Serinus Energy plc

Half Year Report and Accounts 2021

(US dollars)

HALF YEAR 2021 HIGHLIGHTS

FINANCIAL

- Revenue for the six months ended 30 June 2021 was $15.9 million (30 June 2020 - $13.3 million)
- Funds from operations for the six months ended 30 June 2021 were $5.3 million (30 June 2020 - $4.3 million)
- EBITDA for the six months ended 30 June 2021 was $5.5 million (30 June 2020 - $5.0 million)
- Gross profit for the six months ended 30 June 2021 was $2.1 million (30 June 2020 - gross loss $1.2 million)
- Commodity prices remain strong, driven by post-COVID economic recovery. European gas prices are at record highs. Net realised price of $43.83/boe, comprising:
    - Realised oil price - $58.06/bbl
    - Realised natural gas price - $6.59/Mcf
- The Group's operating netback for the six months ended 30 June 2021 was $26.72/boe (30 June 2020 - $18.44/boe), comprising:
    - Romania operating netback - $28.73/boe (30 June 2020 - $21.34/boe)
    - Tunisia operating netback - $21.85/boe (30 June 2020 - $9.42/boe)
- Capital expenditures of $5.9 million (30 June 2020 - $3.1 million), comprising:
    - Romania - $5.2 million
    - Tunisia - $0.7 million
- Cash balance as at 30 June 2021 was $5.7 million

OPERATIONAL

- On 15 July 2021 the Company announced that the Sancrai-1 exploration well was a gas discovery.
- The Sancrai-1 discovery is a step towards unlocking an estimated 181 MMboe mean unrisked or 73 MMboe of mean risked recoverable resources on the Satu Mare Concession Area.
- The Sancrai-1 exploration well commenced drilling on 29 June 2021. The well is the final commitment of the third exploration phase on the Satu Mare Concession and has been drilled to 1,600 metres.
- Compression on the Moftinu gas field continues to be advanced with the first compression unit due to be delivered in August. The compression project is designed to stabilise the natural decline of the Moftinu gas field and allow for extended production in the future.
- Serinus has accelerated the re-processing of 2D seismic lines on the Satu Mare Concession Area to enable the use of these legacy assets to design future drilling and development options more accurately in the Sancrai and Madaras areas.
- In Tunisia the Artificial Lift programme continues to be advanced with approvals having been received from the field partner and the design and purchase of pumps having commenced.
- Whilst the pandemic has created a more difficult operating environment the Company has conducted further workover operations in the Chouech area allowing for a standardization of pumps and increased production.
- Production for the period averaged 2,012 boe/d, comprising:
    - Romania – 1,442 boe/d
    - Tunisia - 570 boe/d
- Serinus has continued to operate safely and effectively through the COVID-19 pandemic, with the successful implementation of operational and monitoring protocols to ensure the health and safety of our employees.

OPERATIONAL UPDATE AND OUTLOOK

Serinus Energy plc and its subsidiaries ("Serinus", the "Company" or the "Group") is an oil and gas exploration, appraisal and development company. The Group is the operator of all its assets and has operations in two business units: Romania and Tunisia.

ROMANIA

The Company currently holds one large concession area (approximately 3,000km^2), Satu Mare, located in a highly sought-after hydrocarbon province. The Moftinu Gas Project is what the Group hopes to be the first of many shallow gas developments. The concession is extensively covered by legacy 2D seismic and the Group considers the concession to have multiple sizable prospects available for further exploration.

During the six months ended 30 June 2021, the Company successfully drilled, completed and initiated production from the M-1008 well, which was drilled to a total depth of 1,000 metres and flowed at 4.0 MMscf/d (approximately 667 boe/d).

Serinus also commenced drilling of the Sancrai-1 exploration well on 29 June 2021. On 15 July 2021 the Company announced that the Sancrai-1 well was a gas discovery and that drilling had been completed at a total planned drilling depth of 1,600 metres, five days ahead of schedule and under-budget. Continuous formation gas shows were recorded over 20 metres of gross pay over four sand intervals from the measured depths of 855 metres to 875 metres. At this drilling interval the measured total gas ranged from 5.5% to 11.1% with an estimated average porosity of between 23% and 27%. Open-hole petrophysical analysis undertaken during the drilling operations has further confirmed this gas-bearing Pliocene sand zone. The Company perforated the well in three zones to test the Pliocene sand zone prior to completing the well and subsequently announced that the testing programme was unable to record the flow of gas in the selected zones. The Sancrai-1 exploration well will be suspended pending further technical studies to better understand the Sancrai structure and evaluate the options available, given the high total gas readings during drilling.The well is the final commitment of the third exploration phase on the Satu Mare Concession and lies approximately 7.8 km to the south of the Moftinu Gas Development project.

The project to introduce compression onto the first of two wells on the Moftinu gas field is progressing on-schedule and is expected to be undertaken in conjunction with a planned maintenance shutdown in the third quarter, with the second compressor to be added early next year. The project is intended to stabilise the natural decline of the Moftinu gas field and allow for extended production in the future.

Serinus has accelerated the re-processing of 2D seismic lines on the Satu Mare Concession Area to enable the use of these legacy assets to design future drilling and development options more accurately in the Sancrai and Madaras area.

The Company has a deemed 100% working interest in the concession as its partner has defaulted on its obligations under the Joint Operating Agreement. The Company has filed a Request for Arbitration with the Secretariat of the International Court of Arbitration of the International Chamber of Commerce seeking a declaration affirming the Company's rightful claim of ownership of its defaulted partners' 40% participating interest and to compel transfer of that interest to the Company.

TUNISIA

The Company currently holds five concession areas within Tunisia. Of the five concession areas the Company is currently focused on, three of those areas have discovered oil and gas reserves and are currently producing; Sabria, Chouech Es Saida, and Ech Chouech. The largest asset is the Sabria field, which is a large oilfield play that has been historically under-developed. Serinus considers this to be an excellent asset for remedial work to increase production and, in time with proper reservoir studies, to conduct further development operations.

The first Artificial Lift programme, which will be implemented on the W-1 well in the Sabria field, has received approval from the field partner and the design, selection and purchase of pumps has commenced. The project is expected to continue throughout the second half of the year.

Despite a more difficult operating environment in Tunisia as a result of the impact of COVID-19, the Company has conducted further workover operations in the Chouech area to replace and standardise pumps in order to increase production.

COVID-19

The Company's top priority remains the health, safety and wellbeing of all our staff. The Group continues to monitor each jurisdiction closely and updates its working practices as local situations and rules evolve, following government recommendations such as enhanced sanitation of work sites, social distancing and wearing of masks. Our offices in London, Calgary and Bucharest are all currently open and working in compliance with local recommendations, however in Tunisia a recent sharp increase in the infection rate and more limited vaccination coverage has resulted in a return to more stringent measures and routines to ensure a safe working environment for staff. Existing operations have remained in production. The Company has experienced minor timing delays associated with the movement of staff and services; this has not affected our operational plans.

FINANCIAL REVIEW

LIQUIDITY, DEBT AND CAPITAL RESOURCES

During the six months ended 30 June 2021, the Company spent a total of $5.9 million (2020 - $3.1 million) on capital expenditures. In Romania the Group spent $5.2 million (2020 - $2.3 million) on the drilling, completion and tie-in of the M-1008 well, as well as some drilling costs on the Sancrai-1 well. In Tunisia, the Company spent $0.7 million (2020 - $0.8 million) completing workovers on various wells to enhance production.

The Company's funds from operations for the six months ended 30 June 2021 were $5.3 million (2020 - $4.3 million). Considering the movement in working capital, the cash flow generated from operating activities in 2021 was $5.9 million (2020 – $3.1 million). The Company is now in a strong position to expand and continue growing production within our existing resource base. The Company is debt-free and has adequate resources available to deploy capital into both operating segments to deliver growth and shareholder returns.

(US$ 000s) **Working Capital**	**30 June 2021**	**31 December 2020**
Current assets	15,718	16,037
Current liabilities	(23,273)	(22,236)
Working Capital deficit	(7,555)	(6,199)

The working capital deficit at 30 June 2021 was $7.6 million (31 December 2020 - $6.2 million). The increase in working capital deficit is primarily a result of capital expenditures in the period offset by funds from operations.

Current assets as at 30 June 2021 were $15.7 million (31 December 2020 - $16.0 million), a decrease of $0.3 million. Current assets consist of:

- Cash and cash equivalents of $5.7 million (31 December 2020 - $6.0 million).
- Restricted cash of $1.2 million (31 December 2020 - $1.2 million).
- Trade and other receivables of $8.8 million (31 December 2020 - $8.9 million).

Current liabilities as at 30 June 2021 were $23.3 million (31 December 2020 – $22.2 million), an increase of $1.0 million. Current liabilities consist of:

- Accounts payable of $14.7 million (31 December 2020 - $14.3 million) which includes $6.0 million (31 December 2020 - $6.0 million) related to historic work commitments in Brunei.
- Decommissioning provision of $7.5 million (31 December 2020 - $7.1 million).
    - Brunei - $1.8 million (31 December 2020 - $1.8 million).
    - Canada - $1.1 million (31 December 2020 - $1.0 million) which are offset by restricted cash in the amount of $1.2 million (31 December 2020 - $1.2 million) in current assets.
    - Romania - $0.7 million (31 December 2020 - $0.6 million).
    - Tunisia - $3.9 million (31 December 2020 - $3.7 million).
- Income taxes payable of $0.9 million (31 December 2020 - $0.6 million).
- Current portion of lease obligations of $0.2 million (31 December 2020 - $0.2 million).

NON-CURRENT ASSETS

Property, plant and equipment ("PPE") decreased to $75.6 million (31 December 2020 - $77.8 million), primarily due to depletion expense in the period of $5.9 million, partially offset by capital expenditures in PPE of $4.0 million. Exploration and evaluation assets ("E&E") increased to $1.9 million (31 December 2020 - $0.01 million), primarily due to expenditures incurred on the Sancrai-1 well.

FINANCIAL REVIEW – SIX MONTHS ENDED 30 JUNE 2021

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	
(US$ 000s)	**2021**	**2020**
Cash flow from operations	5,909	3,070
Changes in non-cash working capital	(576)	1,240
Funds from operations	5,333	4,310
Funds from operations per share	0.00	0.02

During the six months ended 30 June 2021 the Company realised a higher average price per boe during the period which offset production declines. Both operating segments realised positive funds from operations as Romania generated $5.8 million (2020 – $6.3 million) and Tunisia generated $1.8 million (2020 – funds used in operations of $0.3 million). Funds used at the Corporate level were $2.3 million (2020 - $1.7 million) resulting in net funds from operations of $5.3 million (2020 – $4.3 million).

PRODUCTION

Six months ended 30 June 2021	**Tunisia**	**Romania**	**Group**	**%**
Crude oil (bbl/d)	463	-	463	23%
Natural gas (Mcf/d)	639	8,586	9,225	76%
Condensate (bbl/d)	-	11	11	1%
Total (boe/d)	570	1,442	2,012	100%
Six months ended 30 June 2020				
Crude oil (bbl/d)	485	-	485	19%
Natural gas (Mcf/d)	641	11,331	11,972	80%
Condensate (bbl/d)	-	14	14	1%
Total (boe/d)	592	1,903	2,495	100%

During the six months ended 30 June 2021 production volumes decreased by 483 boe/d (19%) to 2,012 boe/d (2020 - 2,495 boe/d). The Company's production volumes declined due to natural well declines and COVID-related workover delays.

Romania's production volumes decreased by 461 boe/d (24%) to 1,442 boe/d (2020 – 1,903 boe/d). This was primarily due to natural well declines. The introduction of compression onto two wells on the Moftinu gas field is anticipated to stabilize and extend production in the future.

Tunisia's production volumes decreased by 22 boe/d (4%) to 570 boe/d (2020 – 592 boe/d). The Company has experienced workover delays in Chouech due to COVID-related restrictions, while production has increased following completion of workover projects at the end of 2020. The Company received official approval from the working interest partner in Sabria to begin the project to install the first artificial lift into the field which will be progressed throughout the second half of the year.

OIL AND GAS REVENUE

(US$ 000s)				
Six months ended 30 June 2021	**Tunisia**	**Romania**	**Group**	**%**
Oil revenue	4,813	-	4,813	30%
Natural gas revenue	964	10,032	10,996	69%
Condensate revenue	-	107	107	1%
Total revenue	5,777	10,139	15,916	100%
Six months ended 30 June 2020				
Oil revenue	2,813	-	2,813	21%
Natural gas revenue	611	9,784	10,395	78%
Condensate revenue	-	75	75	1%
Total revenue	3,424	9,859	13,283	100%

REALISED PRICE [1]

Six months ended 30 June 2021	**Tunisia**	**Romania**	**Group**
Oil ($/bbl)	58.06	-	58.06
Natural gas ($/Mcf)	8.34	6.46	6.59
Condensate ($/bbl)	-	55.05	55.05
Average realised price ($/boe)	56.55	38.85	43.83

Six months ended 30 June 2020			
Oil ($/bbl)	31.96	-	31.96
Natural gas ($/Mcf)	5.23	4.71	4.74
Condensate ($/bbl)	-	29.92	29.92
Average realised price ($/boe)	31.86	28.26	29.11

During the six months ended 30 June 2021 revenue increased by $2.6 million (20%) to $15.9 million (2020 – $13.3 million) as the Group saw the average realised price increase by $14.72/boe (51%) to $43.83/boe (2020 - $29.11/boe).

The Group's average realised oil price increased by $26.10/bbl (82%) to $58.06/bbl (2020 – $31.96/bbl), and average realised natural gas prices increased by $1.85/Mcf (39%) to $6.59/Mcf (2020 - $4.74/Mcf). Prices have risen to pre-pandemic levels.

Under the terms of the Sabria Concession Agreement 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 was sold to the international market, through a marketing agreement with Shell International Trading and Shipping Company Limited.

ROYALTIES

	Six months ended 30 June	
(US$ 000s)	**2021**	**2020**
Tunisia	806	415
Romania	822	488
Total	1,628	903
Total ($/boe)	4.48	1.99
Tunisia (% of revenue)	14.0%	12.1%
Romania (% of revenue)	8.1%	5.0%
Total (% of revenue)	10.2%	6.8%

During the six months ended 30 June 2021 royalties increased by $0.7 million (80%) to $1.6 million (2020 - $0.9 million) while the Group's royalty rate increased to 10.2% (2020 – 6.8%). The increase in the Romanian royalties is related to the royalty reference price exceeding the realised price, compared to the comparative period when the realised price exceeded the reference price. Within the Tunisian royalties is a historic penalty for delayed gas royalty payments of $0.1 million (2020 - $nil). Normalizing for this penalty would result in an average royalty rate in Tunisia of 12.4%.

Currently in Romania, the Company is realising a 7.5% royalty for gas and 3.5% royalty for condensate. The royalty is calculated using a reference price that is set by the Romanian authorities and not the realised price to the Company. Romanian royalty rates vary based on the level of production during the quarter. Natural gas royalty rates range from 3.5% to 13.0% and condensate royalty rates range from 3.5% to 13.5%.

In Tunisia, royalties vary based on individual concession agreements. Sabria royalty rates vary 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 2021, the royalty rate remained unchanged in Sabria at 10% for oil and 8% for gas. Chouech and Ech Chouech royalty rates are flat at 15% for both oil and gas.

[1] For the six months ended 30 June 2021, Tunisia realised oil prices are calculated using oil sales volumes of 458 bbl/d (30 June 2020 – 485 bbl/d). As at 30 June 2021 there were 913 bbls of oil in inventory (30 June 2020 – nil).

PRODUCTION EXPENSES

(US$ 000s)	Six months ended 30 June 2021	2020
Tunisia	2,738	2,003
Romania	1,820	1,908
Canada	27	30
Group	4,585	3,941
Tunisia production expense ($/boe)	26.81	18.59
Romania production expense ($/boe)	6.97	5.51
Total production expense ($/boe)	12.63	8.68

During the six months ended 30 June 2021 production expenses increased by $0.6 million (17%) to $4.6 million (2020 - $3.9 million), being an increase of $3.95/boe (46%) to $12.63/boe (2020 - $8.68/boe). The increase in costs during the period is the result of additional workovers being completed in Tunisia and $0.3 million (2020 - $nil) of historic mining taxes related to Sanrhar and Zinnia. Excluding these one-off historic mining taxes, Group production expense is $11.86/boe.

Romania's overall production expenses decreased by $0.1 million (5%) to $1.8 million (2020 – $1.9 million), being an increase of $1.46/boe (26%) to $6.97/boe (2020 - $5.51/boe). The change in production costs are the result of decreased production while continuing cost control measures within Romania.

Tunisia's production expenses increased by $0.7 million (37%) to $2.7 million (2020 - $2.0 million), being an increase of $8.22/boe (44%) to $26.81/boe (2020 - $18.59/boe). The increase is due to workover programs to increase the existing production and also included historic mining taxes of $0.3 million related to Sanrhar and Zinnia. Excluding the mining taxes, production expense $23.80/boe.

Canada 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.

($/boe) **Six months ended 30 June 2021**	**Tunisia**	**Romania**	**Group**
Production volume (boe/d)	570	1,442	2,012
Realised price	56.55	38.85	43.83
Royalties	(7.89)	(3.15)	(4.48)
Production expense	(26.81)	(6.97)	(12.63)
Operating netback	21.85	28.73	26.72
Six months ended 30 June 2020			
Production volume (boe/d)	592	1,903	2,495
Realised price	31.86	28.26	29.11
Royalties	(3.85)	(1.41)	(1.99)
Production expense	(18.59)	(5.51)	(8.68)
Operating netback	9.42	21.34	18.44

During the six months ended 30 June 2021 the Group's operating netback increased by $8.28/boe (45%) to $26.72/boe (2020 - $18.44/boe). The increase is due to increased realised prices partially offset by the increased royalties and production expenses. The Company also realised an increase in gross profit of $3.3 million to $2.1 million (2020 gross loss – $1.2 million), largely due to a significant increase in revenue and a decrease to depletion as described below.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA")

Serinus uses EBITDA as a key performance indicator to assist management in understanding Serinus' cash profitability. EBITDA is computed as net profit/loss and adding back interest, taxation, depletion & depreciation, and amortisation expense. EBITDA is not a standard measure under IFRS and therefore may not be comparable to similar measures reported by other entities. During the six months ended 30 June 2021, the Group's EBITDA increased by $0.5 million to $5.5 million (2020 - $5.0 million). The increase is mainly due to higher netbacks in the current period.

WINDFALL TAX

	Six months ended 30 June	
(US$ 000s)	**2021**	**2020**
Windfall tax	1,709	1,152
Windfall tax ($/Mcf - Romania gas)	1.10	0.56
Windfall tax ($/boe - Romania gas)	6.60	3.35

During the six months ended 30 June 2021 windfall taxes increased by $0.6 million (48%) to $1.7 million (2020 - $1.2 million). This increase is directly related to higher gas prices.

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. 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.

DEPLETION AND DEPRECIATION

	Six months ended 30 June	
(US$ 000s)	**2021**	**2020**
Tunisia	1,911	1,739
Romania	3,937	6,378
Corporate	68	342
Total	5,916	8,459
Tunisia ($/boe)	18.70	16.14
Romania ($/boe)	15.09	18.42
Total ($/boe)	16.29	18.63

During the six months ended 30 June 2021 depletion and depreciation expense decreased by $2.5 million (30%) to $5.9 million (2020 - $8.5 million), being a decrease of $2.34/boe (13%) to $16.29/boe (2020 - $18.63/boe). The decrease is primarily due a lower depletable base on the Group's assets.

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSE

	Six months ended 30 June	
(US$ 000s)	**2021**	**2020**
G&A expense	2,187	1,684
G&A expense ($/boe)	6.02	3.72

During the six months ended 30 June 2021 G&A expenses increased by $0.5 million (30%) to $2.2 million (2020 - $1.7 million), being an increase of $2.30/boe (62%) to $6.02/boe (2020 - $3.72/boe) due to higher staff costs and foreign exchange rates in the current period.

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 expenses. 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 expenses.

SHARE-BASED PAYMENT

(US$ 000s)	Six months ended 30 June 2021	2020
Share-based payment	104	254
Share-based payment ($/boe)	0.29	1.14

During the six months ended 30 June 2021 share-based compensation decreased to $0.1 million (2020 – $0.3 million). This is due to the forfeiture of stock options during the period with no additional grants.

NET FINANCE EXPENSE

(US$ 000s)	Six months ended 30 June 2021	2020
Interest expense on long-term debt	-	1,575
Amortization of debt costs	-	44
Amortization of debt modification	-	127
Interest on leases	33	52
Accretion on decommissioning provision	166	336
Foreign exchange and other	13	7
	212	2,141

During the six months ended 30 June 2021 net finance expenses decreased by $1.9 million (90%) to $0.2 million (2020 – $2.1 million). This decrease is directly attributed to the recapitalization of the Company in December 2020, resulting in the Company becoming debt-free. Accretion on decommissioning provision decreased due to the lower discount rates during the period.

TAXATION

During the six months ended 30 June 2021 taxation was $0.2 million (2020 tax recovery - $0.5 million). The increase is directly related to additional taxable income in Tunisia during the period.

SHARE DATA

As at the date of issuing this report, the following are the Directors stock options outstanding, LTIP awards, and shares owned since 30 June 2021 and up to the date of this report.

	Stock Options	LTIP Awards	Shares
Executive Directors:			
Jeffrey Auld	26,800,000	13,000,000	2,941,781
Andrew Fairclough	1,750,000	7,000,000	1,080,533
Non-Executive Directors:			
Jim Causgrove	100,000	-	400,000
Lukasz Redziniak	-	-	378,000
Jon Kempster [2]	-	-	602,607
	28,650,000	20,000,000	5,402,921

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: Richard Sneller 11.27%, European Bank for Reconstruction and Development 9.90%, Marlborough Fund Managers 9.38%, and Quercus TFI SA 7.06%.

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.

FOREIGN CURRENCY TRANSLATION

Foreign currency translation occurs from the revaluation from fluctuations in the foreign exchange rates in entities with a different functional currency than the reporting currency (USD). The revaluation of the condensed consolidated interim statement of financial position to the period-end rates resulted in a loss of $1.1 million (2020 - $0.6 million) through Other comprehensive loss.

[2] Shares held by Catherine Kempster (the spouse of Jon Kempster)

GOING CONCERN

These condensed consolidated interim financial statements have been prepared on a going concern basis.

In December 2020 the Group retired $33.0 million of outstanding debt, leaving it debt-free and therefore able to direct its cashflow into operational activities. The Group meets its day-to-day working capital requirements from net operating cash flows, cash balances and equity. As at 31 July 2021 the group had cash balances of $5.0 million.

These condensed consolidated interim 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 realise its assets and discharge its liabilities and commitments in the normal course of operations. In assessing the Group's ability to continue as a going concern, the Directors have prepared a base case cash flow forecast under which the Group will have sufficient liquidity for not less than 12 months from the date of approval of these condensed consolidated interim financial statements.

Key inputs in the cashflow forecast include commodity price assumptions, capital expenditures, operating costs and operational performance for each business unit based on the Group's budget as approved by the board of directors. In approving the Group's budget, the Directors have considered the impact of the COVID-19 pandemic on global economic activity, demand for hydrocarbons and the Group's ability to maintain its operations. The Directors have challenged the underlying assumptions incorporated into the budget to satisfy themselves that these represent a robust basis for the base case cash flow forecast and believe the most significant factor that may impact the cashflows in the going concern period under review is the commodity price. The cashflow model has been stressed with a downside scenario incorporating a 25% reduction in commodity prices throughout the forecast period. In doing so the Directors have considered the Group's flexibility as to the timing of its commitment capital, the ability to manage the timing of its discretionary capital expenditure and its operating costs, and, in any reasonable scenario, continue to believe that the Group would have sufficient liquidity for at least the next 12 months.

At 30 June 2021, the Group had a working capital deficit of $7.6 million, however the Directors have considered the circumstances, current status and practical realisations of $11.7 million of current liabilities that relate to long-term historic liabilities and based on this assessment do not believe that these will become due in the going concern period under review.

Therefore, the Directors continue to believe that the Group will have sufficient liquidity to discharge its liabilities in the normal course of business for not less than 12 months from the date of approval of these condensed consolidated interim financial statements. On that basis, the Directors consider it appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

DECLARATIONS OF THE BOARD OF DIRECTORS CONCERNING ACCOUNTING POLICIES

The Board of Directors of the Company confirms that, to the best of their knowledge, the interim condensed consolidated financial statements together with comparative figures have been prepared in accordance with applicable accounting standards and give a true and fair view of the state of affairs and the financial result of the Group for the period ended 30 June 2021.

The Financial Review in this report gives a true and fair view of the situation on the reporting date and of the developments during the period ended 30 June 2021, and include a description of the major risks and uncertainties.

Andrew Fairclough, Chief Financial Officer

11 August 2021

Serinus Energy plc
Condensed Consolidated Interim Statement of Comprehensive Loss
(US$ 000s, except per share amounts)

		Six months ended 30 June	
	Note	**2021**	**2020**
Revenue		**15,916**	13,283
Cost of sales			
Royalties		**(1,628)**	(903)
Windfall tax		**(1,709)**	(1,152)
Production expenses		**(4,585)**	(3,941)
Depletion and depreciation		**(5,916)**	(8,459)
Total cost of sales		**(13,838)**	(14,455)
Gross profit (loss)		**2,078**	(1,172)
Administrative expenses		**(2,187)**	(1,684)
Share-based payment expense		**(104)**	(254)
Total administrative expenses		**(2,291)**	(1,938)
Decommissioning provision expense		**(18)**	-
Impairment expense	4	**-**	(9,600)
Release of provision	5	**-**	1,905
Operating loss		**(231)**	(10,805)
Finance expense		**(212)**	(2,141)
Net loss before tax		**(443)**	(12,946)
Taxation (expense) recovery		**(217)**	479
Loss after taxation attributable to equity owners of the parent		**(660)**	(12,467)
Other comprehensive loss			
Other comprehensive loss to be classified to profit and loss in subsequent periods:			
Foreign currency translation adjustment		**(1,076)**	(633)
Total comprehensive loss for the period attributable to equity owners of the parent		**(1,736)**	(13,100)
Loss per share:			
Basic and diluted	6	**(0.00)**	(0.05)

The accompanying notes on pages 15 to 17 form part of the condensed consolidated interim financial statements.

Serinus Energy plc
Condensed Consolidated Interim Statement of Financial Position
(US$ 000s, except per share amounts)

As at		30 June 2021	31 December 2020
Non-current assets			
Property, plant and equipment	4	**75,590**	77,799
Exploration and evaluation assets		**1,907**	14
Right-of-use assets		**472**	512
Total non-current assets		**77,969**	78,325
Current assets			
Restricted cash		**1,178**	1,159
Trade and other receivables		**8,838**	8,876
Cash and cash equivalents		**5,702**	6,002
Total current assets		**15,718**	16,037
Total assets		**93,687**	94,362
Equity			
Share capital		**401,426**	401,426
Share-based payment reserve		**25,281**	25,177
Warrants		**97**	97
Accumulated deficit		**(397,070)**	(396,410)
Cumulative translation reserve		**13**	1,089
Total Equity		**29,747**	31,379
Liabilities			
Non-current liabilities			
Decommissioning provision		**27,403**	26,950
Deferred tax liability		**11,461**	11,976
Lease liabilities		**334**	422
Other provisions		**1,469**	1,399
Total non-current liabilities		**40,667**	40,747
Current liabilities			
Current portion of decommissioning provision		**7,450**	7,124
Current portion of lease liabilities		**199**	164
Accounts payable and accrued liabilities		**15,624**	14,948
Total current liabilities		**23,273**	22,236
Total liabilities		**63,940**	62,983
Total liabilities and equity		**93,687**	94,362

The accompanying notes on pages 15 to 17 form part of the condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors and authorised for issue on 11 August 2021.

Serinus Energy plc
Condensed Consolidated Interim Statement of Changes in Equity
(US$ 000s, except per share amounts)

	Share capital	Share-based payment reserve	Warrants	Accumulated deficit	Accumulated other comprehensive loss	Total
Balance at 31 December 2019	377,942	23,835	97	(387,113)	(243)	14,518
Comprehensive loss for the period	-	-	-	(12,467)	-	(12,467)
Other comprehensive loss for the period	-	-	-	-	(633)	(633)
Transactions with equity owners						
Share-based payment expense	37	217	-	-	-	254
Balance at 30 June 2020	377,979	24,052	97	(399,580)	(876)	1,672
Balance at 31 December 2020	401,426	25,177	97	(396,410)	1,089	31,379
Comprehensive loss for the period	-	-	-	(660)	-	(660)
Other comprehensive loss for the period	-	-	-	-	(1,076)	(1,076)
Transactions with equity owners						
Share-based payment expense	-	104	-	-	-	104
Balance at 30 June 2021	**401,426**	**25,281**	**97**	**(397,070)**	**13**	**29,747**

The accompanying notes on pages 15 to 17 form part of the condensed consolidated interim financial statements.

Serinus Energy plc
Condensed Consolidated Interim Statement of Cash Flows
(US$ 000s, except per share amounts)

		Six months ended 30 June	
		2021	**2020**
Operating activities			
Loss for the period		**(660)**	(12,467)
Items not involving cash:			
Depletion and depreciation		**5,916**	8,459
Taxation expense (recovery)		**217**	(479)
Share-based payment expense		**104**	254
Accretion expense on decommissioning provision		**166**	336
Decommissioning provision expense		**18**	-
Impairment expense	4	**-**	9,600
Release of provision	5	**-**	(1,905)
Interest expense		**-**	1,746
Other income		**(3)**	(7)
Gain on disposition of assets		**(8)**	-
Unrealised foreign exchange gain		**(25)**	(65)
Change in other provisions		**70**	-
Income taxes paid		**(462)**	(1,162)
Funds from operations		**5,333**	4,310
Changes in non-cash working capital	7	**576**	(1,240)
Cashflows from operating activities		**5,909**	3,070
Financing activities			
Repayment of long-term debt		**-**	(2,000)
Lease payments		**(157)**	(279)
Cashflows used in financing activities		**(157)**	(2,279)
Investing activities			
Capital expenditures	7	**(6,098)**	(1,822)
Proceeds on disposition of property, plant and equipment		**8**	23
Cashflows used in investing activities		**(6,090)**	(1,799)
Impact of foreign currency translation on cash		**38**	(18)
Change in cash and cash equivalents		**(300)**	(1,026)
Cash and cash equivalents, beginning of period		**6,002**	2,780
Cash and cash equivalents, end of period		**5,702**	1,754

The accompanying notes on pages 15 to 17 form part of the condensed consolidated interim financial statements.

1. GENERAL INFORMATION

Serinus Energy plc 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 2nd Floor, The Le Gallais Building, 54 Bath Street, St. Helier, Jersey, JE1 1FW.

Serinus is a publicly listed company whose ordinary shares are traded under the symbol "SENX" on AIM and "SEN" on the WSE.

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 applied in accordance with the provisions of the Companies (Jersey) Law 1991.

These condensed consolidated interim 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. The AIM rules do not require compliance with IAS 34 'Interim Financial Reporting' therefore this half year report has not been prepared in order to comply with the provisions of IAS 34.

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 5 to the consolidated financial statements for the year ended 31 December 2020. There has been no change in these areas during the six months ended 30 June 2021.

GOING CONCERN

These condensed consolidated interim financial statements have been prepared on a going concern basis.

In December 2020 the Group retired $33.0 million of outstanding debt, leaving it debt-free and therefore able to direct its cashflow into operational activities. The Group meets its day-to-day working capital requirements from net operating cash flows, cash balances and equity. As at 31 July 2021 the group had cash balances of $5.0 million.

These condensed consolidated interim 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 realise its assets and discharge its liabilities and commitments in the normal course of operations. In assessing the Group's ability to continue as a going concern, the Directors have prepared a base case cash flow forecast under which the Group will have sufficient liquidity for not less than 12 months from the date of approval of these condensed consolidated interim financial statements.

Key inputs in the cashflow forecast include commodity price assumptions, capital expenditures, operating costs and operational performance for each business unit based on the Group's budget as approved by the board of directors. In approving the Group's budget, the Directors have considered the impact of the COVID-19 pandemic on global economic activity, demand for hydrocarbons and the Group's ability to maintain its operations. The Directors have challenged the underlying assumptions incorporated into the budget to satisfy themselves that these represent a robust basis for the base case cash flow forecast and believe the most significant factor that may impact the cashflows in the going concern period under review is the commodity price. The cashflow model has been stressed with a downside scenario incorporating a 25% reduction in commodity prices throughout the forecast period. In doing so the Directors have considered the Group's flexibility as to the timing of its commitment capital, the ability to manage the timing of its discretionary capital expenditure and its operating costs, and, in any reasonable scenario, continue to believe that the Group would have sufficient liquidity for at least the next 12 months.

At 30 June 2021, the Group had a working capital deficit of $7.6 million, however the Directors have considered the circumstances, current status and practical realisations of $11.7 million of current liabilities that relate to long-term historic liabilities and based on this assessment do not believe that these will become due in the going concern period under review.

Therefore, the Directors continue to believe that the Group will have sufficient liquidity to discharge its liabilities in the normal course of business for not less than 12 months from the date of approval of these condensed consolidated interim financial statements. On that basis, the Directors consider it appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

(US$ 000s, except per share amounts)

3. SIGNIFICANT ACCOUNTING POLICIES

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 31 December 2020.

4. IMPAIRMENT

At 30 June 2021, Management checked for indicators of impairment or impairment reversals. Management determined that there were no indicators and therefore have not completed an impairment test.

In the comparative period, 30 June 2020, the Company recorded an impairment expense of $9.6 million as the Company completed an impairment test from the weakness and volatility in the commodity prices, as a result of the global COVID-19 pandemic. Management completed impairment tests on all operating CGU's, calculating the estimated recoverable amount based on discounted cash flows, using an after-tax discount rate equal to the weighted average cost of capital of each subsidiary (Romania 12% and Tunisia 22%). Management elected to use a consensus of industry analysts external price forecasts, which are tied to widely-accepted commodity benchmarks. In Romania, management elected to use internal estimates as these represent the most likely outlook of forward gas prices. Management relies on these internal estimates due to the lack of a widely-accepted commodity benchmark, and the inability to tightly correlate to any external benchmark. The following commodity prices were used in the comparative period's discounted cash flow model.

Year	Brent Crude (US$/bbl)	Sabria Gas (US$/Mcf)	Chouech Gas (US$/Mcf)	Romania Gas (US$/Mcf)
2020	42.45	5.91	4.64	3.60
2021	52.24	7.28	5.72	5.25
2022	57.26	7.98	6.27	5.75
2023	59.49	8.29	6.52	5.75
2024	62.97	8.78	6.90	5.75
2025	64.23	8.96	7.04	5.75
2026	65.51	9.14	7.18	5.75
2027	66.82	9.32	7.32	5.75
2028	68.16	9.51	7.47	5.75
2029	69.52	9.70	7.62	5.75
2030	70.91	9.89	7.77	5.75
Remainder	75.28	10.50	8.17	5.75

The following table provides a sensitivity of the estimated impairment expense with any changes to the key assumptions used in the model.

($ millions)	1% increase to discount rates	1% decrease to discount rates	5% increase to commodity prices	5% decrease to commodity prices
Additional impairment, net of tax	0.9	(0.4)	(2.1)	4.2

The results of the impairment tests completed by management are sensitive to changes with regards to any of the key assumptions such as commodity prices, discount rates, expected royalties, future development costs, change in reserves, or the expected future operating costs. Any changes to the assumptions could increase or decrease the expected recoverable amounts from the assets and may result in impairment or potential reversal of impairment.

5. RELEASE OF PROVISION

The release of provision in the prior period was related to the elimination of a long-standing disputed payable for $1.9 million in Brunei, which had passed the relevant statute of limitation period.

6. LOSS PER SHARE

	Period ended 30 June	
(US$ 000s, except per share amounts)	**2021**	**2020**
Loss for the period	(660)	(12,467)
Weighted average shares outstanding:		
Basic and diluted (000s)	1,140,661	238,881
Loss per share - basic and diluted	(0.00)	(0.05)

In determining diluted net loss per share, the Group assumes that the proceeds received from the exercise of "in-the-money" stock options are used to repurchase ordinary shares at the average market price. In calculating the weighted-average number of diluted ordinary shares outstanding for the period ended 30 June 2021, the Group excluded all 33.1 million (2020 – 13.5 million) stock options as they were anti-dilutive due to the Company being in a loss position.

7. SUPPLEMENTAL CASH FLOW DISCLOSURE

	Period ended 30 June	
	2021	**2020**
Cash provided by (used in):		
Trade and other receivables	(156)	1,080
Accounts payable and accrued liabilities	732	(2,320)
Changes in non-cash working capital from operating activities	576	(1,240)

The following table reconciles capital expenditures to the cash flow statement:

	Period ended 30 June	
	2021	**2020**
PP&E additions	3,939	3,362
E&E additions (recoveries)	1,995	(224)
Total capital additions	5,934	3,138
Changes in non-cash working capital from investing activities	164	(1,316)
Total capital expenditures	6,098	1,822

8. POST-BALANCE SHEET EVENTS

On 15 July 2021 the Company announced that the Sancrai-1 exploration well was a gas discovery and that drilling had been completed at a total planned drilling depth of 1,600 metres, five days ahead of schedule and under-budget. Continuous formation gas shows were recorded over 20 metres of gross pay over four sand intervals from the measured depths of 855 metres to 875 metres. At this drilling interval the measured total gas ranged from 5.5% to 11.1% with an estimated average porosity of between 23% and 27%. Open-hole petrophysical analysis undertaken during the drilling operations has further confirmed this gas-bearing Pliocene sand zone.

The Company perforated the well in three zones to test the Pliocene sand zone prior to completing the well and subsequently announced that the testing programme was unable to record the flow of gas in the selected zones. The Sancrai-1 exploration well will be suspended pending further technical studies to better understand the Sancrai structure and evaluate the options available, given the high total gas readings during drilling.

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 2021 which comprises of the Condensed Consolidated Interim Statement of Comprehensive Loss, the Condensed Consolidated Interim Statement of Financial Position, the Condensed Consolidated Interim Statement of Shareholder's Equity, the 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.

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 2021 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.

DocuSigned by:
BDO LLP
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BDO LLP
Chartered Accountants
London
11 August 2021

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