SERICA ENERGY CORPORATION

First Quarter 2005 Report to Shareholders – May 30, 2005

The start of 2005 has seen continued progress for the Company. In April, the signature of an extension rehabilitation agreement covering the Glagah Kambuna concession, offshore Sumatra, increased Serica's holdings in its core Indonesian area enabling drilling plans to be finalised. Currently, the Galaxy Driller semi-submersible drilling rig is completing refurbishment in Singapore prior to its deployment to drill two back-to-back exploration wells in the Company's Asahan Offshore and Glagah Kambuna concessions. This programme, previously delayed due to the shortage of drilling rigs, is now expected to start in July.

With the commencement of the Indonesian drilling programme, Serica will be entering a new stage. In addition to these two wells, work is progressing to define further near-term targets for drilling both in Indonesia and in the UK North Sea.

The Company is well placed to build on its asset portfolio whilst maintaining a robust financial position. The exercise of common share purchase warrants of the Company ("Serica Warrants") in January brought further funds totalling US$8.9 million and demonstrated the strength of shareholder support. The Board also continues to monitor opportunities to balance financial and exploration risk and thereby maximise the potential of the Company's exploration portfolio. In particular, Serica's material holdings in each of its concessions provide the opportunity to attract industry capital by farming-down whilst also enabling the Company to retain significant upside and develop new exploration prospects.

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") of the financial and operational results of Serica Energy Corporation ("Serica") should be read in conjunction with the attached unaudited interim consolidated financial statements for the three months ended March 31, 2005 and also with its MD&A and audited consolidated financial statements for the year ended December 31, 2004. The interim financial statements for the three months ended March 31, 2005 have been prepared by and are the responsibility of the Company's management and the independent auditors have not performed a review of these financial statements.

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

Serica's activities are centred on Indonesia, the UK and Spain. The Company has limited current oil and gas production with the main emphasis placed upon exploration and its future drilling programmes. During early 2005 work has continued on building the Company's financial position, increasing its Indonesian holdings and preparing for the 2005 drilling programme.

Results of Operations

Serica generated a loss of US$1.17 million for the three months ended March 31, 2005 (“Q1 2005”) compared to a loss of US$0.83 million for the three months ended March 31, 2004 (“Q1 2004”).

	Q1 2005 US$000	Q1 2004 US$000
Revenue	**31**	38
Expenses:		
Operating	**-**	(2)
Administrative	**(1,113)**	(857)
Stock-based compensation	**(78)**	(57)
Depletion, depreciation & amortization	**(4)**	(8)
Amortization of deferred charges	**(20)**	**-**
Interest, net	**82**	1
Foreign exchange loss	**(24)**	(61)
Gain on disposal	-	113
Net loss before tax	**(1,126)**	(833)
Income tax expense	**(41)**	-
Net loss for the period	**(1,167)**	(833)

Revenues throughout both periods were generated from Serica’s 10% interest in the Harimau producing oil and gas field. The reduction in sales revenues from US$0.04 million for Q1 2004 to US$0.03 million for Q1 2005 was due to gradually declining production levels during the later stages of field life, partially offset by higher oil prices. Direct operating costs for the field during these periods were carried by Medco Energi Limited.

Administrative expenses of US$1.11 million for Q1 2005 compare to US$0.86 million for Q1 2004 and principally represent work on identifying exploration targets and preparing for the 2005 Indonesian drilling programme. The overall increase reflects the expansion of the group’s resources following the merger of Kyrgoil Holding Corporation and PDA (Oil & Gas) Limited to form the Company in January 2004.

The increase in Q1 2005 stock-based compensation costs to US$0.08 million from US$0.06 million for the same period last year reflects stock option awards made during the course of 2004. Negligible depletion, depreciation and amortisation charges in both periods represent office equipment only. The costs of petroleum and natural gas properties are not currently subject to such charges pending further evaluation. Current year amortization of deferred charges totalling US$0.02 million is associated with the acquisition of Firstearl Limited (“Firstearl”) made in August last year.

Interest income of US$0.08 million in Q1 2005, compared to minimal levels for the same period of 2004, was due to higher cash balances and to income from the ENI Investments plc loan note acquired with Firstearl last year. Exchange losses on foreign denominated current assets and liabilities fell from US$0.06 million last year to US$0.02 million this year. A gain of US$0.11 million in Q1 2004 arose on the disposal of the Company’s remaining common shares in Pacific Tiger Energy, no similar gains are anticipated this year.

Income taxes totalling US$0.04 million in respect of Serica’s Indonesian activities fell due in 2005 whilst there were no income taxes due in Q1 2004.

Although the net loss for the period of US$1.17 million was up from US$0.83 million for Q1 2004, the net loss per share remained steady at US$0.02 because of the larger number of shares in issue.

Working Capital, Liquidity and Capital Resources

1. Current Assets and Liabilities
An extract of the balance sheet detailing current assets and liabilities is provided below:

	March 31, 2005 US$000	December 31, 2004 US$000
Current Assets:		
Cash and cash equivalents	**9,152**	1,729
Accounts receivable	**2,014**	1,839
Short-term investments	**7,106**	7,204
Inventory	**260**	258
Total Current Assets	**18,532**	11,030
Less Current Liabilities:		
Accounts payable and accruals	**(1,862)**	(1,314)
Net Current Assets	**16,670**	9,716

At March 31, 2005 the Company had net current assets of US$16.67 million which comprised current assets of US$18.53 million less current liabilities of US$1.86 million. The improvement of US$6.95 million over the position at the end of 2004 reflects the exercise of warrants totalling US$8.89 million in January 2005 partly offset by ongoing operational and administrative expenditures. Apart from cash deposits and accounts receivable, the main component of current assets is a loan note for £3.75 million (US$7.09 million) issued by ENI Investments plc which must be redeemed for cash on either June 30 or December 31 this year.

2. Long Term Assets and Liabilities

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

	March 31, 2005 US$000	December 31, 2004 US$000
Property, plant and equipment	**12,661**	11,618
Long-term accounts receivable	**126**	302
Goodwill	**2,382**	2,382
Deferred charges	**61**	81
Long-term accounts payable	**(151)**	(155)
Future income taxes	**(4,446)**	(4,446)

During Q1 2005, total investments in petroleum and natural gas properties, represented by property, plant and equipment expenditure, were US$1.05 million. Of these investments, US$0.70 million was spent in Indonesia, US$0.20 million in the UK, US$0.05 million in Spain with the balance on other potential new ventures. Expenditures in Indonesia represented pre-drilling activity. Also, expenditures in the UK represented continued evaluation of Serica's North Sea blocks. Finally, in Spain, expenditures represented data evaluation on existing permits.

The long-term accounts receivable, which has reduced from US$0.30 million to US$0.13 million during the year, represents value added tax ("VAT") on Indonesian capital spend, which is expected to be recovered once fields commence production, plus other venture account balances.

Goodwill, representing the difference between the price paid on acquisitions and the fair value applied to individual assets, remained unchanged at US$2.38 million. Deferred charges represent costs related to the Firstearl acquisition that are being amortised of which US$0.02 million was charged in Q1 2005.

Long-term accounts payable, which comprises mainly VAT payable in Indonesia, and provisions for future income taxes were both unchanged from December 31, 2004.

3. Shareholders' Equity

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

	March 31, 2005 US$000	December 31, 2004 US$000
Share capital	**41,941**	33,047
Contributed surplus	**334**	256
Retained earnings	**(14,972)**	(13,805)

The increase in issued share capital from US$33.05 million at the end of 2004 to US$41.94 million at the end of March was due to the exercise of 11,024,400 Serica warrants at Cdn$1.00 each.

The increase in contributed surplus from US$0.26 million to US$0.33 million reflects the amortisation of stock options.

4. Capital Resources

At March 31, 2005 Serica had US$16.67 million of net working capital and no significant long-term debt. In view of the limited revenues currently generated from oil and gas production, Serica is dependent upon supplementing existing financial resources through the raising of additional finance as required to fund its investment programme and ongoing operations.

The Company's first US$1.57 million of expenditures on the Singa development will be met by a third party under a cost carry agreement.

Off-balance Sheet Arrangements
The Company has not entered into any off-balance sheet transactions or arrangenments.

Critical Accounting Estimates
The Company's significant accounting policies are detailed in note 2 to the attached financial statements. There have been no changes in accounting policies during the period. 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 producing field lives. In each case, calculations are based upon management assumptions about future outcomes, product prices and performance.

Financial Instruments
The Company's financial instruments comprise cash, the ENI Investments plc loan note, accounts payable and accounts receivable. It is the management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments and that their fair values approximate their carrying values unless otherwise stated.

Since the ENI Investments plc loan note is denominated in pounds sterling and most of the Company's expenditures are denominated in US dollars, in November 2004 the Company entered into a currency option to protect against the risk of pounds sterling falling below an exchange rate of US$1.80. The cost of this option was $0.05 million and it applies for fixed amounts totalling US$5.40 million on pre-determined dates over a six-month period ending on June 30, 2005.

Disclosure for Venture Issuers without Significant Revenue

To-date the Company has not had significant revenue from operations. The following table is a break-down of the material cost components for Q1 2005 and Q1 2004.

Periods ended March 31:	**2005** **US$000**	2004 US$000
Capitalised exploration and development costs	**1,043**	425
Expensed research and development costs	**nil**	nil
General and administrative expenses	**1,113**	857
Material costs not included above	**nil**	nil

Warrants and Stock Options

As at March 31, 2005, the following warrants and options were outstanding: -

	Expiry date	Amount	Value Cdn$
Warrants:			
	Aug 5, 2005	1,031,250	962,500
	Aug 5, 2006	8,396,875	10,076,250
Stock Options:			
	Mar 2006	5,000	2,500
	Aug 2007	700,000	777,000
	Feb 2009	1,952,500	3,905,000
	Dec 2009	445,000	445,000
	Jan 2010	600,000	600,000

Subsequent Event

On April 5, 2005, Asia Petroleum Development (Glagah Kambuna) Limited, a subsidiary of Serica Energy Corporation, signed an Extension Rehabilitation Agreement ("ERA") with PT Pertamina and PT Gunakarsa in relation to the Technical Assistance Contract ("TAC") covering the Glagah Kambuna concession offshore Indonesia.

Business Risk and Uncertainties

Serica, like all exploration companies in the oil and gas industry, operates in an environment subject to inherent risks. Many such risks are beyond the ability of a company to control, particularly those associated with the exploring for and developing economic quantities of hydrocarbons: volatile commodity prices; governmental regulations; and environmental matters.

Additional information relating to Serica Energy Corporation can be found on SEDAR at www.sedar.com

Approved on Behalf of the Board

Christopher Rivett-Carnac

Chief Executive Officer

Christopher Hearne

Chief Financial Officer

May 30, 2005

Serica Energy Corporation
Consolidated Balance Sheet

		March 31, 2005 US$000 (Unaudited)	December 31, 2004 US$000 (Audited)
Assets			
Current			
Cash and cash equivalents		**9,152**	1,729
Accounts receivable		**2,014**	1,839
Short-term investments	*Note 3*	**7,106**	7,204
Inventory		**260**	258
		18,532	11,030
Property, plant and equipment		**12,661**	11,618
Long-term accounts receivable		**126**	302
Goodwill		**2,382**	2,382
Deferred charges		**61**	81
		33,762	25,413
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accruals		**1,862**	1,314
		1,862	1,314
Long-term accounts payable		**151**	155
Future income taxes		**4,446**	4,446
		6,459	5,915
Shareholders' equity			
Share capital	*Note 4*	**41,941**	33,047
Contributed surplus	*Note 6*	**334**	256
Deficit		**(14,972)**	(13,805)
		27,303	19,498
		33,762	25,413

The accompanying notes are an integral part of these financial statements

Serica Energy Corporation
Consolidated Statement of Operations

	Three months ended March 31, 2005 US$000 (Unaudited)	Three months ended March 31, 2004 US$000 (Unaudited)
Revenue	**31**	38
Expenses (income)		
Operating	**-**	2
Administrative	**1,113**	857
Stock-based compensation	**78**	57
Depreciation, depletion and amortization	**4**	8
Amortization of deferred charges	**20**	-
Interest, net	**(82)**	(1)
Foreign exchange loss	**24**	61
Gain on disposal	-	(113)
	1,156	871
Net loss before tax	**(1,126)**	(833)
Income taxes		
Income tax expense	**41**	**-**
Net loss for the period	**(1,167)**	(833)
Retained deficit, beginning of period	**(13,805)**	(6,124)
Cost of merger	**-**	(1,272)
Deficit, end of period	**(14,972)**	(8,229)
Loss per common share – US$		
Basic and diluted	**(0.02)**	(0.02)

The accompanying notes are an integral part of these financial statements

Serica Energy Corporation
Consolidated Statement of Cash Flows

	Three months ended March 31, 2005 US$ (Unaudited)	Three months ended March 31, 2004 US$ (Unaudited) (Restated)
Operating activities		
Net loss for the period	**(1,167)**	(833)
Depreciation, depletion and amortization	**4**	8
Amortization of deferred charges	**20**	-
Gain on disposal	**-**	(113)
Stock-based compensation	**78**	57
Foreign exchange loss on investment	**99**	-
Cash flow from operating activities	**(966)**	(881)
Changes in working capital		
Accounts receivable	**-**	1,895
Accounts payable	543	(1,587)
Inventory	**(1)**	(9)
Cash used in operating activities	**(424)**	(582)
Investing activities		
Purchases of property, plant and equipment	**(1,047)**	(425)
Proceeds on disposal of investment	**-**	259
Cost of merger	**-**	(1,272)
Cash acquired on merger	**-**	1,654
Cash (used) generated in investing activities	**(1,047)**	216
Financing activities		
Proceeds on exercise of options/issue of shares	**-**	100
Proceeds on exercise of warrants	**8,894**	-
Cash provided from financing activities	**8,894**	100
Increase (decrease) in cash and cash equivalents	**7,423**	(266)
Cash and cash equivalents, beginning of period	**1,729**	4,251
Cash and cash equivalents, end of period	**9,152**	3,985

The consolidated statement of cash flows for the three months ended March 31, 2004 has been restated to include the prior year adjustments made in the 2004 Annual Report.

The accompanying notes are an integral part of these financial statements

Serica Energy Corporation
Notes to the Unaudited Consolidated Financial Statements
For the period ended March 31, 2005

Unless otherwise stated, amounts presented in these notes are in US dollars ("US$") or Canadian dollars ("Cdn$") except number of shares.

1. 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 and the provision of ancillary services to third parties in such respect.

The Company was formed on January 29, 2004 by a merger of Petroleum Development Associates (Oil & Gas) Limited ("PDA") and Kyrgoil Holding Corporation ("KGO") and was continued under the name of Serica Energy Corporation.

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company currently has relatively minor operating revenues and, during the years ended December 31, 2004 and 2003, incurred losses of US$6,391,000 and US$3,809,000 respectively from continuing operations. Continued operations of the Company are therefore dependent upon the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future, none of which is assured. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. Significant accounting policies

These interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2004. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in the Serica Energy Corporation annual report for the year ended December 31, 2004.

The significant accounting policies used in these consolidated financial statements are as follows:

Basis of consolidation

The interim consolidated financial statements include the accounts of Serica Energy Corporation ("the Company") and its wholly-owned subsidiaries: Asia Petroleum Development Limited, Petroleum Development Associates (Asia) Limited, Serica Energia Iberica S.L., Firstearl Limited, Serica Energy (UK) Limited and Serica Energy Pte Limited.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less at the date acquired.

Deferred charges

Deferred charges relating to a premium paid on a note receivable are being amortized over the life of the note receivable. For the period ended March 31, 2005, US$20,000 of deferred charges have been amortized to operations.

Carried interest

In accordance with industry practice, the Company does not record its share of costs that are 'carried' by third parties in relation to its farm-out agreements. Similarly, while the Company has agreed to carry the costs of another party to a Joint Operating Agreement ("JOA") in order to earn additional equity, it records its paying interest that incorporates the additional contribution over its equity share.

Investments

Portfolio investments are recorded at the lower of cost or market value. They have been classified either as long-term or short-term investments in concurrence with the nature of the investment.

Foreign currency translation

Monetary items denominated in a foreign currency are translated into US dollars at the exchange rate prevailing on the balance sheet date. Exchange gains and losses arising from translation are included in operations.

Integrated foreign operations are translated into US dollars as follows: monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet date; non-monetary assets and liabilities, revenues and expenses are translated at exchange rates prevailing on the date of the transactions. Exchange gains and losses arising from translation are included in operations.

Property, plant and equipment

a) Petroleum and natural gas properties

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

The costs related to each cost centre are depleted and depreciated on a unit-of-production basis. The recoverability of a cost centre is tested by comparing the carrying value of the cost centre to the sum of the undiscounted cash flows expected from the cost centre's use and eventual disposition. If the carrying value is unrecoverable, the cost centre is written down to its fair value estimated as the present value of expected future cash flows from proved and probable reserves and the value of unproved properties. This approach incorporates risks and uncertainties in the expected future cash flows that are discounted using a risk free rate. The cash flows are estimated using expected future product prices and costs.

Costs of unproved properties are excluded from depletion until it is determined whether or not proved reserves exist or impairment occurs. Properties excluded from the depletion calculation are assessed at least on an annual basis to see if impairment has occurred.

b) Computer equipment and fixtures, fittings and equipment

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

Goodwill

Goodwill, which represents the excess of purchase price over the fair market value of net tangible assets acquired, is not amortized but is subject to an annual impairment test. Goodwill impairment is assessed based on a comparison of the fair value of an individual reporting unit to the underlying carrying value of the reporting unit's net assets including goodwill. When the carrying amount of the reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of impairment loss, if any. The fair value of goodwill is determined in the same manner as in a business combination.

Joint venture activities

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

Substantially, all of Serica's activities are carried out through joint ventures. Serica currently has a 10% working interest in the Lematang Production Sharing Contract ("PSC"). It is the operator for the Asahan Offshore and Biliton PSC's, in which it has interests of 56.82% and 90%, respectively. Serica is being carried by Medco International Ventures Limited for its share of all costs arising under the Lematang PSC up to a maximum of US$2.8 million. Serica is carrying a 28.18% share of all costs arising under the Asahan Offshore PSC and a 10% share of all costs arising under the Biliton PSC, otherwise attributable to the other parties to those agreements, up to US$1 million.

Asset retirement obligations

The fair value of legal obligations for property abandonment and site restoration are recognized as a liability on the balance sheet as incurred with a corresponding increase to the carrying amount of the related asset. Changes in the fair value of the liability over time are reflected as accretion charges included in depletion, depreciation and amortization. Revisions to the estimated amount or timing of the obligations are reflected as increases or decreases to the recorded liability. Asset retirement expenditures, up to the recorded liability at the time, are charged to the liability. Amounts capitalized to the related assets are amortized to income consistent with the depletion or depreciation of the underlying asset.

Income taxes

The Company follows the liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided to the extent that it is more likely than not that future income taxes will not be realized.

Revenue recognition

Revenue from oil and natural gas production from properties in which the Company has an interest along with other producers are recognized on the basis of the Company's net working interest.

Loss per share

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

Stock-based compensation

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

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

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

Financial instruments

The Company has adopted the CICA Accounting Guideline 13 'Hedging Relationships' and EIC 128 'Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments'. Under these guidelines the Company's financial instruments that are not designated as hedges are recorded in the Company's consolidated balance sheet at their fair value on the date thereof, with subsequent changes in the fair value recorded in earnings on a quarterly basis.

Measurement uncertainty

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

3. Investments

Included in investments is an interest in convertible debentures of a company traded on the TSX Venture Exchange.

	Percent Ownership 2005	**2005**	2004
		US$000	US$000
Investment represents:			
Common shares	-	**-**	-
Convertible debentures	1.7%	**15**	15
		15	15

The investment is in a company that carries on oil and gas exploration, development and production activities in Thailand. The convertible debentures were issued in the amount of Cdn$ 22,000 and bear interest at the rate of 10% per annum. The shares were convertible into common shares at the rate of 30 common shares for each whole multiple of Cdn$10.50 of convertible indebtedness until March 31, 2005. Following that date, the debentures are convertible into 27 common shares for each whole multiple of Cdn$10.50 of indebtedness. The maturity date of the debentures is March 30, 2006.

In addition, the Company has a Floating Rate Guaranteed Unsecured Loan Note 2005 with a nominal value of £3,752,000 (US$7,091,000) issued by ENI Investments plc on February 15, 2001. The note is repayable on either June 30, 2005 or December 31, 2005.

4. Share capital

Authorized capital:

Authorized – Unlimited number of common shares with no par value.

Issued capital:

	Capital shares Number	In value US$000
January 1, 2005	62,685,758	33,047
Conversion of warrants (a)	11,024,400	8,894
March 31, 2005	**73,710,158**	**41,941**

(a) Before January 31, 2005, 11,024,400 share purchase warrants were converted to ordinary shares at a price of Cdn$1.00 each

5. Special Warrants and Share Purchase Warrants

As at March 31, 2005, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price per Warrant	Expiry Date
687,500	0.80	Aug 5, 2005
343,750	1.20	Aug 5, 2005
8,396,875	1.20	Aug 5, 2006
9,428,125		

6. Contributed surplus

	US$000
January 1, 2005	256
Amortization of fair value of stock options	78
March 31, 2005	**334**

7. Stock Options

A Stock Option Plan has been established for the benefit of directors, officers and key employees. Under the plan, the terms, conditions and limitations are determined at the discretion of the Board of Directors. The options are exercisable until February 19, 2009, at a range of Cdn$0.50 to Cdn$2.00 per share and vest over periods ranging from immediately to three years. 3,702,500 common shares have been authorized for grant under the terms of the plan.

The Company calculated the value of stock-based compensation using a Black-Scholes option pricing model to estimate the fair value of stock options at the date of grant. The estimated fair value of options is amortized to expense over the options' vesting period. US$78,000 has been charged to income in the three months ended March 31, 2005 and a similar amount credited to contributed surplus.

The assumptions made for the options granted during 2005 include a volatility factor of expected market price of 50%, a weighted average risk-free interest rate of 6.0%, no dividend yield and a weighted average expected life of options of three years. The weighted average grant date fair value was US$0.43 per share.

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

	Number of shares	**Exercise Price per Share Cdn$**	**Weighted Average Exercise Price Cdn$**
Outstanding, January 1, 2005	3,102,500	0.50 to 2.00	1.65
Granted	600,000	1.00	1.00
Outstanding, March 31, 2005	**3,702,500**	**0.50 to 2.00**	**1.54**

The following table summarizes information about stock options outstanding at March 31, 2005:

Exercise Price	**Number of Shares Outstanding**	**Weighted Average Remaining Life (Years)**	**Number of Shares Exercisable**
Cdn$0.50	5,000	2	5,000
Cdn$1.00	1,045,000	5	-
Cdn$1.11	700,000	3	-
Cdn$2.00	1,952,500	4	724,166
Total	**3,702,500**		**729,166**

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 Corporation's control, including: the impact of general economic conditions where Serica Energy Corporation operate, 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 Corporation'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 Corporation will derive therefrom.