



SERINUS ENERGY INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
US dollars in 000's



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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the shareholders of Serinus Energy Inc.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Serinus Energy Inc. ("the Company") which comprise:

- the condensed consolidated interim statement of financial position as at September 30, 2017;
- the condensed consolidated interim statement of operations and comprehensive earnings (loss) for the three-month and nine-month periods ended September 30, 2017;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended September 30, 2017;
- the condensed consolidated interim statement of cash flows for the three-month and nine-month periods ended September 30, 2017; and;
- notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at September 30, 2017, are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Emphasis of Matter

We draw attention to Note 2(a) to the condensed consolidated interim financial statements, which describes that as at September 30, 2017, Serinus Energy Inc. has a working capital deficiency of \$2.1 million and the Company's ability to continue as a going concern is dependent on its ability to generate future cash flows from operations and/or obtaining the necessary financing required to meet its ongoing production expenditures, corporate general and administrative expenses, development program and discharge its liabilities as they come due. The need to generate cash flows from operations, or from other sources of financing, to fund ongoing operations indicate the existence of a material uncertainty that may cast significant doubt about Serinus Energy Inc.'s ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants

November 9, 2017
Calgary, Canada

Serinus Energy Inc.
Condensed Consolidated Interim Statement of Financial Position
(Stated in thousands of US dollars)
(Unaudited)

	September 30, 2017	December 31, 2016
Assets		
Current		
Cash and cash equivalents	\$ 13,451	\$ 4,297
Accounts receivable	1,363	1,358
Income taxes receivable	2,443	2,581
Prepays and other	1,013	209
Commodity inventory (Note 3)	163	1,194
Restricted cash (Note 4)	1,115	1,089
Total current assets	19,548	10,728
Investment		
Property, plant and equipment (Note 5)	67,842	73,770
Exploration and evaluation (Note 6)	25,485	\$ 20,271
Total assets	\$ 112,875	\$ 104,836
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 13,232	\$ 15,693
Income taxes payable	547	-
Current portion of long-term debt (Note 7)	5,000	30,699
Asset retirement obligation	2,888	2,811
Total current liabilities	21,667	49,203
Long-term debt (Note 7)		
Asset retirement obligation	25,750	-
Other provisions	37,938	37,425
Deferred tax liability	1,148	1,148
Total liabilities	99,725	101,086
Shareholders' Equity		
Share capital (Note 8)	\$ 362,534	\$ 344,479
Contributed surplus	22,252	21,796
Deficit	(371,636)	(362,525)
Total shareholders' equity	13,150	3,750
Total liabilities and shareholders' equity	\$ 112,875	\$ 104,836
Going concern (Note 2(a))		
Commitments (Note 9)		

"Signed"

ELEANOR BARKER
DIRECTOR, CHAIR OF THE AUDIT COMMITTEE

"Signed"

JEFFREY AULD
DIRECTOR, PRESIDENT AND CEO

Serinus Energy Inc.
Condensed Consolidated Interim Statement of Operations and Comprehensive Earnings (Loss)
(Stated in thousands of US dollars, except per share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Oil and gas revenue	\$ 140	\$ 1,208	\$ 5,705	\$ 7,930
Change in oil inventory	242	2,424	(1,031)	3,561
	<u>382</u>	<u>3,632</u>	<u>4,674</u>	<u>11,491</u>
Royalty expense	(39)	(382)	(484)	(1,237)
	<u>343</u>	<u>3,250</u>	<u>4,190</u>	<u>10,254</u>
Operating expenses				
Production expenses	(585)	(2,161)	(3,478)	(6,749)
General and administrative	(570)	(3,915)	(2,090)	(6,959)
Transaction costs	(103)	(9)	(103)	(10)
Stock-based compensation	(240)	(21)	(456)	(36)
Gain on disposition (Note 11)	-	22	2,179	12
Depletion and depreciation (Note 5)	(149)	(1,185)	(1,379)	(3,873)
Impairment (Note 5)	(4,981)	-	(4,981)	-
Total operating expenses	<u>(6,628)</u>	<u>(7,269)</u>	<u>(10,308)</u>	<u>(17,615)</u>
Finance income (expense)				
Unrealized gain (loss) on investment	-	22	(13)	(21)
Interest expense and accretion	(980)	(950)	(2,714)	(3,357)
Foreign exchange gain (loss)	131	(73)	155	(553)
Net finance expense	<u>(849)</u>	<u>(1,001)</u>	<u>(2,572)</u>	<u>(3,931)</u>
Loss before tax	(7,134)	(5,020)	(8,690)	(11,292)
Current tax recovery (expense)	381	-	(509)	-
Deferred tax recovery (expense)	(290)	49	88	(1,810)
Net loss from continuing operations	(7,043)	(4,971)	(9,111)	(13,102)
Loss from discontinued operations	-	-	-	(30,657)
Net loss	(7,043)	(4,971)	(9,111)	(43,759)
Other comprehensives loss				
Foreign currency translation loss from discontinued foreign operations	-	-	-	(2,290)
Total comprehensive loss	<u>\$ (7,043)</u>	<u>\$ (4,971)</u>	<u>\$ (9,111)</u>	<u>\$ (46,049)</u>
Loss attributable to:				
Common shareholders	(7,043)	(4,971)	(9,111)	(44,480)
Non-controlling interest	-	-	-	721
Net loss for the period	<u>\$ (7,043)</u>	<u>\$ (4,971)</u>	<u>\$ (9,111)</u>	<u>\$ (43,759)</u>
Net loss per share attributable to common shareholders				
Continuing operations - basic and diluted (Note 8(b))	\$ (0.05)	\$ (0.06)	\$ (0.07)	\$ (0.17)
Discontinued operations - basic and diluted (Note 8(b))	\$ -	\$ -	\$ -	\$ (0.40)
Total comprehensive loss attributed to:				
Common shareholders	(7,043)	(4,971)	(9,111)	(46,083)
Non-controlling interest	-	-	-	34
Total comprehensive loss for the period	<u>\$ (7,043)</u>	<u>\$ (4,971)</u>	<u>\$ (9,111)</u>	<u>\$ (46,049)</u>

Serinus Energy Inc.
Condensed Consolidated Interim Statement of Cash Flows
(Stated in thousands of US dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net loss	\$ (7,043)	\$ (4,971)	\$ (9,111)	\$ (43,759)
Items not involving cash:				
Depletion and depreciation	(Note 5) 149	1,185	1,379	4,472
Impairment	(Note 5) 4,981	-	4,981	-
(Gain) loss on disposition	(Note 11) -		(2,179)	33,028
Accretion on asset retirement obligation	171	194	513	582
Stock based compensation	240	21	456	36
Shares issued as compensation	-	-	7	-
Expenditures on decommissioning liabilities	-	(303)	-	(407)
Unrealized (gain) loss on investments	-	(22)	13	21
Unrealized foreign exchange (gain) loss	(182)	25	(54)	245
Deferred income tax expense (recovery)	290	(49)	(88)	1,810
Interest expense	809	756	2,201	2,700
Funds used in operations	(585)	(3,186)	(1,882)	(1,272)
Changes in non-cash working capital	1,210	(1,016)	1,120	(2,529)
	625	(4,202)	(762)	(3,801)
Financing:				
Equity issuance (net of costs)	-	-	18,048	-
Repayment of long-term debt	(Note 7) -	(1,667)	(1,667)	(26,062)
Interest paid	(203)	(322)	(474)	(1,413)
Changes in non-cash working capital related	(26)	(1)	(9)	80
	(229)	(1,990)	15,898	(27,395)
Investing:				
Property and equipment expenditures, net	(Note 5) (28)	(737)	(432)	(1,516)
Restricted cash movement	(Note 4) (2)	(5)	54	132
Exploration and evaluation expenditures	(Note 6) (3,307)	(329)	(5,214)	(1,160)
Proceeds on disposal of discontinued operation, net	-	-	-	27,843
Proceeds on disposition of investment	-	-	54	-
Changes in non-cash working capital related to investing	198	(126)	(495)	(3,034)
	(3,139)	(1,197)	(6,033)	22,265
Effect of exchange rate changes on cash	175	13	51	(247)
Change in cash	(2,568)	(7,376)	9,154	(9,178)
Cash and cash equivalents, beginning of period	16,019	10,015	4,297	11,817
Cash and cash equivalents, end of period	\$ 13,451	\$ 2,639	\$ 13,451	\$ 2,639
Supplemental cash flow information				
Cash taxes paid	\$ 63	\$ -	\$ 63	\$ -

Serinus Energy Inc.
Condensed Consolidated Interim Statement of Changes in Equity
(Stated in thousands of US dollars, except share and per share data)
(Unaudited)

	<u>Common Shares</u>		Contributed surplus	Cumulative translation adjustment	Non-controlling interest	Deficit	Total
	Number of shares	Amount					
Balance at December 31, 2015	78,629,941	\$ 344,479	\$ 21,711	\$ (32,585)	\$ 16,219	\$ (303,626)	\$ 46,198
Stock-based compensation	-	-	36	-	-	-	36
Foreign currency translation adjustment on foreign operations	-	-	-	(1,603)	(687)	-	(2,290)
Disposal of discontinued operation	-	-	-	34,188	(16,253)	-	17,935
Net earnings (loss)	-	-	-	-	721	(44,480)	(43,759)
Balance at September 30, 2016	78,629,941	\$ 344,479	\$ 21,747	\$ -	\$ -	\$ (348,106)	\$ 18,120
Balance at December 31, 2016	78,629,941	\$ 344,479	\$ 21,796	\$ -	\$ -	\$ (362,525)	\$ 3,750
Equity offering (net of issue costs (Note 8(a)))	72,000,000	18,048	-	-	-	-	18,048
Issuance of common shares (Note 8(a))	22,197	7	-	-	-	-	7
Stock-based compensation	-	-	456	-	-	-	456
Net (loss)	-	-	-	-	-	(9,111)	(9,111)
Balance at September 30, 2017	150,652,138	\$ 362,534	\$ 22,252	\$ -	\$ -	\$ (371,636)	\$ 13,150

Serinus Energy Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2017 and 2016
(Stated in thousands of US dollars, except as noted)
(Unaudited)

1. Reporting entity

The condensed consolidated interim financial statements for Serinus Energy Inc. (“Serinus” or the “Company”) include the accounts of Serinus and its controlled subsidiaries for the three and nine months ended September 30, 2017 and 2016. Serinus is principally engaged in the exploration for and development of oil and gas properties in Tunisia and Romania.

Serinus is incorporated under the Business Corporations Act of Alberta, Canada and is headquartered at 1500, 700-4th Avenue SW, Calgary, Alberta, Canada, T2P 3J4.

Serinus is a publicly listed company whose common shares are traded under the symbol “SEN” on the Toronto Stock Exchange (“TSX”) and the Warsaw Stock Exchange (“WSE”). Kulczyk Investments S.A. (“KI”) holds a 52.17% investment in Serinus.

2. Basis of Preparation

(a) Going concern

At September 30, 2017, there are material uncertainties that may cast significant doubt with respect to the ability of the Company to continue as a going concern. The Company’s ability to continue as a going concern is dependent on its ability to generate future cash flows from operations and/or obtain the necessary financing required to meet its ongoing production expenditures, corporate G&A, development program and discharge its liabilities as they come due. There is no assurance that financing, or cash generated by operations, will be available or sufficient to meet these requirements, or if debt or equity financing is available, that it will be on terms acceptable to the Company. The situation in Tunisia, where social unrest resulted in the Company shutting-in all production until early September 2017, reduced the Company’s ability to generate cash flows from operations.

As at September 30, 2017, the Company had a working capital deficiency of \$2.1 million and negative cash flows from operations of \$0.8 million for the nine months ended September 30, 2017 (Q4 2016: working capital deficiency of \$38.5 million and cash flows from operations of \$2.3 million).

At September 30, 2017, the Company was not in compliance with the consolidated financial debt to EBITDA covenant, the consolidated debt service coverage ratio and the debt service coverage ratio at the Tunisian level on its debt held with the European Bank for Reconstruction and Development (“EBRD”). However, on September 20, 2017, the Company obtained a waiver from EBRD for compliance with these ratios at September 30, 2017.

Subsequent to quarter end, the Company entered into Amendment and Restatement Agreements (the “Agreements”) relating to the Senior Loan and Convertible Loan which have provided relief from covenants until September 2018 (see note 7). Therefore, the Company does not anticipate breaching covenants in the foreseeable future.

The need to generate cash flows from operations, or other sources of financing, to fund ongoing operations create material uncertainties that may cast significant doubt with respect to the ability of the Company to continue as a going concern.

These consolidated financial statements do not reflect the adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if the Company were unable to continue as a going concern.

Serinus Energy Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2017 and 2016
(Stated in thousands of US dollars, except as noted)
(Unaudited)

(b) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

The condensed consolidated interim financial statements have been prepared following the same basis of measurement, functional currency and accounting policies and methods of computation as described in the notes to the consolidated financial statements for the year ended December 31, 2016.

These condensed consolidated financial statements were authorised for issuance by the Company's Board of Directors on November 9, 2017.

(c) Use of estimates and judgements

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements are described in note 5 to the consolidated financial statements for the year ended December 31, 2016. There has been no change in these areas during the period.

(d) Accounting changes

For the three and nine months ended September 30, 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. 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.

Serinus Energy Inc.
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(Unaudited)

In January 2016, the IASB issued IFRS 16 Leases, which replaces IAS 17 Leases. The new standard introduces a single recognition and measurement model for leases, which would require the recognition of assets and liabilities for most leases with a term of more than twelve months. The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the initial adoption date of January 1, 2018. The new standard is to be adopted either retrospectively or using a modified retrospective approach. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of the adoption of the standard has not yet been determined.

(e) Fair values measurements

Investments are recorded at fair value based on the quoted market prices for the shares (level 1 fair value). The fair value of the long-term debt approximates the carrying amount as interest rates and credit spreads applicable to the Company have not changed significantly since the credit facility was established (level 2 fair value).

The fair value of employee stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds) (level 2 fair value).

3. Commodity inventory

	As at September 30, 2017	As at December 31, 2016
Balance, beginning of period	\$ 1,194	\$ -
Crude oil inventory additions	2,244	13,143
Oil lifting	(3,275)	(11,949)
Balance, end of period	<u>\$ 163</u>	<u>\$ 1,194</u>

Commodity inventory represents crude oil produced and stored awaiting lifting. As at September 30, 2017 there were \$nil in advances for crude oil sales (2016: \$nil).

4. Restricted cash

The Company has cash on deposit with the Alberta Energy Regulator of \$1.1 million, as required to meet future abandonment obligations existing on certain oil and gas properties in Canada (December 31, 2016: \$1.1 million). The fair value of restricted cash approximates the carrying value.

Serinus Energy Inc.
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5. Property, plant and equipment

	Oil and gas interests	Other	Total
Cost or deemed cost:			
Balance at December 31, 2016	\$ 221,404	\$ 2,527	\$ 223,931
Additions	416	19	435
Dispositions	-	(10)	(10)
Balance at September 30, 2017	<u>\$ 221,820</u>	<u>\$ 2,536</u>	<u>\$ 224,356</u>
Accumulated depletion and depreciation:			
Balance at December 31, 2016	\$ (148,654)	\$ (1,507)	\$ (150,161)
Depletion and depreciation	(1,202)	(177)	(1,379)
Impairment	(4,981)	-	(4,981)
Dispositions	-	7	7
Balance at September 30, 2017	<u>\$ (154,837)</u>	<u>\$ (1,677)</u>	<u>\$ (156,514)</u>
Net book value:			
Balance at December 31, 2016	\$ 72,750	\$ 1,020	\$ 73,770
Balance at September 30, 2017	<u>\$ 66,983</u>	<u>\$ 859</u>	<u>\$ 67,842</u>

As a result of negative technical revisions and sustained low oil and natural gas prices, the Company performed impairment tests on its Tunisian cash generating units ("CGU") at September 30, 2017 using a fair value less costs to sell methodology. The following summarizes the recoverable amount and the total impairment recorded at September 30, 2017 for each of Tunisia CGU that was impaired:

As at September 30, 2017	Recoverable amount ⁽¹⁾	Impairment expense
Sabria	41,183	-
Chouech Es Saida	25,800	4,981
Ech Chouech	-	-
Sanrhar	-	-
Zinnia	-	-
	<u>66,983</u>	<u>4,981</u>

(1) Represents the net book value of oil and gas assets as at September 30, 2017.

The fair value was based on the September 30, 2017 proved plus probable reserves data, a risk-adjusted discount rate of 20%-27%, and the following price forecast (adjusted for quality differentials specific to the Company):

Year	Oil (US\$/bbl)	Gas (US\$/mcf)		Inflation rate
	All fields	Sabria	Chouech	%/annum
2017	53.19	6.21	5.95	2.0
2018	55.00	6.42	6.15	2.0
2019	57.50	6.71	6.43	2.0
2020	59.00	6.89	6.60	2.0
2021	62.80	7.33	7.03	2.0
2022	66.50	7.76	7.44	2.0
2023	69.00	8.06	7.72	2.0
2024	72.00	8.41	8.06	2.0
2025	76.30	8.91	8.54	2.0
2026	79.00	9.22	8.84	2.0
2027	85.33	9.96	9.55	2.0
2028	87.04	10.16	9.74	2.0
2029	88.78	10.37	9.93	2.0
2030	90.55	10.57	10.13	2.0
2031	92.36	10.78	10.33	2.0
2032	94.21	11.00	10.54	2.0
2033	96.10	11.22	10.75	2.0
2034	98.02	11.44	10.97	2.0
Remaining	<u>99.98</u>	<u>11.67</u>	<u>11.19</u>	<u>2.0</u>

Serinus Energy Inc.
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The above estimates of the recoverable amounts are particularly sensitive in the following areas:

- (a) A change of 1 percent in the discount rate used to value proved and probable reserves would have changed the impairment expense by:
- (b) A decrease of 10 percent in estimated future commodity prices would have increase the impairment expense by:

As at September 30, 2017	Discount rate change-1%	Future commodity prices-10%
Sabria	1,310	12,628
Chouech Es Saida	98	2,893
Ech Chouech	-	-
Sanrhar	-	-
Zinnia	-	-
	1,408	15,521

6. Exploration and evaluation assets

	As at September 30, 2017
Carrying amount, beginning of the period	\$ 20,271
Additions	5,214
Change in decommissioning liabilities	-
Carrying amount, end of the period	\$ 25,485

7. Long-term debt

	As at September 30, 2017	As at December 31, 2016
Senior Loan ⁽ⁱ⁾	\$ 5,134	\$ 6,799
Convertible Loan ⁽ⁱⁱ⁾	25,616	23,900
Total debt	\$ 30,750	\$ 30,699
Current portion	\$ 5,000	\$ 30,699
Long-term debt	25,750	-
Total debt	\$ 30,750	\$ 30,699

(i) As at September 30, 2017, \$5.4 million of principal was outstanding (December 31, 2016: principal outstanding of \$7.1 million).

(ii) As at September 30, 2017, the convertible loan principal amount of \$20.0 million has been fully drawn and is outstanding (December 31, 2016: \$20.0 million). The interest accrues on the loan to be paid at the time the loan is repaid.

On November 20, 2013, Serinus finalized two loan agreements, the Senior Loan and Convertible Loan, aggregating \$60 million with EBRD. The loans are secured by the Tunisian assets, pledges of certain bank accounts plus the shares of the Company's subsidiaries through which the concessions are owned, plus the benefits arising from the Company's interests in insurance policies and on-lending arrangements within the Serinus group of companies.

Both loan agreements contain a number of affirmative covenants, including maintaining the specified security, environmental and social compliance, and maintenance of specified financial ratios. At September 30, 2017, the Company was not in compliance with consolidated financial debt to EBITDA covenant, the consolidated debt service coverage ratio and the financial debt to EBITDA ratio at the Tunisian level (December 31, 2016: The Company was not in compliance with the consolidated financial debt to EBITDA ratio covenant). Prior to September 30, 2017, EBRD formally waived compliance with these ratios for the period ended September 30, 2017. The implication of this waiver is the bank will not be acting on its security as a result of the breach.

Subsequent to quarter end, the Company entered into Agreements relating to the Senior Loan and Convertible Loan, such Agreements being effective October 31, 2017. The Agreements addresses changes to the repayment terms of the debt, covenants and security. Under the Agreements the Senior Loan will now be repayable in two instalments of \$2.7 million each on March 31, 2019 and September 30, 2019. The new terms also introduce a semi-annual cash sweep computed at the corporate level, whereby any cash in excess of \$7 million must be used to repay the Senior loan to the

Serinus Energy Inc.
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extent that the balance of the loan is no greater than the original amortization schedule. The Tunisian cash sweep will no longer be in effect. Under the Agreements, the Convertible loan will be repayable in four equal instalments on June 30, 2020, 2021, 2022 and 2023. Accrued interest up to June 30, 2020 will form part of the principal to be amortized over these repayment periods. Interest accruing subsequent to June 2020 will be paid annually with the principal repayment. The interest rate on the Convertible loan still remains at LIBOR plus a margin of between 8% and 17%, though this is now based on consolidated Tunisian and Romanian net revenues earned. The covenants under these Agreements will only be calculated at the consolidated level, and there is relief from covenants until the quarter ended September 30, 2018 when the Consolidated Debt to EBITDA covenant comes into effect with a required maximum ratio of 10 times and from December 2018 onwards with a maximum ratio of 2.5 times. The debt service coverage ratio becomes effective for the quarter ended December 31, 2018 with a minimum ratio of 1.3 times. Security over these loans has been enhanced by including security over our Romanian assets.

8. Share capital

(a) Authorized and issued

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

On February 24, 2017, the Company 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).

On April 6, 2017, 22,197 common shares were issued to Mr. Jeffrey Auld, the Chief Executive Officer of the Company, as part of his compensation.

The Company has a total of 150,652,138 shares outstanding at September 30, 2017 (December 31, 2016: 78,629,941).

(b) Loss per share

	Three Months ended September 30,		Nine Months ended September 30,	
	2017	2016	2017	2016
Net loss attributable to common shareholders				
Continuing operations	\$ (7,043)	\$ (4,971)	\$ (9,111)	\$ (13,102)
Discontinued operations	-	-	-	(31,378)
Net loss attributable to common shareholders	<u>(7,043)</u>	<u>(4,971)</u>	<u>(9,111)</u>	<u>(44,480)</u>
Weighted average number of shares outstanding Basic and diluted ⁽ⁱ⁾	<u>150,652,138</u>	<u>78,629,941</u>	<u>136,138,838</u>	<u>78,629,941</u>
Loss per share attributable to common				
Continuing operations - Basic and diluted	<u>\$ (0.05)</u>	<u>\$ (0.06)</u>	<u>\$ (0.07)</u>	<u>\$ (0.17)</u>
Discontinued operations - Basic and diluted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.40)</u>

(i) For the three and nine months ended September 30, 2017 there were 0.2 million and 0.2 million weighted average stock options exercisable that were excluded from the calculation as the impact was anti-dilutive (Q3 2016: 0.3 million and 0.8 million, for the three and nine months, respectively).

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(c) Stock options

A summary of the changes to the option plan during the three and nine month periods ended September 30, 2017, is presented below:

	USD denominated options		CAD denominated options	
	Number of	Weighted average	Number of	Weighted average
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 options outstanding as at September 30, 2017:

USD denominated options:

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

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

9. Contractual obligations and commitments

The contractual obligations of the Company 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 ⁽ⁱ⁾	5,000	400	25,738	-	31,138
Total contractual obligations	\$ 8,228	\$ 1,505	\$ 25,824	\$ -	\$ 35,557

(i) 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, Enterprise Tunisienne D'Activities Petroliers ("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 crude oil sales, net of royalties and shrinkage was 5.2 million barrels.

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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 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.

10. 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 totalled nil and \$2 (Q3 2016: \$2 and \$7).

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

11. Gain on disposition

During the second quarter of 2017, the Company sold all of its shares in an indirectly wholly owned subsidiary, which held the Syrian production sharing agreement for a nominal amount. The disposed subsidiary had net liabilities of \$2.2 million, comprised of accounts payables, which on disposition were presented net of proceeds as a gain on disposition in the statement of operations.

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12. Segmented information

The Company's reportable segments are organized by geographical areas and consist of Romania, Tunisia and Corporate.

	<u>Romania</u>	<u>Tunisia</u>	<u>Corporate</u>	<u>Total</u>
As at September 30, 2017				
Total Assets	<u>\$ 27,441</u>	<u>\$ 72,389</u>	<u>\$ 13,045</u>	<u>\$ 112,875</u>
	<u>Romania</u>	<u>Tunisia</u>	<u>Corporate</u>	<u>Total</u>
For the three months ended September 30, 2017				
Oil and gas revenue and change in oil inventory, net of royalties	\$ -	\$ 343	\$ -	\$ 343
Operating expenses:				
Production expenses	-	(578)	(7)	(585)
General and administrative	-	-	(570)	(570)
Transaction Costs	-	-	(103)	(103)
Stock based compensation	-	-	(240)	(240)
Depletion and depreciation	(1)	(112)	(36)	(149)
Impairment	-	(4,981)	-	(4,981)
Finance income (expense)				
Interest expense and accretion	(21)	(169)	(790)	(980)
Foreign exchange gain/(loss)	(19)	(45)	195	131
Loss before tax	<u>\$ (41)</u>	<u>\$ (5,542)</u>	<u>\$ (1,551)</u>	<u>\$ (7,134)</u>
Current tax recovery (expense)	-	382	(1)	381
Deferred tax recovery	-	(290)	-	(290)
Net loss	<u>\$ (41)</u>	<u>\$ (5,450)</u>	<u>\$ (1,552)</u>	<u>\$ (7,043)</u>
Capital expenditures	<u>\$ 3,322</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 3,335</u>
	<u>Romania</u>	<u>Tunisia</u>	<u>Corporate</u>	<u>Total</u>
For the nine months ended September 30, 2017				
Oil and gas revenue and change in oil inventory, net of royalties	\$ -	\$ 4,190	\$ -	\$ 4,190
Operating expenses:				
Production expenses	-	(3,443)	(35)	(3,478)
General and administrative	-	-	(2,090)	(2,090)
Transaction costs	-	-	(103)	(103)
Stock based compensation	-	-	(456)	(456)
Gain on disposition	-	-	2,179	2,179
Depletion and depreciation	(4)	(1,267)	(108)	(1,379)
Impairment	-	(4,981)	-	(4,981)
Finance income (expense)				
Unrealized loss on investments	-	-	(13)	(13)
Interest expense and accretion	(4)	(509)	(2,201)	(2,714)
Foreign exchange gain/(loss)	41	(189)	303	155
Earnings (loss) before tax	<u>33</u>	<u>\$ (6,199)</u>	<u>\$ (2,524)</u>	<u>\$ (8,690)</u>
Current tax expense	-	(507)	(2)	(509)
Deferred tax recovery	-	88	-	88
Net earnings (loss)	<u>\$ 33</u>	<u>\$ (6,618)</u>	<u>\$ (2,526)</u>	<u>\$ (9,111)</u>
Capital expenditures	<u>\$ 5,229</u>	<u>\$ 417</u>	<u>\$ -</u>	<u>\$ 5,646</u>

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	<u>Romania</u>	<u>Tunisia</u>	<u>Corporate</u>	<u>Total</u>
As at December 31, 2016				
Total Assets	\$ 20,536	\$ 81,010	\$ 290	\$ 104,836

	<u>Romania</u>	<u>Tunisia</u>	<u>Corporate</u>	<u>Total</u>
For the three months ended September 30, 2016				
Oil and gas revenue and change in oil inventory, net of royalties	\$ -	\$ 3,250	\$ -	\$ 3,250
Operating expenses:				
Production expenses	-	(2,088)	(73)	(2,161)
General and administrative	-	-	(3,915)	(3,915)
Transaction costs	-	-	(9)	(9)
Stock based compensation	-	-	(21)	(21)
Gain (loss) on disposition of assets	-	-	22	22
Depletion and depreciation	(2)	(1,138)	(45)	(1,185)
Finance income (expense)				
Unrealized gain (loss) on investments	-	-	22	22
Interest expense and accretion	(2)	(192)	(756)	(950)
Foreign exchange gain/(loss)	(2)	(44)	(27)	(73)
Loss before tax	\$ (6)	\$ (212)	\$ (4,802)	\$ (5,020)
Current tax expense	-	-	-	-
Deferred tax expense	-	49	-	49
Net loss from continuing operations	<u>\$ (6)</u>	<u>\$ (163)</u>	<u>\$ (4,802)</u>	<u>\$ (4,971)</u>
Capital expenditures	<u>\$ 331</u>	<u>\$ 735</u>	<u>\$ -</u>	<u>\$ 1,066</u>

	<u>Romania</u>	<u>Tunisia</u>	<u>Corporate</u>	<u>Total</u>
For the nine months ended September 30, 2016				
Oil and gas revenue and change in oil inventory, net of royalties	\$ -	\$ 10,254	\$ -	\$ 10,254
Operating expenses:				
Production expenses	-	(6,605)	(144)	(6,749)
General and administrative	-	-	(6,959)	(6,959)
Transaction costs	-	-	(10)	(10)
Stock based compensation	-	-	(36)	(36)
Gain (loss) on disposition of assets	-	-	12	12
Depletion and depreciation	(4)	(3,727)	(142)	(3,873)
Finance income (expense)				
Unrealized gain (loss) on investments	-	-	(21)	(21)
Interest expense and accretion	(4)	(577)	(2,776)	(3,357)
Foreign exchange loss	(42)	(436)	(75)	(553)
Loss before tax	\$ (50)	\$ (1,091)	\$ (10,151)	\$ (11,292)
Current tax expense	-	-	-	-
Deferred tax expense	-	(1,810)	-	(1,810)
Net loss from continuing operations	<u>\$ (50)</u>	<u>\$ (2,901)</u>	<u>\$ (10,151)</u>	<u>\$ (13,102)</u>
Capital expenditures	<u>\$ 1,164</u>	<u>\$ 1,512</u>	<u>\$ -</u>	<u>\$ 2,676</u>