Serinus Energy plc

Half-Year Report and Accounts 2019

(US dollars)

FIRST HALF 2019 HIGHLIGHTS

Operational

- Commercial production and gas sales from the Moftinu gas facility in Romania commenced on 25 April 2019
- Overall group production for the period increased 87% to 680 boe/d from 363 boe/d in the first half of 2018, comprised of 372 boe/d in Romania and 309 boe/d in Tunisia
- Production in the second quarter of 2019 was 1,040 boe/d, which was more than triple the production in the comparable quarter of 2018 of 345 boe/d
- The Group exited the quarter with a production exit rate of 2,000 boe/d. Production in July 2019 was 2,101 boe/d, comprised of 356 boe/d in Tunisia and 1,745 boe/d in Romania
- The reopening of the Chouech Es Saida field in southern Tunisia commenced during the period, having been shut in since February 2017. The first pump replacement on the CS-3 well has been completed and production from this well commenced in July 2019. The second workover has also been completed with production commencing in August 2019. The two remaining wells are also producing as their pumps were still working
- During the first six months of 2019, Serinus completed the Moftinu gas facility in Romania.

Financial

- During March, the Company undertook a placing raising gross proceeds of $3.0 million to fund a Senior debt repayment to the European Bank of Reconstruction and Development (“EBRD”) due 31 March 2019 of $2.9 million
- $6.4 million received in revenue (gross of royalties) ($5.9 million net) of which $3.4 million was generated in Tunisia and $3.0 million in Romania
- Realised crude oil price averaged $63.07 per bbl and realised natural gas price in Romania averaged $7.45 per mcf
- Capital expenditures of $1.6 million were incurred and were primarily focused on the final phase of the construction of the Moftinu gas facility
- Funds from operations amounted to $1.4 million

OPERATIONAL UPDATE

During the first half of 2019, the Group completed the construction of the gas facility in Romania. Commercial sales commenced on 25 April 2019 with production from the Moftinu-1003 well flowing through the gas plant into the sales gas pipeline. The Group followed a conventional start-up program whereby production parameters and plant performance were stabilised, after which gas from the Moftinu-1007 well was then also brought onto production and flowed through the gas plant. During the second quarter of 2019 production was from the Moftinu-1003 and Moftinu-1007 wells. Subsequent to 30 June 2019, the Group undertook a reactivation of the Moftinu-1000 well and this well started producing mid-July.

During the start-up and stabilisation period gas was sold on a daily basis. Following the start-up period, gas is now sold on a monthly basis as per the previously announced Gas Sales Agreement.

The construction of the gas facility was delayed due to the delay in receiving the Low Temperature Separation (“LTS”) unit and the Triethylene Glycol (“TEG”) unit (the “Units”) from the EPC’s contractor in Canada. The Units arrived at the EPC Contractors yard on 28 January 2019. After unpacking and reassembling the Units, it was determined that the fabrication of the Units was much more incomplete than had been communicated by the fabrication sub-contractor. It was discovered that numerous components were missing from the Units, some instruments were not properly calibrated to design specifications, and some fabrication work had to be redone to correct subpar fabrication work. The Group and the EPC Contractor worked to complete the remedial work, test the Units, move the Units to the site and install before full testing and commissioning of the gas plant could commence.

Given the delay in the fabrication and delivery of the Units, the Group has filed a lawsuit for more than US$25.4 million in damages against Aval Engineering Inc. of Alberta and Kocken Energy Systems of Nova Scotia and certain of their directors and officers. The Group is continuing to work with its legal counsel to pursue the lawsuit.

In Tunisia, our local team commenced the reopening of the Chouech Es Saida field in southern Tunisia. Initial steps included the re-hiring of employees, road clearing, inspection of down hole equipment and consumable inventories, tendering for services and site inspections. Following completion of these procedures work to replace the pumps in the wells commenced. The workover on the first well, CS-3, has been completed and production from this well commenced in July. The workover on the second well, CS-1, has been completed with production commencing in August 2019. The two remaining wells, CS-7 and CS-9, have had their pumps tested and given they were still working a workover was not deemed necessary at this time, meaning these wells are also now producing.

OUTLOOK

Romania

The outlook for Romania remains strong. Production in July was 1,745 boe/d and realized gas prices were approximately $7.07/mcf in July.

The Group commenced permitting for its planned 3D seismic survey in late 2018. This 3D seismic survey will be conducted over a highly prospective portion of the Satu Mare Concession. This survey is scheduled to be undertaken in Q3/Q4 2019 and will fulfil the remaining work commitments for the third exploration phase of the Satu Mare concession.

The Group also expects to drill the Moftinu-1004 well. This well is an appraisal well designed to provide additional gas to the Moftinu gas plant. Due to the delays in production from the Moftinu plant caused by the delay in the delivery of the Units from Canada, it is expected that this well will be drilled in early 2020. This well will allow the Moftinu Gas Plant to operate at full capacity and to extend the plateau of production.

The government of Romania introduced emergency legislation in December 2018 to cap the price at which gas producers sell their gas for purposes of household consumption. This legislation caps the price at 68 RON/Mwh (approximately $5/mcf). In late March 2019, the legislation was amended to delay the effective date to 1 May 2019 and to clarify that the price cap is only applicable to certain producers. This is good news for Serinus as the legislation is not applicable to the Group. The European Union Commission has formally started infringement proceedings against Romania as this law violates EU directives regarding the natural gas market.

Tunisia

Operations in Tunisia are ramping up after an extended period of stagnation due to the difficult social conditions in the country. Our local team commenced the reopening of the Chouech Es Saida field in southern Tunisia in March 2019. Subsequent to 30 June 2019, four wells in Chouech Es Saida recommenced production.

The Group also expects to deploy additional capital to the Sabria field in the form of a re-entry into a well that was mechanically damaged during completion when originally drilled many years ago. The Group views activities like this as excellent capital allocation with low exploration risk and technical risk that has been mitigated over the years by improving technology. The Sabria field has been producing, since its discovery, on simple primary production. Serinus is considering applying artificial lift to this field and artificial lift studies, designed to enhance production, are ongoing. This capital investment work at Sabria is anticipated to start in late 2019.

FINANCIAL REVIEW

Liquidity, Debt and Capital Resources

Production commenced in Romania on 25 April 2019, which has significantly increased the cash flow generating ability of the Group.

In Romania, the Group invested $1.4 million in the period primarily to complete the construction of the gas plant, commence the 3D seismic project and to capitalise Bucharest office costs until the date production started.

In Tunisia, production continued from the Sabria field during the first six months of 2019 and Tunisia was a positive cash flow generating business unit during the period. Given the Group's focus on initiating production in Romania, there was minimal capital expenditure in Tunisia during the period.

The restart of the Chouech Es Saida field will enhance cash flow generation in Tunisia and all four wells are currently producing. The Group also plans to undertake a capital investment program in Sabria which will enhance production and cash flow generation.

Funds from operations increased to $1.4 million in H1 2019, as compared to $1.2 million in H1 2018. Taking into consideration the movement in working capital, the cash flows from operating activities in H1 2019 was an inflow $3.5 million (H1 2018 – outflow of $3.8 million).

The Group is poised to substantially increase its ability to generate cash flow in future periods with the commencement of production in Romania and the Chouech field in Tunisia. However, the delays in commencing production in Romania has resulted in a tightened cash position and the Group has breached financial covenants associated with its debt held with the EBRD, as well as contributing to the delay of capital investment programmes in Tunisia, the implications of which are further discussed below.

In March 2019, the Group undertook a placing to raise gross proceeds of $3.0 million, by issuing 21,553,583 shares at a price of 10.5 pence per share. Attached to each share issued is 0.105 warrants, with each full warrant entitling the holder to purchase one ordinary share at an exercise price of 10.5 pence per share, exercisable for a period of 24 months after closing.

The proceeds of the equity issuance were used to fund a Senior debt repayment to the EBRD due 31 March 2019 of $2.9 million. The final repayment of $2.7 million, plus accrued interest, of the Senior debt is due 30 September 2019. Once the Senior debt is repaid in September 2019, the Group will have only the Convertible debt outstanding with the EBRD. The Convertible debt is due to be repaid in four instalments commencing 30 June 2020, when 25% of the principal and accrued interest at that date will be repayable. The three remaining repayments will be made annually on 30 June for the following three years. As at 30 June 2019, $7.3 million of the Convertible debt is reported as current in addition to $2.8 million of Senior debt.

On 26 June 2019, the Group received a waiver from the EBRD formally waiving compliance with the financial covenants for the period ended 30 June 2019.

($000)	30 June 2019	31 December 2018
Current assets	13,590	13,480
Current liabilities	(34,392)	(28,918)
Working Capital deficit	(20,802)	(15,438)

The working capital deficit of the Group at 30 June 2019 was $20.8 million. The deterioration of $5.4 million since year end was primarily due to an increase in the current amount of the EBRD debt. At 31 December 2018, $5.6 million of debt was current, however, given the first repayment of the Convertible debt is now current, this has increased the current amount of debt to $10.1 million at 30 June 2019.

Included in current liabilities at 30 June 2019 was $10.1 million of EBRD debt, accounts payable of $15.1 million (of which $8.2 million relates to Brunei and dates back to 2012/2013), a decommissioning provision (Brunei and Canada) of $8.7 million and a lease provision of $0.4 million.

The Group has a commitment to undertake a seismic program to fulfil the remaining work commitments for the third exploration phase of the Satu Mare concession which expires on 28 October 2019.

The Group’s ability to settle its obligations as they come due is dependent on its ability to generate future cash flows from operations and/or obtain the necessary financing. The Group have modelled cash flow forecasts in order to identify how available funds could be managed in order to allow the Group to meet its obligations as they fall due or identify where additional funding may be required. Given the above, there are material uncertainties as to whether the Group can meet all its cash obligations as they fall due.

As the final scheduled repayment of the Senior debt is due on 30 September 2019, the Group will no longer be subject to the financial covenants specifically applicable to the Senior loan. The Convertible loan agreement requires compliance with a debt to EBITDA ratio. Internally prepared forecasts indicate that covenant compliance at 30 September 2019 is sensitive to changes in assumptions (pricing, production, costs) which will impact whether the covenant is met or not.

The ability to generate sufficient future cash flows from operations to meet obligations as they fall due and the continued availability of existing facilities, should loan covenants not be met, represent material uncertainties that may cast significant doubt on the ability of the Group to continue as a going concern.

Financial Review –Half Year 2019

FUNDS FROM OPERATIONS

The Group uses funds from operations as a key performance indicator to measure the ability of the Group to generate cash from operations to fund future exploration and development activities.

The following table is a reconciliation of funds from operations to cash flow from operating activities:

	Six months ended 30 June	
($000)	2019	2018
Cash flow from (used in) operations	3,492	(3,846)
Changes in non-cash working capital	(2,090)	5,044
Funds from operations	1,402	1,198
Funds from operations per share (1)	0.01	0.01

(1) Based on average shares outstanding in the period

The increase in funds from operations in 2019 was primarily attributable to Romania generating cash flows in 2019, partially offset by insurance proceeds of $2.6 million recognised in 2018 relating to the well incident in December 2017. Funds from operations generated in Tunisia were $1.4 million, Romania $1.7 million and funds used corporately were $1.7 million.

PRODUCTION

	Six months ended 30 June	
	2019	2018
Crude oil (bbl/d)	226	262
Natural gas (Mcf/d)	494	605
Tunisia (boe/d)	308	363
Natural gas (Mcf/d)	2,188	-
Condensate (bbl/d)	7	-
Romania (boe/d)	372	-
Crude oil (bbl/d)	226	262
Natural gas (Mcf/d)	2,682	605
Condensate (bbl/d)	7	-
Total Group production (boe/d)	680	363
% liquids weighting	34%	72%
% gas weighting	66%	28%

Production was 680 boe/d for the period, an increase of 87% from the comparable period of 2018, due to Romania production commencing on 25 April, 2019. Production in the second quarter of 2019 was 1,040 boe/d, more than triple the production in the comparable period of 2018 (346 boe/d).

In Tunisia, production was exclusively from the Sabria field for the period. Production volumes of 308 boe/d were down from 363 boe/d in 2018 due to natural production declines from primarily the Win-13 and Win-12 wells in Sabria. The Group performed a slickline operation in Q2 2018 to investigate the Win-12bis well and may perform a well intervention to improve performance in the future.

In Romania, production averaged 372 boe/d for the period. The Group started production with the Moftinu-1003 well and followed a conventional start-up program whereby production parameters and plant performance were stabilised, after which gas from the Moftinu-1007 well was also brought onto production and flowed through the gas plant. Subsequent to period end the Group reactivated the Moftinu-1000 well and this well was brought onto production mid-July. Production in Romania in July 2019 was 1,745 boe/d.

OIL AND GAS REVENUE

	Six months ended 30 June	
($000)	2019	2018
Oil revenue	2,583	3,257
Gas revenue	845	1,436
Tunisia revenue	3,428	4,693
Gas revenue	2,953	-
Condensate revenue	67	-
Romania revenue	3,020	-
Oil revenue	2,583	3,257
Gas revenue	3,798	1,436
Condensate revenue	67	-
Total Group revenue	6,448	4,693
Liquids revenue (%)	41%	69%
Gas revenue (%)	59%	31%
Oil ($/bbl)	63.07	68.73
Gas ($Mcf)	9.46	13.11
Tunisia average realised price ($boe)	61.39	71.49
Gas ($/Mcf)	7.45	-
Condensate ($bbl)	52.00	-
Romania average realised price ($boe)	44.87	-
Oil ($/bbl)	63.07	68.73
Gas ($/Mcf)	7.82	13.11
Condensate ($/bbl)	52.00	-
Group average realised price ($/boe)	52.36	71.49

In Tunisia, revenue was generated exclusively from the Sabria field. The Group is required to sell 20% of its annual crude oil production from the Sabria concession into the local market, which is sold at an approximate 10% discount to the price obtained on its other crude sales. The remaining crude oil production is sold to the international market, through which the Group has a marketing agreement with Shell International Trading and Shipping Company Limited ("Shell agreement"). Natural gas prices are nationally regulated and in Sabria are tied to the current month average of high sulphur heating oil (benchmarked to Brent).

In Romania, all the natural gas is sold through a gas sales agreement with Vitol Gas and Power BV. The sales price under this agreement is linked to an average of transactions concluded on the centralized markets of Romania.

Oil and gas revenues increased by 37% to $6.4 million in the period, as compared to $4.7 million in the comparable period of 2018. The increase was attributable to an 87% increase in production, partially offset by a 27% decrease in the average realized price.

Crude oil realised prices decreased to $63.07 per bbl for the period. The decrease reflects a 7% decrease in the Brent oil price from $70.65 per bbl for H1 2018 to $66.04 per bbl in H1 2019. The Group's realised oil sales price was approximately 96% of the Brent oil price in both periods.

In Tunisia, the average realised price for natural gas decreased to $9.46 per mcf as compared to $13.11 per mcf in 2018, due to adjustments included in 2018 relating to prior periods reflecting the change in the reference price basis.

ROYALTIES

	Six months ended 30 June	
($000)	2019	2018
Royalties - Tunisia	336	455
Royalties - Romania	227	-
Royalties – Total	563	455
Royalties ($/boe)	4.57	6.93
Royalties - Tunisia (% of revenue)	9.8%	9.7%
Royalties – Romania (% of revenue)	7.5%	-
Royalties – Total (% of revenue)	8.7%	9.7%

Tunisian royalties are based on individual concession agreements. In Sabria, the royalty rate varies depending on a calculation of cumulative revenues, net of taxes, as compared to cumulative investment in the concession, known as the "R factor". As the R factor increases, so does the royalty percentage to a maximum rate of 15%. During 2019, the royalty rate in the Sabria concession was 10% for oil and 8% for gas. In the Chouech Es Saida concession, royalty rates are flat at 15%.

Romanian natural gas royalties step up from 3.5% to 13.0% and condensate from 3.5% to 13.5% based on the level of production in the quarter.

Royalties increased in H1 2019 due to the increase in revenue. The effective royalty rate in Tunisia has remained consistent at approximately 9.8% reflecting that all production is from Sabria. In Romania, the effective royalty rate for natural gas is 7.5% and condensate 3.5%.

PRODUCTION EXPENSES

	Six months ended 30 June	
($000)	2019	2018
Production expense – Tunisia	1,550	1,277
Production expense – Romania	456	-
Production expense – Canada	31	41
Production expense – Total	2,037	1,318
Tunisia production expense ($/boe)	27.76	19.45
Romania production expense ($/boe)	6.78	-
Total production expense ($boe)	16.54	20.08

Tunisian production expenses for the period increased to $1.6 million as compared to $1.3 million in the comparable period of 2018 due to costs associated with reopening the Chouech Es Saida field in southern Tunisia.

The Romanian production expenses reflect costs incurred since the commencement of production on 25 April 2019 for the gas plant, field and the Bucharest office.

Canadian production expenses relate to the Sturgeon Lake assets, which are not producing and are incurring minimal operating costs to maintain the property.

OPERATING NETBACK

Serinus uses operating netback as a key performance indicator to assist management in understanding Serinus' profitability relative to current market conditions and as an analytical tool to benchmark changes in operational performance against prior periods. Operating netback consists of petroleum and natural gas revenues less direct costs consisting of royalties and production expenses. Netback is not a standard measure under IFRS and therefore may not be comparable to similar measures reported by other entities.

	Six months ended 30 June	
Tunisia ($000)	2019	2018
Production volume boe/d	309	363
Realized price	61.39	71.49
Royalties	(6.02)	(6.93)
Production expense	(27.76)	(19.45)
Operating netback - Tunisia	27.61	45.11

	Six months ended 30 June	
Romania ($000)	2019	2018
Production volume boe/d	372	-
Realized price	44.87	-
Royalties	(3.37)	-
Production expense	(6.78)	-
Operating netback - Romania	34.72	-

	Six months ended 30 June	
Group ($000)	2019	2018
Production volume boe/d	680	363
Realized price	52.36	71.49
Royalties	(4.57)	(6.93)
Production expense	(16.54)	(20.08)
Operating netback - Group	31.25	44.48

The decrease in operating netback to $31.25 per boe in H1 2019 from $44.48 in H1 2018 was primarily due to lower oil prices and higher production expenses in Tunisia and a netback of $34.72 per boe on Romanian production.

WINDFALL TAX

	Six months ended 30 June	
($000)	2019	2018
Windfall tax	669	-
Windfall tax ($/mcf - Romania gas)	1.69	-

In Romania, the Group is subject to a windfall tax on its natural gas production which is applied to supplemental income once natural gas prices exceed 47.53 RON/Mwh (approximately $3.40 per mcf). This supplemental income is taxed at a rate of 60% between 47.53 RON/Mwh and 85.00 RON/Mwh and at a rate of 80% above 85.00 RON/Mwh. Expenses deductible in the calculation of the windfall tax include royalties and capital expenditures limited to 30% of the supplemental income.

During 2019, the Group has incurred windfall taxes of $0.7 million which equates to $1.69 per mcf of Romanian gas volumes.

DEPLETION, DEPRECIATION AND IMPAIRMENT

	Six months ended 30 June	
($000)	2019	2018
Depletion and depreciation – Tunisia	728	792
Depletion and depreciation – Romania	1,358	3
Depletion and depreciation – Corporate	309	93
	2,395	888
Tunisia depletion and depreciation ($/boe)	13.04	12.06
Romania depletion and depreciation ($boe)	20.18	-

Depletion and depreciation expense is computed on a concession by concession basis considering the net book value of the concession, future development costs associated with the reserves as well as the proved and probable reserves of the concession.

Tunisia depletion and depreciation expense was consistent period over period.

Corporate depletion and depreciation included $0.2 million and Romania depletion and depreciation included $0.1 million representing the depreciation of right-of-use assets which, effective 1 January 2019, are required to be reported on the statement of financial position. Refer to note 3 of the accounts for further information.

GENERAL AND ADMINISTRATIVE EXPENSE

	Six months ended 30 June	
($000)	2019	2018
G&A expense	1,643	1,409
G&A expense ($/boe)	13.34	21.46

General and administrative ("G&A") costs incurred by the Group are expensed, with certain costs directly related to exploration and development assets being capitalised or reported as production costs. The G&A expense reported is on a net basis, representing gross G&A costs incurred less recoveries of those costs presented as capital or production costs.

G&A costs increased from H1 2018 by $0.2 million. The increase is primarily attributable to higher professional fees and lower recoveries in 2019.

On a per boe basis G&A expenses significantly decreased due to higher production volumes in H1 2019.

SHARE-BASED COMPENSATION

	Six months ended 30 June	
($000)	2019	2018
Stock-based compensation	500	246
Stock-based compensation ($/boe)	4.06	3.75

The increase in share-based compensation expense recognised in 2019 as compared to 2018 is primarily due to stock options issued in December 2018, May 2019 and June 2019, which all vested 1/3 on grant.

NET FINANCE EXPENSE

	Six months ended 30 June	
($000)	2019	2018
Interest	1,825	1,587
Accretion	614	508
Foreign exchange gain	(219)	(128)
	2,220	1,967

Net interest expense for H1 2019 increased to $1.8 million, due to higher debt balances (due to interest accrued on the convertible loan) and higher interest rates on the loans in 2019, due to an increase in LIBOR. The average debt balance included in the interest expense calculation for the H1 2019 was $31.6 million compared to $30.5 million in the comparable period of 2018.

CAPITAL EXPENDITURES

	Six months ended 30 June	
($000)	2019	2018
Tunisia	201	(16)
Romania	1,382	7,306
Corporate	-	84
	1,583	7,374

Capital expenditures of $1.4 million in Romania were primarily focused on the completion of the construction of the gas plant, commencing the 3D seismic project and the capitalization Bucharest office costs until the date production started.

In Tunisia, capital expenditures were primarily related to the workovers in the Chouech Es Saida field.

SHARE DATA

As at the date of issuing this report, the following are the options outstanding and changes to directors' shares owned since 30 June 2019, up to the date of this report.

Name of Director	Options held at 30 June and 13 Aug 2019	Shares held at 31 December 2018	Change in ownership	Shares held at 30 June 2019 and 13 Aug 2019
Executive Directors:				
Jeffrey Auld	8,000,000	22,197	-	22,197
Tracy Heck	4,950,000	-	-	-
Non-Executive Directors:				
Lukasz Redziniak	-	-	-	-
Jim Causgrove	100,000	-	-	-
Eleanor Barker	100,000	100,000	-	100,000
Dawid Jakubowicz	-	-	-	-
	13,150,000	122,197	-	122,197

As of the date of issuing this report, management is aware of the following shareholders holding more than 5% of the ordinary shares of the Company, as reported by the shareholders to the Company: Kulczyk Investments S.A. 38.77%, Marlborough Fund Managers 10.64% and JCAM Investments Ltd 8.91%.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Serinus Energy plc
Condensed Consolidated Interim Statement of Comprehensive Income
(US 000s) (unaudited)

		Six months ended 30 June	
	Note	**2019**	**2018**
Revenue, net of royalties		5,885	4,238
Cost of sales			
Production expenses		(2,037)	(1,318)
Depletion and depreciation		(2,395)	(888)
Windfall tax		(669)	-
Total cost of sales		(5,101)	(2,206)
Gross profit		784	2,032
Administrative expenses		(1,643)	(1,409)
Share-based payment expense		(500)	(246)
Well incident recovery		-	2,592
Listing costs		(7)	(1,340)
Operating (loss) income		(1,366)	1,629
Finance expense		(2,220)	(1,967)
Loss before tax		(3,586)	(338)
Taxation		(620)	(1,279)
Loss for the period		(4,206)	(1,617)
Other comprehensive income			
Other comprehensive income to be classified to profit and loss in subsequent periods:			
Foreign currency translation adjustment		826	-
Comprehensive (loss) for the period		(3,380)	(1,617)
Loss per share:			
Basic and diluted	5	(0.02)	(0.01)

Serinus Energy plc
Condensed Consolidated Interim Statement of Financial Position
(US 000s) (unaudited)

As at	**30 June 2019**	**31 December 2018**
Non-current assets		
Property, plant and equipment	108,489	107,541
Current assets		
Restricted cash	1,072	1,054
Trade receivables and other	9,502	10,143
Cash and cash equivalents	3,016	2,283
Total current assets	13,590	13,480
Total assets	122,079	121,021
Equity		
Share capital	377,942	375,208
Warrants	97	-
Share-based payment reserve	23,807	23,307
Cumulative translation reserve	826	-
Accumulated deficit	(389,379)	(385,173)
Total equity	13,293	13,342
Liabilities		
Non-current liabilities		
Decommissioning provision	37,093	36,573
Deferred tax liability	13,666	13,154
Long-term debt	21,985	27,667
Other provisions	1,650	1,367
Total non-current liabilities	74,394	78,761
Current liabilities		
Decommissioning provision	8,683	8,696
Current portion of long-term debt	10,142	5,624
Other provisions	435	-
Accounts payable and accrued liabilities	15,132	14,598
Total current liabilities	34,392	28,918
Total liabilities	108,786	107,679
Total equity and liabilities	122,079	121,021

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on 13 August 2019 and were signed on its behalf by:

ELEANOR BARKER
DIRECTOR, CHAIR OF THE AUDIT COMMITTEE

JEFFREY AULD
DIRECTOR, PRESIDENT AND CEO

Serinus Energy plc
Condensed Consolidated Interim Statement of Shareholder's Equity
(US 000s) (unaudited)

	Share capital	Warrants	Share-based payment reserve	Accumulated deficit	Cumulative translation reserve	Total
Balance at 1 January 2018	362,534	-	22,487	(381,317)	-	3,704
Comprehensive loss for the period	-	-	-	(1,617)	-	(1,617)
Adjustment on initial application of IFRS 9	-	-	-	1,034	-	1,034
Transactions with equity owners						
Share issue, net of issue costs	12,674	-	-	-	-	12,674
Share-based payment expense	-	-	246	-	-	246
Balance at 30 June 2018	375,208	-	22,733	(381,900)	-	16,041
Balance at 31 December 2018	375,208	-	23,307	(385,173)	-	13,342
Comprehensive loss for the period	-	-	-	(4,206)	826	(3,380)
Transactions with equity owners						
Share issue, net of issue costs	2,734	97	-	-	-	2,831
Share-based payment expense	-	-	500	-	-	500
Balance at 30 June 2019	377,942	97	23,807	(389,379)	826	13,293

Serinus Energy plc
Condensed Consolidated Interim Statement of Cash Flows
(US 000s) (unaudited)

	Six months ended 30 June	
	2019	**2018**
Operating activities		
Loss for the period	(4,206)	(1,617)
Items not involving cash:		
Depletion and depreciation	2,395	888
Accretion expense	614	508
Share-based payment expense	500	246
Foreign exchange gain unrealized	(204)	(536)
Current tax expense	108	410
Deferred tax expense	512	869
Interest expense	1,825	1,587
Income taxes paid	(142)	(1,133)
Expenditures on decommissioning liabilities	-	(24)
Funds from operations	1,402	1,198
Changes in non-cash working capital	2,090	(5,044)
Cashflows from (used in) operating activities	3,492	(3,846)
Financing activities		
Ordinary shares issued	3,000	13,475
Share issue costs	(169)	(801)
Repayment of long-term debt	(2,700)	-
Interest and financing fees	(235)	(204)
Lease payments	(181)	-
Cashflows (used in) from financing activities	(285)	12,470
Investing activities		
Property, plant and equipment expenditures, net[1]	(2,432)	(10,283)
Change in restricted cash	(10)	(22)
Cashflows used in investing activities	(2,442)	(10,305)
Impact of foreign currency translation on cash	(32)	624
Change in cash and cash equivalents	733	(1,057)
Cash and cash equivalents, beginning of period	2,283	7,252
Cash and cash equivalents, end of period	3,016	6,195

[1] Property, plant and equipment expenditures includes capital expenditures made in the period and related changes in non-cash working capital.

1. General information

Serinus Energy plc (the "Company") and its subsidiaries ("Serinus" or the "Group") is principally engaged in the exploration for and development of oil and gas properties in Tunisia and Romania. The Company is incorporated under the Companies (Jersey) Law 1991. The Company's head office and registered office is located at 28 Esplanade, St. Helier, Jersey, JE1 8SB.

Serinus is a publicly listed company whose ordinary shares are traded under the symbol "SENX" on AIM and "SEN" on the WSE. Kulczyk Investments, S.A. ("KI") holds a 38.77% investment in Serinus as of 30 June 2019.

The condensed consolidated interim financial statements for Serinus include the accounts of the Company and its subsidiaries for the six months ended 30 June 2019.

2. Basis of presentation

The condensed consolidated interim financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU") but do not include all information required for full annual financial statements.

These consolidated financial statements are expressed in U.S. dollars unless otherwise indicated. All references to US$ are to U.S. dollars. All financial information is rounded to the nearest thousands, except per share amounts and when otherwise indicated.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the condensed consolidated interim financial statements are described in note 4 to the consolidated financial statements for the year ended 31 December 2018. There has been no change in these areas during the six months ended 30 June 2019.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that Serinus will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

The Group meets its day-to-day working capital requirements from net operating cash flows, cash balances, equity, and fully drawn debt facilities (Senior and Convertible loans from the EBRD of $2.8 million and $30.6 million respectively). As at 31 July 2019 the Group had cash balances of $3.2 million.

The Group is poised to substantially increase its ability to generate cash flow in future periods with the commencement of production in Romania and Tunisia. However, the delays in commencing production in Romania has resulted in a tightened cash position and the Group has breached financial covenants associated with the debt held with the European Bank of Reconstruction and Development ("EBRD"), as well as contributing to the delay of capital investment programmes in Tunisia.

The Group has a commitment to undertake a seismic program to fulfil the remaining work commitments for the third exploration phase of the Satu Mare concession which expires 28 October 2019.

Equity was issued in March 2019, raising net proceeds of $2.8 million, to bridge a short-term financing need to fund a scheduled debt repayment on the Senior loan, which was paid on 29 March 2019.

The Group's $2.8 million Senior loan is due to be repaid on 30 September 2019. The Group's $30.6 million convertible loan accumulates interest to 30 June 2020 at which point the outstanding amount is repayable in four equal instalments on 30 June 2020, 2021, 2022 and 2023 and interest after 30 June 2020 is to be paid annually on the loan repayment dates. Both loans are subject to covenants. As at 30 June 2019, the Group was not in compliance with the financial debt to EBITDA covenant or the debt service coverage ratio for the three months ended 30 June 2019. On 26 June 2019, the Group received a waiver from the EBRD formally waiving compliance with these covenants for the period ended 30 June 2019. The implication of this waiver is that the debt repayments will follow their original scheduled repayment terms and the bank will not be acting on its security as a result of the breach.

In assessing the Group's ability to continue as a going concern, the Directors have prepared base and sensitized cash flow forecasts for a period in excess of 12 months from the date of authorization of the condensed consolidated interim financial statements. The key assumptions in the base case forecasts are the performance of the gas facility and wells in Romania, the performance of the Chouech Es Saida field in Tunisia, the lifting schedule with Shell, and commodity prices.

Given the scheduled repayment of the Senior debt on 30 September 2019, the Group will no longer be subject to the financial covenants applicable to the Senior loan. The Convertible loan agreement requires compliance with a debt to EBITDA ratio. Internally prepared forecasts indicate that covenant compliance at 30 September 2019 is sensitive to changes in assumptions (pricing, production, costs) which will impact whether the covenant is met or not.

The Group's ability to settle its obligations as they come due is dependent on its ability to generate future cash flows from operations and/or obtain the necessary financing. The Group have modelled cash flow forecasts in order to identify how available funds could be managed in order to allow the Group to meet its obligations as they fall due or identify where additional funding may be required. Given the above, there are material uncertainties as to whether the Group can meet all its cash obligations as they fall due.

The Directors consider that the ability to generate sufficient future cash flows from operations to meet obligations as they fall due and the continued availability of existing facilities, should loan covenants not be met, represent material uncertainties that may cast significant doubt on the ability of the Group to continue as a going concern. These condensed consolidated interim financial statements do not reflect the adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if the Group were unable to continue as a going concern.

3. Significant accounting policies

Except as described below, the condensed consolidated interim financial statements have been prepared following the same basis of measurement, functional currency and accounting policies and methods of computation as described in the notes to the consolidated financial statements for the year ended 31 December 2018.

Changes to accounting policies

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"), which requires entities to recognise assets and lease obligations in the statement of financial position. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets (less than $5,000) are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognise lease revenue and what assets would be recorded.

Serinus adopted IFRS 16 on 1 January 2019, using the modified retrospective transition approach. Under the modified retrospective approach, the measurement of the right-of-use assets are equal to the lease liabilities immediately before the transition date with no impact on retained earnings. The cumulative effect is recognised at the initial transition date with no comparative information. The main changes are explained below.

i. Significant accounting policies

Leases

Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are classified as leases. Upon initial recognition, right-of-use assets are measured at cost, which comprises the amount of the initial measurement of the lease liability, lease payments made at or before the commencement date, any initial direct costs and an estimate of dismantling and restoration costs. Lease liabilities are measured at the present value of the lease payments using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

Serinus has taken recognition exemptions for leases that are short-term and leases for which the underlying asset is of low value. Short-term leases are defined as a lease that, at the commencement date, has a lease term of 12 months or less. An underlying asset can only be of low value if the lessee can benefit from the use of the underlying asset on its own, the underlying asset is not highly dependent or interrelated with other assets and the underlying asset has a value, when new, of $5,000 or less. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term in the statement of comprehensive income.

(US 000s, unless otherwise noted)

ii. Impact from change in accounting policy

Operating lease payments were previously recorded in administrative expenses in the statement of comprehensive income. Under IFRS 16, right-of-use assets and lease liabilities are recognised in the statement of financial position for contracts that are classified as leases. Right-of-use assets are included in property, plant and equipment and depreciated on a straight-line basis over the lease term. Depreciation of the right-of-use assets is included in depletion and depreciation expense in the statement of comprehensive income. Lease liabilities are included in other provisions at their net present value and accreted until the end of the lease term. Accretion of lease liabilities is recorded as interest expense and included in finance expense in the statement of comprehensive income. The cumulative effect of initial application of the standard on 1 January 2019 is the recognition of $0.9 million in right-of-use assets, $0.9 million increase in other provisions, and $0.2 million in depletion and depreciation expense.

4. Segment information

The Group's reportable segments are organized by geographical areas and consist of the exploration, development and production of oil and natural gas in Romania and Tunisia. The Corporate segment includes all corporate activities and items not allocated to reportable operating segments and therefore includes Brunei.

	Romania	**Tunisia**	**Corporate**	**Total**
As at 30 June 2019				
Total assets	47,359	71,450	3,270	122,079
For the six months ended 30 June 2019				
Petroleum and natural gas revenues				
Crude oil	-	2,583	-	2,583
Natural gas	2,953	845	-	3,798
Condensate	67	-	-	67
	3,020	3,428	-	6,448
Royalties	(227)	(336)	-	(563)
Revenue, net of royalties	2,793	3,092	-	5,885
Cost of sales				
Production expenses	(456)	(1,550)	(31)	(2,037)
Depletion and depreciation	(1,358)	(728)	(309)	(2,395)
Windfall tax	(669)	-	-	(669)
Total cost of sales	(2,483)	(2,278)	(340)	(5,101)
Gross profit (loss)	979	814	(340)	1,453
General and administrative	-	-	(1,643)	(1,643)
Listing costs	-	-	(7)	(7)
Share-based payment expense	-	-	(500)	(500)
Operating profit (loss)	310	814	(2,490)	(1,366)
Finance income (expense)	140	(494)	(1,866)	(2,220)
Profit (loss) before income taxes	450	320	(4,356)	(3,586)
Current income tax expense	-	(107)	(1)	(108)
Deferred income tax expense	-	(512)	-	(512)
Profit (loss) for the period	450	(299)	(4,357)	(4,206)
Capital expenditures [1]	1,382	201	-	1,583

[1] Capital expenditures exclude the impact of changes in non-cash working capital, IFRS 16 adjustments, and currency translation adjustments.

	Romania	Tunisia	Corporate	Total
As at 31 December 2018				
Total assets	44,095	71,473	5,453	121,021
For the six months ended 30 June 2018				
Petroleum and natural gas revenues				
Crude oil	-	3,257	-	3,257
Natural gas	-	1,436	-	1,436
	-	4,693	-	4,693
Royalties	-	(455)	-	(455)
Revenue, net of royalties	-	4,238	-	4,238
Cost of sales				
Production expenses	-	(1,277)	(41)	(1,318)
Depletion and depreciation	(3)	(792)	(93)	(888)
Total cost of sales	(3)	(2,069)	(134)	(2,206)
Gross (loss) profit	(3)	2,169	(134)	2,032
General and administrative	-	-	(1,409)	(1,409)
Share-based payment expense	-	-	(246)	(246)
Well incident recovery	2,592	-	-	2,592
Listing costs	-	-	(1,340)	(1,340)
Operating profit (loss)	2,589	2,169	(3,129)	1,629
Finance income (expense)	475	(670)	(1,772)	(1,967)
Profit (loss) before income taxes	3,064	1,499	(4,901)	(338)
Current income tax expense	-	(408)	(2)	(410)
Deferred income tax expense	-	(869)	-	(869)
Profit (loss) for the period	3,064	222	(4,903)	(1,617)
Capital expenditures (1)	7,306	(16)	84	7,374

(1) Capital expenditures exclude the impact of changes in non-cash working capital, IFRS 16 adjustments, and currency translation adjustments.

5. Loss per share

	Six months ended 30 June	
(US 000s, except per share amounts)	**2019**	**2018**
Loss for the period	(4,206)	(1,617)
Weighted average shares outstanding - basic	229,584	166,858
Effect of dilutive securities (1)	-	-
Weighted average shares outstanding - diluted	229,584	166,858
Loss per share – basic and dilutive	(0.02)	(0.01)

(1) For the six months ended 30 June 2019, there were 8.7 million options exercisable and 2.3 million warrants that were excluded from the calculation as the impact was anti-dilutive (for the six months ended 30 June 2018 – 3.0 million options).

INDEPENDENT REVIEW REPORT TO SERINUS ENERGY PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises of the Condensed Consolidated Interim Statement of Comprehensive Income, Condensed Consolidated Interim Statement of Financial Position, Condensed Consolidated Interim Statement of Shareholder's Equity, Condensed Consolidated Interim Statement of Cash Flows and the related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts, and in accordance with the rules of the Warsaw Stock exchange.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial 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 Financial Reporting Council 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 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.

Material uncertainty in relation to going concern

We draw attention to note 2 in the condensed set of financial statements which details the Company's potential non-compliance with future loan covenants. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM, and with the rules of the Warsaw Stock Exchange.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and the rules of the Warsaw Stock Exchange, and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

BDO LLP

Chartered Accountants

London

13 August 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).