

SERICA ENERGY PLC
SECOND QUARTER 2009 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 27 August 2009 and should be read in conjunction with the attached unaudited interim consolidated financial statements for the period ended 30 June 2009. The interim financial statements for the three and six months ended 30 June 2009 have been prepared by and are the responsibility of the Company's management. The interim financial statements for the six months ended 30 June 2009 and 2008 have been reviewed by the Company's independent auditors. Serica's activities are centred on the UK and Indonesia, with other interests in Vietnam, 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 2009 the Company has focused its efforts on bringing the Kambuna field into production and the completion of its 2009 exploration drilling programme in Ireland and Vietnam.

On 11 August gas sales commenced from the Kambuna field in north Sumatra, Indonesia, an event which brings the Company its first significant revenue.

The terms of a third gas sales contract relating to the Kambuna field were agreed in the second quarter, under which from the end of 2009 it is expected that field production will be increased by up to 10% to allow for the extraction of LPG.

The Company was also awarded new exploration acreage offshore Morocco, in the UK North Sea and in the Rockall Basin off the west coast of Ireland.

Field Appraisal and Development

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

The Company holds an interest of 50% in the Glagah Kambuna TAC.

Progress continued throughout 2009 towards the first production from the Kambuna field and on 11 August the Company announced that gas sales had commenced, which will provide the Company with its first significant production revenue.

Following the mechanical completion and commissioning of all facilities, initial production began from the Kambuna-4 well, which was opened up on 5 August, delivering gas and condensate to the onshore receiving facilities at Pangkalan Brandan, north Sumatra. Commercial sales began on 11 August, with gas being introduced to the pipeline system for transportation to the Belawan Power Plant.

After start up, production is targeted to build to the contracted level of 40 million standard cubic feet per day ("MMscfd") of dry gas with approximately 4,000 barrels of condensate per day. Upon completion of the on-going upgrade and refurbishment of the Pertamina LPG plant at Pangkalan Brandan, up to an additional 10% of gas will be produced so that LPG can be extracted from the gas stream without reducing supply rates to the existing customers.

The Kambuna gas will be used for power generation to supply electricity to the city of Medan in north Sumatra and for industrial uses. The existing gas sales agreements with PLN, the Indonesian state electricity company, and Pertiwi Nusantara equate to an average price of approximately US\$5.90 per thousand standard cubic feet, escalated at 3% per annum. The blended price for Kambuna condensate will be set at the Katapa Arbei Indonesian Crude Price which has historically traded at a slight premium to North Sea Brent Crude.

With spare capacity in the field, pipeline and processing infrastructure for additional gas production, Serica and field operator Salamander Energy plc intend to market additional quantities of gas following receipt of regulatory approval to do so.

Columbus Field - Block 23/16f – UK Central North Sea

Block 23/16f contains the undeveloped Columbus field. Serica operates the block and holds a 50% interest.

In October 2008, Serica submitted the Field Development Programme (“FDP”) for the Columbus field to the UK government. Discussions with other operators continue regarding offtake routes. A transportation and processing proposal has been received for the export of Columbus production via the Lomond field and this is under negotiation.

In the first quarter of 2009, in the adjacent Block 23/21, Lomond field operator BG Group (“BG”) completed drilling a well about three kilometres south of the 23/16f-11 Columbus discovery well. BG well 23/21-7 comprised a total of four penetrations of Forties sand reservoirs and the results have improved our knowledge of the distribution of Forties sand channels in the area. Discussions with BG are in progress to determine how best to commercialise the Columbus field in parallel with the gas accumulations found in Block 23/21 to the north of Lomond.

Chablis Discovery Area - Blocks 48/16b and 48/17d – Southern North Sea

Block 48/16b contains the Chablis discovery and Block 48/17b lies immediately east of Block 48/16b. Serica is operator and holds a 65% interest in these blocks.

Serica completed drilling the 48/16b-3z appraisal well to the Chablis discovery in January 2009, to a total depth of 8,136 ft TVDSS. Although the well encountered gas-bearing Rotliegendes Leman sands of good reservoir quality, the gas bearing interval was thin and the well was plugged and abandoned. The commercial potential of the Chablis accumulation and the remaining adjacent prospects is still unproven and no reserves can be attributed to the area at this time.

The Company has decided that no further funds will be committed at this stage and, following the write off of US\$11.4 million of its costs on the Chablis prospect in 2008, all further costs incurred on Chablis in 2009 totaling US\$7.1 million were written off in Q1 2009.

Exploration

Indonesia

Serica is the operator of the Kutai PSC and currently holds a 78% interest. This interest will reduce to 54.6% after completion of the transaction with Salamander Energy plc for the sale of a 23.4% interest in the PSC, as announced in July 2008. Completion is subject to certain approvals and consents, including that of the Indonesian government.

In the onshore part of the Kutai PSC, Serica completed a 280 kilometre 2D seismic survey. While drilling the seismic shot holes a number of oil seeps were encountered, demonstrating the existence of a working petroleum system in the onshore part of the

acreage. In the offshore part of the Kutai PSC interpretation of the 3D seismic data has revealed several exploration targets, of which the Dambus prospect is the most significant.

Vietnam

In March 2009, the Company reached agreement with Australian Worldwide Exploration ("AWE") on the terms of a farm-out of part of Serica's interest in the Block 06/94 PSC. Under the agreement AWE paid Serica's 33.33% share of the costs of the Tuong Vi exploration well but the assignment of interest to AWE has not yet been completed.

The Tuong Vi exploration well 06/94-TV-1X, in the south-western part of the block, was spudded in June 2009, targeting both oil and gas prospects. The primary target of the well was the oil potential of the Mio-Oligocene Dua and Cau Formation sandstones. The exploration well 06/94-TV-1X (Tuong Vi-1X) offshore Vietnam reached a target depth of 2,700 metres and encountered good quality sands in the objective section. However no commercial volumes of hydrocarbons were found and the well was plugged and abandoned.

Serica and AWE have now agreed that AWE will withdraw from any further obligation under the farm-out agreement and that Serica will retain its 33.33% interest in the 06/94 PSC.

Ireland

Slyne Basin

Serica is the operator and holds a 50% interest in Licence PEL 01/06 in the Slyne Basin off the west coast of Ireland. The Licence comprises Blocks 27/4, 27/5 (west) and 27/9.

Under the terms of a farm-out agreement RWE Dea AG contributed the bulk of the cost of drilling the first exploration well, the Bandon prospect, well 27/4-1, which was spudded on 11 May with the Ocean Guardian semisubmersible drilling rig and drilled to a total depth of 6,233 feet through the Jurassic and Permo-Triassic intervals. Oil was encountered and a sidetrack was drilled to acquire additional data and samples. Drilling operations were completed in June 2009. Although this discovery may not be commercial, Serica is now remapping the area using new well data and the 3D seismic data to evaluate further the oil prospectivity of licence FEL 1/06 and to confirm the potential of the remaining gas prospects in the licence.

Rockall Basin

In July 2009 the Company announced that it has been awarded Frontier Exploration Licence FEL 1/09 covering Blocks 5/17, 5/18, 5/22, 5/23, 5/27 and 5/28 in the Rockall Basin off the west coast of Ireland. FEL 1/09 lies in the northeastern part of the offshore Rockall Basin and the six blocks cover a total area of 993 square kilometres. Serica is the Licence operator and holds a 100% working interest.

The Rockall Basin has an areal extent of over 100,000 square kilometres 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, drilled by Enterprise Oil in 2002, lies approximately nine kilometres to the south of the Licence and encountered a 214 metre hydrocarbon column.

A 3D seismic survey has already been acquired and Serica will reprocess this data in order to enhance its understanding of the principal prospect, a structure known as Muckish that covers an area of approximately 30 square kilometres in a water depth of 1,450 metres. Serica estimates that Muckish has a most likely prospective resource of 675 billion cubic feet of gas equivalent although, given the frontier nature of the area, it is also possible that the structure could contain oil.

Sandstones of Permo-Triassic age are the principal reservoir targets and are expected to be encountered approximately 4,000 metres below sea level at the Muckish prospect. Water depth at Muckish is approximately 1,450 metres, but at this stage no drilling commitment has been made.

Serica is currently acquiring 2D long-offset seismic lines across the Muckish structure in order to learn more about its potential to contain hydrocarbons. At least 400 kilometres of this data will be acquired in the Licence area, which will satisfy the seismic commitment for the first four-year period of the Licence.

United Kingdom

Blocks 113/26b and 113/27c

Serica holds a 100% interest in Blocks 113/26b and 113/27c in the East Irish Sea, in which Serica has identified two Sherwood Formation gas prospects, Conan and Doyle.

The Conan prospect exhibits a seismic amplitude anomaly at top reservoir level that is of the order of 28 square kilometres in area – making it the largest undrilled amplitude anomaly in the East Irish Sea basin. Recent technical studies have increased confidence in the Conan prospect and a site survey has been acquired in preparation for drilling. The Company will seek a farm-in partner to participate in this exploration project.

Block 22/19c

In June 2009 Serica announced the award of a Production Licence over UK Central North Sea Block 22/19c in the 25th Round of Offshore Licensing. Serica is the Licence operator and holds a 100% working interest.

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 considered low risk and exhibits a well-defined amplitude response on the 3D seismic data similar to that seen in the Columbus field, in which the Company has drilled three successful wells. The Oates prospect lies at a depth of approximately 2,900 metres below sea level and has estimated prospective resources of 180 billion standard cubic feet of gas or 60 million barrels of oil, depending upon whether oil or gas is found.

Morocco

In June 2009 the Company announced that it had been awarded a 25% interest in two Petroleum Agreements for the contiguous areas of Sidi Moussa and Fom 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 Fom Draa are covered by over 5,200 square kilometres of modern 3D seismic data and over 2,000 kilometres of 2D seismic data. A drill or drop decision is required to be made at the end of the initial phases of the Agreements after 18 months and 30 months respectively.

The Agadir Basin is geologically analogous to the oil producing salt basins of West Africa. Based on the extensive grid of existing seismic data, over 40 undrilled prospects and leads were identified in Sidi Moussa and Fom Draa by previous operators. The areas extend from the Moroccan coastline into water depths reaching a maximum of 2,000 metres.

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. A drill or drop decision must be made prior to November 2009 and Serica is currently seeking a farm-in partner.

Forward Programme

Serica's main priority for 2009 was to achieve first production from the Kambuna field. Having commenced gas sales from Kambuna, the Company's attention is now on reaching the contracted rate of 40 MMscfd as soon as all systems are fully commissioned and then to work with Pertamina and the Indonesian authorities to achieve a higher contract rate once supporting field data has been obtained.

Over the next twelve months Serica is planning an exploration programme of wells that could be of great significance to the Company, including the Conan prospect in the East Irish Sea, the Oates prospect in UK Block 22/19c in the Central North Sea west of the Columbus field and two offshore wells in the Kutai PSC in Indonesia.

FINANCIAL REVIEW

A detailed review of the Q2 2009 results of operations and other financial information is set out below.

Financial 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 discovery in the UK North Sea, for which development plans have been submitted. In Q3 2009 the Company will enjoy its first significant revenues, complementing its exploration activities with producing interests.

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 first Kambuna revenues reweights the balance from investment to income generation in Q3 2009.

In February 2009 the Company agreed an extension of its US\$100 million debt facility until November 2009. As of 25 August 2009, the Company's debt facility was US\$60 million drawn out of a total facility of US\$100 million, resulting in a net debt position of approximately US\$40 million. Ongoing expenditure will be incurred prior to refinancing in November 2009 however the receipt of revenues from the Kambuna field will put the Company in a stronger financial position. Although the refinancing cannot be considered certain in the current environment, the Company is currently engaged in discussions with its existing lenders to refinance its debt facility. The option of further asset sales is also open to the Company.

Overall, the start of revenues from Kambuna 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 through this uncertain financial environment. Serica will continue to take a prudent approach to financial management so as to maintain the ability to build on its progress to date.

Results of Operations

Serica generated a loss of US\$2.5 million for the three months ended 30 June 2009 ("Q2 2009") compared to a loss of US\$4.3 million for the three months ended 30 June 2008 ("Q2 2008").

	2009 Q2 US\$000	2009 Q1 US\$000	2008 Q4 US\$000	2008 Q3 US\$000	2008 Q2 US\$000	2008 Q1 US\$000
<i>Continuing operations</i>						
Sales revenue	-	-	-	-	-	-
Expenses:						
Administrative expenses	(1,615)	(1,624)	(2,404)	(1,832)	(2,447)	(1,945)
Foreign exchange gain/(loss)	250	21	274	(677)	88	(55)
Pre-licence costs	(243)	(183)	(112)	(65)	(798)	(175)
Asset write offs	(221)	(7,147)	(23,659)	-	-	(375)
Share-based payments	(217)	(298)	(360)	(465)	(581)	(375)
Depletion and depreciation	(29)	(29)	(15)	(38)	(35)	(58)
Operating loss before net finance revenue and taxation	(2,075)	(9,260)	(26,276)	(3,077)	(3,773)	(2,983)
Profit on disposal	-	-	(6)	36,626	-	-
Finance revenue	11	27	326	630	298	569
Finance costs	(439)	(707)	(723)	(752)	(785)	(878)
(Loss)/profit before taxation	(2,503)	(9,940)	(26,679)	33,427	(4,260)	(3,292)
Taxation credit	-	-	139	89	-	-
(Loss)/profit for the period - continuing	(2,503)	(9,940)	(26,540)	33,516	(4,260)	(3,292)
<i>Discontinued operations</i>						
Loss for the period - discontinued	-	-	(346)	-	(15)	(34)
(Loss)/profit for the period	(2,503)	(9,940)	(26,886)	33,516	(4,275)	(3,326)
Basic and diluted loss per share	(0.01)	(0.06)	(0.16)	N/A	(0.02)	(0.02)
Basic earnings per share	N/A	N/A	N/A	0.19	N/A	N/A
Diluted earnings per share	N/A	N/A	N/A	0.19	N/A	N/A

Administrative expenses of US\$1.6 million for Q2 2009 remained at a similar level to Q1 2009, but decreased from US\$2.4 million for the same period last year. The decrease reflects a reduction in the US\$ equivalent of those general administrative costs incurred in £ sterling, and also higher levels of cost on various transactions and other corporate activity in Q2 and Q4 2008.

No significant foreign exchange gains or losses were recorded in Q2 2009 or Q2 2008.

Pre-licence costs include direct cost and allocated general administrative cost incurred on oil and gas interests prior to the award of exploration rights. The expense of US\$0.2 million for Q2 2009 decreased from US\$0.8 million for the same period last year and is mainly attributable to significant work undertaken during the second quarter in 2008 on the 25th Licencing Round in the UK North Sea.

Asset write offs in Q1 2009 of US\$7.1 million related to the costs incurred in 2009 on the completion of the Chablis appraisal well, which spudded in December 2008. Costs booked in respect of this asset from 2008 and earlier periods were written off in Q4 2008

following management's review of the carrying value of assets noted in the Financial Review above. The total Q4 2008 asset write-off charge of US\$23.6 million comprised Chablis (US\$11.4 million), Oak (US\$6.1 million) and Spanish assets (US\$6.1 million). The aggregate total 2008 asset write off was split between exploration and evaluation ("E&E") assets (US\$23.2 million), goodwill (US\$0.4 million) and other assets (US\$0.4 million).

Share-based payment charges of US\$0.2 million reflect share options granted and compare with US\$0.6 million for Q2 2008 and US\$0.3 million for Q1 2009. Whilst further share options have been granted in January 2009, the incremental charge generated from those options has been offset by the decline in charges for options granted in prior years.

Negligible depletion, depreciation and amortisation charges in all periods represent office equipment and fixtures and fittings. Those costs of petroleum and natural gas properties classified as E&E assets are not currently subject to such charges pending further evaluation. The Kambuna asset costs classified as 'development' costs and held within plant, property and equipment will be depleted from Q3 2009 onwards following the commencement of field production in August.

The profit on disposal of US\$36.6 million was generated in August 2008 upon the sale of a 15% interest in the Glagah Kambuna TAC for consideration of US\$52.7 million including working capital.

Finance revenue comprising interest income of US\$0.01 million for Q2 2009 compares with US\$0.30 million for Q2 2008 and US\$0.03 million for Q1 2009. The decrease from Q2 2008 is principally due to the significant reduction in average interest rate yields available in 2009 to negligible amounts, and a reduction in average cash deposit balances held in Q1 and Q2 2009 compared to prior periods.

Finance costs consist of issue costs and other fees spread over the term of the bank loan facility, and interest payable.

Expenditures in prior and current periods have reduced any potential current income tax expense arising for 2008 and 2009 to date to US\$nil. The taxation credit from continuing operations of US\$0.1 million in Q4 2008 arose from the release of deferred tax liabilities associated with the E&E assets written off in the quarter.

The results from discontinued operations arise following the disposal of the Company's Norwegian activities which completed in Q4 2008.

The net loss per share of US\$0.01 for Q2 2009 compares to a net loss per share of US\$0.02 for Q2 2008.

Summary of Quarterly Results

Quarter ended:	2009 30 Jun US\$000	2009 31 Mar US\$000	2008 31 Dec US\$000	2008 30 Sep US\$000	2008 30 Jun US\$000	2008 31 Mar US\$000	2007 31 Dec US\$000
Sales revenue	-	-	-	-	-	-	-
(Loss)/profit for the quarter	(2,503)	(9,940)	(26,886)	33,516	(4,275)	(3,326)	(11,684)
Basic and diluted loss per share US\$	(0.01)	(0.06)	(0.16)	-	(0.02)	(0.02)	(0.08)
Basic and diluted earnings per share	-	-	-	0.19	-	-	-

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.

The fourth quarter 2007 loss includes asset write offs of US\$9.0 million in regard on the Biliton PSC.

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 2009 US\$000	31 March 2009 US\$000	31 December 2008 US\$000	30 June 2008 US\$000
Current assets:				
Inventories	4,610	4,612	4,618	4,313
Trade and other receivables	7,452	8,346	7,069	10,885
Tax receivable	-	-	-	3,620
Financial assets	1,500	-	-	4,680
Cash and cash equivalents	28,997	41,555	56,822	42,151
Total Current assets	42,559	54,513	68,509	65,649
Less Current liabilities:				
Trade and other payables	(15,724)	(22,513)	(14,599)	(16,349)
Financial liabilities	(59,395)	(44,127)	(32,105)	(34,662)
Net Current (liabilities)/assets	(32,560)	(12,127)	21,805	14,638
Assets held for sale	-	-	-	7,331
Liabilities associated with assets held for sale	-	-	-	(4,707)

At 30 June 2009, the Company had net current liabilities of US\$32.6 million which comprised current assets of US\$42.6 million less current liabilities of US\$75.1 million, giving an overall decrease in working capital of US\$20.4 million in the three month period.

Inventories remained at US\$4.6 million over the period.

Trade and other receivables at 30 June 2009 totalled US\$7.5 million, and included recoverable amounts from partners in joint venture operations in the UK and Indonesia, prepayments and sundry UK and Indonesian working capital balances.

The Q2 2008 tax receivable represented recovery of exploration expenditure from the Norwegian fiscal authorities, which was received in full in Q4 2008.

Financial assets represent US\$1.5 million of restricted cash deposits, reclassified as a current asset during Q2 2009.

Cash and cash equivalents decreased from US\$41.6 million to US\$29.0 million in the quarter. The Company incurred significant capital expenditure on the Kambuna development in Indonesia whilst exploration drilling costs were fully carried in Vietnam and substantially carried in Ireland. Other costs were incurred on exploration work across the portfolio in South East Asia and the UK, together with ongoing administrative costs, operational expenses and finance facility fees. These cash outflows were partially offset by a further draw down in Q2 2009 of US\$15.0 million under the loan facility.

Trade and other payables of US\$15.7 million at 30 June 2009 chiefly include significant trade creditors and accruals from the Kambuna development and other creditors and accruals from UK and Indonesia. Other smaller items include sundry creditors and accruals for administrative expenses and other corporate costs.

Financial liabilities comprise drawings under the senior secured debt facility. Total US\$60.0 million drawings down are disclosed net of the unamortised portion of allocated issue costs.

Assets held for sale and associated liabilities

The assets and liabilities recorded as at 30 June 2008 in respect of the Norwegian Licence interests being sold, are classified as part of a disposal group held for sale and disclosed separately on the balance sheet. Assets held for sale of US\$7.3 million chiefly comprise Norwegian expenditure previously capitalised as exploration and evaluation assets, and liabilities of US\$4.7 million chiefly represent deferred tax liabilities associated with those assets recognised. The disposal completed in Q4 2008.

Long-Term Assets and Liabilities

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

	30 June 2009	31 March 2009	31 December 2008	30 June 2008
	US\$000	US\$000	US\$000	US\$000
Exploration & evaluation assets	75,843	71,816	69,711	78,285
Property, plant and equipment	103,174	88,865	68,526	58,732
Goodwill	295	295	295	768
Financial assets	-	1,500	1,500	-
Long-term other receivables	7,102	5,791	3,945	3,508
Financial liabilities	-	-	-	-
Deferred income tax liabilities	(295)	(295)	(295)	(523)

During Q2 2009, total investments in exploration and evaluation assets, increased from US\$71.8 million to US\$75.8 million. The US\$4.0 million increase consists of additions incurred on the following assets:

In the UK & Western Europe, US\$2.0 million was spent on the side track well in Ireland, and US\$0.2 million was incurred on UK exploration work, G&A, and advancing the Columbus field development.

In South East Asia, US\$1.8 million was incurred on seismic, exploration work and G&A on the Kutai concession and US\$0.1 million on East Seruway, both in Indonesia.

All Q2 2009 costs incurred on drilling in Vietnam, were borne by a third party following the farm out of the Company's interests announced in Q1 2009.

The US\$14.3 million increase in property, plant and equipment from US\$88.9 million to US\$103.2 million comprises expenditure during the quarter on the Kambuna development. Property, plant and equipment also includes immaterial balances of US\$0.2 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, remained unchanged at US\$0.3 million.

Financial assets represented by US\$1.5 million of restricted cash deposits at 31 December 2008 and 31 March 2009 are now classified in current assets as at 30 June.

Long-term other receivables of US\$7.1 million are represented by value added tax ("VAT") on Indonesian capital spend, which will be recovered from future production. The increase of US\$1.3 million in Q2 2009 related to the significant Kambuna expenditure incurred in the quarter.

Financial liabilities represented by drawings under the senior secured debt facility are now classified in current liabilities.

The retained deferred income tax liability of US\$0.3 million arose in respect of certain capitalised assets retained in the Group.

Shareholders' Equity

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

	30 June 2009	31 March 2009	31 December 2008	30 June 2008
	US\$000	US\$000	US\$000	US\$000
Total share capital	207,633	207,633	207,633	207,633
Other reserves	16,025	15,808	15,510	14,685
Accumulated deficit	(70,099)	(67,596)	(57,656)	(64,286)

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

Other reserves include amounts credited in respect of cumulative share-based payment charges. The increase in other reserves from US\$15.8 million to US\$16.0 million reflects the amortisation of share-based payment charges in Q2 2009.

Capital Resources

Lease commitments

At 30 June 2009, Serica had US\$32.6 million of net working capital liabilities, no long-term debt and 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 periods/years as follows:

	US\$000
31 December 2009	164
31 December 2010	72

Capital expenditure commitments, obligations and plans

The Company's most significant planned capital expenditure commitments for 2009 are on the completion of the Kambuna field development. As at 30 June 2009, the Company's share of expected outstanding capital costs on the project totalled approximately US\$12.3 million. These expected costs include amounts contracted for but not provided as at 30 June 2009.

In Vietnam, capital commitments of US\$7.5 million are contracted in respect of the Company's 33.33% interest of the 2010 two-well drilling programme. The Company will seek a farm-in partner prior to the spudding of the first well in Q1 2010.

In addition to the planned expenditure noted above, 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 following periods as follows:

Six months ending 31 December 2009: US\$2,900,000
Year ending 31 December 2010: US\$18,100,000

These obligations reflect the Company's share of interests in the defined work programmes and were not formally contracted at 30 June 2009. 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.

Available financing resources

As discussed in the Financial Review above, the Company's existing debt facility must be refinanced by November 2009. Work is underway with the Company's lending banks to achieve this.

Exploration to-date has been equity financed. The Company's share of Kambuna development costs has been funded through US\$60 million of drawings under its debt facility supplemented by cash proceeds of US\$53 million from the disposal of 15% out of its 65% share in the field last August.

At 30 June 2009, the Group had available approximately US\$85 million of committed borrowing facilities for which all conditions precedent had been met, of which US\$60 million had been drawn and US\$25 million was undrawn. 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.

Off-Balance Sheet Arrangements

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

Critical Accounting Estimates

The Company's principal accounting policies are detailed in note 2 to the attached financial statements. International Financial Reporting Standards have been adopted. The costs of exploring for and developing petroleum and natural gas reserves are capitalised. A key source of estimation uncertainty that impacts the Company relates to 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 judgments 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 estimates and management assumptions about future outcomes, product prices and performance.

Financial Instruments

The Group's financial instruments comprise cash and cash equivalents, bank loans and borrowings, accounts payable and accounts receivable. It is the management's opinion that the Group is not exposed to significant interest rate, 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 2009/10 this is managed in the short-term through selecting 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 is entitled 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 foreign currency cash holdings and other financial instruments necessary to support its 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 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 2009, the following director and employee share options were outstanding: -

Expiry Date	Amount	Exercise cost Cdn\$
Dec 2009	275,000	275,000
Jan 2010	600,000	600,000
Jun 2010	1,100,000	1,980,000
		Exercise cost £
Nov 2010	561,000	544,170
Jan 2011	1,275,000	1,319,625
May 2011	180,000	172,800
June 2011	270,000	259,200
Nov 2011	120,000	134,400
Jan 2012	756,000	771,120
May 2012	405,000	421,200
August 2012	1,200,000	1,182,000
March 2013	1,662,000	1,246,500
March 2013	850,000	697,000
October 2013	750,000	300,000
January 2014	750,000	240,000

Outstanding Share Capital

As at 27 August 2009, the Company had 176,518,311 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 exploration and development of economic quantities of hydrocarbons. Principal risks can be classified into four main categories: operational, commercial, regulatory and financial.

Operational risks include 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 2009 the Company generated a loss of US\$2.5 million from continuing operations, but will shortly earn its first revenues from the Kambuna field following the commencement of production in August. At 30 June 2009 the Company held cash and cash equivalents of US\$29.0 million and a financial asset of restricted cash of US\$1.5 million. The Company's existing debt facility must be refinanced by November 2009 and 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.

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
Chief Executive Officer

Christopher Hearne
Finance Director

28 August 2009

Forward Looking Statements

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

GLOSSARY

bbbl	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)
bopd or bpd	barrels of oil or condensate per day
DCQ	Daily contract quantity
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
TAC	Technical Assistance Contract
tcf	trillion standard cubic feet
TVDSS	True vertical depth sub sea

Serica Energy plc**Consolidated Group Income Statement**

Unaudited		Three months ended 30 June 2009	Three months ended 30 June 2008	Six months ended 30 June 2009	Six months ended 30 June 2008
	Notes	US\$000	US\$000	US\$000	US\$000
Sales revenue		-	-	-	-
Cost of sales		-	-	-	-
Gross profit		-	-	-	-
Administrative expenses		(1,615)	(2,447)	(3,239)	(4,392)
Foreign exchange gain/(loss)		250	88	271	33
Pre-licence costs		(243)	(798)	(426)	(973)
Asset write offs	5	(221)	-	(7,368)	(375)
Share-based payments		(217)	(581)	(515)	(956)
Depreciation and depletion		(29)	(35)	(58)	(93)
Operating loss before finance revenue and tax		(2,075)	(3,773)	(11,335)	(6,756)
Finance revenue		11	298	38	867
Finance costs		(439)	(785)	(1,146)	(1,663)
Loss before taxation		(2,503)	(4,260)	(12,443)	(7,552)
Taxation credit for the period		-	-	-	-
Loss for the period - continuing		(2,503)	(4,260)	(12,443)	(7,552)
<i>Discontinued operations</i>					
Loss for the period - discontinued		-	(15)	-	(49)
Loss for the period		(2,503)	(4,275)	(12,443)	(7,601)
Loss per ordinary share (LPS)					
Basic and diluted LPS – continuing (US\$)		(0.01)	(0.02)	(0.06)	(0.04)
Basic and diluted LPS on loss for period		(0.01)	(0.02)	(0.06)	(0.04)

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

		30 June 2009	31 March 2009	31 Dec 2008	30 June 2008
	Notes	US\$000 (Unaudited)	US\$000 (Unaudited)	US\$000 (Audited)	US\$000 (Unaudited)
Non-current assets					
Exploration and evaluation assets	5	75,843	71,816	69,711	78,285
Property, plant and equipment	6	103,174	88,865	68,526	58,732
Goodwill		295	295	295	768
Financial assets		-	1,500	1,500	-
Other receivables		7,102	5,791	3,945	3,508
		<u>186,414</u>	<u>168,267</u>	<u>143,977</u>	<u>141,293</u>
Current assets					
Inventories		4,610	4,612	4,618	4,313
Trade and other receivables		7,452	8,346	7,069	10,885
Taxation receivable		-	-	-	3,620
Financial assets		1,500	-	-	4,680
Cash and cash equivalents		28,997	41,555	56,822	42,151
		<u>42,559</u>	<u>54,513</u>	<u>68,509</u>	<u>65,649</u>
Assets held for sale	4	-	-	-	7,331
TOTAL ASSETS		<u>228,973</u>	<u>222,780</u>	<u>212,486</u>	<u>214,273</u>
Current liabilities					
Trade and other payables		(15,724)	(22,513)	(14,599)	(16,349)
Financial liabilities	7	(59,395)	(44,127)	(32,105)	(34,662)
Non-current liabilities					
Financial liabilities		-	-	-	-
Deferred income tax liabilities		(295)	(295)	(295)	(523)
Liabilities associated with assets held for sale	4	-	-	-	(4,707)
TOTAL LIABILITIES		<u>(75,414)</u>	<u>(66,935)</u>	<u>(46,999)</u>	<u>(56,241)</u>
NET ASSETS		<u>153,559</u>	<u>155,845</u>	<u>165,487</u>	<u>158,032</u>
Share capital	8	207,633	207,633	207,633	207,633
Other reserves		16,025	15,808	15,510	14,685
Accumulated deficit		(70,099)	(67,596)	(57,656)	(64,286)
TOTAL EQUITY		<u>153,559</u>	<u>155,845</u>	<u>165,487</u>	<u>158,032</u>

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

For the year ended 31 December 2008

Group

	Share capital US\$000	Other reserves US\$000	Deficit US\$000	Total US\$000
At 1 January 2008 (audited)	158,871	13,729	(56,685)	115,915
Issue of share capital	51,046	-	-	51,046
Costs associated with shares issued	(2,465)	-	-	(2,465)
Share-based payments	-	375	-	375
Loss for the period	-	-	(3,326)	(3,326)
At 31 March 2008 (unaudited)	207,452	14,104	(60,011)	161,545
Conversion of options	181	-	-	181
Share-based payments	-	581	-	581
Loss for the period	-	-	(4,275)	(4,275)
At 30 June 2008 (unaudited)	207,633	14,685	(64,286)	158,032
Share-based payments	-	465	-	465
Profit for the period	-	-	33,516	33,516
At 30 September 2008 (unaudited)	207,633	15,150	(30,770)	192,013
Share-based payments	-	360	-	360
Loss for the period	-	-	(26,886)	(26,886)
At 31 December 2008 (audited)	207,633	15,510	(57,656)	165,487

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

Unaudited	Three months ended 30 June 2009 US\$000	Three months ended 30 June 2008 US\$000	Six months ended 30 June 2009 US\$000	Six months ended 30 June 2008 US\$000
Cash flows from operating activities:				
Operating loss (including discontinued)	(2,075)	(3,596)	(11,335)	(6,812)
Adjustments for:				
Depreciation and depletion	29	35	58	93
Asset write-offs	221	-	7,368	375
Share-based payments	217	581	515	956
(Increase)/decrease in receivables	(417)	9,832	(3,540)	8,504
Decrease in inventories	2	1,738	8	2,678
Decrease in payables	(6,844)	(13,847)	(190)	(8,717)
Cash generated from operations	(8,867)	(5,257)	(7,116)	(2,923)
Taxes received	-	-	-	-
Net cash outflow from operations	(8,867)	(5,257)	(7,116)	(2,923)
Cash flows from investing activities:				
Interest received	11	298	38	874
Purchases of property, plant & equipment	(14,326)	(18,294)	(34,706)	(37,973)
Purchases of E&E assets	(4,192)	(9,908)	(13,500)	(13,427)
Net cash used in investing	(18,507)	(27,904)	(48,168)	(50,526)
Cash proceeds from financing activities:				
Loan drawdowns	15,000	25,000	27,821	25,000
Issue of shares (net)	-	-	-	48,581
Proceeds on exercise of options	-	181	-	181
Finance costs paid	(184)	(800)	(362)	(800)
Net cash from financing activities	14,816	24,381	27,459	72,962
Cash and cash equivalents				
Net (decrease)/increase in period	(12,558)	(8,780)	(27,825)	19,513
Amount at start of period	41,555	50,931	56,822	22,638
Amount at end of period	28,997	42,151	28,997	42,151

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 2009 were authorised for issue in accordance with a resolution of the directors on 27 August 2009.

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 2009 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 2008. 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 2008.

Going Concern

The financial position of the Group, its cash flows and available debt facilities are described in the Financial Review above. As at 30 June 2009 the Group had US\$31 million of debt net of available cash.

The Directors are required to consider the availability of resources to meet the Group and Company's liabilities for the foreseeable future. As described in the MD&A, the current business environment is challenging and access to new equity and debt remains uncertain. The Group's existing debt facility must be refinanced by November 2009. As of 25 August 2009 the Group's debt facility was US\$60 million drawn resulting in a net debt position of some US\$40 million.

Although the refinancing cannot be considered certain in the current environment, management remains confident that it can be achieved on acceptable terms. This is based upon the following factors: the Kambuna field commenced production in August 2009 and operating cash inflows will be generated imminently; gas sales contracts for Kambuna have been finalised at fixed prices and any fluctuations in condensate prices will be largely offset by variations in cost recovery entitlement; the Company has a record of prudent financial management, including the raising of capital through farm down and the sale of part of its Kambuna field interest; and, the Company has an established relationship with its existing banking syndicate. Discussions are already underway on a replacement facility. The option of further asset sales is also open to the Company.

After making enquiries and having taken into consideration the above factors, the Directors have a reasonable expectation that the group has adequate resources to

continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the 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 2008, except for the adoption of the following new standards and interpretations, noted below,

International Accounting Standards (IAS / IFRSs)		Effective date
IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendment)	1 January 2009
IFRS 2	IFRS 2 – Vesting Conditions and Cancellations (Amendment)	1 January 2009
IFRS 7	Financial instruments: Disclosures (Amendment)	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1	Presentation of Financial Statements (Revised September 2007)	1 January 2009
IAS 23	Borrowing Costs (Revised March 2007)	1 January 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 Nam Con Son B.V., Serica Glagah Kambuna B.V., Serica East Seruway B.V., Serica Sidi Moussa B.V., Serica Foun 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 operating segment reporting format is determined to be geographical segments and they are based on the location of the Group's assets. The Group has only one business segment, that of oil & gas exploration and development.

The following tables present profit and certain asset and liability information on the Group's operating segments for the six months ended 30 June 2009 and 2008. No revenue was earned by the Group in either period.

Six months ended 30 June 2009 (unaudited)	Indonesia US\$000	Vietnam US\$000	UK & NW Europe US\$000	Spain US\$000	Total US\$000
<i>Continuing</i>					
Loss for the period	(769)	(9)	(11,565)	(100)	<u>(12,443)</u>
Other segment information					
Segment assets	131,044	13,698	58,372	59	203,173
Unallocated assets					<u>25,800</u>
Total assets					<u>228,973</u>
Segment liabilities	(14,101)	(3)	(1,613)	(7)	(15,724)
Unallocated liabilities					<u>(59,690)</u>
Total liabilities					<u>(75,414)</u>
Six months ended 30 June 2008 (unaudited)	Indonesia US\$000	Vietnam US\$000	UK & NW Europe US\$000	Spain US\$000	Total US\$000
<i>Continuing</i>					
Loss for the period	(917)	(5)	(6,591)	(39)	(7,552)
<i>Discontinued</i>					
Loss for the period			(49)		(49)
Loss for the period					<u>(7,601)</u>
Other segment information					
Segment assets	89,380	11,452	65,028	6,012	171,872
Unallocated assets					<u>35,070</u>
Assets held for sale					<u>7,331</u>
Total assets					<u>214,273</u>
Segment liabilities	(12,559)	(1,308)	(2,471)	(11)	(16,349)
Unallocated liabilities					<u>(35,185)</u>
Liabilities associated with assets held for sale					<u>(4,707)</u>
Total liabilities					<u>(56,241)</u>

4. Discontinued Operation

In June 2008 the Company reached agreement with Spring Energy Norway AS (“Spring”) for the sale of Serica’s Norwegian subsidiary, Serica Energy Norge AS, which held Serica’s interests in Norway, comprising a 20% working interest in Norwegian offshore licences PL406 and PL407. Although the transaction completed in November 2008, assets and liabilities held as at 30 June 2008 for the interests being sold, were classified as part of a disposal group held for sale. Assets held for sale of US\$7.3 million chiefly comprised expenditure previously capitalised as exploration and evaluation assets, and liabilities of US\$4.7 million chiefly represented deferred tax liabilities associated with the assets. These assets and liabilities were disclosed separately on the Balance Sheet as at 30 June 2008.

There was no significant impact of this disposal group on the Income Statement for the six months ended 30 June 2008. Cash outflows of the disposal group for the six months ended 30 June 2008 totalled US\$1.7 million being expenditure incurred on Norwegian exploration and evaluation assets.

The agreement also includes a contingent payment to reflect the value of the Bream Field at the time that the field is brought onto production. Under the terms of the transaction Serica retains part of the upside value of the Bream field without being exposed to further appraisal and development costs or to the commitment of additional resources.

5. Exploration and Evaluation Assets

	Total US\$000
Cost:	
1 January 2009	69,711
Additions	13,500
Write offs	(7,368)
30 June 2009 (unaudited)	<u>75,843</u>
Provision for impairment:	
1 January 2009 and 30 June 2009	<u>-</u>
Net book value:	
30 June 2009 (unaudited)	<u>75,843</u>
1 January 2009	<u>69,711</u>

The E&E asset write offs during 2009 totalled US\$7,368,000 with the most significant component being the Q1 2009 charge of US\$7,147,000 which related to the costs incurred in 2009 on the completion of the Chablis appraisal well in Block 48/16b in the UK North Sea, which spudded in December 2008. Costs booked in respect of this asset from 2008 and earlier periods were written off in Q4 2008.

6. Property, Plant and Equipment

The increase in property, plant and equipment from US\$68.5 million to US\$103.2 million in the first half 2009 comprises expenditure on the Kambuna field development.

7. Financial Liabilities

	30 June 2009 US\$000 (unaudited)	31 Dec 2008 US\$000
Current bank loans:		
Variable rate multi-option facility	<u>59,395</u>	<u>32,105</u>

Bank loans

In November 2008 the Company's US\$100 million senior secured revolving credit facility with JP Morgan, Bank of Scotland and Natixis was extended until May 2009 following the exercise of an option open to the Company. In February 2009 the facility was further extended until November 2009, when refinancing will be required. The loan is repayable within twelve months of the balance sheet date and therefore classified as current.

Further drawings have been made during 2009 and the total gross liability as at 30 June 2009 was US\$60 million which is disclosed net of the unamortised portion of allocated issue costs.

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 facility are given in the Q2 2009 Management's Discussion and Analysis.

8. Equity Share Capital

	30 June 2009 Number (unaudited)	30 June 2009 US\$000 (unaudited)	31 2008 Number	31 2008 US\$000
Authorised:				
Ordinary shares of US\$0.10	350,000,000	35,000	250,000,000	25,000
Ordinary 'A' share of £50,000	1	90	1	90
	<u>350,000,001</u>	<u>35,090</u>	<u>250,000,001</u>	<u>25,090</u>

On incorporation, the authorised share capital of the Company was £50,000 and US\$20,000,000 divided into one 'A' share of £50,000 and 200,000,000 ordinary shares of US\$0.10 each, two of which were issued credited as fully paid to the subscribers to the Company's memorandum of association. In January 2008 the authorised ordinary share capital was increased from 200,000,000 ordinary shares to 250,000,000 ordinary shares of US\$0.10.

In June 2009 the authorised ordinary share capital was increased from 250,000,000 ordinary shares to 350,000,000 ordinary shares of US\$0.10.

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.

Allotted, issued and fully paid:

Group	Number	Share capital US\$000	Share premium US\$000	Total Share capital US\$000
At 1 January 2008	151,647,957	15,255	143,616	158,871
Shares issued (1)	24,770,354	2,477	46,104	48,581
Options exercised (2)	100,000	10	171	181
As at 31 December 2008 and at 31 March 2009 and 30 June 2009	<u>176,518,311</u>	<u>17,742</u>	<u>189,891</u>	<u>207,633</u>

(1) In January 2008 until 31 March 2008, 19,826,954 ordinary shares were issued at £1.02 and 4,943,400 at Cdn\$2.10. The proceeds net of expenses are credited to share capital and share premium.

(2) In June 2008, 100,000 share options were converted to ordinary shares at a price of Cdn\$1.80.

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 1,975,000 ordinary shares of the Company. No further options will be granted under the Serica BVI Option Plan.

As at 30 June 2009, the Company has granted 9,484,000 options under the Serica 2005 Option Plan, 8,779,000 of which are currently outstanding. 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.

3,020,000 of the 8,779,000 options currently outstanding under the Serica 2005 Option Plan are exercisable only if certain performance targets being met. These include the following options subject to market conditions; 220,000 options awarded to executive directors in December 2005, 1,200,000 options awarded to non-executive directors in August 2007 and 850,000 options awarded to executive directors in March 2008. In October 2008, 750,000 options were awarded to an executive director exercisable only if certain operational performance targets are 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\$217,000 has been charged to the income statement in the three month period ended 30 June 2009 (three month period ended 30 June 2008: US\$581,000) and a similar amount credited to other reserves.

The assumptions made for the options granted during 2005, 2006, 2007 and March 2008 include a weighted average risk-free interest rate of 6%, no dividend yield and a weighted average expected life of options of three years. The volatility factor of expected market price of 50% used for options granted during 2005 and 2006 was reduced to 40% for options granted in 2007 and March 2008. The assumptions made for the options granted in October 2008 and 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 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 2007	2,722,500	1.57
Expired during the year	(300,000)	(1.80)
Exercised during the year	(100,000)	(1.80)
Outstanding at 31 December 2008	2,322,500	1.53
Expired during the period	(247,500)	(2.00)
Outstanding as at 31 March 2009 (unaudited)	2,075,000	1.47
Expired during the period	(100,000)	(2.00)
Outstanding as at 30 June 2009 (unaudited)	1,975,000	1.45
Serica 2005 Option Plan		£
Outstanding at 31 December 2007	5,067,000	1.00
Granted during the year	3,412,000	0.69
Outstanding at 31 December 2008	8,479,000	0.87
Granted during the period	750,000	0.32
Cancelled during the period	(450,000)	(0.93)
Outstanding at 31 March 2009 and At 30 June 2009 (unaudited)	8,779,000	0.83

10. Taxation

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

Six months ended 30 June:	2009 US\$000 (unaudited)	2008 US\$000 (unaudited)
Current income tax credit	-	1,320
Deferred income tax (charge)/credit	-	(1,320)
Total tax (charge)/credit	-	-

In the six months ended 30 June 2008, expected tax recoveries from Norwegian expenditure to date were recorded as a current income tax credit and were offset by a deferred income tax charge from the timing differences arising from capitalised exploration expenditure.

11. Subsequent Events

In August 2009 the Company announced that that gas sales have commenced from the Kambuna field, offshore Sumatra, Indonesia. Serica holds a 50% working interest in the field, which will provide the Company with its first significant production revenue.

12. 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 2008. 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

Introduction

We have been engaged by the company to review the condensed interim consolidated financial statements in the report to the shareholders for the six months ended 30 June 2009 which comprises the 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 12. We have read the other information contained in the report to shareholders and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed interim consolidated financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE 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 report to shareholders is the responsibility of, and has been approved by, the directors.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed interim consolidated financial statements included in this report to shareholders have been prepared in accordance with International Accounting Standard 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 interim consolidated financial statements in the 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 interim consolidated financial statements in the report for the six months ended 30 June 2009 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP

London
28 August 2009

The maintenance and integrity of the Serica Energy plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.