Serinus Energy plc

Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2018
(US dollars in 000s)

INDEPENDENT REVIEW REPORT TO SERINUS ENERGY PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2018 which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related explanatory notes.

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 report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Material uncertainty – Going Concern

We draw your attention to note 2 of the interim financial statements which indicates that continued availability of the group's existing bank facilities is uncertain.

These conditions, along with the other matters explained in note 2, constitute a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.

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 Auditing Practices Board for use in the UK. 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. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

M. Smith

Mark Smith
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
09 August 2018

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

As at:		**June 30, 2018**		**December 31, 2017**
Assets				
Current assets				
Cash and cash equivalents	$	6,195	$	7,252
Accounts receivable		5,895		2,980
Income tax receivable		1,650		2,216
Prepaids and other		575		355
Commodity inventory (note 3)		-		1,492
Restricted cash (note 5)		1,069		1,098
Total current assets		15,384		15,393
Property, plant and equipment (note 7)		106,783		99,578
Total assets	$	122,167	$	114,971
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	11,420	$	17,404
Advances for crude oil sales (note 3)		-		353
Income taxes payable		159		1,321
Current portion of long-term debt (note 8)		2,818		-
Asset retirement obligations		2,813		2,882
Total current liabilities		17,210		21,960
Long-term debt (note 8)		28,797		31,261
Asset retirement obligations		44,003		42,799
Other provisions		1,747		1,747
Deferred income tax liability		14,369		13,500
Total liabilities		106,126		111,267
Shareholder's equity				
Shareholder's capital (note 9)		375,208		362,534
Contributed surplus		22,733		22,487
Deficit		(381,900)		(381,317)
Total shareholder's equity		16,041		3,704
Total liabilities and shareholder's equity	$	122,167	$	114,971

Commitments and contingencies (note 11)

See accompanying notes to the condensed consolidated interim financial statements

"Signed"

ELEANOR BARKER
DIRECTOR, CHAIR OF THE AUDIT COMMITTEE

"Signed"

JEFFREY AULD
DIRECTOR, PRESIDENT AND CEO

Serinus Energy plc
Condensed Consolidated Interim Statement of Operations and Comprehensive Earnings (Loss)
(US 000s, except per share data) (unaudited)

	Three months ended June 30		Six months ended June 30	
	2018	**2017**	**2018**	**2017**
Revenues				
Petroleum and natural gas revenues (notes 3, 6)	$ 2,482	$ 3,857	$ 4,693	$ 5,565
Change in oil inventory (note 3)	-	(2,515)	-	(1,273)
	2,482	1,342	4,693	4,292
Royalties	242	137	455	445
	2,240	1,205	4,238	3,847
Well incident recovery (note 10)	-	-	2,592	-
Operating expenses				
Production expenses	579	1,160	1,318	2,893
General and administrative	711	746	1,409	1,520
Share-based compensation	117	170	246	216
Gain on disposition	-	(2,179)	-	(2,179)
Transaction costs (note 10)	954	-	1,340	-
Depletion and depreciation	433	417	888	1,230
Total operating expenses	2,794	314	5,201	3,680
Finance expense				
Interest expense and accretion	1,059	846	2,095	1,734
Foreign exchange (gain) loss	180	(91)	(128)	(24)
Unrealized (gain) loss on investments	-	(4)	-	13
Net finance expense	1,239	751	1,967	1,723
Net earnings (loss) before income taxes	(1,793)	140	(338)	(1,556)
Current income tax expense	278	890	410	890
Deferred income tax expense (recovery)	548	(781)	869	(378)
Net earnings (loss) and comprehensive earnings (loss)	$ (2,619)	$ 31	$ (1,617)	$ (2,068)
Net earnings (loss) per share – basic and diluted (note 9)	$ (0.01)	$ -	$ (0.01)	$ (0.02)

See accompanying notes to the condensed consolidated interim financial statements

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

	Three months ended June 30		Six months ended June 30	
	2018	**2017**(1)	**2018**	**2017**(1)
Operating activities				
Net earnings (loss)	$ (2,619)	$ 31	$ (1,617)	$ (2,068)
Items not involving cash:				
Depletion and depreciation (note 7)	433	417	888	1,230
Gain on disposition	-	(2,179)	-	(2,179)
Accretion expense	248	171	508	342
Share-based compensation	117	170	246	216
Shares issued as compensation	-	7	-	7
Unrealized (gain) loss on investments	-	(4)	-	13
Foreign exchange (gain) loss unrealized	(122)	30	(536)	128
Deferred income tax expense (recovery)	548	(781)	869	(378)
Interest expense	811	675	1,587	1,392
Expenditures on decommissioning liabilities	-	-	(24)	-
Funds from operations	(584)	(1,463)	1,921	(1,297)
Changes in non-cash working capital	(2,322)	631	(5,772)	(90)
Cashflows used in operating activities	(2,906)	(832)	(3,851)	(1,387)
Financing activities				
Common shares issued, net of costs (note 9)	12,674	-	12,674	18,048
Repayment of long-term debt (note 8)	-	-	-	(1,667)
Interest and financing fees (note 8)	(9)	14	(199)	(254)
Cashflows from financing activities	12,665	14	12,475	16,127
Investing activities				
Property, plant and equipment, net (note 7)	(7,247)	(191)	(10,283)	(280)
Exploration expenditures	-	(2,128)	-	(2,724)
Change in restricted cash (note 5)	(17)	(16)	(22)	56
Proceeds on disposition of investment	-	54	-	54
Cashflows used in investing activities	(7,264)	(2,281)	(10,305)	(2,894)
Impact of foreign currency translation on cash	230	(24)	624	(124)
Change in cash and cash equivalents	2,725	(3,123)	(1,057)	11,722
Cash and cash equivalents, beginning of period	3,470	19,142	7,252	4,297
Cash and cash equivalents, end of period	$ 6,195	$ 16,019	$ 6,195	$ 16,019
Supplemental information				
Cash income taxes paid	$ 1,133	$ -	$ 1,133	$ -

(1) Certain 2017 comparatives have been reclassified so that they are consistent with the current period presentation of movements in working capital.

See accompanying notes to the condensed consolidated interim financial statements

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

	Share Capital Number of shares		Amount		Contributed surplus		Deficit		Total
Balance at December 31, 2016	78,629,941	$	344,479	$	21,796	$	(362,525)	$	3,750
Equity offering, net of issue costs	72,000,000		18,048		-		-		18,048
Issuance of common shares	22,197		7		-		-		7
Share-based compensation	-		-		216		-		216
Net loss	-		-		-		(2,068)		(2,068)
Balance at June 30, 2017	150,652,138	$	362,534	$	22,012	$	(364,593)	$	19,953
Balance at December 31, 2017	150,652,138	$	362,534	$	22,487	$	(381,317)	$	3,704
Adjustment on initial application of IFRS 9 (note 3)	-		-		-		1,034		1,034
Equity offering, net of issue costs (note 9)	66,666,667		12,674		-		-		12,674
Share-based compensation	-		-		246		-		246
Net loss	-		-		-		(1,617)		(1,617)
Balance at June 30, 2018	217,318,805	$	375,208	$	22,733	$	(381,900)	$	16,041

See accompanying notes to the condensed consolidated interim financial statements

1. Reporting entity

Serinus Energy plc ("Serinus" or the "Company" or the "Group") is principally engaged in the exploration for and development of oil and gas properties in Tunisia and Romania. Serinus is incorporated under the Companies (Jersey) Law 1991. The Company's head office and registered office is located at The Le Gallais Building, 54 Bath Street, St. Helier, Jersey, JE1 8SB.

Effective May 3, 2018 the Company continued from Alberta, Canada, to Jersey, Channel Islands. In connection with the continuance, the Company changed its name from Serinus Energy Inc. to Serinus Energy plc and adopted new charter documents. On May 18, 2018, the Company listed on the Alternative Investment Market ("AIM") of the London Stock Exchange. The Company then delisted from the Toronto Stock Exchange on May 22, 2018, retaining its listings on the Warsaw Stock Exchange ("WSE") and AIM.

Serinus is a publicly listed company whose common shares are traded under the symbol "SENX" on AIM and "SEN" on the WSE. Kulczyk Investments, S.A. ("KI") holds a 38.77% investment in Serinus as of June 30, 2018.

The condensed consolidated interim financial statements for Serinus include the accounts of Serinus and its subsidiaries for the three and six months ended June 30, 2018 and 2017.

2. Basis of presentation

(a) Going concern

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 realize its assets and discharge its liabilities and commitments in the normal course of operations.

The Group meets its day-to-day working capital requirements from net operating cash flows, cash balances, equity, and fully drawn debt facilities (Senior and Convertible loans from the EBRD of $5.4 million and $27.6 million respectively (see note 8). As at July 31, 2018 the group had cash balances of $4.9 million.

The Group has faced financial difficulties stemming from the steep fall in crude oil prices in 2014/2015 which severely impacted operating revenues in Tunisia, resulting in cash flows that were insufficient to cover the corporate costs and debt service costs of the entity. These issues were compounded during 2017 with the shut in of both Tunisian fields as a result of social unrest and protests in the country. The Sabria field recommenced production in September 2017 but was significantly impacted by the shut-in with production only returning to 60% of its pre shut-in levels. The Chouech Es Saida field remains shut-in, and the Group is currently working towards reopening this field in February 2019 although this is dependent on the resolution of the above mentioned issues.

Equity was issued in May 2018 raising net proceeds of $12.7 million to enable the Group to complete construction of a gas plant in Romania, into which two existing wells would be tied in and produced. To date, these proceeds have primarily been used to fund the completion of the gas plant and drill the Moftinu-1007 well, which replaces the Moftinu-1001 well which suffered a blow out in December 2017. The Group is in the process of claiming insurance proceeds in relation to this. The Group has been delayed with completing the gas plant and making first sales due to delays associated with obtaining the electrical permit which has delayed the connection to the electrical systems and final control systems commissioning. The permits have now been obtained and production is expected to commence later in August 2018, reaching optimal capacity by the end of the month, although it is reasonably possible that production commencement or optimal capacity could be delayed by 1-2 months.

The Group's $5.4 million Senior loan is due to be repaid in two equal instalments of $2.7 million each on March 31, 2019 and September 30, 2019. The Group's $27.6 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. Both loans are subject to covenants. Those covenants were not tested at December 31, 2017 as they were not in effect at that date due to a covenant holiday obtained on debt renegotiation. However, at September 30, 2018 the Group will once again be subject to covenants with the EBRD.

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 these interim financial statements.

Base case forecasts indicate that the Group will breach the EBRD covenants at September 30, 2018 and for the foreseeable future, the result of which is that the Senior and Convertible loans will become repayable on demand at the discretion of the bank. The directors intend to seek waiver of those covenants once the results for September 30, 2018 are known and the continued availability of those existing loan facilities represents a material uncertainty.

The key assumptions in the base case forecasts are the timing of the start of commercial production in Romania and the field's post-commissioning performance and the ability to reopen the Chouech Es Saida field in Tunisia as set out above. The base forecasts, including when taking into account any reasonably possible downsides, indicate that the group will be able to operate within the existing loan facilities, should they remain available.

The directors consider that the continued availability of the existing facilities represents a material uncertainty 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.

(b) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

These condensed consolidated interim financial statements were authorized for issuance by the Company's Board of Director's on August 9, 2018.

3. Significant accounting policies

Except as described below, the condensed consolidated interim financial statements have been prepared following the same basis of measurement, functional currency and accounting policies and methods of computation as described in the notes to the consolidated financial statements for the year ended December 31, 2017.

Changes to accounting policies

a. IFRS 15 Revenue from Contracts with Customers

Serinus has adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") on January 1, 2018, using the modified retrospective transition approach. Management has reviewed its revenue streams and major contracts with customers using the IFRS 15 principles-based five step model and concluded that upon transition no adjustments were required to opening retained earnings as of January 1, 2018.

To affect the changes under IFRS 15, the Company's revenue recognition policy as disclosed under note 3 in the consolidated financial statements for the year ended December 31, 2017 has been revised as follows:

Revenue from the sale of crude oil, natural gas and natural gas liquids is recorded when performance obligations are satisfied. Performance obligations associated with the sale of crude oil are satisfied at the point in time when the products are delivered for lifting at the loading terminal and the volumes and prices have been agreed upon with the customer, which is the point at which the Company transfers control of the product to the customer. Performance obligations associated with the sale of natural gas and natural gas liquids are satisfied upon delivery at the respective concession delivery points, which is where the purchasers obtain control.

The Company recognizes revenue from contracts with customers based on variable prices benchmarked to Brent crude oil price index.

Under IFRS 15, revenue for crude oil sales is recognized once volumes are delivered for lifting at the loading terminal and the volumes and prices have been agreed upon with the customer rather than the prior requirement to recognize upon lifting. The presentation in the statement of operations of amounts previously recorded as "change in oil inventory" are now recognized as part of "petroleum and natural gas revenues". This has no impact on net earnings. Likewise, on the statement of financial position, commodity inventory net of advances for crude oil sales are now recognized as part of accounts receivable.

(US 000s, unless otherwise noted)

The impact on the condensed interim consolidated statement of financial position is as follows:

As at June 30, 2018		As reported in accordance with IFRS 15		Adjustments		Amounts without adoption of IFRS 15
Assets						
Current assets						
Accounts receivable		5,895		1,081		4,814
Commodity inventory		-		(3,385)		3,385
Total current assets		15,384		(2,304)		17,688
Total assets	$	122,167	$	(2,304)	$	124,471
Liabilities						
Current liabilities						
Advances for crude oil sales		-		(2,304)		2,304
Total current liabilities		17,210		(2,304)		19,514
Total liabilities		106,126		(2,304)		108,430
Shareholder's equity						
Total shareholder's equity		16,041		-		16,041
Total liabilities and shareholder's equity	$	122,167	$	(2,304)	$	124,471

The impact on the condensed interim consolidated statement of operations and comprehensive earnings (loss) is as follows:

For the six months ended June 30, 2018		As reported in accordance with IFRS 15		Adjustments		Amounts without adoption of IFRS 15
Revenues						
Petroleum and natural gas revenues	$	4,693		1,893	$	2,800
Change in oil inventory		-		(1,893)		1,893
		4,693		-		4,693
Royalties		(455)		-		(455)
		4,238		-		4,238
Well incident recovery		2,592		-		2,592
Total operating expense		5,201		-		5,201
Finance expense						
Net finance expense		1,967		-		1,967
Net earnings (loss) before income taxes		(338)		-		(338)
Net earnings (loss) and comprehensive earnings (loss)	$	(1,617)		-	$	(1,617)

Disclosure requirements prescribed under IFRS 15 are provided in note 6.

(US 000s, unless otherwise noted)

b. *IFRS 9 Financial Instruments*

Effective January 1, 2018, the Company has adopted IFRS 9 "Financial Instruments" ("IFRS 9"). IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39").

On January 1, 2018, the Company:

- Identified the business model used to manage its financial assets and classified its financial instruments into the appropriate IFRS 9 category;
- Applied the 'expected credit loss' ("ECL") model to financial assets classified as measured at amortized cost.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018 for each class of the Company's financial assets and financial liabilities.

	Measurement Category	
Financial Instrument	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost	Amortized cost
Long-term debt[(a)]	Financial liabilities measured at amortized cost	Amortized cost

[(a)] Carrying value was adjusted by $1.0 million on adoption of IFRS 9

The classification and measurement of financial instruments under IFRS 9 did not result in any adjustments to the Company's opening retained earnings as at January 1, 2018 except for an adjustment for debt modifications as the Company renegotiated the repayment terms on its long-term debt, effective October 31, 2017. Under IFRS 9, the amortized cost of the financial liability must be recalculated as the present value of the estimated future contractual cash flows that are discounted at the original effective interest rate. The difference in the carrying amount and the calculated amount is recognized in profit and loss.

The Company calculated a modification loss of $0.4 million on the Senior Loan, and a modification gain of $1.4 million on the Convertible Loan. A net $1.0 million modification gain was recorded as a decrease to long-term debt and an increase to opening retained earnings as at January 1, 2018. The impact on the condensed interim consolidated statement of financial position is shown below:

As at:	**December 31, 2017**	**Adjustments**	**January 1, 2018**
Long-term debt	31,261	(1,034)	30,227
Deficit	(381,317)	1,034	(380,283)

The ECL model applies to the Company's receivables. As at June 30, 2018, all of the Company's trade accounts receivable were investment grade or government entities, and no trade receivables were outstanding for more than 90 days or were past due. The average expected credit loss on the Company's trade accounts receivable was nil.

To affect the changes under IFRS 9, the following revised policy has been applied to current period balances effective January 1, 2018:

The Company applied IFRS 9 retrospectively, but elected not to restate comparative information. As such the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy as disclosed in the annual consolidated financial statements for the year ended December 31, 2017.

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. The Company *characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:*

- *Level 1 inputs are quoted prices in active markets for identical assets and liabilities;*
- *Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and*
- *Level 3 inputs are unobservable inputs for the asset or liability.*

Classification and measurement of financial assets

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

- *Amortized costs: includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cashflows that represent solely payments of principal and interest;*
- *Fair value through other comprehensive income ("FVOCI"): includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or*
- *Fair value through profit or loss ("FVTPL"): includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss.*

The Company has no financial assets measured at FVOCI or FVTPL.

Impairment of financial assets

The Company recognizes loss allowances for ECLs on it financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to the lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses.

Classification and measurement of financial liabilities

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative or designated as FVTPL on initial recognition.

The Company has no financial liabilities measured at FVTPL.

Recent accounting pronouncements

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 "*Leases" ("IFRS 16"),* which requires entities to recognize assets and lease obligations on the balance sheet. 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 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.

IFRS 16 is effective for years beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 "*Revenue From Contracts With Customers*" has been adopted. The standard shall be applied retrospectively to each period presented or using a modified retrospective approach where the Company recognizes the cumulative effect as an adjustment to the opening retained earnings and applies the standard prospectively. The Company is currently in the process of identifying, gathering, and analyzing contracts that fall into the scope of the standard. The extent of the impact of the adoption of the standard has not yet been determined. The Company plans to apply IFRS 16 effective January 1, 2019. The Company intends to adopt the standard using the modified retrospective approach recognizing the cumulative impact of adoption in retained earnings as of January 1, 2019 and apply several of the practical expedients available such as low-value and short-term exemptions.

4. Use of estimates and judgments

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, 2017. There has been no change in these areas during the six months ended June 30, 2018.

5. Restricted cash

The Company has cash on deposit with the Alberta Energy Regulator of $1.1 million, as required to meet future abandonment obligations existing on certain oil and gas properties in Canada (December 31, 2017: $1.1 million). The fair value of restricted cash approximates the carrying value.

6. Revenue

The Company sells its production pursuant to variable-price contracts with customers. The transaction price for these variable priced contracts is based on underlying commodity prices, adjusted for quality, location, or other factors depending on the contract terms. Under the contracts, the Company is required to deliver a variable volume of crude oil and natural gas to the contract counterparty. A total of 20% of the Company's annual oil production from the Sabria concession is required to be sold in the local market at an approximate 10% discount to the prices obtained under other crude oil contracts in Tunisia. Revenue is recognized when a unit of production is delivered to the counterparty and the performance obligations are satisfied at the variable prices benchmarked to Brent crude oil price index. The nature and effect of initially applying IFRS 15 on the Company's consolidated interim financial statements is disclosed in note 3. The disaggregation of revenue by major products and geographical market has been included in the segment note (see note 12).

The Company's revenue was entirely generated in Tunisia for the three and six months ended June 30, 2018 and was based on Brent crude oil index pricing. Of total revenues, one customer represented 55%. The Company's contract with Shell is for a period of five years beginning 2016, while the Company's contracts for local sales in Tunisia are generally for the period of the concession.

As at June 30, 2018, the receivable balance related to contracts with customers, included within "accounts receivable" is $1.8 million (January 1, 2018 - $1.6 million).

(US 000s, unless otherwise noted)

7. Property, plant and equipment

		Oil and gas interests		Other		Total
Cost or deemed cost:						
Balance as at December 31, 2016	$	221,404	$	2,527	$	223,931
Capital expenditures		449		(28)		421
Transfers from exploration and evaluation		29,302		-		29,302
Change in asset retirement obligations		2,935		-		2,935
Dispositions		-		(10)		(10)
Balance as at December 31, 2017	$	254,090	$	2,489	$	256,579
Capital expenditures		7,289		85		7,374
Change in asset retirement obligations		719		-		719
Balance as at June 30, 2018	$	262,098	$	2,574	$	264,672
Accumulated depletion and depreciation:						
Balance as at December 31, 2016	$	(148,654)	$	(1,507)	$	(150,161)
Depletion and depreciation		(1,670)		(196)		(1,866)
Dispositions		-		7		7
Impairment		(4,981)		-		(4,981)
Balance as at December 31, 2017	$	(155,305)	$	(1,696)	$	(157,001)
Depletion and depreciation		(773)		(115)		(888)
Balance as at June 30, 2018	$	(156,078)	$	(1,811)	$	(157,889)
Net book value						
Balance as at December 31, 2017	$	98,785	$	793	$	99,578
Balance as at June 30, 2018	$	106,020	$	763	$	106,783

Future development costs associated with the proved plus probable reserves of $53.0 million (2017 - $53.0 million) were included in the depletion calculation for the Tunisia operating segment.

As at June 30, 2018, there were no impairment indicator triggers or triggers for reversals indicating the need for an impairment test, or a reversal, as such, no additional impairment or reversals have been recorded.

8. Long-term debt

As at		June 30, 2018		December 31, 2017
Senior loan [(1)]	$	5,518	$	5,505
Convertible loan [(2)]		27,585		26,362
Debt-principal balance		33,103		31,867
Unamortized discounts and debt costs		(476)		(606)
Modification gain		(1,012)		-
	$	31,615	$	31,261
Debt principal balance				
Current portion		2,818		-
Long-term portion		28,797		31,261

[(1)] Includes loan principal of $5.4 million (December 31, 2017 – $5.4 million) plus accrued interest.
[(2)] Includes loan principal of $20.0 million (December 31, 2017 – $20.0 million) plus accrued interest.

As at June 30, 2018, the Company had $31.6 million in total debt consisting of a $5.4 million Senior Loan plus accrued interest and a $20.0 million Convertible Loan plus accrued interest, net of unamortized discounts and costs, and a debt modification gain. The current portion of the long-term debt is $2.8 million as described below under the Senior Loan. Both loans are fully drawn and are secured by the Tunisian assets, pledges of certain bank accounts, shares of the Company's subsidiaries through which both Tunisian and Romanian concessions are owned, plus the benefits arising from the Company's interests in insurance policies and on-lending arrangements within the Serinus group of companies.

Under the terms of the loan agreements EBRD has the right on change of control of the Company to demand repayment of the debt. Given the AIM listing and equity raise, EBRD waived its right to require prepayment, provided that, as a result of the equity raise, Kulczyk Investments S.A. shareholding did not drop below 30% and there was no single investor who would hold more than 24.99% of the Company's share capital.

Senior Loan

The Senior Loan bears interest at a variable rate equal to LIBOR plus 6%. The Senior Loan is repayable in two instalments of $2.7 million each on March 31, 2019 and September 30, 2019. The Senior Loan is subject to a cash sweep which is calculated on a semi-annual basis occurring on December 31 and June 30 of each year. The cash sweep is calculated based on the Company's consolidated cash balance (excluding amounts held as restricted cash). If consolidated cash on these dates is in excess of $7 million, the difference is to be used to prepay the Senior Loan in inverse order of maturity until the outstanding loan balance is no greater than that under the original amortization schedule.

The Senior Loan agreement contains a prepayment clause whereby EBRD has the option to request prepayment in the event that the annual reserves coverage ratio for Tunisian reserves is less than 1.5, in an amount to bring the ratio back on side. With respect to December 31, 2017 reserves, EBRD has waived its right to require prepayment.

Convertible Loan

The Convertible Loan is repayable in four equal instalments on June 30, 2020, 2021, 2022 and 2023. Interest is accrued up to June 30, 2020 and will form part of the principal to be amortized over these repayment periods. Interest accruing subsequent to June 2020 will be paid annually with the principle repayments. The Convertible Loan bears interest at a variable rate equal to LIBOR plus a margin of between 8% and 17%. The margin level is determined based on consolidated Tunisian and Romanian net revenues earned.

The Company can elect, subject to certain conditions, to convert all or any portion of the Convertible Loan principal and accrued interest outstanding for newly issued shares of the Company at the then current market price of the shares on the TSX or WSE, as required by the exchange rules. The EBRD can also at any time, and on multiple occasions elect to convert all or any portion of the Convertible Loan principal and accrued interest outstanding for newly issued shares of the Company at the then current market price of the shares on the TSX or WSE. The conversion amount is restricted such that the number of shares issued would result in EBRD holding a maximum of 5% of the issued share capital of the Company. Conditions to conversion include a requirement for substantially all of the Company's assets and operations to be located and carried out in the EBRD countries of operations. The Convertible Loan terms have not yet been updated with the EBRD to reflect the Company's listing on AIM and delisting from the TSX.

The conversion feature of the loan is based on market price, which would result in the issuance of a variable number of shares of the Company, and as a result, no value was allocated to the conversion option. The Convertible Loan is recorded as debt and classified as financial liabilities at amortized costs.

The Company can also repay the Convertible Loan at maturity in cash or in-kind, subject to certain conditions, by issuing new common shares valued at the then current market price of the shares on the TSX or WSE. The repayment amount is subject to a discount of approximately 10% in the event that the requirement for substantially all of the Company's assets and operations to be located and carried out in the EBRD countries of operations is not met at the date of repayment.

Covenants

Both loan agreements contain a number of affirmative covenants, including maintaining the specified security, environmental and social compliance, and maintenance of specified financial ratios. Financial covenants are calculated at the consolidated level, and there is relief from financial covenants until the quarter ended September 30, 2018 when the consolidated debt to EBITDA covenant comes into effect with a required maximum ratio of 10.0 times and from December 2018 onwards with a maximum ratio of 2.5 times. The debt service coverage ratio becomes effective for the quarter ended December 31, 2018 with a minimum ratio of 1.3 times and is only applicable to the Senior Loan.

9. Shareholder's capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares without nominal or pay value. The preferred shares may be issued in one or more series, with rights and privileges as determined by the Board of Director's. There are no preferred shares issued.

The Company has a total of 217,318,805 common shares outstanding at June 30, 2018 (December 31, 2017 – 150,652,138).

On May 18, 2018, the Company issued 66,666,667 common shares at £0.15 per common share, for gross equity proceeds of £10 million. Proceeds, net of issuance costs of $0.8 million, totaled $12.7 million.

(b) Per share information

(000s, except per share amounts)	Three months ended June 30 2018	2017	Six months ended June 30 2018	2017
Net earnings (loss) - basic	$ (2,619)	$ 31	$ (1,617)	$ (2,068)
Weighted average shares outstanding – basic	182,887	150,651	166,858	128,762
Effect of dilutive securities	-	-	-	-
Weighted average shares outstanding – dilutive	182,887	150,651	166,858	128,762
Net earnings (loss) per share – basic and dilutive	$ (0.01)	$ -	$ (0.01)	$ (0.02)

(1) For the six months ended June 30, 2018, there were 3.0 million weighted average stock options exercisable that were excluded from the calculation as the impact was anti-dilutive (For the six months ended June 30, 2017 – 0.2 million).

(c) Stock options

A summary of the changes to the option plan during the six months ended June 30, 2018, are presented below:

	USD denominated options: Number of options	Weighted average exercise price (USD)	CAD denominated options: Number of options	Weighted average exercise price (CAD)
Balance as at December 31, 2017	67,000	$ 3.68	9,933,000	$ 0.36
Forfeited	-	-	(1,018,000)	0.37
Balance as at June 30, 2018	67,000	$ 3.68	8,915,000	$ 0.36

The following tables summarize information about the USD and CAD options outstanding as at June 30, 2018:

USD denominated options: Exercise price (USD)	Options outstanding	Options exercisable	Weighted average contractual life (years)	CAD denominated options: Exercise price (CAD)	Options outstanding	Options exercisable	Weighted average contractual life (years)
$3.01 - $4.00	32,000	32,000	0.2	$0.30 - $1.00	8,865,000	2,913,334	4.4
$4.01 - $5.00	35,000	35,000	0.4	$1.01 - $2.50	50,000	50,000	1.4
	67,000	67,000	0.3		8,915,000	2,963,334	4.4

(US 000s, unless otherwise noted)

10. Other expenses and income

(a) Well incident recovery

In December 2017, during routine operations to bring the Moftinu 1001 well out of suspension in preparation for future production, an unexpected gas release occurred and subsequently ignited.

The Company incurred a total of $4.0 million to bring the well under control which was fully provided for at year end 2017. The Company submitted an interim insurance claim in Q1 2018 and has received payment for the full amount of $2.6 million during the six months ended June 30, 2018.

(b) Transaction costs

Transaction costs include costs associated with the continuance of the Company from Alberta, Canada, to Jersey, Channel Islands, and includes the legal, accounting and due diligence costs associated with listing its shares for trading on the AIM.

11. Commitments and contingencies

Future payments for the Company's commitments as at June 30, 2018 are below. A commitment is an enforceable and legally binding agreement to make a payment in the future for the purchase of goods and services. These items exclude amounts recorded on the balance sheet.

	Within 1 Year	2-3 Years	4-5 Years	Thereafter	Total
Operating leases	$ 617	$ 738	$ 1	$ -	$ 1,356
Gas plant – Romania [1]	789	-	-	-	789
Debt [2]	2,759	9,655	13,793	6,896	33,103
Total	$ 4,165	$ 10,393	$ 13,794	$ 6,896	$ 35,248

[1] Contractual obligation on the construction of the gas processing facility.
[2] Debt obligations presented exclude deferred financing costs and include accrued interest.

The Company's commitments are all in the ordinary course of business and include the work commitments for Tunisia and Romania.

Tunisia

The Tunisian state oil and gas company, ETAP, has the right to back into up to a 50% working interest in the Chouech Es Saida concession if, and when, the cumulative crude oil sales, net of royalties and shrinkage, from the concession exceeds 6.5 million barrels. As at June 30, 2018, cumulative liquid hydrocarbon sales net of royalties and shrinkage was 5.2 million barrels.

Romania

The work obligations pursuant to the Phase 3 extension, approved on October 28, 2016, include the drilling of two wells, and, at the Company's option, either the acquisition of 120 km2 of new 3D seismic data to drill a third well. The two firm wells must be drilled to minimum depths of 1,000 and 1,600 meters respectively, and is so elected, the third well to a depth of 2,000 meters. The term of the Phase 3 extension is for three years, expiring on October 28, 2019. On May 5, 2017, the Company signed a letter of guarantee with the National Agency for Mineral Resources in Romania for up to $12 million to cover the necessary expenses for the fulfillment of the minimal commitments for the Phase 3 extension. This guarantee was made net of any amounts already spent by the Company since the time of the extension's approval.

Office space

The Company has a lease agreement for office space in Calgary, Canada, which expires on November 30, 2020, and an office lease agreement in Bucharest, Romania, which expires on August 27, 2020. Operating leases on office buildings are in the ordinary course of business. The Company has the option to renew or extend the leases on its office buildings with new lease terms to be based on current market prices.

(US 000s, unless otherwise noted)

12. Segment information

The Company'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 June 30, 2018				
Total assets	$ 40,695	$ 74,447	$ 7,025	$ 122,167
For the three months ended June 30, 2018				
Petroleum and natural gas revenues				
Crude oil	$ -	$ 1,619	$ -	$ 1,619
Natural gas	-	863	-	863
	-	2,482	-	2,482
Royalties	-	242	-	242
	-	2,240	-	2,240
Operating expenses				
Production expenses	-	549	30	579
General and administrative	-	-	711	711
Share-based compensation	-	-	117	117
Transaction costs	-	-	954	954
Depletion and depreciation	2	378	53	433
Finance expense				
Interest expense and accretion	7	241	811	1,059
Foreign exchange (gain) loss	(275)	208	247	180
Earnings (loss) before income taxes	266	864	(2,923)	(1,793)
Current income tax expense	-	276	2	278
Deferred income tax expense	-	548	-	548
Net earnings (loss)	$ 266	$ 40	$ (2,925)	$ (2,619)
Capital expenditures	$ 5,254	$ (28)	$ -	$ 5,226
For the six months ended June 30, 2018				
Petroleum and natural gas revenues				
Crude oil	$ -	$ 3,257	$ -	$ 3,257
Natural gas	-	1,436	-	1,436
	-	4,693	-	4,693
Royalties	-	455	-	455
	-	4,238	-	4,238
Well incident recovery	2,592	-	-	2,592
Operating expenses				
Production expenses	-	1,277	41	1,318
General and administrative	-	-	1,409	1,409
Share-based compensation	-	-	246	246
Transaction costs	-	-	1,340	1,340
Depletion and depreciation	3	792	93	888
Finance expense				
Interest expense and accretion	26	482	1,587	2,095
Foreign exchange (gain) loss	(501)	188	185	(128)
Earnings (loss) before income taxes	3,064	1,499	(4,901)	(338)
Current income tax expense	-	408	2	410
Deferred income tax expense	-	869	-	869
Net earnings (loss)	$ 3,064	$ 222	$ (4,903)	$ (1,617)
Capital expenditures	$ 7,306	$ (16)	$ 84	$ 7,374

(US 000s, unless otherwise noted)

	Romania	Tunisia	Corporate	Total
As at December 31, 2017				
Total assets	$ 32,353	$ 75,852	$ 6,766	$ 114,971
For the three months ended June 30, 2017				
Petroleum and natural gas revenues				
Crude oil	$ -	$ 1,049	$ -	$ 1,049
Natural gas	-	293	-	293
	-	1,342	-	1,342
Royalties	-	137	-	137
	-	1,205	-	1,205
Operating expenses				
Production expenses	-	1,145	15	1,160
General and administrative	-	-	746	746
Gain on disposition	-	-	(2,179)	(2,179)
Share-based compensation	-	-	170	170
Depletion and depreciation	2	381	34	417
Finance (income) expense				
Interest expense and accretion	(18)	170	694	846
Unrealized (gain) loss on investments	-	-	(4)	(4)
Foreign exchange (gain) loss	(73)	172	(190)	(91)
Earnings (loss) before income taxes	89	(663)	714	140
Current income tax expense	-	889	1	890
Deferred income tax expense (recovery)	-	(781)	-	(781)
Net earnings (loss)	$ 89	$ (771)	$ 713	$ 31
Capital expenditures	$ 1,362	$ 91	$ -	$ 1,453
For the six months ended June 30, 2017				
Petroleum and natural gas revenues				
Crude oil	$ -	$ 3,453	$ -	$ 3,453
Natural gas	-	839	-	839
	-	4,292	-	4,292
Royalties	-	445	-	445
	-	3,847	-	3,847
Operating expenses				
Production expenses	-	2,865	28	2,893
General and administrative	-	-	1,520	1,520
Gain on disposition	-	-	(2,179)	(2,179)
Share-based compensation	-	-	216	216
Depletion and depreciation	3	1,155	72	1,230
Finance (income) expense				
Interest expense and accretion	(17)	340	1,411	1,734
Unrealized (gain) loss on investments	-	-	13	13
Foreign exchange (gain) loss	(60)	144	(108)	(24)
Earnings (loss) before income taxes	74	(657)	(973)	(1,556)
Current income tax expense	-	889	1	890
Deferred income tax expense (recovery)	-	(378)	-	(378)
Net earnings (loss)	$ 74	$ (1,168)	$ (974)	$ (2,068)
Capital expenditures	$ 1,907	$ 404	$ -	$ 2,311