Friday 31 March 2006

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

SUMMARY 2005 FULL YEAR RESULTS AND FORWARD PROGRAMME

Serica today announces its 2005 full year results. A summary of these results is included below, and the full 2005 Annual Report and Accounts are available at www.serica-energy.com and www.sedar.com.

In the North Sea, the Global Santa Fe 140 drilling rig has been secured for the Company's first exploration well on Block 23/16f in partnership with Endeavour Energy UK Limited. Drilling in Block 23/16f is expected to take place in the fourth quarter of 2006 following completion of site preparations. In Indonesia, the Company is currently concluding arrangements for a rig to commence its 2006/7 drilling programme in the Biliton Block.

Drilling on the Glagah Kambuna and Asahan Offshore Blocks in Indonesia awaits the outcome of a large 3D seismic programme scheduled to commence in the third quarter of 2006. The Company continues to explore avenues to identify rig slots in the currently tight rig market in order to bring forward drilling on Serica's other exploration prospects.

2005 Highlights

<u>Operational</u>

- Two operated wells completed in Indonesia were gas discoveries:
    - Kambuna-2 well tested at good flow rates, demonstrating commercial potential and highlighting further upside of the block
    - Togar-1A well encountered high quality gas-bearing sands

- Awarded two new North Sea exploration blocks, Block 14/15a and Block 23/16f, in the UK 23^{rd} Licensing Round

- Appointment of Paul Ellis as Chief Executive Officer

<u>Financial</u>

- Completed listing on AIM in December 2005 and raised £64 million before costs, through JPMorgan Cazenove

- Serica has adopted International Financial Reporting Standards for its 2005 results (previously Canadian GAAP)

Forward Programme

- Kambuna Field Plan of Development submitted to the Indonesian authorities, targeting first production in 2008. Discussions ongoing with third parties regarding gas sales agreements

- Plan of Development for Tanjung Perling Field to be submitted during first half 2006

- Drilling rigs identified for wells to be drilled in the UK and Indonesia:
    - First well on North Sea Block 23/16f to be spudded in Q4 2006
    - Concluding arrangements for a rig to commence the Indonesian drilling programme

- A large 3D seismic programme covering parts of both the Glagah Kambuna and Asahan blocks contracted to commence in Q3 2006

Tony Craven Walker, Chairman, commented:

"As a result of the drilling success and the completion of fund raising, 2005 was an excellent year for the Company. With the appointment of Paul Ellis as Chief Executive Officer to complete our management team, Serica is well placed to build upon this success through the ambitious exploration and field development programme that is planned for this year and next."

31 March 2006

Background Notes

Serica is an international oil and gas exploration company with operations in Indonesia, the UK North Sea and Spain. The Company's ordinary shares are listed in London on AIM and on the Canadian TSX Venture Exchange under the symbol "SQZ". The 2005 Annual Report and Accounts are available at www.serica-energy.com and www.sedar.com.

Enquiries:

Serica Energy plc		
Paul Ellis, Chief Executive Officer	pellis@serica-energy.com	+44 (0)20 7487 7300
Chris Hearne, Finance Director	chearne@serica-energy.com	+44 (0)20 7487 7300
Pelham Public Relations –UK		
James Henderson	james.henderson@pelhampr.com	+44 (0)20 7743 6673
Alisdair Haythornthwaite	alisdair.haythornthwaite@pelhampr.com	+44 (0)20 7743 6676
CHF – Canada		
Jan Moir	jan@chfir.com	+1 416 868 1079
Heather Colpitts	heather@chfir.com	+1 416 868 1079

Forward Looking Statements

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

CHAIRMAN'S STATEMENT

I am delighted to report that Serica has started 2006 in a strong operational and financial position. With the successful raising of £64 million of new capital before expenses and the listing of the Company's shares in London on AIM, to complement our existing quotation on the TSX Venture Exchange market in Canada, the Company is now well placed to create shareholder value through its ambitious exploration drilling and field development programmes. I should like to thank shareholders for their support during the recent funding and to welcome new shareholders who joined us at the time of the AIM listing.

During the year we strengthened the management team with the appointment of Paul Ellis as Chief Executive Officer who will work closely with Chris Atkinson, the Chief Operating Officer and Chris Hearne, the Finance Director. Paul has over 35 years' experience in the areas of exploration, production, development and management of international oil and gas ventures. He has held senior appointments with major upstream oil and gas companies and with independent exploration companies.

We made good progress in Indonesia, where we achieved exploration success, and in the UK. In Indonesia, the successful outcome of our 2005 drilling programme has demonstrated both the commercial potential of the Kambuna Field and the significant gas prospectivity of the adjacent Asahan Block. The Company has already submitted plans for the development of Kambuna to the Indonesian authorities, with production scheduled for 2008, and is in discussions with third parties interested in purchasing the gas. In addition, new seismic information has indicated that the Tanjung Perling Field, in the south of the Asahan Block, may be commercial and a development plan is also being prepared for this field.

We start these new developments, and our exploration drilling and seismic programmes, at a time of high oil and gas prices but also at a time of high rig activity. This increased rig demand worldwide has led to a very tight drilling market.

Nevertheless, in this competitive market the Company has secured a rig for its first well in North Sea Block 23/16f, to be spudded in the fourth quarter this year. In Indonesia the Company is concluding arrangements for a rig for its 2006/7 drilling programme in the Biliton Block. We continue to review options to bring forward exploration drilling on our other blocks but we are cautious to avoid incurring excessive drilling costs in the current overly tight market.

In summary, 2005 was an eventful year for the Company with a positive outcome. We have seen successes in Indonesia with our first two wells drilled as operator and have secured the funding required to build on these early successes. I am immensely pleased with these achievements and optimistic for the future.

Tony Craven Walker
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to present this as my first report since joining the Company last September.

It is two years now since Serica was formed and listed on the TSX Venture Exchange and, in that time, the Company has made significant progress. From Serica's small starting position at the end of 2003, the Company's portfolio has grown to include a broad spread of interests in the North Sea and Indonesia, its two main areas of focus. Both these areas provide the basis for future growth. An independent study commissioned by the Company at the time of its introduction to AIM identified 22 exploration prospects in the Company's portfolio which could be potentially commercial.

This is a considerable portfolio for a company of Serica's size to have accumulated in such a short period of time. Its interests in the North Sea and Indonesia cover the technical risk spectrum, giving exposure both to lower risk appraisal projects and to higher risk, high impact projects whilst also providing a balance of geological and political risk. It is an enviable portfolio for a small company to have.

The first two wells drilled by the Company on its Asahan and Glagah Kambuna blocks in Indonesia at the end of 2005 reflect the quality of the Company's acreage. Serica is operator with a 55% interest in both of these blocks. The first well, Kambuna-2, tested gas at good flow rates and has demonstrated the commercial potential of the Kambuna Field as well as indicating further considerable upside to that field. The second well, Togar-1A, a wildcat exploration well drilled to test a direct hydrocarbon indicator on the adjacent Asahan Block, encountered high quality gas bearing sands in line with our expectations and proves the Company's technology, increasing significantly our optimism for commercial discoveries to be made on the block.

Following these positive results and the successful funding, the Company submitted a Plan of Development for the Kambuna Field to the Indonesian authorities at the turn of the year with a targeted production date of 2008. Discussions have already commenced with third parties who have expressed interest in acquiring the gas. A 3D seismic survey over the Kambuna Field and adjacent Company acreage will be acquired later this year. More recently, the analysis of new seismic data acquired by the Company has shown that the Tanjung Perling gas accumulation, which lies to the south of Kambuna in our adjacent Asahan Block, has commercial potential. We are therefore preparing a Plan of Development for the Tanjung Perling Field to be submitted to the Indonesian authorities this year.

During 2005, further prospects were added to the Company's inventory with the award of two North Sea licences in the UK 23rd Licensing Round, Block 14/15a and Block 23/16f, both operated by Serica which has an interest of 50% in each block. Serica now has an interest in eight blocks and part blocks in the North Sea, all of which it operates. Notwithstanding a tight rig market, the Company has put arrangements in place to drill an exploration well in Block 23/16f in the fourth quarter of 2006, less than a year from the award of the licence.

The sharp increase in exploration drilling activity worldwide caused by high oil and gas prices has resulted in offshore drilling rigs becoming harder to obtain and rig owners are seeking long term contracts at very high day rates. Serica is adapting to these changed circumstances and will be entering into rig-sharing agreements with other operators and favouring farm-in partners who have rigs under contract.

In addition to the semi-submersible rig secured for the drilling of the first exploration well in UK Block 23/16f, the Company is finalising arrangements for a rig for its 2006/7 Indonesia drilling programme in the Biliton Block. We continue to explore avenues to identify rig slots to bring forward drilling on other prospects. A large 3D seismic programme covering parts of both the Glagah Kambuna and Asahan blocks is planned to take place in mid year before selecting the drilling locations in those blocks.

One of the factors that differentiates Serica from other small exploration companies is that Serica operates all but one of its licence blocks and has working interests of between 50% and 100% in all but one block. This gives Serica financial and operational flexibility and allows it, in the event of farming-out, to retain a significant interest and exposure to the potential upside.

Serica's strategy is the creation of significant shareholder value through high impact exploration and near term development. To achieve this goal, the Company aims to maintain a portfolio of prospects that will provide opportunities each year for drilling low risk appraisal wells together with higher risk, high impact wells. To this end the Company will make applications for exploration licences in existing and new areas of interest and will seek to undertake new ventures such as farm-ins, acreage trades and corporate transactions, focusing on those opportunities which have the potential to add significant value. Our focus for this year is to progress our current exploration and development programmes whilst being open to new opportunities to create value for shareholders.

Paul Ellis
Chief Executive Officer

REVIEW OF OPERATIONS - Overview

Serica has operations in three different areas of the world. Two of these areas, Indonesia and the UK North Sea, are major oil and gas producing regions and the third, onshore northern Spain, is an area that has yet to be fully explored using modern exploration techniques.

The Company achieved success in 2005 with new acreage awarded in the North Sea and two gas discovery wells in Indonesia: Kambuna-2 and Togar-1A. The Company is currently studying the development of two offshore gas fields, the Kambuna Field in the Glagah Kambuna TAC and the Tanjung Perling Field in the adjacent Asahan PSC, and has commenced gas sales negotiations for both fields, in which it holds interests of 55% and is the operator.

Indonesia

During 2005, the Company mobilised a drilling rig to drill two wells offshore Sumatra. Kambuna-2 was drilled in September in the Glagah Kambuna Technical Assistance Contract ("TAC") and Togar-1A was drilled in the Asahan Offshore Production Sharing Contract ("PSC") in October. Kambuna-2 demonstrated the commercial potential of the Kambuna Field and a Plan of Development to supply gas to onshore Sumatra starting in 2008 was submitted to Pertamina in December. Gas sales negotiations have now been initiated for gas from the Kambuna Field.

The Togar-1A well discovered gas but not in sufficient quantities to justify a stand-alone development. However, it may be possible to produce the Togar Field as a satellite to other potential field developments. A new 2D seismic survey was completed in the Asahan Offshore PSC and locations for future exploration wells are being established.

In the Biliton PSC further 2D seismic data was acquired and a basin modelling study was completed to examine the likely flow of hydrocarbons from the source rocks to the mapped prospects on the block. Drilling locations are being determined and a three-well exploration programme is now being planned.

United Kingdom

Serica has been actively involved in the North Sea for five years and continued to improve its portfolio of interests with the award of two Central North Sea licences in the UK 23rd Licensing Round: Block 23/16f and Block 14/15a. The Company is already preparing to drill a well in Block 23/16f to test "Magellan", a prospect on which drilling is expected to commence in the fourth quarter of 2006.

During the year considerable efforts were made in the technical evaluation of our blocks in the Southern Gas Basin and we are now making preparations for the drilling of the "Oak" gas prospect in Block 54/1b and the "Chablis" appraisal well in Block 48/16b, both operated by Serica.

Spain

The Company holds a 100% interest in four exploration permits covering approximately 1,116 square kilometres onshore northern Spain. The permits are located within the Autonomous Community of Aragon and lie approximately 60 kilometres southeast of the existing Serrablo Gas Field.

Geological evaluation of the permits has confirmed a functioning petroleum system and a series of exploration leads have been mapped. It has further been determined that additional 2D seismic data will need to be acquired in 2007 to convert these leads into prospects for drilling.

Indonesia

Serica has been active in Indonesia for four years and has interests in three PSCs and one TAC. The portfolio has been assembled through acquisition and direct negotiation and the Company continues to seek further exploration opportunities in this highly prospective country.

During 2005, Serica contracted the semi-submersible drilling rig "Galaxy Driller" to drill two wells: the Kambuna-2 appraisal well in the Glagah Kambuna TAC and the Togar-1A exploration well in the Asahan Offshore PSC. Both wells successfully encountered gas-bearing reservoirs.

The Company also acquired 2D seismic data in the Asahan Offshore and Biliton PSCs and is now finalising the interpretation of both areas and selecting drilling locations.

The following table summarises the Company's interests in Indonesia.

Contract	Working Interest	Role	Location
Glagah Kambuna TAC	55%	Operator	Offshore North Sumatra
Asahan Offshore PSC	55%	Operator	Offshore North Sumatra
Biliton PSC	90%	Operator	Offshore Java Sea
Lematang PSC	10%	Partner	Onshore South Sumatra

Glagah Kambuna TAC

The Glagah Kambuna TAC comprises an area of approximately 380 square kilometres and lies offshore North Sumatra immediately adjacent to the Asahan Offshore PSC. Serica has a 55% working interest and is the operator of the block.

Prior to 2005, the Glagah Kambuna TAC contained two discovery wells: the Glagah-1 well drilled by Caltex in 1985 and the Kambuna-1 well drilled by Bow Valley in 1986. In September 2005, Serica drilled its first operated well, the Kambuna-2 appraisal well. The well was drilled to a depth of 7,963 ft and tested gas at 17.5 mmscfd and over 1,500 bpd of 55° API gravity condensate. This well demonstrated the commercial potential of the Kambuna Field and the Company has submitted a Plan of Development to Pertamina, the Indonesian State Petroleum Company.

As part of this development plan the Company has contracted Veritas DGC to acquire a 3D seismic survey of up to 470 square kilometres commencing in mid-2006. The survey will cover not only the Kambuna Field but also a large area covering additional prospects lying both in the Glagah Kambuna TAC and in the Asahan Offshore PSC. Following the interpretation of the new data and selection of well locations, drilling will take place in 2007.

Field development, in 50 metres of water, will be straightforward and potential markets for Kambuna gas include the PLN power plant at Belawan and the city of Medan, one of Indonesia's largest cities. Serica is in negotiations with Pertamina and PT Perusahaan Gas Negara ("PGN"), the Indonesian state-owned gas company with respect to a gas sales agreement for the Kambuna Field, with production expected to commence in 2008.

Asahan Offshore PSC

The Asahan Offshore PSC comprises an area of approximately 2,185 square kilometres offshore North Sumatra and lies immediately adjacent to the Glagah Kambuna TAC. Serica has a 55% working interest and is the operator of the PSC.

The Asahan Offshore PSC contains the Tanjung Perling and Togar discovery wells. The Tanjung Perling Field, approximately 20 kilometres offshore, was discovered by Pertamina and Japex in 1974 but was uncommercial at that time. New seismic data was acquired by Serica in 2004 and 2005 that confirmed the extent of the accumulation and Serica plans in 2006 to submit a Plan of Development for the Tanjung Perling Field to BPMIGAS, the Indonesian government agency for upstream oil and gas business. The Company recently executed a Memorandum of Understanding with PGN, relating to the delivery of gas from the Tanjung Perling Field starting in 2008.

The Togar-1A well, drilled in October 2005, was the Company's second operated well and was a small gas discovery. The well successfully confirmed the use of seismic direct hydrocarbon indicators as an effective exploration tool in the Asahan Block, which contains a number of other prospects that are currently being evaluated for exploratory drilling. Togar itself may be exploited via a future larger development on the block.

The Asahan Offshore PSC is in relatively shallow water, around 50 metres, and the ultimate development of its gas fields will take advantage of readily available conventional technology.

Biliton PSC

The Biliton PSC covers an area of approximately 6,575 square kilometres in the Java Sea between the Indonesian islands of Java and Kalimantan. The Company has a 90% working interest in Biliton and is the operator of the PSC.

The Biliton PSC lies in a virtually unexplored Indonesian basin which has many of the characteristics of analogous basins nearby which have to date produced substantial volumes of oil and gas. Only one exploration well has been drilled in the area, the Parang-G1 well drilled by Ashland Petroleum in 1974. Although this well did not find reserves of oil or gas it did encounter oil shows. In 1990, British Petroleum carried out a seabed survey that showed the presence of nine potential oil seeps within the current block boundary. Both the shows in the well and seep information demonstrate that hydrocarbons have been generated within the area.

During 2004 and 2005, Serica acquired approximately 4,500 line kilometres of 2D seismic data which is currently being interpreted. It is expected that up to three prospects will be selected for an exploration drilling programme in 2006/7. These wells will test independent features, with relatively shallow target drilling depths and are expected to be drilled in a three well back-to-back campaign.

Lematang PSC

The Lematang PSC, onshore South Sumatra, covers an area of approximately 407 square kilometres, divided into two separate blocks. It lies within the prolific South Palembang Basin where oil and gas were first discovered in the late 19th century. Serica has a 10% working interest in the Lematang PSC, which is operated by PT Medco Energi E&P (“Medco”).

Several exploration wells were drilled between 1987 and 1997, resulting in the discovery of two gas fields, Harimau and Singa. The Harimau Field has been producing since 1991 and is now approaching the end of its life.

In 2004, Medco submitted a Plan of Development for the Singa Field to BPMIGAS. The plan of development includes a 40 kilometre pipeline to Pagar Dewa, the starting point for the South Sumatra to West Java gas pipeline project being undertaken by PGN.

Serica's share of operating and development costs under the Lematang PSC is currently being carried by other partners and it is expected that the Company's cost carry will be sufficient to cover all costs of the development of the Singa Field in 2006 but that an additional US$6.5 million will be required by the Company to fund its share of development costs in 2007.

United Kingdom

Serica has been active in the North Sea for over five years and has assembled, through its participation in the UK 22nd and 23rd Licensing Rounds as well as through acquisitions, a portfolio of eight blocks in the North Sea's Southern Gas Basin and Central Graben. All of the North Sea properties held by the Company, whether in the Southern or Central North Sea, are within 15 kilometres of existing infrastructure that could potentially transport any discovered hydrocarbons to shore and to the European market.

The following table summarises the Company's interests in the North Sea.

Block(s)	Working Interest	Role	Location
Block 48/16b	100%	Operator	Southern Gas Basin
Blocks 48/16a, 47/20b	100%	Operator	Southern Gas Basin
Block 54/1b	100%	Operator	Southern Gas Basin
Block 14/15a	50%	Operator	Central North Sea
Blocks 23/16e, 23/17b	50%	Operator	Central North Sea
Block 23/16f	50%	Operator	Central North Sea

<u>Block 48/16b and Blocks 48/16a, 47/20b</u>

Block 48/16b and Blocks 48/16a, 47/20b are contiguous and cover a total of 377 square kilometres in the Southern Gas Basin. Serica has a 100% interest in these blocks, which contain one undeveloped discovery named Chablis and several undrilled prospects. The Chablis Field was discovered by the 48/16b-2 well, drilled by ConocoPhillips in 2001 but not production tested.

Serica has undertaken detailed geophysical and petrophysical studies of Chablis in order to define an appraisal plan. The field is close to existing infrastructure with two alternative transportation options for gas production. Whilst well 48/16b-2 demonstrated the presence of hydrocarbons, there remains uncertainty as to the quantity of hydrocarbons recoverable and an appraisal well will improve Serica's understanding of the gas accumulation. Serica is planning to drill an appraisal well up-dip from the existing discovery.

In addition to Chablis in Block 48/16b, Serica is also evaluating a number of features in Blocks 48/16a and 47/20b, in particular the Sancerre prospect, with the aim of identifying possible satellites to Chablis.

Block 54/1b

Block 54/1b covers 106 square kilometres in the Southern Gas Basin. Serica is operator and has a 100% interest in the block which it was awarded in 2004 in the UK 22nd Licensing Round. The Company has already fulfilled the work obligation on the block by acquiring 3D seismic data.

The key reservoir target in this block is the Rotliegend Leman Sandstone in which gas has been found in several locations close to Block 54/1b including the Davy Field, approximately five kilometres to the west. Reservoir quality in the block is expected to be good, with sand thickness anticipated to be from 400 to 750 ft.

Serica has completed a detailed analysis of the block using 3D seismic and regional well data, from which it has identified the Oak prospect, a Rotliegend Sandstone feature with a direct hydrocarbon indicator that appears to delineate a potential gas accumulation immediately up-dip from well 54/1b-2. Serica intends to drill the Oak prospect in late 2006, depending on the availability of a suitable drilling unit.

Block 14/15a

Block 14/15a covers 108 square kilometres in the Central North Sea. Serica is operator and has a 50% interest in the block. Serica and its partner, Paladin Expro Limited (now part of Talisman Energy Inc), were awarded the block in 2005 in the UK 23rd Licensing Round.

Block 14/15a lies in the Outer Moray Firth area of the Central North Sea, immediately north of the established Piper, Claymore, Tartan, Highlander and Lowlander oil fields. The current 3D seismic data has been used to identify several leads on the block and, in order to refine the interpretation, Serica will undertake a seismic reprocessing project involving pre-stack depth migration of the existing 3D data.

Leads have been defined at upper Jurassic, lower Cretaceous and Paleocene levels and the reprocessing project aims to mature some of the leads into drillable prospects.

Blocks 23/16e, 23/17b and Block 23/16f

Blocks 23/16e, 23/17b and Block 23/16f are contiguous and cover 76 square kilometres in the Central Graben area of the North Sea. Serica is operator and has 50% interests in Blocks 23/16e and 23/17b, which Serica and its partners, Endeavour Energy and Wham Energy, were awarded in the UK 22nd Licensing Round. Serica is also operator and has a 50% interest in Block 23/16f, which it and its partner, Endeavour Energy, were awarded in the UK 23rd Licensing Round.

An exploration well, 23/16a-2, drilled by Britoil in 1988 and lying in the area now covered by Block 23/16f, produced light crude oil on test at a rate of 96 bpd from Tertiary sands of the Forties and Andrew formations. This discovery is now called “Henry” and the most likely reason for poor flow in the Henry discovery well is believed to be formation damage and the reservoir quality in the vicinity of the well.

In areas of the block outside the 23/16a-2 well location, there are character changes on the seismic data that can be inferred to indicate the presence of thicker channel sands with improved reservoir characteristics. Serica has mapped the Henry discovery and the Columbus prospect in the Forties Sandstone and a prospect called Magellan in the underlying Andrew Sandstone. A deeper lead, Shackleton, has also been identified in the Lower Cretaceous.

Serica has secured a drilling rig to drill a well in Block 23/16f in the fourth quarter of 2006 to test the Magellan prospect.

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 2005.

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

Overall Performance

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

Two operated wells were completed in Indonesia and both were gas discoveries. The Kambuna-2 well tested at good flow rates, demonstrating commercial potential and highlighting further upside of the block and the Togar-1A well encountered high quality gas-bearing sands. In the UK Serica was awarded two new North Sea exploration blocks, Block 14/15a and Block 23/16f, in the UK 23rd Licensing Round.

During the year Serica acquired an additional 15% interest in the Asahan Offshore PSC from PT Medco Energi International TBK subject to the necessary government approvals. The consideration of US$1,000,000 was payable in cash. In addition Serica farmed out 25% working interests in the Glagah Kambuna TAC and the Asahan Offshore PSC to Duinord Petroleum Inc. in return for a 50% cost carry on the 2005 two-well programme plus some US$1,000,000 in back costs.

Following completion of a reorganisation on 1 September 2005 (the "Reorganisation"), whereby the common shares of Serica Energy Corporation were automatically exchanged on a one-for-one basis for ordinary shares of the Company, the ordinary shares were successfully admitted to the London Alternative Investment Market ("AIM") on 13 December 2005.

The $112 million before costs, raised in conjunction with the AIM listing, has enabled Serica to end the year with a robust balance sheet with net assets of $131 million, and sufficient funding to progress with its forward programme. This includes the Kambuna Field Plan of Development submitted to the Indonesian authorities, targeting first production in 2008, and the Plan of Development for the Tanjung Perling Field to be submitted during first half 2006. In addition a drilling rig has been contracted for a first well on North Sea Block 23/16f to be spudded in the fourth quarter 2006 and the Company is concluding arrangements for a rig for its 2006/7 Indonesian drilling programme.

The results of Serica's operations are detailed below, and Serica has chosen to adopt International Financial Reporting Standards ("IFRS") and henceforth the results presented in this MD&A and the financial statements will be presented in accordance with IFRS. The transition date is 1 January 2004 and the first year reported under IFRS is the year ended 31 December 2005. Accordingly, comparatives have been restated from Canadian GAAP to comply with IFRS. The reconciliations to IFRS from the previously published Canadian GAAP financial statements are provided in note 30 to the audited financial statements. Under IFRS the 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.

Results of Operations

Serica generated a loss of US$4.1 million for 2005 compared to US$7.7 million for 2004.

	2005 US$000	2004 US$000
Sales revenue	124	156
Expenses:		
Administrative expenses	(5,340)	(4,735)
Reverse acquisition and listing expenses	-	(1,290)
Pre-licence costs	(695)	(61)
Share-based payments	(1,013)	(167)
Depletion, depreciation & amortisation	(30)	(14)
Release of decommissioning provision	-	122
Gain on disposal of shareholding	-	141
Finance revenue	526	170
Loss before taxation	(6,428)	(5,678)
Taxation credit/(charge)	2,309	(2,064)
Loss for the year	(4,119)	(7,742)

Revenues from oil and gas production are recognised on the basis of the Company's net working interest in its properties. Revenues throughout each period were generated from Serica's 10% interest in the Harimau producing gas and gas condensate field. Whilst steady during 2005, the decrease in sales revenues from US$0.16 million for 2004 to US$0.12 million for 2005 reflected the gradual decline in production levels partly offset by higher sales prices. Direct operating costs for the field during these periods were carried by Medco Energi Limited.

Administrative expenses of US$5.3 million for 2005 increased from US$4.7 million for 2004. The increase reflects the expansion of the Company and its resources.

Share-based payment costs of US$1.0 million reflects share option grants made during the course of 2004 and 2005 and compares with a cost of US$0.17 million for 2004. Negligible depletion, depreciation and amortisation charges for 2005 represent office equipment only. The costs of petroleum and natural gas properties are not currently subject to such charges pending further evaluation.

Net interest income of US$0.53 million for 2005 compares with US$0.17 million for 2004. The increase from last year was due to higher cash balances. There have been no gains on disposals this year whilst a gain of US$0.14 million arose during the equivalent period of last year on the sale of shares in a company listed on the TSXV.

The taxation credit for the year arose from a reduction in the deferred tax liability following the redemption of the ENI Loan Note, with no reciprocal increase in current tax. Expenditures during 2005 have reduced any potential current income tax expense arising for the year to US$ nil.

The net loss per share fell from US$0.16 to US$0.05 due to the substantial increase in the number of shares in issue, and the decrease in the net loss for the year compared to 2004.

Summary of Quarterly Results

Quarter ended:	31 Mar US$000	30 Jun US$000	30 Sep US$000	31 Dec US$000
2005				
Sales revenue	31	32	36	25
Loss for the quarter	1,455	1,486	775	403
Basic and diluted loss per share US$	0.02	0.02	0.01	0.01
2004				
Sales revenue	38	44	41	33
Loss for the quarter	2,123	1,570	3,276	773
Basic and diluted loss per share US$	0.05	0.03	0.07	0.01

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 2005 US$000	31 December 2004 US$000
Current assets:		
Inventories	878	259
Financial assets	-	7,204
Trade and other receivables	2,106	1,920
Cash and cash equivalents	109,750	1,729
Total Current assets	112,734	11,112
Less Current liabilities:		
Trade and other payables	(7,136)	(1,315)
Net Current assets	105,598	9,797

At 31 December 2005, the Company had net current assets of US$105.6 million which comprised current assets of US$112.7 million less current liabilities of US$7.1 million, giving an overall increase in working capital of US$95.8 million in the year. The Company raised additional substantial new funds through the exercise of warrants and the raising of £64 million (US$112 million) before costs through a placing on AIM in 2005. Net outgoings in 2005 covered operational expenses and exploration work. This is mostly reflected in an increase in trade and other payables, the bulk of which related to drilling on the Glagah Kambuna TAC and on the Asahan Offshore PSC.

Long-Term Assets and Liabilities

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

	31 December 2005 US$000	31 December 2004 US$000
Intangible exploration assets	23,591	10,589
Goodwill	2,382	2,382
Property, plant and equipment	26	6
Long-term other receivables	1,758	302
Long-term other payables	(151)	(155)
Deferred income tax liabilities	(2,137)	(4,446)

During 2005, total investments in petroleum and natural gas properties, represented by intangible exploration assets, increased to US$23.6 million. Of the 2005 investments, US$12.5 million was spent in Indonesia principally on drilling activity on the Asahan and Glagah Kambuna concessions, US$0.4 million in the UK on exploration work and a further US$0.1 million in Spain.

Goodwill, representing the difference between the price paid on acquisitions and the fair value applied to individual assets, remained unchanged at US$2.4 million.

Long-term other receivables of US$1.8 million represent value added tax (“VAT”) on Indonesian capital spend, which is expected to be recovered once the fields commence production.

Long-term other payables comprise mainly VAT payable in Indonesia. The deferred income tax liability was reduced following the redemption of the ENI Loan Note.

Shareholders’ Equity

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

	31 December 2005 US$000	31 December 2004 US$000
Total share capital	148,745	33,047
Other reserves	1,269	256
Accumulated deficit	(18,947)	(14,828)

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

Issued share capital during 2005 was increased by the exercise of 12,494,400 warrants and share options of the Company at prices ranging from Cdn$0.50 to Cdn$1.20. In addition 67,368,421 ordinary shares at £0.95 per ordinary share were issued upon admission to trading on AIM.

Serica energy

Capital Resources

At 31 December 2005, Serica had US$105.6 million of net working capital and no significant long-term debt. At that date the Company had commitments to future minimum payments under operating leases in respect of rental office premises, office equipment and motor vehicles for each of the following years as follows:

	US$000
31 December 2006	275
31 December 2007	198
31 December 2008	183
31 December 2009	177
31 December 2010	36

The Company had no long-term debt, capital lease obligations, purchase obligations or other long-term obligations.

In view of the limited revenues currently generated from oil and gas production, Serica will utilise existing financial resources as required to fund its investment programme and ongoing operations.

Off-balance Sheet Arrangements

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

Critical Accounting Estimates

The Company's significant accounting policies are detailed in note 2 to the attached audited 2005 financial statements. International Financial Reporting Standards have been adopted for 2005 and for 2004 comparatives. Details are provided in note 30 in the audited 2005 financial statements. The cost of exploring for and developing petroleum and natural gas reserves are capitalised. Unproved properties are subject to periodic impairment tests whilst the costs of proved properties are depleted over the life of such producing fields. In each case, calculations are based upon management assumptions about future outcomes, product prices and performance.

Financial Instruments

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

> Cash and cash equivalents, which comprise short-term cash deposits, are generally held within the currency of likely future expenditures to minimise the impact of currency fluctuations. The majority of funds are currently held in US dollars to match the Group's exploration and appraisal commitments. The holding of £11.1 million at year-end reflected a proportion of UK licence commitments and administrative expenditures expected in £ sterling.
>
> Following the recent fund-raising, Serica is holding significant net cash. Whilst this does leave exposure to interest rate fluctuations, given the level of expenditure plans over 2006/7 this is managed in the short-term through selecting treasury deposit periods of one to six months.

The low levels of sales revenue leave little customer credit risk. Cash and treasury 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.

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

Warrants and Share Options

As at 31 December 2005, the following warrants and options were outstanding: -

	Expiry Date	Amount	Value Cdn$
Warrants	6 Aug 2006	6,427,500	7, 713,000
	28 Jul 2006	1,521,876	1,826,251
Share options	Aug 2009	500,000	555,000
	Feb 2009	947,500	1,895,000
	May 2009	100,000	200,000
	Dec 2009	365,000	365,000
	Jan 2010	600,000	600,000
	Jun 2010	1,700,000	3,060,000
			Value £
	Nov 2010	696,000	675,120

Business Risk and Uncertainties

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

Nature and Continuance of Operations

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

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. The Company currently has relatively minor operating revenues and, during the period ended 31 December 2005 the Company incurred losses of US$4.1 million from continuing operations. At 31 December 2005 the Company held cash and cash equivalents of US$109.8 million.

Outstanding Share Capital

As at 23 March 2006, the Company had 142,669,829 ordinary shares issued and outstanding.

Additional Information

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

Approved on Behalf of the Board

Paul Ellis	Christopher Hearne
Chief Executive Officer	Finance Director

31 March 2006