Serica Energy Corporation
Consolidated Balance Sheet

		March 2004 US$ (Unaudited)	December 2003 US$ (Audited) (Restated)
Assets			
Current			
Cash and cash equivalents		**3,985,442**	4,251,636
Accounts receivable		**963,117**	1,040,273
Investments	*Note 5*	**138,909**	284,829
		5,087,468	5,576,738
Property, plant and equipment		**9,435,214**	9,010,128
Long term accounts receivable		**151,488**	151,488
Goodwill		**309,100**	309,100
		14,983,270	15,047,454
Liabilities			
Current			
Accounts payable and accruals		**530,103**	1,694,939
		530,103	1,694,939
Long term accounts payable		**151,488**	151,488
Asset retirement obligation		**121,560**	121,560
Future income taxes		**777,459**	777,459
		1,580,610	2,745,446
Shareholders' Equity			
Share capital	*Note 6*	**21,476,432**	13,000,002
Special warrants	*Note 7*	**-**	5,327,363
Contributed surplus	*Note 8*	**155,615**	98,555
Deficit		**(8,229,387)**	(6,123,912)
		13,402,660	12,302,008
		14,983,270	15,047,454

Approved on behalf of the Board

(Signed) *"Christopher Rivett-Carnac"*	(Signed) *"Amjad Bseisu"*
Christopher Rivett-Carnac	Amjad Bseisu
Director	Director

See accompanying notes to the consolidated financial statements

Serica Energy Corporation
Consolidated Statement of Operations
for three months ended 31 March

	2004 US$ (Unaudited)
Revenue	**38,451**
Expenses	
Operating	**1,967**
Administrative	**857,289**
Stock compensation	**57,060**
Depreciation, depletion and amortization	**8,265**
Interest, net	**(804)**
Foreign exchange (gain) loss	**60,962**
Gain on disposal of investment	**(113,254)**
	871,485
Net loss for the period	**(833,034)**
Net loss per common share	
Basic	**(0.02)**
Diluted	**(0.02)**

See accompanying notes to the consolidated financial statements

Serica Energy Corporation
Consolidated Statement of Deficit

	March 2004 US$ (Unaudited)
Retained deficit, beginning of period	**(6,123,912)**
Net earnings for period	**(833,034)**
Cost of merger	**(1,272,441)**
Deficit, end of period	**(8,229,387)**

See accompanying notes to the consolidated financial statements

Serica Energy Corporation
Consolidated Statement of Cash Flows
for three months ended 31 March

	2004 US$ (Unaudited)
Operating activities	
Net loss for the period	**(833,034)**
Depreciation, depletion and amortization	**8,265**
Gain on disposal	**(113,254)**
Stock options compensation charge	**57,060**
	(880,963)
Changes in working capital	
Accounts receivable	**1,884,398**
Accounts payable	**(1,512,732)**
Cash used in operating activities	**(509,297)**
Investing activities	
Purchases of property, plant and equipment	**(433,351)**
Proceeds on disposal of investment	**259,174**
Cost of merger	**(1,272,441)**
Cash acquired on merger	**1,654,212**
Cash provided by investing activities	**207,594**
Financing activities	
Proceeds on exercise of options	**99,613**
Cash provided by financing activities	**99,613**
Decrease in cash and cash equivalents	**(202,090)**
Cash and cash equivalents, beginning of period	**4,187,532**
Cash and cash equivalents, end of period	**3,985,442**

See accompanying notes to the consolidated financial statements

Serica Energy Corporation
Notes to the Consolidated Financial Statements
for the three months ended 31 March 2004
(Unaudited)

1. Basis of presentation

The interim consolidated financial statements for the three months ended 31 March 2004 include the accounts of the Serica Energy Corporation (“the Company) and its wholly owned subsidiaries Asia Petroleum Development Limited, Petroleum Development Associates (Asia) Limited, Petroleum Development Associates Iberica S.L., Serica Energy (UK) Limited, and Asia Petro Services Pte Limited.

The Company was formed on 29 January 2004 by a merger of Petroleum Development Associates (Oil & Gas) Limited (“PDA”) and Kyrgoil Holding Corporation (“KGO”). The principal activity of the Company is to identify, acquire and subsequently exploit oil and gas reserves primarily in Asia and Europe and the provision of ancillary services to third parties in such respect.

The merger of PDA and KGO has been accounted for under EIC 10 as a reverse takeover which does not constitute a business transaction.

As such, the financial statements of the Company represent a continuation of PDA. No comparative period has been presented for Consolidated Statement of Operations and Consolidated Statement of Cash Flows as PDA was only incorporated on June 11, 2003.

On 1 January 2004 PDA acquired all of the issued shares of Asia Petro Services Pte Limited for a cash consideration equal to that company’s net assets. This company was owned and operated by the management team of PDA but had not been included within the business reorganization effected on 27 August 2003. As there had been common control throughout, the 31 December 2003 balance sheet comparatives have been restated to incorporate the assets and liabilities of this company at 31 December 2003.

2. Significant accounting policies

The interim financial statements of the Company have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended 31 December 2003, except as described in note 1. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in the Petroleum Development Associates (Oil&Gas) Limited annual report for the year ended 31 December 2003.

Investments

Investments are portfolio investments recorded at the lower of cost or market value. They have been classified as temporary investments in concurrence with the nature of the investment.

Property, plant and equipment

The Company follows the full cost method of accounting for petroleum and natural gas properties, whereby all costs associated with the exploration for, and the development of, petroleum and natural gas reserves, whether productive or unproductive are capitalised in cost centers on a country by country basis. Costs capitalised include land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties and drilling and overhead expenses related to exploration and development activities. The Company has currently three costs centers: Indonesia, Spain and the UK.

In applying the full cost method, the Company performs a ceiling test which restricts the capitalized costs less accumulated depletion, future or deferred income taxes and the site restoration provision from exceeding an amount equal to the estimated undiscounted value of future net revenues from proved oil and gas reserves, based on current prices and costs, and after deducting estimated future site restoration costs, general and administrative expenses, financing costs and income taxes. Any costs carried on the balance sheet in excess of the ceiling test limit are charged to income as additional depletion. The carrying value of unproved properties (acquisition costs and seismic data) are reviewed periodically and written down to net realizable value if impairment is determined. Any impairment is included in costs subject to depletion.

Depreciation, depletion and amortization

The costs related to each cost centre are depleted and depreciated on a unit-of-production basis. Costs of unproved properties are excluded from depletion. Land and lease costs relating to producing properties and costs of gas plants are depleted and depreciated over remaining proved reserves.

Computer equipment and fixtures, fittings and equipment are recorded at cost. The straight-line method of amortization is used to amortize the cost of these assets over their estimated useful lives. Computer equipment is amortized over three years and fixtures, fittings and equipment over four years.

Goodwill

Goodwill, representing the excess of purchase price over the fair market value of net tangible assets acquired, is recorded at cost, less any provision for permanent impairment. The Company assesses impairment based on the estimated undiscounted future cash flows from operations. Impairment of goodwill is measured by comparing its book value against the estimated undiscounted future cash flows, and any permanent impairment is included in current period earnings. Goodwill is tested for impairment at least annually.

Joint venture activities

The Company conducts petroleum and natural gas exploration and production activities jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

Asset retirement obligations

An asset retirement obligation is recognized at its fair value when identified and a reasonable estimate of its fair value is determinable. Prices for similar liabilities are used to measure fair value.

When a liability is recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related asset. The asset retirement cost is amortized over the estimated useful life of the related asset.

The Company recognizes changes to the liability arising from revisions to the timing or amount of expected future cash flows as an increase or decrease to the carrying amounts of the asset retirement obligation and the related asset retirement capitalized cost.

Income taxes

The Company utilizes the asset and liability method for calculating its future income tax liability whereby it estimates its future tax liability based on the temporary differences between the carrying value of its assets and liabilities and the corresponding tax values. In addition, future tax benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax liabilities and assets are calculated using income tax rates anticipated to be in effect in the years in which these differences are expected to be realized.

Revenue recognition

Petroleum and natural gas revenues are recognized when the title and risks pass to the purchaser.

Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated based on the treasury stock method which assumes that any proceeds obtained on the exercise of any options and warrants would be used to purchase common shares at the average price during the period.

Stock based compensation

The Company uses the fair value method of accounting for stock-based compensation, or stock options, granted to employees and directors. Stock-based compensation is recorded in the consolidated statements of income as a separate expense for all options granted with a corresponding increase in equity recorded as contributed surplus. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital.

The Company has not incorporated an estimate forfeiture rate for stock options that will not vest, rather, the Company accounts for forfeitures as they occur. In the event that vested options expire without being exercised, previously recognized compensation expense associated with stock options is not reversed.

Compensation expense for options granted during 2004 is based on the estimated fair values at the time of the grant and the expense is recognized over the vesting period of the option.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of capital assets other than petroleum and natural gas properties is based on the estimated useful lives of the capital assets. The amounts recorded for depletion and depreciation of property and equipment and the provision for site restoration and abandonment are based on estimates of proved reserves, proved developed reserves, production rates, future costs and other relevant assumptions. These estimates are reviewed regularly and changes in such estimates in future years could be significant. As adjustments become necessary, they are reported in earnings in the periods in which they become known.

3. Business combination

On 29 January 2004 PDA and KGO merged to form Serica Energy Corporation, via a share for share exchange. Full details of this merger were incorporated within the Joint Management Information Circular issued on 21 November 2003. Under EIC10 this merger was considered to be a reverse takeover by PDA and as such the financial statements of the Company represent a continuation of PDA. Under the merger agreement the 13,000,002 Common shares and 5,972,358 Special Warrants of PDA were converted into common shares and warrants of the Company at a rate of 1.84:1.00.

The KGO assets at the merger date were:

	US$
Cash and cash equivalents	**1,654,212**
Accounts receivable	**1,818,124**
Accounts payable	**(422,882)**
	3,049,454

4. Segmented information

The Company has defined its continuing operations into geographic segments of Indonesia, Spain and the United Kingdom. There are no discontinued operations.

	Indonesia	*Spain*	*United Kingdom*	*Total*
2004				
Revenue	38,451	-	-	**38,451**
Expense	(496,199)	(50,781)	(334,445)	**(881,425)**
Loss	(457,748)	(50,781)	(334,445)	**(842,974)**
Goodwill	2,318,258	(182,518)	(1,826,640)	**309,100**
Other assets	9,582,938	641,292	4,449,940	**14,674,170**
Total assets	11,901,196	458,774	2,623,300	**14,983,270**
2003				
Goodwill	2,318,258	(182,518)	(1,826,640)	**309,100**
Other assets	9,615,499	644,814	4,478,041	**14,738,354**
	11,933,757	462,296	2,651,401	**15,047,454**

5. Investments

Included in investments is a 3.1% interest in the common shares and convertible debentures of a company listed on the Canadian Venture Exchange.

	Percent Ownership	2004	2003
Investment represents:			
Common shares	3.1%	122,394	268,314
Convertible debentures	1.7%	16,515	16,515
		138,909	284,829

The investment represents a company that carries on oil and gas company exploration, development and production activities in Thailand. The company is traded at the Toronto Stock Exchange Venture Exchange. At 31 March 2004 the shares of the company were traded at CDN$0.31. The convertible debentures were issued in the amount of $22,029 and bear interest at the rate of 10% per annum. The shares are convertible into common shares at the rate of 30 common shares for each whole multiple of $10.50 of convertible indebtedness until March 31, 2005. After that date, the debentures are convertible into 27 common shares for each whole multiple of $10.50 of indebtedness. The maturity date of the debentures is March 30, 2006.

6. Share capital

	Shares	Capital in value
1 January 2003	-	236,322
Shares eliminated on acquisition of LLC's	-	(236,322)
Shares issued on acquisition of LLC's	13,000,002	13,000,002
31 December 2003	13,000,002	13,000,002
Additional shares issued to existing shareholders on merger with KGO	10,920,000	-
Shares issued on merger with KGO at book value	8,289,406	3,049,454
Conversion of special warrants	10,989,163	5,327,363
Options exercised for cash	199,000	99,613
31 March 2004	43,397,571	21,476,432

7. Special Warrants

In 2003 PDA issued 5,972,358 special warrants for a consideration of $5,327,363 (after deducting issue costs of $616,921). These warrants were exercisable, for no additional consideration, into one unit of PDA ("PDA unit").

A PDA unit comprised one common share of PDA and one half of one common share purchase warrant of PDA (each whole common share purchase warrant, a "Purchase Warrant") or one Purchase Warrant if the Purchaser waives its Put Rights. Each whole Purchase Warrant entitled the holder thereof to purchase one common share (each, a "Warrant Share") in the Company, for a period of 12 months, following the merger of PDA with KGO at an exercise price of $Can1.84. The PDA warrants have been converted into Special Warrants of the Company exercisable at $Can 1.00 each at the conversion rate of 1.84:1.00 as follows:

	Warrants	**Capital in value**
Issued in 2003	5,972,358	5,972,358
Issue costs	-	(616,921)
At 31 December 2003	5,972,358	5,327,363
Additional warrants issued on merger with KGO	5,016,805	-
Converted to common shares	(10,989,163)	(5,327,363)
At 31 March 2004	-	-

The options attached to the special warrants have yet to be exercised. 10,989,163 options are exercisable at $Can 1.00 until 29 January 2005.

In addition the following compensation options were granted to Canaccord as a placement agent:

1,098,914 exercisable at $Can 0.70 until 29 January 2005
549,457 exercisable at $Can 1.00 until 29 January 2005

8. Contributed surplus

1 January 2003	98,555
Stock options	57,060
	155,615

9. Stock Options

A Stock Option Plan has been established for the benefit of directors, officers and key employees. Under the plan, the terms, conditions and limitations are determined at the discretion of the Board of Directors. The options are exercisable until 19 February 2009, at Can $2.00 per share and vest over periods ranging from immediately to three years. 2,332,500 common shares have been authorized for grant under the terms of the plan in 2004.

The Company calculated the value of stock-based compensation using a Black-Scholes option pricing model to estimate the fair value of stock options at the date of grant. The estimated fair value of options is amortized to expense over the options' vesting period. For stock options granted during 2004, $57,060 has been charged to income in the current period and $57,060 credited to contributed surplus.

The assumptions made for the options granted during 2004 include a volatility factor of expected market price of 70%, a weighted average risk-free interest rate of 6.0%, no dividend yield and a weighted average expected life of options of three years. The weighted average grant date fair value was $0.14 per share.

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

	Number of shares	**Exercise Price per Share**	**Weighted Average Exercise Price**
Outstanding, beginning of period	Nil	Nil	Nil
Granted	2,332,500	$0.40 to $2.00	$1.93
Cancelled	Nil	Nil	Nil
Exercised	Nil	Nil	Nil
Outstanding, end of period	2,332,500	$0.40 to $2.00	$1.93

The following table summarizes information about stock options outstanding at March 31, 2004:

Exercise Price	**Number of Shares Outstanding**	**Weighted Average Remaining Life (Years)**	**Number of Shares Exercisable**
$0.40	100,000	5	100,000
$0.50	5,000	5	-
$2.00	2,227,500	5	475,000
Total	**2,332,500**		**575,000**

10. Subsequent event

The Company entered into an agreement on 21 April 2004 to purchase Asahan Oil Investments BV and Glagah Kambura Exploration BV, both of which are registered in the Netherlands for a consideration of US$1,505,543. The consideration will be satisfied by the issue of 1,004,950 shares of Serica Energy Corporation.

Asia Petro Services PTE Limited changed its name to Serica Energy PTE Limited effective 18 May 2004.

11. Comparative figures

Certain comparative figures have been reclassified to conform the presentation adopted in the current period.