Serinus Energy plc

(formerly Serinus Energy Inc.)

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2018
(US dollars in 000s)

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INTERIM REVIEW REPORT

To the shareholders of Serinus Energy plc (formerly, Serinus Energy Inc.)

Introduction

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

- the condensed consolidated interim statement of financial position as at March 31, 2018;
- the condensed consolidated interim statement of operations and comprehensive earnings (loss) for the three-month period ended March 31, 2018;
- the condensed consolidated interim statement of changes in equity for the three-month period ended March 31, 2018;
- the condensed consolidated interim statement of cash flows for the three-month period ended March 31, 2018; 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 March 31, 2018, 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 March 31, 2018, Serinus Energy plc has a working capital deficiency of $8.6 million and has negative cash flows from operating activities of $0.9 million during the period ended March 31, 2018. Serinus Energy plc'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 plc's ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants

May 11, 2018
Calgary, Canada

Serinus Energy plc
Condensed Consolidated Interim Statements of Financial Position
(thousands of US dollars) (unaudited)

As at:	**March 31 2018**	**December 31 2017**
Assets		
Current assets		
Cash and cash equivalents	$ 3,470	$ 7,252
Accounts receivable	5,767	2,980
Insurance receivable	648	-
Income tax receivable	2,141	2,216
Prepaids and other	423	355
Commodity inventory (note 3)	-	1,492
Restricted cash (note 5)	1,073	1,098
Total current assets	13,522	15,393
Property, plant and equipment (note 7)	101,271	99,578
Total assets	$ 114,793	$ 114,971
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 15,247	$ 17,404
Advances for crude oil sales (note 3)	-	353
Income taxes payable	1,351	1,321
Current portion of long-term debt (note 8)	2,700	-
Asset retirement obligations	2,853	2,882
Total current liabilities	22,151	21,960
Long-term debt (note 8)	28,113	31,261
Asset retirement obligations	43,091	42,799
Other provisions	1,747	1,747
Deferred income tax liability	13,822	13,500
Total liabilities	108,924	111,267
Shareholders' Equity		
Shareholders' capital (note 9)	362,534	362,534
Contributed surplus	22,616	22,487
Deficit	(379,281)	(381,317)
Total shareholders' equity	5,869	3,704
Total liabilities and shareholders' equity	$ 114,793	$ 114,971

Going concern (note 2)
Commitments and Contigencies (note 11)
Subsequent event (note 1)

See accompanying notes to the condensed consolidated interim financial statements.

"Signed"
ELEANOR BARKER
DIRECTOR, CHAIR OF THE AUDIT COMMITTEE

"Signed"
JEFFREY AULD
DIRECTOR, PRESIDENT AND CEO

Serinus Energy plc
Condensed Consolidated Interim Statement of Operations and Comprehensive Earnings (Loss)
(US000s, except for per share data) (unaudited)

For the three months ended March 31,		**2018**		**2017**
Revenues				
Petroleum and natural gas revenues (notes 3 and 6)	$	2,211	$	1,708
Change in oil inventory (note 3)		-		1,242
		2,211		2,950
Royalties		(213)		(308)
		1,998		2,642
Well incident recovery (note 10)		2,592		-
Operating expenses				
Production expenses		739		1,733
General and administrative		698		774
Share-based compensation		129		46
Transaction costs (note 10)		386		-
Depletion and depreciation		455		813
Total operating expenses		2,407		3,366
Finance expense				
Interest expense and accretion		1,036		888
Foreign exchange (gain) loss		(308)		67
Unrealized loss on investments		-		17
Net finance expense		728		972
Net earnings (loss) before income taxes		1,455		(1,696)
Current income tax expense		132		-
Deferred income tax expense		321		403
Net earnings (loss) and comprehensive earnings (loss)	$	1,002	$	(2,099)
Net earnings (loss) per share - basic and diluted (note 9)	$	0.01	$	(0.02)

See accompanying notes to the condensed consolidated interim financial statements.

Serinus Energy plc
Condensed Consolidated Interim Statements of Cash Flows
(thousands of US dollars) (unaudited)

For the three months ended March 31,		**2018**		**2017**
Operating activities				
Net earnings (loss)	$	1,002	$	(2,099)
Items not involving cash:				
Depletion and depreciation (note 7)		455		813
Accretion expense		260		171
Share-based compensation		129		46
Unrealized loss on investments		-		17
Expenditures on decommissioning liabilities		(24)		-
Foreign exchange (gain) loss unrealized		(414)		98
Deferred income tax expense		321		403
Interest expense		776		717
Funds from operations		2,505		166
Changes in non-cash working capital		(3,450)		(721)
Cashflows used in operating activities		(945)		(555)
Financing activities				
Common shares issued, net of costs (note 9)		-		18,048
Repayment of long-term debt (note 8)		-		(1,667)
Interest and financing fees paid (note 8)		(204)		(261)
Changes in non-cash working capital		14		(7)
		(190)		16,113
Investing activities				
Property, plant and equipment expenditures, net (note 7)		(2,092)		(313)
Exploration expenditures		-		(545)
Change in restricted cash (note 5)		(5)		72
Changes in non-cash working capital		(944)		173
		(3,041)		(613)
Impact of foreign currency translation on cash		394		(100)
Change in cash and cash equivalents		(3,782)		14,845
Cash and cash equivalents, beginning of period		7,252		4,297
Cash and cash equivalents, end of period	$	3,470	$	19,142
Supplemental information				
Cash income taxes paid	$	-	$	-

See accompanying notes to the condensed consolidated interim financial statements.

Serinus Energy plc
Condensed Consolidated Interim Statements of Shareholders' Equity
(thousands of US dollars) (unaudited)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Non-controlling interest	Deficit	Total
Balance at December 31, 2016	$ 344,479	$ 21,796	$ -	$ -	$ (362,525)	$ 3,750
Equity offering, net of issue costs	18,048	-	-	-	-	18,048
Share-based compensation	-	46	-	-	-	46
Net loss	-	-	-	-	(2,099)	(2,099)
Balance at March 31, 2017	$ 362,527	$ 21,842	$ -	$ -	$ (364,624)	$ 19,745
Balance at December 31, 2017	$ 362,534	$ 22,487	$ -	$ -	$ (381,317)	$ 3,704
Adjustment on initial application of IFRS 9 (note 3)	-	-	-	-	1,034	1,034
Share-based compensation	-	129	-	-	-	129
Net earnings	-	-	-	-	1,002	1,002
Balance at March 31, 2018	$ 362,534	$ 22,616	$ -	$ -	$ (379,281)	$ 5,869

See accompanying notes to the consolidated financial statements.

1. Reporting entity

Serinus Energy plc ("Serinus" or the "Company") is principally engaged in the exploration for and development of oil and gas properties in Tunisia and Romania. Serinus is incorporated under the Companies (Jersey) Law 1991. The Company's head office and registered office is located at The Le Gallais Building, 54 Bath Street, St. Helier, Jersey, JE1 8SB. Effective May 3, 2018 the Company continued from Alberta, Canada, to Jersey, Channel Islands. In connection with the continuance, the Company changed its name from Serinus Energy Inc. to Serinus Energy plc and adopted new charter documents.

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 as of March 31, 2018. The Company is proceeding with the process to list on the AIM market of the London Stock Exchange with completion planned for mid-May 2018. Upon completion of listing on AIM, the Company intends to delist from the TSX but maintain its listing on the WSE.

The condensed consolidated interim financial statements for Serinus include the accounts of Serinus and its subsidiaries for the three months ended March 31, 2018 and 2017.

2. Basis of presentation

(a) Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that Serinus will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

At March 31, 2018, 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 general and administrative, 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 Company's cash generating ability was impacted by events in Tunisia and Romania. The situation in Tunisia, where social unrest resulted in the Company shutting-in production during 2017, reduced the Company's ability to generate cash flows from operating activities. The well incident in Romania in December 2017 resulted in the delay of first production and cash flows in Romania (see note 10).

In October 2017, the Company entered into Amendment and Restatement Agreements relating to the Senior Loan and Convertible Loan with the European Bank for Reconstruction and Development ("EBRD") which have provided relief from financial covenants until September 2018 (see note 8).

As at March 31, 2018, the Company had a working capital deficiency of $8.6 million (December 31, 2017 - $6.6 million) and negative cashflows from operating activities of $0.9 million for the three months ended March 31, 2018 (three months ended March 31, 2017 – $0.6 million).

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 condensed consolidated interim 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.

(b) Statement of compliance

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

These condensed consolidated interim financial statements were authorized for issuance by the Company's Board of Directors on May 11, 2018.

(Thousands of US dollars, unless otherwise noted)

3. Significant accounting policies

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

Changes to accounting policies

a. <u>IFRS 15 Revenue from Contracts with Customers</u>

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

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

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

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

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

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

As at March 31, 2018	As previously reported	Adjustments	As reported in accordance with IFRS 15
Assets			
Current assets			
Accounts receivable	4,490	1,277	5,767
Commodity inventory	2,455	(2,455)	-
Total current assets	14,700	(1,178)	13,522
Total assets	$ 115,971	$ (1,178)	$ 114,793
Liabilities			
Current liabilities			
Advances for crude oil sales	1,178	(1,178)	-
Total current liabilities	23,329	(1,178)	22,151
Total liabilities	110,102	(1,178)	108,924
Shareholders' Equity			
Total shareholders' equity	5,869	-	5,869
Total liabilities and shareholders' equity	$ 115,971	$ (1,178)	$ 114,793

(Thousands of US dollars, unless otherwise noted)

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

For the three months ended March 31, 2018	**As previously reported**	**Adjustments**	**As reported in accordance with IFRS 15**
Revenues			
Petroleum and natural gas revenues	$ 1,248	$ 963	$ 2,211
Change in oil inventory	963	(963)	-
	2,211	-	2,211
Royalties	(213)	-	(213)
	1,998	-	1,998
Well incident recovery	2,592	-	2,592
Total operating expenses	2,407	-	2,407
Finance expense			
Net finance expense	728	-	728
Net earnings (loss) before income taxes	1,455	-	1,455
Net earnings (loss) and comprehensive earnings (loss)	$ 1,002	$ -	$ 1,002

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

b. *IFRS 9 Financial Instruments*

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

On January 1, 2018, the Company:

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

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

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

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

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

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

(Thousands of US dollars, unless otherwise noted)

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

The ECL model applies to the Company's receivables. As at March 31, 2018, all of the Company's trade accounts receivable were investment grade or government entities, and 83 percent were outstanding for less than 90 days. The average expected credit loss on the Company's trade accounts receivable was nil percent

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

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

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

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

<u>Classification and measurement of financial assets</u>

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

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

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

<u>Impairment of financial assets</u>

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

<u>Classification and measurement of financial liabilities</u>

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

The Company has no financial liabilities measured at FVTPL.

Recent accounting pronouncements

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 "*Leases" ("IFRS 16"),* which requires entities to recognize assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue and what assets would be recorded.

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

4. Use of estimates and judgments

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements are described in note 4 to the consolidated financial statements for the year ended December 31, 2017. There has been no change in these areas during the three months ended March 31, 2018.

5. Restricted cash

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

6. Revenue

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

The Company's revenue was entirely generated in Tunisia for the three months ended March 31, 2018 and was based on Brent crude oil index pricing. Of total revenues, one customer represented 52%. The Company's contract with Shell is for a period of five years beginning 2016, while the Company's contracts for local sales in Tunisia are generally for the period of the concession.

As at March 31, 2018, the receivable balance related to contracts with customers, included within "accounts receivable" is $2.2 million (January 1, 2018 - $1.6 million).

(Thousands of US dollars, unless otherwise noted)

7. Property, plant and equipment

	Oil and gas interests	Other	Total
Cost or deemed cost:			
Balance, December 31, 2016	$ 221,404	$ 2,527	$ 223,931
Capital expenditures	449	(28)	421
Transfers from exploration and evaluation	29,302	-	29,302
Change in asset retirement obligations	2,935	-	2,935
Dispositions	-	(10)	(10)
Balance, December 31, 2017	$ 254,090	$ 2,489	$ 256,579
Capital expenditures	2,008	84	2,092
Change in asset retirement obligations	56	-	56
Balance, March 31, 2018	$ 256,154	$ 2,573	$ 258,727
Accumulated depletion and depreciation:			
Balance, December 31, 2016	$ (148,654)	$ (1,507)	$ (150,161)
Depletion and depreciation	(1,670)	(196)	(1,866)
Dispositions	-	7	7
Impairment	(4,981)	-	(4,981)
Balance, December 31, 2017	$ (155,305)	$ (1,696)	$ (157,001)
Depletion and depreciation	(404)	(51)	(455)
Balance, March 31, 2018	$ (155,709)	$ (1,747)	$ (157,456)
Net book value:			
Balance, December 31, 2017	$ 98,785	$ 793	$ 99,578
Balance, March 31, 2018	$ 100,445	$ 826	$ 101,271

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

As at March 31, 2018, there were no impairment indicator triggers or triggers for reversals indicating the need for an impairment test, or a reversal, as such, no additional impairment or reversals have been recorded.

8. Long-term debt

	March 31, 2018	December 31, 2017
Senior loan(1)	$ 5,403	$ 5,505
Convertible loan(2)	26,974	26,362
Debt-principal balance	32,377	31,867
Unamortized discounts and debt costs	(541)	(606)
Modification gain	(1,023)	-
	$ 30,813	$ 31,261
Debt-principal balance		
Current portion	$ 2,700	$ -
Long-term portion	$ 29,677	$ 31,867

(1) Includes loan principal of $5.4 million (December 31, 2017 - $5.4 million) plus accrued interest.

(2) Includes loan principal of $20.0 million (December 31, 2017 - $20.0 million) plus accrued interest.

As at March 31, 2018, the Company had $30.8 million in long-term debt consisting of a $5.4 million Senior Loan plus accrued interest and a $20 million Convertible Loan plus accrued interest, net of unamortized discounts and costs, and a debt modification gain. The current portion of the long-term debt is $2.7 million as described below under the Senior Loan. Both loans are fully drawn and are secured by the Tunisian assets, pledges of certain bank accounts, shares of the Company's subsidiaries through which both Tunisian and Romanian concessions are owned, plus the benefits arising from the Company's interests in insurance policies and on-lending arrangements within the Serinus group of companies.

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

Senior Loan

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

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

Convertible Loan

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

The Company can elect, subject to certain conditions, to convert all or any portion of the Convertible Loan principal and accrued interest outstanding for newly issued shares of the Company at the then current market price of the shares on the TSX or WSE, as required by the exchange rules. The EBRD can also at any time, and on multiple occasions elect to convert all or any portion of the Convertible Loan principal and accrued interest outstanding for newly issued shares of the Company at the then current market price of the shares on the TSX or WSE. The conversion amount is restricted such that the number of shares issued would result in EBRD holding a maximum of 5% of the issued share capital of the Company. Conditions to conversion include a requirement for substantially all of the Company's assets and operations to be located and carried out in the EBRD countries of operations.

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

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

Covenants

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

9. Shareholders' capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares without nominal or 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.

The Company has a total of 150,652,138 common shares outstanding at March 31, 2018 (December 31, 2017 - 150,652,138).

(b) Per share information

For the three months ended,		March 31, 2018		March 31, 2017
(thousands, except per share amounts)				
Net earnings (loss) - basic	$	1,002	$	(2,099)
Effect of dilutive securities		10		-
Net earnings (loss) - diluted	$	1,012	$	(2,099)
Weighted average shares outstanding - basic		150,652		106,630
Effect of dilutive securities		7		-
Weighted average shares outstanding - dilutive		150,659		106,630
Net earnings (loss) per share - basic & dilutive	$	0.01	$	(0.02)

(1) For the three months ended March 31, 2018, there were 1.1 million weighted average stock options exercisable that were excluded from the calculation as the impact was anti-dilutive (For the three months ended March 31, 2017 - 0.2 million).

(c) Stock options

A summary of the changes to the option plan during the three months ended March 31, 2018, is presented below:

	USD denominated options			CAD denominated options		
	Number of options		Weighted average exercise price (USD)	Number of options		WA exercise price (CAD)
Balance, December 31, 2017	67,000	$	3.68	9,933,000	$	0.36
Expired and cancelled	-		-	(3,000)		3.22
Forfeited	-		-	(825,000)		0.37
Balance, March 31, 2018	67,000	$	3.68	9,105,000	$	0.36

The following tables summarize information about the USD and CAD options outstanding as at March 31, 2018:

USD denominated options				CAD denominated options			
Exercise price (USD)	Options outstanding	Options exercisable	Weighted average contractual life (years)	Exercise price (CAD)	Options outstanding	Options exercisable	Weighted average contractual life (years)
$3.01 - $4.00	32,000	32,000	0.5	$0.30 - $1.00	9,055,000	1,166,667	4.7
$4.01 - $5.00	35,000	35,000	0.6	$1.01 - $2.50	50,000	50,000	1.6
	67,000	67,000	0.6		9,105,000	1,216,667	4.7

10. Other expenses and income

(i) Well incident recovery

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

The Company incurred a total of $4.0 million to bring the well under control which was fully provided for at year end 2017. The Company submitted an interim insurance claim in Q1 2018 and has recognized $2.6 million of proceeds for the initial claim. As at March 31, 2018, the Company has received $1.9 million with a balance of $0.7 million recorded as insurance receivable on the balance sheet. Subsequent to March 31, 2018, the Company received the additional $0.7 million.

(ii) Transaction costs

Transaction costs include costs associated with the continuance of the Company from Alberta, Canada, to Jersey, Channel Islands, and includes the legal, accounting and due diligence costs associated with listing its shares for trading on the Alternative Investment Market of the London Stock Exchange ("AIM").

(Thousands of US dollars, unless otherwise noted)

11. Commitments and contingencies

Future payments for the Company's commitments as at March 31, 2018 are below. A commitment is an enforceable and legally binding agreement to make a payment in the future for the purchase of goods and services. These items exclude amounts recorded in the balance sheet.

	Within 1 Year	2-3 Years	4-5 Years	Beyond 5 Years	**Total**
Operating leases	$ 650	$ 889	$ 4	$ -	$ 1,543
Gas plant-Romania [(1)]	1,159	-	-	-	1,159
Debt [(2)]	2,700	9,444	13,487	6,743	32,374
Total	$ 4,509	$ 10,333	$ 13,491	$ 6,743	$ 35,076

[(1)] Contractual obligation on the construction of the gas processing facility.

[(1)] Debt obligations presented exclude deferred financing costs and include accrued interest.

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

Tunisia

The Tunisian state oil and gas company, ETAP, has the right to back into up to a 50% working interest in the Chouech Es Saida concession if, and when, the cumulative crude oil sales, net of royalties and shrinkage, from the concession exceeds 6.5 million barrels. As at March 31, 2018, cumulative liquid hydrocarbon sales net of royalties and shrinkage was 5.2 million barrels.

Romania

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

The Company signed an engineering, procurement, construction and commissioning contract ("EPCC") with Confind S.R.L., a Romanian company, for the construction of a gas processing facility and associated flowlines and pipelines on the Satu Mare concession. As at March 31, 2018, a balance of $1.1 million is remaining on this contract.

Office Space

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

12. Segment information

The Company's reportable segments are organized by geographical areas and consist of the exploration, development and production of oil and natural gas in Romania and Tunisia. The Corporate segment includes all corporate activities and items not allocated to reportable operating segments and therefore includes Brunei.

(Thousands of US dollars, unless otherwise noted)

As at March 31, 2018	**Romania**	**Tunisia**	**Corporate**	**Total**
Total assets	$ 35,129	76,179	3,485	$ 114,793
For the three months ended March 31, 2018				
Petroleum and natural gas revenues				
Crude oil	$ -	1,638	-	$ 1,638
Natural gas	-	573	-	573
	$ -	2,211	-	$ 2,211
Royalties	-	(213)	-	(213)
	$ -	1,998	-	$ 1,998
Well incident recovery	$ 2,592	-	-	$ 2,592
Operating expenses				
Production expenses	-	728	11	739
General and administrative	-	-	698	698
Share-based compensation	-	-	129	129
Transaction costs	-	-	386	386
Depletion and depreciation	1	414	40	455
Finance expense				
Interest expense and accretion	19	241	776	1,036
Foreign exchange gain	(226)	(20)	(62)	(308)
Earnings (loss) before income taxes	$ 2,798	$ 635	$ (1,978)	$ 1,455
Current income tax expense	-	132	-	132
Deferred income tax expense	-	321	-	321
Net earnings (loss)	$ 2,798	$ 182	$ (1,978)	$ 1,002
Capital expenditures	$ 2,052	$ 12	$ 84	$ 2,148

As at December 31, 2017	**Romania**	**Tunisia**	**Corporate**	**Total**
Total assets	$ 32,353	$ 75,852	$ 6,766	$ 114,971
For the three months ended March 31, 2017				
Petroleum and natural gas revenues				
Crude oil	$ -	$ 1,162	$ -	$ 1,162
Natural gas	-	546		546
Change in oil inventory	-	1,242		1,242
	$ -	$ 2,950	$ -	$ 2,950
Royalties	-	(308)	-	(308)
	$ -	$ 2,642	$ -	$ 2,642
Operating expenses				
Production expenses	-	1,720	13	1,733
General and administrative	-	-	774	774
Share-based compensation	-	-	46	46
Depletion and depreciation	1	774	38	813
Finance expense				
Unrealized loss on investments	-	-	17	17
Interest expense and accretion	1	170	717	888
Foreign exchange loss (gain)	13	(28)	82	67
Loss before income taxes	$ (15)	$ 6	$ (1,687)	$ (1,696)
Current income tax expense	-	-	-	-
Deferred income tax expense	-	403	-	403
Net loss	$ (15)	$ (397)	$ (1,687)	$ (2,099)
Capital expenditures	$ 545	$ 313	$ -	$ 858