Serinus Energy Inc.

Management's Discussion and Analysis
For the three and nine months ended September 30, 2017
(US Dollars)

This Management's Discussion and Analysis ("MD&A") for Serinus Energy Inc. ("Serinus", or the "Company") is a review of the results of operations and the liquidity and capital resources of Serinus Energy Inc. and its subsidiaries (collectively "Serinus" or the "Company"). The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2017 and the audited consolidated financial statements and MD&A (the "Financial Statements") of the Company for December 31, 2016. Readers should also read the "Forward-Looking Statements" legal advisory contained at the end of this document.

Management is responsible for preparing the MD&A, while the audit committee of the Company's Board of Directors ("the Board") reviews the MD&A and recommends its approval by the Board.

This MD&A uses United States dollars ("US Dollars" or "USD") which is the reporting currency of the Company. The condensed consolidated interim financial statements for September 30, 2017 are prepared in accordance with IAS 34 Interim Financial Reporting and do not include all the information required for full annual financial statements. This document is dated November 9, 2017.

In the Advisory section located at the end of this document, readers can find the definition of certain terms used in the disclosure regarding Oil and Gas Information, Non-IFRS Measures as well as information on "Critical Accounting Estimates". Additional information related to Serinus, including its Annual Information Form, is available on SEDAR at www.sedar.com or on Serinus' website at www.serinusenergy.com.

Highlights

- Production in 2017 has been severely impacted due to labour issues and social unrest in Tunisia. The Chouech Es Saida field has been shut-in in since February 28, 2017 initially due to labour issues. In addition, the Sabria field was shut-in from May 22, 2017, due to continued social unrest in the southern part of the country. The social unrest ended early September and the Company has restarted production at Sabria resulting in average volumes of 88 boe/d in Q3 2017, a decrease of 91% from 1,008 boe/d in Q3 2016.
- Production for Q3 2017 was weighted 74% oil (Q3 2016: 78%) with the remainder consisting of natural gas production. The oil weighting for the nine months ended September 30, 2017 was 75% compared to 76% in the prior period.
- Average realized crude oil prices were higher in Q3 2017, at $50.00 per bbl, compared to $43.01 per bbl in Q3 2016, reflecting improved benchmark crude pricing in 2017. During Q3 2017, Brent prices averaged $52.11/bbl, as compared to $45.79 per bbl in the comparable period of 2016, an increase of 14%.
- Funds generated from operations[(a)] was an outflow of $0.6 million for the three months ended September 30, 2017 compared to an outflow of $3.2 million in Q3 2016. The improvement was primarily attributable to lower G&A expenses in the current period, partially offset by the lower production base.
- Capital expenditures of $3.3 million were incurred for the three months ended September 30, 2017 with the focus on the construction of the Moftinu gas facility, with first production expected in Q1 2018.
- Subsequent to September 30, 2017, the terms of the loan facilities with the European Bank for Reconstruction and Development ("EBRD") were restructured, which the Company believes provides the appropriate balance to be able to meet the debt servicing requirements while also being able to make the capital investments necessary to grow the Company. The restructured agreements provide for changes to specific terms of each loan facility as well as to the financial ratio covenants. The key points include a deferral of repayments under the Senior Loan until March 31, 2019, though a cash sweep provision remains in effect. The convertible loan maturity has been extended and repayments will be made over four years (2020 to 2023) rather than one bullet payment in June 2021. In addition, the restructuring provides for relief from all financial covenants for one year until September 2018, and all requirements for covenants at the Tunisia level have been removed permanently. The debt to EBITDA ratio has been increased to a maximum of 10.0 times as at September 30 and December 31, 2018 and reduced to 2.5 times thereafter. The debt service coverage ratio, which is effective as at December 31, 2018, is set at a minimum of 1.3 times and is now only applicable to the Senior Loan.

  At September 30, 2017, Serinus was not in compliance with the consolidated financial debt to EBITDA ratio, the consolidated debt service coverage ratio and the Tunisian financial date to EBITDA ratio on its debt held with European Bank for Reconstruction and Development ("EBRD") under the original loan agreements, effective on that date. EBRD had formally waived compliance with these ratios prior to September 30, 2017.

(a) Funds from operations is a non-IFS measure, please refer to Funds from Operations section below

Operational Overview

Serinus is an international oil and gas exploration and production company with operations in Tunisia and Romania. The Company has its management office in Calgary (Canada) and an investor relations office in Warsaw (Poland).

Included in the MD&A is an analysis of the above operations. The Company also had operations in Ukraine which were sold in February 2016. Operations in Ukraine, up to the date of sale, have been presented as discontinued operations in the Statement of Operations and Comprehensive Earnings (Loss) for the three and nine months period ended September 30, 2016. For purposes of this MD&A, analysis of the results of Ukraine has been limited to the funds from operations in order to provide a reconciliation to cash flows.

(Thousands of US dollars, unless otherwise noted)

Tunisia

As at September 30, 2017, the Company has the following interests in the concessions in Tunisia:

Concession	Working interest	Expiry date
Chouech Es Saida	100%	December 2027
Ech Chouech	100%	June 2022
Sabria	45%	November 2028
Zinnia	100%	December 2020
Sanrhar	100%	December 2021

The Tunisian state oil and gas company, Enterprise Tunisienne d'Activites Petroliere ("ETAP"), has the right to back into the Chouech Es Saida concession for up to a 50% interest, if and when the cumulative crude oil sales, net of royalties and shrinkage, from the concession exceed 6.5 million barrels. As at September 30, 2017, cumulatively 5.2 million barrels, net of royalties and shrinkage have been sold from the concession. The Company began to generate revenues in Tunisia with its acquisition in September 2013, and since that time has generated $111.8 million of revenue, net of royalties, in aggregate from these assets.

During the nine months ended September 30, 2017, production came from the Sabria and Chouech Es Saida fields. The Sabria field was on production from the start of the year until May 22, 2017, when it was shut-in due to social unrest in the southern part of the country. The Chouech Es Saida field has been shut-in since February 28, 2017 originally due to strike notices issued by Tunisia General Trade Union ("UGTT"), which represents the Company's employees at the Chouech Es Saida field. The Company has initiated the restart of oil and gas production at the Sabria field in September, following the end of the protests and having determined that production at its oilfields could be restarted in a safe and secure environment. For the Chouech Es Saida field, the Company is evaluating the restart of the field.

Romania

Serinus, through its wholly owned subsidiary, Serinus Energy Romania S.A. (formerly Winstar Satu Mare S.A.), currently holds a deemed 100% interest in the Satu Mare concession.

Serinus is concentrating on the development of the Moftinu-1001 gas discovery, which includes building surface facilities, for the remainder of 2017. The Moftinu gas development project is a near-term project that is expected to begin producing from the gas discovery wells Moftinu-1001 and Moftinu-1000 in early 2018. The Company entered into an EPCC contract with Confind S.R.L. on May 9, 2017 and the construction of the gas plant with 15 Mmcf/d of operational capacity is in progress. Construction of the project will continue for the rest of 2017. The Company is also developing the drilling program to meet work commitments required for the three-year extension to October 28, 2019 on the concession agreement.

Given the success in Moftinu, the Company is also proceeding to refine and expand the exploration inventory within the concession. Based on older vintage 2D seismic data and existing wells, management has identified over 25 leads and prospects. The exploration program may include acquiring more seismic.

The defaulted partner, who held a 40% interest in the Satu Mare concession declined to participate in future exploration or development phases under the concession and as such has not contributed their share of expenditures to the joint venture. The Company therefore issued a notice of default to the partner in December 2016 under the terms of the joint operating agreement ("JOA"). The partner did not have the necessary means or intention to remedy the situation and as such the partner is not entitled to participate in joint venture operations and has no right to transfer their interest to a third party. The partner is currently in a tax dispute with the government of Romania, the results of which is that the Romanian fiscal authorities have placed a protective seizure order on an account of the partner relating to their past activities on the Satu Mare concession. The primary goal of this seizure order is to prevent the unauthorized flight of capital by the partner out of Romania whilst the tax dispute is adjudicated. The seizure order also has the effect of preventing the transfer of the partner's 40% interest in the Satu Mare concession without the approval of the Romanian fiscal authorities. Serinus is not involved in any manner with this tax dispute and the dispute only relates to the partner. However, the dispute means that any transfer of the partner's interest to the Company necessarily involves conversations with the Romanian fiscal authorities. In August 2017, the Company provided the partner with a Notice of Deemed Transfer pursuant to the JOA. This Notice of Deemed Transfer states that Serinus has claimed this interest without any obligation to the partner going forward and that the partner must without delay, do any act required to render the transfer of the participating interest legally valid, including obtaining all governmental consents and approvals, and shall execute any document and take such other actions as may be necessary in order to affect a prompt and valid transfer of the interest in the Satu Mare

(Thousands of US dollars, unless otherwise noted)

Concession. Serinus fully expects the Partner to fulfil this obligation to transfer its interest in the Satu Mare Concession to Serinus in an expedited manner, subject to the approval of the Romanian Fiscal Authorities.

Under the terms of our JOA and pursuant to the notice of default and notice of deemed transfer, Serinus has commercially assumed 100% of the joint venture. The Company has notified the National Agency for Mineral Resources ("NAMR") of the default of the partner and has provided the requisite guarantees to NAMR for 100% of the project. The Company has also communicated the position to the fiscal authorities in Romania. The Company continues to pursue the Partner's adherence to its obligation to transfer the interest, and should this not be forthcoming, pursue any and all legal remedies that would formally see the rightful transfer of the defaulting 40% working interest to Serinus. The Company maintains its right to 100% of the obligations and benefits of commercial activities conducted within the Satu Mare concession.

The Satu Mare concession is on the border with Hungary and Ukraine within the Pannonian Basin and the term of the concession agreement expires in September 2034.

Other

Serinus has interests in a minor property at Sturgeon Lake in Alberta, Canada. This asset is not currently producing and has a future abandonment liability associated with it of US$1.1 million (CAD$1.4 million). No abandonment work was undertaken during the year to date 2017 (nine month ended September 2016: $0.3 million).

In September 2017, the Company closed the sale of its indirect wholly-owned subsidiary that held an interest in Syria Block 9, for which Force Majeure had been declared on July 16, 2012 due to conditions arising from the instability in the country. The impact of this sale was that payables in the amount of $2.2 million relating to this asset have been reversed through the income statement and presented as a gain on sale.

Funds from Operations

The Company uses funds from operations as a key performance indicator to measure the ability of the Company to generate cash from operations to fund future exploration and development activities. Funds from operations is not a standard measure under IFRS and therefore may not be comparable to similar measures reported by other entities.

The following table is a reconciliation of funds from operations to its most closely related IFRS measure cash flow from operations:

		Three months ended			Nine months ended	
For periods ended September 30,		2017	2016		2017	2016
Cash flows from (used in) operations	$	625	(4,202)		(762)	(3,801)
Changes in non-cash working capital		(1,210)	1,016		(1,120)	2,529
Funds used in operations [(a)]	$	(585)	(3,186)		(1,882)	(1,272)
Funds used in operations per share	$	-	(0.04)	$	(0.01)	(0.02)
Funds from (used in) operations:						
Continuing operations	$	(585)	(3,186)	$	(1,882)	(4,284)
Discontinued operations [(b)]		-	-		-	3,012
	$	(585)	(3,186)	$	(1,882)	(1,272)

(a) Funds from (used in) operations is not a standard measure under IFRS. See section titled "Non-IFRS Financial Measures" for advisory over use of non-IFRS financial measures.
(b) Ukraine is reported as discontinued operations from the periods ended September 30, 2016 in the Statement of Operations.

Funds from operations for the three months ended September 30, 2017 was an outflow of $0.6 million as compared to an outflow of $3.2 million in the comparable period of 2016. The improvement in funds from operations from Q3 of 2016 was primarily attributable to lower G&A expenses in Q3 2017 compared to Q3 2016, partially offset by lower production volumes and operating cashflows. On a year to date basis, funds from operations decreased by $0.6 million to an outflow of $1.9 million, compared to an outflow of $1.3 million in the nine months ended September 30, 2016, due to the disposition of Ukraine and lower production volumes and operating cash flow, partially offset by lower G&A.

Excluding Ukraine, funds from continuing operations improved by $2.4 million, to an outflow of $1.9 million for the nine months ended September 30, 2017 compared to an outflow of $4.3 million in the comparable period of 2016. The increase in funds from operations from continuing operations was primarily attributable to lower production expenses and general and administrative costs, partially offset by lower production volumes. Refer to table below for funds from operations by country.

(Thousands of US dollars, unless otherwise noted)

Net earnings (loss) and Funds from Operations

The Company uses funds from operations as a key performance indicator to measure the ability of the Company to generate cash from operations to fund future exploration activities. Funds from operations is not a standard measure under IFRS and therefore may not be comparable to similar measures reported by other entities.

The following table presents a reconciliation of funds from operations to its most closely related IFRS measures, cash flow from operations and segmented net loss.

	Romania		Tunisia		Ukraine		Corporate		Total	
For three months ended September 30,	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Net earnings (loss)	(41)	(8)	(5,450)	(163)	-	-	(1,552)	(4,802)	(7,043)	(4,973)
Adjustments for:	-	-	-	-	-	-	-	-	-	-
Depletion and depreciation	1	2	112	1,138	-	-	36	45	149	1,185
Impairment	-	-	4,981	-	-	-	-	-	4,981	-
Gain (loss) on disposition of assets	-	-	-	-	-	-	-	(22)	-	(22)
Accretion	2	2	169	193	-	-	-	-	171	195
Stock-based compensation	-	-	-	-	-	-	240	21	240	21
Shares issued as compensation	-	-	-	-	-	-	-	-	-	-
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	(22)	-	(22)
Unrealized foreign exchange (gain) loss	5	42	3	147	-	-	(190)	(162)	(182)	27
Deferred income tax expense (recovery)	-	-	290	(49)	-	-	-	-	290	(49)
Interest expense	19	-	-	-	-	-	790	755	809	755
Decommissioning costs-actuals	-	-	-	-	-	-	-	(303)	-	(303)
Funds (used in) from operations	(14)	38	105	1,266	-	-	(676)	(4,490)	(585)	(3,186)
Changes in non-cash working capital	-	-	733	(2,796)	-	1,533	477	247	1,210	(1,016)
Cashflows (used in) from operations	(14)	38	838	(1,530)	-	1,533	(199)	(4,243)	625	(4,202)

	Romania		Tunisia		Ukraine		Corporate		Total	
For nine months ended September 30,	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Net earnings (loss)	33	(50)	(6,618)	(2,901)	-	(30,657)	(2,526)	(10,151)	(9,111)	(43,759)
Adjustments for:									-	-
Depletion and depreciation	4	4	1,267	3,727	-	599	108	142	1,379	4,472
Impairment	-	-	4,981	-	-	-	-	-	4,981	-
Gain (loss) on disposition of assets	-	-	-	-	-	33,040	(2,179)	(12)	(2,179)	33,028
Accretion	4	4	509	578	-	2	-	-	513	584
Stock-based compensation	-	-	-	-	-	-	456	36	456	36
Shares issued as compensation	-	-	-	-	-	-	7	-	7	-
Unrealized gain (loss) on investments	-	-	-	-	-	-	13	21	13	21
Unrealized foreign exchange (gain) loss	5	42	36	68	-	105	(95)	30	(54)	245
Deferred income tax (recovery) expense	-	-	(88)	1,810	-	-	-	-	(88)	1,810
Interest expense	-	-	-	-	-	(77)	2,201	2,775	2,201	2,698
Decommissioning costs-actuals	-	-	-	-	-	-	-	(407)	-	(407)
Funds from (used in) operations	46	-	87	3,282	-	3,012	(2,015)	(7,566)	(1,882)	(1,272)
Changes in non-cash working capital	-	-	1,136	(2,424)	-	-	(16)	(105)	1,120	(2,529)
Cashflows from (used in) operations	46	-	1,223	858	-	3,012	(2,031)	(7,671)	(762)	(3,801)

Production

	Three months ended		Nine months ended	
For periods ended September 30,	2017	2016	2017	2016
Production-crude oil (bbl/d)	65	787	276	857
Production-natural gas (mcf/d)	136	1,324	557	1,593
Production-total (boe/d)	88	1,008	369	1,123
% oil weighting	74%	78%	75%	76%
% gas weighting	26%	22%	25%	24%

Production volumes decreased by 91% in the third quarter 2017 to 88 boe/d, as compared to 1,008 boe/d in the third quarter of 2016. The decrease in production is attributable to the shut-in of the Chouech Es Saida field since February 28, 2017 and the Sabria field since May 22, 2017. Production resumed at the Sabria field in early September when the social unrest in the southern part of the country had subsided and the Company had determined that that the facilities could be restarted in a safe and secure environment. The Company has brought back on production the producing wells in Sabria, all of which, except for the Win-12bis well, have come back on at pre-shut in levels. The Win-12 bis well has a history of producing at high water cuts after being shut-in and continues to trend in a positive direction. The watercut before shut-in was 38% and it came back on at 93% watercut and is currently at 73% watercut, but is improving every day. The Company continues to monitor the Win-12bis well. Production from Sabria in October averaged 374 boe/d. The Company is evaluating the restart of the Chouech Es Saida field.

On a year to date basis, production decreased by 67% to 369 boe/d, compared to 1,123 boe/d in the prior year. The decrease year over year was due to the shut-in of both the Chouech Es Saida and Sabria fields. The production volumes at Chouech Es Saida were additionally impacted in Q1 2017 by lower production due to the CS-3 and CS-1 wells which went down in the middle of December and remained off-line in the first quarter pending pump replacement and workovers.

During the nine months ended September 30, 2017, only the Sabria and Chouech Es Saida fields produced oil and gas. The Sabria field was on production from the start of the year until May 22, 2017 when it was shut-in due to continued social unrest in the southern part of the country. The Chouech Es Saida field has been shut-in since February 28, 2017 due to strike notices issued by Tunisia General Trade Union ("UGTT"), which represents the Company's employees at the Chouech Es Saida field. The shut-in was a result of a strike notice and illegal sit-in at the field in response to the Company terminating the employment of 14 of the 52 field employees for economic reasons, even though these terminations were within the right of the Company and strictly followed the appropriate laws, work code and regulations. The terminated employees accepted their termination notices and this sit-in ended early in Q2, but due to social unrest in the south of Tunisia the field remained shut-in. The field was completely shut down during Q3 and all remaining employees terminated.

Oil and gas revenue and change in oil inventory

For the periods ended September 30,		Three months ended			Nine months ended
$ thousands, except % and per boe		2017	2016		2017	2016
Oil revenue	$	298	3,113	$	3,751	9,470
Gas revenue		84	519		923	2,021
Total revenue	$	382	3,632	$	4,674	11,491
Oil revenue (%)		78%	86%		80%	82%
Gas revenue (%)		22%	14%		20%	18%
Oil ($/bbl)	$	50.00	43.01	$	49.75	40.35
Gas ($/mcf)		6.71	4.26		6.07	4.63
Average realized price ($/boe)	$	47.48	39.19	$	46.39	37.37

In Q2 2016, the Company entered into a marketing agreement with Shell International Trading and Shipping Company Limited ("Shell agreement") for the sale of its oil production. The term of the agreement is for five years and the pricing mechanism is competitive with realized prices that have been received from other purchasers of its crude oil. This benefits the Company by getting regular crude oil liftings from a large and highly reputable purchaser.

During the nine months ended September 30, 2017 one lifting occurred under the Shell agreement. During the comparable period in 2016, there were two tanker liftings prior to the Shell contract being finalized and no liftings during the remainder of the period.

As the crude oil accumulates the Company records inventory at its net realizable value and the change in inventory is recorded in the income statement as change in oil inventory. The cash that is received monthly from Shell is presented on the balance sheet as advances for crude oil sales. Once the crude oil is physically lifted onto tankers and title passes, the inventory and advances are reversed and an Accounts Receivable is set up for the remaining amount due from Shell, and the change in oil inventory in the income statement is reclassified as revenue.

As at September 30, 2017, the Company was in an underlifted position of 3,541 bbls of which 1,174 bbls were reserved for local oil sales (Q4 2016: inventory of 23,421 bbls of which 5,534 bbls were reserved for local oil sales). As a result, the Company has crude oil inventory of $0.2 million (December 31, 2016: inventory of $1.2 million).

The Company is required to sell 20% of its annual 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.

For the three and nine months ended September 30, 2017, Brent prices averaged $52.11 and $51.82 per bbl, respectively, as compared to $45.79 and $41.67 per bbl in the comparable periods of 2016, reflecting a 14% and 24% increase, respectively, from 2016. The Company realized 96% of the Brent price with a price of $50.00 per bbl during Q3 2017 (Q3 2016: 94%) and 96% for the nine months ended September 30, 2017 (97% for the nine months ended September 30, 2016). The average realized price increase for the nine months ended September 30, 2017 compared to the same period in 2016 of 24% is consistent with the increase in Brent price. Natural gas prices are nationally regulated and are tied to the twelve-month trailing average of low sulphur heating oil (benchmarked to Brent).

Oil and gas revenues and change in oil inventory totaled $0.4 million for Q3 2017, compared to $3.6 million in Q3 2016. The decrease of 89% is reflective of the 91% decrease in production. Similar trends are noted on a year to date basis.

Royalties

		Three months ended			Nine months ended	
For the periods ended September 30,		2017	2016		2017	2016
Royalties	$	39	382	$	484	1,237
Royalties ($/boe)	$	4.85	4.12	$	4.80	4.02
Royalties (% of revenue)		10.2%	10.5%		10.4%	10.8%

Tunisian royalties are based on individual concession agreements, none of which exceed 15%. In two concessions, Sabria and Zinnia, the royalty rate varies depending on a calculation of cumulative revenues, net of taxes, as compared to cumulative investment in the concession, known as the "R factor". As the R factor increases, so does the royalty percentage to a maximum rate of 15%.

Royalties decreased by 90% when compared between Q3 2017 to Q3 2016 which is consistent with the drop-in production due to the shut-in. The average royalty rate for Q3 2017 was 10.2% as compared to 10.5% in Q3 2016. In 2017, the R-factor increased for Sabria, resulting in the oil royalty rate increasing from 7% to 10%, and the gas royalty rate increasing from 6% to 8% as compared to 2016. In Q3 2017, 100% of the production was from Sabria, due to the shut-in in Chouech Es Saida, resulting in an effective 10.2% royalty rate.

On a year to date basis, the increase in royalty rates in Sabria year over year was partially offset by proportionally less production from Chouech Es Saida, which has a 15% royalty rate.

The increase in the per boe metric for the three and nine months ended September 30, 2017 is attributable to higher commodity prices as compared to the comparable periods in 2016.

Production Expenses

For the periods ended September 30,		Three months ended			Nine months ended	
($ thousands except for per boe)		2017	2016		2017	2016
Production expense-Tunisia	$	578	2,088	$	3,443	6,605
Production expense-Canada		7	73		35	144
Production expense-Total		585	2,161		3,478	6,749
Production expense-Tunisia ($/boe)	$	71.88	22.53	$	34.17	21.48

On an absolute basis, production expense for Q3 2017 decreased by 73% compared to the same period in 2016, due to the shut-in of all producing fields in Tunisia, resulting in lower operating costs and transportation charges. On a boe basis, the costs in Q3 2017 increased by over 200% to $71.88 per boe as compared to $22.53 per boe in the comparable period of 2016, reflecting the fixed component of the expense and the production decline in the quarter of 91%, as discussed in the Production section on the previous page.

For the nine months ended September 30, 2017, total production expense decreased to $3.5 million from $6.7 million in the comparable period of 2016, due to the reasons discussed above. On a per boe basis production expense in Tunisia increased to $34.17 per boe from $21.48 per boe in the prior period due to the production decline in the quarter. During the shut-in period, the Company incurred operating costs related to field personnel, security, insurance and other miscellaneous expenses in addition to the Tunis office costs. The Company continues to review the ongoing running costs of the Tunisian operations to reduce costs where possible.

Canadian production expenses relate to the Sturgeon Lake assets and totaled $35 thousand for the nine months ended September 30, 2017. The asset is not producing and is incurring minimal operating costs to maintain the property.

Operating Netback

Serinus uses netback as a key performance indicator to measure the Company's revenue less the direct costs consisting of royalties and production expenses 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. Netback is not a standard measure under IFRS and therefore may not be comparable to similar measures reported by other entities.

The following table shows the reconciliation of netback to its most closely related IFRS measure revenue:

Operating netback by commodity	Three months ended September 30, 2017			Three months ended September 30, 2016		
($ per boe except for volume)	Oil (bbl/d)	Gas (mcf/d)	Total (boe/d)	Oil (bbl/d)	Gas (mcf/d)	Total (boe/d)
Sales volume	65	136	88	787	1,324	1,008
Realized price	$ 50.00	$ 6.71	$ 47.48	$ 43.01	$ 4.26	$ 39.19
Royalties	(5.37)	(0.56)	(4.85)	(4.73)	(0.33)	(4.12)
Production expense	(76.90)	(9.59)	(71.88)	(24.72)	(2.46)	(22.53)
Operating netback [(a)]	$ (32.27)	$ (3.44)	$ (29.25)	$ 13.56	$ 1.47	$ 12.54

	Nine months ended September 30, 2017			Nine months ended September 30, 2016		
($ per boe except for volume)	Oil (bbl/d)	Gas (mcf/d)	Total (boe/d)	Oil (bbl/d)	Gas (mcf/d)	Total (boe/d)
Sales volume	276	557	369	857	1,593	1,123
Realized price	$ 49.75	$ 6.07	$ 46.39	$ 40.35	$ 4.63	$ 37.37
Royalties	(5.48)	(0.47)	(4.80)	(4.48)	(0.42)	(4.02)
Production expense	(36.64)	(4.47)	(34.17)	(23.19)	(2.66)	(21.48)
Operating netback [(a)]	$ 7.63	$ 1.13	$ 7.42	$ 12.68	$ 1.55	$ 11.87

(a) Netback is defined as revenue and change in inventory less direct expenses and is calculated as oil and gas revenue net of royalties, less production expense. Netback is not a standard measure under IFRS; see section titled "Non-IFRS Financial Measures" for advisory over the use of non-IFRS financial measures.

The netback on a per boe basis for Q3 2017 is a negative due to the production volumes in the quarter as discussed in the production section above. Realized price and royalties per boe increased from Q3 2016 to Q3 2017, however, the high production expenses per boe, a result of the fixed component of the production expense and low volumes in Q3 2017, resulted in a negative operating netback on a per boe basis.

Similar trends are noted on a year to date basis with a netback of $7.42 per boe in the nine months ended September 30, 2017, as compared to $11.87 per boe in the comparable period of 2016.

General and Administrative

For the periods ended September 30,	Three months ended		Nine months ended	
($ thousands except for per boe)	2017	2016	2017	2016
G&A expense	$ 570	3,915	$ 2,090	6,959
G&A expense ($/boe)	$ 70.89	42.24	$ 20.74	22.63

General and administrative ("G&A") costs incurred by the Company are expensed, with certain costs directly related to exploration and development assets being capitalized or reported as production costs. The G&A costs reported are on a net basis, representing gross G&A costs incurred less recoveries.

General and administrative ("G&A") costs decreased $3.3 million, or 85%, from $3.9 million in Q3 2016 to $0.6 million in Q3 2017. The decrease was due to the one-time termination costs related to the closure of the Dubai office of $2.4 million in Q3 2016 and to cost saving measures taken by the Company. Similar trends are noted on a year to date basis.

On a per boe basis, G&A costs increased by 68% to $70.89 per boe compared to $42.24 per boe in Q3 2016 due to the 91% drop in the production base in Q3 2017 as compared to Q3 2016.

Stock-based Compensation

For the periods ended September 30,	Three months ended		Nine months ended	
($ thousands except for per boe)	2017	2016	2017	2016
Stock-based compensation	$ 240	21	$ 456	36
Stock-based compensation expense ($/boe)	$ 29.85	$ 0.23	$ 4.53	$ 0.12

The Company has granted common share purchase options to officers, directors, and employees with exercise prices equal to or greater than the fair value of the common shares on the grant date. Upon exercise, the options are settled in common shares issued from treasury. For options issued prior to 2016, each tranche of the share purchase options has a five-year term and vest one-third immediately with the remaining two-thirds at one-third per year each on the anniversary of the grant date. In Q3 2016, options were granted with a seven-year term and which vest one-third per year on the anniversary of the grant date for the three subsequent years. In 2017, options were granted with a five-year term, which vest one-third per year on the anniversary date for the three subsequent years. All options are to be settled by physical delivery of shares.

Stock-based compensation was $240 thousand in Q3 2017 compared to $21 thousand in Q3 2016. The increase in the expense recognized in Q3 2017 as compared to Q3 2016 reflects the issuance of 6,680,000 options in the second quarter of 2017 compared to 3,500,000 options issued in Q3 2016. The Q3 2016 expense also reflected that no options were granted between late 2014 until Q3 2016 and therefore the amortization of expense was declining.

On a year to date basis, stock-based compensation expense was $456 thousand compared to $36 thousand in 2016 for reasons as noted above.

Depletion, Depreciation and Impairment

For the periods ended September 30,		Three months ended			Nine months ended	
($ thousands except for per boe)		2017	2016		2017	2016
Depletion and depreciation-Tunisia	$	112	1,138	$	1,267	3,727
Depletion and depreciation-Corporate		37	47		112	146
Impairment expense-Tunisia		4,981	-		4,981	-
		5,130	1,185		6,360	3,873
Depletion and depreciation-Tunisia ($/boe)	$	13.93	12.28	$	12.57	12.12

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

In Q3 2017, depletion and depreciation expense decreased by 87% to $0.1 million from $1.2 million in Q3 2016, due to 91% lower production between the two periods.

On a per boe basis, the depletion rate increased to $13.93 per boe for the three months ended September 30, 2017, compared to $12.28 per boe in the comparable period of 2016. The increase was due to downward revisions in reserve volumes at year end 2016, which increased the depletion rate per boe for 2017, partially offset by a reduction in the depletable base associated with impairment recognized in 2016, due to the sustained low oil prices and year end reserve revisions.

Due to the reserves revisions and sustained low oil prices which are impairment indicators, the Company performed impairment tests on its Tunisian assets by concession at September 30, 2017 using a fair value less costs to sell methodology. The fair value was based on the September 30, 2017 proved plus probable reserves data, a risk-adjusted discount rate of 20%-27%, and a price forecast adjusted for quality differentials specific to the Company. The calculation resulted in a $5.0 million impairment expense at September 30, 2017 (nil for the three and nine months ended September 30, 2016).

Interest and accretion expense

For the periods ended September 30,		Three months ended			Nine months ended	
($ thousands except for per boe)		2017	2016		2017	2016
Interest expense	$	809	757	$	2,201	2,775
Accretion expense on ARO		171	193		513	582
	$	980	950	$	2,714	3,357

Interest expense and accretion for Q3 2017 was comparable to the same quarter in 2016 at $1.0 million.

On a year to date basis, interest and accretion decreased by $0.6 million to $2.7 million. Interest expense decreased from $2.8 million for the nine months ended September 2016 to $2.2 million in the same period of 2017. The decrease was attributable to higher debt levels in the first quarter of 2016. In Q1 2016, in conjunction with the disposition of Ukraine, the Romanian debt of $11.29 million was repaid and $7.42 million of the Tunisia debt was repaid. These repayments were in addition to the regular scheduled repayments in March and September 2016 and a cash sweep repayment of $3.4 million in May 2016. The interest in 2016 therefore reflected higher interest charges due to higher debt balances as well as the accelerated amortization of deferred financing costs on the Romania EBRD debt.

(Thousands of US dollars, unless otherwise noted)

Accretion represents the increase in the asset retirement obligation ("ARO") for the previous year end to reflect the passage of time. Accretion expense in 2017 remains consistent with 2016 as there was minimal change in the estimate made as at December 31, 2016 compared to prior year.

Foreign exchange

Fluctuations in foreign currency exchange rates are an economic factor that affects the Company's cash flow required for operations and for investments. The financial statements are presented in US dollars, which is the reporting currency of the Company.

The foreign currency gain was $0.1 million and $0.2 million for the three and nine months ended September 30, 2017, compared to a loss of $0.1 million and $0.6 million in the three and nine months ended 2016. The gain was, mainly due to funds in the Canadian dollar account where the translation rate increased from year end rate of 0.7450 to 0.8013 at September 30, 2017. Please see the foreign currency exchange risk against the US dollar in the Risk Section.

Capital Expenditures

For three months ended	September 30, 2017			September 30, 2016		
	Tunisia	Romania	Total	Tunisia	Romania	Total
Property, plant and equipment	$ 13	15	28	$ 735	2	737
Exploration and evaluation	-	3,307	3,307	-	329	329
Total exploration and development	$ 13	3,322	3,335	$ 735	331	1,066

For nine months ended	September 30, 2017			September 30, 2016		
	Tunisia	Romania	Total	Tunisia	Romania	Total
Property, plant and equipment	$ 417	15	432	$ 1,512	4	1,516
Exploration and evaluation	-	5,214	5,214	-	1,160	1,160
Total exploration and development	$ 417	5,229	5,646	$ 1,512	1,164	2,676

Capital expenditures consist of expenditures incurred on assets which are in the exploration and evaluation stage and include expenditures incurred on wells and seismic acquisition and processing. For these assets, the technical feasibility and commercial viability of the underlying property has yet to be determined. Exploration and evaluation assets ("E&E") are not subject to depletion and depreciation, but are tested for impairment if there are triggers identified. As at September 30, 2017, this consists of the Romanian assets. Expenditures incurred on assets for which technical feasibility and commercial viability have been determined are classified as property, plant and equipment ("PP&E").

In Tunisia, the Company incurred capital expenditures of $0.4 million for the nine months ended September 30, 2017, which included costs for pumps and parts in preparation of workovers on the CS-1 and CS-3 wells in Chouech Es Saida. In Romania, the Company is in the exploration phase and has incurred expenditures of $3.3 million and $5.2 million for the three and nine months ended September 30, 2017 respectively. The costs consist of the construction of the Moftinu gas facilities and costs associated with the Bucharest office. The majority of the costs in Q3 2017 relate to the procurement of major components of the gas plant and flowlines including the dehydration and separation units. Capitalized costs of the exploration and evaluation assets in Romania totaled $25.5 million as at September 30, 2017 (December 31, 2016: $20.3 million).

Liquidity, Debt and Capital Resources

For the periods ended September 30,	Three months ended		Nine months ended	
	2017	2016	2017	2016
Operating activities	$ 625	(4,202)	$ (762)	(3,801)
Financing activities	(229)	(1,990)	15,898	(27,395)
Investing activities	(3,139)	(1,197)	(6,033)	22,265
Effect of foreign currency translation on cash	175	13	51	(247)
Change in cash	$ (2,568)	(7,376)	$ 9,154	(9,178)

The Company closed an equity offering of $18 million net of costs in February 2017. During the nine months September 30, 2017, the Company realized negative funds from operations of $1.9 million (before changes in working capital), made a scheduled debt repayment of $1.7 million and interest payments of $0.5 million, and incurred capital expenditures in Romania for construction of the gas facility. In the current commodity price environment and given the shut-in of the fields in Tunisia in the period, cash flow generated from the Tunisian assets has not been sufficient to cover all corporate costs, including G&A and debt service obligations.

(Thousands of US dollars, unless otherwise noted)

For the three months ended September 30, 2017, the net change in cash was an outflow of $2.6 million compared to an outflow of $7.4 million in the comparable period of 2016. The improvement quarter over quarter is primarily attributable to cash from operating activities increase of $4.8 million, combined with no debt repayment Q3 2017 (Q3 2016: $1.7M), offset by higher capital investment of $2.0 million.

For the nine months ended September 30, 2017, the net change in cash was a positive inflow of $9.2 million compared to an outflow of $9.2 million in the comparable period of 2016. The change year over year is attributable to lower G&A expense in 2017, the equity offering in 2017 and lower debt repayments than in 2016. In Q1 2016, the proceeds on disposition of Ukraine less the debt repayments totaled $6.8 million.

On February 24, 2017, the Company completed an equity offering and issued 72 million common shares at CAD$0.35 per share for aggregate gross proceeds of CAD$25.2 million (net CAD$24.3 million, after agents' fees of CAD$0.9 million) ("the Offering"). The net proceeds of the Offering will be used by the Company to fund the development of the Moftinu gas development project and pre-work for the 2018 drilling program in the Satu Mare concession in Romania, production enhancement in the Sabria block in Tunisia, and for general corporate purposes.

The construction of the Moftinu gas development project is slated to bring on gas production from wells Moftinu-1001 and Moftinu-1000 through the construction of a 15 Mmcf/d gas plant, connecting well flowlines and a sales gas pipeline to the Transgaz national gas transmission system in Q1, 2018

Subsequent to September 30, 2017, the Company renegotiated its loan agreements with the EBRD, to provide, amongst other, a deferral on principal repayments until 2019 for the Senior Loan and relief from financial covenants until September 2018, providing the Company with the appropriate balance between meeting debt servicing obligations and being to make the necessary capital expenditures to grow the business (see EBRD – Tunisia Loan Facility section).

The Company is actively considering alternatives to finance the Company and provide the necessary liquidity and capital. The Company monitors its liquidity position constantly to assess whether it has the funds necessary to meet ongoing cash requirements. Alternatives available to Serinus to manage liquidity include farm-out arrangements and securing new equity or debt capital, as well as minimizing costs by cutting operating and administrative costs and deferring capital expenditures. There are no restrictions on the use of the Company's capital resources that could materially affect, directly or indirectly, its operations or activities.

To ensure security and the preservation of capital, the Company's investment policy for cash that is surplus to immediate requirements is to invest such funds in instruments issued by major chartered banks that are rated "triple A", or its equivalent by independent rating agencies.

Working Capital

Serinus uses working capital as a key performance indicator to measure the Company's current assets less current liabilities to assist management in understanding Serinus' liquidity relative to current market conditions and as an analytical tool to benchmark changes against prior periods. Working capital is not a standard measure under IFRS and therefore may not be comparable to similar measures reported by other entities. The following table shows the reconciliation of working capital to its most closely related IFRS measure current assets:

Working capital as at:		September 30, 2017	December 31, 2016
Current assets	$	19,548	10,728
Current liabilities		(21,667)	(49,203)
Working capital (deficit)	$	(2,119)	(38,475)

(a) Working capital is defined as current assets less current liabilities. Working capital is not a standard measure under IFRS; see section titled "Non-IFRS Financial Measures" for advisory over the use of non-IFRS financial measures.

Serinus has a working capital deficit of $2.1 million as at September 30, 2017 (December 31, 2016: $38.5 million working capital deficit). At December 31, 2016, all of the debt balance was presented as a current liability due to the violation of bank covenants (excluding reclassified long-term debt, the working capital deficit was $7.8 million at December 31, 2016). At September 30, 2017, the working capital deficit includes $5.0 million of the senior loan which represents the debt repayments due within one year based on the original EBRD loan agreements, before the restructuring subsequent to quarter end. The presentation of the debt in the financial statements is required to reflect the situation as at September 30, 2017. The debt restructuring has provided a deferral on debt repayments for the Senior loan until 2019, though is still subject to a cash sweep, which would result in no debt being presented as short-term. The working capital surplus would be $2.9 million reflecting the new debt terms.

The improvement in the working capital deficit (excluding the debt balances) of $10.7 million since December 2016 was mainly due to the proceeds from the equity offering held as cash and the disposition of the entity holding the Syrian asset, which released $2.2 million of accounts payable to the income statement as a gain on disposition.

At September 30, 2017, the Company was not in compliance with the annual consolidated financial debt to EBITDA covenant, consolidated debt service coverage ratio and Tunisian financial debt to EBITDA ratio on its debt held with EBRD under the terms of the original loan agreements. Prior to September 30, 2017, EBRD formally waived compliance with these ratios for the period ended September 30, 2017.

EBRD-Tunisia Loan Facility

On November 20, 2013, Serinus finalized two loan agreements aggregating USD $60 million with EBRD. The Senior Loan is in the amount of USD$40 million, has a term of seven years, and was available in two tranches of USD$20 million each. The second tranche was subsequently reduced from $20 million to $8.72 million upon placement of the EBRD Romanian Facility in Q1 2015. Both loan agreements contain a number of affirmative covenants, including maintaining the specified security, environmental and social compliance, and maintenance of specified financial ratios. Refer to "Covenants" section for details of the associated covenants of the EBRD-Tunisia Loan Facility.

Subsequent to quarter end, the Company reached an agreement with the EBRD to restructure the two loan agreements. The new agreements provide for changes to specific terms of each of the loan facilities as well as to the financial covenants.

Senior Loan interest is payable semi-annually at a variable rate equal to LIBOR plus 6%. At the Company's option, the interest rate may be fixed at the sum of 6% and the forward rate available to EBRD on the interest rate swap market. The Company had locked in the interest rate on the $20.0 million Senior Loan at a rate of 6.9% for a two-year period from September 30, 2014 to September 30, 2016 at which time interest reverted back to LIBOR plus 6%.

The Senior Loan was repayable in twelve equal semi-annual installments with the first repayment made on March 31, 2015. Subsequent repayments, on March 31 and September 30 of each year, have followed the repayment schedule. In the first quarter of 2016, $7.6 million, including interest, of the Senior Loan was repaid using the proceeds from the sale of Ukraine, resulting in tranche 2 of the Senior Loan being fully repaid. In the nine months ended 2017, a scheduled semi-annual installment of $1.7 million was made in March along with $0.2 million of interest in March and $0.3 million in September. As at September 30, 2017, the principal outstanding under the Senior Loan was $5.4 million (December 31, 2016: $7.1 million). Under the terms of the restructuring there is a deferral of principal repayments, the original agreement required that there were scheduled repayments of $1.7 million in each September and March. Under the restructured terms no principal repayment is due until 2019, with the remaining principal to be repaid in two equal amounts of $2.7 million each on March 31, 2019 and September 30, 2019.

Under the terms of the restructuring, the cash sweep is now computed at the corporate level. Previously, the Company had to apply 40% of its Excess Cash from Tunisia toward early repayment of the Senior Loan facility outstanding with EBRD. Under the restructured terms, the cash sweep is calculated semi-annually on December 31 and June 30 of each year as long as balances remain outstanding on the Senior Loan. Any cash balance in excess of $7 million 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. No pre-payment fees are applicable to the accelerated payments described above.

The Convertible Loan in the amount of $20 million had a term of seven years and was repayable on June 30, 2021. Under the restructured terms, the maturity is now extended to June 2023, with accrued interest accumulation until June 2020. In June 2020, the total outstanding principal plus accumulated accrued interest will be determined and this amount will constitute the new balance to be equally amortized over the four annual payments to be made each month of June for the years 2020 to 2023. The Convertible loan bears interest at a variable rate that is the LIBOR and a percentage calculated on the basis of incremental net revenues earned, with a floor of 8% per annum and a ceiling of 17% per annum. This margin was previously based on the net revenues of the Tunisian assets, but has under the restructured terms been expanded to include the Romanian assets. Serinus 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.

(Thousands of US dollars, unless otherwise noted)

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% if 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.

The loans were available to be drawn for a period of three years, such period has now expired.

The loans are secured by the Tunisian assets, pledges of certain bank accounts, shares of the Company's subsidiaries through which the concessions are owned, benefits arising from the Company's interests in insurance policies, and on-lending arrangements within the Serinus group of companies. In addition, under the restructured terms there is an additional security pledge of the shares of Serinus Energy Romania S.A., the holder of the Romanian assets.

In addition, under the terms of the restructuring the financial covenants have been amended. The restructured agreements provide relief from covenants until September 2018. All covenant requirements at the Tunisia level have been removed and the debt service coverage ratio at the consolidated level is now only applicable to the Senior Loan. The debt service coverage ratio changed to a minimum of 1.3 times from 1.5 times previously at the consolidated level and is effective from December 2018. The debt to EBITDA ratio has been increased from a maximum of 2.75 times to 10.0 times at September 2018 and December 2018 and then to 2.5 times thereafter.

Senior Loan			Convertible Loan		
Repayment schedule	Original	Restructured	Repayment schedule	Original	Restructured
Balance owing	$ 5,400	$ 5,400	Balance owing	$ 25,738	$ 25,738
2017-Sep-30	(1,667)	-	2020-Jun-30	-	(6,434)
2018-Mar-31	(1,667)	-	2021-Jun-30	(25,738)	(6,434)
2018-Sep-30	(1,667)	-	2022-Jun-30	-	(6,435)
2019-Mar-31	(400)	(2,700)	2023-Jun-30	-	(6,435)
2019-Sep-30	-	(2,700)	2023-Jun-30	-	-

	Senior Loan		Convertible loan	
Covenants	Original	Restructured	Original	Restructured
Coprorate level-DSCR	1.5x	1.3x	1.5x	n/a
Corporate level-Debt-EBITDA	2.75x	Max 10.0x Sept & Dec 2018; max 2.5x 2019+	2.75x	Max 10.0x Sept & Dec 2018; max 2.5x 2019+
Tunisia level-DSCR	1.3x	n/a	1.3x	n/a
Tunisia level-Debt-EBITDA	2.5x	n/a	2.5x	n/a

Covenants

Both loan agreements as part of the EBRD-Tunisia Loan Facility contain a number of affirmative covenants, including maintaining the specified security, environmental and social compliance, and maintenance of specified financial ratios. The covenants use non-GAAP financial measures which are not standard measures under IFRS and may not be comparable to similar measures reported by other entities; details of the calculations have been provided in the footnotes below, which are based on the terms of the original loan agreements in place as at September 30, 2017.

As at:	September 30, 2017		December 31, 2016	
Debt service coverage ratio-Tunisia (not less than 1.3:1) (a)(b)	2.2	In compliance	1.4	In compliance
Debt service coverage ratio-Serinus (not less than 1.5:1) (c)(d)	0.5	Non-compliance	2.4	In compliance
Financial debt to EBITDA-Tunisia (not more than 2.5:1) (e)(f)	3.4	Non-compliance	1.6	In compliance
Financial debt to EBITDA-Serinus (not more than 2.75:1) (g)(h)	(14.0)	Non-compliance	98.4	Non-compliance
Compliance	NO		NO	

(a) This calculation is equal to the trailing 12-months cash flow from operations divided by debt service costs. A deduction is made from cash flows for Tunisia capital expenditures not considered part of the EBRD project expenditures.

(Thousands of US dollars, unless otherwise noted)

(b) Tunisia adjusted cash flow was $4.7 million for the 12-month period ended September 30, 2017. The debt service costs for the same period were $2.1 million as the September 30 principal repayment was nil (December 31, 2016: $5.8 million and $4.2 million, respectively).

(c) This calculation is equal to the trailing 12-months cash flow from operations divided by debt service costs. A deduction is made from cash flow for Serinus capital expenditures not considered EBRD project costs. Prior to September 30, 2017, EBRD formally waived compliance with the consolidated debt service coverage ratio covenant that was violated for the reporting period ended September 30, 2017.

(d) Serinus' adjusted consolidated cash flow amount was a positive $1.0 million for the 12-month period ended September 30, 2017. The debt service costs for the same period were $2.1 million (December 31, 2016: $11.6 million and $4.8 million, respectively).

(e) Financial debt as defined under the agreement includes the senior portion of the EBRD Tunisian Loan. EBITDA as defined under the agreement is for the trailing 12-months and is defined as oil and gas revenue, net of royalties less production expense, general and administrative expenses and transaction costs from Tunisia.

(f) Tunisia financial debt totaled $5.4 million as at September 30, 2017. EBITDA of Tunisia totaled $1.6 million for the 12-month period ending September 30, 2017 (December 31, 2016: $7.1 million and $4.4 million respectively).

(g) Financial debt as defined under the agreement includes all Serinus long-term debt. EBITDA as defined under the agreement is for the trailing 12-months and is defined as oil and gas revenue, net of royalties less production expense, general and administrative expenses and transaction costs of Serinus. Subsequent to September 30, 2017, EBRD formally waived compliance with the consolidated debt service coverage ratio covenant that was violated for the reporting period ended September 30, 2017.

(h) Serinus' financial debt totaled $25.4 million as at September 30, 2017. EBITDA of Serinus totaled negative $1.8 million for the 12-month period ending September 30, 2017 (December 31, 2016: $27.1 million and ($0.3) million respectively).

Share Data

The Company is authorized to issue an unlimited number of common shares, of which 150,652,138 common shares and 67,000 options, with a USD exercise price, and 10,199,000 options, with a Canadian Dollar ("CAD") exercise price, to purchase common shares, were outstanding as at September 30, 2017.

The change in common shares in 2017 is as a result of the Offering, whereby the Company issued 72,000,000 common shares resulting in 150,629,941 common shares outstanding as at February 24, 2017. During Q2 2017, a further 22,197 common shares were issued to Mr. Jeffrey Auld, the President and Chief Executive Officer of the Company, as part of his compensation, resulting in 150,652,138 shares outstanding. There were no changes in common shares during Q3 2017.

The Company is also authorized to issue an unlimited number of preferred shares. No preferred shares are issued or outstanding.

Summary of options outstanding:

	USD denominated options			**CAD denominated options**		
	Number of Options		Weighted average exercise price per option (US$)	Number of Options		Weighted average exercise price per option (CAD$)
Balance, December 31, 2016	79,000	$	3.90	3,611,000	$	0.38
Granted	-	$	-	6,830,000	$	0.37
Expired/Cancelled	(12,000)	$	5.10	(242,000)	$	0.79
Balance, September 30, 2017	67,000	$	3.68	10,199,000	$	0.36

The following tables summarize information about the USD and CAD options outstanding as at September 30, 2017:

<u>USD denominated options:</u>

Exercise price (US$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
$ 3.01 - $ 4.00	32,000	32,000	0.99
$ 4.01 - $ 5.00	35,000	35,000	1.13
$ 3.68	67,000	67,000	1.07

(Thousands of US dollars, unless otherwise noted)

CAD denominated options:

Exercise price (CAD$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
$ 0.01 - $ 1.00	10,140,000	1,166,667	5.12
$ 2.01 - $ 3.22	59,000	59,000	2.03
$0.36	10,199,000	1,225,667	5.11

At the date of issuing this report, the following are the options outstanding and changes to directors, executives and officers shares owned since September 30, 2017, up to the date of this report:

		Changes to Ownership		
Name of Director/Executive Officer/Key Person	**Options held as at November 9, 2017**	**Shares held at September 30, 2017**	**Change in share ownership**	**Shares held at November 9, 2017**
Evgenij Iorich [(a)]	100,000	3,415	-	3,415
Jeffrey Auld	4,500,000	22,197	-	22,197
Helmut Langanger	150,000	-	-	-
Sebastian Kulczyk [(b)]	-	-	-	-
Lukasz Redziniak	-	-	-	-
Dominik Libicki	-	-	-	-
Eleanor Barker	100,000			
Tracy Heck	2,750,000	-	-	-
Calvin Brackman	750,000	-	-	-
Trevor Rath	650,000	-	-	-
Jim Causgrove	-	-	-	-
	9,000,000	25,612	-	25,612

(a) Mr. Iorich holds a position with Pala Investments, which is related to Pala Assets Holdings Limited ("Pala"). Pala owned 11,266,084 Shares as at September 30, 2017 which included 5,385,600 shares issued relating to the Offering. By virtue of his position with Pala Investments, Mr. Iorich is deemed to have direction over such Shares in addition to those Shares that are shown above.

(b) Mr. Kulczyk holds a senior executive position with Kulczyk Investments ("KI"). KI owned 78,602,655 Shares as at September 30, 2017, which included 38,693,049 shares issued relating to the Offering. By virtue of his position with KI, Mr. Kulczyk is deemed to have direction over such Shares.

As at the date of issuing this report, management is aware of three shareholders holding more than 5% of the common shares of the Company. KI owns 52.17%, Pala owns 7.48%, and Quercus Towarzystwo Funduszy Investycyjjych SA owns 5.24% of the common shares issued.

Commitments

Contractual obligations as at September 30, 2017 are as follows:

	Within 1 Year	2-3 Years	4-5 Years	+ 5 Years	Total
Operating leases	$ 609	1,105	86	-	$ 1,800
Romania gas plant	2,619	-	-	-	2,619
EBRD loan-Tunisia [(a)]	5,000	400	25,738	-	31,138
Total contractual obligations	$ 8,228	1,505	25,824	-	$ 35,557

(a) EBRD loan obligations are presented excluding deferred financing costs and include only interest accrued as of September 30, 2017 and reflect contractually agreed maturities.

Subsequent to quarter end, the debt terms for the loans have been renegotiated. The table above reflects repayments due as at September 30, 2017 and so are presented as per the original loan agreements. The restructured terms have deferred repayments resulting in the following repayment schedule: within one year $nil; 2-3 years $11.8 million; 4-5 years $12.9 million; +5 years $6.4 million.

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 September 30, 2017, 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 km^2 of new 3D seismic data or to drill a third well. The two firm wells must be drilled to minimum depths of 1,000 and 1,600 metres respectively, and if so elected, the third well to a depth of 2,000 metres. 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 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.

The Company signed an engineering, procurement, construction and commissioning contract ("EPCC") with Confind S.R.L., a Romanian company, for the construction of a gas processing facility and associated flowlines and pipelines on the Satu Mare concession. As at September 30, 2017, a balance of $2.6 million is remaining on this contract, net of deposits.

Office Space
The Company has a lease agreement for office space in Calgary, Canada which expires on November 30, 2020 and entered into a new office lease agreement in Bucharest, Romania in the third quarter of 2017, which expires on August 27, 2020.

Off Balance Sheet Arrangements

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.

Related Party Transactions

Loon Energy Corporation ("Loon Energy") is a publicly traded Canadian corporation. Serinus and Loon Energy are related as they have the same principal shareholder with control over Serinus and significant influence over Loon Energy. Management and administrative services were provided to Loon Energy by the management and staff of Serinus until August 31, 2016 when the services agreement was terminated and an office lease rental agreement was entered into. The office lease rental agreement was terminated effective February 15, 2017. For the three and nine months ended September 30, 2017, these fees totaled nil and $2 thousand (Q3 2016: $2 thousand and $7 thousand).

All related party transactions were at exchange amounts agreed to by both parties.

2017 Outlook

The Company is focusing on Romania as the impetus for growth over the next several years. The Moftinu gas development project is a near-term project that is expected to begin producing from the gas discovery wells Moftinu-1001 and Moftinu-1000 in early 2018. The Company signed an engineering, procurement and construction and commissioning contract on May 9, 2017 and construction of a gas plant with 15 Mmcf/d of operational capacity is progressing with expected first gas production in the first quarter of 2018.

The Company is also developing the drilling program to meet work commitments for the extension to October 2019 and plans to drill two additional development wells (Moftinu-1003 and Moftinu-1004) with a potential third well in 2018 or conduct 3D seismic survey. The Corporation sees potential production from these wells being able to bring the gas plant to full capacity in late 2018.

In Tunisia, the Company is currently focusing on improving production from Sabria following the shut-in and plans to focus on carrying out low cost incremental work programs to increase production from existing wells, including the Sabria N-2 re-entry and installing artificial lift on another Sabria well, having determined that production at its oil field can be restarted in a safe and secure environment with sufficient comfort that there will be no further production disruptions for the foreseeable future. The Corporation views Sabria as a large development opportunity longer term.

(Thousands of US dollars, unless otherwise noted)

For the Chouech Es Saida field, the Company is evaluating the restart of the field including timing and costs to replace the electric submersible pump for the CS-3 well. The Company views the level of activity pursued in Tunisia as dependent on the following thresholds being achieved and maintained. In terms of oil prices, incremental vertical wells become economic at Brent oil prices of ~$45/bbl, with potential multi-leg horizontal wells lowering the threshold to below $30/bbl in Sabria. The current capacity of surface facilities would only allow for 1-3 incremental wells for each of Sabria and Chouech Es Saida/Ech Chouech. As well for Chouech Es Saida/Ech Chouech, the STEG El Borma gas plant is nearly at its effective capacity. Further gas developments from this concession may have to be delayed until the completion of the Nawara Pipeline for material gas pipeline capacity to come online.

Dividends

To date, the Company has not paid dividends and does not anticipate paying dividends in the foreseeable future. Should the Company decide to pay dividends in the future, the Company would be required to satisfy certain liquidity tests as established in the Alberta Business Corporations Act.

Summary of Quarterly Results

Certain crude oil and natural gas liquids volumes have been converted to mcf or mmcf on the basis of one bbl to six mcf. Also, certain natural gas volumes have been converted to boe or mboe on the same basis. Any figure presented in mcf.

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Oil and gas revenues [(a)]	382	1,342	2,950	4,456	3,632	4,080	3,779	4,794
Net earnings (loss) attributed to:								
Common shares	(7,043)	31	(2,099)	(14,419)	(4,971)	(3,994)	(4,137)	(14,291)
Earning (loss) per share:								
-basic and diluted	$ (0.05)	$ -	$ (0.02)	$ (0.19)	$ (0.06)	$ (0.05)	$ (0.05)	$ (0.18)
Total earnings (loss) attributed to:								
Common shares	(7,043)	31	(2,099)	(14,419)	(4,971)	(3,994)	(35,515)	(14,604)
Non-controlling interest	-	-	-	-	-	-	721	(116)
Earning (loss) per share:								
-basic and diluted	$ (0.05)	$ -	$ (0.02)	$ (0.19)	$ (0.06)	$ (0.05)	$ (0.45)	$ (0.18)

[(a)] *Amounts have been restated as a result of the reclassification of Ukraine to discontinued operations, see note 6 to the December 31, 2016 Audited Consolidated Financial Statements.*

- In Q4 2015, total income was impacted by a lower production and commodity prices in Tunisia. In addition, total income was negatively impacted by an impairment charge of $7.1 million for Tunisia.
- In Q1 2016, revenues were impacted by lower production and commodity prices in Tunisia. In addition, total income was negatively impacted by the loss on the sale of Ukraine operations.
- In Q2 2016, total income was impacted by low commodity prices in Tunisia.
- In Q3 2016, total income was impacted by low commodity prices in Tunisia and an increase in G&A due to one-time senior executives' termination payments incurred in the quarter.
- In Q4 2016, total income was impacted by recovering commodity prices in Tunisia and decreased corporate G&A, offset by a decrease in production. In addition, total income was negatively impacted by an impairment charge of $16.8 million for Tunisia.
- In Q1, 2017, total income was impacted by a decrease in production due to the shut-in of the Chouech Es Saida field, offset by recovering commodity prices, decreased production expenses and corporate G&A.
- In Q2 2017, total income was negatively impacted by the shut-in in Tunisia, with Chouech Es Saida being shut-in for the full quarter and Sabria being shut-in from May 22, 2017. In addition, Q2 2017, was impacted by a gain on of $2.2 million resulting from the sale of the subsidiary holding the Syrian asset.

- In the three months ended September 30, 2017, oil and gas revenues were negatively impacted by the shut-in in Tunisia, with Chouech Es Saida being shut-in for the full quarter (since end of February 2017) and Sabria being shut-in from May 22, 2017 to the start of September 2017. Sabria came back on production with an average rate of 286 bbl/d in September 2017. For Q3 2017, 100% of the production is from the Sabria concession. Net earnings was negatively impacted by an impairment expense of $5.0 million for Tunisia assets.

(Thousands of US dollars, unless otherwise noted)

Risk Factors

The Company takes a proactive approach to identifying inherent risks to its business and operations through the consistent identification of risks in day to day operations enabling the appropriate decision making. Below is a list of what the Company has identified as its principal risks. A principal risk is an exposure that has the potential to materially impact the ability of the Company to meet objectives. Some risks are common to operations in the oil and gas industry, while others are specific to the Company and its operations in emerging markets. The risks below are not meant to be an exhaustive or a static list, nor should they be taken as a complete summary of all the risks associated with our business. If any of these risks or other risks occur, our business, financial condition, results of operations and cash flows could be adversely affected in a material way.

Commodity Price Risk

The Company's financial performance is impacted by prices obtained for crude oil, natural gas and natural gas liquids. The prices of these commodities are influenced by global and regional supply and demand which can result in price volatility. Prices are also affected by factors such as economic growth, transportation constraints, political developments, decisions made by the Organization of Petroleum Exporting Countries (OPEC) members and weather. These dynamics can affect different types of products differently.

Specifically, the Company is exposed to risks due to fluctuations in the market price of Brent crude oil. Oil prices are based on the market price of Brent crude oil. Natural gas prices are nationally regulated and are tied to the twelve-month trailing average of low sulphur heating oil (benchmarked to Brent). The Company has no commodity hedge program in place which could potentially mitigate the price risk.

Given recent global economic conditions, there has been volatility and we expect continued uncertainty in prices in the near time. A prolonged period of low prices could affect the value of assets and the level of capital expenditure, thus having a material adverse effect on operations.

Financial Risks

Financial risks include interest rate risk, credit risk, foreign currency exchange risk and liquidity risks.

Foreign currency exchange risk
The Company is exposed to risks arising from fluctuations in currency exchange rates between the Canadian dollar, Polish zloty, Romanian leu, Tunisian dinar, the Euro and the United States dollar. At September 30, 2017, the Company's primary currency exposure related to Canadian dollar ("CAD"), Romanian leu ("RON"), and Tunisian dinar ("TND") balances. The following table summarizes the Company's foreign currency exchange risk for each of the currencies indicated:

As at September 30, 2017		CAD	RON	TND
Cash and cash equivalents	$	5,700	543	2,708
Accounts receivable		28	4,199	664
Income tax receivable		-	3	4,407
Restricted cash		1,373	52	-
Prepaid expense		-	2,758	493
Accounts payable and accrued liabilities		(94)	(1,279)	(4,693)
Net foreign exchange exposure	$	7,007	6,276	3,579
Translation to USD		0.8013	0.2566	0.4045
USD equivalent at period end exchange rate	$	5,615	1,610	1,448

Based on the net foreign exchange exposure at the end of the period, if these currencies had strengthened or weakened by 10% compared to the U.S. dollar and all other variables were held constant, the after tax net earnings would have decreased or increased by approximately the following amounts:

As at:		September 30, 2017		December 31, 2016
Canadian dollar (CAD)	$	562	$	-
Romanian leu (RON)		161		10
Tunisian dinar (TND)		145		146
Total	$	868	$	156

Interest rate risk

The Company maintains its cash and cash equivalents in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations thereon.

The primary exposure to interest rate risk is related to Serinus' debt, with the Tunisia debt being the only debt outstanding. The interest rate on the Senior Loan is LIBOR plus 6%. The convertible loan interest is linked to LIBOR with a portion based on incremental revenue with a floor of 8% and ceiling of 17%.

A 1% change in the LIBOR, assuming the amount of debt remains unchanged, would affect the senior loan interest expense by $14 thousand and $45 thousand for three and nine months ended September 30, 2017, respectively (Q3 2016 – nil), and the convertible loan by $64 thousand and $180 thousand for the three and nine months ended September 30, 2017, respectively ($59 thousand and $165 thousand for the comparative periods in 2016).

Credit risk

The Company's cash and cash equivalents and restricted cash are held with major financial institutions. Management monitors credit risk by reviewing the credit quality of the financial institutions that hold the cash, cash equivalents and restricted cash.

The Company's accounts receivable consisted primarily of receivables for revenue and from joint venture partners.

The Company is exposed to credit risk in relation to balances receivable from joint venture partners as collection of outstanding balances is not assured. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure and issuing cash calls to its partners on projects before they commence.

Management believes that the Company's exposure to credit risk is manageable, as commodities sold are under contract or payment within 30 days. Production is sold with reputable parties and collection is prompt based on the individual terms with the parties. At September 30, 2017, the Company had $nil (December 31, 2016-$nil) of receivables that were considered past due (over 90 days outstanding). For the nine months ended September 30, 2017, excluding change in oil inventory and royalties taken-in-kind, the Company had three customers with sales representing 60%, 23% and 17% of total sales (year to date 2016 – two customers representing 60% and 40% of total revenues).

Management has no formal credit policy in place and the exposure to credit risk is approved and monitored on an ongoing basis individually for all significant customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Company does not require collateral in respect of financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial obligations when due. There are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that actual exploration expenditures may exceed those planned. The Company mitigates this risk through monitoring its liquidity position regularly to assess whether it has the resources necessary to fund planned exploration commitments on its petroleum and natural gas properties or that viable options are available to fund such commitments. Alternatives available to the Company to manage its liquidity risk include deferring planned capital expenditures that exceed amounts required to retain concession licenses, farm-out arrangements and securing new equity or debt capital.

At September 30, 2017, the Company was not in compliance with the consolidated financial debt to EBITDA covenant, its consolidated debt service coverage ratio and its Tunisian financial debt to EBITDA ratio on its debt held with EBRD based on the original loan agreement. Prior to September 30,2017, EBRD formally waived compliance with these ratios for the period ended September 30, 2017. Subsequent to quarter end, the terms of the financial debt and financial covenants were renegotiated, see EBRD Tunisia Loan Facility. In Q3 2017, the Company financed cash outflows including working capital and capital expenditures from cash generated from Tunisian operations and proceeds of the equity offering.

Operational, Environmental and Safety Risks

The Company's operations require significant investment in both the exploration and evaluation and operation and maintenance of facilities. Associated are the risks relating to environmental and safety. Keeping employees and worksites safe and secure and to preserving and protecting the environment, is of paramount importance. Operational hazards include fires, explosions, blow-outs, power outages, severe weather conditions and the release of harmful substances such as oil spills, gas leaks. Any of these hazards can interrupt operations, cause injury or death, damage property, equipment or/and the environment. Losses resulting from the occurrence of any of these risks could have a material adverse effect on operations.

To mitigate these risks, the Company evaluates projects for financial, geological and engineering risk and mitigation plans are developed, including a comprehensive insurance program. There is the risk that insurance may not provide adequate coverage in all circumstances, nor are all risks insurable.

Project Risk

There are risks associated with exploration, evaluation and execution of oil and gas projects.

Risks in exploration include failure to acquire or find additional reserves which will, at minimum, result in erosion of the Company's existing reserves as these reserves are depleted through ongoing production, and may negatively impact the Company's ability to grow its asset base in the future. There is no assurance that the Company will be able to find suitable properties to acquire or participate in the future. The company uses proactive project planning on existing licenses and performs extensive business development dedicated to identifying and pursuing potential opportunities. Further, all investment opportunities are reviewed using careful consideration and technical analysis.

Risks in the evaluation of future oil and natural gas properties may involve unprofitable efforts from dry wells as well as from wells that are productive but do not produce sufficient production to return a profit after drilling, completing, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of costs spent. To mitigate this, the Company uses reputable industry specialists and monitors field performance on a daily basis.

Risks involved in the execution of projects relate primarily to engineering and a failure in the specification, design or technology of a project; the construction and a failure in the ability to build the project in the time and cost budgeted; and lastly the commissioning and start up a failure of the facility to meet performance targets. To mitigate these risks, the Company estimates costs and an expectation for all projects and at each stage evaluates the project to ensure financial viability. There are numerous factors beyond our control such as commodity prices, weather, availability of equipment, unexpected cost increases, accidental events, regulatory changes which could have a negative impact on the company ability to execute projects on time and budget.

The oil and natural gas industry in emerging markets where the company operates is not as developed as the oil and natural gas industry in developed nations such as Canada. As a result, drilling and development operations may take longer to complete and may cost more than similar operations in a developed nation. As well, the availability of technical expertise, specific equipment and supplies may be more limited. Such factors subject operations in emerging markets to unique risks not experienced by others.

Partners and Joint Ventures

The Company has and will in the future, benefit from partnerships or joint ventures with local and international companies through which exploration, development, and operating activities for particular assets are conducted. Benefits include the ability to source and secure new opportunities, capitalizing on the local partner's market knowledge and relationships (in particular in countries or regions where the Company has no or limited prior operations), mitigation of some of the financial risk inherent in the exploration and development of oil and gas assets through farm-out and similar arrangements, and the alignment of interests. A deterioration in relationships or disagreements with existing partners, a failure to identify suitable partners, or a change in circumstances relating to a partner may have an adverse impact on its existing operations or affect its ability to grow its business.

Political and Economic Risks

The Company operates in an emerging market that is subject to political and economic risks. Political stability and the uncertainty regarding political decisions may result in: the possibility of war/revolution, border disputes, expropriation, renegotiation or modification of existing contracts, import, export and transportation restrictions, change in regulations and tariffs, tax increases, loss of subsidy, change of market policy and laws regarding resource extraction, social unrest and protests. As a result of political instability, economic challenges that may ensue include slow growth, high inflation and unfavorable fluctuations in exchange rates.

Regulatory Risks

The Company is subject to a range of laws and regulations imposed by a number of and various levels of government and regulatory bodies. The Company believes it fully complies with or exceeds all government laws, regulations and industry standards; however, these regulations are subject to intervention by governments that can affect future exploration, production and abandonment of fields and licenses. Rights and licenses can be cancelled, may expire or be expropriated and regulations can change. Certain licenses have restrictions which may not be removed on a timely basis. Due to the nature of emerging markets and changing regulations, regulatory changes can have a material adverse effect on operations in a way beyond what can be forecast.

Litigation

The Company is not involved in any proceedings before a court, relevant arbitration body or public administrative authority concerning payables or debt of the Company whose value, individually or in aggregate, would be equal to or greater than 10% of the Company's equity.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions based on currently available information that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However actual results could differ from these estimates. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The list of critical accounting estimates was included in the MD&A for the year ended December 31, 2016 and those listed critical accounting estimates apply to the three and nine months ended September 30, 2017.

Future Changes in Accounting Policies

For the three and nine months ended September 30, 2017, the Company did not adopt any new IFRS standards nor were any applicable pronouncements announced. Refer to note 3 in the consolidated financial statements for the year ended December 31, 2016 for other pronouncements not yet adopted.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue, and related interpretations. The new standard requires revenue to be recognized upon the transfer of goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The standard requires consideration of the following five steps: (1) identify the contract, (2) identify the performance obligations of the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when the entity fulfills a performance obligation. The new standard is to be applied either retrospectively or on a modified retrospective basis and is effective for the annual period commencing January 1, 2018. The Company has identified all existing customer contracts that are within the scope of the new guidance and has begun to analyze individual contracts to identify the impact on revenues as a result of implementing the new standard. The Company expects to have finalised the impact of IFRS 15 by December 31, 2017. As the Company is currently evaluating the impact of this standard, it has not yet determined the effect on its consolidated financial statements

In July 2014, the IASB issued the complete IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9, includes a principle-based approach for the classification and measurement of financial assets, a single 'expected credit loss' impairment model and a new hedge accounting standard which aligns hedge accounting more closely with risk management. The new standard is to be adopted retrospectively with some exemptions for annual periods on or after January 1, 2018, with early adoption permitted. The Company intends to adopt IFRS 9 on a retrospective basis on January 1, 2018 and expects to have finalised the impact by December 31, 2017. The extent of the adoption of IFRS 9 on the classification and measurement of the Company's financial assets and financial liabilities and related disclosures has not yet been determined.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The preparation of this MD&A is supported by a set of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") as at September 30, 2017.

Disclosure controls and procedures as defined in National Instrument 52-109 means controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the issuer's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure;

Internal control over financial reporting means a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's Generally Accepted Accounting Principles ("GAAP") and includes those policies and procedures that:

(a) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer;

(b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the issuer's GAAP, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and

(c) Are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the annual financial statements or interim financial statements.

The Company's Chief Executive Officer and Chief Financial Officer of the Company have designed DC&P and ICFR, or caused them to be designed under their supervision, to provide reasonable assurance that all material information required to be disclosed by Serinus in its annual filings and interim filings are recorded, processed, summarized and reported within the time periods specified in applicable securities legislation, and to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with IFRS. The ICFR is based on criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013.

The board of directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee meets at least annually with the Company's external auditors to review accounting, internal control, financial reporting, and audit matters.

There have been no material changes to the Company's internal controls over financial reporting since December 31, 2016 that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Non-IFRS Measures

The financial information presented in this MD&A has been prepared in accordance with IFRS except for the terms "funds from operations", "netback" and "working capital" which are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. These non-IFRS measures are presented for information purposes only and should not be considered an alternative to, or more meaningful than information presented in accordance with IFRS. Management believes funds from operations, netback and working capital may be useful supplemental measures as they are used by the Company to measure operating performance and to evaluate the timing and amount of capital required to fund future operations. The Company's method of calculating these measures may differ from those of other companies and, accordingly, they may not be comparable to measures used by other companies.

Serinus calculates "funds from operations", "netback" and "working capital" as presented earlier in this document.

Forward-Looking Statements

This MD&A contains forward-looking statements. These statements relate to future events or future performance of the Company. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "predict", "seek", "propose", "expect", "potential", "continue", and similar expressions, are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance, or achievements to vary from those described in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated, or expected.

Specific forward-looking statements in this MD&A, among others, include statements pertaining to the following:

- factors upon which the Company will decide whether or not to undertake a specific course of action;
- world-wide supply and demand for petroleum products;
- expectations regarding the Company's ability to raise capital;
- treatment under governmental regulatory regimes; and
- Commodity prices.

With respect to forward-looking statements in this MD&A, the Company has made assumptions, regarding, among other things:

- the impact of increasing competition;
- the ability of partners to satisfy their obligations;
- the Company's ability to obtain additional financing on satisfactory terms; and
- the Company's ability to attract and retain qualified personnel.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- general economic conditions;
- volatility in global market prices for oil and natural gas;
- competition;
- liabilities and risks, including environmental liability and risks, inherent in oil and gas operations;
- the availability of capital;
- geopolitical volatility in the countries of operations; and
- alternatives to and changing demand for petroleum products.

Furthermore, statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitable in the future.

The forward–looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. These statements speak only as of the date of this MD&A.

Abbreviations

The following abbreviations may be used throughout this MD&A document:

bbl	Barrel(s)	bbl/d	Barrels per day
boe	Barrels of Oil Equivalent	boe/d	Barrels of Oil Equivalent per day
mcf	Thousand Cubic Feet	mcf/d	Thousand Cubic Feet per day
mmcf	Million Cubic Feet	mmcf/d	Million Cubic Feet per day
mcfe	Thousand Cubic Feet Equivalent	mcfe/d	Thousand Cubic Feet Equivalent per day
mmcfe	Million Cubic Feet Equivalent	mmcfe/d	Million Cubic Feet Equivalent per day
mboe	Thousand boe	Bcf	Billion Cubic Feet
mmboe	Million boe	mcm	Thousand Cubic Metres
CAD	Canadian Dollar	USD	U.S. Dollar
$M	Thousands of Dollars	UAH	Ukrainian Hryvnia
$MM	Millions of Dollars	TND	Tunisian Dinar

Measurement Conversions

Certain crude oil and natural gas liquids volumes have been converted to mcfe or mmcfe on the basis of one bbl to six mcf. Also, certain natural gas volumes have been converted to boe or mboe on the same basis. Any figure presented in mcfe, mmcfe, boe or mboe may be misleading, particularly if used in isolation. A conversion ratio of one bbl of crude oil or natural gas liquids to six mcf of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent value equivalency at the wellhead.

Investor Information

Additional information regarding Serinus and its business and operations is available at www.sedar.com. Information is also accessible on the Company's website at www.serinusenergy.com.

We welcome questions from interested parties. Contact should be directed to the head office of Serinus via address: Suite 1500, 700 – 4th Avenue S.W., Calgary, Alberta T2P 3J4 Canada, phone: +1 403 264-8877 or e-mail: info@serinusenergy.com.