

# Serica Energy plc

## (“Serica” or the “Company”)

### Interim Results

**London, 17 September 2013** – Serica Energy plc (TSX & AIM: SQZ), the oil and gas exploration and production company with assets in the UK, Norway and the Atlantic margins off Africa and Ireland, today announces its financial results for the six months ended 30 June 2013. The results and associated Management Discussion and Analysis are included below and copies are available at [www.serica-energy.com](http://www.serica-energy.com) and [www.sedar.com](http://www.sedar.com).

#### **Highlights:**

- In Morocco well planning continued on the Foum Draa and Sidi Moussa blocks prior to commencing drilling in October 2013 and H1 2014 respectively. The costs of both wells have been farmed-out, substantially covering Serica’s financial exposure. The Foum Draa well is targeting an operator estimated 142 mmboe of gross mean unrisked prospective resources.
- In Namibia, significant and encouraging progress has been achieved following the acquisition last year of 4,180 square kilometres of 3D seismic data in Serica’s Luderitz Basin blocks:
  - Interpretation has confirmed the presence of Prospect B exhibiting the characteristics of a large, Lower Cretaceous carbonate platform with an aerial extent of 700 square kilometres and a vertical closure in excess of 300 metres.
  - The data has also confirmed additional prospectivity in the area surveyed, including shallower four way dip-closed structures overlying Prospect B, a large canyon-channel turbidite sand system of Cretaceous age and shelf edge leads.
  - The seismic survey covered less than 25% of the full licence area and other large prospects in the licence lying outside the area surveyed have been identified from existing 2D data. The positive results of the 3D survey have enhanced the potential for these additional prospects.
  - Drilling elsewhere in Namibia has demonstrated the regional presence of a mature Aptian oil source rock at the levels capable of providing an oil charge as well as providing evidence of deeper source rocks.
- On the Columbus field development project, high priority discussions have continued aimed at resolving commercial issues and securing a direct tie-back to the Lomond field. All parties are working to securing a positive outcome.
- Agreement was reached to farm-out UK Blocks 113/26b and 27c to a subsidiary of Centrica. The blocks contain the Doyle prospect which is ready to drill. Serica’s retained percentage is 20%. A site survey has been completed and a well is expected to be drilled in 2014, both at no cost to Serica.
- A 3D seismic survey in the Greater York Area, in the UK southern gas sector, was completed.
- In UK Block 22/19c, JX Nippon has identified significant deep HPHT potential. Serica has a full carry up to and including the drilling of an exploration well.
- In Norway the operator of the Bream field has indicated plans to submit development proposals in early 2014. The Company is due a substantial payment on commencement of production.

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

**"The Company is now entering a period of significant activity. Our drilling campaign kicks off in October with the spudding of our first well offshore Morocco and will be followed by a further well offshore Morocco in the first half of 2014 and a well in the UK (Doyle). In Ireland efforts have commenced to identify partners to accelerate drilling on our Boyne and Muckish prospects. In Namibia, well planning activities have commenced in preparation for drilling in late 2014/15.**

**Although the decision by BG not to proceed with the Bridge Linked Platform at Lomond has held up sanction for the Columbus Development Project, Serica has generally made good, positive progress during the first half of 2013. In respect of Columbus, we are working hard to resolve the commercial issues relating to infrastructure access and all parties are actively working to secure a positive outcome to enable us to achieve project sanction early in 2014 and bring the project back on track.**

**Financial markets remain difficult for exploration companies but the Company has been able to secure finance from major international oil companies on many of its assets which has both endorsed the quality of our acreage and enabled us to move our exploration plans forward. The Company has sufficient funds to meet its exploration and other commitments for 2013 but remains very tightly financed. The Board is, accordingly, reviewing alternatives to strengthen the Company's resources for 2014 and beyond and place it on a stronger footing to maintain its growth targets."**

**17 September 2013**

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**NOTES TO EDITORS**

Serica Energy was formed in 2004 and, since then, has drilled 20 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 final project sanction pending. 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. Further information on the Company can be found at [www.serica-energy.com](http://www.serica-energy.com).

The technical information contained in the announcement has been reviewed and approved by Mitch Flegg, Chief Operating Officer of Serica Energy plc. Mitch Flegg (BSc in Physics from Birmingham University) has 31 years of experience in oil & gas exploration and development and is a member of the Society of Petroleum Engineers (SPE) and the Petroleum Exploration Society of Great Britain (PESGB).

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 [serica@collegehill.com](mailto:serica@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.

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

The following management's discussion and analysis ("MD&A") of the financial and operational results of Serica Energy plc ("Serica") and its subsidiaries (together the "Group") contains information up to and including 16 September 2013 and should be read in conjunction with the attached unaudited interim consolidated financial statements for the period ended 30 June 2013, which have been prepared by and are the responsibility of the Company's management and have not been reviewed by the Company's independent auditors.

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

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

The Company is a "designated foreign issuer" as that term is defined under National Instrument 71-102 - *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*. The Company is subject to the foreign regulatory requirements of the Alternative Investment Market of the London Stock Exchange in the United Kingdom.

### **OVERVIEW – SIX MONTHS ENDED 30 JUNE 2013**

The Company has continued to manage its cash resources carefully during the period in preparation for an anticipated increase in operational activity over the rest of 2013 and into 2014.

#### **Operations**

Work during the first half of 2013 and into the second half has focused on the following activities.

- On the Columbus field development project high priority discussions have continued with BG, the operator of the Lomond platform, DECC and other interested parties to secure a direct tie-back to the Lomond platform. All parties are working to secure a positive outcome which essentially requires agreement on commercial terms.
- Also in the UK a site survey has been completed in preparation for a well in the East Irish Sea in 2014 following the farm-out of Serica's interest in the Doyle blocks. In Central North Sea Block 22/19c, Serica farmed-out to JX Nippon in 2012 and has a 15% carried interest in a well. In addition, a 3D seismic survey in the Greater York Area has been completed (Serica 37.5%).
- In Norway, the operator of the Bream field has indicated plans to submit development proposals in early 2014. The Company is due a substantial payment on commencement of production.
- In Morocco, on both of Serica's blocks, Foum Draa and Sidi Moussa, the operators are well advanced with planning prior to the drilling of two exploration wells. The first well, in Foum Draa, is expected to commence drilling in early October.
- In Namibia, significant and encouraging progress has been achieved following the acquisition last year of 4,180 square kilometres of 3D seismic data in Serica's Luderitz Basin blocks:

- Interpretation has confirmed the presence of Prospect B exhibiting the characteristics of a large, Lower Cretaceous carbonate platform with an aerial extent of 700 square kilometres and a vertical closure in excess of 300 metres.
- The data has also confirmed additional prospectivity in the area surveyed, including shallower four way dip-closed structures overlying Prospect B, a large canyon-channel turbidite sand system of Cretaceous age and shelf edge leads.
- Drilling elsewhere in Namibia has demonstrated the regional presence of a mature Aptian oil source rock at the levels capable of providing an oil charge as well as providing evidence of deeper source rocks.
- In Ireland, a farm-out campaign has been launched for Serica's Slyne Basin blocks to progress drilling on the Boyne prospect as a follow up to Serica's discovery of oil in the blocks in 2009.
- In Indonesia, the Kambuna field reached its economic cut-off point in July and was shut-in. The production facilities are in the process of being decommissioned and will be handed over to Pertamina later in the year.

## **Financial**

- Unrestricted cash balances of US\$14.9 million as at 30 June 2013.
- Gross profit of US\$0.6 million was generated from Kambuna field revenues in the first half.
- A drop in expenses to US\$2.5 million from US\$3.5 million in 1H 2012 reduced the operating loss to US\$2.0 million from US\$4.2 million last year.
- Agreement was reached to farm-out Blocks 113/26b and 27c containing the Doyle prospect to a subsidiary of Centrica.
- The Company continues to have no debt and has not sought new equity from shareholders since 2008 having repositioned the business into the emerging Atlantic Margin plays of West Africa and Europe and financed operations through Kambuna revenues and value enhancing industry transactions.

## **FORWARD PROGRAMME**

In addition to seeking to reach a satisfactory conclusion to discussions enabling progress to be made on the development of the Columbus field, the Company is entering a period of significantly increased exploration activity.

Serica plans to drill three exploration wells within the coming year in Morocco and the UK with further contingent wells targeted for the UK, Namibia and Ireland. In each case the farm-out of well costs has significantly reduced the Company's cost exposure whilst retaining substantial upside for shareholders.

- In Morocco Serica will participate in the drilling of two wells in the near future. The first well on Foum Draa is due to commence in October 2013 targeting gross mean unrisked prospective resources estimated by the operator at 142 mmbce. A well on Sidi Moussa is expected to spud in Q2 2014 targeting an operator

estimate of unrisked prospective resources at 200 mmboe. The costs of both wells have been farmed-out, substantially covering Serica's financial exposure.

- In the UK East Irish Sea the Doyle gas prospect in the north of Block 113/27c has been fully matured and is ready to drill. The site survey for this well has recently been completed at no cost to Serica. The well is expected to be drilled in 2014 at no cost to Serica.
- In the UK Central North Sea Block 22/19c the operator (JX Nippon) has identified significant deep HPHT potential in the Jurassic and Triassic. Serica has a full carry on this licence up to and including, at JX Nippon's discretion, the drilling of an exploration well.
- In Namibia well planning activities have commenced in the Luderitz Basin blocks to prepare for drilling an exploration well in 2014-2015 pending a decision by BP whether to exercise an option to increase its interest in the blocks.
- In Ireland a site survey is planned in 2014 in the Rockall Basin in preparation for drilling on the Muckish prospect, estimated by Serica to have gross unrisked P<sub>50</sub> resources of 1.3 tcf and 85 million barrels of condensate. In addition, Serica has commenced a farm-out campaign for its blocks in the Slyne Basin to identify partners to join in the drilling of a well on the Boyne prospect planned for 2014.

## **PROSPECTS**

Serica has a balanced portfolio of prospects in multiple plays where the costs of early stage exploration are largely covered by third parties. Serica is the operator of many of its properties giving it a high degree of control. In the Atlantic Margin, offshore West Africa and Ireland, it holds interests in a range of potentially material drilling prospects. In the UK the Company has accumulated a gas-focused exploration programme which it expects will show increasing value in the light of projected material gas shortages and rising gas prices.

Following the successful country entries into Morocco and Namibia, Serica is evaluating a number of new venture opportunities, primarily in West Africa. The intention is to replicate the process of identifying opportunities and entering into new licences with significant potential upside but with limited entry cost.

## **DETAILED OPERATIONS OVERVIEW**

Serica is an oil and gas company with exploration and development activities based in the UK, Ireland, Namibia and Morocco.

During the first half of 2013 the Company continued to make important steps to demonstrate the value of its oil and gas and exploration licences. Its business activities are focussed in two separate hubs – the UK Offshore area together with an economic interest in the Bream field in Norway, and a substantial portfolio of properties in four distinct Atlantic margin basins in Morocco, Namibia and Ireland. The Company's interest in the Kambuna field in Indonesia will cease later in 2013 following a shut-in of field operations in July 2013.

Serica is positioned as a Company with no debt, a development project and near term drilling in the UK and overseas and an expanding position in new Atlantic Margin plays offshore Europe and Africa.

## **SUMMARY OF LICENCE HOLDINGS**

The following summary gives further detailed information on Serica's licence interests in which activities took place during, and subsequent to, the end of the first half of 2013.

### **United Kingdom**

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

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 Columbus field, containing gas rich in condensate, extends from Block 23/16f into Block 23/21 to the south, operated by BG International Limited ("BG"). Block 23/21 includes the Lomond platform and the producing Lomond field. Serica has a 50% interest in Block 23/16f and is operator for the block and the field development.

The cancellation of the Lomond Bridge Linked Platform (BLP) by BG in March 2013 was a setback to the Columbus project. However since then, progress has been made towards a revised development plan under which the Columbus field is tied back directly to the Lomond platform without need for a BLP. Preliminary engineering studies have shown that this solution is technically feasible and can be delivered within the time frame envisaged under the previous BLP-based plan.

The main outstanding issue is to reach commercial agreement for access to the Lomond facilities. Discussions are continuing with BG, DECC and other interested parties with all parties working to secure a positive outcome following which clearances will be required from DECC enabling the project to proceed. Serica is aiming to reach an understanding acceptable to all parties during the second half of 2013 to bring the programme back on track.

Independent consultant Netherland, Sewell & Associates ("NSAI") carried out a reserves report on the Columbus field for the end of 2012. This report estimated that the gross Proved plus Probable Reserves of the field are 69.7 bcf of gas and 4.7 mm bbl of liquids, a total of 16.3 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 the Company's share of proved and probable reserves in the field to be 23.1 bcf of sales gas and 1.6 mmbbl of liquids, a net 5.4 mmboe to Serica.

#### Northern North Sea: Blocks 210/19a and 210/20a – South Otter Prospects

Drilling of the South Otter blocks, in which Serica held a 100% interest, remained subject to a farm-out programme. As sufficiently attractive proposals to enable a well to be drilled in the blocks were not received, Serica made the decision to relinquish the blocks in January 2013 to comply with the terms of the licence.

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

In June the Company announced that it had reached agreement with Centrica, through Centrica's subsidiary Hydrocarbon Resources Limited ("HRL"), for the farm-out of UK East Irish Sea Blocks 113/26b and 27c, in which Serica presently holds a 65% interest. Under the agreement, HRL will acquire an operated 45% interest in the licence, with Serica retaining 20%, in consideration for HRL bearing Serica's share of costs associated with the drilling of an exploration well up to a gross cap of US\$17 million.

The agreement is subject to UK government approval. Completion also requires agreement with the operator of a wind farm planned nearby. However this is now at an advanced stage with final agreement expected shortly.

A gas prospect lying in the north of Block 113/27c, the Doyle prospect, has been fully matured as the result of work performed in 2011 and is ready to drill. The site survey for this prospect has recently been completed and a well is expected to be drilled in 2014, both at no cost to Serica.

#### East Irish Sea: Block 110/8b

Serica has a 100% interest and the operatorship of Block 110/8b. Recent drilling by Centrica in the adjoining block to the north is likely to have investigated prospectivity for gas in the area of the Darwen North prospect lying in the north of Block 110/8b but results of the drilling have not been released. The block also contains a small undeveloped oil discovery which is being re-evaluated.

#### Central North Sea: Block 22/19c

Block 22/19c is located approximately 20 kilometres to the west of Serica's Columbus field. Serica has a 15% interest in the block following the farm-out to JX Nippon (the Operator). The partners have identified significant deep High Pressure High Temperature ('HPHT') potential in the Jurassic and Triassic. Serica has a full carry on this licence up to and including the drilling of an exploration well. The decision to drill this well lies with JX Nippon.

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

Serica has a 37.5% interest in the blocks which are operated by Centrica. These blocks are contiguous part blocks immediately adjacent to the producing York field, also operated by Centrica.

A number of gas prospects, including a possible extension to North York, have been identified on the blocks at both the Leman (Permian) and Namurian (Carboniferous) levels. The work obligation comprises a 3D seismic acquisition survey and reprocessing of existing seismic data. The 3D seismic survey to fully evaluate the gas prospects adjacent to the York gas field, was completed in July 2013 on time and within budget and is now being processed and interpreted.

The primary focus of the survey is to evaluate potential Carboniferous prospectivity which is known to exist on the blocks.

## **Norway**

Serica has a significant deferred interest in the development of the Bream field and is due a substantial payment on first production. In their Annual Results Statement (March 2013), the Operator, Premier, stated: "Project sanction and submission of development plans to the authorities for the Bream development are expected in early 2014. First oil is targeted for 2017." In their Interim Results Statement (22 August 2013), Premier reconfirmed: "Submission of a plan of development for the Bream area is targeted for the first half of 2014."

## **Morocco**

#### Sidi Moussa and Foum Draa Petroleum Agreements

Serica holds licence interests in the Sidi Moussa and adjacent Foum Draa Petroleum Agreements offshore Morocco. The blocks cover a total area of approximately 8,375 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. Under the terms of the licence agreements the participants are required to carry the State oil

company ONHYM for a 25% interest through the exploration and appraisal phase. The First Extension Period of both licences, which also entails the drilling of a commitment well in each block, commenced on 17 January 2013.

The Tarfaya-Ifni Basin is geologically analogous to the oil producing salt basins of West Africa and exhibits significant potential. 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. Serica has completed the evaluation of this data which demonstrates the presence of a large number of salt diapir related prospects, stratigraphic traps and tilted fault block plays.

During 2013 to-date well planning has continued on both licences.

In the Foum Draa licence (where Serica has an 8.33% carried interest up to a gross well cost capped at US\$60 million), the operator (Cairn) has completed the acquisition of a site survey and has contracted a rig to drill the first exploration well. This will target a Lower Cretaceous turbidite channel stratigraphic play which the operator estimates to contain 142 mmboe of gross mean unrisked prospective resources. Drilling operations are expected to commence in October 2013.

In the Sidi Moussa licence (where Serica has a 5% carried interest up to a gross well cost capped at US\$50 million), the operator (Genel) is targeting over 850 mmboe of gross unrisked prospective resources. The location for the first exploration well has been agreed and the well will target a prospect with unrisked prospective resources estimated by the operator at 200 mmboe. Site survey operations commenced in August 2013, a rig contract has been signed and the first exploration well is due to spud in Q2 2014.

## Namibia

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

Serica has a 55% interest in a Petroleum Agreement covering Blocks 2512A, 2513A, 2513B and 2612A (part) in the Luderitz Basin, offshore Namibia in partnership with The National Petroleum Corporation of Namibia (Pty) Limited ("NAMCOR"), Exploration (Luderitz Basin) Limited (a wholly owned subsidiary of BP) and Indigenous Energy (Pty) Limited. The blocks lie in the centre of the basin and cover a total area of approximately 17,400 square kilometres.

In March 2012 the Company announced that it had agreed to farm-out an interest in the licence to BP. Under the terms of the transaction with BP, which completed in June 2012, Serica reduced its interest in the licence to 55% in return for a payment to recover past costs and the full cost of an extensive 3D seismic survey being met by BP. In addition, Serica also granted an option for BP, exercisable by year end 2013, 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 or to return its licence interest to Serica. In the event that the option to drill a well is exercised, Serica's interest in the licence will be 17.5% carried through the first well.

In September 2012 the Company successfully completed the 3D seismic acquisition survey with a final acquisition of 4,180 square kilometres of 3D seismic data designed to delineate prospects identified in the south east of the blocks. The survey, conducted by Serica on behalf of its partners in the licence, more than meets in full the obligations for seismic acquisition under the terms of the licence.

Interpretation of the fast-track data commenced immediately upon receipt late last year and has continued on schedule. Meanwhile a comprehensive work programme delivered the final processed data to Serica during Q2 2013. The initial results are now available.

Interpretation of the fast-track and final data sets supports the presence of the prospect known as Luderitz Prospect B with an aerial extent of over 700 square kilometres and a vertical closure in excess of 300 metres exhibiting the seismic character of a large Lower Cretaceous carbonate platform. The potential ( $P_{50}$ , unrisked) gross resource potential has been calculated by Serica to be 670 million barrels.

The processed 3D has also indicated the presence of additional prospectivity in the area surveyed, including:

- Stacked four-way dip closures at shallower levels above Prospect B from Aptian to Campanian. These potentially contain clastic reservoirs with charge from regionally proven, world class Aptian source rocks.
- A large Cretaceous canyon system to the north of Prospect B with high amplitude channel geometries visible on seismic. This system includes a four-way dip closure across the centre of the canyon and significant stratigraphic trapping upside. The base of the canyon immediately overlies the regionally proven Aptian source rock and so is well placed to receive oil charge. Further channel systems to the south of Prospect B are also under evaluation.
- Newly observed amplitude anomalies across the Aptian-Albian shelf break inboard of Prospect B. These amplitudes suggest the presence of porous reservoir immediately overlying the Aptian source rock interval. The anomalies are present across multiple levels with both four-way dip closures and significant stratigraphic trapping upsides.

All these additional prospects will be evaluated further.

The seismic survey covered less than 25% of the full licence area and other large prospects in the licence lying outside the area surveyed have been identified from existing 2D data. Although these will require full investigation, the positive results of the 3D survey have enhanced the potential for these additional prospects. Whilst offshore Namibia remains a frontier play the discovery of excellent quality oil prone source rocks and recovered oil in recent drilling in the north of Namibia has provided additional evidence and further encouraging support to the regional presence of a working oil prone hydrocarbon system and the potential of the area.

Although precise planning awaits the decision by BP whether or not to proceed to the drilling phase, well planning activities have commenced in order to be prepared to drill an exploration well in late 2014/2015. In the event that BP decides not to exercise its option to drill a well, BP is obliged to transfer its interest in the licence to Serica for a nominal sum and Serica's interest in the licence will revert to 85%.

## Ireland

### **Rockall Basin**

Serica holds a 100% working interest in an exploration licence covering six blocks in the north-eastern part of the Rockall Basin off the west coast of Ireland and a 100% interest in a Licence Option covering a further six blocks.

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 Serica's exploration licence, encountered a 214 metre hydrocarbon column and established that all the ingredients exist in the basin for commercial hydrocarbons.

### Exploration Licence: Blocks 5/17, 5/18, 5/22, 5/23, 5/27, and 5/28 - Muckish Prospects

A large exploration prospect, Muckish, has been fully delineated from 3D seismic data in Blocks 5/22 and 5/23. The Muckish prospect is a large gas condensate prospect and internal analysis estimates a gross unrisked resource potential ( $P_{50}$ ) of 1.3 Tcf plus 85 million barrels of condensate. Muckish is analogous to the nearby Dooish gas condensate discovery and provides material upside in a proven hydrocarbon basin. The evaluation of 3D seismic data coverage and the nearby Dooish gas-condensate discovery, give confidence in the potential of the prospect which covers an area of approximately 30 square kilometres with over 600 metres of vertical closure in a water depth of 1,450 metres.

Serica has secured a two-year extension to the first phase of the licence covering the blocks and is moving forward with plans to perform a site survey in 2014 in preparation for securing partners to participate in drilling the Muckish prospect.

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

Serica has informed the Irish authorities of the Company's intention to convert the Licence Option into a full Frontier Exploration Licence. This licence contains the Midleton and West Midleton prospects which are analogous to the Muckish prospect and nearby Dooish discovery. Recent in-house analysis of the extensive seismic database has also indicated the presence of an alternative play type, not previously considered. This will be fully evaluated during this licence phase.

### **Slyne Basin**

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

Serica (operator) holds a 50% interest in three blocks in the Slyne Basin off the west coast of Ireland. In 2009 Serica drilled a well (Bandon) on the blocks and found a new oil play with a 50m column in a shallow high quality Jurassic reservoir, the Bandon discovery. Deeper prospects, such as the Boyne and Liffey prospects, have been identified with the potential for commercial accumulations.

The Company, in partnership with RWE, has completed site surveys on the Boyne and Liffey prospects and has launched a farm-out campaign to follow up on the Bandon discovery and identify prospective partners to join in drilling the Boyne prospect. The Boyne prospect is estimated in-house to contain a gross unrisked resource potential of 31 million barrels of oil and 199bcf gas ( $P_{50}$ ). Subject to identifying a suitable partner or partners a well could be drilled as early as summer 2014.

### **Indonesia**

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

Serica's sole remaining interest in Indonesia is its 25% interest in the Glagah Kambuna Technical Assistance Contract ("TAC"). The TAC covers an area of approximately 380 square kilometres offshore North Sumatra and contains the Kambuna gas field. Throughout the first half of 2013 the Company continued to benefit from cash flows from field production but, in July 2013, the field reached the end of its economic life and was shut-in. The partnership has agreed handover arrangements with the Indonesian authorities which will involve securing the three wells and wellhead structure and handing over the facilities to Pertamina in the second half of the year.

## **Summary**

The Company is now entering a period of significant activity. Serica's drilling campaign kicks off in October with the spudding of its first well offshore Morocco and will be followed by a further well offshore Morocco in the first half of 2014 and a well in the UK (Doyle). In Ireland, efforts have commenced to identify partners to accelerate drilling on our Boyne and Muckish prospects. In Namibia, well planning activities have commenced in preparation for drilling in late 2014/15.

Although the decision by BG not to proceed with the Bridge Linked Platform at Lomond has held up sanction for the Columbus Development Project, Serica has generally made good, positive progress during the first half of 2013. In respect of Columbus, we are working hard to resolve the commercial issues relating to infrastructure access and all parties are actively working to secure a positive outcome to enable us to achieve project sanction early in 2014 and bring the project back on track.

Financial markets remain difficult for exploration companies but the Company has been able to secure finance from major international oil companies on many of its assets which has both endorsed the quality of our acreage and enabled us to move our exploration plans forward. The Company has sufficient funds to meet its exploration and other commitments for 2013 but remains very tightly financed. The Board is, accordingly, reviewing alternatives to strengthen the Company's resources for 2014 and beyond and place it on a stronger footing to maintain its growth targets.

## **FINANCIAL REVIEW**

A detailed review of the interim 2013 results of operations and other financial information is set out below.

### **Results of Operations**

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

The continuing operations comprise the core business hubs of the UK Offshore and Atlantic Margin basin interests, together with the Kambuna field interest in Indonesia.

	Six months ended 30 June	
	2013 US\$000	2012 US\$000
<b><i>Continuing operations</i></b>		
Sales revenue	3,523	8,455
Cost of sales	(2,949)	(9,176)
Gross profit/(loss)	574	(721)
Expenses:		
Pre-licence costs	(159)	(245)
E&E and other asset write offs	(18)	(136)
Administrative expenses	(2,046)	(2,755)
Foreign exchange (loss)/gain	(81)	106
Share-based payments	(121)	(320)
Depreciation	(107)	(169)
Operating loss before net finance revenue and taxation	(1,958)	(4,240)
Gain on disposal	-	1,023
Finance revenue	10	4
Finance costs	(42)	(340)
Loss before taxation	(1,990)	(3,553)
Taxation credit/(charge)	-	-
<b>Loss after taxation and loss for the period</b>	<b>(1,990)</b>	<b>(3,553)</b>
Earnings per share (EPS)	US\$	US\$
Basic and diluted EPS on loss from continuing operations	(0.01)	(0.02)
Basic and diluted EPS on loss for the period	(0.01)	(0.02)

## **Continuing operations**

Serica generated a gross profit of US\$0.6 million for the six months ended 30 June 2013 ("1H 2013") from its retained 25% interest in the Kambuna Field (1H 2012: gross loss of US\$0.7 million).

### *Sales revenues*

The Company currently generates all its sales revenue from the Kambuna field in Indonesia. Revenue is recognised on an entitlement basis for the Company's net working field interest. Entitlement revenues are higher in those periods where the full capped amount of cost recovery entitlement is eligible to be claimed out of gross revenue. The maximum possible contractual cost recovery entitlement was achieved throughout 2012 and 2013 to date.

The Kambuna field has been in natural decline and production rates continued to fall during 2012 and 1H 2013. The partnership has finalised handover arrangements with Pertamina and production was stopped and the field shut in, once it reached the end of its economic life in July 2013. The decommissioning process to secure the three wells and wellhead structure commenced and work is currently ongoing.

In 1H 2013, gross Kambuna field gas production averaged 6.2 mmscf per day (1H 2012: 17.5 mmscf per day) together with average condensate production of 518 barrels per day (1H 2012: 1,035 barrels per day). The 1H 2013 gas production was sold at prices averaging US\$6.46 per mscf (1H 2012: US\$6.46 per mscf) and generated US\$1.6 million (1H 2012: US\$4.6 million) of revenue net to Serica. Condensate production is stored and sold when lifted at a price referenced to the Indonesia Attaka official monthly crude oil price. Liftings in the period earned US\$1.9 million (1H 2012: US\$3.9 million) of revenue net to Serica at an average price of US\$105.4 per barrel (1H 2012: US\$120.7 per barrel).

### *Cost of sales and depletion charges*

Cost of sales were driven by production from the Kambuna field and totalled US\$2.9 million in 1H 2013 (1H 2012: US\$9.2 million). The charge comprised direct operating costs of US\$1.7 million (1H 2012: US\$3.7 million), non cash depletion of US\$1.0 million (1H 2012: US\$5.7 million) and a decrease in condensate inventory of US\$0.2 million (1H 2012: US\$0.2 million increase).

Operating costs per boe are broadly in line through the 1H 2013 and 1H 2012 periods. Depletion charges per boe have decreased for the 1H 2013 period against 1H 2012 following substantial provisions for impairment during 2012.

### *Other expenses and income*

The Company generated a loss before tax from continuing operations of US\$2.0 million for 1H 2013 compared to a loss before tax of US\$3.6 million for 1H 2012.

Pre-liscence costs include direct cost and allocated general administrative cost incurred on oil and gas interests prior to the award of licences, concessions or exploration rights. The expense of US\$0.2 million incurred in 1H 2013 and 1H 2012 is not significant.

There were no significant asset write offs in continuing operations in 1H 2013 or 1H 2012.

Administrative expenses of US\$2.0 million for 1H 2013 decreased from US\$2.8 million for the same period last year. The Company continues to reduce overheads and expects savings to give further benefit in future periods.

The impact of foreign exchange was not significant in 1H 2013 or 1H 2012.

Share-based payment costs of US\$0.1 million in 1H 2013 reflected share options granted and compare with US\$0.3 million for 1H 2012.

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'.

In March 2012 the Company announced that it had agreed to farm-out an interest in its Namibian licence to BP. Under the transaction, BP paid to Serica a sum of US\$5.0 million covering Serica's past costs and earned a 30% interest in the licence by meeting the full cost of an extensive 3D seismic survey. The accounting gain of US\$1.0 million on disposal recorded in the 1H 2012 income statement relates to the recognition of recovery for those past costs incurred that had been expensed as pre-licence costs in previous periods. The re-imbursement of those past costs capitalised as E&E assets on the award of the licence in December 2011 or capitalised as incurred in 1H 2012, were treated as a reduction from the book cost of the asset. Completion of the farm-out transaction occurred in June 2012 following the consent of the Ministry of Mines and Energy in Namibia.

Finance revenue comprising bank deposit interest income has been negligible in both periods.

Finance costs typically consist of interest payable, arrangement costs spread over the term of the bank loan facility and other fees. No finance costs are currently being incurred following the expiry of the loan facility in March 2013.

Taxation charges typically arise from Kambuna field operations although there is no current taxation or deferred taxation charge in 1H 2012 or 1H 2013. Current tax is typically charged on the profit oil or gas element of sales revenue rather than the cost recovery component.

The net loss per share from continuing operations of US\$0.01 for 1H 2013 compares to a net loss per share of US\$0.02 for 1H 2012.

## **Working Capital, Liquidity and Capital Resources**

### Current Assets and Liabilities

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

	30 June 2013 US\$000	31 December 2012 US\$000	30 June 2012 US\$000
<b>Current assets:</b>			
Inventories	243	481	1,802
Trade and other receivables	5,715	8,941	10,576
Financial assets	388	412	1,410
Cash and cash equivalents	14,883	22,345	23,277
<b>Total Current assets</b>	<b>21,229</b>	<b>32,179</b>	<b>37,065</b>
<b>Less Current liabilities:</b>			
Trade and other payables	(5,002)	(11,677)	(11,082)
Provisions	(1,605)	(1,601)	-
<b>Total Current liabilities</b>	<b>(6,607)</b>	<b>(13,278)</b>	<b>(11,082)</b>
<b>Net Current assets</b>	<b>14,622</b>	<b>18,901</b>	<b>25,983</b>

At 30 June 2013, the Company had net current assets of US\$14.6 million which comprised current assets of US\$21.2 million less current liabilities of US\$6.6 million, giving an overall decrease in working capital of US\$4.3 million in the six month period.

Inventories fell from US\$0.5 million to US\$0.2 million over the 1H 2013 period due to a decrease in quantities of condensate stock held.

Trade and other receivables at 30 June 2013 totalled US\$5.7 million. The significant decrease of US\$3.2 million from the 31 December 2012 balance of US\$8.9 million is largely caused by; the receipt of US\$0.9 million of Morocco back costs due from the 2012 farm-out transactions, US\$0.9 million of Indonesian VAT recovered in the period, a reduction in Kambuna JV receivables as field activity winds down, and a general fall in other operated JV activity in 1H 2013. The balance as at 30 June 2013 includes; US\$2.0 million of trade debtors from gas and condensate sales from the Kambuna field, advance payments on ongoing operations, recoverable amounts from partners in joint venture operations in the UK, Morocco and Indonesia, sundry UK and Kambuna asset working capital balances, and prepayments.

Financial assets at 30 June 2013 represented US\$0.4 million of restricted cash deposits.

Cash and cash equivalents decreased from US\$22.3 million to US\$14.9 million in the six month period chiefly due to the settlement of US\$6.9 million liabilities arising from the 2012 Spaniards drilling programme. During 1H 2013 the Company benefitted from US\$3.5 million of cash receipts from Kambuna field revenues and recoveries of Indonesian VAT. Cash outflows were incurred on Kambuna field operating costs, ongoing exploration work in the UK, Ireland and Namibia, and on the Columbus field development. Other costs included new venture costs, ongoing administrative costs and corporate activity.

Trade and other payables of US\$5.0 million at 30 June 2013 include US\$1.7 million of accrued liabilities arising from the York seismic programme in the UK North Sea, and trade creditors and accruals from Kambuna, Columbus and Namibia operations. Other items include sundry creditors and accruals from the other ongoing exploration programmes in the UK and Ireland, payables for administrative expenses and other corporate costs.

Provisions of US\$1.6 million at 30 June 2013 are in respect of Kambuna field decommissioning payments in Indonesia. These were classified as long-term liabilities as at 30 June 2012.

#### Long-Term Assets and Liabilities

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

	30 June 2013 US\$000	31 December 2012 US\$000	30 June 2012 US\$000
Exploration & evaluation assets	70,472	66,880	67,114
Property, plant and equipment	47	1,145	13,945
Long-term other receivables	1,622	1,706	2,535
Provisions	-	-	(2,040)

During 1H 2013, total investments in petroleum and natural gas properties represented by exploration and evaluation assets ("E&E assets") increased from US\$66.9 million to US\$70.5 million.

The net US\$3.6 million increase in 1H 2013 consists of additions on continuing operations incurred on ongoing exploration work in the UK, Ireland and Namibia, on the Columbus FDP, and G&A. The most significant addition in the period of US\$1.7 million was on the York seismic survey in the UK North Sea. Expenditure in Morocco is largely carried by 3<sup>rd</sup> parties and costs on processing the 3D seismic survey on the Luderitz basin licence interests in Namibia are being carried by BP.

Property, plant and equipment chiefly comprise the net book amount of the capital expenditure on the Company's interest in the Kambuna development. During 1H 2013, the Company's remaining investment was substantially depleted and the book amount is now at an immaterial level. The property, plant and equipment also included immaterial balances for office fixtures and fittings and computer equipment.

Long-term other receivables of US\$1.6 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 30 June 2012 are in respect of Kambuna field decommissioning payments in Indonesia. These are classified as current liabilities as at 31 December 2012 and 30 June 2013.

## Shareholders' Equity

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

	30 June 2013 US\$000	31 December 2012 US\$000	30 June 2012 US\$000
Total share capital	209,758	209,758	207,758
Other reserves	20,166	20,045	19,795
Accumulated deficit	(143,161)	(141,171)	(120,016)

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\$20.0 million to US\$20.2 million in 1H 2013 reflects proportional charges in the period for options issued in 2013 and prior years.

## Asset values and Impairment

At 30 June 2013 Serica's market capitalisation stood at US\$61.5 million (£40.4 million), based upon a share price of £0.22, which was exceeded by the net asset value at that date of US\$86.8 million. By 16 September 2013 the Company's market capitalisation had increased to US\$65.2 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*

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 funding remains uncertain. Consequently, the Company has given priority to the careful management of existing financial resources.

At 30 June 2013, the Company held cash and cash equivalents of US\$14.9 million and US\$0.4 million of short and long-term restricted cash in continuing operations. As at 16 September 2013, cash and restricted cash balances held totaled US\$14.2 million. Despite the cessation of Kambuna field revenues in Q3 2013, Serica's current resources are sufficient to meet its current committed programme for 2013.

However, the Board recognises that it will be more than two years before we can expect first revenues from the Columbus field and that we will need to secure additional funding ready for our exploration programme from 1H 2014 and to support further business growth.

The management is considering a range of strategic and financing options to achieve this. The Directors believe in the underlying strength and value in the Company's portfolio of assets which has been demonstrated by expressions of interest received from third parties and are of the opinion that the Group will be able to access funds to meet its ongoing working capital and committed capital expenditure requirements over the next 12 months. The strategic and capital raising alternatives open to the Company include the realisation of asset value through farm-out or sale, corporate transactions as

well as the issue of equity or other financial instruments. The Company has no debt or major commitments or other liabilities which are not covered by existing farm-out agreements with strongly financed companies. Accordingly, the financial statements have been prepared on a going concern basis.

#### *Debt facility*

Throughout 2012, the Company had access to a three-year US\$50 million debt facility, which was arranged in November 2009 with J.P.Morgan plc, Bank of Scotland plc and Natixis as Mandated Lead Arrangers. This facility was principally to refinance the Company's outstanding borrowings on the Kambuna field. It was also originally put in place to finance the appraisal and development of the Columbus field and for general corporate purposes.

Although all outstanding amounts under the Company's debt facility were fully repaid in February 2011, the facility was rolled forward until February 2013 whilst the directors reviewed the funding requirements and options available for the Columbus field development. Following the good progress that had initially been made with BG on the development of the Columbus field, the Company was actively engaged in arranging financing to enable this to be achieved. In March 2013, in light of the current expected timing requirements for the Company's share of Columbus project development costs, the Company decided to allow the facility to expire. This decision will save ongoing unutilised fee costs and was made in light of other financing options that are under review. Plans to finance the Company's share of Columbus development costs will be concluded once the revised development plan has been agreed.

#### *Summary of contractual obligations*

The following table summarises the Company's contractual obligations as at 30 June 2013;

Contractual Obligations	Total US\$000	<1 year US\$000	1-3 years US\$000	>3 years US\$000
Operating leases	382	382	-	-
Other short-term obligations	1,609	1,609	-	-
Total contractual obligations	1,991	1,991	-	-

Other short-term obligations relate to decommissioning payments in Indonesia.

#### *Lease commitments*

At 30 June 2013, 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 2013	255
31 December 2014	127

In February 2013, the Company entered into a new five year office operating lease with a minimum commitment period of one year, expiring in March 2014.

*Capital expenditure commitments, obligations and plans*

The Company also 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 Company is not obliged to meet other joint venture partner shares of these programmes.

In the UK North Sea, the partners in Licence P1906 (York Area) have obligations to acquire seismic data in the first licence period. The acquisition of this data commenced in May 2013 and is substantially complete and accrued as at 30 June 2013. Serica's estimated 40% paying share is US\$1.8 million.

In Morocco, the partners on the Foum Draa licence expect to drill the first exploration commitment well in Q4 2013. The Company is carried for its share of expenditure up to a gross cap of US\$60 million. Serica has currently budgeted to pay some US\$3.5 million, being its paying share of costs over and above the agreed cap to the farm-in carry.

Also in Morocco, the partners on the Sidi Moussa licence expect to drill the first exploration commitment well in 1H 2014. The Company is carried for its share of expenditure up to a gross cap of US\$50 million. Serica has currently budgeted to pay some US\$1.1 million, being its paying share of costs over and above the agreed cap to the farm-in carry.

Under the terms of the Company's Namibian licence, the value of work performed in 2012 by the JV partners on the 3D Seismic acquisition programme has exceeded the 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.

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

### Off-Balance Sheet Arrangements

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

### Critical Accounting Estimates

The Company's significant accounting policies are detailed in note 2 to the attached interim financial statements. International Financial Reporting Standards have been adopted. The costs of exploring for and developing petroleum and natural gas reserves are capitalised. 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 2013/14 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 30 June 2013, the following director and employee share options were outstanding:

<b>Expiry Date</b>	<b>Amount</b>	<b>Exercise cost Cdn\$</b>
March 2014	1,000,000	1,800,000
December 2014	200,000	200,000
January 2015	600,000	600,000
June 2015	100,000	180,000

  

		<b>Exercise cost £</b>
October 2013	750,000	300,000
January 2014	228,000	72,960
November 2015	280,000	271,600
January 2016	135,000	139,725
June 2016	270,000	259,200
January 2017	243,000	247,860
May 2017	210,000	218,400
March 2018	594,000	445,500
March 2018	350,000	287,000
January 2020	2,203,500	1,498,380
April 2021	450,000	141,188
January 2022	2,144,960	458,485
October 2022	1,200,000	348,000
January 2023	400,000	109,000

In January 2013, 400,000 share options were granted to certain employees other than directors with an exercise cost of £0.2725 and an expiry date of 22 January 2023.

### **Outstanding Share Capital**

As at 16 September 2013, the Company had 182,770,311 ordinary shares issued and outstanding.

## Business Risk and Uncertainties

Serica, like all companies in the oil and gas industry, operates in an environment subject to inherent risks 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:

<b>Investment Returns:</b> Management seeks to raise funds and then to generate shareholder returns through 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	<ul style="list-style-type: none"> <li>Management regularly communicates its strategy to shareholders</li> <li>Focus is placed on building an asset portfolio capable of delivering regular news flow and offering continuing prospectivity</li> </ul>
General market conditions may fluctuate hindering delivery of the company's business plan	<ul style="list-style-type: none"> <li>Management aims to retain adequate working capital to ride out downturns should they arise</li> </ul>
Management's decisions on capital allocation may not deliver the expected successful outcomes	<ul style="list-style-type: none"> <li>Rigorous analysis is conducted of all investment proposals</li> <li>Operations are spread over a range of areas and risk profiles</li> </ul>
Each asset carries its own risk profile and no outcome can be certain	<ul style="list-style-type: none"> <li>Management aims to avoid over-exposure to individual assets and to identify the associated risks objectively</li> </ul>

<b>Operations:</b> 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	<ul style="list-style-type: none"> <li>Thorough pre-drill evaluations are conducted to identify the risk/reward balance</li> <li>Exposure is selectively mitigated through farm-out</li> </ul>
Wells may blow out or equipment may fail causing environmental damage and delays	<ul style="list-style-type: none"> <li>The Group retains fully trained and experienced personnel</li> <li>The planning process involves risk identification and establishment of mitigation measures</li> <li>Emphasis is placed on engaging experienced contractors</li> <li>Appropriate insurances are retained</li> </ul>
Production may be interrupted generating significant revenue loss	<ul style="list-style-type: none"> <li>Serica's only producing field, Kambuna, has now ceased production and insurance was not considered cost-effective during its</li> </ul>

	lifespan
Operations may take far longer or cost more than expected	<ul style="list-style-type: none"> <li>Management applies rigorous budget control</li> <li>Adequate working capital is retained to cover reasonable eventualities</li> </ul>
Resource estimates may be misleading curtailing actual production and reducing reserves estimates	<ul style="list-style-type: none"> <li>The Group deploys qualified personnel</li> <li>Ongoing performance is monitored</li> <li>Regular third-party reports are commissioned</li> </ul>

<b>Personnel:</b> 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	<ul style="list-style-type: none"> <li>The Remuneration Committee regularly evaluates total compensation to ensure the Company remains competitive</li> </ul>
Personal safety may be at risk in demanding operating environments, typically offshore	<ul style="list-style-type: none"> <li>A culture of safety is encouraged throughout the organisation</li> <li>Responsible personnel are designated at all appropriate levels</li> <li>The Group maintains up-to-date emergency response resources and procedures</li> <li>Insurance cover is carried in accordance with industry best practice</li> </ul>
Staff and representatives may find themselves exposed to bribery and corrupt practices	<ul style="list-style-type: none"> <li>Company policies and procedures are communicated to personnel regularly</li> <li>Management reviews all significant contracts and relationships with agents and governments</li> </ul>

<b>Commercial environment:</b> 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	<ul style="list-style-type: none"> <li>Kambuna gas is sold under long-term contracts and similar arrangements will be considered for Columbus production</li> <li>Such contracts can be supplemented by price hedging although none is currently in place for Kambuna condensate</li> <li>Budget planning considers a range of commodity pricing</li> </ul>
The company may not be able to get access, at reasonable cost, to infrastructure and product markets when required	<ul style="list-style-type: none"> <li>A range of different off-take options have been considered for Columbus and field partners are currently in advanced negotiation</li> </ul>
Credit to support field development programmes may not be available at reasonable cost	<ul style="list-style-type: none"> <li>Serica's original facility was designed to fund part of Columbus capital costs, funding options are under review</li> <li>Funding requirements for Kambuna</li> </ul>

	were mitigated through part disposal
Fiscal regimes may vary, increasing effective tax rates and reducing the expected value of reserves	<ul style="list-style-type: none"> <li>Operations are currently spread over a range of different fiscal regimes in Indonesia, Western Europe and Africa</li> <li>Before committing to a significant investment the likelihood of fiscal term changes is considered when evaluating the risk/reward balance</li> </ul>

### **Key Performance Indicators ("KPIs")**

The Company's main business is the acquisition of interests in prospective exploration acreage, the discovery of hydrocarbons in commercial quantities and the crystallisation of value whether through production or disposal of reserves. The Company tracks its non-financial performance through the accumulation of licence interests in proven and prospective hydrocarbon producing regions, the level of success in encountering hydrocarbons and the development of production facilities. In parallel, the Company tracks its financial performance through management of expenditures within resources available, the cost-effective exploitation of reserves and the crystallisation of value at the optimum point.

### **Additional Information**

Additional information relating to Serica can be found on the Company's website at [www.serica-energy.com](http://www.serica-energy.com) and on SEDAR at [www.sedar.com](http://www.sedar.com)

Approved on Behalf of the Board

Antony Craven Walker  
Chief Executive Officer

Christopher Hearne  
Finance Director

16 September 2013

## **Forward Looking Statements**

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

**Serica Energy plc**

**Group Income Statement**

For the period ended 30 June

Unaudited

	<i>Notes</i>	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 Dec 2012
<b><i>Continuing operations</i></b>		US\$000	US\$000	US\$000
<b>Sales revenue</b>	4	3,523	8,455	15,404
Cost of sales	5	(2,949)	(9,176)	(19,330)
<b>Gross profit/(loss)</b>		574	(721)	(3,926)
Impairment of fixed assets		-	-	(4,361)
Pre-liscence costs		(159)	(245)	(331)
E&E and other asset write offs		(18)	(136)	(10,462)
Administrative expenses		(2,046)	(2,755)	(5,299)
Foreign exchange (loss)/gain		(81)	106	180
Share-based payments		(121)	(320)	(570)
Depreciation		(107)	(169)	(341)
<b>Operating loss from continuing operations</b>		(1,958)	(4,240)	(25,110)
Gain on disposal	6	-	1,023	1,023
Finance revenue		10	4	12
Finance costs		(42)	(340)	(633)
<b>Loss before taxation</b>		(1,990)	(3,553)	(24,708)
Taxation credit/(charge) for the period	10	-	-	-
<b>Loss after taxation and loss for the period</b>		(1,990)	(3,553)	(24,708)
<b>Loss per ordinary share (EPS)</b>				
<i>Loss on continuing operations</i>				
Basic and diluted EPS (US\$)		(0.01)	(0.02)	(0.14)
<i>Loss for the period</i>				
Basic and diluted EPS (US\$)		(0.01)	(0.02)	(0.14)

**Total Statement of Comprehensive Income**

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

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

	Notes	30 June 2013 US\$000	31 Dec 2012 US\$000	30 June 2012 US\$000
		(Unaudited)	(Audited)	(Unaudited)
<b>Non-current assets</b>				
Exploration & evaluation assets	6	70,472	66,880	67,114
Property, plant and equipment	7	47	1,145	13,945
Other receivables		1,622	1,706	2,535
		<u>72,141</u>	<u>69,731</u>	<u>83,594</u>
<b>Current assets</b>				
Inventories		243	481	1,802
Trade and other receivables		5,715	8,941	10,576
Financial assets		388	412	1,410
Cash and cash equivalents		14,883	22,345	23,277
		<u>21,229</u>	<u>32,179</u>	<u>37,065</u>
TOTAL ASSETS		<u>93,370</u>	<u>101,910</u>	<u>120,659</u>
<b>Current liabilities</b>				
Trade and other payables		(5,002)	(11,677)	(11,082)
Provisions		(1,605)	(1,601)	-
<b>Non-current liabilities</b>				
Provisions		-	-	(2,040)
TOTAL LIABILITIES		<u>(6,607)</u>	<u>(13,278)</u>	<u>(13,122)</u>
NET ASSETS		<u>86,763</u>	<u>88,632</u>	<u>107,537</u>
Share capital	8	209,758	209,758	207,758
Other reserves		20,166	20,045	19,795
Accumulated deficit		(143,161)	(141,171)	(120,016)
TOTAL EQUITY		<u>86,763</u>	<u>88,632</u>	<u>107,537</u>

**Serica Energy plc**  
**Statement of Changes in Equity**

For the year ended 31 December 2012 and period ended 30 June 2013

<b>Group</b>	<b>Share capital US\$000</b>	<b>Other reserves US\$000</b>	<b>Deficit US\$000</b>	<b>Total US\$000</b>
At 1 January 2012 (audited)	207,702	19,475	(116,463)	110,714
Loss for the period	-	-	(3,553)	(3,553)
Total comprehensive income	-	-	(3,553)	(3,553)
Share-based payments	-	320	-	320
Proceeds on exercise of options	56	-	-	56
At 30 June 2012 (unaudited)	207,758	19,795	(120,016)	107,537
Loss for the period	-	-	(21,155)	(21,155)
Total comprehensive income	-	-	(21,155)	(21,155)
Share-based payments	-	250	-	250
Issue of shares	2,000	-	-	2,000
At 31 December 2012 (audited)	209,758	20,045	(141,171)	88,632
Loss for the period	-	-	(1,990)	(1,990)
Total comprehensive income	-	-	(1,990)	(1,990)
Share-based payments	-	121	-	121
At 30 June 2013 (unaudited)	209,758	20,166	(143,161)	86,763

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

Unaudited	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 Dec 2012
	US\$000	US\$000	US\$000
<b>Operating activities:</b>			
Loss for the period	(1,990)	(3,553)	(24,708)
Adjustments to reconcile loss for the period to net cash flow from operating activities			
Taxation	-	-	-
Net finance costs	32	336	621
Gain on disposal	-	(1,023)	(1,023)
Depreciation	107	169	341
Depletion and amortisation	991	5,691	13,116
Asset write offs	18	136	10,462
Impairment	-	-	4,361
Share-based payments	121	320	570
Decrease/(increase) in receivables	2,375	(604)	4,149
Decrease/(increase) in inventories	238	(230)	17
(Decrease)/increase in payables	(1,382)	815	(3,600)
Cash generated from operations	510	2,057	4,306
Taxation paid	-	(302)	(302)
<b>Net cash inflow from operations</b>	<b>510</b>	<b>1,755</b>	<b>4,004</b>
Cash flows from investing activities:			
Purchase of property, plant & equipment	-	(1,086)	(690)
Purchase of E&E assets	(8,822)	(2,135)	(5,816)
Cash inflow from disposals	933	5,000	5,250
Interest received	10	4	12
<b>Net cash (out)/inflow from investing activities</b>	<b>(7,879)</b>	<b>1,783</b>	<b>(1,244)</b>
Cash flows from financing activities:			
Proceeds on exercise of options	-	56	56
Finance costs paid	(38)	(329)	(615)
<b>Net cash outflow from financing activities</b>	<b>(38)</b>	<b>(273)</b>	<b>(559)</b>
<b>Cash and cash equivalents</b>			
Net (decrease)/increase in period	(7,407)	3,265	2,201
Effect of exchange rates on cash and cash equivalents	(55)	66	198
Amount at start of period	22,345	19,946	19,946
Amount at end of period	<b>14,883</b>	<b>23,277</b>	<b>22,345</b>

## **Serica Energy plc**

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

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

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 16 September 2013.

Serica Energy plc is a public limited company incorporated and domiciled in England & Wales. The Company's ordinary shares are traded on AIM and the TSX Exchange. The principal activity of the Company is to identify, acquire and exploit oil and gas reserves.

#### **2. Basis of preparation and accounting policies**

##### **Basis of Preparation**

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

These unaudited interim consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards following the same accounting policies and methods of computation as the consolidated financial statements for the year ended 31 December 2012. These unaudited interim consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the consolidated financial statements and the notes thereto in the Serica Energy plc annual report for the year ended 31 December 2012.

A number of new standards, amendments to existing standards and interpretations were applicable from 1 January 2013. The adoption of these amendments did not have a material impact on the Group's interim condensed consolidated financial statements for the period ended 30 June 2013.

##### **Going Concern**

The Directors are required to consider the availability of resources to meet the Group's liabilities for the foreseeable future.

The current business environment is challenging and access to new funding remains uncertain. The financial position of the Group, its cash flows and available resources are described in the Financial Review above and as at 30 June 2013 the Group had US\$14.9 million of net cash. However, following the cessation of production from the Kambuna field in July 2013 the Group will no longer benefit from the operating cash inflows generated by the asset and as at 16 September 2013, cash and restricted cash balances held totaled US\$14.2 million. Plans to finance the Company's share of Columbus development costs will be concluded once the revised development plan has been agreed.

In making their going concern assessment, the Directors have determined that the Company has sufficient funds to meet its exploration and other commitments for 2013 but will need to secure additional funding for the Company's exploration programme from 1H2014.

The management is considering a range of strategic and financing options to achieve this. The Directors believe in the underlying strength and value in the Company's portfolio of assets which has been demonstrated by expressions of interest received from

third parties and are of the opinion that the Group will be able to access funds to meet its ongoing working capital and committed capital expenditure requirements over the next 12 months. The strategic and capital raising alternatives open to the Company include the realisation of asset value through farm-out or sale, corporate transactions as well as the issue of equity or other financial instruments. The Company has no debt or major commitments or other liabilities which are not covered by existing farm-out agreements with strongly financed companies. Accordingly, the interim condensed financial statements have been prepared on a going concern basis.

Whilst the directors are confident that the corporate funding needs of the Group can be met, they recognise that there are inherent risks associated with achieving this, some of which, such as market risk or the actions of third parties, are not within the Company's control. The need to successfully conclude a financing option to provide additional funds beyond the end of 2013 indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The interim condensed financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

### **Significant accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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

### **Basis of Consolidation**

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

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

### 3. Segmental Information

The Group's business is that of oil & gas exploration, development and production. The Group's reportable and geographical segments are based on the locations of the Group's assets.

The following tables present profit information on the Group's geographical segments for the six months ended 30 June 2013 and 2012 and certain asset and liability information as at 30 June 2013 and 2012. Costs associated with the UK corporate centre are included in the UK & Ireland reportable segment. Reportable information in respect of the Group's interest in the producing Kambuna field in Indonesia is disclosed as a separate segment.

Six months ended 30 June 2013 (unaudited)	UK & Ireland US\$000	Africa US\$000	Kambuna US\$000	Total US\$000
<i>Continuing</i>				
Revenue	-	-	3,523	<u>3,523</u>
(Loss)/profit for the period	(2,560)	-	570	<u>(1,990)</u>
Other segmental information				
Segmental assets	80,779	1,783	5,308	<u>87,870</u>
Unallocated assets				<u>5,500</u>
Total assets				<u>93,370</u>
Segmental liabilities	(3,260)	(223)	(3,124)	<u>(6,607)</u>
Unallocated liabilities				<u>-</u>
Total liabilities				<u>(6,607)</u>

Six months ended 30 June 2012 (unaudited)	UK & Ireland US\$000	Africa US\$000	Kambuna US\$000	Total US\$000
<i>Continuing</i>				
Revenue	-	-	8,455	<u>8,455</u>
(Loss)/profit for the period	(3,790)	992	(755)	<u>(3,553)</u>
Other segmental information				
Segmental assets	89,300	1,382	24,977	<u>115,659</u>
Unallocated assets				<u>5,000</u>
Total assets				<u>120,659</u>
Segmental liabilities	(5,800)	(2,075)	(5,247)	<u>(13,122)</u>
Unallocated liabilities				<u>-</u>
Total liabilities				<u>(13,122)</u>

**4. Sales Revenue**

Six months ended 30 June:	2013 US\$000	2012 US\$000
Gas sales	1,579	4,568
Condensate sales	1,944	3,887
	<u>3,523</u>	<u>8,455</u>

**5. Cost of sales**

Six months ended 30 June:	2013 US\$000	2012 US\$000
Operating costs	1,719	3,732
Depletion	991	5,691
Movement in inventories of oil	239	(247)
	<u>2,949</u>	<u>9,176</u>

## 6. Exploration and Evaluation Assets

	Total US\$000
Net book amount:	
At 1 January 2012 (audited)	69,083
Additions	2,135
Asset write-offs	(127)
Disposals (i)	(3,977)
At 30 June 2012 (unaudited)	<hr/> 67,114
Additions	10,629
Relinquished licences	(143)
Asset write-offs	(9,537)
Disposals	(1,183)
At 1 January 2013 (audited)	<hr/> 66,880
Additions	3,610
Asset write-offs	(18)
At 30 June 2013 (unaudited)	<hr/> 70,472

(i) Disposals in E&E assets arose in the first quarter 2012 from the farm-out of an interest in the Company's Namibian licence to BP announced in March 2012. Receipt of the aggregate US\$5.0 million in respect of back cost contributions occurred on completion of the farm-out transaction in June following the consent of the Ministry of Mines and Energy in Namibia. The re-imbursement due for the past Namibia costs capitalised as E&E assets is treated as a reduction from the book cost of the asset and noted above.

The accounting gain of US\$1.0 million on disposal recorded in the 1H 2012 income statement relates to the recognition of recovery for those past costs incurred that had been expensed as pre-licence costs in previous periods.

## 7. Property Plant and Equipment

	Oil and gas properties US\$000	Computer / IT equipment US\$000	Fixtures, fittings and equipment US\$000	Total US\$000
<b>Cost:</b>				
At 1 January 2012 (audited)	62,598	189	901	63,688
Additions	690	-	-	690
Decommissioning revisions	(446)	-	-	(446)
At 1 January 2013 (audited)	62,842	189	901	63,932
Additions	-	-	-	-
At 30 June 2013 (unaudited)	62,842	189	901	63,932
<b>Depreciation and depletion:</b>				
At 1 January 2012 (audited)	44,329	149	491	44,969
Charge for the period	13,116	32	309	13,457
Impairment	4,361	-	-	4,361
At 1 January 2013 (audited)	61,806	181	800	62,787
Charge for the period	991	8	99	1,098
At 30 June 2013 (unaudited)	62,797	189	899	63,885
<b>Net book amount:</b>				
At 30 June 2013 (unaudited)	45	-	2	47
At 1 January 2013 (audited)	1,036	8	101	1,145
At 1 January 2012 (audited)	18,269	40	410	18,719

## **8. Equity Share Capital**

The concept of authorised share capital was abolished under the Companies Act 2006 and shareholders approved the adoption of new Articles of Association at the 2010 Annual General Meeting which do not contain any reference to authorised share capital.

The share capital of the Company comprises one "A" share of £50,000 and 182,770,310 ordinary shares of US\$0.10 each. The "A" share has no special rights.

The balance classified as total share capital includes the total net proceeds (both nominal value and share premium) on issue of the Group and Company's equity share capital, comprising US\$0.10 ordinary shares and one 'A' share.

<b>Allotted, issued and fully paid:</b> <b>Group</b>	Number	Share capital US\$000	Share premium US\$000	Total Share capital US\$000
At 1 January 2012	176,660,311	17,756	189,946	207,702
Options exercised (i)	110,000	11	45	56
At 30 June 2012	176,770,311	17,767	189,991	207,758
Shares issued (ii)	6,000,000	600	1,400	2,000
At 31 December 2012 and 30 June 2013	182,770,311	18,367	191,391	209,758

- i) In April 2012, 110,000 share options were converted to ordinary shares at a price of £0.32.
- ii) In November 2012, 6,000,000 ordinary shares were issued to NAMCOR as part of the consideration for the interest in the Luderitz basin acquired in December 2011.

As at 16 September 2013 the issued voting share capital of the Company is 182,770,311 ordinary shares.

## **9. Share-Based Payments**

### Share Option Plans

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

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

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

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

As at 30 June 2013, the Company has granted 18,132,460 options under the Serica 2005 Option Plan, 9,458,460 of which were outstanding. 5,094,690 of the 9,458,460 options outstanding at 30 June 2013 under the Serica 2005 Option Plan are exercisable only if certain performance targets being met.

The Company calculates the value of share-based compensation using a Black-Scholes option pricing model (or other appropriate model for those Directors' options subject to certain market conditions) to estimate the fair value of share options at the date of grant. The estimated fair value of options is amortised to expense over the options' vesting period. US\$121,000 has been charged to the income statement in continuing operations in the six month period ended 30 June 2013 (six month period ended 30 June 2012: US\$320,000) and a similar amount credited to other reserves.

The options granted in 2012 and 2013 were consistently valued in line with the Company's valuation policy, assumptions made included a weighted average risk-free interest rate of 3%, no dividend yield, a weighted average expected life of three years, and a volatility factor of expected market price of 50%.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the period:

<b>Serica BVI Option Plan</b>	<b>Number</b>	<b>WAEP Cdn\$</b>
Outstanding as at 1 January 2012, 30 June 2012, 1 January 2013 and 30 June 2013	<u>1,900,000</u>	<u>1.46</u>
<b>Serica 2005 Option Plan</b>		
Outstanding at 1 January 2012	10,183,000	0.75
Granted during the period	2,144,960	0.21
Exercised during the period	(110,000)	0.32
Cancelled during the period	(1,902,500)	0.86
Outstanding at 30 June 2012	<u>10,315,460</u>	<u>0.66</u>
Granted during the period	1,200,000	0.29
Cancelled during the period	(1,257,000)	0.73
Expired during the period	(1,200,000)	0.99
Outstanding at 31 December 2012	<u>9,058,460</u>	<u>0.52</u>
Granted during the period	400,000	0.27
Outstanding at 30 June 2013	<u>9,458,460</u>	<u>0.51</u>

## **10. Taxation**

The major components of income tax in the consolidated income statement are:

Six months ended 30 June:	2013 US\$000	2012 US\$000
Current income tax charge	-	-
Deferred income tax credit	-	-
Total tax charge	-	-

## **11. Publication of Non-Statutory Accounts**

The financial information contained in this interim statement does not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 December 2012, which are available at the Company's registered office at 52 George Street, London W1U 7EA and on its website at [www.serica-energy.com](http://www.serica-energy.com) and on SEDAR at [www.sedar.com](http://www.sedar.com). The audit report on those accounts included an emphasis of matter paragraph relating to the uncertainty of the business to continue as a going concern; however it was unqualified and contained no statement under section 498(2) or 498(3) of the Companies Act 2006.

This interim statement will be made available at the Company's registered office at 52 George Street, London W1U 7EA and on its website at [www.serica-energy.com](http://www.serica-energy.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## **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
FPSO	Floating Production, Storage and Offtake vessel (often a converted oil tanker)
LNG	Liquefied Natural Gas (mainly methane and ethane)
LPG	Liquefied Petroleum Gas (mainly butane and propane)
mcf	thousand cubic feet
mmbbl	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