



**SERINUS ENERGY INC.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014**  
US dollars in 000's

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

	March 31, 2015	December 31, 2014
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 22,819	\$ 11,096
Accounts receivable	14,205	19,223
Income taxes receivable	3,210	3,758
Prepays and other	2,063	2,283
Crude oil inventory	114	-
Restricted cash (Note 3)	3,388	6,697
Total current assets	45,799	43,057
Investments	109	125
Property, plant and equipment (Note 4)	188,321	196,962
Exploration and evaluation (Note 5)	20,794	19,323
Total Assets	\$ 255,023	\$ 259,467
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 43,122	\$ 46,996
Income taxes payable	307	722
Current portion of long-term debt (Note 6)	6,846	5,103
Asset retirement obligation	3,209	3,209
Total current liabilities	53,484	56,030
Asset retirement obligation	28,105	27,581
Other provisions	1,148	1,148
Deferred tax liability	36,302	36,514
Long-term debt (Note 6)	44,533	32,204
Total liabilities	163,572	153,477
<b>Shareholders' Equity</b>		
Share capital (Note 7)	\$ 344,479	\$ 344,479
Contributed surplus	21,572	20,936
Accumulated other comprehensive loss	(31,752)	(24,145)
Deficit	(258,790)	(254,522)
Equity attributable to owners of the company	75,509	86,748
Non-controlling interest	15,942	19,242
Total shareholders' equity	91,451	105,990
Total liabilities and shareholders' equity	\$ 255,023	\$ 259,467
Commitments (Note 9)		

*"Signed"*

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

*"Signed"*

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TIMOTHY M. ELLIOTT,  
DIRECTOR, PRESIDENT AND  
CEO

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

		Three months ended March 31,	
		2015	2014
Oil and gas revenue		\$ 25,155	\$ 35,863
Royalty expense		(11,797)	(7,949)
Oil and gas revenue, net of royalties	(Note 11)	13,358	27,914
Operating expenses			
Production expenses		(4,868)	(6,042)
General and administrative		(1,395)	(1,985)
Transaction costs		(47)	(983)
Stock based compensation		(636)	(1,030)
Depletion and depreciation	(Note 4)	(4,820)	(8,297)
Asset impairment		-	(337)
Total operating expenses		(11,766)	(18,674)
Finance income/(expenses)			
Interest and other income		911	204
Unrealized gain/(loss) on investments		(17)	42
Interest expense and accretion		(1,173)	(1,314)
Foreign exchange loss	(Note 8)	(3,441)	(3,644)
Total finance expenses		(3,720)	(4,712)
Earnings (loss) before tax		(2,128)	4,528
Current tax expense		(1,257)	(2,934)
Deferred tax recovery/(expense)		(738)	1,140
Net earnings (loss)		(4,123)	2,734
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Foreign currency translation loss of foreign operations	(Note 8)	(10,867)	(18,890)
Total comprehensive loss		\$ (14,990)	\$ (16,156)
Earnings (loss) attributable to:			
Common shareholders		(4,268)	1,657
Non-controlling interest		145	1,077
Earnings (loss) for the period		\$ (4,123)	\$ 2,734
Earnings (loss) per share attributable to common shareholders			
- basic and diluted	(Note 7(b))	\$ (0.05)	\$ 0.02
Total comprehensive loss attributed to:			
Common shareholders		(11,875)	(11,567)
Non-controlling interest		(3,115)	(4,589)
Total comprehensive loss for the period		\$ (14,990)	\$ (16,156)

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

	Three months ended March 31,	
	2015	2014
Net earnings (loss)	\$ (4,123)	\$ 2,734
Items not involving cash:		
Depletion and depreciation (Note 4)	4,820	8,297
Impairment of assets	-	337
Accretion on asset retirement obligation	227	214
Stock based compensation (Note 7(d))	636	1,030
Unrealized (gain) loss on investments	17	(42)
Unrealized foreign exchange loss (Note 8)	1,994	3,436
Deferred income tax expense (recovery)	738	(1,140)
Interest and other income	(911)	(204)
Interest expense	946	1,100
Funds from operations	4,344	15,762
Changes in non-cash working capital	(2,689)	(9,568)
	1,655	6,194
Financing:		
Issuance of long-term debt (Note 6)	16,280	5,000
Repayment of long-term debt (Note 6)	(1,667)	(1,868)
Debt issuance costs (Note 6)	(541)	-
Dividends paid to non-controlling interest	(185)	(1,035)
Issuance of shares	-	50
Interest received	62	46
Interest paid	(792)	(1,587)
	13,157	606
Investing:		
Property and equipment expenditures (Note 4)	(7,107)	(8,221)
Restricted cash movement (Note 3)	3,309	-
Exploration and evaluation expenditures (Note 5)	(3,586)	(2,030)
Changes in non-cash working capital related to investing	3,482	(2,146)
	(3,902)	(12,397)
Effect of exchange rate changes on cash	813	437
Change in cash	11,723	(5,160)
Cash and cash equivalents, beginning of period	11,096	19,916
Cash and cash equivalents, end of period	\$ 22,819	\$ 14,756
Supplemental cash flow information		
Cash taxes paid	\$ (1,062)	\$ (2,622)

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

	Common Shares		Contributed surplus	Cumulative translation adjustment	Non-controlling interest	Deficit	Total
	Number of shares	Amount					
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	-	-	-	-	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
Balances, December 31, 2014	78,629,941	344,479	20,936	(24,145)	19,242	(254,522)	105,990
Stock-based compensation	-	-	636	-	-	-	636
Foreign currency translation adjustment on foreign operations	-	-	-	(7,607)	(3,260)	-	(10,867)
Dividends declared to non-controlling interest	-	-	-	-	(185)	-	(185)
Net earnings	-	-	-	-	145	(4,268)	(4,123)
Balances, March 31, 2015	78,629,941	344,479	21,572	(31,752)	15,942	(258,790)	91,451

**Serinus Energy Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**1. Reporting entity**

The consolidated financial statements for Serinus Energy Inc. (“Serinus” or “the Company”) include the accounts of Serinus and its controlled subsidiaries as at and for the period ended March 31, 2015 and 2014. Serinus is principally engaged in the exploration for and development of oil and gas properties in Ukraine, Tunisia, and Romania. 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 a 70% controlling ownership interest in KUB-Gas LLC (“KUB Gas”), a Ukrainian company.

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 50.7% investment in Serinus and is the ultimate parent of Serinus.

**(a) Basis of consolidation**

Serinus has two direct wholly-owned subsidiaries, Serinus Holdings Limited (“Serinus Holdings”) and Winstar Resources Limited (“Winstar”).

Through Serinus Holdings, the Company has the following indirect wholly-owned subsidiaries, Kulczyk Oil Brunei Limited and AED South East Asia Ltd. which hold the Company’s interests in Brunei Block L, Loon Latakia Limited which holds the Company’s interest in Syria Block 9 and KOV Borneo Limited which held the Company’s interest in Brunei Block M. Serinus Holdings also owns 70% of KUB-GAS Holdings Limited (“KUB Holdings”), which holds a 100% interest in KUB-Gas, representing Ukrainian operations.

Serinus controls KUB Holdings and under IFRS must consolidate the results of KUB Holdings and KUB-Gas into its financial statements. The Company reports 100% of the revenues, royalties and production and other expenses for KUB Holdings and KUB-Gas. 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 and earnings of KUB Holdings and KUB-Gas attributable to the minority shareholder is presented by way of a one line entry as non-controlling interest (“NCI”).

Through Winstar, Serinus has one wholly owned subsidiary Winstar B.V., which in turn owns 100% of Winstar Tunisia B.V. (“Winstar Tunisia”), 99.8% of Winstar Magyarorszag KFT (“Winstar Hungary”) and 99.9995% of Winstar Satu Mare SRL (“Winstar Romania”). Winstar Tunisia owns the remaining 0.2% and 0.0005% of Winstar Hungary and Winstar Romania respectively.

**(b) Ukraine operational update**

Ukraine’s political, economic and security situation deteriorated significantly since late 2013 with violent conflicts in the capital city of Kyiv in early 2014, the removal of the former president and changes to governing bodies, a depletion of the country’s foreign currency reserves, downgrading of sovereign debt ratings and devaluation of the currency. The political and economic situation has been further exacerbated by the violent conflict in eastern Ukraine where fighting continues between Ukrainian military forces and opposing rebel factions.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The ability to make reliable estimates is further complicated when the political, economic and security situation results in an unstable environment. Management has based its estimates with respect to the Company’s operations in Ukraine based on information available up to the date these financial statements were approved by the board of directors. However, the situation in Ukraine is unstable and significant changes can occur

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which could materially impact the estimates made in these financial statements. For future discussion on the impact to the financial statements please refer to the “Ukraine operational update” in the notes to the Consolidated Financial Statements for the year ended December 31, 2014.

The significant impacts of the current situation in Ukraine on the Company operations are as follows:

(i) Operations

In 2015, the Company’s production of natural gas was impacted by the current situation in Ukraine and production levels decreased from prior year. In November 2014, The Ukraine government issued three decrees which reserved a large share of the natural gas market for the state owned National Joint Stock Company, Naftogaz (“Naftogaz”) through legislation. In Q1 2015, the Company experienced the practical effects of the legislation, as the remaining market was insufficient to accept all available gas, resulting in cutbacks by private producers. A Ukraine court subsequently overturned these regulations, and this decision was subsequently upheld on appeal. The government appealed again, but on March 31, 2015, the High Administrative Court of Ukraine dismissed the government's claims in their entirety. The market has started to readjust with increased volumes in April.

The development of the Company’s oil and gas properties has been impacted by the security situation in eastern Ukraine as drilling and exploration activity was temporarily suspended in the third quarter of 2014. The Company completed the drilling of the M-22 on the Makeevskoye license in the fourth quarter of 2014 and has completed the well during Q1 2015 with testing currently underway. At this time, no additional exploration and development projects are planned for 2015 beyond a field compression project on the Olgovskoye field. The Company may consider additional capital expenditures in 2015 subject to the availability of cash flow from operations and the security situation. The Company may also resume testing operations on the NM-3 exploration well that are required to be performed by September 30, 2015 to retain the North Makeevskoye license. Should the Company not be able to perform testing operations on the NM-3 well, the North Makeevskoye license may be subject to relinquishment. In the longer term, should the Company not be able to recommence active exploration and development activity, production and reserve volumes could be negatively impacted.

(ii) Foreign currency

The functional currency of the Company’s Ukrainian operations is the hryvnia. As such, the financial statements of KUB-Gas are translated into US dollars at the period end exchange rate with exchange gains and losses included in other comprehensive income. These gains and losses are non-cash. The translation loss in 2015 was \$10.8 million as a result of the devaluation of the hryvnia.

The value of the Ukrainian hryvnia to the US dollar has rapidly deteriorated since the escalation of the situation in Ukraine arose in 2013. The exchange rate has decreased from 16.28 (Ukraine hryvnia to the US dollar) at December 31, 2014 to 23.47 at March 31, 2015 and 20.58 as of the date of these financial statements.

Management continues to proactively manage the Company’s operations in Ukraine in response to the current political, economic and security situation and works to reduce the risks on the Company’s operations. However, operating in Ukraine in the current environment has increasing challenges. As the situation in Ukraine changes, it may adversely impact assumptions used to prepare the financial statements. Changes in assumptions are recognized in the financial statements prospectively.

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**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 and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2014.

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, 2014.

These condensed consolidated financial statements were authorised for issuance by the Company's Board of Directors on May 13, 2015.

**(b) 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, 2014.

**(c) Recent accounting pronouncements**

For the three months ended March 31, 2015, Serinus did not adopt any new IFRS standards nor were any applicable pronouncements announced. Refer to note 2 to the consolidated financial statements for the year ended December 31, 2014 for pronouncements not yet adopted.

**(d) 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 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).

**3. Restricted cash**

	As at March 31 2015	As at December 31 2014
Cash held in Ukraine <sup>(1)</sup>	\$ 1,762	\$ 5,073
Standby letter of credit <sup>(2)</sup>	1,626	1,624
Total	<u>\$ 3,388</u>	<u>\$ 6,697</u>

(1) These funds represent dividends that are being held in Ukraine due to currency controls.

(2) As part of the 2013 Winstar Acquisition, the Company has an irrevocable standby letter of credit issued by a Canadian chartered bank of \$1.4 million plus cash on deposit of \$0.2 million, as required to meet future abandonment obligations existing on certain oil and gas properties in Canada.

The fair value of restricted cash approximates the carrying value.



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**4. Property, Plant and Equipment**

	Oil and gas interests	Plant and equipment	Other	Total
<b>Cost or deemed cost:</b>				
Balance at December 31, 2014	\$ 298,339	\$ 15,905	\$ 4,025	\$ 318,269
Additions	7,312	229	63	7,604
Dispositions	-	(5)	(95)	(100)
Foreign currency translation adjustment	(14,791)	(4,929)	(840)	(20,560)
Balance at March 31, 2015	<u>\$ 290,860</u>	<u>\$ 11,200</u>	<u>\$ 3,153</u>	<u>\$ 305,213</u>
<b>Accumulated depletion and depreciation:</b>				
Balance at December 31, 2014	\$ (114,792)	\$ (4,376)	\$ (2,139)	\$ (121,307)
Depletion and depreciation	(4,448)	(326)	(102)	(4,876)
Depreciation capitalized	56	-	-	56
Dispositions	-	2	1	3
Foreign currency translation adjustment	7,595	1,375	262	9,232
Balance at March 31, 2015	<u>\$ (111,589)</u>	<u>\$ (3,325)</u>	<u>\$ (1,978)</u>	<u>\$ (116,892)</u>
<b>Net book value:</b>				
Balance at December 31, 2014	<u>\$ 183,547</u>	<u>\$ 11,529</u>	<u>\$ 1,886</u>	<u>\$ 196,962</u>
Balance at March 31, 2015	<u>\$ 179,271</u>	<u>\$ 7,875</u>	<u>\$ 1,175</u>	<u>\$ 188,321</u>

**5. Exploration and evaluation assets**

	As at March 31, 2015	As at December 31, 2014
Carrying amount, beginning of the year	\$ 19,323	\$ 11,834
Additions	3,586	13,868
Cumulative translation adjustment	(2,115)	(6,379)
Carrying amount, end of the period	<u>\$ 20,794</u>	<u>\$ 19,323</u>

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:

	As at March 31 2015	As at December 31 2014
Ukraine	\$ 4,684	\$ 6,766
Romania	16,110	12,557
	<u>\$ 20,794</u>	<u>\$ 19,323</u>

**Serinus Energy Inc.**  
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**6. Long-term debt**

	As at March 31 2015	As at December 31 2014
Current portion of long-term debt		
Ukraine funding (a)	\$ 2,385	\$ 1,770
Tunisia funding (b)	3,333	3,333
Romania funding (c)	1,128	-
	<u>6,846</u>	<u>5,103</u>
Long-term debt		
Ukraine funding (a)	-	615
Tunisia funding (b)	34,916	31,589
Romania funding (c)	9,617	-
	<u>44,533</u>	<u>32,204</u>
Total debt	<u>\$ 51,379</u>	<u>\$ 37,307</u>

**(a) Ukraine funding**

	As at March 31 2015	As at December 31 2014
Current portion of long-term debt	\$ 2,385	\$ 1,770
Long-term debt	-	615
Total debt	<u>\$ 2,385</u>	<u>\$ 2,385</u>

There are two remaining payments on this debt, one due in July 2015 and the other due in January 2016, at which time the loan will be repaid in its entirety.

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, 2015, KUB-Gas was in compliance with all debt covenants (December 31, 2014: in compliance).

**(b) 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 is in the amount of USD \$40 million and is available in two tranches of USD \$20 million each. Upon finalization of the Romania funding in Q1 2015, the second tranche has been 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.

**Senior Loan**

	As at March 31 2015	As at December 31 2014
Current portion of long-term debt	\$ 3,333	\$ 3,333
Long-term debt	14,387	16,433
Total	<u>\$ 17,720</u>	<u>\$ 19,766</u>

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The Senior Loan is repayable in twelve equal semi-annual installments with the first repayment of \$1.7 million was made on March 31, 2015. The second tranche of the Senior Loan is now available to be drawn, as the Convertible Loan has been fully drawn, and is also subject to certain conditions including achieving and maintaining specified production targets, and meeting specified financial and reserve coverage ratios.

**Convertible Loan**

	As at March 31 2015	As at December 31 2014
Current portion of long-term debt	\$ -	\$ -
Long-term debt	20,529	15,156
Total	<u>\$ 20,529</u>	<u>\$ 15,156</u>

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, 2015, the Company was in compliance with all debt covenants (December 31, 2014: in compliance).

As at March 31, 2015, the Company has drawn \$20.0 million from Tranche 1 of the Senior Loan, \$20.0 from the Convertible Loan and incurred \$1.0 million of transaction costs (December 31, 2014: \$20.0 million Senior Loan; \$15.0 million Convertible Loan; and \$1.0 million transaction costs).

**(c) Romania funding**

	As at March 31 2015	As at December 31 2014
Current portion of long-term debt	\$ 1,128	\$ -
Long-term debt	9,617	-
Total	<u>\$ 10,745</u>	<u>\$ -</u>

On February 20, 2015, Serinus finalized a new €10 million (\$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.

Interest on the Romania Facility is payable semi-annually in March and September of each year at a variable rate equal to LIBOR (six month) plus 8%. Interest payments for the Romania Facility will commence in September 2015. The Romania Facility is repayable in ten equal semi-annual installments with the first repayment to be made on March 31, 2016.

The Romania Facility contains an accelerated repayment provision whereby if and when the Company is able to convert and repatriate its cash in Ukraine, currently held in UAH, the Company will apply those funds to early repayment the Romania Facility according to the following schedule:

<u>Threshold</u>	<u>Amount Applied to Pre-Payment</u>
Up to the first 50 million UAH equivalent	100%
Thereafter, until 50% of the Romania Facility has been pre-paid	70%
Thereafter, until 70% of the Romania Facility has been pre-paid	50%
Thereafter, until the Romania Facility has been fully repaid	30%

The Company will apply 40% of its Excess Cash from Tunisia toward early repayment of the Romania Facility and once repaid, then Excess Cash shall be applied to the Tunisian facility outstanding with EBRD. Excess Cash is defined as the Operating Cash Flow from Serinus' Tunisia subsidiary, less debt service costs arising from all senior debt on the Tunisia assets and the Romanian debt, less capital expenditures, plus any new debt disbursement on the Tunisian debt. In the event that pre-payments are made in any given year from Ukraine as

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described above, the repayment from Tunisia shall drop to 25% of Excess Cash. No pre-payment fees are applicable to the accelerated payments described above.

The debt is also subject to certain affirmative covenants, including maintaining the specific security, environmental and social compliance, and maintenance of specified financial ratios.

As at March 31, 2015, the Company has fully drawn the facility of \$11.28 million and \$0.5 million of transaction costs were paid.

**7. 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. 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 March 31, 2015 (December 31, 2014: 78,629,941).

**(b) Earnings per share**

	Three Months ended March 31,	
	2015	2014
Net earnings (loss) attributable to common shareholders		
Basic and diluted	\$ (4,268)	\$ 1,657
Weighted average number of shares outstanding		
Basic and diluted	78,629,941	78,620,897
Earnings (loss) per share attributable to common shareholders		
Basic and diluted	\$ (0.05)	\$ 0.02

**(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. 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.

A summary of the changes to the option plan during the three month period ended March 31, 2015, is presented below:

	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, 2014	5,642,400	\$ 4.39	141,000	\$ 2.39
Granted	-	\$ -	-	\$ -
Exercised	-	\$ -	-	\$ -
Expired/Cancelled	(2,753,400)	\$ 4.05	-	\$ -
Balance, March 31, 2015	2,889,000	\$ 4.72	141,000	\$ 2.39

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The following tables summarize information about the options outstanding as at March 31, 2015:

**USD denominated options:**

Exercise price (US\$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
\$ 2.85 - \$ 3.50	270,000	180,002	3.41
\$ 3.51 - \$ 4.00	774,400	774,400	0.89
\$ 4.01 - \$ 5.00	860,600	637,734	3.43
\$ 5.01 - \$ 6.20	984,000	984,000	0.17
\$ 4.72	2,889,000	2,576,136	1.64

**CAD denominated options:**

Exercise price (CAD\$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
\$ 1.56 - \$ 2.50	74,000	24,667	4.59
\$ 2.51 - \$ 3.22	67,000	25,333	4.22
\$ 2.39	141,000	50,000	4.41

**8. Foreign currency translation**

The financial statements are presented in U.S. dollars, which is the reporting currency of the Company. For the three month period ended March 31, 2015, a foreign exchange loss of \$3.4 million was recorded in the income statement (Q1 2014: \$3.6 million).

The financial statements of KUB-GAS use the Ukraine Hryvnia as its functional currency. As a result of a 31% deterioration of the Hryvnia versus the US dollar during the three months ended March 31, 2015, the translation of balances denominated in currencies other than Hryvnia at period end into Hryvnia resulted in a foreign exchange loss of \$2.0 million (Q1 2014: \$3.6 million). This foreign exchange loss is recorded in the income statement.

On consolidation of KUB-GAS by the Company, 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 loss, with a loss of \$10.9 million being recorded for the three month period ended March 31, 2015 (Q1 2014: \$18.9 million). An appreciation in the exchange rate would have the opposite effect.

**9. Contractual obligations and commitments**

The contractual obligations of the Company as at March 31, 2015 are as follows:

	Within 1 Year	2-3 Years	4-5 Years	+5 Years	Total
Office Rental	\$ 497	\$ 947	\$ 915	\$ 435	\$ 2,794
EBRD loan-Ukraine	2,385	-	-	-	2,385
EBRD loan-Tunisia	3,333	6,667	6,667	21,582	38,249
EBRD loan-Romania	1,128	4,512	4,512	593	10,745
Total contractual obligations	\$ 7,343	\$ 12,126	\$ 12,094	\$ 22,610	\$ 54,173

**Serinus Energy Inc.**  
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The Company's commitments are all in the ordinary course of business and include the work commitments for Ukraine, Tunisia and Romania.

***Ukraine***

The Company has an obligation to incur certain capital expenditures to comply with 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 \$1.0 million during 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. KUB-Gas's potential capital expenditure relate to the North Makeevskoye license, where the Company may perform testing operations on the NM-3 exploration well for retention of the license.

***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, 2015 cumulative liquid hydrocarbon sales net of royalties and shrinkage was 4.9 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***

The Company has a 60% interest in a 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 drilling, completion, and testing of Moftinu 1001 and 1002bis, along with the 180 square kilometer 3D seismic program in the Santau area and associated filings to the government, fulfils both the government and partner work commitments for the Satu Mare concession, phase 2. Satisfactory completion of Phase 2 entitles the Company to request an extension of the exploration period by an additional period of three years and provide a minimal work schedule. The Company has commenced discussions with the National Agency for Mineral Resources ("NAMR") with respect to the work program. Written confirmation of the extension is expected to be received from NAMR in May 2015

In addition, Serinus is responsible for a \$6.0 million guarantee, without cash or any other asset pledged as security, issued by Winstar in favor of the Romanian National Agency for Mineral Resources in respect of a Winstar Romanian subsidiary's minimum work commitments for the Phase 2 exploration period.

***Office Space***

The Company had a lease agreement for office space in Calgary, Canada which expires on November 30, 2020.

**10. Related Party Transactions**

Nemmoco Petroleum Corporation ("Nemmoco") is a private company of which 37.5% is owned by Timothy M. Elliott, an officer and director of the Company, provides certain personnel, general, accounting and administrative services to the Company at its offices in Dubai on a cost basis. For the three months ended March 31, 2015, the fees totalled \$0.2 million, (Q1 2014: \$0.2 million). At March 31, 2015, \$47 thousand was owed to Nemmoco (December 31, 2014: \$67 thousand).

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Loon Energy Corporation (“Loon Energy”) is a publicly traded Canadian corporation with no employees. Serinus and Loon Energy are related as they have five common directors and officers and the same principal shareholder. Management and administrative services are provided by the management and staff of Serinus. For the three months ended March 31, 2015, these fees totalled \$2 thousand (Q1 2014: \$3 thousand). At March 31, 2015, Loon Energy owed \$nil (December 31, 2014: \$nil) to Serinus for these services.

Serinus 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 and Serinus have entered into an indemnification agreement in respect of the Loon Guarantee. The maximum liability to the Company that may arise from the Loon Guarantee is based on the first exploration phase as the minimum work program for the first phase has been completed, the Company does not anticipate any exposure to the guarantee.

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

**11. Segmented information**

The Company’s reportable segments are organized by geographical areas and consist of Romania, Tunisia, Ukraine and Corporate (including Brunei). For the period ended March 31, 2015, the Company has two significant customers with sales representing 42%, and 12% of total sales.

	<u>Romania</u>	<u>Tunisia</u>	<u>Ukraine</u>	<u>Corporate</u>	<u>Total</u>
<b>As at March 31, 2015</b>					
Total Assets	\$ 19,383	\$ 151,549	\$ 66,966	\$ 17,125	\$ 255,023
<b>For the period ended March 31, 2015</b>					
Oil and gas revenue, net of royalties	\$ -	\$ 7,203	\$ 6,155	\$ -	\$ 13,358
Operating expenses:					
Production expenses	-	(2,864)	(1,964)	(40)	(4,868)
General and administrative	-	-	-	(1,395)	(1,395)
Transaction costs	-	-	-	(47)	(47)
Stock based compensation	-	-	-	(636)	(636)
Depletion and depreciation	(1)	(2,529)	(2,252)	(38)	(4,820)
Finance income/(expense)					
Interest and other income	-	-	861	50	911
Unrealized loss on investments	-	-	-	(17)	(17)
Interest expense and accretion	(37)	(757)	(136)	(243)	(1,173)
Foreign exchange gain (loss)	44	(261)	(1,953)	(1,271)	(3,441)
Earnings (loss) before tax	\$ 6	\$ 792	\$ 711	\$ (3,637)	\$ (2,128)
Current tax expense	-	(183)	(1,074)	-	(1,257)
Deferred tax recovery/(expense)	-	(1,612)	874	-	(738)
Net Earnings (loss)	\$ 6	\$ (1,003)	\$ 511	\$ (3,637)	\$ (4,123)
Capital expenditures	\$ 3,575	\$ 6,145	\$ 1,523	\$ 3	\$ 11,246

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	<u>Romania</u>	<u>Tunisia</u>	<u>Ukraine</u>	<u>Corporate (i)</u>	<u>Total</u>
<b>As at December 31, 2014</b>					
Total Assets	<u>\$ 14,340</u>	<u>\$ 154,340</u>	<u>\$ 83,195</u>	<u>\$ 7,592</u>	<u>\$ 259,467</u>
<b>For the period ended March 31, 2014</b>					
Oil and gas revenue, net of royalties	\$ -	\$ 10,762	\$ 17,152	\$ -	\$ 27,914
Operating expenses:					
Production expenses	-	(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 and depreciation	(2)	(3,013)	(5,253)	(29)	(8,297)
Impairment on exploration and evaluation	-	-	-	(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 loss	(12)	(94)	(3,601)	63	(3,644)
Earnings (loss) before tax	<u>\$ (14)</u>	<u>\$ 4,605</u>	<u>\$ 4,773</u>	<u>\$ (4,836)</u>	<u>\$ 4,528</u>
Current tax expense	-	(1,245)	(1,689)	-	(2,934)
Deferred tax recovery / (expense)	-	634	506	-	1,140
Net Earnings (loss)	<u>\$ (14)</u>	<u>\$ 3,994</u>	<u>\$ 3,590</u>	<u>\$ (4,836)</u>	<u>\$ 2,734</u>
Capital expenditures	<u>\$ 1,023</u>	<u>\$ 1,671</u>	<u>\$ 7,161</u>	<u>\$ 396</u>	<u>\$ 10,251</u>

(i) Corporate balances include those values previously presented as Brunei.