 2011, the Company held cash and cash equivalents of US$20.0 million and US$1.0 million of short and long-term restricted cash in continuing operations. Overall, the current cash balances held, the crystallisation of value from Indonesia either through the revenues from a retained 25% Kambuna interest or a disposal, and the control that the Company can exert over the timing and cost of its exploration programmes both through operatorship and through farm-outs leave it well placed to manage its commitments.

Summary of contractual obligations

The following table summarises the Company's contractual obligations as at 31 December 2011;

Contractual Obligations	Total US$000	<1 year US$000	1-3 years US$000	>3 years US$000
Long term debt	-	-	-	-
Operating leases	678	538	140	-
Other long term obligations	1,805	500	870	435
Total contractual obligations	2,483	1,038	1,010	435

All bank debt was repaid in February 2011.

Other long term obligations relate to decommissioning payments in Indonesia.

Lease commitments

At 31 December 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 2012	538
31 December 2013	140

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 share of expected outstanding capital costs on the Kambuna project were approximately a net US$1.0 million, and are in respect of a condensate pipeline and the installation of a permanent compressor.

In addition to the above, the Company also typically has obligations to carry out defined work programmes on its oil and gas properties, under the terms of the award of rights to these properties.

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

BP noted in the operations review, the Company's work programme obligation will be carried by a third party.

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

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

Off-Balance Sheet Arrangements

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

Critical Accounting Estimates

The Company's significant accounting policies are detailed in note 2 to the attached audited 2011 financial statements. International Financial Reporting Standards have been adopted. The costs of exploring for and developing petroleum and natural gas reserves are capitalised. The capitalisation and any write off of E&E assets, or depletion of producing assets, necessarily involve certain judgments with regard to whether the asset will ultimately prove to be recoverable. Key sources of estimation uncertainty that impact the Company relate to assessment of commercial reserves and the impairment of the Company's assets. Oil and gas properties are subject to periodic review for impairment, whilst goodwill is reviewed at least annually. Impairment considerations necessarily involve certain judgements as to whether E&E assets will lead to commercial discoveries and whether future field revenues will be sufficient to cover capitalised costs. Recoverable amounts can be determined based upon risked potential, or where relevant, discovered oil and gas reserves. In each case, recoverable amount calculations are based upon estimations and management assumptions about future outcomes, product prices and performance. Management is required to assess the level of the Group's commercial reserves together with the future expenditures to access those reserves, which are utilised in determining the amortisation and depletion charge for the period and assessing whether any impairment charge is required.

Financial Instruments

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

> Serica has exposure to interest rate fluctuations on its cash deposits and its bank loans; given the level of expenditure plans over 2012/13 this is managed in the short-term through selecting treasury deposit periods of one to three months. Treasury counterparty credit risks are mitigated through spreading the placement of funds over a range of institutions each carrying acceptable published credit ratings to minimise counterparty risk.
>
> Where Serica operates joint ventures on behalf of partners it seeks to recover the appropriate share of costs from these third parties. The majority of partners in these ventures are well established oil and gas companies. In the event of non payment, operating agreements typically provide recourse through increased venture shares.
>
> Serica retains certain cash holdings and other financial instruments relating to its operations, limited to the levels necessary to support those operations. The US$ reporting currency value of these may fluctuate from time to time causing reported

foreign exchange gains and losses. Serica maintains a broad strategy of matching the currency of funds held on deposit with the expected expenditures in those currencies. Management believes that this mitigates much of any actual potential currency risk from financial instruments. Loan funding is available in US Dollars and Pounds Sterling.

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

Share Options

As at 31 December 2011, the following director and employee share options were outstanding:

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

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

In April 2011, 200,000 share options were granted to an executive director with an exercise cost of £0.31375 and an expiry date of 4 April 2021. The exercise of the options is subject to certain performance criteria as set out in the Directors' Report. Also in April 2011, 250,000 share options were granted to certain employees other than directors with an exercise cost of £0.31375 and an expiry date of 4 April 2021.

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

Outstanding Share Capital

As at 28 March 2012, the Company had 176,660,311 ordinary shares issued and outstanding.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the periods in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. All control systems by their nature have inherent limitations and, therefore, the Company's DC&P are believed to provide reasonable, but not absolute, assurance that the objectives of the control systems are met.

The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's DC&P and ICFR as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as at December 31, 2011, the Company's DC&P and ICFR are effective. There were no changes in the Company's ICFR during the period beginning on October 1, 2011 and ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Business Risk and Uncertainties

Serica, like all companies in the oil and gas industry, operates in an environment subject to inherent risks and uncertainties. The Board regularly considers the principal risks to which the company is exposed and monitors any agreed mitigating actions. The overall strategy for the protection of shareholder value against these risks is to retain a broad portfolio of assets with varied risk/reward profiles, to apply prudent industry practice in all operations, to carry insurance where available and cost effective, and to retain adequate working capital.

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

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

Risk	Mitigation
Market support may be eroded obstructing fundraising and lowering the share price	• Management regularly communicates its strategy to shareholders • Focus is placed on building an asset portfolio capable of delivering regular news flow and offering

	continuing prospectivity
General market conditions may fluctuate hindering delivery of the company's business plan	• Management aims to retain adequate working capital to ride out downturns should they arise
Management's decisions on capital allocation may not deliver the expected successful outcomes	• Rigorous analysis is conducted of all investment proposals • Operations are spread over a range of areas and risk profiles
Each asset carries its own risk profile and no outcome can be certain	• Management aims to avoid over-exposure to individual assets and to identify the associated risks objectively

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

Risk	**Mitigation**
Individual wells may not deliver recoverable oil and gas reserves	• Thorough pre-drill evaluations are conducted to identify the risk/reward balance • Exposure is selectively mitigated through farm-out
Wells may blow out or equipment may fail causing environmental damage and delays	• The Group retains fully trained and experienced personnel • The planning process involves risk identification and establishment of mitigation measures • Emphasis is placed on engaging experienced contractors • Appropriate insurances are retained
Production may be interrupted generating significant revenue loss	• Serica's only producing field, Kambuna, is in the later stages of production and insurance is not considered cost-effective
Operations may take far longer or cost more than expected	• Management applies rigorous budget control • Adequate working capital is retained to cover reasonable eventualities
Resource estimates may be misleading curtailing actual production and reducing reserves estimates	• The Group deploys qualified personnel • Ongoing performance is monitored • Regular third-party reports are commissioned

Personnel: The company relies upon a pool of experienced and motivated personnel to identify and execute successful investment strategies

Risks	**Mitigation**
Key personnel may be lost to other companies	• The Remuneration Committee regularly evaluates incentivisation schemes to ensure they remain competitive
Personal safety may be at risk in demanding operating environments, typically offshore	• A culture of safety is encouraged throughout the organisation • Responsible personnel are designated at all appropriate levels • The Group maintains up-to-date emergency response resources and procedures

	• Insurance cover is carried in accordance with industry best practice
Staff and representatives may find themselves exposed to bribery and corrupt practices	• Company policies and procedures are communicated to personnel regularly • Management reviews all significant contracts and relationships with agents and governments

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

In addition to the principal risks and uncertainties described herein, the Company is subject to a number of other risk factors generally, a description of which is set out in our latest Annual Information Form available on www.sedar.com.

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.

Nature and Continuance of Operations

The principal activity of the Company is to identify, acquire and subsequently exploit oil and gas reserves. Its activities are located in the UK, Ireland, Namibia and Morocco, together with a currently retained interest in the Kambuna Field in Indonesia.

The Company's financial statements have been prepared with the assumption that the Company will be able to realise its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. During the year ended 31 December 2011 the Company generated a loss of US$14.5 million from continuing operations. At 31 December 2011 the Company had US$20.0 million of net cash.

The Company intends to utilise its existing cash balances and future operating cash inflows to fund the immediate needs of its investment programme and ongoing operations. Further details of the Company's financial resources and debt facility are given above in the Financial Review in this MD&A.

Additional Information

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

Approved on Behalf of the Board

Antony Craven Walker	Christopher Hearne
Chief Executive Officer	Finance Director

29 March 2012

Forward Looking Statements

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

Serica Energy plc
Group Income Statement
for the year ended 31 December

	Notes	**2011** US$000	Restated * 2010 US$000
Continuing operations			
Sales revenue	4	27,111	31,302
Cost of sales	5	(25,648)	(18,758)
Gross profit		1,463	12,544
Impairment of fixed assets and goodwill	16,17	(2,314)	(11,797)
Pre-licence costs		(1,507)	(1,858)
E&E and other asset write-offs		(355)	(4,091)
Administrative expenses		(6,011)	(6,570)
Foreign exchange (loss)/gain		(46)	60
Share-based payments	29	(844)	(1,117)
Depreciation	8	(348)	(132)
Operating loss before net finance revenue and tax		(9,962)	(12,961)
Finance revenue	11	15	57
Finance costs	12	(1,394)	(4,083)
Loss before taxation		(11,341)	(16,987)
Taxation charge for the year	13 a)	(3,149)	(979)
Loss for the year from continuing operations		(14,490)	(17,966)
Discontinued operations			
Loss for the year from discontinued operations	7	(5,880)	(26,251)
Loss for the year		(20,370)	(44,217)
Loss per ordinary share - EPS			
Basic and diluted EPS on continuing operations (US$)	14	(0.08)	(0.10)
Basic and diluted EPS on loss for the year (US$)	14	(0.12)	(0.25)

***** Restated for discontinued operations – see note 7

Group Statement of Comprehensive Income

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

Serica Energy plc
Balance Sheet
As at 31 December

	Note	**Group 2011 US$000**	2010 US$000	**Company 2011 US$000**	2010 US$000
Non-current assets					
Exploration & evaluation assets	15	69,083	68,604	-	-
Property, plant and equipment	16	18,719	37,546	-	-
Goodwill	17	-	-	-	-
Investments in subsidiaries	18	-	-	11,830	11,830
Financial assets	19	394	1,431	394	1,431
Other receivables	19	3,613	4,748	-	-
		91,809	112,329	12,224	13,261
Current assets					
Inventories	20	1,572	2,748	-	-
Trade and other receivables	21	9,338	14,669	115,312	123,302
Financial assets	21	647	-	647	-
Cash and cash equivalents	22	19,946	30,002	19,142	26,696
		31,503	47,419	135,101	149,998
TOTAL ASSETS		123,312	159,748	147,325	163,259
Current liabilities					
Trade and other payables	23	(10,267)	(13,574)	(633)	(939)
Income taxation payable		(302)	(1,466)	-	-
Financial liabilities	24	-	(11,671)	-	(11,671)
Non-current liabilities					
Provisions	25	(2,029)	(1,706)	-	-
Deferred income tax liabilities	13d)	-	(1,339)	-	-
TOTAL LIABILITIES		(12,598)	(29,756)	(633)	(12,610)
NET ASSETS		110,714	129,992	146,692	150,649
Share capital	27	207,702	207,657	172,430	172,385
Merger reserve	18	-	-	4,322	4,322
Other reserves		19,475	18,428	19,475	18,428
Accumulated deficit		(116,463)	(96,093)	(49,535)	(44,486)
TOTAL EQUITY		110,714	129,992	146,692	150,649

Approved by the Board on 29 March 2012

Antony Craven Walker
Chief Executive Officer

Christopher Hearne
Finance Director

Serica Energy plc
Statement of Changes in Equity
For the year ended 31 December 2011

Group

	Share capital US$000	Other reserves US$000	Accum'd deficit US$000	Total US$000
At 1 January 2010	207,633	17,197	(51,876)	172,954
Loss for the year	-	-	(44,217)	(44,217)
Total comprehensive income	-	-	(44,217)	(44,217)
Share-based payments	-	1,231	-	1,231
Proceeds on exercise of options	24	-	-	24
At 31 December 2010	207,657	18,428	(96,093)	129,992
Loss for the year	-	-	(20,370)	(20,370)
Total comprehensive income	-	-	(20,370)	(20,370)
Share-based payments	-	1,047	-	1,047
Proceeds on exercise of options	45	-	-	45
At 31 December 2011	207,702	19,475	(116,463)	110,714

Company

	Share capital US$000	Merger reserve US$000	Other reserve US$000	Accum'd deficit US$000	Total US$000
At 1 January 2010	172,361	112,174	17,197	(18,349)	283,383
Loss for the year	-	-	-	(133,989)	(133,989)
Total comprehensive income	-	-	-	(133,989)	(133,989)
Share-based payments	-	-	1,231	-	1,231
Proceeds on exercise of options	24	-	-	-	24
Transfers	-	(107,852)	-	107,852	-
At 31 December 2010	172,385	4,322	18,428	(44,486)	150,649
Loss for the year	-	-	-	(5,049)	(5,049)
Total comprehensive income	-	-	-	(5,049)	(5,049)
Proceeds on exercise of options	45	-	-	-	45
Share-based payments	-	-	1,047	-	1,047
At 31 December 2011	172,430	4,322	19,475	(49,535)	146,692

Serica Energy plc
Cash Flow Statement
For the year ended 31 December

	Group		Company	
	2011	2010	**2011**	2010
	US$000	US$000	**US$000**	US$000
Operating activities:				
Loss for the year	(20,370)	(44,217)	(5,049)	(133,989)
Adjustments to reconcile loss for the year to net cash flow from operating activities:				
Taxation	3,149	979	-	-
Net finance costs	1,379	3,909	1,339	3,488
Loss on re-measurement to fair value	3,720	-	-	-
Profit on disposal	(110)	-	-	-
Depreciation	348	137	-	-
Depletion and amortisation	17,716	11,479	-	-
Asset write-offs	-	29,486	-	-
Impairment	2,314	11,797	-	126,193
Share-based payments	1,047	1,231	1,047	1,231
Decrease/(increase) in trade and other receivables	5,377	(9,152)	386	104
Decrease in inventories	745	177	-	-
(Decrease)/increase in trade and other payables	(2,171)	4,343	(306)	(546)
Cash generated from operations	13,144	10,169	(2,583)	(3,519)
Taxation paid	(5,653)	-	-	-
Net cash in/(out)flow from operations	7,491	10,169	(2,583)	(3,519)
Investing activities:				
Interest received	15	765	15	58
Purchase of property, plant and equipment	(1,268)	(5,241)	-	-
Purchase of E&E assets	(7,400)	(30,569)	-	-
Cash inflow from disposals (note 7)	3,672	99,532	-	-
Funding provided to Group subsidiaries	-	-	-	(23,263)
Funds from Group subsidiaries	-	-	7,578	99,532
Net cash flow from investing activities	(4,981)	64,487	7,593	76,327
Financing activities:				
Finance costs paid	(805)	(2,313)	(805)	(2,313)
Proceeds on exercise of options	45	24	45	24
Repayments of loans and borrowings	(11,800)	(60,700)	(11,800)	(60,700)
Net cash flow from financing activities	(12,560)	(62,989)	(12,560)	(62,989)
Net (decrease)/increase in cash and cash equivalents	(10,050)	11,667	(7,550)	9,819
Effect of exchange rates on cash and cash equivalents	(6)	(77)	(4)	(45)
Cash and cash equivalents at 1 January	30,002	18,412	26,696	16,922
Cash and cash equivalents at 31 December	19,946	30,002	19,142	26,696

Serica Energy plc

Notes to the Financial Statements

1. Authorisation of the Financial Statements and Statement of Compliance with IFRS

These are not the statutory accounts of the Company prepared in accordance with the Companies Act. The Group's and Company's financial statements for the year ended 31 December 2011 were authorised for issue by the Board of Directors on 29 March 2012 and the balance sheets were signed on the Board's behalf by Antony Craven Walker and Chris Hearne. Serica Energy plc is a public limited company incorporated and domiciled in England & Wales. The principal activity of the Company and the Group is to identify, acquire and subsequently exploit oil and gas reserves. Its current activities are located in the United Kingdom, Ireland, Namibia, Morocco and a retained interest in the Kambuna Field in Indonesia. The Company's ordinary shares are traded on AIM and the TSX.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU as they apply to the financial statements of the Group for the year ended 31 December 2011. The Company's financial statements have been prepared in accordance with IFRS as adopted by the EU as they apply to the financial statements of the Company for the year ended 31 December 2011 and as applied in accordance with the provisions of the Companies Act 2006. The Group's financial statements are also prepared in accordance with IFRS as issued by the IASB. The principal accounting policies adopted by the Group and by the Company are set out in note 2.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes. The deficit dealt with in the financial statements of the parent Company was US$5,049,000 (2010: US$133,989,000).

On 1 September 2005, the Company completed a reorganisation (the "Reorganisation"). whereby the common shares of Serica Energy Corporation were automatically exchanged on a one-for-one basis for ordinary shares of Serica Energy plc, a newly formed company incorporated under the laws of the United Kingdom. In addition, each shareholder of the Corporation received beneficial ownership of part of the 'A' share of Serica Energy plc issued to meet the requirements of public companies under the United Kingdom jurisdiction. Under IFRS this reorganisation was considered to be a reverse takeover by Serica Energy Corporation and as such the financial statements of the Group represent a continuation of Serica Energy Corporation.

2. Accounting Policies

Basis of Preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2011.

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

Going Concern

The financial position of the Group, its cash flows and available debt facilities are described in the Financial Review above. As at 31 December 2011 the Group had US$19.9 million of net cash.

The Directors are required to consider the availability of resources to meet the Group and Company's liabilities for the forseeable future. As described in the MD&A, the current business environment is challenging and access to new equity and debt remains uncertain. However, the management considers that it will not require recourse to either to cover its existing commitments.

This is based upon the following factors: operating cash inflows are being generated from the Kambuna field; gas sales contracts for Kambuna are in place at fixed prices and any fluctuations in condensate prices will be largely offset by variations in cost recovery entitlement, and the Company has a record of prudent financial management, including the raising of capital through farm down and asset disposals. The option of further asset sales and farm outs is also open to the Company.

After making enquiries and having taken into consideration the above factors, 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 annual financial statements.

Use of judgement and estimates and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes could differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognised in the financial statements are: the assessment of commercial reserves, the impairment of the Group and Company's assets (including oil & gas development assets and Exploration and Evaluation "E&E" assets), decommissioning provisions, share-based payment costs and the assessment of the disclosure of the Group's disposed Indonesian operations.

<u>Assessment of commercial reserves</u>
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. The Group employs independent reserves specialists who periodically assess the Group's level of commercial reserves by reference to data sets including geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Group's assets. In addition the Group undertakes its own assessment of commercial reserves and related future capital expenditure by reference to the same datasets using its own internal expertise.

<u>Impairment</u>
The Group monitors internal and external indicators of impairment relating to its intangible and tangible assets, which may indicate that the carrying value of the assets may not be recoverable. The assessment of the existence of indicators of impairment in E&E assets involves judgement, which includes whether management expects to fund significant further expenditure in respect of a licence and whether the recoverable amount may not cover the carrying value of the assets. For development and production assets judgement is involved when determining whether there have been any significant changes in the Group's oil and gas reserves.

The Group determines whether E&E assets are impaired at an asset level and in regional cash generating units ('CGUs') when facts and circumstances suggest that the carrying amount of a regional CGU may exceed its recoverable amount. As recoverable amounts are determined based upon risked potential, or where relevant, discovered oil and gas reserves, this involves estimations and the selection of a suitable pre-tax discount rate relevant to the asset in question. The calculation of the recoverable amount of oil and gas development properties involves estimating the net present value of cash flows expected to be generated from the asset in question. Future cash flows are based on assumptions on matters such as estimated oil and gas reserve quantities and commodity prices. The discount rate applied is a pre-tax rate which reflects the specific risks of the country in which the asset is located.

Management is required to assess the carrying value of investments in subsidiaries in the parent company balance sheet for impairment by reference to the recoverable amount. This requires an estimate of amounts recoverable from oil and gas assets within the underlying subsidiaries (see note 18).

Decommissioning provisions

Management has determined that, based on their understanding of the contractual agreements they are party to in Indonesia, the Company has a constructive obligation to incur future decommissioning costs as at 31 December 2011. However these assumptions involve judgement, which may be subject to change, and therefore the position will be reviewed on an ongoing basis. A change in circumstances may result in a change to the liability being recorded in future periods (see note 25).

Share-based payment costs

The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgments relating to the continuing participation of employees (see note 29).

Disclosure of discontinued operations

At 30 June 2011, as a result of the Board's strategic decision to exit Indonesia, the Group's interests in the region were classified as a disposal group held for sale and therefore included as discontinued operations. The proposed disposal was noted as a core shift in strategy for the Serica Group, effected to re-allocate resources into new areas of Group focus. In October 2011 the Company disposed of its operated exploration portfolio in Indonesia to KrisEnergy Limited and closed its local office. The non-operated interest in the Kambuna TAC has not yet been disposed of. The Company considers its intention to exit operations in Indonesia to represent a single coordinated plan to dispose of a geographic area of business. Accordingly it is considered appropriate to classify the results of the disposed sector as discontinued (see note 7) since it is part of the single plan. The Company's interest in the Kambuna TAC is still considered as available for sale however it does not meet the definition of an asset held for sale, or a discontinued operation in accordance with IFRS 5 at the reporting date.

Basis of Consolidation

The consolidated financial statements include the accounts of Serica Energy plc (the "Company") and its wholly owned subsidiaries Serica Energy Corporation, Serica Energy Holdings B.V., Asia Petroleum Development Limited, Petroleum Development Associates (Asia) Limited, Serica Energia Iberica S.L., Serica Holdings UK Limited, Serica Energy (UK) Limited, PDA Lematang Limited, APD (Asahan) Limited, APD (Biliton) Limited, Serica Glagah Kambuna B.V., Serica Sidi Moussa B.V. and Serica Foum Draa B.V. and Serica Namibia B.V.. Together these comprise the "Group".

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

Foreign Currency Translation

The functional and presentational currency of Serica Energy plc and all its subsidiaries is US dollars.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange ruling at the balance sheet date and differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Exchange gains and losses arising from translation are charged to the income statement as an operating item.

Business Combinations and Goodwill

<u>Business combinations from 1 January 2010</u>

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in administrative expenses.

<u>Business combinations prior to 1 January 2010</u>

Business combinations are accounted for using the purchase method of accounting. The purchase price of an acquisition is measured as the cash paid plus the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Goodwill on acquisition is initially measured at cost being the excess of purchase price over the fair market value of identifiable assets, liabilities and contingent liabilities acquired. Following initial acquisition it is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to an impairment test at least annually and more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units, or groups of cash generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, or groups of cash generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Joint Venture Activities

The Group conducts petroleum and natural gas exploration and production activities jointly with other venturers who each have direct ownership in and jointly control the assets of the ventures. These are classified as jointly controlled assets and the financial statements reflect the Group's share of assets and liabilities in such activities.

Full details of Serica's working interests in those petroleum and natural gas exploration and production activities classified as jointly controlled assets are included in the Review of Operations.

Exploration and Evaluation Assets

As allowed under IFRS 6 and in accordance with clarification issued by the International Financial Reporting Interpretations Committee, the Group has continued to apply its existing accounting policy to exploration and evaluation activity, subject to the specific requirements of IFRS 6. The Group will continue to monitor the application of these policies in light of expected future guidance on accounting for oil and gas activities.

Pre-licence Award Costs

Costs incurred prior to the award of oil and gas licences, concessions and other exploration rights are expensed in the income statement.

Exploration and Evaluation (E&E)

The costs of exploring for and evaluating oil and gas properties, including the costs of acquiring rights to explore, geological and geophysical studies, exploratory drilling and directly related overheads, are capitalised and classified as intangible E&E assets. These costs are directly attributed to regional CGUs for the purposes of impairment testing; UK & Ireland and Africa.

E&E assets are not amortised prior to the conclusion of appraisal activities but are assessed for impairment at an asset level and in regional CGUs when facts and circumstances suggest that the carrying amount of a regional cost centre may exceed its recoverable amount. Recoverable amounts are determined based upon risked potential, and where relevant, discovered oil and gas reserves. When an impairment test indicates an excess of carrying value compared to the recoverable amount, the carrying value of the regional CGU is written down to the recoverable amount in accordance with IAS 36. Such excess is expensed in the income statement.

Costs of licences and associated E&E expenditure are expensed in the income statement if licences are relinquished, or if management do not expect to fund significant future expenditure in relation to the licence.

The E&E phase is completed when either the technical feasibility and commercial viability of extracting a mineral resource are demonstrable or no further prospectivity is recognised. At that point, if commercial reserves have been discovered, the carrying value of the relevant assets, net of any impairment write-down, is classified as an oil and gas property within property, plant and equipment, and tested for impairment. If commercial reserves have not been discovered then the costs of such assets will be written off.

Asset Purchases and Disposals

When a commercial transaction involves the exchange of E&E assets of similar size and characteristics, no fair value calculation is performed. The capitalised costs of the asset being sold are transferred to the asset being acquired. Proceeds from a part disposal of an E&E asset, including back-cost contributions are credited against the capitalised cost of the asset.

Farm-ins

In accordance with industry practice, the Group does not record its share of costs that are 'carried' by third parties in relation to its farm-in agreements in the E&E phase. Similarly, while the Group has agreed to carry the costs of another party to a Joint Operating Agreement ("JOA") in order to earn additional equity, it records its paying interest that incorporates the additional contribution over its equity share.

Property, Plant and Equipment – Oil and gas properties

Capitalisation

Oil and gas properties are stated at cost, less any accumulated depreciation and accumulated impairment losses. Oil and gas properties are accumulated into single field cost centres and represent the cost of developing the commercial reserves and bringing them into production together with the E&E expenditures incurred in finding commercial reserves previously transferred from E&E assets as outlined in the policy above. The cost will include, for qualifying assets, borrowing costs.

Depletion

Oil and gas properties are not depleted until production commences. Costs relating to each single field cost centre are depleted on a unit of production method based on the commercial proved and probable reserves for that cost centre. The depletion calculation takes account of the estimated future costs of development of recognised proved and probable reserves. Changes in reserve quantities and cost estimates are recognised prospectively from the last reporting date.

The Kambuna field was depleted using proved and probable entitlement reserves until 30 June 2011.

The Company has assessed the expected useful life of the future economic benefits embodied in the asset and considers that given the relatively short remaining field life, the production profiles associated with proved reserves better reflect this expected pattern of consumption. Accordingly the Company has concluded that it is appropriate to use proved reserves as a basis for the specific depletion calculation for the Kambuna field asset with effect from 1 July 2011.

The impact of this change in accounting estimate in the 2011 financial statements is an increased depletion charge in the second half 2011 period of US$2,320,000. The impact of the change in estimate on future periods is not considered practical to disclose.

Impairment

A review is performed for any indication that the value of the Group's development and production assets may be impaired.

For oil and gas properties when there are such indications, an impairment test is carried out on the cash generating unit. Each cash generating unit is identified in accordance with IAS 36. Serica's cash generating units are those assets which generate largely independent cash flows and are normally, but not always, single development or production areas. If necessary, impairment is charged through the income statement if the capitalised costs of the cash generating unit exceed the recoverable amount of the related commercial oil and gas reserves.

Asset Disposals

Proceeds from the entire disposal of a development and production asset, or any part thereof, are taken to the income statement together with the requisite proportional net book value of the asset, or part thereof, being sold.

Decommissioning

Liabilities for decommissioning costs are recognised when the Group has an obligation to dismantle and remove a production, transportation or processing facility and to restore the site on which it is located. Liabilities may arise upon construction of such facilities, upon acquisition or through a subsequent change in legislation or regulations. The amount recognised is the estimated present value of future expenditure determined in accordance with local conditions and requirements. A corresponding tangible item of property, plant and equipment equivalent to the provision is also created.

Any changes in the present value of the estimated expenditure is added to or deducted from the cost of the assets to which it relates. The adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. The unwinding of the discount on the decommissioning provision is included as a finance cost.

Property, Plant and Equipment - Other

Computer equipment and fixtures, fittings and equipment are recorded at cost as tangible assets. The straight-line method of depreciation is used to depreciate the cost of these assets over their estimated useful lives. Computer equipment is depreciated over three years and fixtures, fittings and equipment over four years.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs and transportation expenses.

Investments

In its separate financial statements the Company recognises its investments in subsidiaries at cost less any provision for impairment.

Financial Instruments

Financial instruments comprise financial assets, cash and cash equivalents, financial liabilities and equity instruments.

<u>Financial assets</u>

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, or loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial asset are capitalised unless they relate to a financial asset classified at fair value through profit and loss in which case transaction costs are expensed in the income statement.

The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Financial assets at fair value through profit or loss include financial assets held for trading and derivatives. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost, using the effective interest rate method, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses are recognised in the income statement when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with original maturities of three months or less at the date acquired.

Financial liabilities

Financial liabilities include interest bearing loans and borrowings, and trade and other payables.

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Equity

Equity instruments issued by the Company are recorded in equity at the proceeds received, net of direct issue costs.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue from oil and natural gas production is recognised on an entitlement basis for the Group's net working interest.

Finance Revenue

Finance revenue chiefly comprises interest income from cash deposits on the basis of the effective interest rate method and is disclosed separately on the face of the income statement.

Finance Costs

Finance costs of debt are allocated to periods over the term of the related debt using the effective interest method. Arrangement fees and issue costs are amortised and charged to the income statement as finance costs over the term of the debt.

Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time the assets are substantially ready for their intended use i.e when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amounts capitalised represent the actual borrowing costs incurred. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Share-Based Payment Transactions

Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Equity-settled transactions
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, no account is taken of any service or performance conditions, other than conditions linked to the price of the shares of Serica Energy plc ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the relevant employees become fully entitled to the award (the 'vesting period'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied. Equity awards cancelled are treated as vesting immediately on the date of cancellation, and any expense not recognised for the award at that date is recognised in the income statement. Estimated associated national insurance charges are expensed in the income statement on an accruals basis.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Income Taxes

Current tax, including UK corporation tax and overseas corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the liability method and tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Provision is made for temporary differences at the balance sheet date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is provided on all temporary differences except for:

- temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the income statement nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are presented net only if there is a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Earnings Per Share

Earnings per share is calculated using the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated based on the weighted average number of ordinary shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all relevant potentially dilutive shares to ordinary shares. It is assumed that any proceeds obtained on the exercise of any options and warrants would be used to purchase ordinary shares at the average price during the period. Where the impact of converted shares would be anti-dilutive, these are excluded from the calculation of diluted earnings.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011. The adoption of the standards or interpretations is described below:

i) IAS 24 *Related Party Transactions* (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

ii) IAS 32 *Financial Instruments: Presentation* (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these type of instruments.

iii) Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of any amendments did not have any impact on the financial position or performance of the Group.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 Financial Statement presentation – Presentation of items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be classified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. The standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead JCEs that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. The standard becomes effective for annual periods beginning on or after 1 January 2013.