SERINUS ENERGY INC.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

US dollars in '000's

(Unaudited)

SERINUS ENERGY INC.

Condensed Consolidated Statement of Financial Position

US dollars in '000's

(Unaudited)

		March 31, 2014	December 31, 2013
	Assets		
Current			
Cash and cash equivalents		$ 14,756	$ 19,916
Accounts receivable		15,265	6,806
Prepaids and other		5,362	7,605
Crude Oil inventory		-	1,296
Restricted cash		1,416	1,416
Total current assets		36,799	37,039
Investments		196	155
Property, plant and equipment	(Note 4)	243,432	263,445
Exploration and evaluation	(Note 5)	10,395	11,834
Total Assets		$ 290,822	$ 312,473
	Liabilities		
Current			
Accounts payable and accrued liabilities		$ 27,616	$ 33,111
Income taxes payable		3,712	4,825
Convertible note payable	(Note 7)	15,000	15,000
Current portion of long-term debt	(Note 8)	4,649	4,026
Asset retirement obligation		3,209	3,209
Total current liabilities		54,186	60,171
Asset retirement obligation		25,811	25,780
Other provisions		1,148	1,148
Deferred tax liability		44,672	46,800
Long-term debt	(Note 8)	10,571	8,030
Total liabilities		136,388	141,929
	Shareholders' Equity		
Share capital	(Note 9)	$ 344,479	$ 344,403
Contributed surplus		19,066	18,062
Accumulated other comprehensive loss		(13,492)	(269)
Non-controlling interest		26,745	32,369
Deficit		(222,364)	(224,021)
Total shareholders' equity		154,434	170,544
Total liabilities and shareholders' equity		$ 290,822	$ 312,473

Commitments (Note 11)

"Signed"

MICHAEL A. McVEA, DIRECTOR, CHAIR OF THE AUDIT COMMITTEE

"Signed"

TIMOTHY M. ELLIOTT, DIRECTOR, PRESIDENT AND CEO

SERINUS ENERGY INC.

Condensed Consolidated Statement of Operations and Comprehensive Earnings/(Loss)

US dollars in '000's

(Unaudited)

		Three months ended March 31, 2014	2013
Oil and gas revenue		$ 35,863	$ 28,709
Royalty expense		(7,949)	(7,547)
Oil and gas revenue, net of royalties		27,914	21,162
Operating expenses			
Production expenses		(6,042)	(4,919)
General and administrative		(1,985)	(3,239)
Transaction costs		(983)	(500)
Stock based compensation	(Note 9(d))	(1,030)	(227)
Depletion and depreciation		(8,297)	(5,087)
Impairment of exploration and evaluation assets	(Note 6)	(337)	-
Total operating expenses		(18,674)	(13,972)
Finance income/(costs)			
Interest and other income		204	244
Unrealized gain/(loss) on investments		42	(100)
Interest expense and accretion		(1,314)	(1,382)
Foreign exchange loss	(Note 10)	(3,644)	(260)
Total finance income/(costs)		(4,712)	(1,498)
Earnings before tax		4,528	5,692
Current tax expense		(2,934)	(1,581)
Deferred tax recovery		1,140	123
Net earnings		2,734	4,234
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Foreign currency translation loss of foreign operations	(Note 10)	(18,890)	-
Total comprehensive earnings/(loss)		$ (16,156)	$ 4,234
Earnings attributable to:			
Common shareholders		1,657	2,082
Non-controlling interest		1,077	2,152
Earnings for the period		$ 2,734	$ 4,234
Earnings per share attributable to common shareholders - basic and dilutive	(Note 9(c))	$ 0.02	$ 0.04
Total comprehensive earnings (loss) attributed to:			
Common shareholders		(11,567)	2,082
Non-controlling interest		(4,589)	2,152
Total comprehensive (loss)/earnings for the period		$ (16,156)	$ 4,234

SERINUS ENERGY INC.
Condensed Consolidated Statement of Cash Flows
US dollars in '000's
(Unaudited)

		Three months ended March 31, 2014	2013
Net earnings		$ 2,734	4,234
Items not involving cash:			
Depletion and depreciation		8,297	5,087
Impairment	(Note 6)	337	-
Interest on debt settled in shares		-	419
Accretion on asset retirement obligation		214	10
Stock based compensation	(Note 9 (d))	1,030	227
Unrealized(gain) loss on investments		(41)	100
Unrealized foreign exchange loss		3,436	7
Deferred income tax recovery		(1,140)	(123)
Funds from operations		14,867	9,961
Changes in non-cash working capital		(10,214)	(827)
Total operating cash generated		4,653	9,134
Financing			
Issuance of long-term debt, net of issuance costs		5,000	-
Repayment of long-term debt		(1,868)	(11,770)
Dividends paid to non-controlling interest		(1,035)	(3,000)
Issuance of convertible notes payable		-	2,000
Issuance of shares		50	-
Total financing cash (used) generated		2,147	(12,770)
Investing			
Property and equipment expenditures		(8,221)	(3,746)
Restricted cash recovered		-	143
Exploration and evaluation expenditures		(2,030)	(5,135)
Changes in non-cash working capital related to investing		(2,146)	(3,454)
Total investing cash used		(12,397)	(12,192)
Effect of exchange rate changes		437	-
Change in cash		(5,160)	(15,828)
Cash and cash equivalents, beginning of period		19,916	35,553
Cash and cash equivalents, end of period		$ 14,756	19,725
Supplemental cash flow information			
Interest paid		$ (1,587)	$ (794)
Interest received		$ 46	$ 244
Cash taxes paid		$ (2,622)	$ (5,151)

SERINUS ENERGY INC.

Condensed Consolidated Statement of Changes in Equity
US dollars in '000's (except Number of shares)
(Unaudited)

	Common Shares						
	Number of shares (1)	Amount	Contributed surplus	Cumulative translation adjustment	Non-controlling interest	Deficit	Total
Balances, December 31, 2012	48,175,673	231,516	15,135	742	31,396	(155,339)	123,450
Stock-based compensation	-	-	227	-	-	-	227
Dividends declared to non-controlling interest	-	-	-	-	(3,000)	-	(3,000)
Net earnings(loss)	-	-	-	-	2,152	2,082	4,234
Balances, March 31, 2013	48,175,673	231,516	15,362	742	30,548	(153,257)	124,911
Balances, December 31, 2013	78,611,441	$ 344,403	$ 18,062	$ (269)	$ 32,369	$ (224,021)	$ 170,544
Issued on exercise of stock options	18,500	76	(26)	-	-	-	50
Stock-based compensation	-	-	1,030	-	-	-	1,030
Foreign currency translation adjustment on foreign operations	-	-		(13,223)	(5,666)	-	(18,889)
Dividends declared to non-controlling interest	-	-	-	-	(1,035)	-	(1,035)
Net earnings(loss)	-	-	-	-	1,077	1,657	2,734
Balances, March 31, 2014	78,629,941	$ 344,479	$ 19,066	$ (13,492)	$ 26,745	$ (222,364)	$ 154,434

(1) Reflects the share consolidation on the basis of one post consolidation share for every ten pre-consolidation shares

1. Reporting Entity

Serinus Energy Inc. ("**Serinus**" or "the **Company**") is a publicly listed company whose common shares are traded on the Toronto Stock Exchange ("**TSX**") under the symbol "SEN" and the Warsaw Stock Exchange ("**WSE**"). The Company was incorporated under the Business Corporations Act (Alberta) and is headquartered at 1170, 700- 4th Avenue SW Calgary, Alberta, T2P3J4 Canada.

Kulczyk Investments, S.A. ("KI") holds a 50.8% investment in Serinus Energy Inc. and is the ultimate parent of Serinus Energy Inc.

The consolidated financial statements of the Company include the accounts of Serinus and its subsidiaries together with its investments in certain companies. The Company is principally engaged in the exploration for and development of oil and gas properties in Ukraine, Tunisia, Brunei and Romania. The Company conducts many of its activities jointly with other companies; and these financial statements reflect only the Company's proportionate interest in such activities except for, operations in Ukraine, which are consolidated due to the Company holding 70% ownership interest in KUB-Gas LLC ("KUB-Gas"), a Ukrainian company.

The Company's interest in KUB-Gas is held through its 70% shareholding in KUB Holdings Limited ("KUB Holdings") and consolidates the results of KUB Holdings and KUB-Gas into its financial statements, and in doing so, reports 100% of the revenues, royalties and production expenses for KUB Holdings and KUB-Gas within its Statements of Operations and Cash Flow. Similarly, the Company reports 100% of the assets and liabilities of KUB Holdings and KUB-Gas on its consolidated statement of financial position. The 30% share of the net assets of KUB Holdings and KUB-Gas attributable to the minority shareholder is then presented as "non-controlling interest" within shareholders' equity on the statement of financial position. Net earnings (loss) and comprehensive earnings (loss) for the period are presented to show the allocation between the Company's 70% shareholdings and the non-controlling 30% shareholder's interest.

Ukraine's political and economic situation has deteriorated significantly since the government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest, which escalated into violent conflicts in February 2014, resulted in the removal of the president and change of the government and heads of key governing bodies. The crisis further unfolded in late February 2014 when pro-Russian and pro-Ukraine protesters clashed in Crimea. Following a referendum in March, the Crimean parliament declared Crimea's independence from Ukraine and Crimea was annexed to the Russian Federation. Unrests, stirred by pro-Russian groups that the Ukrainian government claims to be sponsored by Russia to create a pretext for invading the country, continue in eastern Ukraine. Another referendum was organized by pro-Russian separatist groups in the Donetsk and Lugansk regions of eastern Ukraine on May 11. Its organizers announced that the results were overwhelmingly pro-separatist and implied that the next logical step would be joining Russia. There are indications that the referendum's results were distorted due to poor organization and control that enabled multiple voting and that the participation in the referendum was significantly lower than announced as a large part of the population opposing separation stayed away, partially due to the intimidating presence of armed pro-separatists. On May 12, 2014, the BBC reported that Moscow has so far not commented on the call for Donetsk to become part of Russia but has appealed for dialogue between the militants and Kiev, with the participation of the Organization for Security and Co-operation in Europe. The United States, European Union and Ukrainian government consider both referendums to be illegal. The United States and European Union have declared sanctions against selected Russian individuals and companies.

Recent events lead to the deepening of the ongoing economic crisis, widening of the state budget deficit, depletion of the National Bank of Ukraine's foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings. In February 2014, following significant devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions.

Ukrainian interim government has approached international lenders with the request to provide financing in order to stabilize the country's macroeconomic situation. On April 30, 2014 the International Monetary Fund committed to a $17 billion two-year aid program to help the country's economic recovery. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

To date there has been limited impact on the Company's Ukrainian operations, however, whilst management believes it is taking appropriate measures to support the sustainability of the KUB-Gas' business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Company's results and financial position in a manner not currently determinable.

Dividends

To date, the Company has not paid a dividend 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.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all the information required for full annual financial statements.

These condensed consolidated financial statements were approved by the Company's Board of Directors on May 13, 2014.

(b) Use of estimates and judgements

The preparation of financial statements 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 managements' 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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements are described in note 2(d) to the consolidated financial statements for the year ended December 31, 2013.

(c) Significant accounting policies

The condensed consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as described in note 3 to the consolidated financial statement for the year ended December 31, 2013, except as highlighted in note 2(d).

(d) Adoption of new accounting pronouncements

On January 1, 2014, the Company adopted the amendment to IAS 36. This amendment requires entities to disclose the recoverable amount of an impaired Cash Generating Unit ("CGU") if the amount is based on fair value less costs of disposal. Adoption of the amendment had no impact to the consolidated financial statements.

In December 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of the amendments has not yet been determined.

3. Fair value measurements

Investments are recorded at fair value based on the quoted market prices for the shares (level 1 fair value). The fair value of the convertible note payable is estimated based on current interest rates for similar instruments, credit spreads applicable to the Company and the term of the instrument (level 2 fair values). The fair value of the long-term debt approximates to carrying value as interest rates and credit spreads applicable to the Company have not estimated to have changed significantly since the credit facility was established (level 2 fair value).

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

4. Property and equipment

(Thousands of US dollars)	Oil and natural gas interests	Plant and equipment	Other	Total
Cost or deemed cost:				
Balance at December 31, 2013	$ 303,501	$ 21,082	$ 4,664	$ 329,247
Additions	5,672	2,121	428	8,221
Foreign currency translation adjustment	(20,726)	(6,496)	(1,698)	(28,920)
Balance at March 31, 2014	$ 288,447	$ 16,707	$ 3,394	$ 308,548
Depletion and depreciation:				
Balance at December 31, 2013	$ (59,754)	$ (4,186)	$ (1,862)	$ (65,802)
Depletion and depreciation	(7,716)	(428)	(153)	(8,297)
Depreciation capitalized in E&E	-	(296)	-	(296)
Foreign currency translation adjustment	8,070	943	266	9,279
Balance at March 31, 2014	$ (59,400)	$ (3,967)	$ (1,749)	$ (65,116)
Net book value:				
Balance at December 31, 2013	$ 243,747	$ 16,896	$ 2,802	$ 263,445
Balance at March 31, 2014	$ 229,047	$ 12,740	$ 1,645	$ 243,432

5. Exploration and evaluation assets

(Thousands of US dollars)	As at March 31, 2014	As at December 31, 2013
Carrying amount, beginning of the year	$ 11,834	$ 47,358
Additions	2,326	47,547
Acquisition of Winstar	-	100
Impairment on Block L, Brunei (note 6)	(337)	(83,053)
Cumulative translation adjustment	(3,428)	(118)
Carrying amount, end of the period	$ 10,395	$ 11,834

E&E assets consist of the Company's exploration projects which are pending the determination of proved or probable reserves**.** Additions represent the Company's share of costs incurred on E&E assets during the period. The following is a breakdown of the carrying amount of the E&E assets:

(Thousands of US dollars)	As at March 31, 2014	As at December 31, 2013
Ukraine	8,480	10,947
Romania	1,915	887
	$ 10,395	$ 11,834

6. Impairment

Brunei – Block L

The production sharing agreement ("PSA") with Brunei National Petroleum Company Sendirian Berhand was set to expire on August 27, 2013. Prior to exploration, the PSA was extended for three months and the new date for completion of the minimum work obligations for phase 2 of the exploration period was November 27, 2013. Phase 2 of the exploration automatically extended past November 27, 2013, to allow the completion of the drilling of the well and in the event the Company decides to appraise a discovery, the term of the exploration period is further extended to allow for the implementation of the appraisal program. After encountering operational difficulties during the phase 2 work commitments, the Company suspended further drilling activities. Due to the results of the wells drilled, the Company determined that an indicator of impairment existed at December 31, 2013 and management performed an impairment test. The future cashflows of Block L are uncertain with no proved or probable reserves assigned; therefore the Company determined that as of December 31, 2013, the Block L CGU was impaired by the full amount spent to date and impairment of $83.0 million was recorded.

A further impairment of $0.3 million was recorded for the period ended March 31, 2014.

7. Convertible note payable

(a) Dutco loan

(Thousands of US dollars)	Face Value	Liability
Balance December 31, 2013 and March 31, 2014	$ 15,000	$ 15,000

In July 2013, the Company entered into a credit facility agreement with Dutco to borrow up to $15 million to be used to fund drilling in Brunei (the "**Dutco Credit Facility**").

The term of the Dutco Credit Facility is 12 months with interest calculated on outstanding amounts at a rate of 12% per annum and paid monthly. Dutco may convert up to $5.0 million, unless the loan is in default in which case up to $15 million, of the amounts outstanding under the terms and conditions of the Dutco Credit Facility into a variable number of common shares of the Company, subject to TSX approval. The loan is convertible into common shares based on the trading price at the time of the conversion of the Company on the Toronto Stock Exchange ("TSX"). The facility requires that the Company maintain a financial ratio of current assets to current liabilities of not less than 1:1 on a consolidated basis excluding certain non-operating items as defined by the Dutco Credit Facility agreement. At March 31, 2014, the Company was in compliance with the covenant.

The loan is secured by a pledge on the shares of Kulczyk Oil Ventures Limited, a fully owned subsidiary of Serinus that indirectly owns the assets and liabilities associated with the Brunei operations, Ukraine operations and Syrian interests.

The Company also entered into an agreement that gives Dutco the right to acquire an interest in Block L of a minimum of 5% to a maximum of 15%. For each one percent ownership interest in Block L, Dutco can convert the amount outstanding on the convertible note payable by $1.0 million. A decision to exercise the right to acquire an interest is to be made within 31 days of the test results of a discovery well being announced in Block L.

8. Long-term Debt

(a) Ukraine Funding

(Thousands of US dollars)	March 31, 2014	December 31, 2013
Current portion of long-term debt	$ 3,927	$ 4,026
Long-term debt	1,888	3,640
Total long-term debt	$ 5,815	$ 7,666

On May 20, 2011, KUB-Gas finalized a $40.0 million loan agreement with the European Bank for Reconstruction and Development ("EBRD"). The loan is denominated in US dollars and consisted of two tranches that had to be drawn within a commitment period of two years from the date of signing the loan agreement. A total of $23 million was drawn on this loan, and the loan is to be repaid in 13 equal semi-annual instalments with the first payment made on July 15, 2012. In January 2014, a scheduled repayment of $1.8 million was made with the next repayment due in July 2014.

Interest expense on the EBRD debt has two interest rate components. One component is set at LIBOR + 6% and the other component is a variable rate based on revenue growth incremental to the base year 2010. The balance drawn has a weighted average effective interest rate of approximately 8.4% and a nominal rate of 6.4%. Interest payments are made twice a year, in January and in July.

The loan is secured by pledges on certain tangible assets in Ukraine as well as on future revenues earned in Ukraine. The debt is fully guaranteed by the Company through a parent company guarantee. At March 31, 2014, KUB-Gas was in compliance with all debt covenants. The terms and conditions of the EBRD loan agreement limit the amount that KUB-Gas may pay as dividends or as repayment of loans to the Company. During the period the Company received a waiver from EBRD to remove a covenant for KUB-Gas to maintain a current ratio of 1:1 as well as provide consent for KUB-Gas to repay all or portions of the debt due to its parent.

(b) Tunisia Funding

(Thousands of US dollars)	March 31, 2014	December 31, 2013
Current portion of long-term debt	$ 722	$ -
Long-term debt	8,683	4,390
Total long-term debt	$ 9,405	$ 4,390

On November 20, 2013 the Company finalized two loan agreements aggregating $60 million with ERBD. The Senior Loan is in the amount of USD $40 million, has a term of seven years, and is available in two tranches of USD $20 million each. Interest is payable semi-annually at a variable rate equal to the sum of the London UK interbank rate for a period equivalent to the interest payment period and 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 Senior Loan is repayable in twelve equal semi-annual installments commencing after the first year of the loan. The second tranche of the Senior Loan is available only after the Convertible Loan is fully drawn, and is also subject to certain conditions including achieving and maintaining specified production targets for a period of three continuous months, and meeting specified financial and reserve coverage ratios.

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 plus the shares of the Company's subsidiaries through which the concessions are owned, plus the benefits arising from the Company's interests in insurance policies and on-lending arrangements within the Serinus group of companies.

Both loan agreements contain a number of affirmative covenants, including maintaining the specified security, environmental and social compliance, and maintenance of specified financial ratios. At March 31, 2014, the Company was in compliance with all debt covenants.

On December 30, 2013 the Company drew $5.0 million from Tranche 1 and $0.6 million of transaction costs were paid. On March 24, 2014 a further $5.0 million from Tranche 1 was drawn.

9. Share capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. The preferred shares may be issued in one or more series, with rights and privileges as determined by the Board of Directors. There are no preferred shares issued.

(b) Issued

On February 13, 2014 the Company issued 18,500 shares related to the exercise of stock options and has a total of 78,629,941 shares outstanding at March 31, 2014.

(c) Earnings per share

(Thousands of US dollars, except share and per share data)		March 31, 2014		March 31, 2013
Earnings attributable to common shareholders	$	1,657	$	2,082
Weighted average number of shares outstanding-basic		78,620,897		48,175,673
Weighted average number of shares outstanding-dilutive		78,620,897		51,492,736
Basic and diluted earnings per share attributable to common shareholders	$	0.02	$	0.04

(d) Stock Options

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. Options generally vest over 2 years and have a life of 5 years.

USD denominated stock options

	Number of Options		Weighted average exercise price per option (USD)
Balance, December 31, 2013	7,089,900	$	4.69
Granted	248,000	$	3.54
Exercised	(18,500)	$	2.85
Expired	(26,000)	$	3.97
Balance, March 31, 2014	7,293,400	$	4.66

The Company granted 248,000 share purchase options at a weighted average price of $3.54 per share to certain employees of Serinus. In addition 18,500 options were exercised at an exercise price of $2.85.

In addition during the quarter, the Company granted 9,000 Canadian denominated stock options to employees at a weighted average exercise price of CAD$ 3.22.

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.

(Stated in US dollars)

The following table summarizes information about the USD options outstanding as at March 31, 2014:

Exercise price (US$)		Options outstanding	Options exercisable	Contractual life remaining, years (weighted average)
$	6.86	166,000	166,000	0.12
$	6.00	1,025,000	1,025,000	0.46
$	5.60	1,419,300	1,419,300	1.15
$	4.00	4,200	4,200	1.52
$	4.70	87,000	87,000	1.96
$	4.00	69,800	69,800	2.34
$	4.00	756,100	756,100	2.68
$	3.80	90,000	60,000	2.79
$	4.00	25,000	16,667	2.81
$	5.10	12,000	8,000	2.95
$	4.90	50,000	33,333	3.09
$	4.90	18,000	12,000	3.10
$	4.10	90,000	30,000	3.34
$	4.30	210,000	70,000	3.37
$	4.20	6,000	2,000	3.46
$	4.00	12,000	4,000	3.61
$	2.85	171,000	57,000	4.26
$	3.14	20,000	6,667	4.45
$	3.30	152,000	50,667	4.47
$	3.35	75,000	25,000	4.56
$	4.11	2,587,000	862,333	4.63
$	3.76	50,000	16,667	4.76
$	3.74	90,000	30,000	4.77
$	3.27	102,000	34,000	4.79
$	3.42	6,000	2,000	4.88
$	4.66	7,293,400	4,847,733	2.90

(e) Stock Based Compensation expense

The weighted average fair value of the options granted and the assumptions used in the Black-Scholes option pricing are as follows:

USD denominated options:

	Period end March 31, 2014	Period end March 31, 2013
Weighted average fair value per option	$1.78	$1.99
Exercise price	$3.54	$3.89
Volatility	65.9%	65.9%
Interest rate	1.49%	1.49%
Expected life (years)	4	4
Forfeiture rate	3.33%	3.33%
Dividends	Nil	Nil

CAD denominated options:

	Period end March 31, 2014
Weighted average fair value per option ($CAD)	$1.63
Exercise price ($CAD)	$3.22
Volatility	66.0%
Interest rate	1.34%
Expected life (years)	4
Forfeiture rate	3.33%
Dividends	Nil

10. Foreign currency translation

The financial statements are presented in U.S. dollars, which is the reporting currency of the Company.

The financial statements of KUB-Gas use the Ukraine Hryvnia as its functional currency. As a result of a 38% deterioration of the Hryvnia versus the US dollar during the first quarter for 2014, a foreign exchange loss of $3. 6 million (Q1 2013-$0.3 million) was created when balances denominated in currencies other than the Hryvnia were translated at period end into Hryvnia.

On consolidation of Kub-Gas into serinus, the assets and liabilities of Kub-Gas are translated into U.S. dollars at exchange rates at the balance sheet date. Revenues and expenses of foreign operations are translated into U.S. dollars using foreign exchange rates that approximate those on the date of the underlying transaction. These translation gains and losses are included in accumulated other comprehensive income (loss), with a loss of $18.9 million being recorded for the period. An appreciation in the exchange would have the opposite effect.

11. Commitments

The contractual obligations for which the Company is responsible for are as follows:

(Thousands of US dollars)	Within 1 Year	2-3 Years	4-5 Years	+5 Years	Total
Office Rental	$ 736	$ 823	$ 1,044	$ 1,092	$ 3,695
Dutco loan	15,000	-	-	-	15,000
EBRD loan-Ukraine	3,927	1,888	-	-	5,815
EBRD loan-Tunisa	722	3,126	3,126	2,431	9,405
Total contractual obligations	$ 20,385	$ 5,837	$ 4,170	$ 3,523	$ 33,915

The Company's commitments are all in the ordinary course of business and include the work commitments for Brunei Block L, Syria Block 9, Ukraine, Tunisia and Romania.

Brunei Block L

The Block L PSA provides for an exploration period of six years from the date of the Block L PSA, August 27, 2006, divided into two phases, Phase 1 and Phase 2, each of which was initially for a period of three years, with Phase 2 due to expire on August 27, 2013. The Company received confirmation that its request to extend the PSA for three months had been granted and the new date for completing the minimum work obligations for Phase 2 of the exploration period was November 27, 2013. Phase 2 of the exploration period automatically extended to allow for the completion of the drilling of the well and to allow for the implementation of the appraisal program.

In August 2010, parties to the Block L PSA elected to proceed to the Phase 2 exploration period. The minimum work obligations for Phase 2 include i) acquire and process 130 square kilometres of onshore 3D seismic; ii) acquire and process 13.5 square kilometres of onshore 3D swath data; iii) acquire and process 13 kilometres of onshore 2D seismic, (iv) acquire and process not less than 34.5 square kilometres of onshore 3D seismic and (v) drill at least two onshore exploration wells, each to a minimum depth of 2,000 metres. The minimum spend commitment of $16 million for Phase 2 specified in the Brunei Block L PSA has been exceeded and the remaining work commitment was undertaken in 2013, with the first well drilled in October and the second in December.

After encountering operational difficulties during the phase 2 work commitments, the Company suspended further drilling activities and is currently evaluating its drilling campaign together with Petroleum Brunei.

Pursuant to an agreement reached to settle a legal challenge to the Company's title under the Block L PSA, the Company agreed to pay a maximum of $3.5 million out of 10% of its share of profit oil as defined in the Block L PSA. No amount has been accrued in the financial statements as there is not yet production from Block L.

Syria

Under the terms of the Block 9 PSC, the Company has a first phase exploration period of four years, originally expiring on November 27, 2011, during which it has committed to acquire and process 350 square kilometres of 3D seismic and drill two exploratory wells. The remaining work commitment outstanding is to drill two exploration wells. The Syrian authorities, subject to certain conditions, extended the term of the first exploration period under the Block 9 PSC to October 26, 2012. The drilling of the first of the two exploratory wells commenced on July 22, 2011 and was suspended in October 2011 due to unfavourable operating conditions in Syria.

Effective July 16, 2012, the Company, in its capacity as Operator of Syria's Block 9, declared a Force Majeure event due to conditions arising from the current instability, including difficult operating conditions and the inability to move funds into the country, rendering the performance of its obligations under the contract impossible. The Company will continue to monitor operating conditions in Syria to assess when a recommencement of its Syrian operations is possible.

Ukraine

The Company has an obligation to incur certain capital expenditures to comply with the Ukrainian exploration licence requirements. Under these licence maintenance commitments, KUB-Gas is required to acquire and process seismic, conduct geophysical studies and drill exploratory wells on licenced fields. Although these commitments are not binding and may be modified based on results of exploration work, KUB-Gas' potential capital expenditures relating to qualifying activities on gas and gas condensate fields may reach $39.8 million during the period from 2014 to 2015 as part of the planned development program. Justified deviation from the capital expenditures committed is permitted and should be agreed with the licensor, while failure to commit exploration works and substantiate the different capital expenditure schedule may result in termination of the licence. In respect of the North Makeevskoye license, the Company expects to drill one well in 2014 with follow up wells based on test results.

Tunisia

The Tunisian state oil and gas company, Enterprise Tunisienne D'Activities Petroliers ("ETAP"), has the right to back into up to a 50% working interest in the Chouech Es Saida concession if, and when, the cumulative liquid hydrocarbon sales, net of royalties and shrinkage, from the concession exceeds 6.5 million barrels. As at March 31, 2014 cumulative liquid hydrocarbon sales net of royalties and shrinkage was 4.8 million barrels. Management is of the opinion that there are sufficient exploration and development opportunities which, if successful, could result in this provision being exercised within the next 10 years.

Romania

With the acquisition of Winstar, the Company acquired a 60% interest in the 2,949 square kilometer onshore Satu Mare exploration concession in north western Romania. In accordance with the terms of a farm-in agreement with Rompetrol, the Company must pay 100% of the concession's phase 1 and phase 2 work commitments. The joint venture has fulfilled 100% of the first stage of the work commitments under the concession agreement and has committed to a second phase of exploration. The second stage, which expires May 2015, includes the drilling of two exploration wells and the acquisition of 180 square km of 3D seismic. These expenditures are expected to occur in 2014.

Office Space

The Company had a lease agreement for office space in Calgary, Canada which was due to expire on October 31, 2014. On December 3, 2013, the Company signed a lease extension up to November 30, 2020.

12. Related party transactions

Nemmoco Petroleum Corporation ("Nemmoco"), a private company of which 37.5% is owned by Timothy M. Elliott, an officer and director of the Company, provides certain personnel and general, accounting and administrative services to the Company at its offices in Dubai on a cost-sharing basis. For the three months ended March 31, 2014, the fees totaled $0.2 million (Q1 2013 - $0.2 million). At March 31, 2014, nil was owed to Nemmoco (December 31 2013 - $23 thousand).

Loon Energy Corporation ("Loon Energy"), a publicly traded Canadian corporation, has no employees. Management and administrative services are provided by the management and staff of Serinus. For the three months ended March 31, 2014, these fees totaled $3 thousand (Q1 2013 - $3 thousand). At March 31, 2014, Loon Energy owed $3 thousand (December 31, 2013 – nil) to Serinus for these services. Certain expenditures of Loon Energy are paid for by Serinus and Loon Energy reimburses Serinus for these expenditures. As at March 31, 2014, Loon Energy owed nil (December 31, 2013 – nil) for these costs. Serinus and Loon Energy are related as they have five common directors and officers and the same principal shareholder.

The Company remains legally responsible for a guarantee issued in August 2007 (the "Loon Guarantee") to the Government of Peru regarding the granting of a license contract to a former subsidiary company, Loon Peru Limited. Loon Energy, the parent company of Loon Peru Limited, had begun the process of replacing the Loon Guarantee, however, the block to which the guarantee related is in the process of being relinquished and it is not currently anticipated that the guarantee will be replaced.

Loon Energy and the Company have entered into an indemnification agreement in respect of the Loon Guarantee. Loon Energy announced on October 25, 2010 that it will not proceed to the second exploration stage and therefore the maximum liability to the Company that may arise from the Loon Guarantee is based on the first exploration phase. The minimum work program for the first phase has been completed and the Company does not anticipate a material exposure to the guarantee.

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

Serinus Energy Inc.
Notes to the Condensed Consolidated Financial Statements
For the three months ended March 31, 2014 and 2013
(Stated in US dollars)
(Unaudited)

13. Segmented information

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

(Thousands of US dollars)

As at March 31, 2014	**Romania**	**Tunisia**	**Brunei**	**Ukraine**	**Corporate**	**Total**
Total Assets	$ 2,565	$ 178,048	$ -	$ 97,286	$ 12,923	$ 290,822
For the period ended March 31, 2014						
Oil and gas revenue, net of royalties	$ -	$ 10,762	$ -	$ 17,152	$ -	$ 27,914
Operating expenses:						
Production expense	-	(2,789)	-	(3,253)	-	(6,042)
General and administrative	-	(59)	-	(16)	(1,910)	(1,985)
Transaction costs	-	-	-	-	(983)	(983)
Stock based compensation	-	-	-	-	(1,030)	(1,030)
Depletion/depreciation	(2)	(3,013)	-	(5,253)	(29)	(8,297)
Impairment on exploration and evaluation assets	-	-	(337)	-	-	(337)
Finance income/(expense)						
Interest and other income	-	-	-	204	-	204
Unrealized loss on investment	-	-	-	-	42	42
Interest expense and accretion	-	(202)	-	(460)	(652)	(1,314)
Foreign exchange gain/(loss)	(12)	(94)	-	(3,601)	63	(3,644)
Earnings (loss) before tax	$ (14)	$ 4,605	$ (337)	$ 4,773	$ (4,499)	$ 4,528
Current tax expense	$ -	$ (1,245)	$ -	$ (1,689)	$ -	$ (2,934)
Deferred tax recovery/(expense)	$ -	$ 634	$ -	$ 506	$ -	$ 1,140
Net Earnings (loss)	$ (14)	$ 3,994	$ (337)	$ 3,590	$ (4,499)	$ 2,734
Capital expenditures	$ 1,023	$ 1,671	$ 337	$ 7,161	$ 59	$ 10,251

(Thousands of US dollars)

As at December 31, 2013	**Romania**	**Tunisia**	**Brunei**	**Ukraine**	**Corporate**	**Total**
Total Assets	$ 1,357	$ 183,988	$ 1,062	$ 120,862	$ 5,204	$ 312,473
For the period ended March 31, 2013						
Oil and gas revenue, net of royalties	$ -	$ -	$ -	$ 21,162	$ -	$ 21,162
Operating expenses:						
Production expenses			-	(4,919)	-	(4,919)
General and administrative	-	-	-	-	(3,239)	(3,239)
Transaction costs	-	-	-	-	(500)	(500)
Stock based compensation	-	-	-	-	(227)	(227)
Loss on disposition of assets	-	-	-	-	-	-
Depletion/depreciation	-	-	-	(5,047)	(40)	(5,087)
Finance income/(expense)						-
Interest and other income	-	-	-	243	1	244
Unrealized loss on investments	-	-	-	-	(100)	(100)
Interest expense and accretion	-	-	-	(940)	(442)	(1,382)
Foreign exchange loss	-	-	-	(224)	(36)	(260)
Earnings (loss) before tax	$ -	$ -	$ -	$ 10,275	$ (4,583)	$ 5,692
Current tax expense	$ -	$ -	$ -	$ (1,581)	$ -	$ (1,581)
Deferred tax recovery/(expense)	$ -	$ -	$ -	$ 123	$ -	$ 123
Net Earnings (loss)	$ -	$ -	$ -	$ 8,817	$ (4,583)	$ 4,234
Capital expenditures	$ -	$ -	$ 3,719	$ 5,161	$ 1	$ 8,881