SERICA ENERGY CORPORATION
Second Quarter 2005 Report to Shareholders – June 30, 2005

Management Overview

During the second quarter of 2005, Serica continued to build upon its exploration program in the North Sea and Indonesia.

The main focus in the quarter was Indonesia where the Company finalised preparations for its two well drilling program which is expected to commence shortly. Serica also completed a major seismic acquisition project on its Biliton Block and the agreement covering the Glagah Kambuna concession offshore Indonesia was extended in April. More recently the Company announced a farm-out and also an acquisition of additional interests in its Indonesia interests. Finally Serica is delighted that Paul Ellis will take up his position as Chief Executive Officer as of September 1, 2005.

The refurbishment of the Galaxy Driller semi-submersible drilling rig was completed in late-August. The Galaxy Driller is now preparing to move on station and then commence drilling operations on two of the Company's Indonesian properties. The Kambuna-2 exploration well will be drilled on Glagah Kambuna and following completion of this well, the Galaxy Driller will then be moved to drill well Togar-1A on the Company's nearby Asahan Offshore concession.

In May, Serica completed a 2D seismic survey covering 2,300 kilometers on its Biliton block where it holds a 90% interest and is operator. This infill program targeted several large structures identified from the 2004 survey with a view to drilling in the concession in 2006.

Serica has also recently announced the farm-out of interests in the Glagah Kambuna and Asahan Offshore concessions, subject to the necessary government approvals. Subsidiaries of Duinord Petroleum Inc. will participate in the upcoming two well drilling program and will acquire a 25% working interest in both blocks. In consideration Serica will receive approximately US$1 million in back costs and 50% of the cost of drilling the first two wells. In addition Serica has recently announced the acquisition, subject to the necessary government approvals, of a 15% interest in the Asahan Offshore area from PT Medco Energi International TBK. Following completion of the two well program, Serica will retain a 55% working interest in Asahan Offshore and a 55% working interest in Glagah Kambuna and will remain operator of both concessions.

In the North Sea, delineation work in the Company's existing licences has identified drillable prospects with gas potential and, at the end of the quarter, discussions commenced to identify suitable partners for the drilling phase. During the quarter, the company also submitted applications for new licences under the UK Government's 23rd licensing round.

On September 1, Paul Ellis is joining as our new Chief Executive Officer. With over 35 years' experience in the areas of exploration, production, development and management of international oil and gas ventures. Paul brings complementary skills as the Company enters a significant exploration drilling program. In particular, his operational experience will provide additional support to Serica's established exploration expertise led by Chris Atkinson, our Chief Operating Officer. We look forward to working with him as the Company embarks upon its growth strategy.

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") of the financial and operational results of Serica Energy Corporation ("Serica") should be read in conjunction with the attached unaudited interim consolidated financial statements for the three and six-months ended June 30, 2005 and also with its MD&A and audited consolidated financial statements for the year ended December 31, 2004. The interim financial statements for the three and six months ended June 30, 2005 have been prepared by and are the responsibility of the Company's management.

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

Serica's activities are centred on Indonesia, the UK and Spain. The Company has limited current oil and gas production with the main emphasis placed upon exploration and its future drilling programs. During the first half of 2005 work has continued on building the Company's financial position and preparing for the drilling of wells on two of Serica's Indonesian properties during the second half of the year.

Results of Operations

Serica generated a loss of US$1.14 million for the three months ended June 30, 2005 ("Q2 2005") compared to a loss of US$1.57 million for the three months ended June 30, 2004 ("Q2 2004") and a loss of US$1.17 million for the three months ended March 31, 2005 ("Q1 2005") compared to a loss of US$0.83 million for the three months ended March 31, 2004.

	2005		2004			
US$000	**Q2**	Q1	Q4	Q3	Q2	Q1
Revenue	**32**	31	33	41	43	38
Expenses:						
Operating	**-**	-	-	-	-	2
Administrative	**980**	1,113	1,181	1,252	1,587	857
Stock-based compensation	**383**	78	52	27	31	57
Depletion, depreciation & amortization	**4**	4	4	3	3	8
Amortization of deferred Charges	**61**	20	34	-	-	-
Interest, net	**(101)**	(82)	(144)	(11)	(14)	(1)
Foreign exchange loss (gain)	**600**	24	(260)	(18)	34	61
Loss (gain) on disposal	**-**	-	-	-	(28)	(113)
Release of abandonment costs	**-**	-	(122)	-	-	-
Net loss before tax	**(1,895)**	(1,126)	(712)	(1,212)	(1,570)	(833)
Income taxes	**(1,490)**	(41)	-		-	-
Future taxes	**2,249**			(2,064)		
Net loss for the period	**(1,136)**	(1,167)	(712)	(3,276)	(1,570)	(833)

Revenues from oil and natural gas production are recognized on the basis of the Company's net working interest in its properties. Revenues throughout each period were generated from Serica's 10% interest in the Harimau producing oil and gas field. The decrease in sales revenues from US$0.08 million for 1H 2004 to US$0.06 million for 1H 2005 reflected the gradual decline in production levels. Direct operating costs for the field during these periods were carried by Medco Energi Limited.

Administrative expenses of US$0.98 million for Q2 2005 compare to US$1.59 million for the same period last year and US$1.11 million for Q1 2005. These reductions reflect the additional costs incurred during the initial period of corporate growth following the merger in early 2004 and the capitalising of a proportion of 2005 G&A costs which are associated with specific exploration properties.

The increase in Q2 2005 stock-based compensation costs to US$0.38 million from US$0.03 million for the same period last year and US$0.08 million for Q1 2005 reflects stock option awards made during the course of 2004 and 2005. The Company has awarded stock options to motivate directors and other management whilst restricting cash obligations during the exploration phase. Negligible depletion, depreciation and amortisation charges in both periods represent office equipment only. The costs of petroleum and natural gas properties are not currently subject to such charges pending further evaluation. The $0.08 million balance of deferred charges has been fully written off during 1H 2005 following the redemption on June 30, 2005 of the ENI Investments plc loan note acquired with Firstearl in Q3 2004.

Net interest income of US$0.10 million in Q2 2005 showed little change from Q1 2005. The increase from last year was due to higher cash balances and to income from the ENI loan note. Exchange losses on foreign denominated current assets and liabilities increased to US$0.60 million for Q2 2005 compared to much lower levels in previous periods. The increase in such losses was mainly due to the strengthening during Q2 of the US dollar compared to sterling and its consequent impact upon the sterling-denominated ENI bond. There have been no gains on disposals so far this year whilst a gain of US$0.03 million arose during Q2 2004 on the sale of shares in a company listed on the Canadian Venture Exchange.

A current tax charge of US$1.53 million was recorded in the period to 30 June 2005 reflecting the proportion of the taxable gain, arising on the redemption of a loan note, not covered by existing tax losses. Management anticipate that sufficient additional tax losses will be available by the end of 2005 to fully shelter any tax due and consequently the current tax liability recorded will reverse by the year end. This was reduced by the deferred tax credit arising from the reversal of the deferred tax liability of US$2.063 previously recognised in respect of the ENI loan stock and the deferred tax credit of US$0.184 in respect of tax losses of Serica Energy (UK) Ltd previously not recognised.

The net loss for the period of US$1.14 million was down from US$1.57 million for Q2 2004 resulting in a decline in the net loss per share to US$0.02 offset by the larger number of shares in issue.

Working Capital, Liquidity and Capital Resources

1. Current Assets and Liabilities

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

	June 30, 2005 US$000	March 31, 2005 US$000	Dec 31, 2004 US$000
Current Assets:			
Cash and cash equivalents	**7,077**	9,152	1,729
Accounts receivable	**8,054**	2,014	1,839
Short-term investments	**18**	7,106	7,204
Inventory	**419**	260	258
Total Current Assets	**15,568**	18,532	11,030
Less Current Liabilities:			
Accounts payable and accruals	**(4,348)**	(1,862)	(1,314)
Net Current Assets	**11,220**	16,670	9,716

At June 30, 2005 the Company had net current assets of US$11.22 million which comprised current assets of US$15.57 million less current liabilities of US$4.35 million, giving an overall reduction in working capital of US$5.45 million in the quarter. Following the addition of substantial new funds through the exercise of US$8.89 million of warrants in Q1, net outgoings in Q2 covered operational expenses and exploration work. This was partly reflected in a reduction of US$2.08 million in cash and partly through an increase in accruals, the bulk of which related to Q2 seismic work on the Biliton PSA and long-lead drilling items for the forthcoming Indonesian wells. Upon its redemption on June 30, 2005 the ENI loan note has been transferred from short-term investments to accounts receivable.

2. Long-Term Assets and Liabilities

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

	June 30, 2005 US$000	March 31, 2005 US$000	Dec 31, 2004 US$000
Property, plant and equipment	**15,744**	12,661	11,618
Long-term accounts receivable	**341**	126	302
Goodwill	**2,382**	2,382	2,382
Deferred charges	**0**	61	81
Long-term accounts payable	**(155)**	(151)	(155)
Future income taxes	**(2,197)**	(4,446)	(4,446)

During Q2 2005, investments in petroleum and natural gas properties, represented by property, plant and equipment expenditure, were US$3.08 million bringing the total for 2005 to-date to US$4.13 million. Of the Q2 investments, US$2.35 million was spent in Indonesia principally on seismic acquisition on the Biliton concession and long-lead drilling items, US$0.66 million in the UK on exploration work and a further US$0.07 million in Spain.

The long-term accounts receivable of US$0.34 million represents value added tax ("VAT") on Indonesian capital spend, which is expected to be recovered once fields commence production, plus other venture account balances.

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

Long-term accounts payable, which comprises mainly VAT payable in Indonesia, was unchanged from June 30, 2005. The future income taxes were reduced by US$2.25 million as a result of the redemption of the ENI bond note and recognition of previously unrecognised tax losses.

3. Shareholders' Equity

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

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

The increase in issued share capital during Q2 from US$41.94 million to US$42.73 million reflected the exercise of 587,500 Serica warrants at Cdn$0.80 each and 390,625 warrants at Cdn$1.20.

The increase in contributed surplus from US$0.33 million to US$0.72 million reflects the amortisation of stock options.

4. Capital Resources

At June 30, 2005 Serica had US$11.22 million of net working capital and no significant long-term debt. In view of the limited revenues currently generated from oil and gas production, Serica is dependent upon supplementing existing financial resources through the raising of additional finance as required to fund its investment program and ongoing operations.

The Company's first US$1.57 million of expenditures on the Singa development will be met by a third party under a cost carry agreement.

Off-balance Sheet Arrangements

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

Critical Accounting Estimates

The Company's significant accounting policies are detailed in note 2 to the attached financial statements. There have been no changes in accounting policies during the period. The cost of exploring for and developing petroleum and natural gas reserves are capitalised. Unproved properties are subject to periodic impairment tests whilst the costs of proved properties are depleted over producing field lives. In each case, calculations are based upon management assumptions about future outcomes, product prices and performance.

Financial Instruments

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

Disclosure for Venture Issuers without Significant Revenue

To-date the Company has not had significant revenue from operations. The following table is a break-down of the material cost components for Q2 2005 and Q2 2004.

Periods ended June 30:	**2005**	2004
	US$000	US$000
Capitalised exploration and development costs	**4,126**	1,530
Expensed research and development costs	**Nil**	nil
General and administrative expenses	**2,093**	2,444
Material costs not included above	**nil**	nil

Warrants and Stock Options

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

	Expiry Date	**Amount**	**Value Cdn$**
Warrants	July 19, 2005	100,000	80,000
	Aug 5, 2006	8,233,750	9,880,500
Stock options	Mar 2006	5,000	2,500
	Aug 2007	600,000	666,000
	Jun 2008 (i)	700,000	1,260,000
	Feb 2009	1,384,167	2,768,334
	May 2009	100,000	200,000
	Dec 2009	445,000	445,000
	Jan 2010	600,000	600,000
	Jun 2010	130,000	234,000
	Jun 2010 (i)	70,000	126,000

(i) subject to Shareholder approval.

The table above does not include 1,000,000 share options at an exercise price of Cdn$1.80 reserved for the Chief Executive Officer which will be issued on his appointment as of September 1, 2005.

Subsequent Events

On July 1, 2005, Asia Petroleum Development (Glagah Kambuna) Limited, a subsidiary of Serica Energy Corporation, signed an agreement to dispose of a 25% interest in the Glagah Kambuna PSC to Duinord Glagah Kambuna Inc. for US$3.63 million. Also on July 1, 2005, Asia Petroleum Development (Asahan) Limited, a subsidiary of Serica Energy Corporation, signed an agreement to dispose of a 25% interest in the Asahan Offshore PSC to Duinord Asahan Inc. for US$3.69 million

On August 15, 2005 Asia Petroleum Development (Asahan) Limited signed an agreement to acquire an additional 15% interest in the Asahan Offshore PSC from Medco Energi Internasional TBK for US$1 million.

Business Risk and Uncertainties

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

Nature and Continuance of Operations

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

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company currently has relatively minor operating revenues and, during the years ended December 31, 2004 and 2003, incurred losses of US$6.4 million and US$3.8 million respectively from continuing operations. Continued operations of the Company are therefore dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future, none of which is assured. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

Additional Information

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

Approved on Behalf of the Board

Christopher Atkinson	Christopher Hearne
Chief Operating Officer	Chief Financial Officer

August 26, 2005

Serica Energy Corporation
Consolidated Balance Sheet

		June 30, 2005 US$000 (Unaudited)	December 31, 2004 US$000 (Audited)
Assets			
Current			
Cash and cash equivalents		**7,077**	1,729
Accounts receivable		**8,054**	1,839
Short-term investments	*Note 3*	**18**	7,204
Inventory		**419**	258
		15,568	11,030
Property, plant and equipment		**15,744**	11,618
Long-term accounts receivable		**341**	302
Goodwill		**2,382**	2,382
Deferred charges		**-**	81
		34,035	25,413
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accruals		**2,818**	1,314
Current tax liability	*Note 4*	**1,530**	**-**
		4,348	1,314
Long-term accounts payable		**155**	155
Future income taxes		**2,197**	4,446
		6,700	5,915
Shareholders' equity			
Share capital	*Note 5*	**42,726**	33,047
Contributed surplus	*Note 7*	**717**	256
Deficit		**(16,108)**	(13,805)
		27,335	19,498
		34,035	25,413

The accompanying notes are an integral part of these financial statements

Serica Energy Corporation
Consolidated Statement of Operations

	Three months ended June 30, 2005 US$000 (Unaudited)	Three months ended June 30, 2004 US$000 (Unaudited)	**Six months ended June 30, 2005 US$000 (Unaudited)**	Six months ended June 30, 2004 US$000 (Unaudited)
Revenue	**32**	43	**63**	82
Expenses (income)				
Operating	**-**	-	**-**	-
Administrative	**980**	1,587	**2,093**	2,444
Stock-based compensation	**383**	31	**461**	88
Depreciation, depletion and amortization	**4**	3	**8**	12
Amortization of deferred charges	**61**	-	**81**	-
Interest, net	**(101)**	(14)	**(183)**	(15)
Foreign exchange loss	**600**	34	**624**	95
Gain on disposal of investments	-	(28)	-	(141)
	1,927	1,613	**3,084**	2,483
Net loss before tax	**(1,895)**	(1,570)	**(3,021)**	(2,402)
Income taxes				
Income tax expense / (recovery)	**1,490**	-	**1,531**	-
Future income tax	**(2,249)**		**(2,249)**	
	(759)	-	**(718)**	-
Net loss for the period	**(1,136)**	(1,570)	**(2,303)**	(2,402)
Deficit, beginning of period	**(14,972)**	(8,229)	**(13,805)**	(6,124)
Cost of merger	**-**	(18)	**-**	(1,290)
Deficit, end of period	**(16,108)**	(9,817)	**(16,108)**	(9,817)
Loss per common share				
Basic and diluted	(0.02)	(0.04)	(0.04)	(0.06)

The accompanying notes are an integral part of these financial statements

Serica Energy Corporation
Consolidated Statement of Cash Flows

	Three months ended June 30, 2005 US$000 (Unaudited)	Three months ended June 30, 2004 US$000 (Unaudited) (Restated)	**Six months ended June 30, 2005 US$000 (Unaudited)**	Six months ended June 30, 2004 US$000 (Unaudited) (Restated)
Operating activities				
Net loss for the period	**(1,136)**	(1,570)	**(2,303)**	(2,403)
Depreciation, depletion and amortization	**4**	3	**8**	11
Amortization of deferred charges	**61**	-	**81**	**-**
Gain on disposal of investment	**-**	(28)	**-**	(141)
Stock based compensation	**383**	31	**461**	88
Foreign exchange	**600**	-	**624**	-
Income taxes	**(759)**	-	**(718)**	-
	(847)	(1,564)	**(1,847)**	(2,445)
Changes in working capital				
Accounts receivable	**316**	47	**318**	1,942
Accounts payable	**917**	293	**1,492**	(1,294)
Inventory	**(159)**	(20)	**(160)**	(29)
Cash provided by (used in) operating activities	**227**	(1,244)	**(197)**	(1,826)
Investing activities				
Purchases of property, plant and equipment	**(3,087)**	(1,080)	**(4,134)**	(1,505)
Proceeds on disposal of investment	**-**	151	**-**	410
Cost of merger	**-**	(18)	**-**	(1,290)
Cash acquired on merger	**-**	-	**-**	1,654
Cash acquired on acquisition	**-**	57	**-**	57
Cash used in investing activities	**(3,087)**	(890)	**(4,134)**	(674)
Financing activities				
Proceeds on exercise of options/issue of shares	**-**	-	**-**	100
Proceeds on exercise of warrants	**785**	-	**9,679**	-
Cash provided from financing activities	**785**	-	**9,679**	100
Increase (decrease) in cash and cash equivalents	**(2,075)**	(2,134)	**5,348**	(2,400)
Cash and cash equivalents, beginning of period	**9,152**	3,985	**1,729**	4,251
Cash and cash equivalents, end of period	**7,077**	1,851	**7,077**	1,851

The consolidated statement of cash flows for the three months and six months ended June 30, 2004 has been restated to include the prior year adjustments made in the 2004 Annual Report.

The accompanying notes are an integral part of these financial statements

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

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

1. Nature and Continuance of Operations

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

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

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company currently has relatively minor operating revenues and, during the periods ended June 30, 2005 and June 30, 2004 the Company incurred losses of US$2.3 million and US$2.4 million respectively from continuing operations. Continued operations of the Company are therefore dependent upon the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future, none of which is assured. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. Significant Accounting policies

These interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2004. These unaudited consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the year ended December 31, 2004.

3. Investments

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

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

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

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

4. Accounts Payable and Accruals

The Company has recorded a current tax liability of US$1.53 million in the period to June 30, 2005 reflecting the proportion of the taxable gain arising on redemption of the ENI loan note not covered by existing tax loses. Management anticipate that sufficient additional tax losses will be available by the end of 2005 to fully shelter any tax due and consequently the current tax liability recorded will reverse by year end.

5. Share Capital

Authorized capital:

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

Issued capital:	Capital shares Number	In value US$000
January 1, 2005	62,685,758	33,047
Conversion of warrants (a)	10,926,900	8,894
March 31, 2005	73,612,658	41,941
Conversion of warrants (b)	978,125	785
June 30, 2005	74,590,783	42,726

(a) During January 2005, 10,926,900 share purchase warrants were converted to ordinary shares at a price of Cdn$1.00 each.

(b) During the 3 months to June 30, 2005 587,500 and 390,625 share purchase warrants were converted to ordinary shares at a price of Cdn$0.80 and Cdn$1.20 each respectively.

6. Special Warrants and Share Purchase Warrants

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

Number of Warrants	Exercise Price per Warrant	Expiry Date
100,000	0.80	July 19, 2005
8,233,750	1.20	Aug 5, 2006
8,333,750		

7. Contributed Surplus

	US$000
January , 2005	255
Amortization of fair value of stock options	461
June 30, 2005	717

8. Stock Options

A Stock Option Plan has been established for the benefit of directors, officers and key employees. Under the plan, the terms, conditions and limitations are determined at the discretion of the Board of Directors. The options are exercisable until September 15, 2010, at a range of Cdn$0.50 to Cdn$2.00 per share and vest over periods ranging from immediately to three years. 4,034,167 common shares have been authorized for grant under the terms of the plan.

The Company calculated the value of stock-based compensation using a Black-Scholes option pricing model to estimate the fair value of stock options at the date of grant. The estimated fair value of options is amortized to expense over the options' vesting period. US$383,000 and US$461,000 has been charged to income in the three months ended June 30, 2005 and the six months ended June 30, 2005, respectively and a similar amount credited to contributed surplus.

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

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

	Number of shares	Exercise Price per Share Cdn$	Weighted Average Exercise Price Cdn$
Outstanding, January 1, 2005	3,102,500	0.50 to 2.00	1.65
Granted	1,500,000	1.00 to 1.80	1.48
Cancelled	(568,333)	1.11 to 2.00	1.84
Outstanding, June 30, 2005	**4,034,167**	**0.50 to 2.00**	**1.56**

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

Exercise Price	Number of Shares Outstanding	Weighted Average Remaining Life (Years)	Number of Shares Exercisable
Cdn$0.50	5,000	2	5,000
Cdn$1.00	1,045,000	5	-
Cdn$1.11	600,000	3	400,000
Cdn$1.80	900,000	3	500,000
Cdn$2.00	1,484,167	4	619,167
Total	**4,034,167**		**1,524,167**

9. Subsequent Events

On July 1, 2005, Asia Petroleum Development (Glagah Kambuna) Limited, a subsidiary of Serica Energy Corporation, signed an agreement to dispose of a 25% interest in the Glagah Kambuna PSC to Duinord Glagah Kambuna Inc. for US$3.63 million. Also on July 1, 2005, Asia Petroleum Development (Asahan) Limited, a subsidiary of Serica Energy Corporation, signed an agreement to dispose of a 25% interest in the Asahan Offshore PSC to Duinord Asahan Inc. for US$3.69 million

On August 15, 2005 Asia Petroleum Development (Asahan) Limited signed an agreement to acquire an additional 15% interest in the Asahan Offshore PSC from Medco Energi Internasional TBK for US$1 million.