SERICA ENERGY PLC

FIRST 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 May 2009 and should be read in conjunction with the attached unaudited interim consolidated financial statements for the period ended 31 March 2009. The interim financial statements for the three months ended 31 March 2009 have been prepared by and are the responsibility of the Company's management, and the Company's independent auditors have not performed a review of these financial statements. Serica's activities are centred on the UK and Indonesia, with other interests in Vietnam, Ireland 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 first quarter 2009 the Company has focused its efforts on advancing the Kambuna development and on preparations for the second quarter 2009 exploration drilling in Ireland and Vietnam.

Terms of a third gas sales contract relating to the Kambuna field have recently been agreed, 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.

In March, the Company entered into a farm-out agreement with Australian Worldwide Exploration Limited ("AWE") relating to Serica's interest in the Block 06/94 PSC, offshore Vietnam. This agreement, together with the farm-out agreement in Ireland announced in 2008, has significantly reduced the funding requirement for the 2009 exploration drilling programme and is fundamental to the Company's operational strategy. In keeping with our strategy, further farm-outs are planned for the Conan exploration well in the East Irish Sea and for the wells to be drilled in 2010 in the Kutai PSC, Indonesia.

Field Appraisal and Development

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

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

Progress has continued in 2009 to date towards the first production from the Kambuna field. The 58 kilometre offshore and onshore pipeline has been laid and tested. The offshore platform topsides were successfully installed in March and offshore hook-up and commissioning are in progress. Work continues with the construction of the onshore gas separation and processing facility. A leased early production facility, utilising some of the permanent facilities and capable of producing at DCQ rates will be delivered to site in June for production to begin around mid-year 2009. Over the following six to nine months the permanent facilities will be completed.

There are currently three gas sales contracts relating to the Kambuna field. 28 mmscfd of gas will be sold to the state electricity generator, PT Perusahaan Listrik Negara ("PLN") and 12 mmscfd to PT Pertiwi Nusantara Resources ("Pertiwi"). The approximate contract prices for PLN and Pertiwi are US$5.40 and US$7.00 per mcf respectively, both escalating at 3% per annum. In addition to these sales contracts, terms of a third contract were agreed in May 2009 with PT Pertamina (Persero) to allow for LPG extraction from the sales gas stream. Once LPG extraction begins, around the end of this year, field production will be increased by up to 10% in order to allow for the extraction of LPG while maintaining contracted gas sales volumes, enhancing the project economics. Once production commences, the field partners plan to enter into a further contract for the sale of at least 10 mmscfd of gas, taking the total daily contract volume for the field to 50-55 mmscfd in 2010.

In addition to the gas, the Company is finalising the details of a condensate sales contract for the expected 4,000-5,000 bpd of condensate to be separated from the gas. This is expected be sold at a price close to that of light crude oil.

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

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. The FDP currently envisages production via a subsea tie-back to the BP operated Eastern Trough Area Project ("ETAP") but other offtake routes are also still under evaluation.

In the first quarter, in the adjacent Block 23/21, 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 the Forties sand reservoir and the data obtained are currently under evaluation.

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

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, management has decided to write off all further costs incurred on Chablis in 2009 totalling US$7.1 million.

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 is currently completing a 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.

Vietnam

Serica currently holds a 33.33% interest in the Block 06/94 PSC, which is operated by Pearl Energy and lies in the Nam Con Son Basin about 350 kilometres offshore South Vietnam. In March 2009, the Company reached agreement with AWE on the terms of a farm-out of part of Serica's interest in the Block 06/94 PSC. Under the agreement, which is subject to government approval, AWE will bear Serica's 33.33% share of the costs of the three well drilling programme in 2009 and 2010, subject to a financial cap, in order to earn an interest of 23.33% in the PSC, with Serica retaining a 10% interest.

An exploration well on the Tuong Vi prospect, in the south-western part of the block, is due to be spudded in June 2009, targeting both oil and gas prospects.

Ireland

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 will contribute the bulk of the cost of drilling the first exploration well, the Bandon prospect, which spudded on 11 May 2009 and where operations are ongoing with results expected shortly. Serica will retain a 50% working interest in the Licence and remains the operator.

United Kingdom

Serica holds a 100% interest in Blocks 113/26b and 113/27c in the East Irish Sea.

Serica has identified two Sherwood sand gas prospects, Conan and Doyle. The Conan prospect exhibits a seismic amplitude anomaly at top reservoir level which is of the order of 28 square kilometres in area – making it the largest undrilled amplitude anomaly in the basin. Serica is currently seeking a farminee to share the costs of drilling the Conan prospect.

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 continues to manage its financial position and risk profile against a challenging market backdrop. Further capital was raised in the first quarter through the farm-out of the Company's drilling commitment in Vietnam and the first exploration well in this programme will shortly be drilled.

Serica's main priority for 2009 is to achieve first production from the Kambuna field. At the same time we plan to drill three exploration prospects without incurring significant cost. The first of these, the Bandon well in Ireland, spudded on 11 May and is currently operating with results expected shortly. The Tuong Vi well in Vietnam is expected to be spudded in early June and we plan to drill the Conan prospect in the East Irish Sea once a farm-out has been agreed. We also intend to add further exploration acreage in areas where our knowledge and expertise can add value.

Discussions with Serica's lending banks on the refinancing of the Company's debt facility have already commenced.

FINANCIAL REVIEW

The second half of 2008 saw the onset of worldwide recession, falls in oil prices and major withdrawals of capital from equity and debt markets. These events have provided particular challenges in the management of financial resources which continue into 2009, and also acted as a catalyst for the review and reconsideration of the underlying value of assets. This is discussed in detail below, together with a review of the Q1 2009 results of operations and other financial information.

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 due around mid-year, and the Columbus gas discovery in the UK North Sea, for which development plans have been submitted. The Company is soon to enjoy its first significant revenues, complementing its exploration activities with producing interests.

Financing developments - 2008, 2009 and beyond
During 2008 and 2009 to date the Company has made significant progress in securing funding to advance its business prior to first gas revenues and operating cash inflows:

In January 2008 the Company raised approximately US$48.6 million after expenses through the placing of 24.77 million shares

In August 2008 the Company crystallised significant value through the sale of a 15% interest in the Kambuna field for US$52.7 million in cash, with Serica retaining a 50% interest in the field.

In February 2009 the Company agreed an extension of its US$100 million debt facility until November 2009.

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 completion of the Kambuna development and receipt of first field revenues will reweight the balance from investment to income generation. In addition its position as operator of most of its exploration interests leaves Serica well-placed where the timing of expenditure is concerned. Near-term exploration spend is mitigated through farm-down or deferral.

As of 27 May 2009, the Company's debt facility was US$45 million drawn out of a total facility of US$100 million, resulting in a net debt position of approximately US$20 million. Further drawings and ongoing expenditure are planned prior to refinancing in November 2009. By this time 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 recent extension of the debt facility demonstrates the strong relationship that the Company has with its major lenders. The option of further asset sales is also open to the Company.

Overall, the start of revenues from the retained Kambuna interest and the control that the Company can exert over the timing and cost of its exploration programmes both through operatorship and through successful farm-outs leave it well placed to manage its commitments through this difficult financial environment. Serica intends to continue taking a prudent approach to financial management so as to retain the strength that it has built to-date.

Asset values and Impairment

Financial and market turmoil precipitated a world-wide reconsideration of the underlying value of assets during the course of 2008. In Serica's case, its market capitalisation at

31 March 2009 stood at US$110 million (£78 million) based on a share price of 44 pence. As this was significantly exceeded by the net asset value reflected at the balance sheet date, management conducted a thorough review of the carrying value of its assets leading to write downs in 2008 of its exploration and evaluation ("E&E") assets totaling US$23.6 million. Over the past few months energy prices and world stock markets have improved (as of 27 May 2009 the Company's share price was 69 pence and market capitalisation approximately US$194 million).

The key elements of its asset values are Property, Plant and Equipment and E&E assets plus other assets including cash, and receivables.

Property, Plant and Equipment represents the cost of developing the Company's interest in the Kambuna gas field which is due to come on-stream in mid year. The value of future income streams, underpinned by gas sales contracts, is projected to exceed booked costs by a significant margin and consequently no impairment indicator has been determined.

E&E assets represent activities at an earlier stage in the investment cycle, for which the estimated value is necessarily subject to greater uncertainties including drilling risk, development risk and general commercial factors. These assets include Serica's Columbus gas discovery for which a development plan has been submitted, plus exploration and appraisal costs on its other licences. Following the write off of US$11.4 million on the Chablis prospect in 2008, management has decided to write off all further costs incurred on Chablis in 2009 totaling US$7.1 million.

The Company's other assets primarily comprise cash held with a range of financial institutions carrying a minimum of A-1 credit ratings, plus other receivables.

In summary, management has concluded that the Company's net assets of US$155.8 million are fully supported and that the temporary shortfall against its market value at 31 March 2009 reflects the broader financial turmoil and the withdrawal of investors from the markets. The Company is in a position to tailor the level of its investments to the funds available and consequently to protect the value of its assets during this period of turbulence. It also draws comfort from the healthy forward markets for oil and gas.

Results of Operations

Serica generated a loss of US$9.9 million for the three months ended 31 March 2009 (“Q1 2009”) compared to a loss of US$3.3 million for the three months ended 31 March 2008 (“Q1 2008”). The Q1 2009 loss included US$7.1 million of asset write offs as described below.

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

Administrative expenses of US$1.6 million for Q1 2009 decreased from US$1.9 million for the same period last year. The decrease reflects a reduction in the US$ equivalent of those general administrative costs incurred in £ sterling, which fell following the strengthening of the US$ in the second half of 2008. The Company incurred higher levels of cost on various transactions and other corporate activity in Q2 and Q4 2008 than in other quarters.

No significant foreign exchange movements impacted Q1 2009 or Q1 2008 results.

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$0.2 million for Q1 2009 remained at a similar level to Q1 2008.

Asset write offs in Q1 2009 of US$7.1 million related to the costs incurred in the Q1 2009 period 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 Q4 2008 asset write-off charge of US$23.6 million related to the 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 in respect of 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$0.3 million reflect share options granted and compare with US$0.4 million for Q1 2008 and US$0.4 million for Q4 2008. 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 exploration and evaluation 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 once production commences.

The profit on disposal of US$36.6 million was generated in August 2008 when the Company completed 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$0.03 million for Q1 2009 compares with US$0.6 million for Q1 2008 and US$0.3 million for Q4 2008. The decrease from Q1 2008 and Q4 2008 is principally due to the significant reduction in average interest rate yields available in Q1 2009 to negligible amounts, and a reduction in average cash deposit balances held in Q1 2009 compared to those 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 2007 and 2008 and Q1 2009 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$0.06 for Q1 2009 compares to a net loss per share of US$0.02 for Q1 2008.

Summary of Quarterly Results

Quarter ended:	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	2007 30 Sep US$000
Sales revenue	-	-	-	-	-	-	-
(Loss)/profit for the quarter	(9,940)	(26,886)	33,516	(4,275)	(3,326)	(11,684)	1,237
Basic and diluted loss per share US$	(0.06)	(0.16)	-	(0.02)	(0.02)	(0.08)	-
Basic and diluted earnings per share	-	-	0.19	-	-	-	0.01

The first quarter 2009 loss includes asset write offs of US$7.2 million in regard to the Chablis asset.

The fourth quarter 2008 loss includes asset write offs of US$23.6 million in regard to 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 to 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:

	31 March 2009 US$000	31 December 2008 US$000	31 March 2008 US$000
Current assets:			
Inventories	4,612	4,618	6,051
Trade and other receivables	8,346	7,069	22,076
Tax receivable	-	-	3,387
Cash and cash equivalents	41,555	56,822	50,931
Total Current assets	54,513	68,509	82,445
Less Current liabilities:			
Trade and other payables	(22,513)	(14,599)	(28,979)
Financial liabilities	(44,127)	(32,105)	-
Net Current (liabilities)/assets	(12,127)	21,805	53,466

At 31 March 2009, the Company had net current liabilities of US$12.1 million which comprised current assets of US$54.5 million less current liabilities of US$66.6 million, giving an overall decrease in working capital of US$33.9 million in the three month period.

Inventories remained at US$4.6 million over the period.

Trade and other receivables at 31 March 2009 totalled US$8.3 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 Q1 2008 period end balance of US$22.0 million included a significant deposit payment for the Global Santa Fe drilling rig utilised during the 2008 Indonesian drilling campaign.

The Q1 2008 tax receivable represented recovery of exploration expenditure from the Norwegian fiscal authorities, which was received in full in Q4 2008.

Cash and cash equivalents decreased from US$56.8 million to US$41.6 million in the quarter. The Company incurred significant capital expenditure on the Kambuna development in Indonesia and the completion of Chablis appraisal well in the UK. 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 of US$12.8 million on the loan facility.

Trade and other payables of US$22.5 million at 31 March 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 are represented by the drawings under the senior secured debt facility. The gross US$45.0 million total drawn down is disclosed net of the unamortised portion of allocated issue costs. US$12.8 million of this was drawn in Q1 2009.

Long-Term Assets and Liabilities

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

	31 March 2009 US$000	31 December 2008 US$000	31 March 2008 US$000
Exploration & evaluation assets	71,816	69,711	75,393
Property, plant and equipment	88,865	68,526	39,274
Goodwill	295	295	768
Financial assets	1,500	1,500	4,680
Long-term other receivables	5,791	3,945	2,382
Financial liabilities	-	-	(9,829)
Deferred income tax liabilities	(295)	(295)	(4,589)

During Q1 2009, total investments in exploration and evaluation assets, increased from US$69.7 million to US$71.8 million. The net US$2.1 million increase consists of US$10.3 million of additions, less Chablis asset write offs and back costs received as part of the Vietnam asset farm-out.

The US$10.3 million of additions were incurred on the following assets:

In the UK & Western Europe, US$7.1 million was spent on the completion of Chablis appraisal drilling, and US$1.0 million of expenditure was incurred in UK assets on exploration work and G&A, which included US$0.6 million on completion of a site survey in the East Irish Sea.

In South East Asia, US$2.1 million was incurred on seismic, exploration work and G&A on the Kutai concession in Indonesia and US$0.1 million on East Seruway.

All Q1 2009 costs incurred in preparation for drilling in Ireland and Vietnam, were borne by the relevant farminee following the respective farm outs of the Company’s interests announced in Q4 2008 and Q1 2009.

The US$20.4 million increase in property, plant and equipment from US$68.5 million to US$88.9 million is entirely caused by expenditure during the quarter on the Kambuna development. The 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 represent US$1.5 million of restricted cash deposits.

Long-term other receivables of US$5.8 million are represented by value added tax (“VAT”) on Indonesian capital spend, which will be recovered from future production. The increase of US$1.8 million in Q1 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 arises in respect of certain capitalised assets retained in the Group. Liabilities previously recognised as arising from capitalised Norwegian exploration and evaluation assets as at Q1 2008 were reclassified at Q2 2008 as part of the disposal group held for sale. These items were cleared in Q4 2008 following completion of the Norwegian transaction noted above.

Shareholders' Equity

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

	31 March 2009 US$000	31 December 2008 US$000	31 March 2008 US$000
Total share capital	207,633	207,633	207,452
Other reserves	15,808	15,510	14,104
Accumulated deficit	(67,596)	(57,656)	(60,011)

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$15.5 million to US$15.8 million reflects the amortisation of share-based payment charges in Q1 2009.

Capital Resources

Lease commitments

At 31 March 2009, Serica had US$12.1 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	246
31 December 2010	72

Capital expenditure commitments, obligations and plans

The Company's most significant planned capital expenditure commitments for 2009 are those required to fund the development activity of the Kambuna field. As at 31 March 2009, the Company's share of expected outstanding capital costs on the project totalled approximately US$30 million. These expected costs include amounts contracted for but not provided as at 31 March 2009. It is fully expected that these expenditures will be funded from the debt facility as and when drawings are required.

Capital expenditures associated with the ongoing exploration drilling in Ireland and the forthcoming drilling program in Vietnam, are both substantially carried by the respective farminees.

In addition to the significant 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:

Nine months ending 31 December 2009: US$2,518,000
Year ending 31 December 2010: US$16,400,000

These obligations reflect the Company's share of interests in the defined work programmes and were not formally contracted at 31 March 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

Serica expects that it will shortly enjoy its first significant revenues and operational cash inflows from the Kambuna field which will be important to the future growth and development of the Company. In the absence of revenues currently generated from oil and gas production, Serica intends to utilise its existing cash balances 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. At 31 March 2009, the Group had available approximately US$85 million of committed borrowing facilities for which all conditions precedent had been met, of which US$45 million had been drawn and US$40 million was undrawn. The most significant part of the facility, which included a corporate element of US$10 million, was to fund the development expenditures, particularly on the Kambuna field. 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. On the Kambuna field the key milestones for 2008 were gas sales heads of agreement being in place, compliance with environmental policy, and commercial construction contracts agreed for the relevant stages of development all of which were achieved and US$25 million was drawn in June of that year. In March 2009, a further US$13 million drawing was made and as at 27 May 2009 the total loan drawn was US$45 million.

At 31 March 2009 availability of more than US$85 million under the facility was dependent on the achievement of relevant conditions precedent and projections for development assets within the Group's portfolio and forecasts of commodity prices.

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 and the capitalisation and any write off of E&E assets necessarily involve certain judgments with regard to whether the asset will ultimately prove to be recoverable. 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. 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 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 2009/10 this is managed in the short-term through selecting treasury deposit periods of one to three months. Cash and treasury credit risks are mitigated through spreading the placement of funds over a range of institutions each carrying acceptable published credit ratings to minimise counterparty risk.

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 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 31 March 2009, the following director and employee share options were outstanding: -

Expiry Date	Amount	Exercise cost Cdn$
May 2009*	100,000	200,000
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
November 2013	750,000	300,000
January 2014	750,000	240,000

* Note – Expires as at 30 May 2009

Outstanding Share Capital

As at 27 May 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. The Company currently has no operating revenues and during the three month period ended 31 March 2009 generated a loss of US$9.9 million (including asset write offs of US$7.1 million) from continuing operations, but expects that it will shortly earn its first revenues from the Kambuna field. At 31 March 2009 the Company held cash and cash equivalents of US$41.6 million and a financial asset of restricted cash of US$1.5 million. The Company intends to utilise its existing cash balances 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	Christopher Hearne
Chief Executive Officer	Finance Director

29 May 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

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)
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

Group Income Statement

For the period ended 31 March

Unaudited	Notes	Three months ended 31 March 2009 US$000	Three months ended 31 March 2008 US$000
Sales revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(1,624)	(1,945)
Foreign exchange gain/(loss)		21	(55)
Pre-licence costs		(183)	(175)
Asset write offs		(7,147)	(375)
Share-based payments		(298)	(375)
Depreciation & depletion		(29)	(58)
Operating loss before finance revenue and tax		(9,260)	(2,983)
Finance revenue		27	569
Finance costs		(707)	(878)
Loss before taxation		(9,940)	(3,292)
Taxation credit/(charge) for the period	6	-	-
Loss for the period - continuing		(9,940)	(3,292)
Discontinued operations			
Loss for the period - discontinued		-	(34)
Loss for the period		(9,940)	(3,326)
Loss per ordinary share (LPS)			
Basic and diluted LPS – continuing (US$)		(0.06)	(0.02)
Basic and diluted LPS on loss for the period (US$)		(0.06)	(0.02)

Serica Energy plc
Consolidated Balance Sheet

		31 March 2009 US$000 (Unaudited)	31 Dec 2008 US$000 (Audited)	31 March 2008 US$000 (Unaudited)
Non-current assets				
Exploration & evaluation assets		71,816	69,711	75,393
Property, plant and equipment		88,865	68,526	39,274
Goodwill		295	295	768
Financial assets		1,500	1,500	4,680
Other receivables		5,791	3,945	2,382
		168,267	143,977	122,497
Current assets				
Inventories		4,612	4,618	6,051
Trade and other receivables		8,346	7,069	22,076
Tax receivable		-	-	3,387
Cash and cash equivalents		41,555	56,822	50,931
		54,513	68,509	82,445
TOTAL ASSETS		222,780	212,486	204,942
Current liabilities				
Trade and other payables		(22,513)	(14,599)	(28,979)
Financial liabilities		(44,127)	(32,105)	-
Non-current liabilities				
Financial liabilities		-	-	(9,829)
Deferred income tax liabilities		(295)	(295)	(4,589)
TOTAL LIABILITIES		(66,935)	(46,999)	(43,397)
NET ASSETS		155,845	165,487	161,545
Share capital	4	207,633	207,633	207,452
Other reserves		15,808	15,510	14,104
Accumulated deficit		(67,596)	(57,656)	(60,011)
TOTAL EQUITY		155,845	165,487	161,545

Serica Energy plc
Statement of Changes in Equity
For the period ended 31 March 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

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 31 March

Unaudited	Three months ended 31 March 2009 US$000	Three months ended 31 March 2008 US$000
Cash flows from operating activities:		
Operating loss (including discontinued)	(9,260)	(3,024)
Adjustments for:		
Depreciation and depletion	29	58
Asset write offs	7,147	375
Share-based payments	298	375
(Increase) in receivables	(3,123)	(1,328)
Decrease in inventories	6	940
Increase in payables	6,654	4,938
Cash inflow from operations	1,751	2,344
Taxes received	-	-
Net cash inflow from operations	1,751	2,334
Cash flows from investing activities:		
Purchase of property, plant & equipment	(20,380)	(19,679)
Purchase of E&E assets	(9,308)	(3,519)
Interest received	27	576
Net cash used in investing	(29,661)	(22,622)
Cash proceeds from financing activities:		
Net proceeds from issue of shares	-	48,581
Proceeds from loans and borrowings	12,821	-
Finance costs paid	(178)	-
Net cash from financing activities	12,643	48,581
Cash and cash equivalents		
Net (decrease)/increase in period	(15,267)	28,293
Amount at start of period	56,822	22,638
Amount at end of period	41,555	50,931

Serica Energy plc

Notes to the Unaudited Consolidated Financial Statements

1. Corporate information

The interim condensed consolidated financial statements of the Group for the three months ended 31 March 2009 were authorised for issue in accordance with a resolution of the directors on 29 May 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 three months ended 31 March 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 31 March 2009 the Group had US$45 million of debt and US$42 million of available cash.

The Directors are required to consider the availability of resources to meet the Group and Company's liabilities for the forseeable 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 27 May 2009 the Group's debt facility was US$45 million drawn resulting in a net debt position of some US$20 million. Further drawings and ongoing expenditure are planned prior to refinancing.

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 is expected to commence production in mid 2009; 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 Corporation, Serica Energy Holdings B.V., Asia Petroleum Development Limited, Petroleum Development Associates (Asia) Limited, Serica Energia Iberica S.L., Serica Holdings UK Limited, Serica Energy (UK) Limited, PDA Lematang Limited, APD (Asahan) Limited, APD (Biliton) Limited, Serica Kutei B.V., Serica Nam Con Son B.V., Serica Glagah Kambuna B.V., Serica East Seruway B.V. 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 primary 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 information regarding the Group's geographical segments for the three months ended 31 March 2009 and 2008. No revenue was earned by the Group in either period.

Three months ended 31 March 2009	Indonesia US$000	Vietnam US$000	UK & NW Europe US$000	Spain US$000	Total US$000
Continuing					
Loss for the period	(473)	(6)	(9,387)	(74)	(9,940)

Three months ended 31 March 2008	Indonesia US$000	Vietnam US$000	UK & NW Europe US$000	Spain US$000	Total US$000
Continuing					
Loss for the period	(618)	(5)	(2,637)	(32)	(3,292)
Discontinued					
Loss for the period			(34)		(34)
Loss for the period					(3,326)

4. Equity Share Capital

	31 March 2009 Number	31 March 2009 US$000	31 December 2008 Number	31 December 2008 US$000
Authorised:				
Ordinary shares of US$0.10	250,000,000	25,000	250,000,000	25,000
Ordinary 'A' share of £50,000	1	90	1	90
	250,000,001	25,090	250,000,001	25,090

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.

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 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	176,518,311	17,742	189,891	207,633

(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.

5. 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 2,075,000 ordinary shares of the Company. No further options will be granted under the Serica BVI Option Plan.

As at 31 March 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$298,000 has been charged to the income statement in the three month period ended 31 March 2009 (three month period ended 31 March 2008: US$375,000) 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	2,075,000	1.47
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	8,779,000	0.83

6. Taxation

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

Three months ended 31 March:	2009 US$000	2008 US$000
Current income tax credit	-	679
Deferred income tax (charge)/credit	-	(679)
Total tax (charge)/credit	-	-

In Q1 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.