Serinus Energy plc

Third Quarter Report and Accounts 2019

(US dollars)

THIRD QUARTER 2019 HIGHLIGHTS

Operational

- For the nine months ended September 30, 2019, production for the period increased 811 boe/d (227%) to 1,168 boe/d from 357 boe/d in the comparable period of 2018, comprised of 814 boe/d in Romania and 354 boe/d in Tunisia; for the three months ended September 30, 2019, production comprised of 1,685 boe/d in Romania and 443 boe/d in Tunisia
- Serinus Energy plc ("Serinus" or the "Group") exited October with a production rate of 2,142 boe/d. Production in October 2019 was 1,780 boe/d, comprised of 571 boe/d in Tunisia and 1,209 boe/d in Romania. This average production and exit rate were impacted by the turnaround of the Moftinu gas plant for routine maintenance from October 14 to October 20, and the subsequent ramping up of the Moftinu production on a smaller choke
- The Group recommenced production at the Chouech Es Saida ("Chouech") field in Tunisia during the quarter. Serinus exited October with production from the field of 277 bbl/d of crude oil
- Cash flows from operating activities increased to $5.6 million for the nine months ended September 30, 2019; this is compared to cash used in operating activities of $3.2 million in the same period of 2018, an increase of $8.8 million year over year
- Subsequent to the quarter the Group completed a successful turnaround on the Moftinu gas facility, shutting in production for seven days. Production was successfully brought back online on October 20, 2019
- Subsequent to the quarter, the Group received a one-year extension to the Satu Mare Concession, delaying expiration until October 28, 2020
- The Group has begun construction of the platform for the Moftinu-1004 production well in Romania. The Moftinu-1004 production well is permitted and, subject to rig availability, is expected to be spudded in January 2020.

Financial

- On September 13, 2019, the Group made the final payment towards the Senior loan in the amount of $2.8 million, which included $0.1 million of interest
- The Group generated $15.5 million in gross revenue ($14.3 million net of royalties) for the nine months ended September 30, 2019, of which $9.8 million was generated in Romania and $5.7 million in Tunisia
- Funds from operations amounted to $5.6 million for the nine months ended September 30, 2019, a twofold increase from the same period in 2018 ($2.8 million)
- Realized crude oil price averaged $61.20 per bbl and net realized Romanian natural gas price averaged $7.29 per mcf for the nine months ended September 30, 2019
- Capital expenditures for the nine months ended September 30, 2019 of $3.0 million which were primarily focused on the final phase of the construction of the Moftinu gas facility and the start-up of the Chouech field
- Production expense has decreased to $11.96/boe in the nine months ended September 30, 2019. This is a 42% decrease from $20.61/boe from the nine-month period ended September 30, 2018.

OPERATIONAL UPDATE

In Romania, gas continues to be sold on a monthly basis per the previously announced Gas Sales Agreement. Romania requires that 50% of the production is sold on the open market, therefore the Group commenced selling on the open market in August and has realized competitive prices.

The Group is finalizing drilling plans for Moftinu-1004, scheduled to be spudded in January 2020 subject to rig availability. Permits and licenses have been acquired and the lease plans have been finalized. The drilling pad set up will be complete by the end of 2019. The tendering process for the drilling rig has been initiated with Requests for Quotes having been sent to drilling companies.

In Tunisia, production returned at the Chouech field in southern Tunisia, with four wells being placed onto production. Production for this field exited October at 277 boe/d. The Group is optimistic that as the water cuts decrease, production will return in line with historical production levels.

Subsequent to the quarter, the Group received an extension from the National Agency of Mineral Resources on the Satu Mare concession until October 28, 2020. The Company had permitted a 148 km^2 3D program area in the Berveni area just north of the Moftinu gas plant, but the permitting program had been subject to unforeseen delays in reaching land access agreement with the large numbers of landowners within the seismic acquisition area. These access agreements have since been concluded with all landowners, but the delay has meant that the seismic acquisition could not be completed prior to the expiration of the exploration phase. The final commitment for the concession is the seismic program, which is now scheduled to be undertaken in Q2 of 2020.

The Company is advancing the drilling of the Moftinu-1004 well. Moftinu-1004 is anticipated to be a production well located within the Moftinu field and drilled to a depth of approximately 1,000m. The Moftinu-1004 well is already permitted and construction on the surface facilities needed to drill this well is underway. It is expected that, subject to rig availability, Moftinu-1004 will be spudded in January 2020. Once successfully completed and tied-in, the Moftinu-1004 well will provide additional gas production to the Moftinu Gas Plant.

Subsequent to the quarter, The Group shut in production for seven days to undertake a gas facility turnaround. The turnaround was successful, and production was restarted at the end of October.

OUTLOOK

Romania

The outlook for Romania remains strong. Production in October was 1,209 boe/d and realized gas prices were $7.09/mcf. This average production is impacted by the turnaround of the Moftinu gas plant for routine maintenance from October 14 to October 20. While the Moftinu – 1003 and Moftinu – 1007 wells have performed as expected, the Moftinu -1000 well has been subject to water-loading and has therefore produced sporadically since it was brought onto production in July 2019.

Subsequent to the quarter, the group received confirmation that the extension for the Satu Mare concession has been approved. 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 October 28, 2020. The seismic acquisition program is expected to be undertaken in Q2 of 2020.The Group completed permitting for its planned 3D seismic survey and will be conducted over a highly prospective portion of the Satu Mare Concession. This survey will fulfil the remaining work commitments for the third exploration phase of the Satu Mare concession.

The Group has finalized plans to drill the Moftinu-1004 well in January 2020. This well is a development well designed to provide additional gas to the Moftinu gas plant. This well will allow the Moftinu Gas Plant to operate at full capacity and to extend the plateau of production.

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 field in southern Tunisia in March 2019. During the third quarter, four wells in Chouech recommenced production. Production is continuing to increase as the water cuts drop off.

Sabria continues to produce with no interruptions and minimal capital outlays. The Group will look at implementing low cost capital programs in 2020 such as re-entry and workover of the N-2 well and introducing artificial lift in current producing wells.

FINANCIAL REVIEW

Liquidity, Debt and Capital Resources

In Romania, the Group invested $2.0 million in the nine months ended September 30, 2019 primarily to complete the construction of the gas plant and commence the 3D seismic project. Also included were the Bucharest office costs, which were capitalized until the date production started. Romania became a significant positive cash flow generating unit during the period due to production coming online.

In Tunisia, production continued from the Sabria field during the first nine 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, the only capital expenditures in Tunisia were to recommence production at Chouech. The restart of the field will enhance cash flow generation in Tunisia.

Funds from operations increased to $5.6 million for the nine months ended September 30, 2019, as compared to $2.8 million for the same period in 2018. Taking into consideration the movement in working capital, the cash flows from operating activities for the nine months ended September 30, 2019 was a net inflow of $5.6 million (2018 – outflow of $3.2 million).

Delays in commencing production in Romania resulted in a tightened cash position and the Group has breached financial covenants associated with its debt held with the European Bank of Reconstruction and Development ("EBRD"), as well as contributing to the delay of capital investment programs 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 March 31, 2019 of $2.9 million. The final repayment of $2.8 million was paid on September 13, 2019, leaving just the convertible debt outstanding with the EBRD. The Convertible debt is due to be repaid in four instalments commencing June 30, 2020, when 25% of the principal and accrued interest at that date will be repayable. The three remaining repayments will be made annually on June 30. As at September 30, 2019, $7.6 million of the Convertible debt is reported as current.

On September 25, 2019, the Group received a waiver from the EBRD formally waiving compliance with the financial covenants for the period ended September 30, 2019.

As at		
($000)	**September 30, 2019**	**December 31, 2018**
Current assets	13,637	13,480
Current liabilities	(33,380)	(28,918)
Working capital deficit	(19,743)	(15,438)

The working capital deficit of the Group at September 30, 2019 was $19.7 million. The deterioration of $4.3 million since year end was primarily due to an increase in the current amount of the EBRD debt. At December 31, 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 $7.6 million at September 30, 2019.

Included in current liabilities at September 30, 2019 was $7.6 million of EBRD debt, accounts payable of $15.2 million (of which $8.2 million relates to Brunei and dates back to 2012/2013), a decommissioning provision (Brunei, Canada and Tunisia) of $8.7 million, income taxes payable of $1.4 million and lease obligations of $0.5 million.

Going Concern Statement

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 has 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 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 –Third Quarter 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:

	Nine months ended September 30	
($000)	**2019**	2018
Cash flow from (used in) operations	**5,585**	(3,192)
Changes in non-cash working capital	**(33)**	6,031
Funds from operations	**5,552**	2,839
Funds from operations per share [1]	**0.02**	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 recognized in 2018 relating to the well incident in December 2017. Funds from operations generated in Romania were $6.0 million, Tunisia $2.2 million and funds used corporately were $2.6 million.

PRODUCTION

	Nine months ended September 30	
	2019	2018
Tunisia		
Crude oil (bbl/d)	**270**	257
Natural gas (Mcf/d)	**504**	601
Tunisia (boe/d)	**354**	357
Romania		
Natural gas (Mcf/d)	**4,791**	-
Condensate (bbl/d)	**16**	-
Romania (boe/d)	**814**	-
Group		
Crude oil (bbl/d)	**270**	257
Natural gas (Mcf/d)	**5,295**	601
Condensate (bbl/d)	**16**	-
Total Group production (boe/d)	**1,168**	357
% liquids weighting	**24%**	72%
% gas weighting	**76%**	28%

Production was 1,168 boe/d for the nine months ended September 30, 2019, an increase of 811 boe/d (227%) from the comparable period of 2018, due to Romania production commencing on April 25, 2019 and Chouech coming online throughout the third quarter. Overall production during the three months ended September 30, 2019 was 2,128 boe/d, up from 346 boe/d for the comparable period of 2018.

In Tunisia, production was from the Sabria and Chouech fields for the nine months ended September 30, 2019 and averaged 354 boe/d, down from 357 boe/d in 2018 due to natural declines, partially offset by Chouech production recommencing in July. Production for the three months ended September 30, 2019 was 443 boe/d, up from 346 boe/d for the comparable period of 2018.

In Romania, production commenced April 25, 2019 and has averaged 814 boe/d for the nine months ending September 30, 2019. The production for the three months ended September 30, 2019 averaged 1,685 boe/d compared to nil in the same period of 2018.

Oil and Gas Revenue

($000)	Nine months ended September 30 2019	2018
Tunisia		
Oil revenue	**4,496**	4,851
Gas revenue	**1,226**	2,009
Tunisia revenue	**5,722**	6,860
Romania		
Gas revenue	**9,535**	-
Condensate revenue	**212**	-
Romania revenue	**9,747**	-
Group		
Oil revenue	**4,496**	4,851
Gas revenue	**10,761**	2,009
Condensate revenue	**212**	-
Total Group revenue	**15,469**	6,860
Liquids revenue (%)	**30%**	71%
Gas revenue (%)	**70%**	29%
Tunisia		
Oil ($/bbl)	**61.20**	69.17
Gas ($/Mcf)	**8.91**	12.25
Tunisia average realized price ($/boe)	**59.37**	70.39
Romania		
Gas ($/Mcf)	**7.29**	-
Condensate ($/bbl)	**54.93**	-
Romania average realized price ($/boe)	**43.94**	-
Group		
Oil ($/bbl)	**61.20**	69.17
Gas ($/Mcf)	**7.45**	12.25
Condensate ($/bbl)	**54.93**	-
Group average realized price ($/boe)	**48.61**	70.39

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, 50% of the natural gas production must be sold on the open market, and the other 50% of 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 126% to $15.5 million in the period, as compared to $6.9 million for the same period in 2018. The increase was attributable to an 227% increase in production, partially offset by a 32% decrease in the average realized price that reflects the increase in the percentage of gas produced by the Group versus crude oil.

Crude oil realized prices decreased to $61.20 per bbl for the nine months ended September 30, 2019 compared to $69.17 for the same period in 2018. This a result of a 10% decrease in the Brent oil price from $72.18 per bbl for the nine months ended September 30, 2018 to $64.67 per bbl for the same period in 2019. The Group’s realized oil sales price was approximately 95% of the Brent oil price in both periods.

ROYALTIES

	Nine months ended September 30	
($000)	**2019**	2018
Tunisia	**605**	673
Romania	**563**	-
Total	**1,168**	673
Tunisia ($/boe)	**6.26**	6.91
Romania ($/boe)	**2.53**	-
Total ($/boe)	**3.66**	6.91
Tunisia (% of revenue)	**10.6%**	9.8%
Romania (% of revenue)	**5.8%**	-
Total (% of revenue)	**7.6%**	9.8%

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 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. Effective August 2019, Romanian royalties are calculated using the reference price set by Romania instead of the realized price to the Group. Currently, the Group is receiving a higher gas price and a lower condensate price when compared to the reference price.

Royalties increased during the nine months ended September 30, 2019 due to the increase in revenue. The effective royalty rate in Tunisia increased to 10.6% from 9.8% in the comparable period due to the Chouech field coming onto production and incurring a larger royalty rate than Sabria (15% vs 10%). In Romania, the effective royalty rate for natural gas is 5.8% and condensate 4.7%.

PRODUCTION EXPENSES

	Nine months ended September 30	
($000)	**2019**	2018
Tunisia	**2,595**	1,963
Romania	**1,180**	-
Canada	**40**	46
Total	**3,815**	2,009
Tunisia ($/boe)	**26.87**	20.14
Romania ($/boe)	**5.31**	-
Total ($/boe)	**11.96**	20.61

Tunisian production expenses for the period increased to $2.6 million as compared to $2.0 million in the comparable period of 2018, due to costs associated with reopening the Chouech field in southern Tunisia. The Romanian production expenses reflect costs incurred since the commencement of production on April 25, 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.

	Nine months ended September 30	
Tunisia	**2019**	2018
Production volume boe/d	**354**	357
Realized price	**59.37**	70.39
Royalties	**(6.26)**	(6.91)
Production expense	**(26.87)**	(20.14)
Operating netback	**26.24**	43.34

	Nine months ended September 30	
Romania	**2019**	2018
Production volume boe/d	**814**	-
Realized price	**43.94**	-
Royalties	**(2.53)**	-
Production expense	**(5.31)**	-
Operating netback	**36.10**	-

	Nine months ended September 30	
Group	**2019**	2018
Production volume boe/d	**1,168**	357
Realized price	**48.61**	70.39
Royalties	**(3.66)**	(6.91)
Production expense	**(11.96)**	(20.61)
Operating netback	**32.99**	42.87

The decrease in operating netback to $32.99 per boe during the nine months ended September 30, 2019 from $42.87 from the comparable period in 2018 was primarily due to lower oil prices and higher production expenses in Tunisia.

WINDFALL TAX

	Nine months ended September 30	
($000)	**2019**	2018
Windfall tax	**2,074**	-
Windfall tax ($/Mcf)	**1.59**	-

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 $2.1 million which equates to $1.59 per mcf of Romanian gas production volumes.

DEPLETION, DEPRECIATION AND AMORTIZATION ("DD&A")

	Nine months ended September 30	
($000)	**2019**	2018
Tunisia	**1,383**	1,177
Romania	**5,168**	5
Corporate	**515**	125
	7,066	1,307
Tunisia ($/boe)	**14.32**	12.08
Romania ($/boe)	**23.25**	-

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

Tunisia DD&A expense increased from the comparable period due to the Chouech field coming back onto production in July 2019. Romania DD&A increased due to Satu Mare production field coming online in April 2019.

DD&A expense associated with the IFRS 16 adjustment in 2019 was $0.4 million (Corporate - $0.3 million, Romania - $0.1 million). Refer to note 3 for further information.

GENERAL AND ADMINISTRATIVE EXPENSE ("G&A")

	Nine months ended September 30	
($000)	**2019**	2018
G&A expense	**2,587**	2,225
G&A expense ($/boe)	**8.11**	22.83

G&A costs incurred by the Group are expensed, with certain costs directly related to exploration and development assets being capitalized 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.

For the nine months ended September 30, 2019, G&A costs increased by $0.4 million which 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 as Romania and Chouech came online during Q2 and Q3 2019, respectively.

SHARE-BASED COMPENSATION

	Nine months ended September 30	
($000)	**2019**	2018
Share-based compensation	**648**	374
Share-based compensation ($/boe)	**2.03**	3.84

The increase in share-based compensation expense is primarily due to additional stock options issued during the period, which have 1/3 vest immediately on the grant date.

NET FINANCE EXPENSE

	Nine months ended September 30	
($000)	**2019**	2018
Interest on long-term debt	**2,684**	2,542
Interest on lease obligations	**81**	-
Accretion	**1,021**	757
Foreign exchange gain	**(187)**	(227)
	3,599	3,072

Net interest expense for the nine months ended September 30, 2019 increased to $3.6 million due to higher interest rates on the EBRD debt (10.4% vs 9.6%), due to an increase in LIBOR, as well as the adoption of IFRS 16 ("leases").

CAPITAL EXPENDITURES

	Nine months ended September 30	
($000)	**2019**	2018
Tunisia	**1,028**	(31)
Romania	**2,002**	11,850
Corporate	**-**	85
	3,030	11,904

Capital expenditures of $2.0 million in Romania were primarily focused on the completion of the gas plant, commencing the 3D seismic project and the capitalization of Bucharest office costs until the date production started.

In Tunisia, capital expenditures were primarily related to the workovers in the Chouech field to get production restarted.

SHARE DATA

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

Name of Director	Options held at Sept 30 and Nov 13 2019	Shares held at Sept 30 and Nov 13 2019
Executive Directors:		
Jeffrey Auld	8,000,000	22,197
Non-Executive Directors:		
Lukasz Redziniak	-	-
Jim Causgrove	100,000	-
Eleanor Barker	100,000	100,000
Dawid Jakubowicz	-	-
	8,200,000	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 Group, as reported by the shareholders to the Group: Kulczyk Investments S.A. 38.09%, Marlborough Fund Managers 10.64% and JCAM Investments Ltd 7.89%.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the Group'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)

	Note	Nine months ended September 30	
		2019	**2018**
Revenue, net of royalties		**14,301**	6,187
Cost of sales			
Production expenses		**(3,815)**	(2,009)
Depletion, depreciation and amortization		**(7,066)**	(1,307)
Windfall tax		**(2,074)**	-
Total cost of sales		**(12,955)**	(3,316)
Gross profit		**1,346**	2,871
Administrative expenses		**(2,587)**	(2,225)
Share-based payment expense		**(648)**	(374)
Well incident recovery		**53**	3,639
Gain on disposition		**-**	117
Listing costs		**(7)**	(1,367)
Operating (loss) income		**(1,843)**	2,661
Finance expense		**(3,599)**	(3,072)
Loss before tax		**(5,442)**	(411)
Current income taxes		**(1,486)**	(2,078)
Deferred income taxes		**1,319**	302
Loss for the period		**(5,609)**	(2,187)
Other comprehensive income			
Other comprehensive income to be classified to profit and loss in subsequent periods:			
Foreign currency translation adjustment		**(1,199)**	-
Comprehensive loss for the period		**(6,808)**	(2,187)
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	Notes	September 30, 2019	December 31, 2018
Assets			
Non-current assets			
Property, plant and equipment		**103,238**	107,541
Current assets			
Restricted cash		**1,098**	1,054
Trade receivables and other		**10,568**	10,143
Cash and cash equivalents		**1,971**	2,283
Total current assets		**13,637**	13,480
Total assets		**116,875**	121,021
Equity			
Share capital		**377,942**	375,208
Contributed surplus		**24,052**	23,307
Accumulated other comprehensive loss		**(1,199)**	-
Accumulated deficit		**(390,782)**	(385,173)
Total equity		**10,013**	13,342
Liabilities			
Non-current liabilities			
Decommissioning provision		**37,427**	36,573
Deferred tax liability		**11,835**	13,154
Long-term debt		**22,660**	27,667
Lease obligations		**101**	-
Other provisions		**1,459**	1,367
Total non-current liabilities		**73,482**	78,761
Current liabilities			
Decommissioning provision		**8,662**	8,696
Current portion of long-term debt		**7,553**	5,624
Current portion of lease obligations		**469**	-
Accounts payable and accrued liabilities		**16,696**	14,598
Total current liabilities		**33,380**	28,918
Total liabilities		**106,862**	107,679
Total equity and liabilities		**116,875**	121,021

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on November 13, 2019.

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

	Notes	Nine months ended September 30 2019	2018
Share capital			
Balance, beginning of period		375,208	362,534
Share issue, net of issue costs		2,733	12,674
Warrants exercised		1	-
Balance, end of period		**377,942**	375,208
Accumulated other comprehensive loss			
Balance, beginning of period		-	-
Comprehensive loss for the period		(1,199)	-
Balance, end of period		**(1,199)**	-
Contributed surplus			
Balance, beginning of period		23,307	22,487
Share-based compensation expense		648	374
Warrants issued, net of finance costs		97	-
Balance, end of period		**24,052**	22,861
Accumulated deficit			
Balance, beginning of period		(385,173)	(381,317)
Adjustment on initial application of IFRS 9		-	1,034
Net loss		(5,609)	(2,187)
Balance, end of period		**(390,782)**	(382,470)

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

	Notes	**Nine months ended September 30**	
		2019	2018
Operating activities			
Loss for the period		(5,609)	(2,187)
Items not involving cash:			
Depletion, depreciation and amortization		7,066	1,307
Accretion expense		1,021	757
Gain on disposition		-	(117)
Share-based payment expense		648	374
Foreign exchange unrealized gain		(195)	(456)
Current tax expense		1,486	2,078
Deferred tax recovery		(1,319)	(302)
Interest expense		2,765	2,542
Income taxes paid		(311)	(1,133)
Expenditures on decommissioning liabilities		-	(24)
Funds from operations		5,552	2,839
Changes in non-cash working capital		33	(6,031)
Cashflows from (used in) operating activities		5,585	(3,192)
Financing activities			
Ordinary shares issued		3,000	12,674
Share issue costs		(170)	-
Warrants exercised		1	-
Repayment of long-term debt		(5,400)	-
Interest and financing fees		(355)	(432)
Lease payments		(317)	-
Cashflows (used in) from financing activities		(3,241)	12,242
Investing activities			
Property, plant and equipment expenditures, net [1]		(2,633)	(12,436)
Interest earned on restricted cash		(16)	(39)
Proceeds on disposition of property, plant and equipment		-	117
Cashflows used in investing activities		(2,649)	(12,358)
Impact of foreign currency translation on cash		(7)	626
Change in cash and cash equivalents		(312)	(2,682)
Cash and cash equivalents, beginning of period		2,283	7,252
Cash and cash equivalents, end of period		1,971	4,570

[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 ("Serinus" or the "Group") and its subsidiaries are principally engaged in the exploration and development of oil and gas properties in Tunisia and Romania. Serinus is incorporated under the Companies (Jersey) Law 1991. The Group'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 38.09% investment in Serinus as of September 30, 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 thousand, 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 recognized in the condensed consolidated interim financial statements are described in note 4 to the consolidated financial statements for the year ended December 31, 2018. There has been no change in these areas during the nine months ended September 30, 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 (Convertible loan from the EBRD of $30.6 million). As at October 31, 2019 the Group had cash balances of $1.9 million.

The Group has greatly increased 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 EBRD, as well as contributing to the delay of capital investment programs 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 October 28, 2020.

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 March 29, 2019. The Group made its final $2.8 million Senior loan payment on September 13, 2019, using funds from operations. The Group's $30.6 million convertible loan accumulates interest to June 30, 2020 at which point the outstanding amount is repayable in four equal instalments on June 30, 2020, 2021, 2022 and 2023 and interest after June 30, 2020 is to be paid annually on the loan repayment dates. As at September 30, 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 September 30, 2019. On September 25, 2019, the Group received a waiver from the EBRD formally waiving compliance with these covenants for the period ended September 30, 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 field in Tunisia, the lifting schedule with Shell, and commodity prices.

The Convertible loan agreement requires compliance with a debt to EBITDA ratio. Internally prepared forecasts indicate that covenant compliance at December 31, 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 has 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, accounting policies and methods of computation as described in the notes to the consolidated financial statements for the year ended December 31, 2018.

Changes to accounting policies

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"), which requires entities to recognize 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 recognize lease revenue and what assets would be recorded.

Serinus adopted IFRS 16 on January 1, 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 recognized 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 recognized as an expense on a straight-line basis over the lease term in the statement of comprehensive income.

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 recognized 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 presented at their net present value and accreted until the end of the lease term. Accretion of lease liabilities is recorded as interest expense and disclosed separately in the statement of comprehensive income. The cumulative effect of initial application of the standard on January 1, 2019 is the recognition of $0.9 million in right-of-use assets and $0.9 million increase in lease obligations.

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 September 30, 2019				
Total assets	42,436	71,529	2,910	116,875
For the nine months ended September 30, 2019				
Petroleum and natural gas revenues				
Crude oil	-	4,496	-	4,496
Natural gas	9,535	1,226	-	10,761
Condensate	212	-	-	212
	9,747	5,722	-	15,469
Royalties	(563)	(605)	-	(1,168)
Revenue, net of royalties	9,184	5,117	-	14,301
Cost of sales				
Production expenses	(1,180)	(2,595)	(40)	(3,815)
Depletion and depreciation	(5,168)	(1,383)	(515)	(7,066)
Windfall tax	(2,074)	-	-	(2,074)
Total cost of sales	(8,422)	(3,978)	(555)	(12,955)
Gross profit (loss)	762	1,139	(555)	1,346
General and administrative	-	-	(2,587)	(2,587)
Listing costs	-	-	(7)	(7)
Well incident recovery	53	-	-	53
Share-based payment expense	-	-	(648)	(648)
Operating profit (loss)	815	1,139	(3,797)	(1,843)
Finance expense	(122)	(949)	(2,528)	(3,599)
Profit (loss) before income taxes	693	190	(6,325)	(5,442)
Current income tax expense	-	(1,485)	(1)	(1,486)
Deferred income tax recovery	-	1,319	-	1,319
Profit (loss) for the period	693	24	(6,326)	(5,609)
Capital expenditures (1)	2,002	1,028	-	3,030

(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 September 30, 2018				
Total assets	45,963	75,178	4,634	125,775
For the nine months ended September 30, 2018				
Petroleum and natural gas revenues				
Crude oil	-	4,851	-	4,851
Natural gas	-	2,009	-	2,009
	-	6,860	-	6,860
Royalties	-	(673)	-	(673)
Revenue, net of royalties	-	6,187	-	6,187
Cost of sales				
Production expenses	-	(1,963)	(46)	(2,009)
Depletion and depreciation	(5)	(1,177)	(125)	(1,307)
Total cost of sales	(5)	(3,140)	(171)	(3,316)
Gross (loss) profit	(5)	3,047	(171)	2,871
General and administrative	-	-	(2,225)	(2,225)
Share-based payment expense	-	-	(374)	(374)
Well incident recovery	3,639	-	-	3,639
Gain on disposition	-	117	-	117
Listing costs	-	-	(1,367)	(1,367)
Operating profit (loss)	3,634	3,164	(4,137)	2,661
Finance income (expense)	807	(1,128)	(2,751)	(3,072)
Profit (loss) before income taxes	4,441	2,036	(6,888)	(411)
Current income tax expense	-	(2,076)	(2)	(2,078)
Deferred income tax recovery	-	302	-	302
Profit (loss) for the period	4,441	262	(6,890)	(2,187)
Capital expenditures [(1)]	11,850	(31)	85	11,904

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

5. Loss per share

	Nine months ended September 30	
($US 000s, except per share amounts)	**2019**	**2018**
Loss for the period	(5,609)	(2,187)
Weighted average shares outstanding - basic	232,637	183,863
Effect of dilutive securities [(1)]	-	-
Weighted average shares outstanding - diluted	232,637	183,863
Loss per share – basic and dilutive	(0.02)	(0.01)

[(1)] For the nine months ended September 30, 2019, there were 8.6 million options exercisable and 2.3 million warrants that were excluded from the calculation as the impact was anti-dilutive (for the nine months ended September 30, 2018 – 4.1 million options).