SERINUS ENERGY INC.

Management's Discussion and Analysis
For the three months ended March 31, 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 Serinus' unaudited Condensed Consolidated Interim Financial Statements as at and for the period ended March 31, 2017 and the December 31, 2016 audited Consolidated Financial Statements and MD&A. 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 March 31, 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 May 11, 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

- Average realized crude oil prices were higher in Q1 2017, at $50.89 per bbl, compared to $37.12 per bbl in 2016, reflecting improved benchmark crude pricing. Brent prices averaged $53.68 per bbl as compared to $33.70 per bbl in the comparable period of 2016, an increase of 59%.
- Revenue, net of royalties, for three month period ended March 31, 2017 decreased to $2.6 million, compared to $3.4 million in Q1 2016, due to lower production.
- The net loss for the three month period ended March 31, 2017 was $2.1 million, compared to a net loss from continuing operations of $4.1 million in Q1 2016.
- Funds from operations [a b] was $0.2 million for the three month period ended March 31, 2017 (Q1 2016: $2.7 million). Funds from operations for the three months were comprised of funds from operations in Tunisia of $0.9 million offset by a corporate loss from operations of $0.7 million.
- The netback [b c] in Q1 2017 was $14.68 per boe, compared to $11.44 per boe in Q1 2016. The higher netback in 2017 was driven by higher commodity prices partially offset by higher production expenses and royalty expenses per boe.
- During Q1 2017, production averaged 698 boe/d, down from 1,154 during 2016, a decline of 40%. Lower production during 2017 was due to the shut-in of the Chouech Es Saida field for 54 days of the quarter, due to labour issues. The Chouech Es Saida field remains shut in since February 28, 2017. The decrease in Chouech Es Saida production was partially offset by increased production in Sabria, due to increased production from the WIN-12 well as compared to Q1 2016.
- Production for the first quarter of 2017 was weighted 75% (Q1 2016: 78%) oil with the remainder consisting of natural gas production.
- During the quarter, the Company closed an equity offering and issued 72 million common shares of the Company 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 Offering closed on February 24, 2017, and the net proceeds will be used by the Company to fund the development of the Moftinu Gas Plant 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.
- On May 9, 2017, 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 facility and associated flowlines and pipelines for Moftinu development in Romania. Construction will commence imminently with expected first gas production in the first quarter of 2018.
- As at March 31, 2017, the outstanding principal on its debt held with the European Bank for Reconstruction and Development ("EBRD") was $25.4 million ($5.4 million Senior loan; $20 million Convertible loan), reflecting the payment of a regularly scheduled principal repayment of $1.7 million in March 2017.
- At March 31, 2017, the Company was not in compliance with the financial debt to EBITDA ratio and the debt service coverage ratio at the consolidated level on its debt held with EBRD. Subsequent to March 31, 2017, EBRD has acknowledged that a waiver for the quarter end covenant violation is forthcoming, however the formal waiver has not yet been received by the Company. Given the covenant was breached as at March 31, 2017, Serinus has reclassified its long-term debt to current in the financial statements, as required under accounting standards. There is a risk that the Company will continue to violate certain financial covenants relating to its debt held with EBRD, particularly given the current commodity prices. Although the EBRD has previously provided waivers for covenant breaches there is no certainty this will occur in the future. If these covenants are not met, the debt may therefore become payable on demand.

OPERATIONAL OVERVIEW

Serinus is an international oil and gas exploration and production company with operations in Tunisia and Romania. The Company has a 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 Loss for the three month period ended March 31, 2016. For purposes of this

[a] See "Funds from Operations" for a reconciliation of funds from operations to cash flows
[b] See "Non-IFRS Financial Measures" at the end of this MD&A
[c] See "Oil and Gas Netback" for a reconciliation of netback to revenue

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.

Tunisia

As at March 31, 2017, Serinus has the following interests in Tunisia concessions:

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

Of the Tunisian concessions, during the first quarter of 2017, only the Sabria and Chouech Es Saida fields produced oil and gas.

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 March 31, 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 June, 2013, and since that time has generated $110.5 million of revenue, net of royalties, in aggregate from these assets.

Romania

Serinus, through its wholly owned subsidiary Winstar Satu Mare SA, currently holds a 60% interest in Satu Mare.

Serinus will concentrate on the development of the Moftinu-1001 gas discovery, which will include 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 due to start imminently. Construction of the project will proceed over 2017. The Company is also developing the drilling program to meet work commitments for the extension.

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 holder of the 40% interest has acknowledged that they are unable 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 has not and does not have the necessary means 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.

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 CAD$1.1 million. Abandonment work of $nil was undertaken during the first quarter of 2017 (Q1 2016: $0.1).

FUNDS FROM OPERATIONS

Serinus 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.

	Three months ended March 31, 2017		2016	
Funds from operations [(a)]	$	166	$	2,628
Funds from operations per share	$	0.00	$	0.03
Funds from operations				
Continuing operations	$	166	$	(384)
Discontinued operations [(b)]		-		3,012
	$	166	$	2,628

(a) Funds from operations is defined as cash flow from operations before changes in non-cash working capital and is calculated as oil and gas revenue plus change in oil inventory, net of royalties, less production expenses, G&A, transaction costs, current taxes and realized foreign exchange gains/losses. Funds from operations are 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 a discontinued operation for the period ended March 31, 2016 in the Statement of Operations.

Funds from operations decreased by $2.5 million for the three-month period ended March 31, 2017, due to the inclusion of funds from operations of $3.0 million in 2016 related to Ukraine operations up to the date of disposition.

Excluding Ukraine, funds from continuing operations increased by $0.5 million for the three-month period ended March 31, 2017 to $0.2 million, as compared to negative $0.3 million in the comparable period of 2016. The increase in funds from operations for continuing operations was primarily attributable to lower production expenses and general and administrative costs, offset by lower revenues due to lower production volumes. Refer to table below for funds from operations by country.

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	
Three months ended March 31,	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net loss	$ (15)	$ (60)	$ (397)	$ (1,280)	$ -	$ (30,657)	$ (1,687)	$ (2,797)	$ (2,099)	$ (34,794)
Items not involving cash:										
Depletion and depreciation	1	1	774	1,253	-	599	38	48	813	1,901
Loss on disposition	-	-	-	-	-	33,040	-	10	-	33,050
Accretion on asset retirement obligation	1	1	170	193	-	2	-	-	171	196
Stock based compensation	-	-	-	-	-	-	46	8	46	8
Expenditures on decommissioning liabilities	-	-	-	-	-	-	-	(104)	-	(104)
Unrealized loss on investments	-	-	-	-	-	-	17	35	17	35
Unrealized foreign exchange loss	-	-	(5)	-	-	105	103	(4)	98	101
Deferred income tax expense	-	-	403	1,003	-	-	-	-	403	1,003
Interest and other income	-	-	-	-	-	(78)	(3)	(2)	(3)	(80)
Interest expense	-	1	-	-	-	1	720	1,310	720	1,312
Funds from operations	(13)	(57)	945	1,169	-	3,012	(766)	(1,496)	166	2,628
Changes in non-cash working capital	-	-	(453)	(1,290)	-	(1,533)	(268)	(182)	(721)	(3,005)
Cash flow from operations	(13)	(57)	492	(121)	-	1,479	(1,034)	(1,678)	(555)	(377)

PRODUCTION

	Three months ended March 31, 2017	2016
Average Daily Production		
Crude Oil (bbl/d)	525	901
Natural gas (Mcf/d)	1,037	1,518
Total boe/d	698	1,154

Production volumes decreased 40% in the first quarter to 698 boe per day, compared to 1,154 boe per day in the comparable period of 2016. In Q1 2017, decreased production was due to lower production in Chouech Es Saida as the field was shut in for 54 days of the first quarter due to strike notices issued by Tunisia General Trade Union ("UGTT"), which represents the Company's workers at the Chouech Es Saida field. The production volumes at Chouech Es Saida were additionally impacted 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 quarter pending pump replacement and workovers. The Chouech Es Saida field remains shut-in since February 28, 2017. This 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 52 field employees for economic redundancy reasons, even though these terminations are within the right of the Company and strictly follow the appropriate laws, work code and regulations. The terminated employees have since accepted their termination notices and the sit-in at the facility has finished. However, the field remains shut-in due to continuing social unrest in the south of Tunisia which is preventing the Company from resuming production.

The decline in production in the Chouech Es Saida field was partially offset by increased production in Sabria, due to increased production from WIN12-bis as compared to 2016. In Q1 2016 restricted rates from the WIN-12bis well resulted from scaling performed in the quarter.

OIL AND GAS REVENUE AND CHANGE IN OIL INVENTORY

	Three months ended March 31, 2017	2016
Crude oil sales	$ 1,162	$ 3,045
Change in oil inventory	1,242	-
Natural gas sales	546	734
	$ 2,950	$ 3,779
Crude Oil($/bbl)	$ 50.89	$ 37.12
Natural gas ($/mcf)	5.85	5.31
Average price ($/boe)	$ 46.98	$ 35.97

In Q2 2016, Serinus, through its Tunisian subsidiary, entered into a marketing agreement with Shell International Trading and Shipping Company Limited for the sale of its Tunisian oil production. The term of the agreement is for 5 years and the pricing mechanism is competitive with realized prices that Tunisia has received from other purchasers of its Tunisian crude oil. This benefits Serinus by getting regular crude oil liftings from a large and highly reputable purchaser.

During the three-month period ended March 31, 2017 there were no liftings that occurred under the Shell agreement. In the first quarter of 2016 there were two tanker liftings prior to the Shell contract being finalized.

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 March 31, 2017, the Company was in an inventory position of 46,712 bbl which have been reserved for international oil sales (Q4 2016: 23,421 bbl of which 5,534 bbl were reserved for local oil sales). As a result, the Company has inventory of $2.4 million (2016: $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 month period ended March 31, 2017, Brent prices averaged $53.68 per bbl as compared to $33.70 per bbl in the comparable period of 2016, reflecting a 59% increase quarter over quarter. The Company realized 95% of the Brent price with a price of $50.89 per boe during Q1 2017 (2016: 110%). The realized price compared to Brent was higher during 2016 due to the timing of liftings as no monthly contract was in place during the prior year. 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 totalled $3.0 million for Q1 2017, compared to $3.8 million in Q1 2016. The decrease of 22% was attributable to a 40% decrease in oil production, offset by a 31% increase in the average commodity price in the quarter.

ROYALTIES

	Three months ended March 31, 2017	Three months ended March 31, 2016
Total royalties	$ 308	$ 379
$/boe	$ 4.91	$ 3.61
Royalties as a percentage of sales	10.4%	10.0%

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%.

The average royalty rate for Q1 2017 was 10.4% as compared to 10.0% in the comparable quarter of 2016. In Q1 2017 compared to Q1 2016, the R factor has increased for Sabria, resulting in the oil royalty rate increasing from 7% to 10%, and the gas royalty rate increasing from 6% to 8%. The increase in royalty rates in Sabria 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 months ended March 31, 2017 is attributable to higher oil prices as compared to the comparable period in 2016.

PRODUCTION EXPENSES

	Three months ended March 31, 2017	Three months ended March 31, 2016
Tunisia	$ 1,720	$ 2,198
Canada	13	51
Production expenses	$ 1,733	$ 2,249
Tunisia production expense ($/boe)	$ 27.39	$ 20.92

On an absolute basis, production expense for Q1 2017 decreased by 23% compared to the same period in 2016, due to Sanrhar being shut-in since the second quarter of 2016 and lower production expenses in Chouech Es Saida, due to a reduction in employees and lower operating costs and transportation charges due to the shut-in. On a boe basis, the costs increased 31% to $27.39 per boe as compared to $20.92 boe in the comparable period of 2016, reflecting the production decline in the quarter, as discussed in the Production section on the previous page.

Canadian production expenses relate to the Sturgeon Lake assets and totalled $13 thousand for the three month period ended March 31, 2017. The asset is not producing and is incurring minimal operating costs to maintain the property.

OIL AND GAS 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:

Netback by Commodity	Three months ended March 31,					
(Volumes in thousand)	2017			2016		
	Gas (Mcf)	Oil (bbl)	**Total (boe)**	Gas (Mcf)	Oil (bbl)	**Total (boe)**
Average daily sales volumes	1,037	525	**698**	1,518	901	**1,154**
Revenue	$ 5.85	$ 50.89	**$ 46.98**	$ 5.31	$ 37.12	**$ 35.97**
Royalty expense	(0.44)	(5.65)	**(4.91)**	(0.49)	(3.80)	**(3.61)**
Production expenses	(4.61)	(27.31)	**(27.39)**	(3.09)	(21.59)	**(20.92)**
Netback [(a)]	$ 0.80	$ 17.93	**$ 14.68**	$ 1.73	$ 11.73	**$ 11.44**

(a) Netback is defined as revenue less direct expenses and is calculated as oil and gas revenue plus change in oil inventory, net of royalties, less production expenses. 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 increased to $14.68 per boe in Q1 2017 compared to $11.44 in Q1 2016. The increase in Q1 2017 is due to increased realized prices partially offset by increased production expenses and increased royalty expense per boe.

GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended March 31,	
	2017	2016
General and administrative	$ 774	$ 1,200
$/boe	$ 12.33	$ 11.43

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 above are therefore a net number representing gross G&A costs incurred less recoveries.

G&A decreased 36% from the prior year due to cost saving measures undertaken in 2016, attributable primarily to lower head count and the closure of the Dubai office in the third quarter of 2016.

G&A costs per boe increased 8% to $12.32 per boe for the quarter, primarily driven by a 40% decline in production, partially offset by a 36% decrease in absolute G&A costs.

STOCK BASED COMPENSATION

	Three months ended March 31,	
	2017	2016
Stock based compensation	$ 46	$ 8
$/boe	$ 0.73	$ 0.08

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 have 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. All options are to be settled by physical delivery of shares.

Stock based compensation increased for the three months ended March 31, 2017 from $8 thousand to $46 thousand due to options issued during Q3 2016.

DEPLETION AND DEPRECIATION

	Three months ended March 31, 2017	Three months ended March 31, 2016
Tunisia	$ 774	$ 1,253
Corporate	39	49
Depletion and depreciation ("D&D")	$ 813	$ 1,302
Tunisia D&D ($/boe)	$ 12.32	$ 11.93

D&D is computed on a concession by concession basis taking into account 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 Q1 2017, depletion and depreciation expense decreased 38% to $0.8 million, due to 40% lower production, partially offset by an increased depletion rate per boe.

On a per boe basis, depletion rates increased to $12.32 per boe for the three months ended March 31, 2017, compared to $11.93 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 Q1, 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.

INTEREST EXPENSE AND ACCRETION

	Three months ended March 31, 2017	Three months ended March 31, 2016
Interest on long-term debt	$ 720	$ 1,310
Other interest charges	-	2
Accretion on asset retirement obligations	171	193
	$ 891	$ 1,505

Interest expense for Q1 2017 decreased to $0.9 million as compared to $1.5 million in the comparative period of 2016, due to a decrease in long term debt outstanding in 2017 as compared to the comparable period 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.

Accretion represents the increase in the asset retirement obligation (“ARO”) from 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 LOSS

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 loss was $0.1 million for the three month period ended March 31, 2017, compared to a loss of $0.2 million in 2016, due to fluctuations of currencies (see foreign currency exchange risk) against the US dollar.

CAPITAL EXPENDITURES

	Three months ended March 31, 2017	2016
Capital expenditures on property, plant and equipment	$ 313	$ 528
Capital expenditures on exploration and evaluation assets	545	471
Total capital expenditures	$ 858	$ 999
Expenditure by location		
Tunisia	$ 313	$ 526
Romania	545	473
	$ 858	$ 999

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 March 31, 2017, this consists of 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 $0.3 million of capital expenditures for the three month period ended March 31, 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 incurred $0.5 million of capital expenditures for the three month period ended March 31, 2017, which included permitting and licensing, land rentals and ongoing engineering study costs.

Capitalized costs of Romania’s exploration and evaluation assets totaled $20.8 million as at March 31, 2017 (December 31, 2016: $20.3 million).

LIQUIDITY, DEBT AND CAPITAL RESOURCES

	Three months ended March 31, 2017	2016
Operating	$ (555)	$ (377)
Financing	16,113	(21,980)
Investing	(613)	24,119
Effect of exchange rate changes on cash	(100)	(137)
Change in cash	$ 14,845	$ 1,625

During Q1 2017, the Company closed an equity offering of $18 million net of costs, generated positive funds from operations of $0.2 million (before changes in working capital), made a scheduled debt repayment and incurred minimal amounts of capital. In the current commodity price environment, cash flow generated from the Tunisian assets has not been sufficient to cover all corporate costs, including G&A and debt service obligations.

For the three-month period ended March 31, 2017, the net change in cash was a positive inflow of $14.8 million compared to an inflow of $1.6 million in the comparable period of 2016. The increase quarter over quarter is attributable to the equity raise in 2017 and lower debt repayments than in 2016. In 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 Moftinu gas development project is a near-term project that is expected to begin producing from the gas discoveries wells Moftinu-1000 and Moftinu-1001 in early 2018.

As is the case with many oil and gas companies, the Company is exposed to the risk that internally generated cash flows may not be sufficient to fund the ongoing operations, capital projects and service debt. Additional financing may not be available to the Company and actual expenditures may exceed those planned.

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:

	As at March 31, 2017	As at December 31, 2016
Current assets	$ 27,418	$ 10,728
Current liabilities	(49,352)	(49,203)
Working capital [(a)]	$ (21,934)	$ (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 $21.9 million as at March 31, 2017 (December 31, 2016: $38.5 million deficit).

The decrease in the working capital deficit since December 2016 was due to the proceeds from the equity offering. At March 31, 2017 and December 31, 2016, all debt is presented as a current liability due to the violation of bank covenants. Excluding reclassified long term debt, the working capital surplus would be $4.2 million at March 31, 2017.

At March 31, 2017, the Company was not in compliance with the annual consolidated financial debt to EBITDA covenant and consolidated debt service coverage ratio on its debt held with EBRD. Subsequent to March 31, 2017, EBRD has acknowledged that a waiver for the quarter end covenant violation is forthcoming, however the formal waiver has not yet been received by the Company. Given the covenant was breached as at March 31, 2017, Serinus has reclassified its long-term debt to current in the financial statements, as required under accounting standards. In 2017, the Company financed cash outflows including working capital and capital expenditures from cash generated from Tunisian operations, proceeds of the equity offering, and cash on deposit.

Internally prepared forecasts indicate that the Company is likely to continue to breach certain of its financial covenants in future reporting periods during 2017, due to continuing low commodity prices. Although the EBRD has previously provided waivers for covenant breaches, there is no certainty this will occur in the future. If these covenants are not met, the debt may therefore become payable on demand. This material uncertainty may cast significant doubt with respect to the ability of the

Company to continue as a going concern. The Company is actively evaluating its options at this time, including discussions with the EBRD related to amending the banking facility and its related covenants.

The following details the debt agreements the Company has or had in place over the period ended March 31, 2017:

EBRD-Tunisia Loan Facility

On November 20, 2013, the Company finalized two loan agreements aggregating $60 million with EBRD. The Senior Loan is in the amount of $40 million, has a term of seven years, and was available in two tranches of $20 million each. The second tranche was subsequently reduced from $20 million to $8.72 million in the first quarter of 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 the following "EBRD-Tunisia Loan Facility Covenants" section for details of the associated 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 it reverted back to LIBOR plus 6%.

The Senior Loan is 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 first quarter of 2017, a scheduled semi-annual installment of $1.7 million was made.

The Company must apply 40% of its Excess Cash from Tunisia toward early repayment of the Senior Loan facility outstanding with EBRD. Excess Cash is defined as the Operating Cash Flow from Serinus' Tunisia subsidiary, less debt repayments and service costs arising from all senior debt on the Tunisia assets, less capital expenditures, plus any new debt disbursement on the Tunisian debt. No pre-payment fees are applicable to the accelerated payments described above.

As at March 31, 2017, the principle outstanding under the Senior Loan was $5.4 million (December 31, 2016: $7.1 million).

The Convertible Loan in the amount of $20 million has a term of seven years, and bears interest at a variable rate that is the LIBOR and a percentage calculated on the basis of incremental net revenues earned from the Tunisian assets, with a floor of 8% per annum and a ceiling of 17% per annum.

The Company can elect, subject to certain conditions, to convert all or any portion of the Convertible Loan principal and accrued interest outstanding for newly issued shares of the Company at the then current market price of the shares on the TSX or WSE, as required by the exchange rules. The EBRD can also at any time, and on multiple occasions elect to convert all or any portion of the Convertible Loan principal and accrued interest outstanding for newly issued shares of the Company at the then current market price of the shares on the TSX or WSE.

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

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.

EBRD-Tunisia Loan Facility 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.

	As at March 31, 2017	As at December 31, 2016
Debt Service Coverage Ratio (not less than 1.3:1) (a)		
- Tunisia (b)	1.5 – In-compliance	1.4 – In-compliance
Debt Service Coverage Ratio (not less than 1.5:1) (c)		
- Serinus (d)	0.7 – Non-compliance	2.4 – In-compliance
Financial Debt to EBITDA (no more than 2.5) (e)		
- Tunisia (f)	1.3 – In-compliance	1.6 – In-compliance
Financial Debt to EBITDA (no more than 2.75) (g)		
- Serinus (h)	7.0 – Non-compliance	98.4 – Non-compliance
Compliance	NO	NO

(a) This calculation is equal to the trailing twelve month 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.
(b) Tunisia adjusted cash flow was $5.9 million for the 12 month period ended March 31, 2017. The debt service costs for the same period were $3.9 million (December 31, 2016: $5.8 million and $4.2 million, respectively).
(c) This calculation is equal to the trailing twelve month cash flow from operations divided by debt service costs. A deduction is made from cash flow for capital expenditures not considered EBRD project costs. Subsequent to March 31, 2017, EBRD has acknowledged that a waiver for the quarter end covenant violation is forthcoming, however the formal waiver has not yet been received by the Company.
(d) Serinus' adjusted consolidated cash flow amount was a deficit of $2.9 million for the 12 month period ended March 31, 2017. The debt service costs for the same period were $3.9 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 expenses, general and administrative expenses and transaction costs from Tunisia.
(f) Tunisia financial debt totalled $5.4 million as at March 31, 2017. EBITDA totalled $4.1 million for the same period (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 expenses, general and administrative expenses and transaction costs. Subsequent to March 31, 2017, EBRD has acknowledged that a waiver for the quarter end covenant violation is forthcoming, however the formal waiver has not yet been received by the Company.
(h) Serinus financial debt totalled $25.4 million as at March 31, 2017. EBITDA totalled negative $3.6 million for the 12 month period ending March 31, 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 150,629,941 common shares and 67,000 options, with a USD exercise price, and 3,583,000 options, with a Canadian Dollar ("CAD") exercise price, to purchase common shares, were outstanding as at March 31, 2017. The change in common shares in Q1 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.

Subsequent to March 31, 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 as May 11, 2017.

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

Summary of common shares outstanding:

	Number of Shares	Carrying Amount
Balance, December 31, 2016	78,629,941	$ 344,479
Equity offering	72,000,000	18,048
Balance, March 31, 2017	150,629,941	$ 362,527

Summary of options outstanding:

The following table summarizes information about common share purchase options outstanding at March 31, 2017:

	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
Expired/Cancelled	(12,000)	$ 5.10	(28,000)	$ 2.80
Balance, March 31, 2017	67,000	$ 3.68	3,583,000	$ 0.36

The following tables summarize information about the USD and CAD options outstanding as at March 31, 2017:

USD denominated options:

Exercise price (US$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
$ 3.01 - $ 4.00	32,000	32,000	1.49
$ 4.01 - $ 5.00	35,000	35,000	1.64
$ 3.68	67,000	67,000	1.57

CAD denominated options:

Exercise price (CAD$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
$ 0.01 - $ 1.50	3,500,000	-	6.48
$ 1.51 - $ 2.50	74,000	74,000	2.59
$ 2.51 - $ 3.22	9,000	9,000	1.98
$0.36	3,583,000	83,000	6.39

At the date of issuing this report, the following are the options outstanding and changes to directors, executives and officers' share ownership since March 31, 2017, up to the date of this report:

		Changes to Ownership		
Name of Director/Executive Officer/Key Person	**Options held as at May 11, 2017**	**Shares held at March 31, 2017**	**Change in share ownership**	**Shares held at May 11, 2017**
Evgenij Iorich [(a)]	-	3,415	-	3,415
Jeffrey Auld	3,500,000	-	22,197	22,197
Helmut Langanger	-	-	-	-
Sebastian Kulczyk [(b)]	-	-	-	-
Lukasz Redziniak	-	-	-	-
Dominik Libicki	-	-	-	-
Tracy Heck	-	-	-	-
Calvin Brackman	-	-	-	-
Trevor Rath	-	-	-	-
	3,500,000	3,415	22,197	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 March 31, which included 5,385,600 shares issued relating to the Offering in the quarter. 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 March 31, 2017, which included 38,693,049 shares issued relating to the Offering in the quarter. By virtue of his position with KI, Mr. Kulczyk is deemed to have direction over such Shares.

As at March 31, 2017, KI owned 52.18%, Pala Holdings owned 7.48%, and Quercus Towarzystwo Funduszy Investycyjych SA owned 5.24% of the common shares issued.

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 Investycyjych SA owns 5.24% of the common shares issued.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The contractual obligations as at March 31, 2017 are as follows:

	Within 1 Year	2-3 Years	4-5 Years	+5 Years	Total
Office Rental	$ 564	$ 892	$ 291	$ -	$ 1,747
EBRD loan – Tunisia [(a)]	3,333	2,067	24,578	-	29,978
Total contractual obligations	$ 3,897	$ 2,959	$ 24,869	$ -	$ 31,725

a) EBRD loan obligations are presented excluding deferred financing costs and include only current accrued interest.

The Company's commitments are all in the ordinary course of business and include the following 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 March 31, 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 km2 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.

Office Space

The Company has a lease agreement for office space in Calgary, Canada which expires on November 30, 2020.

OFF BALANCE SHEET ARRANGEMENTS

Serinus was not party to any off balance sheet arrangements during the reporting or comparative period.

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 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 months ended March 31, 2017, these fees totalled $2 thousand (2016: $2 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 three 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 EPCC contract on May 9, 2017 and will imminently commence construction of a gas plant with 15 MMcf/d of operational capacity. Construction will commence imminently 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 and plans to drill two additional development wells (Moftinu-1003 and 1004) with a potential third well in 2018. 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 will 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. The Corporation views Sabria as a large development opportunity longer term.

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.

Full year production in Tunisia for 2017 is dependent on the successful resolution of the social unrest at the Chouech Es Saida field and associated security and safety issues, as well as the timing of the above capital program in Sabria.

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

The following table sets forth summarized quarterly financial information for the most recent eight financial quarters:

						Restated (a)		
	Q1 2017	**Q4 2016**	**Q3 2016**	**Q2 2016**	**Q1 2016**	**Q4 2015**	**Q3 2015**	**Q2 2015**
Oil and gas revenue and change in oil inventory	$ 2,950	$ 4,456	$ 3,632	$ 4,080	$ 3,779	$ 4,794	$ 6,237	$ 6,816
Continuing operations loss attributable to:								
Common shareholders	$ (2,099)	$(14,420)	$ (4,971)	$ (3,994)	$ (4,137)	$ (14,291)	$ (32,092)	$ (1,133)
Loss per share - basic and diluted	$ (0.02)	$ (0.19)	$ (0.06)	$ (0.05)	$ (0.05)	$ (0.18)	$ (0.41)	$ (0.01)
Total income/(loss) attributable to:								
Common shareholders	$ (2,099)	$(14,419)	$ (4,971)	$ (3,994)	$ (35,515)	$ (14,604)	$ (30,281)	$ 49
Non-controlling interest	$ -	$ -	$ -	$ -	$ 721	$ (116)	$ 777	$ 500
Loss per share - basic and diluted	$ (0.02)	$ (0.19)	$ (0.06)	$ (0.05)	$ (0.45)	$ (0.18)	$ (0.39)	$ -

(a) Amounts have been restated as a result of the reclassification of Ukraine to discontinued operations in 2015, see note 6 to the December 31, 2016 Audited Consolidated Annual Financial Statements.

- In Q2 2015, total loss was impacted by lower commodity prices and decreased production in Tunisia due to the Sabria field being shut-in at the end of May due to protests.
- In Q3 2015, total income was impacted by increased production and lower commodity prices in Tunisia. In addition, total income was negatively impacted by an impairment charge of $44.3 million related to Tunisia and the related deferred tax impact.
- In Q4 2015, total income was impacted by 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.

RISK FACTORS

Serinus 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 Serinus has identified as its principal risks. A principal risk is an exposure that has the potential to materially impact the ability of Serinus to meet objectives. Some risks are common to operations in the oil and gas industry, while others are specific to Serinus 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 Serinus' business. If any of these risks or other risks occur, the business, financial condition, results of operations and cash flows could be adversely affected in a material way.

Commodity Price Risk

Serinus' financial performance is impacted by prices obtained for crude oil, natural gas and natural gas liquids. The prices of all 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, Serinus is exposed to risks due to fluctuations in the market price of Brent crude oil. In Tunisia, oil prices are based on the terms of the Shell contract which reflect the market price of Brent crude oil. Natural gas prices in Tunisia 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 continued uncertainty is expected in prices in the near term. A prolonged period of low prices could affect, and is affecting, the value of assets and the level of capital expenditure, thus having a material adverse effect on Serinus and its operations.

Financial Risks

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

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 March 31, 2017 the Company's primary currency exposure related to Canadian dollar ("CAD"), Tunisian dinar ("TD"), and Romanian leu ("LEU") balances. The following table summarizes the Company's foreign currency exchange risk for each of the currencies indicated:

	March 31, 2017		
	CAD	TD	LEU
Cash and cash equivalents	15,037	2,069	27
Accounts receivable	139	132	926
Income tax receivable	-	5,518	3
Prepaid expenses	(110)	193	473
Accounts payable and accrued liabilities	(20)	(7,514)	(672)
Net foreign exchange exposure	$ 15,046	$ 398	$ 757
US $ equivalent at period end exchange rate	$ 11,294	$ 175	$ 178

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 March 31 2017	As at December 31 2016
Canadian dollar	$ 1,129	$ -
Tunisian dinar	17	146
Romanian leu	18	10
Total	$ 1,164	$ 156

Interest rate risk

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 $18 thousand in 2017 (Q1 2016 - nil), and the convertible loan by $60 thousand (Q1 2016 - $59 thousand).

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 consist of receivables from joint venture partners, receivables for revenue in Tunisia, commodity taxes recoverable from the federal government of Canada and interest earned on restricted cash deposits, for which credit risk is assessed as being low as the funds are on deposit with major financial institutions.

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 Tunisian credit risk is manageable, as commodities sold are under contract or payment within 30 days. Oil is sold with reputable parties and collection is prompt based on the individual terms with the parties. At March 31, 2017, the Company had $nil (December 31, 2016- $nil) of receivables that were considered past due (over 90 days outstanding). For the three month period ended March 31, 2017, excluding change in oil inventory and royalties taken in kind, the Company had two customers with sales representing 55%, and 45% of total sales (Q1 2016 – four customers representing 54%, 25%, 16% and 5% of total sales).

Management has no formal credit policy in place for customers 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 Serinus 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 capital 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 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 licences, farm-out arrangements and securing new equity or debt capital. Refer to liquidity, debt, and capital resources section.

At March 31, 2017, the Company was not in compliance with the annual consolidated financial debt to EBITDA covenant and its consolidated debt service coverage ratio on its debt held with EBRD. Subsequent to March 31, 2017, EBRD has acknowledged that a waiver for the quarter end covenant violation is forthcoming, however the formal waiver has not yet been received by the Company. Given the covenant was breached as at March 31, 2017, Serinus has reclassified its long-term debt to current in the financial statements, as required under accounting standards. In Q1 2017, the Company financed cash outflows including working capital and capital expenditures from cash generated from Tunisian operations, cash on deposit and proceeds of the equity offering.

Internally prepared forecasts indicate that the Company is likely to continue to breach certain of its financial covenants in future reporting periods during 2017, due to continuing low commodity prices. Although the EBRD has previously provided waivers for covenant breaches, there is no certainty this will occur in the future. If these covenants are not met, the debt may therefore become payable on demand. This material uncertainty may cast significant doubt with respect to the ability of the Company to continue as a going concern. The Company is actively evaluating its options at this time, including discussions with the EBRD related to amending the banking facility and its related covenants.

Operational, Environmental and Safety Risks

Serinus' 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 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 a 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 Serinus will be able to find suitable properties to acquire or participate in the future. Serinus uses proactive project planning on existing licences 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, Serinus 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 failure of the facility to meet performance targets. To mitigate these risks, Serinus 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 Serinus ability to execute projects on time and budget.

The oil and natural gas industry in emerging markets where Serinus 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

Serinus operates in emerging markets that are 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. As a result of political instability, economic challenges that may ensue include slow growth, high inflation and unfavorable fluctuations in exchange rates.

Regulatory Risks

Serinus is subject to a range of laws and regulations imposed by a number of and various levels of government and regulatory bodies in the jurisdictions in which it operates. The Company believes it fully complies with or exceeds all government laws, regulations and industry standards in its countries of operation; 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 we can forecast.

LITIGATION

Neither the Company nor any of its subsidiaries are involved in any proceedings before a court, relevant arbitration body or public administrative authority concerning payables or debt of the Company or its subsidiaries 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 months ended March 31, 2017.

FUTURE CHANGES IN ACCOUNTING POLICIES

For the three month period ended March 31, 2017, Serinus 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. As the Company is currently evaluating the impact of this standard, it has not yet determined the effect on its consolidated financial statements.

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 March 31, 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 such as "funds from operations", "netback", "working capital" and certain terms under the loan covenants 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 these 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 applicable to its most closely related IFRS measure.

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 is a list of abbreviations that may be used in this MD&A:

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
$MM	Millions of Dollars	$M	Thousands of Dollars

MEASUREMENT CONVERSIONS

Certain crude oil and natural gas liquids volumes have been converted to Mcfe or MMcfe based on 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 Serinus' head office via address: 1500, 700 – 4th Avenue S.W., Calgary, Alberta T2P 3J4, phone: +1 403 264-8877 or e-mail: **info@serinusenergy.com**.