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Current Report No. 14/2017
Date: 2017-03-17
Issuer's trading name: SERINUS ENERGY INC.
Title: 2016 Financial and Operating Results
Legal basis: other regulations

Content:

Pursuant to Article 62.8 of the Act on Public Offering [...]the Management of SERINUS ENERGY INC. („Serinus", „SEN" or the „Company") informs that in Canada via the SEDAR system it has published information about its financial and operating results for the year ended December 31, 2016.

2016 HIGHLIGHTS

• In 2016, Serinus achieved average production (SEN WI) in Tunisia was 1,124 boe/d, down from 1,348 boe/d during 2015. Lower production during 2016 was due to natural declines and various technical issues including a blockage at WIN-12bis and ESP pump failures and subsequent un-planned workovers required at CS-1, CS-9 and CS-3.

• The netback for Tunisia in 2016 was $11.41 per boe, compared to $20.86 per boe in 2015. The lower netback was driven by lower commodity prices for most of the year partially offset by decreased production expenses.

• Funds from operations was an outflow of $1.6 million for the year ended December 31, 2016 (2015: inflow of $16.8 million). Funds from operations from Tunisia were $4.4 million, the corporate loss was $9.0 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 in February 2016, lower production and lower commodity prices contributed to the decrease in funds from operations. The principle drivers were the lower production and netbacks described above.

• The net loss from continuing operations for the year ended December 31, 2016 was $27.5 million ($0.35 per share), compared to a net loss from continuing operations of $52.2 million ($0.66 per share) in 2015. Included within this loss was asset impairment of $16.8 million (2015: $51.4 million) as a result of negative technical reserve revisions and declining oil and natural gas prices.

• Subsequent to year end, the Company filed a short form prospectus, dated February 21, 2017, which qualified for distribution 72 million common shares of the Company at CAD$0.35 per share for aggregate gross proceeds of CAD$25.2 million (net CAD$24.3 million, after agents fees of CAD$0.9 million)("the Offering"). The Offering closed on February 24, 2017, and the net proceeds will be used by the Company to fund the development of the Moftinu Gas Development Project and pre-work for the 2018 drilling program in the Satu Mare Concession in Romania, production enhancement in the Sabria block in Tunisia, and for general corporate purposes.

• 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 were 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.

• As at December 31, 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.

GENERAL & FINANCIAL HIGHLIGHTS

• Revenue, net of royalties, from Tunisia for year ended December 31, 2016 decreased to $14.0 million, compared to $23.0 million in 2015, due to lower commodity prices and lower production.

• For the three months ended December 31, 2016, revenue net of royalties decreased to $3.7 million, from $4.2 million in the comparative period of 2015, due to lower production, partially offset by higher commodity prices.

• Total royalties paid decreased from $3.0 million in 2015 to $2.0 million.in 2016. Much of this decrease was due to lower production and lower commodity prices.

• Serinus made capital expenditures of $3.6 million in 2016, of which $1.9 million and $1.7 million were in Tunisia and Romania respectively.

• Due to the continued decline in oil prices and technical reserve revisions, Serinus took a further impairment charge of $16.8 million at December 31, 2016 against its Tunisian assets versus $51.4 million for 2015.

• In 2016, $7.6 million of the EBRD Senior Loan, including interest, was repaid from proceeds of the sale of Ukraine, scheduled semi-annual installments were paid in March and September 2016 of $1.7 million each and a repayment of $3.4 million was made in May 2016 under the cash sweep mechanism. As at December 31, 2016, the principle outstanding under the Senior Loan was $7.1 million.

• At December 31, 2016, the Company was not in compliance with the financial debt to EBITDA ratio financial covenant at the corporate level on its debt held with the EBRD. The EBRD subsequently waived compliance with this ratio for the year ended December 31, 2016. 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 December 31, 2016, Serinus has reclassified its long-term debt to current in the financial statements, as required under accounting standards.

Summary of 2016 Financial Results is presented in the attachment.

OPERATIONAL HIGHLIGHTS

• During 2016, production from Tunisia averaged 1,124 boe/d, down from 1,348 boe/d during 2015, a decline of 17%. Lower production during 2016 was due to natural declines and various technical issues including a blockage at WIN-12bis, ESP pump failures and subsequent un-planned workovers required at CS-1, CS-9 and CS-3.

• In Q4 2016, production volumes decreased 11% to 1,131 boe per day, compared to 1,277 boe per day in the comparable period of 2015. The decreased production was due to natural declines and lower production in Chouech Es Saida as CS-3 and CS-1 wells went down in the middle of December. These two wells remain off-line in Q1 2017 pending pump replacement and workovers. CS-3 is anticipated to be back on stream in the second quarter of 2017 pending resolution of the shut-in of the Chouech Es Saida field announced February 28, 2017. The decline in production in the Chouech Es Saida field was offset by increased production in Sabria due to increased production from WIN12-bis as compared to 2015, due to a blockage in September and October restricting October 2015 production.

• Minimal capital activity was undertaken in 2016 due to the low commodity prices restricting capital spend in Tunisia. In Romania, the National Agency for Mineral Resources ("NAMR"), the Romanian regulator, 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 and expires on October 28, 2019.

OUTLOOK

Serinus will concentrate on the development of the Moftinu Gas Development Project in Romania which will include building surface facilities. This is a near-term project that is expected to begin producing from the gas discovery wells Moftinu-1001 and Moftinu-1000 in early 2018. The Corporation has obtained all necessary approvals for, and will soon commence, the construction of a gas plant with 15 MMcf/d of operational capacity. Construction of the project will proceed over 2017 with expected first gas from this project in Q1 2018. The Company is also developing the drilling program to meet work commitments for the extension.

Average working interest production in 2017 in Tunisia to the end of February was approximately 727 boe/d (556 bbl/d of oil, 1,030 MMcf/d of gas).

The Company's production has been significantly curtailed in the first quarter of 2017 as a result of the shut-in of the Chouech Es Saida field in Tunisia, which is expected to continue for the duration of the first quarter. Assuming the continued shut-in, production is projected to be approximately 650 boe/d for the first quarter of 2017. Full year production for 2017 is dependent on the successful resolution of the sit-in at the Chouech Es Saida field and associated security and safety issues, as well as the timing of the above mentioned capital program in Sabria.

EXECUTIVE APPOINTMENT

The Company is pleased to announce the appointment of Mr. Calvin Brackman as Vice President, External Relations & Strategy. Mr. Brackman has a wealth of external relations and strategic planning experience, including being Director of Government Relations at PetroKazakhstan Inc. from 2003 to 2005. For the past 10 years Mr. Brackman has worked as a consultant and advised numerous international oil companies. Mr, Brackman has been Director of External Relations with Serinus since December, 2016.

SUPPORTING DOCUMENTS

The full Management Discussion and Analysis ("MD&A") and Financial Statements have been filed in English on www.sedar.com and in Polish and English via the ESPI system, and will also be available on www.serinusenergy.com.

CAUTIONARY STATEMENT

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

This text contains selected excerpts from the original news release in English, which has been filed by Company in Canada (country of its registered office) by way of the SEDAR system and is available at the website www.sedar.com by entering the Company name at http://www.sedar.com/search/search_form_pc_en.htm

The Polish translation of the entire text of the news release is available at the website: www.serinusenergy.com

SERINUS
ENERGY

Attachment to current report No 14 / 2017 of March 17, 2017

Issuer's trading name: **SERINUS ENERGY INC.**

Summary Financial Results *(US$ 000's unless otherwise noted)*

		Three Months Ending December 31			Year Ending December 31		
		2016	**2015**	**Change**	**2016**	**2015**	**Change**
Net Oil and Gas Revenue		4,456	4,794	(7%)	15,947	25,975	(39%)
Net Income from Continuing Operations		(14,419)	(14,333)	1%	(27,521)	(52,150)	47%
per share, basic and diluted		(0.18)	(0.18)		(0.35)	(0.66)	
Funds from Continuing Operations		(368)	(2,192)	(83%)	(4,652)	935	(598%)
per share, basic and diluted		(0.01)	(0.03)	(47%)	(0.06)	0.01	
Capital Expenditures		975	563	73%	3,651	13,233	(72%)
Average Production (net to Serinus from continuing operations)							
Oil	(Bbl/d)	842	1,001	(16%)	853	1,055	(19%)
Gas	(Mcf/d)	1,733	1,655	5%	1,628	1,755	(7%)
BOE	(boe/d)	1,131	1,277	(11%)	1,124	1,348	(17%)
Average Sales Price (from continuing operations)							
Oil	($/Bbl)	$47.40	$41.85	13%	$42.10	$52.75	(20%)
Gas	($Mcf)	$4.91	$6.17	(20%)	$4.71	$8.81	(47%)
BOE	($/boe)	$42.82	$40.81	5%	$38.75	$52.77	(27%)

	December 31		December 31	
	2016	**2015**	**2016**	**2015**
Cash & Equivalents	4,297	6,594	4,297	6,594
Working Capital	(38,475)	(11,243)	(38,475)	(11,243)
Long Term Debt		-		-
Shares Outstanding	78,629,941	78,629,941	78,629,941	78,629,941
Average for Period	78,629,941	78,629,941	78,629,941	78,629,941