SERICA ENERGY PLC

THIRD QUARTER 2008 REPORT TO SHAREHOLDERS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial and operational results of Serica Energy plc and its subsidiaries (the "Group") contains information up to and including 26 November 2008 and should be read in conjunction with the attached unaudited interim consolidated financial statements for the period ended 30 September 2008. The interim financial statements for the three and nine months ended 30 September 2008 have been prepared by and are the responsibility of the Company's management. The interim financial statements for the nine months ended 30 September 2008 and 2007 have been reviewed by the Company's independent auditors. Serica's activities are centred on the UK and Indonesia, with other interests in Vietnam, Ireland and Spain.

References to the "Company" include Serica and its subsidiaries where relevant. All figures are reported in US dollars ("US$") unless otherwise stated.

MANAGEMENT OVERVIEW

Corporate Highlights

The third quarter of 2008 has seen dramatic changes in the economic climate brought about by the global credit crunch followed by the onset of recession in the Western economies, a decline in the value of sterling and a precipitate fall in the price of crude oil.

The resultant market uncertainty has led to a major withdrawal of capital from both the equity and the debt markets and consequential substantial falls in company share prices throughout the sector. Serica's own share price has fallen from 92p (Cdn$1.82) at the beginning of the period to 33p (Cdn$0.66) on 26 November, valuing the Company at £58 million (Cdn$116 million).

These market upheavals challenge the strategies and objectives of all companies, including those operating in the oil and gas sector, but clearly do not reflect Serica's underlying business which remains strong. The Company's focus on gas resources in its two areas of operations, North West Europe and Indonesia, makes Serica less exposed to volatile oil prices whilst its policy to limit its exploration programme to target material prospects, and to lay off its risk by farming out these prospects, has protected its capital resources at a time when funding is a major issue in the sector. These farm-outs and asset sales have demonstrated the quality and value of Serica's underlying assets.

Serica therefore believes that it is better placed than many to withstand the pressures that are now being felt in the market. The Company has the finances to meet its planned exploration and development programme. The value of its core assets has been demonstrated by the third quarter sale of a 15% interest in the Glagah-Kambuna Technical Assistance Contract ("the Kambuna TAC") in Indonesia which has also resulted in the Company booking a US$36.6 million profit for the quarter. The potential of the Company's exploration projects has been endorsed by the farm-out terms achieved and new projects, such as the Columbus field development, are in the pipeline.

In the third quarter, the Company received an unsolicited proposed all-paper offer for the Company. The terms, in the unanimous opinion of the Board, did not reflect the value or potential of the Company's assets and were therefore rejected.

On 30 October, Serica announced the appointment of Peter Sadler as Chief Operating Officer. Mr Sadler has extensive international experience both as a petroleum engineer and as an executive in upstream exploration and production operations in the UK, the Middle East, Indonesia and Australia. Mr Sadler was appointed a director of the

Company on 27 November 2008. The appointment strengthens considerably the executive resources at Board level and will enable the Chief Executive to devote more time to strategic issues at a time of great opportunity for the Company.

Operational Summary

During the third quarter Serica strengthened its financial position and accelerated material asset return upon the completion of the sale of a 15% interest in the Kambuna TAC in Indonesia. The transaction generated a US$36.6 million profit and cash proceeds of US$52.7 million were received in the quarter.

Progress on field development was made in both the UK, through the submission of the Columbus Field Development Plan ("FDP"), and in Indonesia, from further efforts on Serica's retained 50% interest in the Kambuna field development. During the third quarter and to date in 2008, Serica has also demonstrated its ability for organic growth through the acquisition of new acreage with the award of the East Seruway PSC in Indonesia and three new licences in the UK 25th Licensing Round. The Company has recently completed the disposal of its non core business in Norway and, in line with its operational strategy, has announced farm-outs in the UK and Ireland that have a beneficial impact in the near term by significantly reducing the funding requirement for Chablis appraisal drilling and for exploration drilling in Ireland in 2009.

Asset Sales

Indonesian asset sales

In July the Company announced that it had reached agreement with Salamander Energy plc for the sale of a 15% interest in the Kambuna TAC and a 23.4% interest in the Kutai Production Sharing Contract ("the Kutai PSC").

The Kambuna TAC transaction completed on 28 August. The consideration received by Serica was US$52.7 million and a profit of US$36.6 million was generated through this partial sale. Serica's interest in the Kambuna TAC is now 50% with Salamander holding the remaining 50%. The transaction valued Serica's original 65% interest in the Kambuna TAC at US$228 million, at that time equivalent to £125 million (Can$240 million). As part of the agreement, Salamander has assumed the operating responsibilities under the Kambuna TAC. Completion of the separate Kutai transaction is subject to certain approvals and consents, including that of the Indonesian government, but Salamander is already contributing its 30% share of the gross costs of the Kutai PSC.

These Indonesian asset sales demonstrate the viability of our strategy of creating and then realising a portion of the shareholder value added through the drillbit. In addition, from next year we expect significant cash flow from our retained 50% interest in the Kambuna field.

Norwegian disposal

In June, the Company reached agreement with Spring Energy Norway AS ("Spring") for the sale of Serica's Norwegian subsidiary, Serica Energy Norge AS, which holds all of Serica's interests in Norway, comprising a 20% working interest in Norwegian offshore licences PL406 and PL407. Following the receipt of the required Norwegian government approvals, the transaction completed on 19 November and the base consideration, which provided for payment in respect of past costs relating to the blocks, has been received. The total consideration includes a contingent cash payment to reflect the value of the Bream Field at the time that the field is brought onto production. Under the terms of the transaction Serica has therefore retained a significant part of the upside value of the

Bream field without being exposed to further appraisal and development costs or to the commitment of additional resources.

Field Appraisal and Development

Kambuna Field, Offshore North Sumatra, Indonesia

Development drilling and testing

Major progress has been made in 2008 on development activities in the Kambuna field and this continued through the third quarter. Earlier in the year the Kambuna field production platform was installed and three development wells were drilled and tested with very positive results. The total maximum stabilised gas rate from the three wells was 114 million standard cubic feet per day ("mmscfd"), together with an estimated 8,000 barrels per day ("bpd") of condensate. This rate is considerably higher than expected and exceeds the initial sales gas target of 50 mmscfd by a significant margin.

During 3Q and 4Q to date, work has continued on the installation of the onshore section of the 14-inch pipeline and the onshore receiving facilities, while preparations for the offshore pipelay are underway. The pipeline is targeted to be commissioned for production by the end of 1Q 2009, with full production expected to be reached in 3Q 2009. This three month slippage of the start of production to the end of 1Q 2009 has been largely caused by delays in obtaining access to Pertamina's facilities at Pangkalan Brandan, where the onshore reception facility is being constructed.

Sales contracts
In May 2008, heads of agreement of the commercial terms for the sale of 28 mmscfd of gas from the Kambuna field to the state electricity generator, PT Perusahaan Listrik Negara ("PLN") and 12 mmscfd to PT Pertiwi Nusantara Resources ("Pertiwi") were formally signed. The contract with PLN will realise an initial price of approximately US$5.40 per thousand standard cubic feet ("mcf") escalating at 3% per annum. The contract with Pertiwi will realise an initial price of approximately US$7 per mcf, escalating at 3% per annum. In addition to these contracts, the Company expects that a third contract will be negotiated to bring total contracted gas sales to 50 mmscfd. In addition to the gas, the field is also expected to produce 4,000-5,000 bpd of condensate which is expected be sold at a price close to that of light crude oil.

Columbus Field, UK Central North Sea

In October 2008, Serica as operator of UK Block 23/16f in the UK Central North Sea, submitted the Field Development Programme ("FDP") for the Columbus field to the UK government. Engineering studies have been carried out in cooperation with neighbouring infrastructure operators and the Columbus FDP envisages production via a subsea tie-back to the BP operated Eastern Trough Area Project ("ETAP"), although the final gas and condensate transportation arrangements are subject to commercial negotiations and development is subject to the approval of the Columbus FDP by the UK government.

Serica understands that two wells will shortly be drilled in the north of Block 23/21, which lies immediately south of Serica's Block 23/16f and may contain an extension of the Columbus field. If the results of these wells confirm the extension of the field, Serica intends to discuss with the Block 23/21 partners the possible joint development of Columbus, to exploit the full potential lying in both blocks.

Chablis Field, UK Southern North Sea

Serica operates Block 48/16b, which contains the Chablis gas discovery, and held a 100% interest in the block. In September Serica announced an agreement with Hansa Hydrocarbons Limited ("Hansa") for Hansa to farm-in to Serica's UK licences covering

Block 48/16b and Block 48/17d (the "Licences") in the Southern North Sea, and the transaction has now completed. Under the terms of the farm-out agreement, Hansa will earn a 35% working interest in the Licences in return for contributing to past costs and funding 56% of the majority of the cost of a well to appraise the Chablis discovery. Following completion Serica remains as operator and retains the remaining 65% working interest in the Licences.

A site survey over Chablis was completed in preparation for drilling, and Serica contracted the Northern Offshore Energy Enhancer jack-up rig to drill the well. Due to slippage in delivery of the rig to Serica, caused by overruns on another operator's well, the rig may not now be available until December.

The well will appraise the gas-bearing Permian Leman sandstone reservoir encountered in well 48/16a-2, drilled in 2002, and is located approximately two kilometres to the east of the earlier well. The Leman sandstone is the reservoir for the numerous producing gas fields adjacent to the Licences. The field is in close proximity to existing production infrastructure and, if successful, would be produced via a sub-sea tie-back to a host platform to achieve the earliest possible production from the field.

Exploration

Indonesia

Kutai
Serica is the operator of the Kutai PSC in East Kalimantan and currently holds a 78% interest (reducing to 54.6% after completion of the transaction with Salamander Energy). During 3Q 2008, the Company completed the acquisition of new 3D seismic data. In the onshore part of the PSC, Serica is currently carrying out a 2D seismic survey. Discussions with rig contractors are underway to secure drilling capability for a programme which envisages two exploration wells in 2009.

East Seruway
In October, Serica was awarded the East Seruway Production Sharing Contract ("PSC") offshore north Sumatra, Indonesia. The East Seruway PSC covers approximately 5,864 sq km (2,264 sq miles) of the offshore North Sumatra Basin, Indonesia. Serica will be the operator of the PSC and will hold a 100% interest in the Block. The PSC adjoins Serica's Kambuna TAC to the east and extends northwards to the Indonesia-Malaysia border in the Malacca Straits. Serica has a detailed regional understanding of the offshore North Sumatra Basin having been a PSC operator there since 2003 and, in the past year, having carried out a study of all of the available data on the East Seruway Block for the Indonesian government. The Company will acquire a new seismic survey and drill an exploration well in the Block during the initial three year term of the PSC.

Vietnam

Serica holds a 33.33% interest in the Block 06/94 PSC, which is operated by Pearl Energy and lies in the Nam Con Son Basin about 350 kilometres offshore South Vietnam. The Ocean General semi-submersible drilling rig has been contracted and is now expected to commence drilling the first exploration well in 2Q 2009. A second 1,000 square kilometre 3D seismic survey on the Block was successfully completed in June 2008 and processing has begun to evaluate further the prospectivity of the acreage.

Ireland

Serica is the operator and holds a 100% interest in Blocks 27/4, 27/5 (west) and 27/9, (collectively "Licence PEL 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, currently being developed by Shell.

In September 2008, Serica reached agreement with RWE Dea AG ("RWE") to farm-out a 50% interest in Licence PEL 01/06. Completion is subject to the receipt of the required Irish government approvals.

Serica has identified four prospects lying in Licence PEL 01/06, two of which exhibit strong amplitude anomalies and are ready to drill. Each of the prospects, if successful, has the potential to contain up to one trillion cubic feet of gas. Ireland has immediate and long-term needs for local gas supplies as it currently imports the bulk of its gas needs. Any sizeable discovery in the blocks would be of major importance to Ireland's energy supplies.

Under the terms of the farm-out agreement, RWE will earn a 50% working interest in Licence PEL 01/06 in return for contributing the bulk of the cost of drilling the first well under the Licence, scheduled for the second quarter of 2009. Serica will remain as operator and retains the remaining 50% working interest in the licence.

To meet this drilling programme Serica had contracted the Northern Offshore Arctic II semi-submersible drilling rig to drill the first well. However, Northern Offshore recently announced that it has terminated its agreement to acquire the rig from Transocean Inc. due to current conditions in the financial markets. Given the present state of the rig market, Serica does not anticipate any difficulty in securing an alternative rig and expects to be able to negotiate terms that will reduce the cost of the well. The well will test the Triassic Sherwood sandstone reservoir expected to be encountered in the blocks and will be drilled on the Bandon prospect. The Sherwood sandstone is the gas-bearing reservoir in the Corrib field.

East Irish Sea

Serica was awarded a 100% interest in 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 - one of the UK's largest gas fields. Serica has identified two Sherwood sand gas prospects, Conan and Doyle, and is currently looking at opportunities to obtain a rig slot to drill Conan in 2009. The potential of Conan could be as much as one trillion cubic feet of gas and the prospect lies at a depth of around 5,000 feet. Any discovery here is likely to be economically attractive, as the prospect lies in shallow water and within easy reach of existing infrastructure.

Spain

Serica holds a 75% interest and operatorship in its four exploration Permits onshore northern Spain. The 315 kilometre 2D seismic survey, which commenced in 2007, was completed in the first quarter and the gas prospects identified on the Permits are being evaluated, with a view to making a decision on drilling in 2009.

UKCS 25th Round

In the recently announced UK 25th Offshore Licensing Round, Serica was offered interests in three blocks: Block 110/2d in the East Irish Sea, Block 48/16a (part) in the Southern North Sea and Block 15/21e (split) in the Central North Sea. The work programmes for these licences include seismic reprocessing but there are no firm well commitments.

Block 15/21e (split) lies in the Central North Sea and Serica will have a 30% interest. The block lies immediately west of the Scott field and contains a potentially significant extension to the existing Jurassic oil discovery in well 15/21a-38. The licence operator will be a subsidiary of Encore Oil plc.

Block 48/16a (part) lies in the Southern North Sea and Serica will operate the licence. The block lies immediately west of Serica's Chablis field, in which appraisal drilling will shortly commence, and the field, if proven, may extend into the new licence. Serica will initially have a 100% interest, but this may be reduced to 65% under the terms of a farm-out agreement. Serica presently holds a 65% operated interest in the Chablis field in Blocks 48/16b and 48/17d.

Block 110/2d lies in the East Irish Sea adjacent to the Morecambe gas field and five kilometres south of Serica's Blocks 113/26b and 113/27c which contain the Conan and Doyle prospects. Serica will operate the licence with a 100% interest.

Forward Programme

Serica's priority for the remainder of 2008 and into 2009 is to progress the Kambuna field development programme in Indonesia, which will include laying the offshore and onshore pipelines and advancing the construction of the required onshore gas and condensate reception facilities, and to move the Columbus field in the UK closer to field development status.

The third quarter sale of an interest in the Kambuna TAC strengthened the Company's balance sheet with additional cash resources without materially reducing the revenues expected from future production. The submission of the Columbus FDP is a big step towards the development of the field and demonstrates the progress being made in our strategy for organic growth, by increasing the value of reserves that Serica has discovered through its own exploration efforts.

Serica's exploration programme is aimed at bringing forward the drilling of existing prospects where we see high potential to improve shareholder value. The drilling programme scheduled for the next nine months includes the Chablis well in the Southern North Sea, the first to be drilled, followed by the Bandon prospect in Ireland and the Conan prospect in the East Irish Sea. With interests of at least 50% in each of these prospects, Serica's aim is to unlock further value in its core offshore Western Europe portfolio. In 2009 the Company also expects to drill wells in Indonesia and Vietnam.

Given its considerably enhanced financial position, which includes US$74.4 million available cash as at 30 September 2008 and also a US$100 million Senior Debt facility for development expenditure, of which only approximately US$34 million has been drawn to date, the Company is well positioned to exploit its portfolio of exploration prospects. It is also in a good position to expand its business by taking advantage of new opportunities as they arise in the sector and to enhance shareholder value.

Results of Operations

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").

Serica earned a profit of US$33.5 million for the three months ended 30 September 2008 ("Q3 2008") compared to a profit of US$1.2 million for the three months ended 30 September 2007 ("Q3 2007").

	2008	2008	2008	2007	2007	2007	2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Sales revenue	-	-	-	-	-	-	-
Expenses:							
Administrative expenses	(1,832)	(2,447)	(1,973)	(2,665)	(1,658)	(1,728)	(1,846)
Foreign exchange (loss)/gain	(677)	88	(55)	384	31	(36)	15
Pre-licence costs	(65)	(813)	(188)	(74)	(76)	(124)	(101)
Asset write offs	-	-	(375)	(9,282)	-	-	-
Share-based payments	(465)	(581)	(375)	(514)	(485)	(464)	(499)
Depletion and depreciation	(38)	(35)	(58)	(63)	(34)	(26)	(26)
Operating loss before finance revenue and taxation	(3,077)	(3,788)	(3,024)	(12,214)	(2,222)	(2,378)	(2,457)
Profit on disposal	36,626	-	-	-	-	-	-
Finance revenue	630	298	576	498	663	791	862
Finance costs	(752)	(785)	(878)	(321)	-	-	-
Profit/(loss) before taxation	33,427	(4,275)	(3,326)	(12,037)	(1,559)	(1,587)	(1,595)
Taxation credit/(charge)	89	-	-	353	2,796	-	-
Profit/(loss) for the period	33,516	(4,275)	(3,326)	(11,684)	1,237	(1,587)	(1,595)
Basic and diluted loss per share	N/A	(0.02)	(0.02)	(0.08)	N/A	(0.01)	(0.01)
Basic earnings per share	0.19	N/A	N/A	N/A	0.01	N/A	N/A
Diluted earnings per share	0.19	N/A	N/A	N/A	0.01	N/A	N/A

Administrative expenses of US$1.8 million for Q3 2008 increased from US$1.7 million in Q3 2007, but decreased from US$2.4 million in the previous quarter. The decrease of US$0.6 million from the previous quarter can be largely attributed to a drop in US$ equivalent of those general administrative costs incurred in £ sterling, as the US$ strengthened in the quarter, and a lower level of corporate costs. The Company's activities and employee numbers have also increased over the past twelve months, albeit less significantly than from 2006 to 2007.

Foreign exchange losses were incurred during Q3 2008 following the strengthening of the US$ against the £ sterling and the Norwegian Kroner, and its impact on the US$ equivalent of cash deposits and other recoverables denominated in those currencies. No significant foreign exchange movements impacted results in Q2 2008 or Q3 2007.

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 2008 was similar to the charge for the same period last year. However, this charge fell significantly from the Q2 2008 expense of US$0.8 million when significant work was undertaken on the UK 25th Licencing Round from which the Company has recently been awarded interests in three licences.

Share-based payments of US$0.5 million reflect share option grants and compare with US$0.6 million for Q2 2008 and US$0.5 million for Q3 2007. The incremental charge generated from further share options granted in March 2008 has generally offset the decline in the charge for options granted in 2005, 2006 and 2007.

Negligible depletion and depreciation charges in all periods represent office equipment and fixtures and fittings. Those costs of petroleum and natural gas properties classified as exploration and evaluation assets are not currently subject to such charges pending further evaluation. The balance of Kambuna development costs is held within plant, property and equipment and will be depleted once production commences.

In August 2008 the Company completed the sale of a 15% interest in the Glagah Kambuna TAC to a subsidiary of Salamander Energy plc ('Salamander') for consideration of US$52.7 million including working capital. This disposal generated a profit of US$36.6 million after deducting the relevant proportional element of book development costs.

Finance revenue comprising interest income of US$0.6 million for Q3 2008 compares with US$0.7 million for Q3 2007 and US$0.3 million for Q2 2008. The increase from Q2 2008 is due to the higher average cash balances held following the completion of the Kambuna part disposal and as interest income was earned on the consideration proceeds from the effective transaction date of 1 July 2008 to the completion date of 28 August 2008.

Finance costs consist of interest payable, issue costs spread over the term of the bank loan facility, and other fees. The first drawdown on the senior secured debt facility occurred soon after the facility was arranged in Q4 2007 and a second drawdown occurred in June 2008.

The net taxation credit was US$0.1 million in Q3 2008 and US$2.8 million in Q3 2007.

The net earnings per share of US$0.19 for Q3 2008 compares to US$0.01 for Q3 2007. The significant increase was due to the profit generated on the partial disposal of the Kambuna field interest.

Summary of Quarterly Results

Quarter ended:	2008 30 Sep US$000	2008 30 Jun US$000	2008 31 Mar US$000	2007 31 Dec US$000	2007 30 Sep US$000	2007 30 Jun US$000	2007 31 Mar US$000	2006 31 Dec US$000
Sales revenue	-	-	-	-	-	-	-	-
Profit/(loss) for the quarter	33,516	(4,275)	(3,326)	(11,684)	1,237	(1,587)	(1,595)	(13,456)
Basic and diluted loss per share US$	-	(0.02)	(0.02)	(0.08)	-	(0.01)	(0.01)	(0.09)
Basic earnings per share US$	0.19	-	-	-	0.01	-	-	-
Diluted earnings per share US$	0.19	-	-	-	0.01	-	-	-

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

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

The fourth quarter 2006 loss includes asset write offs of US$12.7 million in regard to the Asahan Offshore PSC.

Working Capital, Liquidity and Capital Resources

Current Assets and Liabilities

An extract of the balance sheet detailing current assets and liabilities is provided below:

	30 September 2008 US$000	30 June 2008 US$000	31 March 2008 US$000	31 December 2007 US$000
Current assets:				
Inventories	3,840	4,313	6,051	6,991
Trade and other receivables	10,135	10,885	22,076	21,906
Taxation receivable	3,200	3,620	3,387	3,387
Financial assets	-	4,680	-	-
Cash and cash equivalents	74,424	42,151	50,931	22,638
Total Current assets	91,599	65,649	82,445	54,922
Less Current liabilities:				
Trade and other payables	(9,038)	(16,349)	(28,979)	(23,604)
Financial liabilities	(33,835)	(34,662)	-	-
Net Current assets	48,726	14,638	53,466	31,318
Assets held for sale	9,378	7,331	-	-
Liabilities associated with assets held for sale	(4,899)	(4,707)	-	-

At 30 September 2008, the Company had net current assets of US$48.7 million which comprised current assets of US$91.6 million less current liabilities of US$42.9 million, giving an overall increase in working capital of US$34.1 million in the three month period.

Inventories decreased from US$4.3 million to US$3.8 million over the period as further materials were utilised in the Kambuna drilling programme and the Company reduced its working interest in the joint venture balances held.

Trade and other receivables at 30 September 2008 totalled US$10.1 million, and included significant amounts due from the Kutai disposal (US$2.7 million) and Chablis farmout (US$1.6 million) which have been recovered since the period end. Other amounts include recoverable amounts from partners in Joint Venture operations in the UK and Indonesia, prepayments and sundry UK and Indonesian working capital balances. The tax receivable represents expected recovery of exploration expenditure from the Norwegian fiscal authorities.

The US$4.7 million of restricted cash deposits, classified as financial assets as at Q2 2008, are now included within cash and cash equivalents as at Q3 2008 as the applicable restrictions for use were lifted during the quarter.

Cash and cash equivalents increased from US$42.2 million to US$74.4 million in the quarter. The Company received US$52.7 million from the Kambuna disposal, offset by cash outgoings in Q3 2008 covering significant capital expenditure on the Kambuna development, operational expenses and other exploration work. In addition cash receipts of US$0.3 million of interest income were received in the quarter.

Trade and other payables of US$9.0 million at 30 September 2008 chiefly include trade creditors and accruals arising from preparatory work on the Chablis appraisal well and Columbus Field Development Plan in the UK, and other liabilities from the Kambuna project. Other smaller items include sundry creditors and accruals for administrative expenses and other corporate costs. Amounts payable have fallen by US$7.3 million from Q2 2008 as significant liabilities in respect of the Kambuna drilling programme, which completed in June 2008, have been settled.

Financial liabilities are represented by the first drawdown of approximately US$9 million under the senior secured debt facility, which occurred in Q4 2007, and second drawdown of US$25 million in June 2008. The total includes accrued interest payable and is disclosed net of the unamortised portion of allocated issue costs.

Assets held for sale and associated liabilities

The assets and liabilities recorded as at 30 June and 30 September 2008 in respect of the Norwegian licence interests being sold, are classified as part of a disposal group held for sale. Assets held for sale of US$9.4 million chiefly comprise Norwegian expenditure previously capitalised as exploration and evaluation assets, and liabilities of US$4.9 million chiefly represent deferred tax liabilities associated with those assets recognised. These assets and associated liabilities are disclosed separately on the Balance Sheet. The Norwegian disposal completed on 19 November 2008 and the cash proceeds and payment reimbursements due in respect of the disposal group have been received in full.

Long-Term Assets and Liabilities

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

	30 September 2008 US$000	30 June 2008 US$000	31 March 2008 US$000	31 December 2007 US$000
Exploration and evaluation assets	80,549	78,285	75,393	71,874
Property, plant and equipment	54,121	58,732	39,274	19,543
Goodwill	679	768	768	768
Financial assets	-	-	4,680	4,680
Long-term other receivables	3,893	3,508	2,382	1,224
Financial liabilities	-	-	(9,829)	(9,582)
Deferred income tax liabilities	(434)	(523)	(4,589)	(3,910)

During Q3 2008, total investments in petroleum and natural gas properties, represented by exploration and evaluation assets, increased by US$2.3 million to US$80.6 million. The increase comprised investment of US$5.3 million partially offset by disposal proceeds and back costs received from Kutai and Chablis. Of the total Q3 2008 investment of US$5.3 million; in Southeast Asia, US$1.2 million was incurred in Vietnam and US$2.8 million was incurred on seismic, exploration work and G&A on the Kutai concession in Indonesia. In the UK & NW Europe, US$1.2 million of expenditure was incurred in the UK and Ireland on exploration work and G&A, including the Columbus FDP and site survey cost on the Chablis discovery. US$0.1 million of expenditure related to Spain.

The US$4.6 million decrease in property, plant and equipment from US$58.7 million to US$54.1 million is caused by a deduction of the proportionate share of Kambuna book costs (as at the effective date of the disposal of the part interest of 15%), partially offset by expenditure of US$8.9 million during the quarter on the Kambuna development. The property, plant and equipment also includes immaterial balances of US$0.3 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 following the partial disposal of the Kambuna interest.

Long-term other receivables of US$3.9 million represented value added tax (“VAT”) on Indonesian capital spend, which would be recovered from future production.

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

The retained deferred income tax liability of US$0.4 million arises in respect of certain capitalised assets retained in the group. Liabilities previously recognised as arising from capitalised Norwegian exploration and evaluation assets were reclassified at Q2 2008 as part of the disposal group held for sale noted above.

Shareholders’ Equity

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

	30 September 2008 US$000	30 June 2008 US$000	31 March 2008 US$000	31 December 2007 US$000
Total share capital	207,633	207,633	207,452	158,871
Other reserves	15,150	14,685	14,104	13,729
Accumulated deficit	(30,770)	(64,286)	(60,011)	(56,685)

Total share capital includes the total net proceeds (both nominal value and any premium on the issue of equity capital). Issued share capital during Q1 2008 was increased by the issue of 19,826,954 ordinary shares at £1.02 and 4,943,400 at Cdn$2.10, and during Q2 2008 increased by the issue of 100,000 ordinary shares at Cdn$1.80 following the exercise of options.

Other reserves mainly include amounts credited in respect of cumulative share-based payment charges. The increase in other reserves from US$14.7 million to US$15.2 million reflects the amortisation of share-based payment charges in Q3 2008.

Capital Resources

At 30 September 2008, Serica had US$48.7 million of net working capital, no long-term debt and no capital lease obligations. At that date, the Company had commitments to future minimum payments under operating leases in respect of rental office premises, office equipment and motor vehicles for each of the following periods/years as follows:

	US$000
31 December 2008	95
31 December 2009	389
31 December 2010	83

During the third quarter 2008 the Company contracted the Northern Offshore Energy Enhancer jack-up drilling rig to drill the Chablis well. As at 30 September 2008 the Company had a commitment for 38 days at a gross cost of US$7.6 million. Serica’s net share of these costs is expected to reflect its paying interest of 44%. During the quarter the Company also contracted the Northern Offshore Arctic II semi-submersible drilling rig for use in 2009 on Irish operations, and had this commitment as at 30 September 2008. However, since the period end, Northern Offshore was unable to complete the acquisition of the rig and the contract has been terminated. The Company has been fully released from the commitment.

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 twelve months as follows:

Twelve months ending 30 September 2009 US$7,252,000

These obligations reflect the Company's share of interests in the defined work programmes and were not formally contracted at 30 September 2008. The Company is not obliged to meet other joint venture partner shares of these programmes.

In the absence of revenues generated from oil and gas production Serica intends to utilise its existing cash balances together with the remainder of the US$100 million senior secured debt facility, to fund the immediate needs of its investment programme and ongoing operations.

Off-balance Sheet Arrangements

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

Critical Accounting Estimates

The Company's principal accounting policies are detailed in note 2 to the attached financial statements. International Financial Reporting Standards have been adopted. The cost of exploring for and developing petroleum and natural gas reserves are capitalised. Unproved properties are subject to periodic impairment tests whilst the costs of proved properties are depleted over the life of such producing fields. In each case, calculations are based upon management assumptions about future outcomes, product prices and performance.

Financial Instruments

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

> Serica has exposure to interest rate fluctuations; given the level of expenditure plans over 2008/9 this is managed in the short-term through selecting treasury deposit periods of one to six months. Cash and treasury credit risks are mitigated through spreading the placement of funds over a range of institutions each carrying acceptable published credit ratings to minimise counterparty risk.
>
> Where Serica operates joint ventures on behalf of partners it seeks to recover the appropriate share of costs from these third parties. The majority of partners in these ventures are well established oil and gas companies. In the event of non payment, operating agreements typically provide recourse through increased venture shares.
>
> Serica retains certain cash holdings and other financial instruments relating to its operations, limited to the levels necessary to support those operations. The US$ reporting currency value of these may fluctuate from time to time causing reported foreign exchange gains and losses.

It is the 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 2008, the following director and employee share options were outstanding: -

	Expiry Date	Amount	Exercise cost Cdn$
Share options	Feb 2009	247,500	495,000
	May 2009	100,000	200,000
	Dec 2009	275,000	275,000
	Jan 2010	600,000	600,000
	Jun 2010	1,100,000	1,980,000
			Exercise cost £
	Nov 2010	561,000	544,170
	Jan 2011	1,275,000	1,319,625
	May 2011	180,000	172,800
	June 2011	270,000	259,200
	Nov 2011	120,000	134,400
	Jan 2012	1,056,000	1,077,120
	May 2012	405,000	421,200
	August 2012	1,200,000	1,182,000
	March 2013	1,812,000	1,359,000
	March 2013	850,000	697,000

Business Risk and Uncertainties

Serica, like all exploration 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: volatile commodity prices; access to credit; governmental regulations; and environmental matters. In addition to the 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 on the assumption that the Company will be able to realise its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company currently has no operating revenues. During the three month period ended 30 September 2008 the Company generated a profit of US$33.5 million from continuing operations. At 30 September 2008, the Company held cash and cash equivalents of US$74.4 million.

Outstanding Share Capital

As at 26 November 2008, the Company had 176,518,311 ordinary shares issued and outstanding.

Additional Information

Additional information relating to Serica, including the Company's annual information form, 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

28 November 2008

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. Serica undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable laws.

Serica Energy plc

Consolidated Group Income Statement

Unaudited	Notes	Three months ended 30 Sep 2008 US$000	Three months ended 30 Sep 2007 US$000	Nine months ended 30 Sep 2008 US$000	Nine months ended 30 Sep 2007 US$000
Sales revenue		-	-	-	-
Cost of sales		-	-	-	-
Gross profit		-	-	-	-
Administrative expenses		(1,832)	(1,658)	(6,252)	(5,232)
Foreign exchange (loss)/gain		(677)	31	(644)	10
Pre-licence costs		(65)	(76)	(1,066)	(301)
Asset write offs		-	-	(375)	-
Share-based payments		(465)	(485)	(1,421)	(1,448)
Depreciation and depletion		(38)	(34)	(131)	(86)
Operating loss before finance revenue and tax		(3,077)	(2,222)	(9,889)	(7,057)
Profit on disposal	4	36,626	-	36,626	-
Finance revenue		630	663	1,504	2,316
Finance costs		(752)	-	(2,415)	-
Profit / (loss) before taxation		33,427	(1,559)	25,826	(4,741)
Taxation credit for the period	7	89	2,796	89	2,796
Profit / (loss) for the period		33,516	1,237	25,915	(1,945)
Earnings per ordinary share (US$):					
Basic earnings per share		0.19	0.01	0.15	N/A
Diluted earnings per share		0.19	0.01	0.15	N/A
Basic and diluted loss per share		N/A	N/A	N/A	(0.01)

Serica Energy plc
Consolidated Balance Sheet

	Notes	30 Sep 2008 US$000 (Unaudited)	30 June 2008 US$000 (Unaudited)	31 March 2008 US$000 (Unaudited)	31 Dec 2007 US$000 (Audited)
Non-current assets					
Exploration and evaluation assets		80,549	78,285	75,393	71,874
Property, plant and equipment		54,121	58,732	39,274	19,543
Goodwill		679	768	768	768
Financial assets		-	-	4,680	4,680
Other receivables		3,893	3,508	2,382	1,224
		139,242	141,293	122,497	98,089
Current assets					
Inventories		3,840	4,313	6,051	6,991
Trade and other receivables		10,135	10,885	22,076	21,906
Taxation receivable		3,200	3,620	3,387	3,387
Financial assets		-	4,680	-	-
Cash and cash equivalents		74,424	42,151	50,931	22,638
		91,599	65,649	82,445	54,922
Assets held for sale	4	9,378	7,331	-	-
TOTAL ASSETS		240,219	214,273	204,942	153,011
Current liabilities					
Trade and other payables		(9,038)	(16,349)	(28,979)	(23,604)
Financial liabilities		(33,835)	(34,662)	-	-
Non-current liabilities					
Financial liabilities		-	-	(9,829)	(9,582)
Deferred income tax liabilities		(434)	(523)	(4,589)	(3,910)
Liabilities associated with assets held for sale	4	(4,899)	(4,707)	-	-
TOTAL LIABILITIES		(48,206)	(56,241)	(43,397)	(37,096)
NET ASSETS		192,013	158,032	161,545	115,915
Share capital	5	207,633	207,633	207,452	158,871
Other reserves		15,150	14,685	14,104	13,729
Accumulated deficit		(30,770)	(64,286)	(60,011)	(56,685)
TOTAL EQUITY		192,013	158,032	161,545	115,915

Serica Energy plc
Statement of Changes in Equity
For the period ended 30 September 2008

Group	Share capital US$000	Other reserves US$000	Deficit US$000	Total US$000
At 1 January 2008 (audited)	158,871	13,729	(56,685)	115,915
New shares issued (net)	48,581	-	-	48,581
Share-based payments	-	375	-	375
Loss for the period	-	-	(3,326)	(3,326)
At 31 March 2008 (unaudited)	207,452	14,104	(60,011)	161,545
Conversion of options	181	-	-	181
Share-based payments	-	581	-	581
Loss for the period	-	-	(4,275)	(4,275)
At 30 June 2008 (unaudited)	207,633	14,685	(64,286)	158,032
Share-based payments	-	465	-	465
Profit for the period	-	-	33,516	33,516
At 30 September 2008 (unaudited)	207,633	15,150	(30,770)	192,013

Group	Share capital US$000	Other reserves US$000	Deficit US$000	Total US$000
At 1 January 2007 (audited)	157,283	11,767	(43,056)	125,994
Conversion of options	534	-	-	534
Share-based payments	-	499	-	499
Loss for the period	-	-	(1,595)	(1,595)
At 31 March 2007 (unaudited)	157,817	12,266	(44,651)	125,432
Conversion of options	1,054	-	-	1,054
Share-based payments	-	464	-	464
Loss for the period	-	-	(1,587)	(1,587)
At 30 June 2007 (unaudited)	158,871	12,730	(46,238)	125,363
Share-based payments	-	485	-	485
Loss for the period	-	-	1,237	1,237
At 30 September 2007 (unaudited)	158,871	13,215	(45,001)	127,085

Serica Energy plc
Consolidated Cash Flow Statement

Unaudited	Three months ended 30 Sep 2008 US$000	Three months ended 30 Sep 2007 US$000	Nine months ended 30 Sep 2008 US$000	Nine months ended 30 Sep 2007 US$000
Cash flows from operating activities:				
Operating loss	(3,077)	(2,222)	(9,889)	(7,057)
Adjustments for:				
Depreciation and depletion	38	34	131	86
Asset write-offs	-	-	375	-
Share-based payments	465	485	1,421	1,448
Changes in working capital	(2,998)	(3,785)	(533)	(8,815)
Cash generated from operations	(5,572)	(5,488)	(8,495)	(14,338)
Taxes received	-	-	-	-
Net cash flow from operations	(5,572)	(5,488)	(8,495)	(14,338)
Cash flows from investing activities:				
Interest received	300	663	1,174	2,336
Interest paid	(376)	-	(1,176)	-
Proceeds from disposals	52,743	-	52,743	5,000
Purchases of property, plant & equipment	(9,511)	(118)	(47,484)	(155)
Purchases of exploration and evaluation assets	(5,311)	(7,169)	(18,738)	(26,173)
Net cash used in investing	37,845	(6,624)	(13,481)	(18,992)
Cash proceeds from financing activities:				
Loan drawdowns	-	-	25,000	-
Issue of shares (net)	-	-	48,581	-
Proceeds on exercise of warrants/options	-	1,054	181	1,588
Net cash from financing activities	-	1,054	73,762	1,588
Cash and cash equivalents				
Net increase/(decrease) in period	32,273	(11,058)	51,786	(31,742)
Amount at start of period	42,151	56,622	22,638	77,306
Amount at end of period	74,424	45,564	74,424	45,564

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 2008 were authorised for issue in accordance with a resolution of the directors on 28 November 2008.

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 2008 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 2007. 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 2007.

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 2007, except for the adoption of the following new standards and interpretations, noted below,

IFRIC 11 'IFRS2 - Group and Treasury Share Transactions' – Effective for periods starting after 1 March 2007

IFRIC 12 'Service Concession Arrangements' – Effective date 1 January 2008

IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' – Effective date 1 January 2008

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

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Serica Energy Corporation, Serica Energy Holdings B.V., Asia Petroleum Development Limited, Petroleum Development Associates (Asia) Limited, Serica Energia Iberica S.L., Serica Holdings UK Limited, Serica Energy (UK) Limited, PDA

Lematang Limited, APD (Asahan) Limited, APD (Biliton) Limited, Serica Energy Pte Limited, Serica Kutei B.V., Serica Nam Con Son B.V., Serica Glagah Kambuna B.V., Serica East Seruway B.V. and Serica Norge AS. Together, these comprise the "Group".

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

3. Segmental Information

The primary segment reporting format is determined to be geographical segments and they are based on the location of the Group's assets. The Group has only one business segment, that of oil & gas exploration.

The following tables present revenue and profit information regarding the Group's geographical segments for the nine months ended 30 September 2008 and 2007.

Nine months ended 30 September 2008	Indonesia & Vietnam	UK & NW Europe	Spain	Total
	US$000	US$000	US$000	US$000
Revenue	-	-	-	-
Segment and operating loss	(1,407)	(8,438)	(44)	(9,889)

Nine months ended 30 September 2007	Indonesia & Vietnam	UK & NW Europe	Spain	Total
	US$000	US$000	US$000	US$000
Revenue	-	-	-	-
Segment and operating loss	(953)	(5,920)	(184)	(7,057)

4. Asset Disposal and Discontinued Operation

Kambuna asset disposal

In August 2008 the Company completed the sale of a 15% interest in the Glagah Kambuna TAC to a subsidiary of Salamander Energy plc ('Salamander') for consideration of US$52.7 million including working capital. This disposal generated a profit of US$36.6 million after crediting the relevant proportional element of book costs from development assets classified within property, plant and equipment.

Discontinued Operation

In June, the Company reached agreement with Spring Energy Norway AS ("Spring") for the sale of Serica's Norwegian subsidiary, Serica Energy Norge AS, which held all of Serica's interests in Norway, comprising a 20% working interest in Norwegian offshore licences PL406 and PL407. The transaction completed in November 2008 and the base consideration which provided for payment in respect of past costs relating to the blocks, was received in full.

Assets and liabilities held as at 30 June and 30 September 2008 in respect of the Norwegian interests being sold, are classified as part of a disposal group held for sale. Assets held for sale of US$9.4 million chiefly comprise Norwegian expenditure previously capitalised as exploration and evaluation assets, and liabilities of US$4.9 million chiefly represent deferred tax liabilities associated with the assets recognised. These assets and liabilities are disclosed separately on the Balance Sheet. There was no significant net Income Statement impact arising from initial recognition at fair value less costs to sell, although the US$ equivalent of Norwegian Kroner recoverables has fallen during Q3 2008 due to the strengthening of the US$.

There is no significant impact of this disposal group on the Income Statement for the nine months ended 30 September 2008 or 30 September 2007. Cash outflows of the disposal group for the nine months ended 30 September 2008 totalled US$3.7 million (nine months ended 30 June 2007: US$3.1 million) being expenditure incurred on Norwegian exploration and evaluation assets.

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

5. Equity Share Capital

	30 Sep 2008 Number	30 Sep 2008 US$000	31 December 2007 Number	31 December 2007 US$000
Authorised:				
Ordinary shares of US$0.10	250,000,000	25,000	200,000,000	20,000
Ordinary 'A' share of £50,000	1	90	1	90
	250,000,001	25,090	200,000,001	20,090

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

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

Allotted, issued and fully paid:

Group	Number	Share capital US$000	Share premium US$000	Total Share capital US$000
As at 1 January 2008	151,647,957	15,255	143,616	158,871
Shares issued (1)	24,770,354	2,477	46,104	48,581
As at 31 March 2008	176,418,311	17,732	189,720	207,452
Options exercised (2)	100,000	10	171	181
As at 30 June and 30 Sep 2008	176,518,311	17,742	189,891	207,633

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

(2) From 1 April 2008 until 30 June 2008, 100,000 share options were converted to ordinary shares at a price of Cdn$1.80.

6. Share-Based Payments

Share Option Plans

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

Serica Energy Corporation ("Serica BVI") was previously the holding company of the Group but, following the Reorganisation, is now a wholly owned subsidiary of the Company. Prior to the Reorganisation, Serica BVI issued options under the Serica BVI Option Plan and, following the Reorganisation, the Company has agreed to issue ordinary shares to holders of Serica BVI Options already awarded upon exercise of such options in place of the shares in Serica BVI to which they would be entitled. There are currently options outstanding under the Serica BVI Option Plan entitling holders to acquire up to an aggregate of 2,322,500 ordinary shares of the Company. No further options will be granted under the Serica BVI Option Plan.

As at 30 September 2008, the Company had granted 7,984,000 options under the Serica 2005 Option Plan, 7,729,000 of which were outstanding. The Serica 2005 Option Plan will govern all future grants of options by the Company to Directors, officers, key employees and certain consultants of the Group. In October 2008 a further 750,000 options were granted under the Serica 2005 Option Plan.

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.

In December 2005, 330,000 options were awarded to executive directors exercisable only if certain performance targets are met. 110,000 of these were cancelled during Q2 2007. In August 2007, 1,200,000 options were awarded to non-executive directors exercisable only if certain performance targets are met. In March 2008, 850,000 options were awarded to executive directors exercisable only if certain performance targets are met. The Company calculates the value of share-based compensation using a Black-Scholes option pricing model (or other appropriate model for those Directors' options subject to certain performance targets) 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$465,000 has been charged to the income statement in the quarter ended 30 September 2008 and a similar amount credited to other reserves.

The assumptions made for the options granted during 2005, 2006, 2007 and 2008 include a weighted average risk-free interest rate of 6%, no dividend yield and a weighted average expected life of options of three years. The volatility factor of expected market price of 50% used for options granted during 2005 and 2006 was reduced to 40% for options granted in 2007 and 2008.

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

Serica BVI Option Plan	**Number**	**WAEP Cdn$**
Outstanding at 31 December 2007 and 31 March 2008	2,722,500	1.57
Exercised during the period	(100,000)	1.80
Cancelled during the period	(300,000)	1.80
Outstanding at 30 June 2008 and 30 September 2008	2,322,500	1.53

Serica 2005 Option Plan		**£**
Outstanding at 31 December 2007	5,067,000	1.00
Granted during the period	2,662,000	0.77
Outstanding at 31 March, 30 June and 30 September 2008	7,729,000	0.92

750,000 options were granted under the Serica 2005 Option Plan on 30 October 2008.

7. Taxation

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

	For nine months ended 30 September	
	2008	2007
	US$000	US$000
Current income tax credit	1,320	5,216
Deferred income tax credit/(charge)	(1,231)	(2,420)
Total tax credit	89	2,796

In 2008, expected tax recoveries from Norwegian expenditure were recorded as a current income tax credit, which was offset by a deferred income tax charge from the timing differences arising from capitalised exploration expenditure.

8. Subsequent Events

On 14 October 2008 Serica submitted the Field Development Programme (“FDP”) for the Columbus field in the UK Central North Sea to the UK government.

On 21 October 2008 Serica announced that it has been awarded the East Seruway Production Sharing Contract ("PSC") offshore north Sumatra, Indonesia.

On 30 October 2008 Serica announced the appointment of Peter Sadler as Chief Operating Officer.

On 19 November 2008 Serica completed the disposal of Serica Energy Norge AS to Spring Energy Norway AS.

9. Publication of Non-Statutory Accounts

The financial information contained in this interim statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 December 2007. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

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

INDEPENDENT REVIEW REPORT TO SERICA ENERGY PLC

Introduction

We have been engaged by the company to review the condensed interim consolidated financial statements in the report to the shareholders for the nine months ended 30 September 2008 which comprises the consolidated Income Statement, the consolidated Balance Sheet, consolidated Statement of Changes in Equity, consolidated Cash Flow Statement, and related notes 1 to 9. We have read the other information contained in the report to shareholders and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed interim consolidated financial statements.

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

Directors' Responsibilities

The report to shareholders is the responsibility of, and has been approved by, the directors.
As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed interim consolidated financial statements included in this report to shareholders have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed interim consolidated financial statements in the report based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements in the report for the nine months ended 30 September 2008 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP
London
28 November 2008