SERICA ENERGY PLC

INTERIM 2017 REPORT TO SHAREHOLDERS

INTERIM REPORT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

The following Interim Report of the operations and financial results of Serica Energy plc ("Serica") and its subsidiaries (together the "Group") contains information up to and including 27 September 2017 and should be read in conjunction with the unaudited interim consolidated financial statements for the period ended 30 June 2017, which have been prepared by and are the responsibility of the Company's management and have not been reviewed by the Company's independent auditors.

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 in the interim financial statements are presented in accordance with International Financial Reporting Standards ("IFRS").

The Company's shares are listed on AIM in London. Although the Company delisted from the TSX in March 2015, the Company is a "designated foreign issuer" as that term is defined under National Instrument 71-102 - *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers.* The Company is subject to the foreign regulatory requirements of the Alternative Investment Market of the London Stock Exchange in the United Kingdom.

Serica is an oil and gas company with production, development and exploration activities based in the UK, Ireland and Namibia.

CHAIRMAN'S REVIEW

Serica has made substantial progress on all fronts during the first half of 2017 and is reporting strong financial results for the period. Revenue of US$22 million from sales of Erskine oil and gas production has resulted in a profit after tax of US$10.3 million for the period and a period ending cash balance of US$30.7 million after early repayment of US$2.9 million due to BP. With no borrowings or material exploration commitments this results in a strong balance sheet and gives Serica the foundation to extract further value from existing assets as well as to achieve its stated strategy of enhancing value, increasing opportunity and spreading risk through further acquisition.

The Erskine field is Serica's only current source of production and continued its strong performance from the latter part of 2016, producing an average 2,800 boepd net to Serica over the first half of 2017. This was achieved notwithstanding a 10 day shut-in for maintenance in February and a June cut-back in production levels to prepare for further maintenance, this time to clear wax build-up in the Lomond to Everest condensate export pipeline. Production efficiencies for the period remained high at 75% uptime.

Extended pipeline cleaning operations, which included an eight-week production suspension from end July, have resulted in lower production levels for the three months to end September but production restarted during 22 September and is running at initial rates over 2,500 boepd net (rate at 25 September). The reservoir continues to perform strongly and with ongoing maintenance of production and export facilities, particularly focused on improving control of pipeline wax deposits, it is our expectation that good production levels can be maintained through the balance of the year.

Erskine continues to demonstrate its value to the Group. Its material contribution to Serica's cash position is expected to be ongoing and supports Serica's efforts to bring Columbus closer to production. Discussions continue with Shell as operator of both the Lomond platform and the Shearwater platform to determine the best export route for Columbus. This has to take into account both the need to maximise commercial value and to reduce risk as well as meeting the requirement of the OGA to maximise economic recovery. The technical feasibility of development through either route has been fully demonstrated. Commercial terms for the Lomond route are expected to be received from Chrysaor, as the new Lomond operator, as soon as their transaction to take over from Shell, as current operator, has been completed and further commercial terms are expected to be received from Shell in respect of Shearwater. A final decision on the optimum route will depend upon the definitive commercial terms received and, in the case of the Shearwater route, firm commitments from other operators but it is Serica's aim, as Columbus operator, to reach a decision and submit a field development plan for maximising economic recovery of reserves from the area by mid-2018.

Work has also commenced on preparations for drilling the Rowallan well, a sizeable high pressure high temperature prospect located two blocks to the west of Columbus. ENI, the operator of the Rowallan block, is starting site survey operations in October and preparing to place orders for long lead drilling equipment. We are looking forward to the drilling of this well in which the Company has a 15% carried interest. The well remains scheduled to commence drilling in the third quarter of 2018.

The Company is strongly financed with material and growing cash resources currently standing at over US$32 million, a solid and robust income stream from Erskine production, low corporate overheads, production costs around US$15 per boe and material upside potential (Erskine, Columbus, Rowallan). We are confident that this provides shareholders with the opportunity to secure additional rewards from these assets as well as providing the basis upon which the Company will be able to build through further acquisition.

Antony Craven Walker
Executive Chairman
27 September 2017

REVIEW OF OPERATIONS

UK Operations

Production

Central North Sea: Erskine Field – Blocks 23/26a (Area B) and 23/26b (Area B), Serica 18%

All of Serica's production comes from its 18% interest in Erskine, a gas and condensate field located in the UK Central North Sea. Serica's co-venturers are Chevron 50% (operator) and Shell 32%. Erskine fluids are processed and exported via the Lomond platform, which is 100% owned and operated by Shell. In January this year Shell announced a sale of its interests in Erskine and Lomond, subject to certain consents, to Chrysaor Holdings Limited, a private equity-backed oil and gas company. The completion of this sale is expected to take place in the fourth quarter of 2017.

An updated independent audit of the Erskine field confirmed Serica's share of estimated proven plus probable reserves at 3.8 million boe as of 1 January 2017, an increase of 50% from pre-acquisition estimates after adjusting for production.

Production for 1H 2017 averaged 2,800 boe per day net. Between 1 January and 31 May 2017 production was excellent, with a net average of 3,100 boe per day and peaking at over 4,100 boe per day net. This was achieved through high uptime performance from export facilities and good performance from the Erskine wells. During June and July, production was temporarily reduced by approximately 50% to regulate wax deposition in the condensate export pipeline and some wax treatment procedures were carried out.

Following the period end, a planned maintenance programme on the Lomond platform took place in August, coinciding with maintenance activities at the Forties Pipeline System (FPS). As previously announced, the operator also took the opportunity to undertake a chemical clean of the condensate export pipeline to treat wax deposits. Production restart was delayed as the operator of FPS imposed a restriction on production from the field in order to manage the specialist fluids used in the wax treatment process. In addition, an inspection carried out on a caisson on the Lomond platform identified the need for repair work which will be scheduled for the next Lomond planned shut-in.

Erskine was brought back into production during Friday 22 September and rates net to Serica were gradually increased to over 2,500boe/d, with only three out of five wells producing, whilst the impact of the chemical clean is assessed and the treated wax is cleared from the line.

Serica is working with the operators of Erskine and Lomond to implement long-term maintenance solutions, using pigging and chemical treatments, to improve uptime of the export facilities and return to performance levels seen at the beginning of the year.

Development

Central North Sea: Columbus Field – Blocks 23/16f and 23/21a (part), Serica 50%

The Columbus gas condensate field is located in the UK Central North Sea, just north of the Lomond platform, which is the offtake route for production from Serica's Erskine producing interest.

Serica is progressing two development options for Columbus. One option is an extended-reach development well drilled into Columbus from the Lomond platform, located 5 kilometres away. The other option is drilling a subsea well and joining a future Arran development to the Shearwater platform, located 35 kilometres from Columbus.

Studies into drilling an extended reach well from the Lomond platform have been carried out and have successfully demonstrated feasibility and satisfied the Lomond platform operator that it passes their internal HSE and operational requirements. Serica is now working to progress commercial terms with the host operator. This route offers the opportunity to accelerate the first production date by a year or more as it does not require pipelines or subsea equipment, and involves few parties. It brings additional potential benefits of deferring the date of Lomond and Erskine abandonment and attracting further third party fields to the hub.

In parallel, Serica is working with the Arran field operator to appraise the option of tying Columbus into a proposed new pipeline running from Arran to the Shearwater platform. A joint FEED (Front End Engineering Study) between Arran and Columbus is ready to start and discussions on commercial terms are making good progress. The advantage of this route is the opportunity to share capital costs with the Arran owners and share operating costs with the other parties producing over the Shearwater platform. It also involves a shorter drilling programme.

Whichever option is selected, Serica plans to take full advantage of current market conditions and latest drilling and subsea technology to ensure a low-cost, efficient and reliable plan for development. Following an analysis of the commercial terms associated with the two export routes, a field development plan will be submitted to the Oil and Gas Authority.

Exploration

Central North Sea: Rowallan Prospect - Block 22/19c, Serica 15%

Detailed well planning for the Rowallan prospect is underway, with spending on a site survey and long-lead items approved by partners for 2017. A vessel is due to be deployed in early October 2017 to perform a site survey in preparation for drilling in 2018. The prospect is located within Serica's core Central North Sea area, close to Erskine and Columbus. Serica is fully carried on all costs for a well on this high pressure high temperature prospect. There are similarities to the nearby Culzean field, with the well targeting the same age Jurassic/Triassic reservoir sands and a fault-and-dip closed trap.

A discovery could deliver 20 million boe net to Serica (P50 resource estimate), with further upside in the form of two similar prospects, Dundonald and Sundrum, also identified on the block.

East Irish Sea: Blocks 113/22a, 113/26b and 113/27c, Serica 20%

Serica had a 20% non-operated interest in Blocks 113/26b and 113/27c in partnership with Zennor Petroleum. Zennor were unable to secure a partner prior to the licence termination date of 30 April 2017 and, as a result, these blocks were relinquished in Q2 2017.

Serica retains a 20% non-operated interest in Block 113/22a (Licence P2124).

Ireland

Serica has a large presence offshore Ireland and has concentrated on robust structural prospects in areas of proven hydrocarbon systems with discoveries in close proximity. It has no significant financial commitments outstanding on any of its Irish licences and is seeking farm-in partners before committing to drill prospects identified on these licences.

Rockall Basin: Frontier Exploration Licences 1/09 and 4/13, Serica 100%

Serica secured a two-year extension on Licence 4/13 up to the end of November 2018. The licence contains structural prospects Aghla Beg and Aghla More and the overlying stratigraphic prospect Derryveagh. Earlier this year, Serica completed a process to enhance the 3D seismic data over the prospects which has enabled the identification of a fractured basement play within the Aghla Beg prospect. This work has also shown Aghla More to be relatively unfractured and so strengthens the interpretation that it comprises a clastic sedimentary section comparable to nearby Dooish discovery.

Serica estimates P50 prospective resources for these stacked prospects to be in the order of 4tcf of gas and 250 million barrels of condensate.

Serica has recently secured an extension of Licence 1/09 to January 2019. Licence 1/09 contains a large, clearly defined structural prospect, which is also analogous to the Dooish discovery, and Serica is seeking a partner to drill a well ideally as part of the same drilling programme as 4/13.

Slyne Basin: Frontier Exploration Licence 1/06, Serica 100%

Serica has increased its equity from 50% to 100% following the withdrawal of DEA from the licence and has secured a two-year extension to further explore the potential first identified through the Bandon oil discovery drilled in 2009. Serica has commissioned a study to investigate the quality of oil that could be expected in the Boyne prospect and results are due in October.

Serica is seeking to identify a farm-in partner to drill the Boyne oil prospect and take advantage of low drilling and development costs. In the event of a commercial discovery, a swift development could be implemented to achieve an early first oil date. Delivery of the P50 prospective resource estimate of 115 million barrels of oil would result in an attractive economic development at current oil prices.

Namibia

Luderitz Basin: Blocks 2512A, 2513A, 2513B and 2612A (part), Serica 85%

Serica has progressed to the first renewal period of the licence, running until the end of 2018. Seismic re-processing carried out this year fulfilled remaining licence commitments and confirmed the presence of robust amplitude-based seismic anomalies that indicate the potential presence of porous, hydrocarbon-charged reservoir sandstones. The anomalies are optimally located up-dip of the regional proven source rock and lie in relatively shallow (500m) water depth. These prospects are in addition to the large carbonate prospect previously identified, located in deeper water.

Serica is seeking a partner to drill one or more of the prospects located on the licence and are talking to other operators in the area about potentially joining a wider drilling programme offshore Namibia.

Morocco

Sidi Moussa

Serica held 5% working interest and has elected to withdraw from the licence. The licence operator was previously considering a second well, in which Serica retained a back-in option, but decided to seek to undertake an alternative work programme. In view of this decision, the materiality of a 5% interest to Serica and in line with Serica's view of the costs and benefits of retaining an interest, Serica has elected to withdraw.

FINANCIAL REVIEW

The completion of the Erskine acquisition in mid-2015 brought significant oil and gas revenue streams, accelerating the utilisation of Serica's past UK tax losses.

Group profit after tax from continuing operations of US$10.3 million for 1H 2017 compares to a loss of US$2.8 million for 1H 2016. Results for 1H 2016 were adversely impacted by a six-month Erskine field shut-in running until August of that year. Strong well performance and offtake facility uptime, allied to rising commodity prices, delivered a particularly strong Q4 2016 and 1H 2017.

Erskine asset overview

Erskine field production averaged approximately 2,800 boe per day net to Serica in 1H 2017. The Brent oil benchmark averaged over US$52 per barrel in 1H 2017 (2016 year average of US$45 per barrel) whilst UK gas prices rose to over 60 pence per therm in January and averaged over 42 pence across the 1H 2017 period (2016 year average of 35 pence per therm).

Serica's operating costs including transportation and processing were US$14 per boe during 1H 2017, averaging well below annual 2016 levels of US$23 per boe, which were impacted by the shut-in.

Serica's significant UK ring fence tax losses brought forward (approximately US$165 million as at 31 December 2016) from prior periods have been applied to fully shelter Erskine net income from tax payments and are expected to be sufficient to cover future income from the field leaving a surplus available to cover new UKCS sources of income.

Strong net income from Erskine has allowed Serica to continue to rebuild cash resources. As at 26 September 2017, cash balances and term deposits had increased from the period-end balance of US$30.7 million to US$32.3 million.

Results from operations

A summary of the income statement results for continuing operations is given below.

<u>Income statement – continuing operations</u>

Serica generated a 1H 2017 gross profit of US$13.6 million (1H 2016: gross loss US$2.6 million) from its 18% Erskine field interest. Net combined oil and gas production of 507,000 boe in 1H 2017 compared to 194,000 boe for 1H 2016 which was significantly impacted by the extended Erskine field shut-in for four months of that period.

Sales revenues
The Company currently generates all its sales revenue from the Erskine field in the UK North Sea. Serica's condensate allocation is delivered as Forties crude oil and sold in US$ at monthly average spot prices. From 1 October 2016 all of Serica's gas allocation is sold in GB£ at monthly average spot prices. NGLs derived from gas production are sold in US$ at monthly average spot prices for the respective products.

Net Erskine field gas production averaged 9.0 mmscf per day during 1H 2017, while net condensate production averaged 1,312 barrels per day. In the 1H 2016 comparative period, net Erskine field gas production averaged 3.3 mmscf per day together with average net condensate production of 513 barrels per day.

Sales revenues in 1H 2017 from lifted barrels of oil were US$11.9 million (1H 2016: US$5.5 million) at an average realised price of US$51.5/bbl (1H 2016: US$36.6/bbl). Associated NGL products earned additional revenue of US$0.2 million (1H 2016: US$0.1 million).

Sales revenues in 1H 2017 also include a charge of US$0.6 million (1H 2016: US$3.1 million) reflecting the liquids overlift position at 30 June 2017 compared to an underlift position at 31 December 2016. Over/underlifts occur when volumes of oil and NGLs sold exceed/are below volumes produced and movements are classified within revenues.

The 1H 2017 gas production was sold at prices averaging US$5.3 per mscf (1H 2016: US$4.1 per mscf) and generated US$8.7 million (1H 2016: US$2.4 million) of revenue net to Serica. A gas sales contract, under which Serica supplied approximately one quarter of its Erskine gas production at relatively low contract prices (approximately 30 pence per therm in the 2015/6 contract year), terminated on 30 September 2016.

Three NGL products (Propane, Butane and Naphtha) are derived from associated gas production and contributed revenue of US$1.6 million (1H 2016: US$0.8 million) net to Serica.

Cost of sales and depletion charges

Cost of sales is driven by production from the Erskine field and comprises field operating costs and a depletion charge against the asset's net book amount.

The overall 1H 2017 charge of US$8.3 million (1H 2016: US$8.4 million) comprised direct field operating costs of US$7.1 million (1H 2016: US$8.0 million) and non-cash depletion of US$1.2 million (1H 2016: US$0.4 million). The most significant elements of the field operating costs are as follows: Erskine's contribution to the running costs of the Lomond facilities, standalone Erskine field operating costs, other transportation costs for use of the FPS and CATS pipelines, and charges for any necessary surface or sub-surface maintenance work. Operational expenditure continues during periods of field shut-in when no revenue is earned.

The US$0.9 million decrease in field operating costs from 1H 2016 to 1H 2017 is largely due to 1H 2016 expense including exceptional costs incurred to resolve the Lomond/Everest pipeline blockage. Operating costs are billed in GB£ and, following the decline in the strength of GB£ against US$ in June 2016, the reported US$ equivalent figures have reduced during 1H 2017 compared to US$ oil revenue streams.

Depletion charges principally represent the costs of Erskine acquisition spread over the estimated remaining commercial life of the field on a unit of production basis.

Other expenses and income
Other expenditure of US$0.1 million in 1H 2017 (1H 2016: other income of US$0.4 million) represented hedging premium net of gains.

Pre-licence expenditure of US$0.1 million for 1H 2017 remained similar to the 1H 2016 charge of US$0.1 million. Pre-licence costs included direct costs and allocated general administrative costs incurred on oil and gas activities prior to the award of licences, concessions or exploration rights.

Asset write-offs of US$1.5 million in 1H 2017 relate to the relinquished Doyle block and minor exploration and evaluation ("E&E") assets where no further prospectivity is envisaged. The E&E asset impairment charge of US$0.03 million in 1H 2016 comprised minor asset write-offs from licences in Morocco and the UK.

Administrative expenses of US$0.9 million for 1H 2017 were reduced slightly from the 1H 2016 charge of US$1.0 million. The Company continues to see the benefit of cost reductions achieved in 2015. During 2H 2016 and 1H 2017, the weaker average GB£ exchange rate compared to US$ has reduced reported overheads incurred in GB£.

Foreign exchange
Serica retains certain non-US$ cash holdings and other financial instruments relating to its operations. The US$ 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 to the expected expenditures in those currencies. Management believes that this mitigates most of any actual potential currency risk from financial instruments.

Foreign exchange gains of US$0.3 million for 1H 2017 (1H 2016: charge of US$0.4 million) largely reflect an increase in the reported US$ equivalent of GB£ cash balances caused by the strengthening of GB£ against the US$ during the 1H 2017 period. Unrealised gains on the revaluation of GB£ cash balances have been partially offset by realised losses on settlement of GB£ creditors.

Finance revenue of US$0.1 million in 1H 2017 increased from negligible levels in 1H 2016, and consisted of bank interest receivable.

Finance costs of US$0.1 million were incurred in 1H 2017 (1H 2016: US$0.1 million) largely comprising the interest accruing on the liability payable to BP relating to the Erskine acquisition.

The income statement deferred taxation charge of US$0.8 million in 1H 2017 (1H 2016: credit of US$1.1 million) arose from the release of a corresponding deferred tax asset on the Erskine field interest.

Balance Sheet

During 1H 2017, total investments in E&E assets decreased by US$0.5 million from US$53.2 million to US$52.7 million.

The decrease relates to a write-off of US$1.5 million following the relinquishment of the UK licence P1482 (containing the Doyle prospect) in April 2017, partially offset by US$1.0 million of expenditure on the Group's exploration portfolio capitalised in the period.

Additions in the 1H 2017 period have occurred on the following assets. In the UK, US$0.5 million was incurred on the Columbus development and other exploration licences. In Ireland, US$0.2 million was incurred on exploration work on the Rockall licences and US$0.1 million on the Slyne interest. In Africa, US$0.2 million was incurred in respect of the Luderitz basin licence interests in Namibia.

The property, plant and equipment balance of US$7.6 million as at 30 June 2017 entirely comprises the net book amount of the Erskine asset acquisition costs capitalised on completion of the transaction net of depletion charges to-date.

Trade and other receivables at 30 June 2017 totalled US$4.9 million, a decrease of US$1.9 million from the 2016 year-end balance of US$6.8 million. The 30 June 2017 balance included US$2.6 million from June oil, gas and NGL sales. The decrease in the balance from the 2016 year-end is largely due to lower receipts due from June sales compared to the December sales amount of US$4.3 million due at the year-end.

Cash and cash equivalents, and short-term deposits, increased from US$16.6 million to US$30.7 million during 1H 2017. Term deposits are disclosed separately on the face of the balance sheet when their term is greater than three months and they are unbreakable. Operating cash inflows from net Erskine field sales were boosted by strong production levels in the period. The Company elected to pay the third US$2.9 million tranche of Erskine consideration to BP early, in April 2017, whilst other cash outflows were incurred on E&E assets across the portfolio in the UK, Ireland and Namibia, ongoing administrative costs and corporate activity.

Short-term trade and other payables totalled US$4.9 million at 30 June 2017. This balance comprises capital and operational liabilities for the Erskine interest, and other creditors and accruals for E&E asset, corporate and administrative expenditure.

Provisions of US$2.2 million relate to an estimate for certain contingent payments related to savings in field operating costs that may be made to BP under the terms of the Erskine acquisition.

Long-term liabilities of US$2.9 million as at 30 June 2017 comprise the final tranche of Erskine consideration payable to BP on 1 July 2018.

Serica's share of estimated Erskine field decommissioning costs will be met by BP up to a level of GB£31.3 million, adjusted for inflation, with Serica being responsible for any costs beyond that. Serica has recorded no provision for decommissioning liabilities at 30 June 2017.

Cash balances and future commitments

Current cash position, capital expenditure commitments and other obligations

At 30 June 2017, the Group held term deposits, cash and cash equivalents of US$30.7 million. The cash balance had increased to US$32.3 million as at 26 September 2017.

At 30 June 2017, the Group held gas put options covering July 2017 volumes of 40,000 therms per day, August 2017 volumes of 20,000 therms per day, and September 2017 volumes of 40,000 therms per day, all at floor prices of 38 pence per therm.

Erskine field commitments
Net revenues from the Erskine field are expected to cover ongoing field expenditures as well as the remaining tranche of US$2.775 million (excluding interest) cash consideration payable to BP on or before 1 July 2018.

Non-Erskine commitments
The Group has no significant exploration commitments.

In the UK, the Group's costs of the exploration well on 22/19c will be fully carried by a third party. Financing plans for the Columbus project will be worked in conjunction with the FDP submission.

Other

Asset values and Impairment

At 30 June 2017 Serica's market capitalisation stood at US$93.4 million (£71.9 million), based upon a share price of £0.2725, which was exceeded by the net asset value at that date of US$95.4 million. By 26 September 2017 the Company's market capitalisation had increased to US$95.8 million. Management conducted a thorough review of the carrying value of the Group's assets and determined that no significant write-downs were required.

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
Antony Craven Walker
Executive Chairman

27 September 2017

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 Energy plc

Group Income Statement

For the period ended 30 June

Continuing operations	*Notes*	Six months ended 30 June 2017 US$000 (Unaudited)	Six months ended 30 June 2016 US$000 (Unaudited)	Year ended 31 Dec 2016 US$000 (Audited)
Sales revenue	4	21,922	5,739	21,432
Cost of sales	5	(8,332)	(8,372)	(14,860)
Gross profit/(loss)		13,590	(2,633)	6,572
Other (expense)/income		(148)	389	(113)
Pre-licence costs		(99)	(126)	(240)
Impairment and write-off of E&E assets	7	(1,523)	(25)	(62)
Administrative expenses		(920)	(991)	(2,062)
Foreign exchange gain/(loss)		292	(391)	(556)
Share-based payments		(24)	(49)	(90)
Operating profit/(loss) from continuing operations		11,168	(3,826)	3,449
Finance revenue		81	35	61
Finance costs		(67)	(107)	(185)
Profit/(loss) before taxation		11,182	(3,898)	3,325
Taxation (charge)/credit for the period	11	(839)	1,121	7,521
Profit/(loss) after taxation and profit/(loss) for the period		10,343	(2,777)	10,846
Discontinued operations				
Loss for the period	6	-	(5)	(8)
Profit/(loss) for the period		10,343	(2,782)	10,838
Earnings per ordinary share (EPS)				
Profit/(loss) on continuing operations				
Basic and diluted EPS (US$)		0.04	(0.01)	0.04
Profit/(loss) for the period				
Basic and diluted EPS (US$)		0.04	(0.01)	0.04

Total Statement of Comprehensive Income

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

Serica Energy plc
Consolidated Balance Sheet

	Notes	30 June 2017 US$000 (Unaudited)	31 Dec 2016 US$000 (Audited)	30 June 2016 US$000 (Unaudited)
Non-current assets				
Exploration & evaluation assets	7	52,742	53,170	52,577
Property, plant and equipment	8	7,608	9,078	8,518
Deferred tax asset		9,115	9,954	3,554
		69,465	72,202	64,649
Current assets				
Inventories		396	401	392
Trade and other receivables		4,931	6,849	934
Term deposits		5,600	-	-
Cash and cash equivalents		25,083	16,593	20,820
		36,010	23,843	22,146
TOTAL ASSETS		105,475	96,045	86,795
Current liabilities				
Trade and other payables		(4,899)	(5,877)	(9,670)
Non-current liabilities				
Trade and other payables		(2,924)	(2,883)	(5,691)
Provisions		(2,190)	(2,190)	-
TOTAL LIABILITIES		(10,013)	(10,950)	(15,361)
NET ASSETS		95,462	85,095	71,434
Share capital	9	229,308	229,308	229,308
Other reserves		20,739	20,715	20,674
Accumulated deficit		(154,585)	(164,928)	(178,548)
TOTAL EQUITY		95,462	85,095	71,434

Serica Energy plc
Statement of Changes in Equity

For the year ended 31 December 2016 and period ended 30 June 2017

Group

	Share capital US$000	Other reserves US$000	Deficit US$000	Total US$000
At 1 January 2016 (audited)	229,308	20,625	(175,766)	74,167
Profit for the year	-	-	10,838	10,838
Total comprehensive income	-	-	10,838	10,838
Share-based payments	-	90	-	90
At 31 December 2016 (audited)	229,308	20,715	(164,928)	85,095
Profit for the period	-	-	10,343	10,343
Total comprehensive income	-	-	10,343	10,343
Share-based payments	-	24	-	24
At 30 June 2017 (unaudited)	229,308	20,739	(154,585)	95,462

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

	Six months ended 30 June 2017 US$000 (Unaudited)	Six months ended 30 June 2016 US$000 (Unaudited)	Year ended 31 Dec 2016 US$000 (Audited)
Operating activities:			
Profit/(loss) for the period	10,343	(2,782)	10,838
Adjustments to reconcile profit/(loss) for the period to net cash flow from operating activities			
Taxation charge/(credit)	839	(1,121)	(7,521)
Net finance (income)/costs	(14)	72	124
Depletion and amortisation	1,217	414	1,274
Oil and NGL overlift increase/(reduction)	592	3,070	(516)
Impairment and write-offs of E&E assets	1,523	25	62
Share-based payments	24	49	90
Other non-cash movements	(292)	391	866
Decrease/(increase) in receivables	1,568	3,211	(1,862)
Decrease /(increase) in inventories	5	61	52
Increase/(decrease) in payables	1,845	(2,613)	(3,270)
Net cash inflow from operations	17,650	777	137
Investing activities:			
Interest received	81	37	61
Purchase of E&E assets	(1,095)	(788)	(1,418)
Purchase of P, P & E	-	(38)	-
Cash outflow arising on asset acquisition	(2,775)	-	(2,775)
Changes in term deposits	(5,600)	-	-
Net cash outflow from investing activities	(9,389)	(789)	(4,132)
Financing activities:			
Finance costs paid	(133)	(2)	(77)
Net cash outflow from financing activities	(133)	(2)	(77)
Cash and cash equivalents			
Net increase/(decrease) in period	8,128	(14)	(4,072)
Effect of exchange rates on cash and cash equivalents	362	(768)	(937)
Amount at start of period	16,593	21,602	21,602
Amount at end of period	25,083	20,820	16,593

Serica Energy plc

Notes to the Unaudited Consolidated Financial Statements

1. Corporate information

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 27 September 2017.

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

2. Basis of preparation and accounting policies

Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

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 2016. 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 2016.

A number of new standards, amendments to existing standards and interpretations were applicable from 1 January 2017. The adoption of these amendments did not have a material impact on the Group's interim condensed consolidated financial statements for the period ended 30 June 2017.

Going Concern

The Directors are required to consider the availability of resources to meet the Group's liabilities for the foreseeable future. The financial position of the Group, its cash flows and capital commitments are described in the Financial Review above.

At 30 June 2017 the Company held net current assets of US$31.1 million including cash and term deposit resources of US$30.7 million with no borrowings outstanding. The Erskine asset acquisition, completed in early June 2015 brought to Serica a producing interest capable of generating robust continuing cash flow at current oil and gas prices. Existing resources plus Erskine revenues are expected to be sufficient to cover ongoing Erskine costs and the outstanding instalment of the acquisition price plus other operational, technical and administrative costs in the short to medium term.

Mindful of the risks of reliance on revenues from a single field, management will seek to continue building Group cash reserves so as to improve its financial resilience. The financial strategy is to restrict near-term spend on exploration licences, only committing to exploration drilling where the costs are substantially carried by third parties.

Management continues to seek new business opportunities to add shareholder value and, where these can offer attractive returns, appropriate financing structures will be investigated. When the final decision to proceed with the Columbus development is made, the Group would consider a range of alternative means of finance to fund its share of development costs.

After making enquiries and having taken into consideration the above factors, the Directors have 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 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 2016. The impact of seasonality or cyclicality on operations is not considered significant on the interim consolidated financial statements.

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 Holdings UK Limited, Serica Energy Holdings B.V., Serica Energy Corporation, Asia Petroleum Development Limited, Petroleum Development Associates (Asia) Limited, Serica Energy (UK) Limited, PDA Lematang Limited, Serica Glagah Kambuna B.V., Serica Foum Draa B.V., Serica Sidi Moussa B.V., Serica Energy Rockall B.V., Serica Energy Slyne B.V. and Serica Energy Namibia B.V.. Together, these comprise the "Group".

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

3. Segmental Information

The Group's business is that of oil & gas exploration, development and production. The Group's reportable segments are based on the location of the Group's assets.

The following tables present revenue, profit and certain asset and liability information regarding the Group's geographical reportable segments for the periods ended 30 June 2017 and 2016. Costs associated with the UK corporate centre are included in the UK & Ireland reportable segment. Reportable information in respect of the Group's interest in the Kambuna field in Indonesia is disclosed as a separate segment, with income statement information for this segment additionally classified as 'discontinued'.

Period ended 30 June 2017	UK & Ireland	Africa	Continuing Total	Discontinued
	US$000	US$000	US$000	US$000
Revenue	21,922	-	21,922	-
Operating and segment profit/(loss)	11,182	(14)	11,168	-
Finance revenue			81	-
Finance costs			(67)	-
Profit before taxation			11,182	-
Taxation charge for the period			(839)	-
Profit after taxation			10,343	-

	UK & Ireland	Africa	Kambuna	Total
	US$000	US$000	US$000	US$000
Other segment information:				
Segmental assets	101,920	3,555	-	105,475
Unallocated assets				-
Total assets				105,475
Segment liabilities	(9,985)	(28)	-	(10,013)
Total liabilities				(10,013)

Period ended 30 June 2016	UK & Ireland	Africa	Continuing Total	Discontinued
	US$000	US$000	US$000	US$000
Revenue	5,739	-	5,739	-
Operating and segment loss	(3,801)	(25)	(3,826)	(5)
Finance revenue			35	-
Finance costs			(107)	-
Loss before taxation			(3,898)	(5)
Taxation credit for the period			1,121	-
Loss after taxation			(2,777)	(5)

	UK & Ireland US$000	Africa US$000	Kambuna US$000	Total US$000
Other segment information:				
Segmental assets	83,576	3,219	-	86,795
Unallocated assets				-
Total assets				86,795
Segment liabilities	(15,302)	(58)	(1)	(15,361)
Total liabilities				(15,361)

Unallocated assets and liabilities comprise financing items (including cash on deposit).

4. Sales Revenue

	Six months ended 30 June 2017 US$000	Six months ended 30 June 2016 US$000	Year ended 31 Dec 2016 US$000
Gas sales	8,658	2,431	8,374
Oil sales	11,933	5,457	11,090
NGL sales	1,923	921	1,451
(Increase)/reduction in liquids overlift	(592)	(3,070)	517
	21,922	5,739	21,432

5. Cost of sales

Six months ended 30 June:	Six months ended 30 June 2017 US$000	Six months ended 30 June 2016 US$000	Year ended 31 Dec 2016 US$000
Operating costs	7,115	7,958	13,586
Depletion (note 8)	1,217	414	1,274
	8,332	8,372	14,860

6. Discontinued Operation

During 2013, Serica's sole remaining interest in Indonesia was its 25% interest in the Glagah Kambuna Technical Assistance Contract ("TAC"). The TAC covered an area of offshore North Sumatra and contained the Kambuna gas field.

Following the cessation of production and the decommissioning of the Kambuna field facilities in Indonesia in the second half of 2013, the financial results of the Kambuna field business segment are disclosed within 'discontinued operations' in the financial statements and separate from the results of the retained core business segments.

Results of discontinued operations
This discontinued operation has no further activity and generated a result of US$nil in 1H 2017 (loss of US$5,000 in 1H 2016). The loss for 2016 comprised a final charge as residual matters were closed out. There are no taxation components within discontinued operations.

Basic and diluted Earnings per ordinary share (EPS) on the result for 1H 2017 amounted to US$nil (1H 2016: US$nil).

7. Exploration and Evaluation Assets

	Total US$000
Cost:	
At 1 January 2016 (audited)	64,378
Additions	1,418
Asset write-offs	(62)
At 31 December 2016 (audited)	65,734
Additions	1,095
Asset write-offs	(1,523)
At 30 June 2017 (unaudited)	65,306
Provision for impairment:	
At 1 January 2016 (audited)	(12,564)
Impairment (charge)/reversal for the year	-
At 31 December 2016 (audited)	(12,564)
Impairment charge for the period	-
At 30 June 2017 (unaudited)	(12,564)
Net Book Amount:	
30 June 2017 (unaudited)	52,742
31 December 2016 (audited)	53,170
1 January 2016 (audited)	51,814

E&E asset write offs in the Income Statement in 1H 2017 consisted of a US$1.5 million charge following the relinquishment of Doyle and a final minor charge against costs incurred on the Sidi Moussa block in Morocco.

E&E asset write offs in the Income Statement in 2016 comprised minor asset write-offs from licences in Morocco and the UK.

8. Property Plant and Equipment

	Oil and gas properties US$000
Cost:	
At 1 January 2016 (audited)	10,235
Acquisitions	1,458
At 31 December 2016 (audited)	11,693
Additions/revisions	(253)
At 30 June 2017 (unaudited)	11,440
Depreciation and depletion:	
At 1 January 2016 (audited)	1,341
Charge for the period (note 5)	1,274
At 31 December 2016 (audited)	2,615
Charge for the period (note 5)	1,217
At 30 June 2017 (unaudited)	3,832
Net book amount:	
At 30 June 2017 (unaudited)	7,608
At 31 December 2016 (audited)	9,078
At 1 January 2016 (audited)	8,894

The property, plant and equipment balance of US$7.6 million as at 30 June 2017 entirely comprises the net book amount of the Erskine asset acquisition costs capitalised on completion of the transaction on 4 June 2015. This includes non-cash consideration in the form of 13,500,000 ordinary shares issued to BP at nominal value of US$0.10 each as part of the acquisition consideration.

Additions of US$1.5 million during 2016 comprise US$2.2 million relating to the Company's estimate of contingent payments due to BP partially offset by other pre-completion date adjustments and revisions. Revisions of US$0.3 million in 1H 2017 include additional minor acquisition adjustments in the period.

9. Equity Share Capital

The share capital of the Company comprises one "A" share of £50,000 and 263,679,039 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 2016	263,679,040	26,458	202,850	229,308
Shares issued	-	-	-	-
At 31 December 2016	263,679,040	26,458	202,850	229,308
Shares issued	-	-	-	-
At 30 June 2017	263,679,040	26,458	202,850	229,308

As at 27 September 2017 the issued voting share capital of the Company is 263,679,039 ordinary shares and one "A" share.

10. Share-Based Payments

Share Option Plans

Following a group 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"). There are no options outstanding under the Serica BVI Option Plan, nor can further options be granted under the Serica BVI Option Plan. No further options will be granted under the Serica 2005 Option Plan as the ability to do this expired on this plan's 10th anniversary in November 2015.

A new plan, the Serica Energy plc Company Share Option Plan ("Serica CSOP"), was approved for adoption at the Company's AGM in June 2016. This will govern all future grants of options by the Company to Directors, officers, key employees and certain consultants of the Group. The Directors intend that the maximum number of ordinary shares which may be utilised pursuant to the Serica CSOP will not exceed 10% 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 June 2017, the Company has granted 24,332,460 options under the Serica 2005 Option Plan, 8,196,330 of which were outstanding. 400,000 of these options were granted to a consultant subject to performance conditions, and the 2,500,000 options granted to a director in July 2015 were all awarded at exercise prices higher than the current market price at the time of the grant to establish firm performance targets.

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. There are no cash settlement alternatives. The estimated fair value of options is amortised to expense over the options' vesting period. US$24,000 has been charged to the income statement in continuing operations for the six month period ended 30 June 2017 (1H 2016 – US$49,000) and a similar amount credited to the share-based payments reserve, classified as 'Other reserve' in the Balance Sheet.

No options were granted in 2016 or 2017 to date. Assumptions for options granted in 2015, which were consistently valued in line with the Company's valuation policy, included a weighted average risk-free interest rate of 3%, no dividend yield, a weighted average expected life of three years, and a volatility factor of expected market price of in a range from 50-70%.

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

Serica 2005 Option Plan		**WAEP** £
Outstanding at 1 January 2016	8,601,330	0.30
Expired during the period	(135,000)	1.035
Outstanding at 31 December 2016	8,466,330	0.28
Expired during the period	(270,000)	1.036
Outstanding at 30 June 2017	8,196,330	0.25

In January 2016, 135,000 share options under the Serica 2005 Option Plan expired.

In January 2017, 60,000 share options under the Serica 2005 Option Plan expired.

In May 2017, 210,000 share options under the Serica 2005 Option Plan expired.

Share Options

As at 30 June 2017, the following director and employee share options were outstanding:

Expiry Date	Amount	Exercise cost £
March 2018	318,000	238,500
January 2020	1,155,000	785,400
April 2021	50,000	15,685
January 2022	1,123,330	240,112
October 2022	400,000	116,000
January 2023	300,000	81,750
November 2023	400,000	72,000
January 2024	450,000	58,500
June 2025	1,500,000	99,000
July 2025	1,000,000	120,000
July 2025	1,000,000	180,000
July 2025	500,000	120,000

11. Taxation

The major components of income tax (charged)/credited in the consolidated income statement are:

	Six months ended 30 June 2017 US$000	Six months ended 30 June 2016 US$000	Year ended 31 Dec 2016 US$000
Current income tax charge	-	-	-
Deferred income tax (charge)/credit	(839)	1,121	7,521
Total taxation (charge)/credit for the period	(839)	1,121	7,521

Recognised and unrecognised tax losses
Following the acquisition of a producing UK asset in 2015, the Group has recognised a deferred tax asset of US$9.1 million as at 30 June 2017 in respect of certain carried forward losses that are expected to be utilised in the foreseeable future to offset the taxable profits that the acquired asset is expected to generate.

The Group has UK ring fence tax losses of approximately US$165 million available as at 31 December 2016 that are available indefinitely for offset against future ring fence trading profits of the company in which the losses arose.

Changes to UK corporation tax legislation
The main rate of UK corporation tax changed from 20% to 19% on 1 April 2017 and will change to 18% on 1 April 2020. The UK Finance Bill 2016 includes a reduction of the UK corporation tax rate to 17% on April 2020. This will replace the 18% UK corporation tax rate that is currently legislated to take effect. In March 2016 it was announced that the rate of Supplementary charge (SC) would be reduced from 20% to 10% with effect from 1 January 2016. This was substantively enacted on 6 September 2016 and reduced the headline rate of tax to 40% for ring-fenced trading profits.

12. Publication of Non-Statutory Accounts

The financial information contained in this interim statement does not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 December 2016, which are 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.

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.

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 6,000 standard cubic feet per barrel)
boepd	barrels of oil equivalent per day
bpd	barrels of oil per day
caisson	A steel chamber that surrounds equipment below the waterline of a platform or rig.
CATS	Central Area Transmission System
CPR	Competent Persons Report
FEED	Front End Engineering Design
FPS	Forties Pipeline System
HPHT	High Pressure High Temperature
mscf	thousand standard cubic feet
mmbbl	million barrels
mmboe	million barrels of oil equivalent
mmscf	million standard cubic feet
mmscfd	million standard cubic feet per day
NGL	Natural Gas Liquid
P_{10}	A high estimate that there should be at least a 10% probability that the quantities recovered will actually equal or exceed the estimate
P_{50}	A best estimate that there should be at least a 50% probability that the quantities recovered will actually equal or exceed the estimate
P_{90}	A low estimate that there should be at least a 90% probability that the quantities recovered will actually equal or exceed the estimate
pigging	The process of sending a cleaning device, known as a pig, along a pipeline to clean and/or inspect the pipeline.
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
UKCS	United Kingdom Continental Shelf