Serica Energy plc

("Serica" or the "Company")

Q2 2010 Results

London, 4 August 2010 – Serica Energy plc (TSX Venture & AIM: SQZ) today announces its financial results for the three and six months ending 30 June 2010. The results and associated Management Discussion and Analysis are included below and copies are available at www.serica-energy.com and www.sedar.com.

Highlights:

Operational:

- Production rates at Kambuna increased during first half of the year - average gas sales of 35 mmscfd in June and 39 mmscfd in July
- Kambuna field operator has reduced its current reserve projections but confirmed that production levels will remain on plateau for several years
- Significant progress made with development of the Columbus field – FEED studies being conducted
- Completed drilling the Conan exploration well in the East Irish sea
- 2010 exploration programme continues in North Sea and Indonesia with the Oates well spudded on 30 July

Financial results for first six months:

- Sales revenues of US$ 11.9 million (1H2009 – nil)
- Gross profit of US$ 5.7 million (1H2009 – nil)
- Cash and equivalents at 30 June of US$ 40.0 million (30 June 2009 – US$ 29.0 million)

Outlook for 2H 2010:

- Full Kambuna revenues anticipated with production now at contracted levels
- Results of the Oates exploration well in the UK Central North Sea expected in August – Serica has a 50% interest carried through the well
- Rig being mobilized in August to drill the Dambus and Maridan prospects in the Kutai PSC in Indonesia
- Well site survey to be acquired in August in Slyne Basin, offshore Ireland, in preparation for a drilling programme in 2011
- Exploration well in East Seruway, Indonesia, planned for 2011
- Columbus project sanction expected before the end of the year with first production targeted for early 2013

Paul Ellis, Chief Executive of Serica commented:

"The Kambuna Field is now achieving its targeted field plateau rates and we are expecting these rates to be maintained over the next few years with resultant cash flow benefit to the Company. The reduced projection of ultimate field recovery announced today by the field operator is not expected to affect near term production rates. This projection is based on preliminary down-hole pressure data and will be reviewed again by Serica at the end of the year when more production information is available. In the UK we are pleased with the significant progress that has been achieved with the Columbus development and look forward to gaining project sanction before the end of the year.

On the exploration front we are currently drilling the Oates well in the North Sea and will be following this with two wells in Indonesia. Each of these wells has the potential to add material value to the Company if successful. In the case of the Oates well we have continued our policy of mitigating risk by farming out and our costs relating to the well are being met by a third party."

4 August 2010

Enquiries:

Serica Energy plc		
Paul Ellis, CEO	paul.ellis@serica-energy.com	+44 (0)20 7487 7300
Chris Hearne, CFO	chris.hearne@serica-energy.com	+44 (0)20 7487 7300
J.P.Morgan Cazenove		
Patrick Magee	patrick.magee@jpmorgancazenove.com	+44 (0)20 7588 2828
RBC Capital Markets		
Josh Critchley	joshua.critchley@rbccm.com	+44 (0)20 7002 2435
Matthew Coakes	matthew.coakes@rbccm.com	+44 (0)20 7653 4871
College Hill		
Nick Elwes	nick.elwes@collegehill.com	+44 (0)20 7457 2020
Simon Whitehead	simon.whitehead@collegehill.com	+44 (0)20 7457 2020

The technical information contained in the announcement has been reviewed and approved by Peter Sadler, Chief Operating Officer of Serica Energy plc. Peter Sadler is a qualified Petroleum Engineer (MSc Imperial College, London, 1982) and has been a member of the Society of Petroleum Engineers since 1981.

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.

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

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

SERICA ENERGY PLC

SECOND QUARTER 2010 REPORT TO SHAREHOLDERS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial and operational results of Serica Energy plc and its subsidiaries (the "Group") contains information up to and including 3 August 2010 and should be read in conjunction with the attached unaudited interim consolidated financial statements for the period ended 30 June 2010. The interim financial statements for the three and six months ended 30 June 2010 have been prepared by and are the responsibility of the Company's management. The interim financial statements for the six months ended 30 June 2010 and 2009 have been reviewed by the Company's independent auditors. Serica's activities are centred on the UK and Indonesia, with other interests in Ireland, Morocco and Spain.

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").

MANAGEMENT OVERVIEW

During the second quarter 2010 the Company completed drilling the Conan exploration well in the East Irish Sea and continued its preparations for the remaining 2010 exploration drilling programme in the UK and Indonesia. Significant progress has also been made in the development of the Columbus field and in increasing production from the Kambuna field.

Production rates from the Kambuna field have increased steadily during the first half of the year. Gas sales from the field averaged 35 million standard cubic feet per day ("mmscfd") in June and 39 mmscfd in July. From every million cubic feet of gas over 90 barrels of condensate are extracted for sale. Serica generated a gross profit of US$3.1 million in Q2 2010 from its retained 25% interest in the Kambuna field, the Company's largest quarterly gross profit to date.

The Kambuna field operator Salamander Energy plc ("Salamander") announced today that following an independent reserves audit of its operated fields, including Kambuna, it has re-stated its proved and probable ("2P") reserves in the field. The operator also notes that production from Kambuna is expected to remain at current levels until 2013 and that production could then be maintained at or near to plateau beyond 2013 if contingent resources are converted to reserves. Based on this announcement, the gross 2P reserves of the Kambuna field as at 1 January 2010 are estimated to be 18.2 million barrels of oil equivalent ("mmboe") on a 100% working interest basis. This estimate is lower than that previously reported by both Salamander and Serica and is based on the limited production data available to date. Serica will commission an independent review of reserves at the end of 2010, taking into account field performance through the second half of this year. Further details of this revision are given in this MD&A.

For the Columbus field, agreements were reached under which Front End Engineering and Design ("FEED") studies are being conducted for a Lomond field Bridge Linked Platform ("BLP") that will connect with the main Lomond field platform and provide gas and condensate reception facilities for Columbus production. This work is designed to result in the commencement of production from Columbus early in 2013.

In May, the Conan prospect was drilled in Blocks 113/26b and 113/27c in the East Irish Sea and reached a total depth of 1,827 metres without encountering hydrocarbons.

On 30 July Serica commenced drilling its next exploration well, the Oates prospect in Block 22/19c in the UK Central North Sea. The results of the well should be available in late August. Preparations are being made to drill the Dambus and Marindan prospects in the Kutai PSC, Indonesia, with the drilling rig expected on site in August.

Field Appraisal, Development and Production

Indonesia

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

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

The Kambuna gas is used for power generation to supply electricity to the city of Medan in North Sumatra and for industrial uses. The gas sales prices per thousand standard cubic feet under the contracts with PLN and Pertiwi Nusantara Resources ("Pertiwi") are approximately US$5.40 and US$7.00 respectively, escalated at 3% per annum. A third contract for the supply of gas for LPG attracts the same price as the PLN contract and has the potential to add about 10% to contracted gas sales.

Kambuna gas yields about 90-95 barrels of condensate (light oil) per million standard cubic feet. This condensate is sold to the state oil company Pertamina at the official Attaka Indonesian Crude Price less 11 cents per barrel. The Kambuna condensate lifted in June fetched a price of US$75.64 compared to an average Brent crude price that month of US$76.50.

The Kambuna field wells are very productive and only two wells are usually produced, with the third well held in reserve. If any one of the three wells is required to be shut down for maintenance or survey, gas sales are not affected.

With the sole exception of April 2010, when a problem at the PLN power station restricted gas sales, production of gas and condensate has increased steadily month on month from November 2009, with average gross gas sales in excess of 40 mmscfd in the second half of July and all three gas buyers purchasing gas.

In Q2 2010 gross Kambuna field sales were 2,659 million standard cubic feet of gas (Q1 2010: 2,016 mmscf) and 187,000 barrels of condensate (Q1 2010: 165,000 bbl), equivalent to average daily sales for the quarter of 29.2 mmscfd and 2,051 bbl/day. In June 2010, average gas sales of 35 mmscfd were achieved and in July average gas sales were 39 mmscfd, the highest monthly figure to date.

Under the Take or Pay provisions of the gas sales contracts, at the end of each 12 month sales period the buyers are required to pay for at least 90% of any gas contracted but not taken, subject to exceptions for certain circumstances that may be outside of their control. In subsequent periods, buyers may nominate quantities in excess of the contract rates ("make up gas") in order to recover the gas for which they have already paid.

The Kambuna field operator recently commissioned an independent reserves audit of its operated fields, including the Kambuna field. This audit is based on early stage reservoir pressure and production data from the field from first production in August 2009 through June 2010, during which period gross daily gas sales averaged only 19 mmscfd because of significant operational difficulties experienced by the gas purchasers. Pending further production information, the operator's reserve auditors have reclassified the Upper Belumai reservoir interval as contingent resources rather than reserves. The Upper Belumai interval represented approximately 20% of the best estimate of gas initially in place made by the reserve auditors for Serica's 2009 annual report.

The operator's new estimates of reserves rely primarily on flowing down-hole pressure data recorded in only one of the Kambuna wells during a period of interrupted production and Serica believes that these estimates may be revised upwards as further production data becomes available. However, if the estimates were to be confirmed by future field observations it would result in a reduction in Serica's remaining net entitlement 2P reserves as at 1 January 2010, from 6.0 mmboe to 3.4 mmboe.

An adjustment of reserves to this level would not be anticipated to affect production rates for several years, during which Kambuna field gross average sales of 40 mmscfd should continue to be achievable. In addition, the offshore facilities are designed to accommodate an additional well should future reservoir performance indicate this to be required to support production levels in 2012 onwards.

The performance of the field will continue to be monitored throughout 2010 as further production information becomes available and an independent reserves audit will be carried out at the end of the year for Serica's annual reserves filings.

United Kingdom

Columbus Field - Blocks 23/16f – Central North Sea

Block 23/16f covers an area of approximately 52 square kilometres in the Central North Sea and contains the Columbus field, discovered by Serica in 2006. Serica operates the block and holds a 50% interest.

Serica has drilled three successful wells in the Columbus field Palaeocene Forties Formation sands in Block 23/16f and in 2009, in the adjacent Block 23/21, Lomond field operator BG International Limited ("BG") completed drilling two wells which encountered Forties sands with similar reservoir pressures to that at Columbus. It is planned that the area will be developed jointly.

In June 2010 Serica announced that agreement has been reached with BG and with Arran field operator Dana Petroleum Limited whereby BG will carry out Front End Engineering and Design work ("FEED") for a Bridge Linked Platform ("BLP") that will connect with the Lomond platform and provide gas and condensate reception facilities for Columbus and Arran production.

The licence holders of Blocks 23/16f and 23/21 will share the costs of the Columbus portion of FEED for the BLP and, under a separate agreement, have agreed to share the costs of the Columbus subsea facilities and to submit a new Columbus Field Development Plan ("FDP") to the UK Department of Energy and Climate Change.

Serica has been appointed to manage the Columbus development process to the point of project sanction on behalf of the field owners. FEED is already underway and it is expected that all FEED work will be completed in the third quarter of 2010 concurrent with FDP preparation and submission. Terms for the use of Lomond as processing host and export point for the Columbus produced fluids have reached an advanced stage of negotiation and the project is expected to be sanctioned by the end of 2010. Production from the Columbus field is expected to commence early in 2013.

Exploration

United Kingdom

Central North Sea - Block 22/19c

In June 2009 Serica was awarded sole rights to a Production Licence over UK Central North Sea Block 22/19c in the UK 25th Round of Offshore Licensing.

Block 22/19c is located approximately 20 kilometres to the west of Serica's Columbus field and contains two Palaeocene Forties Formation prospects known as Oates and Bowers. The Oates prospect is a stratigraphic trap that exhibits a number of similarities to the Columbus discovery.

In January 2010 Serica reached agreement with Premier Oil plc ("Premier") for the farm-out of Block 22/19c. An exploration well on the Oates prospect, funded by Premier, is planned to be drilled to a depth of approximately 3,100 metres. In return for this funding, Premier will earn a 50% interest in Block 22/19c and has assumed the role of operator. Serica retains a 50% interest.

The Oates well was spudded on 30 July by the Ensco 100 jack-up drilling rig and results of the well should be available in late August.

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

Serica was awarded sole rights to Blocks 113/26b and 113/27c in the UK 24th Offshore Licensing Round in 2007. The blocks cover an area of approximately 145 square kilometres in the East Irish Sea and lie immediately to the north of the Millom field and within ten kilometres of the Morecambe field.

In January 2010 Serica reached agreement with Agora Oil & Gas (UK) AS ("Agora") for the farm-out of the blocks. Under the term of the farm-out agreement, Agora funded 70% of the Conan exploration well and has earned a 35% interest in the blocks. Serica retains a 65% interest and operatorship of the blocks.

The Conan exploration well 113/26b-3 was spudded on 10 May and reached a total depth of 1,827 metres. The main reservoir target, the Triassic age Sherwood Sandstone, was encountered at 1,776 metres but no hydrocarbons were encountered and the well was plugged and abandoned. It appears that the seismic anomaly that defined the Conan prospect and that was thought to indicate the presence of hydrocarbons was related to a lithological feature not previously seen in other wells in the area.

Indonesia

Kutai PSC

Serica is the operator of the Kutai Production Sharing Contract ("PSC") and holds a 30% interest. The PSC is divided into five blocks located in the prolific Mahakam River delta both onshore and offshore East Kalimantan, adjacent to several giant fields.

The interpretation of the offshore 3D seismic data has revealed several exploration targets, of which the Dambus and Marindan prospects are the most significant. Serica has secured the Trident IX jack-up drilling rig to drill both prospects and expects the rig to be mobilised to the Dambus location in August. On completion of the Dambus well, the rig will move directly to the Marindan location.

The Dambus prospect is located in the northern offshore part of the Kutai PSC and its target is a sequence of Miocene age stacked sands in a dip and fault-closed structure on the up-thrown side of a major fault. The Marindan prospect is in the southern offshore part of the PSC and will be drilled as a deviated well in order to test a number of Miocene clastic and carbonate targets in the optimum locations. Both oil and gas discoveries have been made in the offshore Mahakam Delta and the Kutai PSC is immediately adjacent to several major producing fields.

East Seruway PSC

Serica holds a 100% interest in the East Seruway PSC offshore North Sumatra, Indonesia, adjacent to the Glagah Kambuna TAC. The PSC covers an area of approximately 5,864 sq km (2,264 sq miles) which is largely unexplored.

Serica is currently interpreting the new seismic data acquired earlier this year and plans to drill an exploration well in the block in 2011.

Ireland

Slyne Basin – Licence FEL 01/06 - Blocks 27/4, 27/5 (west) and 27/9

Serica is the operator and holds a 50% interest in Licence FEL 01/06 (Blocks 27/4, 27/5 (west) and 27/9), which covers an area of 611 square kilometres in the Slyne Basin off the west coast of Ireland and lies about 40 kilometres south of the Corrib gas field.

The oil discovery made by Serica in the Bandon exploration well 27/4-1, drilled in April 2009 provides clear evidence of the presence of oil in this part of the Slyne Basin, although the discovery itself was not commercial. Having now identified oil prospects of potentially commercial size, Serica will acquire well-site survey data this August in preparation for a drilling programme in 2011, when it plans to drill one or both of the Boyne and Liffey exploration prospects.

Rockall Basin

Serica holds a 100% working interest in Licence FEL 1/09 covering Blocks 5/17, 5/18, 5/22, 5/23, 5/27 and 5/28 in the northeastern part of the Rockall Basin off the west coast of Ireland. The six blocks cover a total area of 993 square kilometres.

The Rockall Basin has an areal extent of over 100,000 square kilometers in which only three exploration wells have been drilled to date and the basin is therefore regarded as very underexplored. Of these exploration wells the 12/2-1 Dooish gas-condensate discovery, approximately nine kilometres to the south of the Licence, encountered a 214 metre hydrocarbon column.

Serica recently shot several new 2D long-offset seismic lines across the Muckish structure, a large exploration prospect already identified from existing 3D seismic data, and evaluation of the data has increased confidence in the potential of the prospect, which covers an area of approximately 30 square kilometers in a water depth of 1,450 metres.

Morocco

The Company has a 25% interest in two Petroleum Agreements for the contiguous areas of Sidi Moussa and Foum Draa, offshore Morocco. The blocks together cover a total area of approximately 12,700 square kilometres in the sparsely explored Agadir Basin, about 100 kilometres south west of the city of Agadir.

Sidi Moussa and Foum Draa are covered by over 5,200 square kilometres of modern 3D seismic data and over 2,000 kilometres of 2D seismic data. Technical studies to reprocess the extensive 3D seismic database are underway.

Spain

The Company holds a 75% interest and operatorship in four exploration Permits onshore northern Spain, where several gas prospects have been identified by Serica and the Company is currently seeking a farm-in partner.

Forward Programme

Serica has a continuing exploration programme of wells that could be of great significance to the Company, including the Oates prospect in UK Block 22/19c, the Dambus and Marindan prospects in the Kutai PSC in Indonesia and the Boyne and Liffey oil prospects offshore Ireland, all of which hold considerable potential.

With the Kambuna field now producing at contract rates and the permanent facilities due to be completed in the second half of this year, average field production rates of 40 mmscfd are expected at least through 2011. Further field evaluation during that period will determine whether additional facilities will be required to extend plateau production at this level.

For the Columbus field, design work and submission of a revised FDP to the UK government this year is aimed at achieving a project sanction decision in 4Q 2010, enabling first gas in early 2013.

Serica continues to manage its financial position and risk profile against a challenging market backdrop. We will add further exploration acreage in areas where our knowledge and expertise can add value, either through licence application or through acquisition.

FINANCIAL REVIEW

A detailed review of the Q2 2010 results of operations and other financial information is set out below.

Results of Operations

	2010	2010	2009	2009	2009	2009
	Q2	Q1	Q4	Q3	Q2	Q1
	US$000	US$000	US$000	US$000	US$000	US$000
Continuing operations						
Sales revenue	6,537	5,334	3,476	4,167	-	-
Cost of sales	(3,450)	(2,682)	(4,204)	(2,172)	-	-
Gross profit/(loss)	3,087	2,652	(728)	1,995	-	-
Expenses:						
Administrative expenses	(1,758)	(1,847)	(2,013)	(1,387)	(1,615)	(1,624)
Foreign exchange gain/(loss)	18	80	21	(64)	250	21
Pre-licence costs	(665)	(761)	(387)	(88)	(243)	(183)
Asset write offs	(77)	-	(1,156)	(66)	(221)	(7,147)
Share-based payments	(230)	(501)	(966)	(206)	(217)	(298)
Depreciation	(12)	(24)	(30)	(30)	(29)	(29)
Operating profit/(loss) before net finance revenue and tax	363	(401)	(5,259)	154	(2,075)	(9,260)
Profit on disposal	-	-	26,864	-	-	-
Finance revenue	20	130	596	7	11	27
Finance costs	(1,001)	(1,267)	(1,724)	(884)	(439)	(707)
(Loss)/profit before taxation	(618)	(1,538)	20,477	(723)	(2,503)	(9,940)
Taxation charge	(1,028)	(1,202)	(1,329)	(202)	-	-
(Loss)/profit for the period	(1,646)	(2,740)	19,148	(925)	(2,503)	(9,940)
Basic and diluted loss per share	(0.01)	(0.02)	N/A	(0.01)	(0.01)	(0.06)
Basic earnings per share	N/A	N/A	0.11	N/A	N/A	N/A
Diluted earnings per share	N/A	N/A	0.11	N/A	N/A	N/A

Serica generated a gross profit of US$3.1 million for the three months ended 30 June 2010 ("Q2 2010") from its retained 25% interest in the Kambuna Field.

Revenue is recognised on an entitlement basis for the Company's net working field interest. Revenues for Q3 and Q4 2009 were generated from a 50% field interest until mid December when a 25% interest in the asset was disposed of, together with a 24.6% interest in the Kutai PSC and the Company's entire 33.3% interest in Block 06/94, Vietnam to KrisEnergy Limited for consideration of US$104.2 million (including interim period and working capital adjustments).

In Q2 2010, gross Kambuna field gas production averaged 29.2 mmscf per day (Q1 2010: 22.4 mmscf) together with average condensate production of 2,666 barrels per day (Q1 2010: 1,982 bpd). Field commissioning work continued through the period.

The Q2 2010 gas production was sold at prices averaging US$5.48 per mscf and generated revenue of US$3.5 million (Q1 2010: US$2.6 million) 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 Q2 2010 earned US$3.0 million (Q1 2010: US$2.7 million) of revenue net to Serica.

Cost of sales were driven by production from the Kambuna field and totalled US$3.4 million in Q2 2010 (Q1 2010: US$2.7 million). The charge comprised operating costs of US$1.8 million and non cash depletion and amortisation of US$1.8 million, partially offset by a condensate stock adjustments credit of US$0.2 million. The operating costs of US$1.8 million include temporary Early Production Facility charges of US$0.7 million which are currently being incurred until the completion of the permanent Onshore Receiving Facility in the second half of 2010.

The Company generated a loss before tax of US$0.6 million for Q2 2010 compared to a loss before tax of US$2.5 million for the three months ended 30 June 2009 ("Q2 2009").

Administrative expenses of US$1.8 million for Q2 2010 remained at a similar level to Q1 2010, but showed a small increase from US$1.6 million for the same period last year. The Company continues to manage carefully its financial resources and the increase reflects greater corporate activity in the period compared to Q2 2009.

The impact of foreign exchange was not significant in Q2 2010 or 2009.

Pre-licence 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$0.7 million for Q2 2010 increased from the Q2 2009 charge of US$0.2 million due to the significant work undertaken during the recent quarter on the 26th Licencing Round in the UK.

There were no significant asset write offs in Q2 2010 or Q2 2009.

Share-based payment costs of US$0.2 million in Q2 2010 reflected share options granted and compared with US$0.2 million for Q2 2009 and US$0.5 million for Q1 2010. The Q4 2009 and Q1 2010 charges included expenses of US$0.8 million and US$0.2 million respectively arising from the extension of certain existing share options in December 2009.

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'.

The Q4 2009 profit on disposal of US$26.9 million was generated in December 2009 when the Company disposed of a package of assets in South East Asia (comprising a 25% interest in the Kambuna TAC, a 24.6% interest in the Kutai PSC and the Company's entire 33.3% interest in the Block 06/94 PSC, Vietnam) to KrisEnergy Limited.

Finance revenue comprising interest income of US$0.02 million for Q2 2010 compares with US$0.01 million for Q2 2009 and US$0.1 million for Q1 2010. The significant majority of finance revenue earned in Q1 2010 and Q4 2009 arose from interest earned on the consideration from the South East Asia asset disposal noted above. Bank deposit interest income was negligible in 2009 due to the significant reduction in average interest rate yields available since 2H 2008 and a reduction in average cash deposit balances held by the Company in the year.

Finance costs consist of interest payable, issue costs spread over the term of the bank loan facility, and other fees. Finance costs directly related to the Kambuna development were capitalised until the field was ready for commercial production during Q3 2009.

The Q2 2010 taxation charge of US$1.0 million reflects current tax liabilities of US$0.2 million arising from income in Indonesia and a deferred tax charge of US$0.8 million arising from Indonesian operations. Expenditures in prior and current periods have reduced any potential current income tax expense arising for Q2 2009 to nil.

The net loss per share of US$0.01 for Q2 2010 compares to a net loss per share of US$0.01 for Q2 2009.

Summary of Quarterly Results

Quarter ended:	2010 30 Jun US$000	2010 31 Mar US$000	2009 31 Dec US$000	2009 30 Sep US$000	2009 30 Jun US$000	2009 31 Mar US$000	2008 31 Dec US$000	2008 30 Sep US$000
Sales revenue	6,537	5,334	3,476	4,167	-	-	-	-
(Loss)/profit for the quarter	(1,646)	(2,740)	19,148	(925)	(2,503)	(9,940)	(26,886)	33,516
Basic and diluted loss per share US$	(0.01)	(0.02)	-	(0.01)	(0.01)	(0.06)	(0.16)	-
Basic and diluted earnings per share US$	-	-	0.11		-	-	-	0.19

The fourth quarter 2009 profit includes a profit of US$26.9 million generated on the disposal of a 25% interest in the Kambuna field, Indonesia and certain E&E asset interests in South East Asia.

The third quarter 2009 result includes first revenue streams from the Kambuna field.

The first quarter 2009 loss includes asset write offs of US$7.1 million on the Chablis asset.

The fourth quarter 2008 loss includes asset write offs of US$23.6 million on the Chablis, Oak and Spain assets.

The third quarter 2008 profit includes a profit of US$36.6 million generated on the disposal of a 15% interest in the Kambuna field.

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 2010 US$000	31 March 2010 US$000	31 December 2009 US$000	30 June 2009 US$000
Current assets:				
Inventories	3,187	2,930	2,855	4,610
Trade and other receivables	14,927	9,387	106,381	7,452
Financial assets	-	-	1,500	1,500
Cash and cash equivalents	39,974	62,429	18,412	28,997
Total Current assets	58,088	74,746	129,148	42,559
Less Current liabilities:				
Trade and other payables	(9,276)	(7,558)	(9,622)	(15,724)
Financial liabilities	-	-	(46,447)	(59,395)
Total Current liabilities	(9,276)	(7,558)	(56,069)	(75,119)
Net Current assets/(liabilities)	48,812	67,188	73,079	(32,560)

At 30 June 2010, the Company had net current assets of US$48.8 million which comprised current assets of US$58.1 million less current liabilities of US$9.3 million, giving an overall decrease in working capital of US$18.4 million in the three month period.

Inventories increased from US$2.9 million to US$3.1 million over the Q2 2010 period due to an increase in the quantity of condensate stocks held.

Trade and other receivables at 30 June 2010 totalled US$14.9 million, which included US$5.8 million trade debtors from gas and condensate sales in May and June. Other significant items included advance payments on ongoing operations, recoverable amounts from partners in joint venture operations in the UK and Indonesia, sundry UK and Indonesian working capital balances, and prepayments. The significant decrease from the 2009 year end debtor balance of US$106.4 million was largely caused by the receipt of cash proceeds in January 2010 from the disposal of assets to KrisEnergy Limited in December 2009.

Financial assets at 31 December 2009 represented US$1.5 million of restricted cash deposits which were utilised during Q1 2010.

Cash and cash equivalents decreased from US$62.4 million to US$40.0 million in the quarter. In Q2 2010 the Company repaid US$12.5 million of drawings on its loan facility. Other cost was incurred on drilling the Conan well and other work across the portfolio in South East Asia and the UK and Ireland, together with ongoing administrative costs, operational expenses and corporate activity.

Trade and other payables of US$9.3 million at 30 June 2010 chiefly include significant trade creditors and accruals from the completion of the permanent production facilities of the Kambuna field, and from the ongoing Indonesian and UK exploration programmes. Other smaller items comprised sundry creditors and accruals for administrative expenses and other corporate costs. The decrease from June 2009 is largely due to a reduction in Kambuna development expenditure as the project approaches completion and the reduced working interest share of project costs of 25%.

Financial liabilities comprise drawings under the senior debt facility and are disclosed net of the unamortised portion of allocated issue costs. The balance classified as short term as at 31 December 2009 was repaid in January 2010. Financial liabilities as at 30 June 2010 are classified as long term.

Long-Term Assets and Liabilities

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

	30 June 2010 US$000	31 March 2010 US$000	31 December 2009 US$000	30 June 2009 US$000
Exploration & evaluation assets	75,480	69,564	66,030	75,843
Property, plant and equipment	53,130	53,690	53,864	103,174
Goodwill	148	148	148	295
Financial assets	1,394	-	-	-
Long-term other receivables	5,858	5,650	5,639	7,102
Financial liabilities	(12,268)	(23,119)	(24,371)	-
Deferred income tax liabilities	(3,231)	(2,406)	(1,435)	(295)

During Q2 2010, total investments in exploration and evaluation assets ("E&E assets") increased from US$69.6 million to US$75.5 million. These amounts exclude the Kambuna development and production costs which are classified as property, plant and equipment.

The net US$5.9 million increase consists of additions incurred on the following assets:

In the UK & Western Europe, US$3.6 million was incurred on the Company's share of drilling costs on the Conan prospect in Blocks 113/26b and 113/27c. US$0.5 million of expenditure was incurred on the Columbus FDP and US$0.7 million on other Ireland and UK exploration work and G&A. The Company's share of drilling costs on the Oates prospect in Block 22/19c will be borne by a third party following the farm-out announced in Q1 2010.

In Indonesia, US$0.8 million was incurred on preparations for exploration drilling in the Kutai PSC and US$0.3 million was spent on exploration work and G&A on the East Seruway concession.

Property, plant and equipment comprises the net book amount of the capital expenditure on the Company's 25% interest in the Kambuna development. During Q2 2010, the Company's net book amount for its Kambuna interest decreased from US$53.6 million to US$53.0 million. This US$0.6 million decrease comprises depletion charges of US$1.8 million arising from the production of gas and condensate in the quarter less US$1.2 million of capex additions. The property, plant and equipment also includes immaterial balances of US$0.1 million for office fixtures and fittings and computer equipment.

Goodwill, representing the difference between the price paid on acquisitions and the fair value applied to individual assets, decreased by US$0.1 million in Q4 2009 following the partial disposal of the Kambuna interest.

Financial assets at 30 June 2010 represent US$1.4 million of restricted cash deposits.

Long-term other receivables of US$5.9 million are represented by value added tax ("VAT") on Indonesian capital spend which will be recovered from future production.

Financial liabilities represented by drawings under the senior secured debt facility are disclosed net of the unamortised portion of allocated issue costs.

The deferred income tax liability of US$3.2 million arises in respect of the Company's retained Kambuna asset interest in Indonesia.

Shareholders' Equity

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

	30 June 2010	31 March 2010	31 December 2009	30 June 2009
	US$000	US$000	US$000	US$000
Total share capital	207,657	207,633	207,633	207,633
Other reserves	17,928	17,698	17,197	16,025
Accumulated deficit	(56,262)	(54,616)	(51,876)	(70,099)

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 credited in respect of cumulative share-based payment charges. The increase in other reserves from US$17.7 million to US$17.9 million reflects a credit to equity in respect of share-based payment charges in Q2 2010.

Capital Resources

Available financing resources and debt facility

Serica's prime focus has been to deliver value through exploration success. To-date this has given rise to the Kambuna gas field development in Indonesia, with first production achieved in August 2009, and the Columbus gas field in the UK North Sea, for which development plans have been submitted.

Typically exploration activities are equity financed whilst field development costs are principally debt financed. In the current business environment, access to new equity and debt remains uncertain. Consequently, the Company has given priority to the careful management of existing financial resources. The receipt of Kambuna revenues complements the Company's exploration activities with producing interests and reweights the balance from investment to income generation.

In November 2009 the Company replaced its US$100 million debt facility with a new three-year facility for a similar amount. The new facility, which has been arranged with J.P.Morgan plc, Bank of Scotland plc and Natixis as Mandated Lead Arrangers, was principally to refinance the Company's outstanding borrowings on the Kambuna field. It will also be available to finance the appraisal and development of the Columbus field and for general corporate purposes. The ability to draw under the facility for development is determined both by the achievement of milestones on the relevant project and also by the availability calculated under a projection model.

In January 2010 the Company received the proceeds from the disposal of assets to Kris Energy and repaid US$47.6 million of its debt, and at 30 June 2010, the Company held cash and cash equivalents of US$40.0 million and US$1.4 million of restricted cash. As of 02 August 2010, the Company's debt facility was US$12.5 million drawn out of a total facility of US$100 million, leaving a net cash position of approximately US$27.1 million.

Overall, the receipt of cash from the 2009 disposal of assets in South East Asia, the revenues from the retained 25% Kambuna interest and the control that the Company can exert over the timing and cost of its exploration programmes both through operatorship and through farm-outs leave it well placed to manage its commitments. Serica intends to continue taking a prudent approach to financial management so as to retain the strength that it has built to-date.

Lease commitments

At 30 June 2010, 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, office equipment and motor vehicles for each of the following period/years as follows:

	US$000
31 December 2010	297
31 December 2011	525

Capital expenditure commitments, obligations and plans

The Company's most significant planned capital expenditure commitments for 2010 are those required to fund the completion of the permanent production facilities for the Kambuna field. As at 30 June 2010, the Company's share of expected outstanding capital costs in respect of its 25% retained interest on the project totalled approximately US$3.8 million. These expected costs include amounts contracted for but not provided as at 30 June 2010.

In addition, 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, over the next two period/years as follows:

Period ending 31 December 2010 US$9,099,000
Year ending 31 December 2011 US$10,885,000

These obligations reflect the Company's share of the defined work programmes and were not formally contracted at 30 June 2010. The Company is not obliged to meet other joint venture partner shares of these programmes. The most significant obligations are in respect of the Kutai PSC in South East Asia and drilling is expected to commence in 2010. Other less material minimum obligations include G&G, seismic work and ongoing licence fees in the UK and South East Asia.

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 and 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 2010/11 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 and is drawn in the currency required.

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 2010, the following director and employee share options were outstanding: -

Expiry Date (i)	Amount	Exercise cost Cdn$
December 2014	200,000	200,000
January 2015	600,000	600,000
June 2015	1,100,000	1,980,000
		Exercise cost £
November 2010 (ii)	334,000	323,980
August 2012	1,200,000	1,182,000
October 2013	750,000	300,000
January 2014	656,000	209,920
November 2015	117,000	113,490
January 2016	1,275,000	1,319,625
May 2016	180,000	172,800
June 2016	270,000	259,200
November 2016	120,000	134,400
January 2017	723,000	737,460
May 2017	405,000	421,200
March 2018	1,581,000	1,185,750
March 2018	850,000	697,000
January 2020	4,153,500	2,824,380
June 2020	250,000	162,500

(i) At an Extraordinary General Meeting held on 8 December 2009, shareholders approved the extension of the exercise period of share options held under the Company's share option plans with an exercise price greater than 49 pence or CDN$0.76 for a further five years other than the share options held by non-executive directors awarded in 2007 for which shareholder approval was not requested. The extension of exercise periods has been implemented for all relevant options with the exception of those options held under the Serica Energy PLC Enterprise Management Incentive Plan (the EMI Plan) which options shall only be extended in the event that there is no material disadvantage to the option holders in so doing.

(ii) Options held under the EMI Plan.

Exercise of certain of the options granted in January 2010 to executive directors and employees is conditional on shares purchased in the Company being retained for a period of one year from the date of purchase in January 2010. The options granted in January 2010 cannot be exercised until three years from the date of grant.

In April 2010, 52,000 share options were exercised by employees other than directors at a price of £0.32.

Outstanding Share Capital

As at 4 August 2010, the Company had 176,570,311 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. Many of these risks are beyond the ability of a company to control, particularly those associated with the exploring for and developing of economic quantities of hydrocarbons. Principal risks can be classified into four main categories: operational, commercial, regulatory and financial.

Operational risks include production interruptions, well or reservoir performance, spillage and pollution, drilling complications, delays and cost over-run on major projects, well blow-outs, failure to encounter hydrocarbons, construction risks, equipment failure and accidents. Commercial risks include access to markets, access to infrastructure, volatile commodity prices and counterparty risks. Regulatory risks include governmental regulations, licence compliance and environmental risks. Financial risks include access to equity funding and credit.

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

Nature and Continuance of Operations

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

The Company's financial statements have been prepared with the assumption that the Company will be able to realise its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. During the three month period ended 30 June 2010 the Company generated a loss before tax of US$0.6 million but expects to earn increased revenues from the Kambuna Field once full field production is achieved. At 30 June 2010 the Company had US$27.7 million of net cash.

The Company intends to utilise its existing cash balances and future operating cash inflows, together with the currently available portion of the US$100 million senior secured debt facility, to fund the immediate needs of its investment programme and ongoing operations. Further details of the Company's financial resources and debt facility are given above in the Financial Review in this MD&A.

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 and on SEDAR at www.sedar.com

Approved on Behalf of the Board

Paul Ellis	Christopher Hearne
Chief Executive Officer	Finance Director

4 August 2010

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.

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
mm bbl	million barrels
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

Serica Energy plc
Consolidated Group Income Statement

Unaudited	Notes	Three months ended 30 June 2010 US$000	Three months ended 30 June 2009 US$000	Six months ended 30 June 2010 US$000	Six months ended 30 June 2009 US$000
Sales revenue		6,537	-	11,871	-
Cost of sales		(3,450)	-	(6,132)	-
Gross profit		3,087	-	5,739	-
Administrative expenses		(1,758)	(1,615)	(3,605)	(3,239)
Foreign exchange gains		18	250	98	271
Pre-licence costs		(665)	(243)	(1,426)	(426)
Asset write offs	4	(77)	(221)	(77)	(7,368)
Share-based payments		(230)	(217)	(731)	(515)
Depreciation and depletion		(12)	(29)	(36)	(58)
Operating loss before finance revenue and tax		363	(2,075)	(38)	(11,335)
Finance revenue		20	11	150	38
Finance costs		(1,001)	(439)	(2,268)	(1,146)
Loss before taxation		(618)	(2,503)	(2,156)	(12,443)
Taxation charge for the period	9	(1,028)	-	(2,230)	-
Loss for the period		(1,646)	(2,503)	(4,386)	(12,443)
Loss per ordinary share (EPS)					
Basic and diluted EPS on loss for period (US$)		(0.01)	(0.01)	(0.02)	(0.06)

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 2010 US$000 (Unaudited)	31 March 2010 US$000 (Unaudited)	31 Dec 2009 US$000 (Audited)	30 June 2009 US$000 (Unaudited
Non-current assets					
Exploration and evaluation assets	4	75,480	69,564	66,030	75,843
Property, plant and equipment	5	53,130	53,690	53,864	103,174
Goodwill		148	148	148	295
Financial assets		1,394	-	-	-
Other receivables		5,858	5,650	5,639	7,102
		136,010	129,052	125,681	186,414
Current assets					
Inventories		3,187	2,930	2,855	4,610
Trade and other receivables		14,927	9,387	106,381	7,452
Financial assets		-	-	1,500	1,500
Cash and cash equivalents		39,974	62,429	18,412	28,997
		58,088	74,746	129,148	42,559
TOTAL ASSETS		194,098	203,798	254,829	228,973
Current liabilities					
Trade and other payables		(9,276)	(7,558)	(9,622)	(15,724)
Financial liabilities	6	-	-	(46,447)	(59,395)
Non-current liabilities					
Financial liabilities	6	(12,268)	(23,119)	(24,371)	-
Deferred income tax liabilities		(3,231)	(2,406)	(1,435)	(295)
TOTAL LIABILITIES		(24,775)	(33,083)	(81,875)	(75,414)
NET ASSETS		169,323	170,715	172,954	153,559
Share capital	7	207,657	207,633	207,633	207,633
Other reserves		17,928	17,698	17,197	16,025
Accumulated deficit		(56,262)	(54,616)	(51,876)	(70,099)
TOTAL EQUITY		169,323	170,715	172,954	153,559

Serica Energy plc
Statement of Changes in Equity
For the period ended 30 June 2010

Group

	Share capital US$000	Other reserves US$000	Deficit US$000	Total US$000
At 1 January 2010 (audited)	207,633	17,197	(51,876)	172,954
Share-based payments	-	501	-	501
Loss for the period	-	-	(2,740)	(2,740)
At 31 March 2010 (unaudited)	207,633	17,698	(54,616)	170,715
Conversion of options	24	-	-	24
Share-based payments	-	230	-	230
Loss for the period	-	-	(1,646)	(1,646)
At 30 June 2010 (unaudited)	207,657	17,928	(56,262)	169,323

For the year ended 31 December 2009

Group

	Share capital US$000	Other reserves US$000	Deficit US$000	Total US$000
At 1 January 2009 (audited)	207,633	15,510	(57,656)	165,487
Share-based payments	-	298	-	298
Loss for the period	-	-	(9,940)	(9,940)
At 31 March 2009 (unaudited)	207,633	15,808	(67,596)	155,845
Share-based payments	-	217	-	217
Loss for the period	-	-	(2,503)	(2,503)
At 30 June 2009 (unaudited)	207,633	16,025	(70,099)	153,559
Share-based payments	-	206	-	206
Loss for the period	-	-	(925)	(925)
At 30 September 2009 (unaudited)	207,633	16,231	(71,024)	152,840
Share-based payments	-	966	-	966
Profit for the period	-	-	19,148	19,148
At 31 December 2009 (audited)	207,633	17,197	(51,876)	172,954

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

Unaudited	Three months ended 30 June 2010 US$000	Three months ended 30 June 2009 US$000	Six months ended 30 June 2010 US$000	Six months ended 30 June 2009 US$000
Cash flows from operating activities:				
Operating profit /(loss)	363	(2,075)	(38)	(11,335)
Adjustments for:				
Depreciation	12	29	36	58
Depletion	1,793	-	3,185	-
Asset write-offs	77	221	77	7,368
Share-based payments	230	217	731	515
Increase in receivables and other assets	(6,164)	(417)	(8,350)	(3,540)
(Increase)/decrease in inventories	(257)	2	(332)	8
Increase/(decrease) in payables	1,718	(6,844)	(346)	(190)
Net cash outflow from operations	(2,228)	(8,867)	(5,037)	(7,116)
Cash flows from investing activities:				
Purchases of property, plant & equipment	(1,245)	(14,326)	(2,487)	(34,706)
Purchases of E&E assets	(5,916)	(4,192)	(9,450)	(13,500)
Proceeds from disposals	-	-	99,150	-
Interest received	20	11	714	38
Net cash (out)/inflow from investing	(7,141)	(18,507)	87,927	(48,168)
Cash proceeds from financing activities:				
Proceeds from loans and borrowings	-	15,000	-	27,821
Repayments of loans and borrowings	(12,500)	-	(60,050)	-
Proceeds on exercise of options	24	-	24	-
Finance costs paid	(610)	(184)	(1,302)	(362)
Net cash (out)/inflow from financing	(13,086)	14,816	(61,328)	27,459
Cash and cash equivalents				
Net (decrease)/increase in period	(22,455)	(12,558)	21,562	(27,825)
Amount at start of period	62,429	41,555	18,412	56,822
Amount at end of period	39,974	28,997	39,974	28,997

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 2010 were authorised for issue in accordance with a resolution of the directors on 4 August 2010.

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 Venture 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 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting.

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 2009. 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 2009.

Going Concern

The financial position of the Group, its cash flows and available debt facilities are described in the Financial Review in the Q2 2010 Management's Discussion and Analysis. As at 30 June 2010 the Group had US$27.7 million of net cash.

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

After making enquiries, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the interim condensed financial statements.

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 2009, except for the adoption of the following new standards and interpretations, noted below,

International Accounting Standards (IAS / IFRSs)		Effective date
IFRS 2	Amendments to IFRS 2 – Group Cash-settled Share-based Payment Transactions	1 January 2010
IFRS 3	Business Combinations (Revised)	1 July 2009
IAS 27	Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009
IAS 39	Eligible Hedged Items	1 July 2009
IFRIC 17	Distributions of Non-cash assets to owners	1 July 2009
IFRIC 18	Transfer of Assets from Customers	1 July 2009

The adoption of these did not affect the Group's results of operations or financial position.

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 Energy Holdings B.V., Serica Holdings UK Limited, Serica Energy (UK) Limited, Serica Kutei B.V., Serica Glagah Kambuna B.V., Serica East Seruway B.V., Serica Sidi Moussa B.V., Serica Foum Draa B.V., Serica Energy Corporation, Asia Petroleum Development Limited, PDA Lematang Limited, APD (Asahan) Limited, APD (Biliton) Limited, Petroleum Development Associates (Asia) Limited, Serica Energia Iberica S.L., and Serica Energy Pte Limited. Together, these comprise the "Group".

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

3. Segmental Information

The Group records its primary operating segment information on the basis of geographical segments which are based on the location of the Group's assets. The Group has only one business segment, that of oil & gas exploration, development and production.

The following tables present profit information on the Group's geographical segments for the six months ended 30 June 2010 and 2009 and certain asset and liability information as at 30 June 2010 and 2009. Costs of the Singapore office are included in the Indonesian geographical segment. Costs associated with the Morocco licences are included in the UK & NW Europe geographical segment.

Six months ended 30 June 2010 (unaudited)	Indonesia US$000	Vietnam US$000	UK & NW Europe US$000	Spain US$000	Total US$000
Continuing					
Revenue	11,781	-	-	-	11,871
Profit/(loss) for the period	3,041	-	(7,272)	(155)	(4,386)
Other segmental information					
Segmental assets	89,423	-	69,734	45	159,202
Unallocated assets					34,896
Total assets					194,098
Segmental liabilities	(9,648)	-	(2,855)	(4)	(12,507)
Unallocated liabilities					(12,268)
Total liabilities					(24,775)

Six months ended 30 June 2009 (unaudited)	Indonesia US$000	Vietnam US$000	UK & NW Europe US$000	Spain US$000	Total US$000
Continuing					
Revenue	-	-	-	-	-
Loss for the period	(769)	(9)	(11,565)	(100)	(12,443)
Other segment information					
Segment assets	131,044	13,698	58,372	59	203,173
Unallocated assets					25,800
Total assets					228,973
Segment liabilities	(14,101)	(3)	(1,613)	(7)	(15,724)
Unallocated liabilities					(59,690)
Total liabilities					(75,414)

4. Exploration and Evaluation Assets

	Total
	US$000
Net book amount:	
At 1 January 2010 (audited)	66,030
Additions	9,527
Write offs	(77)
At 30 June 2010 (unaudited)	75,480

5. Property Plant and Equipment

	Oil and gas properties	Computer / IT equipment	Fixtures, fittings and equipment	Total
	US$000	US$000	US$000	US$000
Cost:				
At 1 January 2010 (audited)	54,935	204	431	55,570
Additions	2,403	60	24	2,487
At 30 June 2010 (unaudited)	57,338	264	455	58,057
Depreciation and depletion:				
At 1 January 2010 (audited)	1,171	174	361	1,706
Charge for the period	3,185	12	24	3,221
At 30 June 2010 (unaudited)	4,356	186	385	4,927
Net book amount				
At 30 June 2010	52,982	78	70	53,130
At 1 January 2010	53,764	30	70	53,864

6. Financial Liabilities

	30 June 2010 US$000	31 December 2009 US$000
Non-current bank loans:		
Variable rate multi-option facility	(12,268)	(24,371)
Current bank loans:		
Variable rate multi-option facility	-	(46,447)

Bank loans

The total gross liability as at 30 June 2010 was US$12.5 million which is disclosed net of the unamortised portion of allocated issue costs.

On 16 November 2009 the Company entered into a new US$100 million senior secured revolving credit facility to replace its previous facility of a similar amount. The new facility, which has been arranged with J.P.Morgan, Bank of Scotland plc and Natixis as Mandated Lead Arrangers, is for a term of three years. The facility is principally to refinance the Company's outstanding borrowings on the Kambuna field and will also be available to finance the appraisal and development of the Columbus field and for general corporate purposes. The facility is secured by first charges over the Group's interest in the Kambuna field in Indonesia and the Columbus field in the UK North Sea and the shares of certain subsidiary companies.

Further details of the Company's financial resources and debt facilities are given in the Q2 2010 Management's Discussion and Analysis.

7. 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 176,570,310 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.

Allotted, issued and fully paid:

Group	Number	Share capital US$000	Share premium US$000	Total Share capital US$000
At 1 January 2010	176,518,311	17,742	189,891	207,633
Options exercised (1)	52,000	5	19	24
As at 30 June 2010	176,570,311	17,747	189,910	207,657

(1) In April 2010, 52,000 share options were converted to ordinary shares at a price of £0.32.

8. 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 will govern all future grants of options by the Company to Directors, officers, key employees and certain consultants of the Group. 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 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 2010, the Company has granted 13,937,500 options under the Serica 2005 Option Plan, 12,864,500 of which are currently outstanding. 5,195,000 of the 12,864,500 options currently outstanding under the Serica 2005 Option Plan are exercisable only if certain performance targets being met. These include 2,175,000 options awarded to executive directors in January 2010.

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$230,000 has been charged to the income statement in the three month period ended 30 June 2010 (three month period ended 30 June 2009: US$217,000) and a similar amount credited to other reserves. The total Q1 2010 charge of US$501,000 includes an amount of US$201,000 in respect of the modification in December 2009 of certain options whose exercise period was extended by five years.

The assumptions made for the options granted in January 2009 include a weighted average risk-free interest rate of 4%, no dividend yield, a weighted average expected life of options of three years and a volatility factor of expected market price of 50%. The modification of options in December 2009 and options granted in January 2010 were consistently valued in line with the Company’s valuation policy, assumptions made included a weighted average risk-free interest rate of 4%, no dividend yield, and a volatility factor of 50%.

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

Serica BVI Option Plan	**Number**	**WAEP Cdn$**
Outstanding at 31 December 2008	2,322,500	1.53
Expired during the year	(347,500)	2.00
Outstanding at 31 December 2009	1,975,000	1.45
Expired during the period	(75,000)	1.00
Outstanding as at 30 June 2010	1,900,000	1.47

Serica 2005 Option Plan		**£**
Outstanding at 31 December 2008	8,479,000	0.87
Granted during the year	750,000	0.32
Cancelled during the year	(557,000)	0.87
Outstanding at 31 December 2009	8,672,000	0.82
Granted during the period	4,203,500	0.68
Outstanding at 31 March 2010	12,875,500	0.77
Exercised during the period	(52,000)	0.32
Granted during the period	250,000	0.65
Cancelled during the period	(209,000)	0.88
Outstanding at 30 June 2010	12,864,500	0.77

In April 2010, 52,000 share options were exercised by employees other than directors at a price of £0.32.

9. Taxation

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

Six months ended 30 June:	2010 US$000 (unaudited)	2009 US$000 (unaudited)
Current income tax charge	433	-
Deferred income tax charge	1,797	-
Total tax charge	2,230	-

10. Publication of Non-Statutory Accounts

The financial information contained in this interim statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 December 2009. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

This interim statement will be made available at the Company's registered office at 87-89 Baker Street, London W1U 6RJ and on its website at www.serica-energy.com and on SEDAR at www.sedar.com

INDEPENDENT REVIEW REPORT TO SERICA ENERGY PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises consolidated Income Statement, the consolidated Balance Sheet, consolidated statement of Total Comprehensive Income, consolidated Statement of Changes in Equity, consolidated Cash Flow Statement, and related notes 1 to 10 We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with International Accounting Standards 34, “Interim Financial Reporting,” as adopted by the European Union.

As disclosed in note 2, the annual financial statements of the company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standards 34, “Interim Financial Reporting,” as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP
London
4 August 2010