



SERINUS ENERGY INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
US dollars in 000's

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

	September 30, 2016	December 31, 2015
Assets		
Current		
Cash and cash equivalents	\$ 2,639	\$ 6,594
Accounts receivable	2,348	2,795
Income taxes receivable	2,736	2,971
Prepays and other	391	428
Commodity inventory (Note 3)	3,561	-
Restricted cash (Note 4)	1,267	1,346
Assets held for sale (Note 5)	-	58,780
Total current assets	12,942	72,914
Investment		
Property, plant and equipment (Note 6)	57	75
Exploration and evaluation (Note 7)	91,320	93,677
Exploration and evaluation	19,681	18,521
Total assets	\$ 124,000	\$ 185,187
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 14,154	\$ 16,494
Advances for crude oil sales (Note 3)	2,151	-
Current portion of long-term debt (Note 8)	30,008	54,070
Asset retirement obligation	2,909	3,209
Liabilities held for sale (Note 5)	-	10,384
Total current liabilities	49,222	84,157
Asset retirement obligation	37,028	36,446
Other provisions	1,154	1,148
Deferred tax liability	18,476	17,238
Total liabilities	105,880	138,989
Shareholders' Equity		
Share capital (Note 9)	\$ 344,479	\$ 344,479
Contributed surplus	21,747	21,711
Accumulated other comprehensive loss (Note 5)	-	(32,585)
Deficit	(348,106)	(303,626)
Equity attributable to owners of the company	18,120	29,979
Non-controlling interest (Note 5)	-	16,219
Total shareholders' equity	18,120	46,198
Total liabilities and shareholders' equity	\$ 124,000	\$ 185,187
Going concern (Note 2(a))		
Commitments (Note 10)		

"Signed"

EVGENIJ IORICH, DIRECTOR, INTERIM
CHAIR OF THE AUDIT COMMITTEE

"Signed"

JEFFREY AULD, DIRECTOR, PRESIDENT
AND CEO

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Oil and gas revenue	\$ 1,208	\$ 6,237	\$ 7,930	\$ 21,181
Change in oil inventory	2,424	-	3,561	-
	<u>3,632</u>	<u>6,237</u>	<u>11,491</u>	<u>21,181</u>
Royalty expense	(382)	(694)	(1,237)	(2,427)
	<u>3,250</u>	<u>5,543</u>	<u>10,254</u>	<u>18,754</u>
Operating expenses				
Production expenses	(2,161)	(2,884)	(6,749)	(9,163)
General and administrative	(3,915)	(1,814)	(6,959)	(4,713)
Transaction costs	(9)	(7)	(10)	(64)
Stock based compensation	(21)	(20)	(36)	(735)
Gain (loss) on disposition	22	(112)	12	(105)
Depletion and depreciation (Note 6)	(1,185)	(2,281)	(3,873)	(6,956)
Asset impairment	-	(44,277)	-	(44,277)
Total operating expenses	<u>(7,269)</u>	<u>(51,395)</u>	<u>(17,615)</u>	<u>(66,013)</u>
Finance income/(expense)				
Interest and other income	(2)	114	3	165
Unrealized gain (loss) on investments	22	(10)	(21)	(64)
Interest expense and accretion	(948)	(1,292)	(3,360)	(3,460)
Foreign exchange loss	(73)	(842)	(553)	(875)
Total finance expense	<u>(1,001)</u>	<u>(2,030)</u>	<u>(3,931)</u>	<u>(4,234)</u>
Loss before tax	(5,020)	(47,882)	(11,292)	(51,493)
Current tax recovery (expense)	-	239	-	(665)
Deferred tax recovery (expense)	49	15,554	(1,810)	14,341
Net loss from continuing operations	(4,971)	(32,089)	(13,102)	(37,817)
Earnings (loss) from discontinued operations (net of tax) (Note 5)	-	2,585	(30,657)	4,739
Net loss	(4,971)	(29,504)	(43,759)	(33,078)
Other comprehensive loss				
Foreign currency translation loss from discontinued foreign operations	-	(187)	(2,290)	(8,120)
Total comprehensive loss	<u>\$ (4,971)</u>	<u>\$ (29,691)</u>	<u>\$ (46,049)</u>	<u>\$ (41,198)</u>
Earnings (loss) attributable to:				
Common shareholders	(4,971)	(30,281)	(44,480)	(34,500)
Non-controlling interest (Note 5)	-	777	721	1,422
Loss for the period	<u>\$ (4,971)</u>	<u>\$ (29,504)</u>	<u>\$ (43,759)</u>	<u>\$ (33,078)</u>
Earnings (loss) per share attributable to common shareholders				
Continuing operations - basic and diluted (Note 9(b))	\$ (0.06)	\$ (0.41)	\$ (0.17)	\$ (0.48)
Discontinued operations - basic and diluted (Note 9(b))	\$ 0.00	\$ 0.02	\$ (0.40)	\$ 0.04
Total comprehensive earnings (loss) attributed				
Common shareholders	(4,971)	(30,412)	(46,083)	(40,184)
Non-controlling interest	-	721	34	(1,014)
Total comprehensive loss for the period	<u>\$ (4,971)</u>	<u>\$ (29,691)</u>	<u>\$ (46,049)</u>	<u>\$ (41,198)</u>

(i) Certain comparative amounts have been restated, refer to Note 5.

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

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	2016	2015	2016	2015
Net earnings (loss)	\$ (4,971)	\$ (29,504)	\$ (43,759)	\$ (33,078)
Items not involving cash:				
Depletion and depreciation	(Note 6) 1,185	4,576	4,472	13,804
Impairment of assets	-	44,277	-	44,277
Loss on disposition	(Note 5) (22)	-	33,028	-
Accretion on asset retirement obligation	194	152	582	457
Stock based compensation	21	20	36	735
Expenditures on decommissioning	(303)	-	(407)	-
Unrealized loss (gain) on investments	(22)	10	21	64
Unrealized foreign exchange loss	25	121	245	724
Deferred income tax expense (recovery)	(49)	(15,345)	1,810	(15,281)
Interest and other income	2	(213)	(81)	(453)
Interest expense	754	1,096	2,781	3,453
Funds from operations	<u>(3,186)</u>	<u>5,190</u>	<u>(1,272)</u>	<u>14,702</u>
Changes in non-cash working capital	<u>(1,016)</u>	<u>(4,002)</u>	<u>(2,529)</u>	<u>(3,611)</u>
	<u>(4,202)</u>	<u>1,188</u>	<u>(3,801)</u>	<u>11,091</u>
Financing:				
Issuance of long-term debt	(Note 8) -	5,000	-	21,280
Repayment of long-term debt	(Note 8) (1,667)	(3,890)	(26,061)	(5,557)
Debt issuance costs	(Note 8) -	-	(1)	(541)
Dividends paid to non-controlling interest	-	(423)	-	(608)
Interest received	-	119	-	276
Interest paid	(322)	(1,998)	(1,413)	(2,790)
Changes in non-cash working capital related to financing	(1)	871	80	468
	<u>(1,990)</u>	<u>(321)</u>	<u>(27,395)</u>	<u>12,528</u>
Investing:				
Property and equipment expenditures	(Note 6) (737)	(862)	(1,516)	(11,391)
Restricted cash movement	(5)	(1,040)	132	2,057
Exploration and evaluation expenditures	(Note 7) (329)	(1,031)	(1,160)	(4,836)
Proceeds on disposal of discontinued operation (net of transaction costs and cash disposed)	(Note 5) -	-	27,843	-
Changes in non-cash working capital related to investing	(126)	(775)	(3,034)	(10,434)
	<u>(1,197)</u>	<u>(3,708)</u>	<u>22,265</u>	<u>(24,604)</u>
Effect of exchange rate changes on cash on hand	13	824	(247)	356
Change in cash	(7,376)	(2,017)	(9,178)	(629)
Cash and cash equivalents, beginning of period	10,015	12,484	11,817	11,096
Cash and cash equivalents, end of period	<u>\$ 2,639</u>	<u>\$ 10,467</u>	<u>\$ 2,639</u>	<u>\$ 10,467</u>
Supplemental cash flow information				
Cash taxes paid	\$ -	\$ (1,096)	\$ -	\$ (3,265)

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

	<u>Common Shares</u>		Contributed surplus	Cumulative translation adjustment	Non-controlling interest	Deficit	Total
	Number of shares	Amount					
Balances, December 31, 2014	78,629,941	\$ 344,479	\$ 20,936	\$ (24,145)	\$ 19,242	\$ (254,522)	\$ 105,990
Stock-based compensation	-	-	735	-	-	-	735
Foreign currency translation adjustment on foreign operations	-	-	-	(5,684)	(2,436)	-	(8,120)
Dividends declared to non-controlling interest	-	-	-	-	(608)	-	(608)
Net earnings	-	-	-	-	1,422	(34,500)	(33,078)
Balances, September 30, 2015	78,629,941	\$ 344,479	\$ 21,671	\$ (29,829)	\$ 17,620	\$ (289,022)	\$ 64,919
Balances, December 31, 2015	78,629,941	\$ 344,479	\$ 21,711	\$ (32,585)	\$ 16,219	\$ (303,626)	\$ 46,198
Stock-based compensation	-	-	36	-	-	-	36
Foreign currency translation adjustment on foreign operations	-	-	-	(1,603)	(687)	-	(2,290)
Disposition of subsidiary	-	-	-	34,188	(16,253)	-	17,935
Net earnings	-	-	-	-	721	(44,480)	(43,759)
Balances, September 30, 2016	78,629,941	\$ 344,479	\$ 21,747	\$ -	\$ -	\$ (348,106)	\$ 18,120

Serinus Energy Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2016 and 2015
(Stated in thousands of US dollars, except as noted)
(Unaudited)

1. Reporting entity

The condensed consolidated interim financial statements for Serinus Energy Inc. (“Serinus” or “the Company”) include the accounts of Serinus and its controlled subsidiaries for the three and nine months ended September 30, 2016 and 2015. Serinus is principally engaged in the exploration for and development of oil and gas properties in Tunisia and Romania.

On December 23, 2015, Serinus announced an agreement to dispose of its 70% shareholding in KUB-GAS Holdings Limited (“KUB Holdings”), which held a 100% interest in KUB-Gas LLC (“KUB-Gas”), a Ukrainian company, representing all of Serinus’ interests and operations in Ukraine. On February 8, 2016, Serinus announced the closing of that sale. Upon close, Serinus received total cash consideration of \$33.2 million including all working capital and inter-company adjustments. The Ukraine segment was presented as held for sale as at December 31, 2015 and as a discontinued operation for the periods ended September 30, 2016 and 2015 (see Note 5).

These financial statements reflect the results of operations of Ukraine to the date of close of the disposition with such activities being consolidated as the Company held a 70% controlling ownership interest in KUB-Gas.

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

Serinus is a publicly listed company whose common shares are traded under the symbol “SEN” on the Toronto Stock Exchange (“TSX”) and the Warsaw Stock Exchange (“WSE”). Kulczyk Investments, S.A. (“KI”) holds a 50.8% investment in Serinus and is the ultimate parent of Serinus.

2. Basis of Preparation

(a) Going concern

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

At 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 as disclosed in Note 8. The depressed commodity prices have reduced the Company’s ability to generate cash flows from operations. As at and for the three and nine month periods ended September 30, 2016, the Company had a working capital deficiency of \$36.3 million, partly due to the reclassification of all debt as current, and negative cash flows from operations of \$3.8 million for the nine months ended September 30, 2016. The Company is actively evaluating its options at this time.

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.

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Internally prepared forecasts indicate that the Company is likely to continue to breach certain of its financial covenants in future reporting periods, due to continuing 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.

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

(b) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2015.

The condensed consolidated interim financial statements have been prepared following the same basis of measurement, functional currency and accounting policies and methods of computation as described in the notes to the consolidated financial statements for the year ended December 31, 2015, except as noted in Note 2(d).

These condensed consolidated financial statements were authorised for issuance by the Company's Board of Directors on November 9, 2016.

(c) Use of estimates and judgements

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements are described in note 4 to the consolidated financial statements for the year ended December 31, 2015. There has been no change in these areas during the period.

(d) Accounting changes

For the three and nine month periods ended September 30, 2016, Serinus adopted the IASB issued amendments to IAS 1, "Presentation of Financial Statements". The amendments had minimal impact on the condensed consolidated interim financial statements.

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.

(e) Fair values measurements

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

The fair value of employee stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information 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) (level 2 fair value).

Serinus Energy Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2016 and 2015
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3. Commodity inventory

	As at September 30, 2016	As at December 31, 2015
Crude oil	\$ 3,561	\$ -

Commodity inventory primarily represents crude oil produced and stored awaiting lifting. In Q2, 2016 the Company entered into a marketing agreement with Shell International Trading and Shipping Company Limited (“Shell”) for the sale of its Tunisian oil production. The terms of this agreement are such that crude oil accumulates in storage until lifting and prepayments of cash are received monthly for a proportion of this accumulated crude oil. As the crude oil accumulates the Company records inventory at its fair value and the change in inventory is recorded in the income statement as Change in oil inventory. The cash that is received monthly from Shell is presented on the balance sheet as Advances for crude oil sales. Once the crude oil is physically lifted onto tankers and title passes, the Inventory and Advances are reversed and an Accounts Receivable is set up for the remaining amount due from Shell, and the Change in oil inventory in the income statement is reclassified as Revenue.

4. Restricted cash

The Company has cash on deposit with the Alberta Energy Regulator of \$1.3 million, as required to meet future abandonment obligations existing on certain oil and gas properties in Canada (December 31, 2015: \$1.3 million). The fair value of restricted cash approximates the carrying value.

5. Disposition of Ukraine

On February 8, 2016, Serinus completed the sale of its 70% ownership interests in Ukraine for total cash consideration of \$33.2 million including working capital and inter-company adjustments.

Net proceeds of the sale have been used to repay outstanding indebtedness of \$11.2 million long term debt plus \$0.4 million of accrued interest under the Romanian funding with EBRD, and \$7.4 million long term debt plus \$0.2 million of accrued interest under the Tunisia funding with EBRD.

The Ukraine segment was presented as held for sale as at December 31, 2015 and as a discontinued operation until its sale. The comparative condensed consolidated interim statement of operations and comprehensive earnings (loss) has been restated to show the discontinued operations separate from continued operations.

The net loss from discontinued operations comprises the results of operations until the date of close of the transaction plus the loss resulting from disposition of the Ukraine segment. There were no transactions in discontinued operations during the three month period ended September 30, 2016.

Serinus Energy Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2016 and 2015
(Stated in thousands of US dollars, except as noted)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
<i>Net earnings (loss) from discontinued operations</i>				
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 (expense)/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)	-
Total earnings (loss)	\$ -	\$ 2,585	\$ (30,657)	\$ 4,739

The loss on disposal primarily relates to the write off of accumulated other comprehensive loss of \$34.2 million, attributable to Ukraine upon disposal.

Serinus purchased its interests in Ukraine in 2010 for \$45 million. The Company received aggregate dividends in the amount of \$41.5 million, 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.

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
<i>Cash flows from discontinued operations</i>				
Net cash from operating activities	\$ -	\$ 2,941	\$ 869	\$ 6,408
Net cash from (used in) investing activities	-	(2,114)	(5,403)	(1,992)
Net cash used in financing activities	-	(3,097)	(557)	(3,936)
Effect of exchange rate changes on cash	-	32	(132)	866
Change in cash	-	(2,238)	(5,223)	1,346
Cash and cash equivalents, beginning of period	-	4,405	5,223	821
Cash and cash equivalents, end of period	\$ -	\$ 2,167	\$ -	\$ 2,167
Supplemental cash flow information:				
Cash taxes paid	\$ -	\$ (1,096)	\$ -	\$ (3,265)
Dividends paid to non-controlling interests	\$ -	\$ (423)	\$ -	\$ (608)

Serinus Energy Inc.
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<i>Effect of disposal on the financial position of the Company</i>	2016
Cash and cash equivalents	\$ (4,921)
Accounts receivable	(4,403)
Income tax receivable	(1,739)
Prepays and other	(704)
Crude oil inventory	(1,921)
Restricted cash	(2,437)
Property, plant and equipment	(37,727)
Exploration and evaluation	(4,402)
Accounts payable and accrued liabilities	6,647
Current tax payable	329
Deferred tax liability	3,168
Asset retirement obligation	243
Net assets and liabilities	\$ (47,867)
Consideration received in cash	\$ 33,244
Transaction costs	(482)
Non-controlling interest	16,253
Accumulated other comprehensive loss	(34,188)
Loss on disposal	\$ (33,040)
Proceeds net of transaction costs	\$ 32,764
Cash disposed	(4,921)
Net cash inflow	\$ 27,843

6. Property, plant and equipment

	Oil and gas interests	Plant and equipment	Other	Total
Cost or deemed cost:				
Balance at December 31, 2015	\$ 216,541	\$ 3,304	\$ 2,072	\$ 221,917
Additions	1,437	79	-	1,516
Dispositions	-	(91)	-	(91)
Balance at September 30, 2016	\$ 217,978	\$ 3,292	\$ 2,072	\$ 223,342
Accumulated depletion and depreciation:				
Balance at December 31, 2015	\$ (126,944)	\$ (280)	\$ (1,016)	\$ (128,240)
Depletion and depreciation	(3,638)	(93)	(142)	(3,873)
Dispositions	-	91	-	91
Balance at September 30, 2016	\$ (130,582)	\$ (282)	\$ (1,158)	\$ (132,022)
Net book value:				
Balance at December 31, 2015	\$ 89,597	\$ 3,024	\$ 1,056	\$ 93,677
Balance at September 30, 2016	\$ 87,396	\$ 3,010	\$ 914	\$ 91,320

Serinus Energy Inc.
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(Unaudited)

7. Exploration and evaluation assets

	As at September 30, 2016	As at December 31, 2015
Carrying amount, beginning of the period	\$ 18,521	\$ 19,323
Additions	1,160	5,510
Change in decommissioning liabilities	-	427
Transfer to property, plant & equipment	-	(524)
Reclassification - asset held for sale (Note 4)	-	(4,742)
Foreign currency translation adjustment	-	(1,473)
Carrying amount, end of the period	<u>\$ 19,681</u>	<u>\$ 18,521</u>

E&E assets consist of the Company's exploration project in Romania.

8. Long-term debt

	As at September 30, 2016	As at December 31, 2015
Current portion of long-term debt		
Tunisia funding (a)	\$ 30,008	\$ 42,917
Romania funding	-	11,153
Total debt	<u>\$ 30,008</u>	<u>\$ 54,070</u>

(a) Tunisia funding

On November 20, 2013, Serinus finalized two loan agreements, the Senior Loan and Convertible Loan, aggregating \$60 million with EBRD. The Senior Loan was in the amount of USD \$40 million and was available in two tranches of USD \$20 million each. Upon finalization of the Romania funding in Q1 2015, the second tranche was reduced from \$20 million to \$8.72 million. The Convertible Loan is in the amount of USD \$20 million and can be converted into common shares of the Company.

Both loans have a term of seven years and 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 September 30, 2016, the Company was not in compliance with the debt service coverage ratio covenant at the Tunisia level and the consolidated financial debt to EBITDA ratio covenant (December 31, 2015: the Company was not in compliance with the debt to EBITDA covenant at the Tunisia level), resulting in the reclassification of all debt as current.

Senior Loan

	As at September 30, 2016	As at December 31, 2015
Current portion of long-term debt	<u>\$ 6,647</u>	<u>\$ 21,059</u>

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 with the first repayment made on March 31, 2015. Subsequent repayments, on March 31 and September 30 of each year, have followed the

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(Unaudited)

repayment schedule. In Q1 2016, \$7.6 million, including interest, of the Senior Loan was repaid using the proceeds from the sale of Ukraine, and a \$1.7 million scheduled semi-annual installment was paid. The additional repayment resulted in Tranche 2 of the Senior Loan being fully repaid. In Q3 2016 a scheduled semi-annual installment of \$1.7 million was made.

The Company must apply 40% of its Excess Cash from Tunisia toward early repayment of the 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, less capital expenditures, plus any new debt disbursement on the Tunisian debt. In the event that pre-payments are made on the Romania loan in any given year, the repayment from Tunisia shall drop to 25% of the Excess Cash. No pre-payment fees are applicable to the accelerated payments described above. In Q2 2016, a repayment has been made under this provision of the loan agreement, relating to excess cash generated in 2015, for \$3.4 million.

As at September 30, 2016, \$7.1 million of principle was outstanding (December 31, 2015: Principle outstanding of \$20.0 million from Tranche 1, \$5.0 million from Tranche 2).

Convertible Loan

	As at September 30, 2016	As at December 31, 2015
Current portion of long-term debt	\$ 23,361	\$ 21,858

The Convertible Loan 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. Conditions to conversion include a requirement for substantially all of the Company's assets and operations to be located and carried out in the EBRD countries of operations.

The 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.

As at September 30, 2016, the convertible loan principle amount of \$20.0 million has been fully drawn and is outstanding (December 31, 2015: \$20.0 million).

(b) Romania funding

	As at September 30, 2016	As at December 31, 2015
Current portion of long-term debt	\$ -	\$ 11,153

On February 20, 2015, Serinus finalized an \$11.28 million debt facility with EBRD. The proceeds from the senior loan facility (the "Romania Facility") were used to fund the Company's capital program in Romania. In Q1 2016, the full amount of the loan was repaid following close of the disposition of Ukraine and all security pledged under the loan agreement has been released (December 31, 2015: \$11.28 million debt and \$0.4 million transaction costs).

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9. Share capital

(a) Authorized and issued

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

The Company has a total of 78,629,941 shares outstanding at September 30, 2016 (December 31, 2015: 78,629,941).

(b) Loss per share

	Three Months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net loss attributable to common shareholders				
Continuing operations - Basic and diluted	\$ (4,971)	\$ (32,089)	\$ (13,102)	\$ (37,817)
Discontinued operations - Basic and diluted	-	1,808	(31,378)	3,317
Net loss attributable to common shareholders	(4,971)	(30,281)	(44,480)	(34,500)
Weighted average number of shares outstanding				
Basic and diluted ⁽ⁱ⁾	78,629,941	78,629,941	78,629,941	78,629,941
Loss per share attributable to common shareholders				
Continuing operations - Basic and diluted	\$ (0.06)	\$ (0.41)	\$ (0.17)	\$ (0.48)
Discontinued operations - Basic and diluted	\$ 0.00	\$ 0.02	\$ (0.40)	\$ 0.04

(i) For the three and nine months ended September 30, 2016 there were 0.3 million and 0.8 million weighted average stock options exercisable that were excluded from the calculation as the impact was anti-dilutive (2015: 1.1 million and 2.1 million).

(c) 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. 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.

A summary of the changes to the option plan during the three and nine month period ended September 30, 2016, is presented below:

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	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 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

(d) Measurement of grant date fair values

The weighted average inputs used in the Black-Scholes pricing model to determine the fair value of the options granted during the period ended September 30, 2016 include the following:

Weighted average fair value per option (\$CAD)	CAD Options
Exercise price (\$CAD)	\$ 0.23
Volatility	\$ 0.32
Interest rate	78.89%
Expected life (years)	0.85%
Forfeiture rate	7.00
Dividends	0.00%
	Nil

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10. Contractual obligations and commitments

The contractual obligations of the Company 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 ⁽ⁱ⁾	3,333	3,734	23,509	-	30,576
Total contractual obligations	\$ 3,808	\$ 4,616	\$ 24,024	\$ -	\$ 32,448

(i) EBRD loan obligations are presented excluding deferred financing costs and include only interest accrued as of September 30, 2016.

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

Tunisia

The Tunisian state oil and gas company, Enterprise Tunisienne D'Activities Petroliers ("ETAP"), has the right to back into up to a 50% working interest in the Chouech Es Saida concession if, and when, the cumulative crude oil sales, net of royalties and shrinkage, from the concession exceeds 6.5 million barrels. As at September 30, 2016 cumulative crude oil 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.

11. 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 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.

12. Segmented information

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

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	<u>Romania</u>	<u>Tunisia</u>	<u>Ukraine (Discontinued)</u>	<u>Corporate</u>	<u>Total</u>
As at September 30, 2016					
Total Assets	\$ 19,958	\$ 100,829	\$ -	\$ 3,213	\$ 124,000
	<u>Romania</u>	<u>Tunisia</u>	<u>Ukraine</u>	<u>Corporate</u>	<u>Total</u>
For the three months ended September 30, 2016					
Oil and gas revenue and change in oil inventory, net of royalties	\$ -	\$ 3,250	\$ -	\$ -	\$ 3,250
Operating expenses:					
Production expenses	-	(2,088)	-	(73)	(2,161)
General and administrative	-	-	-	(3,915)	(3,915)
Transaction costs	-	-	-	(9)	(9)
Stock based compensation	-	-	-	(21)	(21)
Gain on disposition of assets	-	-	-	22	22
Depletion and depreciation	(2)	(1,138)	-	(45)	(1,185)
Finance income (expense)					
Interest and other income	-	-	-	(2)	(2)
Unrealized loss on investments	-	-	-	22	22
Interest expense and accretion	(2)	(192)	-	(754)	(948)
Foreign exchange gain (loss)	(2)	(44)	-	(27)	(73)
Earnings (loss) before tax	\$ (6)	\$ (212)	\$ -	\$ (4,802)	\$ (5,020)
Current tax expense	-	-	-	-	-
Deferred tax recovery	-	49	-	-	49
Net Earnings (loss)	\$ (6)	\$ (163)	\$ -	\$ (4,802)	\$ (4,971)
Capital expenditures	\$ 331	\$ 735	\$ -	\$ -	\$ 1,066

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	<u>Romania</u>	<u>Tunisia</u>	<u>Ukraine (Discontinued)</u>	<u>Corporate</u>	<u>Total</u>
For the nine months ended September 30, 2016					
Oil and gas revenue and change in oil inventory, net of royalties	\$ -	\$ 10,254	\$ 3,924	\$ -	\$ 14,178
Operating expenses:					
Production expenses	-	(6,605)	(396)	(144)	(7,145)
General and administrative	-	-	(3)	(6,959)	(6,962)
Transaction costs	-	-	-	(10)	(10)
Stock based compensation	-	-	-	(36)	(36)
Gain (loss) on disposition of assets	-	-	(33,040)	12	(33,028)
Depletion and depreciation	(4)	(3,727)	(599)	(142)	(4,472)
Finance income/(expense)					
Interest and other income	-	-	78	3	81
Unrealized gain/(loss) on investments	-	-	-	(21)	(21)
Interest expense and accretion	(4)	(577)	(3)	(2,779)	(3,363)
Foreign exchange loss	(42)	(436)	(105)	(75)	(658)
Earnings (loss) before tax	\$ (50)	\$ (1,091)	\$ (30,144)	\$ (10,151)	\$ (41,436)
Current tax expense	-	-	(513)	-	(513)
Deferred tax expense	-	(1,810)	-	-	(1,810)
Net Earnings (loss)	<u>\$ (50)</u>	<u>\$ (2,901)</u>	<u>\$ (30,657)</u>	<u>\$ (10,151)</u>	<u>\$ (43,759)</u>
Capital expenditures	<u>\$ 1,164</u>	<u>\$ 1,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,676</u>

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	<u>Romania</u>	<u>Tunisia</u>	<u>Ukraine (Discontinued)</u>	<u>Corporate</u>	<u>Total</u>
As at December 31, 2015					
Total Assets	\$ 18,774	\$ 103,289	\$ 58,780	\$ 4,344	\$ 185,187
For the three months ended September 30, 2015					
Oil and gas revenue and change in oil inventory, net of royalties	\$ -	\$5,543	\$7,377	\$ -	\$ 12,920
Operating expenses:					
Production expenses	-	(2,816)	(1,750)	(68)	(4,634)
General and administrative	-	-	(3)	(1,814)	(1,817)
Transaction costs	-	-	-	(7)	(7)
Stock based compensation	-	-	-	(20)	(20)
Gain (loss) on disposition of assets	-	-	(40)	(112)	(152)
Depletion and depreciation	(1)	(2,218)	(2,295)	(62)	(4,576)
Asset impairment	-	(44,277)	-	-	(44,277)
Finance income (expense)					
Interest and other income	112	-	99	2	213
Unrealized loss on investments	-	-	-	(10)	(10)
Interest expense and accretion	(148)	(795)	44	(349)	(1,248)
Foreign exchange gain	(753)	(223)	(119)	134	(961)
Earnings (loss) before tax	\$ (790)	\$ (44,786)	\$ 3,313	\$ (2,306)	\$ (44,569)
Current tax expense	-	239	(519)	-	(280)
Deferred tax recovery	-	15,554	(209)	-	15,345
Net Earnings (loss)	\$ (790)	\$ (28,993)	\$ 2,585	\$ (2,306)	\$ (29,504)
Capital expenditures	\$ 414	\$ (9)	\$ 1,527	\$ 11	\$ 1,943

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	<u>Romania</u>	<u>Tunisia</u>	<u>Ukraine (Discontinued)</u>	<u>Corporate</u>	<u>Total</u>
For the nine months ended September 30, 2015					
Oil and gas revenue and change in oil inventory, net of royalties	\$ -	\$18,754	\$20,154	\$ -	\$ 38,908
Operating expenses:					
Production expenses	-	(9,020)	(6,169)	(143)	\$ (15,332)
General and administrative	-	-	(42)	(4,713)	\$ (4,755)
Transaction costs	-	-	-	(64)	\$ (64)
Stock based compensation	-	-	-	(735)	\$ (735)
Gain (loss) on disposition of assets	-	7	(46)	(112)	\$ (151)
Depletion and depreciation	(4)	(6,798)	(6,848)	(154)	\$ (13,804)
Asset impairment	-	(44,277)	-	-	\$ (44,277)
Finance income (expense)					
Interest income and other	112	-	288	53	\$ 453
Unrealized gain (loss) on investments	-	-	-	(64)	\$ (64)
Interest expense and accretion	(322)	(2,220)	(450)	(918)	\$ (3,910)
Foreign exchange gain (loss)	545	(459)	(722)	(961)	\$ (1,597)
Earnings (loss) before tax	\$ 331	\$ (44,013)	\$ 6,165	\$ (7,811)	\$ (45,328)
Current tax expense	-	(665)	(2,366)	-	(3,031)
Deferred tax recovery (expense)	-	14,341	940	-	15,281
Net Earnings (loss)	<u>\$ 331</u>	<u>\$ (30,337)</u>	<u>\$ 4,739</u>	<u>\$ (7,811)</u>	<u>\$ (33,078)</u>
Capital expenditures	<u>\$ 4,608</u>	<u>\$ 8,039</u>	<u>\$ 4,205</u>	<u>\$ 23</u>	<u>\$ 16,875</u>