SERINUS ENERGY INC.

Management's Discussion and Analysis
For the three and nine months ended September 30, 2016
(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 September 30, 2016 and the December 31, 2015 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 September 30, 2016 are prepared in accordance with IAS 34 Interim Financial Reporting and do not include all the information required for full annual financial statements. This document is dated November 9, 2016.

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

- In Q1 2016, Serinus announced the closing of the sale of its 70% interest in Ukraine to Resano Trading Ltd. for total cash consideration of $33.2 million including all working capital and inter-company adjustments. Net proceeds of the sale have been used to repay $19.2 million of debt and interest outstanding with the European Bank for Reconstruction and Development ("EBRD") against the Romania and Tunisia debt facilities. The balance of the proceeds will be used for general corporate purposes and to help fund development of the Moftinu gas discovery in Romania. The results of operations of Ukraine are included in the consolidated results of Serinus up to the date the sale closed and are reflected as discontinued operations in the statement of operations.
- During Q3 2016, production from Tunisia averaged 1,007 boe/d, down from 1,336 boe/d in Q3 2015. In Q3 2016, lower production was due to pump failures on the CS-3 and CS-1 wells in Chouech Es Saida for aggregate downtime of 78 days as parts had to be sourced from outside the country.
- Tunisia production for Q3 2016 was weighted 78% (2015: 77%) oil with the remainder consisting of natural gas production.
- Average crude oil prices in Tunisia were lower in Q3 2016, at $43.01per bbl, compared to $52.24 per bbl in Q3 2015, reflecting the decline in Brent. During Q3 2016, Brent prices averaged $45.79/bbl as compared to $50.23/bbl in the comparable period of 2015, a decline of 9%.
- The netback [a b] for Tunisia in Q3 2016 was $12.54 per boe, compared to $22.19 per boe in 2015. The lower netback was driven by lower commodity prices.
- Funds from operations [a c] was an outflow of $3.2 million for Q3 2016 (Q3 2015: inflow of $5.2 million) comprised of funds from operations from Tunisia of $1.1 million, which when offset by the corporate loss from operations of $4.3 million resulted in total negative funds from operations for the quarter. On a year to date basis, funds from operations was an outflow of $1.3 million as compared to an inflow of $14.7 million in the comparative period of 2015. On a year to date basis, funds from operations from Tunisia were $3.3 million, the corporate loss was $7.6 million and offsetting this loss from continuing operations were the funds from operations from Ukraine of $3.0 million. In 2016, the sale of Ukraine, lower production and lower commodity prices contributed to the decrease in funds from operations.
- Revenue, net of royalties, from Tunisia for the three and nine months ended September 30, 2016 decreased to $3.3 million and $10.3 million, compared to $5.5 million and $18.8 million in the comparative periods of 2015. The decrease in 2016 was attributable to lower commodity prices and lower production on a year to date basis.
- In Q2 2016, Serinus, through its Tunisian subsidiary, entered into a marketing agreement with Shell International Trading and Shipping Company Limited ("Shell") 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.
- As at September 30, 2016, the outstanding principal on EBRD debt was $27.1 million, reflecting prepayments made as a result of the disposition of Ukraine, regular scheduled repayments made in March and September, and a repayment under the excess cash sweep provision in May 2016.
- At September 30, 2016, 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 upon its ability to generate future cash flows from operations and/or obtain the necessary financing required to meet its ongoing production expenditures, corporate overhead, exploration program, and discharge its liabilities as they come due, including EBRD repayments under the original repayment terms. The depressed commodity prices have reduced the Company's ability to generate cash flows from operations.
- At September 30, 2016, the Company was not in compliance with the annual debt service coverage ratio financial covenant at the Tunisia level and the financial debt to EBITDA ratio at the consolidated level on its debt held with the European Bank for Reconstruction and Development ("EBRD"). Subsequently, EBRD has formally waived compliance with these ratios for the period ended September 30, 2016. The implication of this waiver is that debt repayments will follow their original scheduled repayment terms and the bank will not be acting on its security. However, given the covenant was breached as at September 30, 2016, 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

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

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.

- Effective October 31, 2016, the National Agency for Mineral Resources ("NAMR"), the Romanian regulator, has granted its final approval for the Phase 3 Extension Addendum for the Satu Mare Concession ("Satu Mare") in northwest Romania. The term is for three years beginning retroactively to May 28, 2015, the date that the Company originally applied for the extension. Serinus will immediately apply for a further extension owing to the delay in receiving the approval. The work obligations pursuant to the extension include the drilling of two wells, and, at the Company's option, either the acquisition of 120 km^2 of new 3D seismic data or 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 Company, through its indirectly wholly owned subsidiary Winstar Satu Mare S.A ("Winstar Satu Mare"), currently holds a 60% interest in Satu Mare. The holder of the remaining 40% interest has acknowledged that they do not wish to participate in future phases under the concession. However, they are currently in a legal dispute with the government of Romania and it is as yet unclear as to whether the holder has the ability to transfer their interest to the Company.
- On August 31, 2016, Serinus announced changes to its senior executives. Mr. Timothy Elliott, President and Chief Executive Officer, and Mr. Jock Graham, Executive Vice President and Chief Operations Officer retired effective August 31, 2016. Mr. Jeffrey Auld was appointed as Chief Executive Officer effective August 31, 2016 to coincide with Mr. Elliott's retirement.

OPERATIONAL OVERVIEW

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

Included in the MD&A is an analysis of the above operations. The Company also had operations in Ukraine which were sold at the beginning of February 2016. Operations in Ukraine, up to the date of sale, have been presented as discontinued operations in the Statement of Operations for the periods ended September 30, 2016 and 2015. For purposes of this MD&A, analysis of the results of Ukraine have been included in the section titled Discontinued Operations.

Tunisia

As at September 30, 2016, 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

Three of the concessions are currently producing 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 September 30, 2016, 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 of Winstar on June 24, 2013, and since that time has generated $103.0 million of revenue, net of royalties, in aggregate from these assets.

Romania

Serinus will concentrate on the development of the Moftinu-1001 discovery which will include building surface facilities. Management has commenced preliminary design of surface facilities and is developing the drilling program to meet the work commitments for the extension. Pending receipt of typical permits and approvals, construction of the facility could commence in the first half of 2017.

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.

Serinus, through its wholly owned subsidiary Winstar Satu Mare, currently holds a 60% interest in Satu Mare. The holder of the remaining 40% interest has acknowledged that they do not wish to participate in future phases under the concession. However, they are currently in a legal dispute with the government of Romania and it is as yet unclear as to whether the holder has the ability to transfer their interest to the Company.

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 2033.

Other

In Brunei, effective October 2016, the Block L production sharing agreement ("Block L PSA") was terminated. Previously, the Company held a 90% working interest in the Brunei Block L PSA. The Company is obligated to undertake site restoration work. The Brunei Block L assets are fully impaired.

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$1.7 million, of which $0.4 million was undertaken year to date 2016.

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.

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

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2016	2015	2016	2015
Cash flow (used)/from operations	$ (4,202)	$ 1,188	$ (3,801)	$ 11,091
Changes in non-cash working capital	1,016	4,002	2,529	3,611
Funds from operations [a]	$ (3,186)	$ 5,190	$ (1,272)	$ 14,702
Funds from operations per share	$ (0.04)	$ 0.07	$ (0.02)	$ 0.19
Funds from operations				
Continuing operations	$ (3,186)	$ 79	$ (4,284)	$ 3,125
Discontinued operations [b]	-	5,111	3,012	11,577
	$ (3,186)	$ 5,190	$ (1,272)	$ 14,702

(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 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 in the Statement of Operations.

Funds from operations for continuing operations decreased by $3.3 million for the three month period ended September 30, 2016 to negative $3.2 million, as compared to $0.1 million in the comparable period of 2015. The decrease in funds from

operations for continuing operations was primarily attributable to lower commodity prices and higher general and administrative costs, partially offset by lower production costs.

Similar trends are noted on a year to date basis as funds from operations for continuing operations decreased by $7.4 million to a negative $4.3 million, as compared to $3.1 million in 2015.

Discussion regarding funds from operations relating to Ukraine is included in the section titled Discontinued Operations.

PRODUCTION

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2016	2015	2016	2015
Average Daily Production				
Crude Oil (bbl/d)	787	1,035	857	1,074
Natural gas (Mcf/d)	1,324	1,806	1,593	1,789
Total boe/d	1,007	1,336	1,123	1,372

Tunisia production is predominantly from the Chouech Es Saida and Sabria fields.

Production volumes decreased 25% in the third quarter to 1,007 boe/d, compared to 1,336 boe/d in the comparable period of 2015. In Q3 2016, decreased production was due to pump failures on the CS-3 and CS-1 wells in Chouech Es Saida for aggregate downtime of 78 days as parts had to be sourced from outside the country. CS-3 and CS-1 resumed production in early September and early October respectively.

On a year to date basis, production decreased by 18% to 1,123 boe/d, compared to 1,372 boe/d in the prior year. The decrease year over year was substantially due to restricted rates for the WIN-12bis well due to scaling, two additional Sabria wells requiring workovers stemming from the field shut-in during the summer of 2015, downtime incurred relating to pump issues and wells shut in for pressure build ups.

OIL AND GAS REVENUE AND CHANGE IN OIL INVENTORY

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2016	2015	2016	2015
Crude oil sales	$ 689	$ 4,973	$ 5,909	$ 16,476
Change in oil inventory	2,424	-	3,561	-
Natural gas sales	519	1,264	2,021	4,705
	$ 3,632	$ 6,237	$ 11,491	$ 21,181
Crude Oil($/bbl)	$ 43.01	$ 52.24	$ 40.35	$ 56.17
Natural gas ($/mcf)	4.26	7.61	4.63	9.64
Average price ($/boe)	$ 39.19	$ 50.75	$ 37.37	$ 56.52

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.

The Company is required to sell 20% of its annual oil production from the Sabria concession into the local market, which is sold at an approximate 10% discount to the price obtained on its other crude sales. For the three and nine months ended September 30, 2016, Brent prices averaged $45.79 per bbl and $41.67 per bbl as compared to $50.23 per bbl and $55.28 per bbl in the comparable periods of 2015, respectively, reflecting a 9% and 25% decline year over 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 totalled $3.6 million for Q3 2016, compared to $6.2 million in Q3 2015. The decrease of 42% was attributable to a 23% decrease in the average commodity price and a 25% decrease in production.

On a year to date basis, revenues totaled $11.5 million as compared to $21.2 million in the comparable period of 2015. The decrease of 46% is primarily attributable to lower commodity prices, driven by lower Brent prices and lower production. On a year to date basis, the average commodity price was 34% lower than 2015 and production was down 18%.

Oil sales include volumes loaded onto tankers. There were two tanker liftings in March 2016 resulting in an overlifted position, after which there have been no further tanker liftings and crude is now accumulating pursuant to the Shell contract. As at September 30, 2016, the Company was in an under-lifted position of 80,334 bbl and has therefore recorded inventory of $3.6 million.

ROYALTIES

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2016	2015	2016	2015
Total royalties	$ 382	$ 694	$ 1,237	$ 2,427
$/boe	$ 4.12	$ 5.65	$ 4.02	$ 6.48
Royalties as a percentage of sales	10.5%	11.1%	10.8%	11.5%

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 Q3 2016 was 10.5% as compared to 11.1% in Q3 2015. This slight decrease in the average royalty rate reflects proportionally more production from Sabria in 2016, which has a 7% oil royalty rate, therefore decreasing the average royalty rate for Tunisia. A similar trend is noted on a year to date basis.

PRODUCTION EXPENSES

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2016	2015	2016	2015
Tunisia	2,088	2,816	6,605	9,020
Canada	73	68	144	143
Production expenses	$ 2,161	$ 2,884	$ 6,749	$ 9,163
Tunisia production expense ($/boe)	$ 22.53	$ 22.91	$ 21.48	$ 24.07

On an absolute basis, production expense for Q3 2016 decreased by 25% compared to the same period in 2015. On a boe basis, the costs only decreased 2% to $22.53 per boe as compared to $22.91 boe in 2015, reflecting the production decline in the quarter, as discussed in the Production section on the previous page.

For the nine month period ended September 30, 2016, production expenses decreased 26% to $6.7 million from $9.2 million in the comparable period of 2015. On a per boe basis, production expenses decreased to $21.48 per boe from $24.07 per boe in the prior year.

Production expenses have decreased year over year on an absolute and per boe basis mainly due to lower personnel costs as well as a one-time inventory write-off in the prior year.

Canadian production expenses relate to the Sturgeon Lake assets and totalled $73 thousand and $144 thousand for the three and nine month periods ended September 30, 2016. 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 September 30,					
(Volumes in thousand)	2016			2015		
	Gas (Mcf)	Oil (bbl)	**Total (boe)**	Gas (Mcf)	Oil (bbl)	**Total (boe)**
Average daily sales volumes	1,324	787	**1,007**	1,806	1,035	**1,336**
Revenue	$ 4.26	$ 43.01	**$ 39.19**	$ 7.61	$ 52.24	**$ 50.75**
Royalty expense	(0.33)	(4.73)	**(4.12)**	(0.82)	(5.86)	**(5.65)**
Production expenses	(2.45)	(24.73)	**(22.53)**	(3.46)	(23.54)	**(22.91)**
Netback [(a)]	$ 1.48	$ 13.55	**$ 12.54**	$ 3.33	$ 22.84	**$ 22.19**

Netback by Commodity	Nine months ended September 30,					
(Volumes in thousand)	2016			2015		
	Gas (Mcf)	Oil (bbl)	**Total (boe)**	Gas (Mcf)	Oil (bbl)	**Total (boe)**
Average daily sales volumes	1,593	857	**1,123**	1,789	1,074	**1,372**
Revenue	$ 4.63	$ 40.35	**$ 37.37**	$ 9.64	$ 56.17	**$ 56.52**
Royalty expense	(0.42)	(4.48)	**(4.02)**	(1.04)	(6.54)	**(6.48)**
Production expenses	(2.66)	(23.19)	**(21.48)**	(4.10)	(23.92)	**(24.07)**
Netback [(a)]	$ 1.55	$ 12.68	**$ 11.87**	$ 4.50	$ 25.71	**$ 25.97**

(a) Netback is defined as revenue less direct expenses and is calculated as oil and gas revenue 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 decreased to $12.54 per boe in Q3 2016 compared to $22.19 in Q3 2015. The decrease in Q3 2016 is due to lower realized prices, partially offset by lower royalties and lower production expenses. Similar trends are noted on a year to date basis.

GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2016	2015	2016	2015
General and administrative	$ 3,915	$ 1,814	$ 6,959	$ 4,713
$/boe	$ 42.24	$ 3.77	$ 15.63	$ 3.26
$/continuing operations/boe	$ 42.24	$ 14.76	$ 22.62	$ 12.58

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 costs increased in Q3 2016 due to termination benefits associated with the retiring executives of $2.2 million. This amount represents the complete obligation and no further amounts are payable to the former executives. Further costs of $0.2 million were incurred to terminate operations in Dubai where the executives were located. Excluding these costs, G&A costs for the quarter were $1.5 million, a 16% decrease from the comparable period of 2015. Gross G&A costs,

excluding the termination benefits and associated costs, have decreased year over year due to cost savings measures, though the decrease in reported G&A costs is somewhat muted by lower recoveries in 2016, reflecting limited activity and a minimal capital program.

Similar trends are noted on a year to date basis, as excluding the termination benefits and associated costs for the Dubai executives, G&A decreased to $4.6 million in 2016 from $4.7 million in 2015.

The $/boe metrics are impacted by the inclusion of Ukraine production in periods up to the date of close of sale of Ukraine. Normalizing the $/boe metrics to exclude Ukraine production results in the following $/continuing operations/boe metrics, G&A costs increased to $42.24 per boe for the quarter which included the one-time Dubai closure and termination costs. The 186% increase to $42.24 from $14.76 in 2015, reflects a 116% increase in absolute G&A cost and a 25% decrease in production. On a year to date basis, G&A costs were $22.62 per boe, an 80% increase from $12.58 in 2015, the increase reflecting a 48% increase in absolute G&A costs and an 18% decrease in production from 2015.

STOCK BASED COMPENSATION

	Three months ended Sept 30, 2016	Three months ended Sept 30, 2015	Nine months ended Sept 30, 2016	Nine months ended Sept 30, 2015
Stock based compensation	$ 21	$ 20	$ 36	$ 735
$/boe	$ 0.23	$ 0.04	$ 0.08	$ 0.50
$/continuing operations/boe	$ 0.23	$ 0.16	$ 0.12	$ 1.96

The Company has granted common share purchase options to officers, directors, employees and certain consultants 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 was consistent for the three months ended September 30, 2016 at $21 thousand compared to $20 thousand in Q3 2015.

On a year to date basis, stock based compensation expense was $36 thousand compared to $735 thousand in 2015. The lower expense in 2016 is primarily due to an accelerated expense in Q1 2015 associated with the cancellation of 2,753,400 options.

DEPLETION, DEPRECIATION AND IMPAIRMENT

	Three months ended Sept 30, 2016	Three months ended Sept 30, 2015	Nine months ended Sept 30, 2016	Nine months ended Sept 30, 2015
Tunisia	1,138	2,218	$ 3,727	$ 6,798
Corporate	47	63	146	158
Depletion and depreciation ("D&D")	$ 1,185	$ 2,281	$ 3,873	$ 6,956
Tunisia D&D ($/boe)	12.28	18.05	$ 12.11	$ 18.15
Impairment	$ -	$ 44,277	$ -	$ 44,277

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 field.

In Q3 2016, depletion and depreciation expense decreased to $1.2 million from $2.3 million in 2015. The decrease in depletion expense was due to a lower depletion rate per boe and lower production in 2016 as compared to 2015.

On a per boe basis, depletion rates have decreased to $12.28 per boe for the three months ended September 30, 2016, compared to $18.05 per boe in the comparable period of 2015. The decrease is due to a reduction in the depletable base associated with impairment recognized in 2015, due to declining oil prices.

Similar trends are noted on a year to date basis.

No indicators of impairment have been identified in 2016, resulting in no impairment charge in 2016. In 2015, the sustained decrease in petroleum and natural gas prices relative to prices used in the impairment calculation at December 31, 2014 indicated impairment as at September 30, 2015. The calculation resulted in an impairment charge of $44.3 million for Tunisia in the third quarter of 2015.

INTEREST EXPENSE AND ACCRETION

	Three months ended Sept 30,		Six months ended Sept 30,	
	2016	2015	2016	2015
Interest on long-term debt	$ 754	$ 1,146	$ 2,776	$ 3,019
Other interest charges	-	(1)	2	(1)
Accretion on asset retirement obligations	194	147	582	442
	$ 948	$ 1,292	$ 3,360	$ 3,460

Interest expense and accretion for Q3 2016 decreased to $0.9 million as compared to $1.3 million in the comparative period of 2015. The decrease in interest expense for the quarter is attributable to a decrease in long term debt outstanding in 2016, due to repayments made in the year.

Interest expense and accretion decreased to $3.4 million for the nine months ended September 30, 2016 from $3.5 million in the comparable period of 2015. Lower interest expense associated with lower debt levels in 2016 were partially offset by the accelerated amortization of deferred financing costs on the Romania EBRD debt, which occurred as a result of the repayment of the Romania EBRD loan in Q1 2016.

Accretion represents the increase in the asset retirement obligation ("ARO") from the previous year end to reflect the passage of time. The increase in accretion expense in 2016 reflects higher ARO balances to accrete in 2016 as compared to 2015.

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 and $0.6 million for the three and nine month periods ended September 30, 2016, compared to a loss of $0.8 million and $0.9 million in 2015, due to fluctuations of currencies (see foreign currency exchange risk) against the US dollar.

DISCONTINUED OPERATIONS

On February 8, 2016, Serinus announced the closing of the sale of its 70% interest in the shares of KUBGAS Holdings ("KUB Holdings") to Resano Trading Ltd. KUB Holdings holds 100% of the shares of KUBGAS LLC, a Ukrainian entity, which comprised the Company's Ukrainian operations. Upon closing, Serinus received total cash consideration of $33.2 million including working capital and inter-company adjustments.

The results of Ukraine operations are included in the results of Serinus up to the date of closing. On closing all assets, liabilities, minority interest and accumulated other comprehensive loss associated with the Ukrainian operations were derecognized from the balance sheet and recognized in the statement of operations as a loss on disposition. Offsetting the derecognition of balance sheet amounts were the proceeds on disposition, net of associated transaction costs. The loss on disposal primarily relates to accumulated other comprehensive loss of $34.2 million attributable to Ukraine.

The Ukraine operations and loss on disposition of Ukraine assets are presented as discontinued operations in the Statement of Operations for the comparative 2015 numbers and in 2016 up to the date of close of the sale.

	Three months ended Sept 30,		Nine months ended Sept 30,	
Net earnings (loss) from discontinued operations	2016	2015	2016	2015
Oil and gas revenue	$ -	$ 14,212	$ 5,416	$ 46,766
Royalty expense	-	(6,835)	(1,492)	(26,612)
Oil and gas revenue, net of royalties	-	7,377	3,924	20,154
Operating expenses:				
Production expenses	-	(1,750)	(396)	(6,169)
General and administrative	-	(3)	(3)	(42)
Depletion and depreciation	-	(2,295)	(599)	(6,848)
Loss on disposition	-	(40)	-	(46)
Finance income (expense)				
Interest and other income	-	99	78	288
Interest expense and accretion	-	44	(3)	(450)
Foreign exchange gain (loss)	-	(119)	(105)	(722)
Earnings before tax	-	3,313	2,896	6,165
Current tax expense	-	(519)	(513)	(2,366)
Deferred tax recovery	-	(209)	-	940
Earnings from discontinued operations (net of tax)	$ -	$ 2,585	$ 2,383	$ 4,739
Loss on disposal (net of transaction costs)	-	-	(33,040)	-
Earnings (loss) for the period	$ -	$ 2,585	$ (30,657)	$ 4,739

Serinus purchased its interests in Ukraine in 2010 for $45 million. The company received aggregate dividends in the amount of $41.5 million since acquisition, and total cash consideration of $33.2 million upon the sale in February 2016, for a 12.5% rate of return over the life of the project.

Production to the date of closing was 2,677 boe/d as compared to 2,807 boe/d in the comparable period of 2015.

For the nine months ended September 30, 2016, oil and gas revenue was $5.4 million, a decrease of 88% from $46.8 million in the prior year. The decrease in revenue is attributable to an 87% decrease in production due to the disposition of Ukraine in February 2016, and a 9% decrease in realized prices.

Average natural gas prices for the nine months ended September 30, 2016 were $6.63/Mcf as compared to $7.19/Mcf in the comparable period of 2015. Market reforms effective October 1, 2015, led to pricing being based on the market in Ukraine, whereas the pricing in the comparable period was set by the National Electricity Regulatory Commission (“NERC”) of Ukraine by reference to the Russian imported gas price. In addition, deterioration in the UAH in early 2016 impacted the realized price. The average exchange rate for the UAH/USD until the date of sale in 2016 was 25.1, compared to 21.7 for the nine months ended September 30, 2015, a deterioration of 16%.

Royalties averaged 28% in 2016 as compared to 57% in 2015. Effective January 1, 2016 the government of Ukraine reduced royalties on natural gas production to 29%, from the previous 55%, for wells drilled to depths up to 5 kilometers. The effective royalty rate in 2015 of 56.9% exceeded the stated 55% rate as royalties were based on the NERC limit price for selling gas to industrial consumers, however, the price realized was less than this limit price.

Production expenses were $2.88 per boe in the first nine months of 2016 compared to $6.16/boe in the comparable period of 2015. Production expenses decreased relative to the comparative period due to cost cutting initiatives, as well as the weakening of the UAH.

Funds from discontinued operations for the nine months ended September 30, 2016 were $3.0 million as compared to $11.6 million in the comparable period of 2015. The decline in funds from operations was due to only including results to the date of closing in 2016 and decreased commodity prices, partially offset by lower royalties and lower expenses.

Depletion was $4.34 per boe for nine months ended September 30, 2016, compared to $6.31 per boe in the comparable period of 2015. The decrease in depletion rate is primarily due to a decrease in the depletable base associated with impairments recorded in 2015, which has resulted in lower net book values, as well as the weakening of the UAH.

In Ukraine, the Company incurred no capital expenditures for the nine months ended September 30, 2016.

CAPITAL EXPENDITURES

	Three months ended Sept 30, 2016	Three months ended Sept 30, 2015	Nine months ended Sept 30, 2016	Nine months ended Sept 30, 2015
Capital expenditures on property, plant and equipment	$ 737	$ 2	$ 1,516	$ 8,062
Capital expenditures on exploration and evaluation assets	329	414	1,160	4,608
Total capital expenditures	$ 1,066	$ 416	$ 2,676	$ 12,670
Expenditure by location				
Tunisia	735	(9)	$ 1,512	$ 8,039
Romania	331	414	1,164	4,608
Corporate	-	11	-	23
	$ 1,066	$ 416	$ 2,676	$ 12,670

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. As at September 30, 2016, 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 $0.7 million and $1.5 million of capital expenditures for the three and nine months ended September 30, 2016, which included ESP related work on CS-1, CS-3 and CS-9.

In Romania, the Company incurred $0.3 million and $1.1 million of capital expenditures for the three and nine month periods ended September 30, 2016, which included pre-permitting and licensing, land rentals and ongoing engineering study costs.

Capitalized costs of Romania’s exploration and evaluation assets totaled $19.7 million as at September 30, 2016 (December 31, 2015: $18.5 million).

LIQUIDITY, DEBT AND CAPITAL RESOURCES

	Three months ended Sept 30, 2016	Three months ended Sept 30, 2015	Nine months ended Sept 30, 2016	Nine months ended Sept 30, 2015
Operating	$ (4,202)	$ 1,188	$ (3,801)	$ 11,091
Financing	(1,990)	(321)	(27,395)	12,528
Investing	(1,197)	(3,708)	22,265	(24,604)
Effect of exchange rate changes on cash	13	824	(247)	356
Change in cash	$ (7,376)	$ (2,017)	$ (9,178)	$ (629)

During 2016, the Company has generated negative cash flow from operations and continues to make debt repayments and incur minimal amounts of capital. In the current low 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. Funds received from

the sale of Ukraine in February 2016 have helped mitigate this shortfall. For the nine months ended September 30, 2016, cash out-flows have totaled $9.2 million compared to $0.6 million in the comparable period of 2015.

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.

The Company continues to implement cost savings measures to reduce its costs wherever possible while maintaining existing production in Tunisia. Capital programs have been reduced to those absolutely necessary to maintain production.

The Company is actively considering alternatives to finance the Company and provide the necessary liquidity and capital. The Company monitors its liquidity position constantly to assess whether it has the funds necessary to meet ongoing cash requirements. Alternatives available to Serinus to manage liquidity include farm-out arrangements and securing new equity or debt capital, as well as minimizing costs by cutting operating and administrative costs and deferring capital expenditures.

There are no restrictions on the use of the Company's capital resources that could materially affect, directly or indirectly, its operations or activities.

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

Working Capital [a]

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 Sept 30, 2016	As at December 31, 2015
Current assets	$ 12,942	$ 72,914
Current liabilities	(49,222)	(84,157)
Working capital	$ (36,280)	$ (11,243)

(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 $36.3 million as at September 30, 2016 (December 31, 2015: $11.2 million deficit).

The increase in working capital deficit is due to the disposition of Ukraine in Q1, 2016 which was in a positive working capital position as at December 31, 2015, partially offset by a reduction in debt due to debt repayments of $25.4 million made during the first nine months of 2016. At September 30, 2016 and December 31, 2015, all debt is presented as a current liability due to the violation of bank covenants which were waived subsequent to period end. The working capital deficiency, excluding debt repayable after one year, would be $9.6 million at September 30, 2016.

At September 30, 2016, 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 upon its ability to generate future cash flows from operations and/or obtain the necessary financing required to meet its ongoing production expenditures, corporate overhead, exploration program, and discharge its liabilities as they come due, including EBRD repayments under the original repayment terms. The depressed commodity prices have reduced the Company's ability to generate cash flows from operations.

At September 30, 2016, the Company was not in compliance with the annual debt service coverage ratio financial covenant at the Tunisia level and the financial debt to EBITDA ratio at the consolidated level on its debt held with the European Bank for Reconstruction and Development ("EBRD"). Subsequently, EBRD has formally waived compliance with these

ratios for the period ended September 30, 2016. The implication of this waiver is that debt repayments will follow their original scheduled repayment terms and the bank will not be acting on its security. However, given the covenant was breached as at September 30, 2016, Serinus has reclassified its long-term debt to current in the financial statements, as required under accounting standards. In Q3 2016, the Company financed cash outflows including working capital and capital expenditures from cash generated from Tunisian operations and cash on deposit.

There is a risk that the Company will violate certain financial covenants in future reporting periods relating to its debt held with ERBD, given the current low commodity prices. If these covenants are not met, the debt may become due on demand. This material uncertainty may cast significant doubt with respect to the ability of the Company to continue as a going concern.

The following details the debt agreements the Company has or had in place over the period ended September 30, 2016:

EBRD-Tunisia Loan Facility

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

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 reverts back to LIBOR plus 6%.

The Senior Loan is repayable in twelve equal semi-annual installments. The first repayment of $1.7 million was made March 31, 2015 and a further $2.1 million was made September 2015. In 2016, $7.6 million of the Senior Loan, including interest, was repaid from proceeds of the sale of Ukraine and scheduled semi-annual installments were paid in March and September 2016 of $1.7 million each.

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 and the Romanian debt, less capital expenditures, plus any new debt disbursement on the Tunisian debt. In the event that pre-payments are made on the Romanian loan in any given year, the repayment from Tunisia shall drop to 25% of Excess Cash. No pre-payment fees are applicable to the accelerated payments described above. In Q2 2016, a repayment was made under this provision of the loan agreement, relating to excess cash generated in 2015, for $3.4 million.

As at September 30, 2016, the principle outstanding under the Senior Loan was $7.1 million.

The Convertible Loan in the amount of USD $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.

Both loans are available to be drawn for a period of three years.

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 Sept 30, 2016	As at December 31, 2015
Debt Service Coverage Ratio (not less than 1.3:1) (a)		
- Tunisia (b)	0.8 - Non compliance	2.1 - In compliance
Debt Service Coverage Ratio (not less than 1.5:1) (c)		
- Serinus (d)	2.1 - In compliance	0.6 - In compliance
Financial Debt to EBITDA (no more than 2.5) (e)		
- Tunisia (f)	1.8 - In compliance	3.2 - Non compliance
Financial Debt to EBITDA (no more than 2.75) (g)		
- Serinus (h)	9.9 - Non compliance	2.5 - In 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. Subsequent to September 30, 2016, EBRD formally waived compliance with the Tunisia debt service coverage financial covenant that was violated for the reporting period ended September 30, 2016.
(b) Tunisia adjusted cash flow was $3.4 million for the 12 month period ended September 30, 2016. The debt service costs for the same period were $4.1 million (December 31, 2015: $12.8 million and $5.9 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.
(d) Serinus' adjusted consolidated cash flow amount was $10.3 million for the 12 month period ended September 30, 2016. The debt service costs for the same period were $4.8 million (December 31, 2015: $5.8 million and $10.1 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. Subsequent to December 31, 2015, EBRD formally waived compliance with the Tunisia Financial Debt to EBITDA financial covenant that was violated for the reporting period ended December 31, 2015.
(f) Tunisia financial debt totalled $7.1 million as at September 30, 2016. EBITDA totalled $4.0 million for the same period (December 31, 2015: $32.5 million and $10.1 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 September 30, 2016, EBRD formally waived compliance with the consolidated financial debt to EBITDA financial covenant that was violated for the reporting period ended September 30, 2016.
(h) Serinus financial debt totalled $27.1 million as at September 30, 2016. EBITDA totalled $2.7 million for the 12 month period ending September 30, 2016 (December 31, 2015: $53.1 million and $21.4 million respectively).

SHARE DATA

The Company is authorized to issue an unlimited number of common shares of which 78,629,941 common shares and 193,000 options with a USD exercise price and 3,611,000 options with a Canadian Dollar ("CAD") exercise price to purchase common shares were outstanding as at September 30, 2016.

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, September 30, 2016 and December 31, 2015	78,629,941	$ 344,479

Summary of options outstanding:
The following table summarizes information about common share purchase options outstanding at September 30, 2016:

	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, 2015	1,270,600	$ 3.96	111,000	$ 2.28
Granted	-	$ -	3,500,000	$ 0.32
Expired/Cancelled	(1,077,600)	$ 3.97	-	$ -
Balance, September 30, 2016	193,000	$ 3.96	3,611,000	$ 0.38

The following tables summarize information about the USD and CAD options outstanding as at September 30, 2016:

USD denominated options:

Exercise price (US$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
$ 3.01 - $ 3.50	32,000	32,000	1.99
$ 3.51 - $ 4.00	114,000	114,000	0.18
$ 4.01 - $ 5.00	35,000	35,000	2.13
$ 5.01 - $ 5.10	12,000	12,000	0.45
$ 3.96	193,000	193,000	0.85

CAD denominated options:

Exercise price (CAD$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
$ 0.01 - $ 1.50	3,500,000	-	6.98
$ 1.51 - $ 2.50	74,000	53,333	3.09
$ 2.51 - $ 3.22	37,000	37,000	2.68
$0.38	3,611,000	90,333	6.86

At the date of issuing this report, the following are the options outstanding and changes to directors, executives and officers shares owned since September 30, 2016, up to the date of this report:

		Changes to Ownership		
Name of Director/Executive Officer/Key Person	**Options held as at Nov 10, 2016**	**Shares held at September 30, 2016**	**Change in share ownership**	**Shares held at Nov 10, 2016**
Evgenij Iorich [(a)]	-	3,415	-	3,415
Jeffrey Auld	3,500,000	-	-	-
Helmut Langanger	-	-	-	-
Sebastian Kulczyk [(b)]	-	-	-	-
Lukasz Redziniak	-	-	-	-
Dominik Libicki	-	-	-	-
Aaron LeBlanc [(c)]	-	-	-	-
Tracy Heck	-	-	-	-
Jakub Korczak	-	-	-	-
	3,500,000	3,415	-	3,415

a) Mr. Iorich holds a position with Pala Investments, which is related to Pala Assets Holdings Limited ("Pala"). Pala owns 5,880,484 Shares. 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 KI. KI owns 39,909,606 Shares. By virtue of his position with KI, Mr. Kulczyk is deemed to have direction over such Shares.

c) Effective October 22, 2016, Mr LeBlanc resigned from the Company.

As at the date of issuing this report, management is only aware of two shareholders holding more than 5% of the common shares of the Company. KI owns 50.8% and Pala Holdings owns 7.5% of the common shares issued at September 30, 2016.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The contractual obligations as at September 30, 2016 are as follows:

	Within 1 Year	2-3 Years	4-5 Years	+5 Years	Total
Office Rental	$ 475	$ 882	$ 515	$ -	$ 1,872
EBRD loan – Tunisia [(a)]	3,333	3,734	23,509	-	30,576
Total contractual obligations	$ 3,808	$ 4,616	$ 24,024	$ -	$ 32,448

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 work commitments for Tunisia and Romania.

Tunisia

The Tunisian state oil and gas company, ETAP, has the right to back into up to a 50% working interest in the Chouech Es Saida concession if, and when, the cumulative crude oil sales, net of royalties and shrinkage, from the concession exceeds 6.5 million barrels. As at September 30, 2016, 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 31, 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 beginning retroactively to May 28, 2015, the date the Company originally applied for the extension.

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

Nemmoco Petroleum Corporation ("Nemmoco") is a private company of which 37.5% is owned by Timothy M. Elliott, a former officer and director of the Company. Nemmoco provided certain personnel, general, accounting and administrative services to the Company at its offices in Dubai on a cost basis. With the changes to senior executive effective August 31, 2016, the contract with Nemmoco was terminated on September 22, 2016, and the Company no longer has a presence in Dubai, therefore Nemmoco ceased to be a related party on September 1, 2016. For the three and nine months ended September 30, 2016, the fees totaled $0.2 million and $0.5 million (Q3 2015: $0.2 million and $0.6 million).

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 significant influence over both companies. 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. For the three and nine month period

ended September 30, 2016, these fees totalled $2 thousand and $7 thousand (Q3 2015: $2 thousand and $7 thousand). As at September 30, 2016, Loon Energy owes $3 thousand (December 31, 2015: $nil) to Serinus for these services.

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

2016 OUTLOOK

The Company's focus remains on reducing costs wherever possible while maintaining existing production in Tunisia. The 2016 budget will be re-examined on an ongoing basis in the event that management becomes confident that current oil prices can be sustained, and that funding is available to recommence a capital program.

In Romania, Serinus will concentrate on moving the Moftinu-1001 discovery into the experimental production phase. Pending receipt of typical permits and approvals, construction of the facility could commence in the first half of 2017.

The Company is examining numerous alternatives for funding the development activities in both Romania and Tunisia.

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)				
	Q3 2016	**Q2 2016**	**Q1 2016**	**Q4 2015**	**Q3 2015**	**Q2 2015**	**Q1 2015**	**Q4 2014**
Oil and gas revenue	$3,632	$4,080	$3,779	$4,794	$6,237	$6,816	$8,128	$10,034
Continuing operations loss attributable to:								
Common shareholders	($4,971)	($3,994)	($4,137)	($14,291)	($32,092)	($1,133)	($4,606)	($39,638)
Loss per share - basic and diluted	($0.06)	($0.05)	($0.05)	($0.18)	($0.41)	($0.01)	($0.06)	($0.50)
Total income/(loss) attributable to:								
Common shareholders	($4,971)	($3,994)	($35,515)	($14,604)	($30,281)	$49	($4,268)	($41,295)
Non-controlling interest	-	-	$721	($116)	$777	$500	$145	($684)
Loss per share - basic and diluted	($0.06)	($0.05)	($0.45)	($0.18)	($0.39)	$0.00	($0.05)	($0.53)

(a) Amounts have been restated as a result of the reclassification of Ukraine to discontinued operations, see note 5 to the December 31, 2015 Audited Consolidated Annual Financial Statements.

- In Q4 2014, total loss was negatively impacted by lower commodity prices, the increase in royalties in Ukraine and an impairment charge of $54.9 million, $5.6 million related to Ukraine and $49.3 million related to Tunisia.
- In Q1 2015, total loss was impacted by lower production in Ukraine, lower commodity prices and increase in royalties in Ukraine.
- In Q2 2015, total income was impacted by lower production and lower commodity prices in Ukraine and Tunisia and the increase in royalties in Ukraine.
- In Q3 2015, total income was impacted by lower production and lower commodity prices in Ukraine and Tunisia and the increase in royalties in Ukraine. 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 Ukraine and Tunisia and the increase in royalties in Ukraine. In addition, total income was negatively impacted by impairment charge of $7.1 million for Tunisia and $3.3 million for Ukraine.
- 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.

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 the 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 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 September 30, 2016 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:

	September 30, 2016		
	CAD	TD	LEU
Cash and cash equivalents	173	341	15
Accounts receivable	190	3,835	660
Income tax receivable	-	6,009	3
Prepaid expenses	(41)	595	269
Accounts payable and accrued liabilities	(201)	(6,900)	(486)
Net foreign exchange exposure	$ 121	$ 3,880	$ 461
US $ equivalent at period end exchange rate	$ 92	$ 1,766	$ 116

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 Sept 30 2016	As at December 31 2015
Canadian dollar	$ 9	$ (6)
Tunisian dinar	177	174
Romanian leu	12	5
Total	$ 198	$ 173

Interest rate risk

The Company maintains its cash and cash equivalents in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations thereon. The primary exposure to interest risk is related to Serinus' debt. During Q1, 2016 the Romania debt and Ukraine debt was fully repaid, resulting in the Tunisia debt being the only debt outstanding as at September 30, 2016.

The interest on the EBRD loan for Tunisia is based on LIBOR and has a portion based on incremental revenue with a floor of 8% and ceiling of 17% relating to the convertible loan portion. A 1% change in the LIBOR would have an immaterial effect on interest expense based on the debt balance outstanding at September 30, 2016 (December 31, 2015: $6 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 other 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.

Management believes that the Company's exposure to Tunisian credit risk is manageable, as commodities sold are under contract or require payment within 30 days. Oil is sold under a long term (5 year) contract to Shell International Trading and Shipping Company Limited which has provisions for regular payments. At September 30, 2016, the Company had no (December 31, 2015: nil) receivables that were considered past due. For the three month period ended September 30, 2016, the Company had two customers with sales representing 40% and 60% of total sales (Q3 2015: five customers with sales representing 30%, 28%, 28%, 13%, and 1% 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 September 30, 2016, 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 upon its ability to generate future cash flows from operations and/or obtain the necessary financing required to meet its ongoing production expenditures, corporate overhead, exploration program, and discharge its liabilities as they come due, including

EBRD repayments under the original repayment terms. The depressed commodity prices have reduced the Company's ability to generate cash flows from operations.

At September 30, 2016, the Company was not in compliance with the annual debt service coverage ratio financial covenant at the Tunisia level and the financial debt to EBITDA ratio at the consolidated level on its debt held with the EBRD. Subsequently, EBRD has formally waived compliance with these ratios for the period ended September 30, 2016. The implication of this waiver is that debt repayments will follow their original scheduled repayment terms and the bank will not be acting on its security. However, given the covenant was breached as at September 30, 2016, Serinus has reclassified its long-term debt to current in the financial statements, as required under accounting standards. In Q3 2016, the Company financed cash outflows including working capital and capital expenditures from cash generated from Tunisian operations and cash on deposit.

There is a risk that the Company will violate certain financial covenants in future reporting periods relating to its debt held with ERBD, given the current low commodity prices. If these covenants are not met, the debt may become due on demand. This material uncertainty may cast significant doubt with respect to the ability of the Company to continue as a going concern.

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 to preserving and protecting the environment, is of paramount importance. Operational hazards include fires, explosions, blow-outs, power outages, severe weather conditions and the release of harmful substances such as oil spills, gas leaks. Any of these hazards can interrupt operations, cause injury or death, damage property, equipment or/and the environment. Losses resulting from the occurrence of any of these risks could have a material adverse effect on operations.

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

Project risk

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

Risks in exploration include failure to acquire or find additional reserves which will, at 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, 2015 and those listed critical accounting estimates apply to the three and nine months ended September 30, 2016.

FUTURE CHANGES IN ACCOUNTING POLICIES

In January 2016, the IASB issued IFRS 16 which replaces the existing leasing standard (IAS Leases) and requires the recognition of most leases as finance leases on the balance sheet. IFRS 16 is effective January 1, 2019, with early application permitted. The Company is currently evaluating the impact of adopting IFRS 16 on its consolidated financial statements.

Refer to note 2 in the consolidated financial statements for the year ended December 31, 2015 for other pronouncements not yet adopted.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The preparation of this MD&A is supported by a set of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") as at September 30, 2016.

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, 2015 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
UAH	Ukrainian Hryvnia	USD	U.S. Dollar
CAD	Canadian Dollar	$M	Thousands of Dollars
$MM	Millions of Dollars		

MEASUREMENT CONVERSIONS

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

INVESTOR INFORMATION

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

We welcome questions from interested parties. Contact should be directed to 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**.