Serica Energy plc

("Serica" or the "Company")

Q3 2010 Results

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

Highlights:

Results for the third quarter 2010:

- Highest quarterly Kambuna field gas and condensate sales to date
- Sales Revenue up by 53% to US $10 million (2Q2010 - US$6.5 million)
- Gross Profit up by 75% to US $5.4 million (2Q2010 - US$3.1 million)
- Cash and equivalents at 30 September of US $40.5 million (30 June 2010 - US$40.0 million)

Operations:

- Serica working interest sales up by 45% to 2,948 boed (2Q2010 – 2,036 boed)
- Oates exploration well in UK Central North Sea drilled at no cost to Serica but unsuccessful
- Dambus exploration well in Indonesia is a non-commercial gas discovery
- Marindan exploration well in Indonesia was spudded on 27 October
- Awarded UK 26th Round Licence in the Northern North Sea

Outlook:

- Kambuna field expected to average 40 mmscfd through 2011 and beyond
- Kambuna permanent facilities to be completed in the fourth quarter
- Results of the Marindan-1 well expected in November
- Columbus project sanction decision expected in Q2 2011 – first gas targeted for mid 2013
- 2011 drilling programme of at least four wells planned in UK, Ireland and Indonesia
- Continued emphasis on risk management across the portfolio

Paul Ellis, Chief Executive of Serica commented:

"We are delighted at the significant increase in revenue and profit delivered this quarter by the Kambuna field. Production and sales from the field have continued to increase steadily each quarter this year and with the imminent completion of the permanent processing facilities we will be able to deliver greater gas volumes if required. Our 2010 exploration programme continues with Marindan-1 in the Kutai PSC and we look forward to the results from this well. Next year again promises to be an exciting year as we are currently planning to drill wells in the UK, Ireland and Indonesia as well as reaching development sanction for the Columbus field in the UK.

Serica is in a sound financial position with $40m in cash and very little debt and we will continue to add attractive prospects to the exploration portfolio that can be drilled at low cost to the Company."

4 November 2010

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

Forward Looking Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial and operational results of Serica Energy plc and its subsidiaries (the "Group") contains information up to and including 3 November 2010 and should be read in conjunction with the attached unaudited interim consolidated financial statements for the period ended 30 September 2010. The interim financial statements for the three and nine months ended 30 September 2010 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 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 third quarter 2010 the Company completed the drilling of the Oates exploration well in the UK North Sea and commenced the remaining two-well 2010 exploration drilling programme in Indonesia. Significant progress has also been made in increasing production from the Kambuna field.

Production rates from the Kambuna field have increased steadily during the year. Gas sales from the field averaged 40 million standard cubic feet per day ("mmscfd") in Q3 2010 and 42 mmscfd in September. From every million cubic feet of gas over 80 barrels of condensate were extracted for sale. Serica generated a gross profit of US$5.4 million in Q3 2010 from its 25% interest in the Kambuna field, the Company's largest quarterly gross profit to date.

As previously reported in August, the Kambuna field operator Salamander Energy plc ("Salamander") announced that following an independent reserves audit of its operated fields at 30 June 2010, it has re-stated its proved and probable ("2P") reserves in the Kambuna field. The operator also noted that production from Kambuna is expected to remain at current levels until 2013 and that production could then be maintained at or near to plateau beyond 2013 if contingent resources are converted to reserves. Serica will commission an independent review of reserves at the end of 2010, taking into account field performance through the second half of this year.

In August, the Oates prospect was drilled in Block 22/19c in the UK Central North Sea and reached total depth without encountering hydrocarbons.

The Dambus prospect, the first of the two-well 2010 exploration programme in the Kutai PSC in Indonesia, was spudded in September and drilling completed in October. Whilst hydrocarbons were encountered these are not expected to be commercially exploitable at current gas prices unless additional resources are found in nearby prospects and leads. The rig has now moved to the Marindan prospect. This well was spudded on 27 October and drilling operations are continuing.

The Columbus Front End Engineering and Design ("FEED") project is continuing, along with commercial negotiations amongst the interested parties, with the goal of reaching a sanction decision in Q2 2011.

In October 2010 Serica announced that, in the 26th Round of UK Offshore Licensing, the Company had been awarded a Production Licence over Blocks 210/19a and 210/20a in the Northern North Sea and that possible grants of further licences applied for by Serica remain subject to the results of environmental assessments by the Department of Energy and Climate Change. Serica will be the operator of the new licence and has a 100% interest.

Field Appraisal, Development and Production

Indonesia

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

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

The Kambuna gas is used for power generation to supply electricity to the city of Medan in North Sumatra and for industrial uses. The gas sales prices per thousand standard cubic feet under the contracts with PLN and Pertiwi Nusantara Resources ("Pertiwi") are currently approximately US$5.60 and US$7.00 respectively, escalated at 3% per annum. A third contract for the supply of gas for LPG attracts the same price as the PLN contract and has the potential to add about 10% to contracted gas sales.

Kambuna gas yields significant volumes of condensate (light oil) and currently approximately 80 barrels per million standard cubic feet of gas are extracted for sale. The condensate is sold to the state oil company Pertamina at the official Attaka Indonesian Crude Price less 11 cents per barrel. The Kambuna condensate lifted in September fetched a price of US$78.65.

The three Kambuna field development wells are very productive and, although the three wells are usually on production, if any one well is required to be shut down for maintenance or survey, there is sufficient productive capacity in the two remaining wells to meet contractual gas sales requirements.

In Q3 2010 gross Kambuna field sales were 3,725 million standard cubic feet of gas (Q2 2010: 2,659 mmscf, Q1 2010: 2,016 mmscf) and 309,000 barrels of condensate (Q2 2010: 187,000 bbl, Q1 2010: 165,000 bbl), equivalent to average daily sales for the quarter of 40.5 mmscfd and 3,354 bbl/day. In September 2010, average gas sales of 42 mmscfd were achieved, the highest monthly figure to date.

Under the Take or Pay provisions of the gas sales contracts, at the end of each 12 month contract period the buyers are required to pay for at least 90% of any gas contracted but not taken, subject to exceptions for certain circumstances that may be outside of their control. In subsequent periods, buyers may nominate quantities in excess of the contract rates ("make up gas") in order to recover the gas for which they have already paid. Negotiations with PLN regarding Take or Pay for the year to August 2010 are in progress.

As already reported, the Kambuna field operator Salamander Energy, commissioned an independent reserves audit of its operated fields, including the Kambuna field. This audit was based on early stage reservoir pressure and production data from the field from first production in August 2009 through June 2010, during which period gross daily gas sales averaged only 19 mmscfd because of significant operational difficulties experienced by the gas purchasers. Pending further production information, the operator's reserve auditors have reclassified the Upper Belumai reservoir interval as contingent resources rather than reserves. The Upper Belumai interval represented approximately 20% of the best estimate of gas initially in place in the Kambuna field made by same auditors as at 31 December 2009 for Serica's 2009 annual report.

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

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

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

United Kingdom

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

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

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

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

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

Terms for the use of Lomond as processing host and export point for the Columbus produced fluids have reached an advanced stage of negotiation and the project is expected to be sanctioned in Q2 2011. Production from the Columbus field is expected to commence in 2013.

Exploration

United Kingdom

Central North Sea - Block 22/19c

In June 2009 Serica was awarded sole rights to a Production Licence over UK Central North Sea Block 22/19c in the UK 25th Round of Offshore Licensing. Block 22/19c is located approximately 20 kilometres to the west of Serica's Columbus field.

In January 2010 Serica reached agreement with Premier Oil plc ("Premier") for the farm-out of Block 22/19c. Under the terms of the farm-out agreement, Premier funded the Oates exploration well and assumed the role of operator. Serica was carried through the well and retains a 50% interest.

The Oates well 22/19c-6 was spudded on 30 July. The target of the well was the Palaeocene age Forties Sandstone, which is a significant oil and gas producing reservoir in the Central North Sea. The data acquired on the Oates well confirms that the Forties Sandstone was entered at 9,531 feet measured depth ("MD") BRT but logging indicates that no hydrocarbons are present in the sands at this location and the well was plugged and abandoned as a dry hole. Detailed analysis of the well results will be used to evaluate the remaining potential of Block 22/19c, in which deeper horizons may also be prospective.

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

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

Serica entered into a farm-out agreement with Agora Oil & Gas (UK) AS ("Agora") under which Agora funded 70% of the Conan exploration well and earned a 35% interest in the blocks. Serica retains a 65% interest and operatorship of the blocks.

The Conan exploration well 113/26b-3 was drilled in May 2010 but was unsuccessful. Further prospectivity on the blocks is under review.

Indonesia

Kutai PSC

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

The interpretation of the offshore 3D seismic data has revealed several exploration targets. Serica secured the Trident IX jack-up drilling rig to drill the Dambus and Marindan prospects and the rig was mobilised to the Dambus location in August.

Serica and its partners spudded the Dambus-1 offshore exploration well on 4 September 2010. The objective of the well was to investigate the potential for gas and oil accumulations in a stacked sequence of Miocene sands. Dambus-1 was drilled as a deviated well to a total depth of 3,225 metres MD (2,713 metres true vertical depth subsea ("TVDSS"). Based on the indicative data obtained while drilling, hydrocarbons were encountered in clean sands in the gross interval 2,070-2,102 metres MD (1,787-1,812 metres TVDSS) and there were indications of further hydrocarbon-bearing sands in an interval below 2,760 metres MD (2,340 metres TVDSS). In order to obtain definitive data on the extent of the discoveries, the well was plugged back and sidetracked and wireline logs, pressure data and fluid samples were acquired. Sidetrack Dambus-1ST was drilled to a total depth of 2,800 metres MD (2,568 metres TVDSS). Excellent quality gas-bearing Miocene reservoir sands were encountered in the interval 2,025-2,047 metres MD (1,795-1,816 metres TVDSS) of which the net gas-bearing sands amounted to approximately 18 metres.

Following an extensive logging and sampling programme in Dambus-1ST, the deeper sands were found to be water bearing. The upper gas-bearing sands alone are not currently expected to be commercially exploitable by themselves and the well was plugged and abandoned. Other prospects and leads exist in the area around Dambus and they will be reviewed in light of the Dambus result. The gas discovery at Dambus will reduce the threshold volume required for the development of any further resources that may be discovered in the immediate area.

The Trident IX drilling rig has now moved to the Marindan prospect in the southern offshore part of the PSC which is being drilled as a deviated well in order to test a number of Miocene clastic and carbonate targets in the optimum locations. The Marindan-1 well was spudded on 27 October and will take approximately 30 days to drill.

East Seruway PSC

Serica holds a 100% interest in the East Seruway PSC offshore North Sumatra, Indonesia, adjacent to the Glagah Kambuna TAC. The PSC covers an area of approximately 5,864 square kilometres which is largely unexplored.

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

Ireland

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

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

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

Rockall Basin – Licence FEL 1/09 – Blocks 5/17, 5/18, 5/22, 5/23, 5/27 and 5/28

Serica holds a 100% working interest in Licence FEL 1/09 covering six blocks in the northeastern part of the Rockall Basin off the west coast of Ireland. The six blocks cover a total area of 993 square kilometres.

The Rockall Basin has an areal extent of over 100,000 square 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, approximately nine kilometres to the south of the licence, encountered a 214 metre hydrocarbon column.

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

Morocco

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

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

Spain

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

Forward Programme

Serica has a continuing exploration programme of wells that could be of great significance to the Company. In Indonesia in the Kutai PSC the Company is drilling the offshore Marindan prospect and also plans to drill an onshore prospect in the Kutai PSC and a well in the East Seruway PSC. In Ireland plans are being made to drill the Boyne and Liffey oil prospects and one or more wells are expected to be drilled offshore UK. In October, Serica was awarded new offshore exploration acreage in the Northern North Sea in the UK 26th Licence Round. Further possible UK licence awards are pending.

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

For the Columbus field, design work and submission of a revised FDP to the UK government is aimed at achieving a project sanction decision in Q2 2011, enabling first gas in mid 2013.

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

FINANCIAL REVIEW

A detailed review of the Q3 2010 results of operations and other financial information is set out below.

Results of Operations

	2010	2010	2010	2009	2009	2009	2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Continuing operations							
Sales revenue	10,018	6,537	5,334	3,476	4,167	-	-
Cost of sales	(4,612)	(3,450)	(2,682)	(4,204)	(2,172)	-	-
Gross profit/(loss)	5,406	3,087	2,652	(728)	1,995	-	-
Expenses:							
Administrative expenses	(1,714)	(1,758)	(1,847)	(2,013)	(1,387)	(1,615)	(1,624)
Foreign exchange gain/(loss)	105	18	80	21	(64)	250	21
Pre-licence costs	(134)	(665)	(761)	(387)	(88)	(243)	(183)
Asset write offs	(29)	(77)	-	(1,159)	(66)	(221)	(7,147)
Share-based payments	(233)	(230)	(501)	(966)	(206)	(217)	(298)
Depreciation	(29)	(12)	(24)	(30)	(30)	(29)	(29)
Operating profit/(loss) before net finance revenue and tax	3,372	363	(401)	(5,259)	154	(2,075)	(9,260)
Profit on disposal	-	-	-	26,864	-	-	-
Finance revenue	13	20	130	596	7	11	279
Finance costs	(921)	(1,001)	(1,267)	(1,724)	(884)	(439)	(707)
Profit/(loss) before taxation	2,464	(618)	(1,538)	20,477	(723)	(2,503)	(9,940)
Taxation charge	(2,183)	(1,028)	(1,202)	(1,329)	(202)	-	-
Profit/(loss) for the period	281	(1,646)	(2,740)	19,148	(925)	(2,503)	(9,940)
Basic and diluted loss per share (US$)	N/A	(0.01)	(0.02)	N/A	(0.01)	(0.01)	(0.06)
Basic earnings per share (US$)	0.002	N/A	N/A	0.11	N/A	N/A	N/A
Diluted earnings per share (US$)	0.002	N/A	N/A	0.11	N/A	N/A	N/A

Serica generated a gross profit of US$5.4 million for the three months ended 30 September 2010 (“Q3 2010”) from its retained 25% interest in the Kambuna Field.

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

In Q3 2010, gross Kambuna field gas production averaged 40.5 mmscf per day (Q2 2010: 29.2 mmscf) together with average condensate production of 3,390 barrels per day (Q2 2010: 2,666 bpd). Field commissioning work continued through the period.

The Q3 2010 gas production was sold at prices averaging US$5.48 per mscf and generated revenue of US$5.1 million (Q2 2010: US$3.5 million) net to Serica. Condensate production is stored and sold when lifted at a price referenced to the Indonesia Attaka official monthly crude oil price. Liftings in Q3 2010 earned US$4.9 million (Q2 2010: US$3.0 million) of revenue net to Serica.

Cost of sales were driven by production from the Kambuna field and totalled US$4.6 million in Q3 2010 (Q3 2009: US$2.2 million, Q2 2010: US$3.4 million). The charge comprised operating costs of US$2.2 million and non cash depletion and amortisation of US$2.4 million. The operating costs of US$2.2 million include temporary Early Production Facility charges of US$0.8 million which are currently being incurred until the completion of the permanent Onshore Receiving Facility in the fourth quarter 2010.

The Company generated a profit before tax of US$2.5 million for Q3 2010 compared to a loss before tax of US$0.7 million for the three months ended 30 September 2009 ("Q3 2009").

Administrative expenses of US$1.7 million for Q3 2010 remained at a similar level to Q2 2010, but showed an increase from US$1.4 million for the same period last year. The Company continues to manage carefully its financial resources and the increase reflects greater corporate activity in the period compared to Q3 2009.

The impact of foreign exchange was not significant in Q3 2010 or 2009.

Pre-licence costs include direct cost and allocated general administrative cost incurred on oil and gas interests prior to the award of licences, concessions or exploration rights. The expense of US$0.1 million for Q3 2010 was consistent with the Q3 2009 charge of US$0.1 million. The higher charge of US$0.7 million in Q2 2010 was due to the significant work undertaken during that quarter on the 26th Licencing Round in the UK.

There were no significant asset write offs in Q3 2010 or Q3 2009.

Share-based payment costs of US$0.2 million in Q3 2010 reflected share options granted and compared with US$0.2 million for Q3 2009 and US$0.2 million for Q2 2010. The Q4 2009 and Q1 2010 charges included expenses of US$0.8 million and US$0.2 million respectively arising from the extension of certain existing share options in December 2009.

Negligible depreciation charges in all periods represent office equipment and fixtures and fittings. The depletion and amortisation charge for Kambuna field development costs is recorded within Cost of Sales.

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

Finance revenue comprising interest income of US$0.01 million for Q3 2010 compares with US$0.01 million for Q3 2009 and US$0.02 million for Q2 2010. The majority of finance revenue earned in Q1 2010 and Q4 2009 arose from interest earned on the consideration from the South East Asia asset disposal noted above. Bank deposit interest income has been negligible in 2010 and 2009 due to the significant reduction in average interest rate yields available since 2H 2008 and a reduction in average cash deposit balances held by the Company.

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

The Q3 2010 taxation charge of US$2.2 million reflects current tax liabilities of US$0.4 million arising from income in Indonesia and a deferred tax charge of US$1.8 million arising from Indonesian operations.

The net earnings per share of US$0.002 for Q3 2010 compare to a net loss per share of US$0.01 for Q3 2009.

Summary of Quarterly Results

Quarter ended:	2010 30 Sep US$000	2010 30 Jun US$000	2010 31 Mar US$000	2009 31 Dec US$000	2009 30 Sep US$000	2009 30 Jun US$000	2009 31 Mar US$000	2008 31 Dec US$000
Sales revenue	10,018	6,537	5,334	3,476	4,167	-	-	-
Profit/(loss) for the quarter	281	(1,646)	(2,740)	19,148	(925)	(2,503)	(9,940)	(26,886)
Basic and diluted loss per share US$	-	(0.01)	(0.02)	-	(0.01)	(0.01)	(0.06)	(0.16)
Basic and diluted earnings per share US$	0.002	-	-	0.11		-	-	-

The Q4 2009 profit includes a profit of US$26.9 million generated on the disposal of a 25% interest in the Kambuna field, Indonesia and certain E&E asset interests in South East Asia.

The Q3 2009 result includes first revenue streams from the Kambuna field.

The Q1 2009 loss includes asset write offs of US$7.1 million on the Chablis asset.

The Q4 2008 loss includes asset write offs of US$23.6 million on the Chablis, Oak and Spain assets.

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 September 2010 US$000	30 June 2010 US$000	31 March 2010 US$000	31 December 2009 US$000
Current assets:				
Inventories	3,696	3,187	2,930	2,855
Trade and other receivables	13,459	14,927	9,387	106,381
Financial assets	-	-	-	1,500
Cash and cash equivalents	40,513	39,974	62,429	18,412
Total Current assets	57,668	58,088	74,746	129,148
Less Current liabilities:				
Trade and other payables	(15,676)	(9,276)	(7,558)	(9,622)
Financial liabilities	-	-	-	(46,447)
Total Current liabilities	(15,676)	(9,276)	(7,558)	(56,069)
Net Current assets	41,992	48,812	67,188	73,079

At 30 September 2010, the Company had net current assets of US$42.0 million which comprised current assets of US$57.7 million less current liabilities of US$15.7 million, giving an overall decrease in working capital of US$6.8 million in the three month period.

Inventories increased from US$3.2 million to US$3.7 million over the Q3 2010 period due to an increase in materials held for the ongoing drilling in Indonesia.

Trade and other receivables at 30 September 2010 totalled US$13.5 million, which included US$5.4 million of trade debtors from gas and condensate sales in August and September. Other significant items included US$2.4 million for the Company's share of a rig deposit for the Kutai drilling programme, other advance payments on ongoing operations, recoverable amounts from partners in joint venture operations in the UK and Indonesia, sundry UK and Indonesian working capital balances, and prepayments. The significant decrease from the 2009 year end debtor balance of US$106.4 million was largely caused by the receipt of cash proceeds in January 2010 from the disposal of assets to KrisEnergy Limited in December 2009.

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

Cash and cash equivalents increased from US$40.0 million to US$40.5 million in the quarter. In Q3 2010 the Company generated revenues from the Kambuna field but incurred costs on drilling and other work across the portfolio in South East Asia and the UK and Ireland, together with ongoing administrative costs, operational expenses and corporate activity.

Trade and other payables of US$15.7 million at 30 September 2010 chiefly include significant trade creditors and accruals from the ongoing Kutai drilling and the completion of the permanent production facilities of the Kambuna field. Other smaller items include current tax payable in Indonesia, sundry creditors and accruals from the ongoing Indonesian and UK exploration programmes, and payables for administrative expenses and other corporate costs.

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

Long-Term Assets and Liabilities

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

	30 September 2010 US$000	30 June 2010 US$000	31 March 2010 US$000	31 December 2009 US$000
Exploration & evaluation assets	85,080	75,480	69,564	66,030
Property, plant and equipment	52,257	53,130	53,690	53,864
Goodwill	148	148	148	148
Financial assets	1,458	1,394	-	-
Long-term other receivables	6,187	5,858	5,650	5,639
Financial liabilities	(12,313)	(12,268)	(23,119)	(24,371)
Deferred income tax liabilities	(4,972)	(3,231)	(2,406)	(1,435)

During Q2 2010, total investments in exploration and evaluation assets (“E&E assets”) increased from US$75.5 million to US$85.1 million. These amounts exclude the Kambuna development and production costs which are classified as property, plant and equipment.

The net US$9.6 million increase consists of additions incurred on the following assets:

In Indonesia, US$6.8 million was incurred on exploration drilling in the Kutai PSC and US$0.4 million was spent on exploration work and G&A on the East Seruway concession.

In the UK & Western Europe, US$1.4 million of expenditure was incurred on the Columbus FDP (including FEED work on the BLP), US$0.5 million on a site survey in Ireland and US$0.4 million on other Ireland and UK exploration work and G&A. The Company’s share of drilling costs on the Oates prospect in Block 22/19c was borne by a third party following the farm-out announced in Q1 2010. US$0.1 million was incurred on the Morocco interests.

Property, plant and equipment comprises the net book amount of the capital expenditure on the Company’s 25% interest in the Kambuna development. During Q3 2010, the Company’s net book amount for its Kambuna interest decreased from US$53.0 million to US$51.5 million. This US$1.5 million decrease comprises depletion charges of US$2.4 million arising from the production of gas and condensate in the quarter less US$0.9 million of capex additions. The property, plant and equipment also includes balances of US$0.7 million for office fixtures and fittings and computer equipment.

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

Financial assets at 30 September 2010 represent US$1.5 million of restricted cash deposits.

Long-term other receivables of US$6.2 million are represented by value added tax (“VAT”) on Indonesian capital spend which will be recovered from future production.

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

The deferred income tax liability of US$5.0 million arises in respect of the Company’s retained Kambuna asset interest in Indonesia.

Shareholders' Equity

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

	30 September 2010 US$000	30 June 2010 US$000	31 March 2010 US$000	31 December 2009 US$000
Total share capital	207,657	207,657	207,633	207,633
Other reserves	18,161	17,928	17,698	17,197
Accumulated deficit	(55,981)	(56,262)	(54,616)	(51,876)

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

Other reserves mainly include amounts credited in respect of cumulative share-based payment charges. The increase in other reserves from US$17.9 million to US$18.2 million reflects a credit to equity in respect of share-based payment charges in Q3 2010.

Capital Resources

Available financing resources and debt facility

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

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

In November 2009 the Company replaced its US$100 million debt facility with a new three-year facility for a similar amount. The new facility, which was arranged with J.P.Morgan plc, Bank of Scotland plc and Natixis as Mandated Lead Arrangers, was principally to refinance the Company's outstanding borrowings on the Kambuna field. It was also put in place to finance the appraisal and development of the Columbus field and for general corporate purposes.

In January 2010 the Company received the proceeds from the disposal of assets to Kris Energy and repaid US$47.6 million of its debt, and at 30 September 2010, the Company held cash and cash equivalents of US$40.5 million and US$1.5 million of restricted cash. Following the repayment, management decided to reduce the facility to US$50 million total capacity so as to restrict ongoing facility costs. 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.

As of 3 November 2010, the Company's debt facility was US$11.8 million drawn out of a total facility of US$50 million, leaving a net cash position of approximately US$27.5 million.

Overall, the receipt of cash from the 2009 disposal of assets in South East Asia, the revenues from the retained 25% Kambuna interest and the control that the Company can exert over the timing and cost of its exploration programmes both through operatorship and through farm-outs leave it well placed to manage its commitments.

Serica intends to continue taking a prudent approach to financial management so as to retain the strength that it has built to-date.

Lease commitments

At 30 September 2010, Serica had no capital lease obligations. At that date, the Company had commitments to future minimum payments under operating leases in respect of rental office premises, office equipment and motor vehicles for each of the following period/years as follows:

	US$000
31 December 2010	132
31 December 2011	525

Capital expenditure commitments, obligations and plans

The Company's most significant planned capital expenditure commitments for Q4 2010 are those required to fund the completion of both the Kutai drilling operations for the Dambus and Marindan prospects and the permanent production facilities for the Kambuna field. As at 30 September 2010, the Company's share of outstanding 2010 drilling costs is US$7.4 million and its share of expected outstanding capital costs in respect of its 25% interest on the Kambuna project totalled approximately US$2.7 million. These expected costs include amounts contracted for but not provided as at 30 September 2010.

In addition, the Company also has obligations to carry out defined work programmes on its oil and gas properties, under the terms of the award of rights to these properties, over the next two period/years as follows:

Period ending 31 December 2010 US$ nil
Year ending 31 December 2011 US$11,250,000

These obligations reflect the Company's share of the defined work programmes and were not formally contracted at 30 September 2010. The Company is not obliged to meet other joint venture partner shares of these programmes. The most significant 2011 obligations are in respect of the East Seruway PSC and Kutai PSC in South East Asia. Other less material minimum obligations include G&G, seismic work and ongoing licence fees in the UK and South East Asia.

<u>Off-Balance Sheet Arrangements</u>

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

<u>Critical Accounting Estimates</u>

The Company's significant accounting policies are detailed in note 2 to the attached interim financial statements. International Financial Reporting Standards have been adopted. The costs of exploring for and developing petroleum and natural gas reserves are capitalised and the capitalisation and any write off of E&E assets, or depletion of producing assets necessarily involve certain judgments with regard to whether the asset will ultimately prove to be recoverable. Key sources of estimation uncertainty that impact the Company relate to assessment of commercial reserves and the impairment of the Company's assets. Oil and gas properties are subject to periodic review for impairment whilst goodwill is reviewed at least annually. Impairment considerations necessarily involve certain judgements as to whether E&E assets will lead to commercial discoveries and whether future field revenues will be sufficient to cover capitalised costs. Recoverable amounts can be determined based upon risked potential, or where relevant, discovered oil and gas reserves. In each case, recoverable amount calculations are based upon estimations and management assumptions about future outcomes, product prices and performance. Management is required to assess the level of the Group's commercial reserves together with the future expenditures to access those reserves, which are utilised in determining the amortisation and depletion charge for the period and assessing whether any impairment charge is required.

Financial Instruments

The Group's financial instruments comprise cash and cash equivalents, bank loans and borrowings, accounts payable and accounts receivable. It is management's opinion that the Group is not exposed to significant interest or credit or currency risks arising from its financial instruments other than as discussed below:

> Serica has exposure to interest rate fluctuations on its cash deposits and its bank loans; given the level of expenditure plans over 2010/11 this is managed in the short-term through selecting treasury deposit periods of one to three months. Treasury counterparty credit risks are mitigated through spreading the placement of funds over a range of institutions each carrying acceptable published credit ratings to minimise counterparty risk.
>
> Where Serica operates joint ventures on behalf of partners it seeks to recover the appropriate share of costs from these third parties. The majority of partners in these ventures are well established oil and gas companies. In the event of non payment, operating agreements typically provide recourse through increased venture shares.
>
> Serica retains certain cash holdings and other financial instruments relating to its operations, limited to the levels necessary to support those operations. The US$ reporting currency value of these may fluctuate from time to time causing reported foreign exchange gains and losses. Serica maintains a broad strategy of matching the currency of funds held on deposit with the expected expenditures in those currencies. Management believes that this mitigates much of any actual potential currency risk from financial instruments. Loan funding is available in US Dollars and Pounds Sterling and is drawn in the currency required.

It is management's opinion that the fair value of its financial instruments approximate to their carrying values, unless otherwise noted.

Share Options

As at 30 September 2010, the following director and employee share options were outstanding: -

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

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

(ii) Options held under the EMI Plan.

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

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

Outstanding Share Capital

As at 3 November 2010, the Company had 176,570,311 ordinary shares issued and outstanding.

Business Risk and Uncertainties

Serica, like all companies in the oil and gas industry, operates in an environment subject to inherent risks. Many of these risks are beyond the ability of a company to control, particularly those associated with the exploring for and developing of economic quantities of hydrocarbons. Principal risks can be classified into four main categories: operational, commercial, regulatory and financial.

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

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

Nature and Continuance of Operations

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

The Company's financial statements have been prepared with the assumption that the Company will be able to realise its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. During the three month period ended 30 September 2010 the Company generated a profit before tax of US$2.5 million. At 30 September 2010 the Company had US$28.2 million of net cash.

The Company intends to utilise its existing cash balances and future operating cash inflows, together with the currently available portion of the US$50 million senior secured debt facility, to fund the immediate needs of its investment programme and ongoing operations. Further details of the Company's financial resources and debt facility are given above in the Financial Review in this MD&A.

Key Performance Indicators ("KPIs")

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

Additional Information

Additional information relating to Serica can be found on the Company's website at www.serica-energy.com and on SEDAR at www.sedar.com

Approved on Behalf of the Board

Paul Ellis	Christopher Hearne
Chief Executive Officer	Finance Director

4 November 2010

Forward Looking Statements

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

GLOSSARY

bbl	barrel of 42 US gallons
bcf	billion standard cubic feet
boe	barrels of oil equivalent (barrels of oil, condensate and LPG plus the heating equivalent of gas converted into barrels at a rate of 4,800 standard cubic feet per barrel for Kambuna, which has a relatively high calorific value, and 6,000 standard cubic feet per barrel for Columbus)
boepd	barrels of oil equivalent per day
bopd or bpd	barrels of oil or condensate per day
FPSO	Floating Production, Storage and Offtake vessel (often a converted oil tanker)
LNG	Liquefied Natural Gas (mainly methane and ethane)
LPG	Liquefied Petroleum Gas (mainly butane and propane)
mcf	thousand cubic feet
mm bbl	million barrels
mmBtu	million British Thermal Units
mmscfd	million standard cubic feet per day
PSC	Production Sharing Contract
Proved Reserves	Proved reserves are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
Probable Reserves	Probable reserves are those additional Reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves.
Possible Reserves	Possible reserves are those additional Reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves
Reserves	Estimates of discovered recoverable commercial hydrocarbon reserves calculated in accordance with the Canadian National Instrument 51-101
Contingent Resources	Estimates of discovered recoverable hydrocarbon resources for which commercial production is not yet assured, calculated in accordance with the Canadian National Instrument 51-101
Prospective Resources	Estimates of the potential recoverable hydrocarbon resources attributable to undrilled prospects, calculated in accordance with the Canadian National Instrument 51-101
TAC	Technical Assistance Contract
tcf	trillion standard cubic feet

Serica Energy plc

Consolidated Group Income Statement

Unaudited	Notes	Three months ended 30 Sep 2010 US$000	Three months ended 30 Sep 2009 US$000	Nine months Ended 30 Sep 2010 US$000	Nine Months Ended 30 Sep 2009 US$000
Sales revenue		10,018	4,167	21,889	4,167
Cost of sales		(4,612)	(2,172)	(10,744)	(2,172)
Gross profit		5,406	1,995	11,145	1,995
Administrative expenses		(1,714)	(1,387)	(5,319)	(4,626)
Foreign exchange gains/(loss)		105	(64)	203	207
Pre-licence costs		(134)	(88)	(1,560)	(514)
Asset write offs	4	(29)	(66)	(106)	(7,434)
Share-based payments		(233)	(206)	(964)	(721)
Depreciation		(29)	(30)	(65)	(88)
Operating profit / (loss) before finance revenue and tax		3,372	154	3,334	(11,181)
Finance revenue		13	7	163	45
Finance costs		(921)	(884)	(3,189)	(2,030)
Profit / (loss) before taxation		2,464	(723)	308	(13,166)
Taxation charge for the period	9	(2,183)	(202)	(4,413)	(202)
Profit / (loss) for the period		281	(925)	(4,105)	(13,368)
Profit / (loss) per ordinary share (EPS)					
Basic and diluted EPS for period (US$)		0.002	(0.01)	(0.02)	(0.08)

Total Statement of Comprehensive Income

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

Serica Energy plc
Consolidated Balance Sheet

	Notes	30 Sep 2010 US$000 (Unaudited)	30 June 2010 US$000 (Unaudited)	31 Dec 2009 US$000 (Audited)	30 Sep 2009 US$000 (Unaudited)
Non-current assets					
Exploration and evaluation assets	4	85,080	75,480	66,030	82,755
Property, plant and equipment	5	52,257	53,130	53,864	106,715
Goodwill		148	148	148	295
Financial assets		1,458	1,394	-	-
Other receivables		6,187	5,858	5,639	8,337
		145,130	136,010	125,681	198,102
Current assets					
Inventories		3,696	3,187	2,855	4,752
Trade and other receivables		13,459	14,927	106,381	10,468
Financial assets		-	-	1,500	1,500
Cash and cash equivalents		40,513	39,974	18,412	19,514
		57,668	58,088	129,148	36,234
TOTAL ASSETS		202,798	194,098	254,829	234,336
Current liabilities					
Trade and other payables		(15,676)	(9,276)	(9,622)	(16,419)
Financial liabilities	6	-	-	(46,447)	(64,782)
Non-current liabilities					
Financial liabilities	6	(12,313)	(12,268)	(24,371)	-
Deferred income tax liabilities		(4,972)	(3,231)	(1,435)	(295)
TOTAL LIABILITIES		(32,961)	(24,775)	(81,875)	(81,496)
NET ASSETS		169,837	169,323	172,954	152,840
Share capital	7	207,657	207,657	207,633	207,633
Other reserves		18,161	17,928	17,197	16,231
Accumulated deficit		(55,981)	(56,262)	(51,876)	(71,024)
TOTAL EQUITY		169,837	169,323	172,954	152,840

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

Group

	Share capital US$000	Other reserves US$000	Deficit US$000	Total US$000
At 1 January 2010 (audited)	207,633	17,197	(51,876)	172,954
Share-based payments	-	501	-	501
Loss for the period	-	-	(2,740)	(2,740)
At 31 March 2010 (unaudited)	207,633	17,698	(54,616)	170,715
Conversion of options	24	-	-	24
Share-based payments	-	230	-	230
Loss for the period	-	-	(1,646)	(1,646)
At 30 June 2010 (unaudited)	207,657	17,928	(56,262)	169,323
Share-based payments	-	233	-	233
Profit for the period	-	-	281	281
At 30 September 2010 (unaudited)	207,657	18,161	(55,981)	169,837

For the year ended 31 December 2009

Group

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

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

Unaudited	Three months ended 30 Sep 2010 US$000	Three months ended 30 Sep 2009 US$000	Nine Months Ended 30 Sep 2010 US$000	Nine Months Ended 30 Sep 2009 US$000
Cash flows from operating activities:				
Operating profit /(loss)	3,372	154	3,334	(11,181)
Adjustments for:				
Depreciation	29	30	65	88
Depletion	2,421	1,438	5,606	1,438
Asset write-offs	29	66	106	7,434
Share-based payments	233	206	964	721
Increase in receivables and other assets	(124)	(4,251)	(8,474)	(7,791)
(Increase)/decrease in inventories	(509)	(142)	(841)	(134)
Increase/(decrease) in payables	6,400	347	6,054	157
Net cash in/(outflow)from operations	11,851	(2,152)	6,814	(9,268)
Cash flows from investing activities:				
Purchases of property, plant & equipment	(1,577)	(5,009)	(4,064)	(39,715)
Purchases of E&E assets	(9,600)	(6,978)	(19,050)	(20,478)
Proceeds from disposals	382	-	99,532	-
Interest received	13	7	727	45
Net cash (out)/inflow from investing	(10,782)	(11,980)	77,145	(60,148)
Cash proceeds from financing activities:				
Proceeds from loans and borrowings	-	5,000	-	32,821
Repayments of loans and borrowings	-	-	(60,050)	-
Proceeds on exercise of options	-	-	24	-
Finance costs paid	(530)	(351)	(1,832)	(713)
Net cash (out)/inflow from financing	(530)	4,649	(61,858)	32,108
Cash and cash equivalents				
Net increase/(decrease) in period	539	(9,483)	22,101	(37,308)
Amount at start of period	39,974	28,997	18,412	56,822
Amount at end of period	40,513	19,514	40,513	19,514

Serica Energy plc

Notes to the Unaudited Consolidated Financial Statements

1. Corporate information

The interim condensed consolidated financial statements of the Group for the nine months ended 30 September 2010 were authorised for issue in accordance with a resolution of the directors on 3 November 2010.

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

2. Basis of preparation and accounting policies

Basis of Preparation

The interim condensed consolidated financial statements for the nine months ended 30 September 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting.

These unaudited interim consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards following the same accounting policies and methods of computation as the consolidated financial statements for the year ended 31 December 2009. These unaudited interim consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the consolidated financial statements and the notes thereto in the Serica Energy plc annual report for the year ended 31 December 2009.

Going Concern

The financial position of the Group, its cash flows and available debt facilities are described in the Financial Review in the Q3 2010 Management's Discussion and Analysis. As at 30 September 2010 the Group had US$28.2 million of net cash.

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

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

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of the following new standards and interpretations, noted below,

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

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

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

Basis of Consolidation

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

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

3. Segmental Information

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

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

Nine months ended 30 September 2010 (unaudited)	Indonesia US$000	Vietnam US$000	UK & NW Europe US$000	Spain US$000	Total US$000
Continuing					
Revenue	21,889	-	-	-	21,889
Profit/(loss) for the period	6,529	-	(10,413)	(221)	(4,105)
Other segmental information					
Segmental assets	97,262	-	71,730	45	169,037
Unallocated assets					33,761
Total assets					202,798
Segmental liabilities	(16,591)	-	(4,057)	-	(20,648)
Unallocated liabilities					(12,313)
Total liabilities					(32,961)

Nine months ended 30 September 2009 (unaudited)	Indonesia US$000	Vietnam US$000	UK & NW Europe US$000	Spain US$000	Total US$000
Continuing					
Revenue	4,167	-	-	-	4,167
Loss for the period	(24)	(11)	(13,169)	(164)	(13,368)
Other segment information					
Segment assets	140,679	14,838	63,223	66	218,806
Unallocated assets					15,530
Total assets					234,336
Segment liabilities	(9,114)	(1,032)	(6,264)	(9)	(16,419)
Unallocated liabilities					(65,077)
Total liabilities					(81,496)

4. Exploration and Evaluation Assets

	Total
	US$000
Net book amount:	
At 1 January 2010 (audited)	66,030
Additions	19,156
Write offs	(106)
At 30 September 2010 (unaudited)	85,080

5. Property Plant and Equipment

	Oil and gas properties	Computer / IT equipment	Fixtures, fittings and equipment	Total
	US$000	US$000	US$000	US$000
Cost:				
At 1 January 2010 (audited)	54,935	204	431	55,570
Additions	3,375	76	613	4,064
At 30 September 2010 (unaudited)	58,310	280	1,044	59,634
Depreciation and depletion:				
At 1 January 2010 (audited)	1,171	174	361	1,706
Charge for the period	5,606	19	46	5,671
At 30 September 2010 (unaudited)	6,777	193	407	7,377
Net book amount				
At 30 September 2010	51,533	87	637	52,257
At 1 January 2010	53,764	30	70	53,864

6. Financial Liabilities

	30 September 2010 US$000	31 December 2009 US$000
Non-current bank loans:		
Variable rate multi-option facility	(12,313)	(24,371)
Current bank loans:		
Variable rate multi-option facility	-	(46,447)

Bank loans

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

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

Following the receipt of proceeds from the disposal of assets to Kris Energy and the significant repayments of borrowings in the year to date, management decided to reduce the facility to US$50 million total capacity so as to restrict ongoing facility costs.

Further details of the Company's financial resources and debt facilities are given in the Q3 2010 Management's Discussion and Analysis.

7. Equity Share Capital

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

The share capital of the Company comprises one "A" share of £50,000 and 176,570,310 ordinary shares of US$0.10 each. The "A" share has no special rights.

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

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

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

8. Share-Based Payments

Share Option Plans

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

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

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

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

As at 30 September 2010, the Company has granted 13,937,500 options under the Serica 2005 Option Plan, 12,864,500 of which are currently outstanding. 5,195,000 of the 12,864,500 options currently outstanding under the Serica 2005 Option Plan are exercisable only if certain performance targets being met. These include 2,175,000 options awarded to executive directors in January 2010.

The Company calculates the value of share-based compensation using a Black-Scholes option pricing model (or other appropriate model for those Directors' options subject to certain market conditions) to estimate the fair value of share options at the date of grant. The estimated fair value of options is amortised to expense over the options' vesting period. US$233,000 has been charged to the income statement in the three month period ended 30 September 2010 (three month period ended 30 September 2009: US$206,000) and a similar amount credited to other reserves. The total Q1 2010 charge of US$501,000 includes an amount of US$201,000 in respect of the modification in December 2009 of certain options whose exercise period was extended by five years.

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

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

Serica BVI Option Plan	**Number**	**WAEP Cdn$**
Outstanding at 31 December 2008	2,322,500	1.53
Expired during the year	(347,500)	2.00
Outstanding at 31 December 2009	1,975,000	1.45
Expired during the period	(75,000)	1.00
Outstanding as at 30 September 2010	1,900,000	1.47
Serica 2005 Option Plan		**£**
Outstanding at 31 December 2008	8,479,000	0.87
Granted during the year	750,000	0.32
Cancelled during the year	(557,000)	0.87
Outstanding at 31 December 2009	8,672,000	0.82
Granted during the period	4,203,500	0.68
Outstanding at 31 March 2010	12,875,500	0.77
Exercised during the period	(52,000)	0.32
Granted during the period	250,000	0.65
Cancelled during the period	(209,000)	0.88
Outstanding at 30 June and September 2010	12,864,500	0.77

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

9. Taxation

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

Nine months ended 30 September:	2010 US$000 (unaudited)	2009 US$000 (unaudited)
Current income tax charge	(876)	(202)
Deferred income tax charge	(3,537)	-
Total tax charge	(4,413)	(202)

10. Publication of Non-Statutory Accounts

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

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