



SERINUS ENERGY INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED September 30, 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)

	September 30, 2015	December 31, 2014
Assets		
Current		
Cash and cash equivalents	\$ 10,467	\$ 11,096
Accounts receivable	6,421	19,223
Income taxes receivable	3,790	3,758
Prepays and other	1,781	2,283
Restricted cash (Note 3)	4,640	6,697
Total current assets	27,099	43,057
Investments	62	125
Property, plant and equipment (Note 4)	141,525	196,962
Exploration and evaluation (Note 5)	23,526	19,323
Total Assets	\$ 192,212	\$ 259,467
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 20,188	\$ 46,996
Income taxes payable	307	722
Current portion of long-term debt (Note 7)	53,442	5,103
Asset retirement obligation	3,209	3,209
Total current liabilities	77,146	56,030
Asset retirement obligation	28,362	27,581
Other provisions	1,148	1,148
Deferred tax liability	20,637	36,514
Long-term debt (Note 7)	-	32,204
Total liabilities	127,293	153,477
Shareholders' Equity		
Share capital (Note 8)	\$ 344,479	\$ 344,479
Contributed surplus	21,671	20,936
Accumulated other comprehensive loss	(29,829)	(24,145)
Deficit	(289,022)	(254,522)
Equity attributable to owners of the company	47,299	86,748
Non-controlling interest	17,620	19,242
Total shareholders' equity	64,919	105,990
Total liabilities and shareholders' equity	\$ 192,212	\$ 259,467
Going concern (Note 2(a))		
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 Interim Statement of Operations and Comprehensive Earnings/(Loss)
(Stated in thousands of US dollars, except share and per share data)
(Unaudited)

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	2015	2014	2015	2014
Oil and gas revenue	\$ 20,449	\$ 46,407	\$ 67,947	\$ 123,905
Royalty expense	(7,529)	(16,326)	(29,039)	(32,334)
Oil and gas revenue, net of royalties	(Note 13) <u>12,920</u>	<u>30,081</u>	<u>38,908</u>	<u>91,571</u>
Operating expenses				
Production expenses	(4,634)	(6,309)	(15,332)	(19,548)
General and administrative	(1,817)	(3,403)	(4,755)	(7,809)
Transaction costs	(7)	59	(64)	(1,441)
Stock based compensation	(20)	(685)	(735)	(2,402)
Gain/(loss) on disposition	(152)	19	(151)	126
Depletion and depreciation	(Note 4) (4,576)	(8,141)	(13,804)	(24,292)
Asset impairment	(Note 6) (44,277)	-	(44,277)	(337)
Total operating expenses	<u>(55,483)</u>	<u>(18,460)</u>	<u>(79,118)</u>	<u>(55,703)</u>
Finance income/(expenses)				
Interest income and other	213	1,990	453	2,338
Unrealized loss on investments	(10)	(77)	(64)	(8)
Interest expense and accretion	(1,248)	(696)	(3,910)	(3,731)
Foreign exchange loss	(Note 9) (961)	(2,308)	(1,597)	(6,825)
Total finance income (expenses)	<u>(2,006)</u>	<u>(1,091)</u>	<u>(5,118)</u>	<u>(8,226)</u>
Earnings (loss) before tax	(44,569)	10,530	(45,328)	27,642
Current tax expense	(280)	(1,646)	(3,031)	(6,147)
Deferred tax recovery/(expense)	15,345	(2,333)	15,281	(3,477)
Net earnings (loss)	(29,504)	6,551	(33,078)	18,018
Other comprehensive earnings (loss)				
Items that may be reclassified to profit or loss				
Foreign currency translation loss of foreign operations	(Note 9) (187)	(6,487)	(8,120)	(27,373)
Total comprehensive earnings (loss)	<u>\$ (29,691)</u>	<u>\$ 64</u>	<u>\$ (41,198)</u>	<u>\$ (9,355)</u>
Earnings (loss) attributable to:				
Common shareholders	(30,281)	3,793	(34,500)	10,794
Non-controlling interest	777	2,758	1,422	7,224
Earnings (loss) for the period	<u>\$ (29,504)</u>	<u>\$ 6,551</u>	<u>\$ (33,078)</u>	<u>\$ 18,018</u>
Earnings (loss) per share attributable to common shareholders				
- basic and diluted	(Note 8(b)) \$ (0.39)	\$ 0.05	\$ (0.44)	\$ 0.14
Total comprehensive earnings (loss) attributed to:				
Common shareholders	(30,412)	(747)	(40,184)	(8,367)
Non-controlling interest	721	811	(1,014)	(988)
Total comprehensive earnings (loss) for the period	<u>\$ (29,691)</u>	<u>\$ 64</u>	<u>\$ (41,198)</u>	<u>\$ (9,355)</u>

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 September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net earnings (loss)	\$ (29,504)	\$ 6,551	\$ (33,078)	\$ 18,018
Items not involving cash:				
Depletion and depreciation	(Note 4) 4,576	8,141	13,804	24,292
Impairment of assets	(Note 6) 44,277	-	44,277	337
Accretion on asset retirement obligation	152	(8)	457	419
Stock based compensation	20	685	735	2,402
Unrealized loss on investments	10	77	64	8
Unrealized foreign exchange loss	(Note 9) 121	1,402	724	5,934
Deferred income tax expense (recovery)	(15,345)	2,333	(15,281)	3,477
Interest income and other	(213)	(1,990)	(453)	(2,338)
Interest expense	1,096	704	3,453	3,312
Funds from operations	5,190	17,895	14,702	55,861
Changes in non-cash working capital	(4,002)	10,195	(3,611)	8,016
	<u>1,188</u>	<u>28,090</u>	<u>11,091</u>	<u>63,877</u>
Financing:				
Issuance of long-term debt	(Note 7) 5,000	14,871	21,280	24,871
Repayment of long-term debt	(Note 7) (3,890)	(9,663)	(5,557)	(18,531)
Debt issuance costs	(Note 7) -	-	(541)	-
Dividends paid to non-controlling interest	(423)	(3,540)	(608)	(7,635)
Issuance of shares	-	-	-	50
Interest received	119	87	276	172
Interest paid	(1,998)	(2,274)	(2,790)	(4,386)
Changes in non-cash working capital related to financing	871	3,473	468	3,240
	<u>(321)</u>	<u>2,954</u>	<u>12,528</u>	<u>(2,219)</u>
Investing:				
Property and equipment expenditures	(Note 4) (862)	(13,725)	(11,391)	(35,617)
Restricted cash movement	(Note 3) (1,040)	-	2,057	-
Exploration and evaluation expenditures	(Note 5) (1,031)	(1,828)	(4,836)	(6,246)
Changes in non-cash working capital related to investing	(775)	-	(10,434)	(9,146)
	<u>(3,708)</u>	<u>(15,553)</u>	<u>(24,604)</u>	<u>(51,009)</u>
Effect of exchange rate changes on cash	824	(4,057)	356	(3,412)
Change in cash	(2,017)	11,434	(629)	7,237
Cash and cash equivalents, beginning of period	12,484	15,719	11,096	19,916
Cash and cash equivalents, end of period	<u>\$ 10,467</u>	<u>\$ 27,153</u>	<u>\$ 10,467</u>	<u>\$ 27,153</u>
Supplemental cash flow information				
Cash taxes paid	<u>\$ (1,096)</u>	<u>\$ (6,368)</u>	<u>\$ (3,265)</u>	<u>\$ (13,162)</u>

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, 2013	78,611,441	\$ 344,403	\$ 18,062	\$ (269)	\$ 32,369	\$ (224,021)	\$ 170,544
Issued on exercise of stock options	18,500	76	(23)	-	-	-	53
Stock-based compensation	-	-	2,402	-	-	-	2,402
Foreign currency translation adjustment on foreign operations	-	-	-	(19,161)	(8,212)	-	(27,373)
Dividends declared to non-controlling interest	-	-	-	-	(7,635)	-	(7,635)
Net earnings	-	-	-	-	7,224	10,794	18,018
Balances, September 30, 2014	78,629,941	\$ 344,479	\$ 20,441	\$ (19,430)	\$ 23,746	\$ (213,227)	\$ 156,009
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

Serinus Energy Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2015 and 2014
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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 three and nine month periods ended September 30, 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 50.8% 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 has 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 sporadic 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

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approved by the board of directors. However, the situation in Ukraine is unstable and significant changes can occur 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. Further, the development of the Company’s oil and gas properties has been impacted as drilling and exploration activity was temporarily suspended in the third quarter of 2014 for security reasons. Drilling resumed in Q4 2014 with the M-22 well, but further drilling has been put on hold due to the combination of low commodity prices and high royalties. The Company may consider additional capital expenditures on development projects during the balance of 2015, subject to keeping such expenditures within operating cash flow and no further material adverse changes in either the fiscal terms or the security situation in and around the Ukraine licences. The Company has fulfilled the work obligations required to retain the North Makeevskoye licence and KUB-Gas staff has commenced the extension application process.

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.

(ii) Foreign currency

The functional currency of the Company’s Ukrainian operations is the Hryvnia. The situation in Ukraine has caused the value of the Ukrainian Hryvnia (“UAH) to the US dollar (“USD”) to fluctuate, changing from 16.28 (Ukraine Hryvnia to the US dollar) at December 31, 2014 to a high of 32.75 in February, and was 21.20 at September 30, 2015. Refer to Note 9 for the foreign exchange fluctuation impact on the consolidated statements.

(iii) Currency controls

On September 4, 2015, the National Bank of Ukraine announced that the restrictions on foreign currency transactions first imposed in September 2014 have been extended until December 4, 2015. The enacted legislation prohibits several types of foreign exchange transactions, including the ability of KUB-Gas to pay dividends to shareholders. As at September 30, 2015, \$2.9 million is restricted representing dividends that are being held in Ukraine and \$2.1 million represents cash and cash equivalents held in KUB-Gas.

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.

2. Basis of Preparation

(a) Going concern

These consolidated financial statements have been prepared on a going concern basis, which presumes 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.

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At September 30, 2015, 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, and discharge its liabilities as they come due, including EBRD repayments under the original repayment terms as disclosed in Note 11. The current situation in Ukraine, including currency controls, and 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, 2015, the Company had a working capital deficiency of \$50.0 million, due to the reclassification of all debt as current, and cash flows from operations of \$1.2 million and \$11.1 million, respectively. The Company is actively evaluating its options at this time, including a potential farmout of assets.

At September 30, 2015, the Company was not in compliance with the annual debt service coverage ratio financial covenant at the consolidated level on its debt held with European Bank for Reconstruction and Development ("EBRD"). Subsequently, EBRD has formally waived compliance with this ratio for the period ended September 30, 2015. The waiver is conditional upon Serinus maintaining a debt service coverage ratio of 0.25 times from October 1, 2015 to December 31, 2015. 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, 2015, Serinus has reclassified its long-term debt to current in the financial statements, as required under accounting standards.

These 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, 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 November 12, 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

Below is a brief description of new IFRS standards and amendments that are not yet effective and have not been applied in the preparation of these financial statements. There are no other standards or interpretations issued, but not yet adopted, that are anticipated to have a material impact on the Corporation's financial statements.

On May 28 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. On April 28, 2015, the IASB proposed to

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defer the effective date by one year to January 1, 2018, which was approved on July 22, 2015. The Corporation intends to adopt IFRS 15 on the finalized adoption date and is currently evaluating the impact of adopting the standard on its consolidated financial statements.

On July 24, 2014, the IASB issued the complete IFRS 9, "Financial Instruments" to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 is effective for years beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Corporation is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

On December 18, 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". These amendments will not require significant changes to the Corporation's current practices but are aimed to facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Corporation intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. The Corporation does not expect these amendments to have a material impact.

(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 fixed rate long-term debt was established. The remainder of debt is at floating market rates (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 September 30, 2015	As at December 31, 2014
Cash held in Ukraine ⁽¹⁾	\$ 2,945	\$ 5,073
Standby letter of credit ⁽²⁾	1,695	1,624
Total	<u>\$ 4,640</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 \$0.3 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
Cost or deemed cost:				
Balance at December 31, 2014	\$ 298,339	\$ 15,905	\$ 4,025	\$ 318,269
Additions	10,540	1,515	(561)	11,494
Dispositions	-	(12)	(103)	(115)
Foreign currency translation adjustment	(11,218)	(3,739)	(619)	(15,576)
Balance at September 30, 2015	<u>\$ 297,661</u>	<u>\$ 13,669</u>	<u>\$ 2,742</u>	<u>\$ 314,072</u>
Accumulated depletion and depreciation:				
Balance at December 31, 2014	\$ (114,792)	\$ (4,376)	\$ (2,139)	\$ (121,307)
Depletion and depreciation	(12,650)	(955)	(344)	(13,949)
Depreciation capitalized	145	-	-	145
Dispositions	-	6	6	12
Impairment (Note 6)	(44,277)	-	-	(44,277)
Foreign currency translation adjustment	5,628	1,009	192	6,829
Balance at September 30, 2015	<u>\$ (165,946)</u>	<u>\$ (4,316)</u>	<u>\$ (2,285)</u>	<u>\$ (172,547)</u>
Net book value:				
Balance at December 31, 2014	<u>\$ 183,547</u>	<u>\$ 11,529</u>	<u>\$ 1,886</u>	<u>\$ 196,962</u>
Balance at September 30, 2015	<u>\$ 131,715</u>	<u>\$ 9,353</u>	<u>\$ 457</u>	<u>\$ 141,525</u>

5. Exploration and evaluation assets

	As at September 30, 2015	As at December 31, 2014
Carrying amount, beginning of the year	\$ 19,323	\$ 11,834
Additions	5,236	13,868
Cumulative translation adjustment	(1,033)	(6,379)
Carrying amount, end of the period	<u>\$ 23,526</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 September 30, 2015	As at December 31, 2014
Ukraine	\$ 5,813	\$ 6,766
Romania	17,713	12,557
	<u>\$ 23,526</u>	<u>\$ 19,323</u>

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6. Impairment

Due to the sustained low oil prices, at levels lower than the prices assumed in the December 31, 2014 impairment calculation, the Company performed impairment tests on Tunisian cash generating units (“CGU”) at September 30, 2015 using a value in use methodology. The test resulted in impairment for the following Tunisian CGUs:

Sabria	\$	22,700
Chouech Es Saida		17,200
Ech Chouech		4,300
Sanrhar		77
	<u>\$</u>	<u>44,277</u>

The recoverable amounts determined for each impaired field were approximately \$39.7 million for Sabria, \$18.3 million for Chouech Es Saida, \$3.8 million for Ech Chouech and \$nil for Sanrhar. The value in use was used based on: 2014 year-end reserves data updated for 2015 actuals and Q4 forecast; a risk-adjusted pre-tax discount rate of 29.7% (after-tax rate: 17.7%); and the following price forecast (adjusted for quality differentials specific to the Company):

Year	Oil (US\$/bbl)	Gas (US\$/Mcf)
	All fields	All fields
2015	52.00	6.50
2016	56.00	7.00
2017	60.00	7.50
2018	64.50	8.06
2019	69.00	8.63
2020	74.00	9.25
2021	79.00	9.88
2022	84.50	10.56
2023	89.00	11.13
2024	93.00	11.63
2025	97.00	12.13
2026	99.47	12.43
2027	101.46	12.68
2028	103.49	12.94
2029	105.56	13.20

The above estimates of the recoverable amounts are particularly sensitive in the following areas:

- (i) A change of 1 percentage point in the discount rate used to value proven and probable reserves would have changed the impairment loss by:

Sabria	\$	2,000
Chouech Es Saida		600
Ech Chouech		200
Sanrhar		-
	<u>\$</u>	<u>2,800</u>

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(ii) A 10 percent decrease in estimated future commodity prices would have increased the impairment loss by:

Sabria	\$	11,200
Chouech Es Saida		7,500
Ech Chouech		1,400
Sanrhar		-
	<u>\$</u>	<u>20,100</u>

7. Long-term debt

	As at September 30, 2015	As at December 31, 2014
Current portion of long-term debt (i)		
Ukraine funding (a)	\$ 622	\$ 1,770
Tunisia funding (b)	42,031	3,333
Romania funding (c)	10,789	-
	<u>53,442</u>	<u>5,103</u>
Long-term debt		
Ukraine funding (a)	-	615
Tunisia funding (b)	-	31,589
Romania funding (c)	-	-
	<u>-</u>	<u>32,204</u>
Total debt	<u>\$ 53,442</u>	<u>\$ 37,307</u>

(i) As a result of a covenant violation, the Company has reclassified its long-term debt to current.

(a) Ukraine funding

	As at September 30, 2015	As at December 31, 2014
Current portion of long-term debt	\$ 622	\$ 1,770
Long-term debt	-	615
Total debt	<u>\$ 622</u>	<u>\$ 2,385</u>

During July 2015, a scheduled repayment of \$1.8 million was made, resulting in \$0.6 million left outstanding to be repaid January 2016, at which time the loan will be repaid in its entirety (December 31, 2014: \$2.4 million).

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 September 30, 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 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.

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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 September 30, 2015	As at December 31, 2014
Current portion of long-term debt (i)	\$ 20,656	\$ 3,333
Long-term debt	-	16,433
Total	<u>\$ 20,656</u>	<u>\$ 19,766</u>

(i) Regular scheduled repayments of \$4.2 million plus reclassification to current due to covenant violation of \$16.5 million.

The Senior Loan is repayable in twelve equal semi-annual installments with the first repayment of \$1.7 million made on March 31, 2015. On August 14, 2015, \$5.0 million was drawn under the second tranche of the senior loan. On September 30, 2015 the second scheduled repayment of \$2.1 million was made.

Convertible Loan

	As at September 30, 2015	As at December 31, 2014
Current portion of long-term debt (i)	\$ 21,375	\$ -
Long-term debt	-	15,156
Total	<u>\$ 21,375</u>	<u>\$ 15,156</u>

(i) Regular scheduled repayments of \$nil plus reclassification to current due to covenant violation of \$21.4 million.

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, 2015, the Company was not in compliance with the debt service coverage ratio covenant (December 31, 2014: in compliance), refer to Note 2(a).

As at September 30, 2015, the Company has drawn \$20.0 million from Tranche 1 of the Senior Loan, \$5.0 million from Tranche 2 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 September 30, 2015	As at December 31, 2014
Current portion of long-term debt (i)	\$ 10,789	\$ -
Long-term debt	-	-
Total	<u>\$ 10,789</u>	<u>\$ -</u>

(i) Regular scheduled repayments of \$2.3 million plus reclassification to current due to covenant violation of \$8.5 million.

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.

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%. The first interest payment for the Romania Facility occurred on September 30,

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2015. The principle balance of 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 repayments and service costs arising from all senior debt on the Tunisia assets and the Romanian debt, less capital expenditures, plus any new debt disbursement on the Tunisian debt. In the event that pre-payments are made in any given year from Ukraine as 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. At September 30, 2015, the Company was not in compliance with the debt service coverage ratio covenant (December 31, 2014: in compliance), refer to Note 2(a).

As at September 30, 2015, the Company has fully drawn the facility of \$11.28 million and \$0.5 million of transaction costs were paid.

8. 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 September 30, 2015 (December 31, 2014: 78,629,941).

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(b) Earnings per share

	Three Months ended September 30,		Nine Months ended September 30,	
	2015	2014	2015	2014
Net loss attributable to common shareholders				
Basic and diluted	\$ (30,281)	\$ 3,793	\$ (34,500)	\$ 10,794
Weighted average number of shares outstanding				
Basic	78,629,941	78,629,941	78,629,941	78,626,959
Potentially dilutive share-based compensation plans	-	1,561	-	1,270
Diluted	<u>78,629,941</u>	<u>78,631,502</u>	<u>78,629,941</u>	<u>78,628,229</u>
Loss per share attributable to common shareholders				
Basic and diluted	<u>\$ (0.39)</u>	<u>\$ 0.05</u>	<u>\$ (0.44)</u>	<u>\$ 0.14</u>

(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 period ended September 30, 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	(4,299,600)	\$ 4.54	(30,000)	\$ 2.80
Balance, September 30, 2015	<u>1,342,800</u>	<u>\$ 3.93</u>	<u>111,000</u>	<u>\$ 2.28</u>

The following tables summarize information about the options outstanding as at September 30, 2015:

USD denominated options:

Exercise price (US\$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
\$ 2.85 - \$ 3.50	236,000	232,000	2.90
\$ 3.51 - \$ 4.00	358,200	358,200	1.12
\$ 4.01 - \$ 5.00	736,600	513,734	3.01
\$ 5.01 - \$ 6.20	12,000	12,000	1.45
<u>\$ 3.93</u>	<u>1,342,800</u>	<u>1,115,934</u>	<u>2.47</u>

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CAD denominated options:

Exercise price (CAD\$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
\$ 1.56 - \$ 2.50	74,000	28,667	4.09
\$ 2.51 - \$ 3.22	37,000	24,666	3.69
\$ 2.28	111,000	53,333	3.96

9. Foreign currency translation

The financial statements are presented in U.S. dollars, which is the reporting currency of the Company. For the three and nine months period ended September 30, 2015, a foreign exchange loss of \$1.0 million and \$1.6 million was recorded, respectively, in the income statement (Q3 2014: loss of \$2.3 million and \$6.8 million).

The financial statements of KUB-GAS use the Ukraine Hryvnia as its functional currency. As a result of the 1% recovery and 23% deterioration of the Hryvnia versus the US dollar during the three and nine months ended September 30, 2015 (Q3 2014: 13% and 62% deterioration), the translation of balances denominated in currencies other than Hryvnia at period end into Hryvnia resulted in a foreign exchange loss of \$0.1 million and \$0.7 million (Q3 2014: losses of \$1.4 million and \$5.9 million). This foreign exchange loss is recorded in the income statement and represents our Ukrainian operation's portion of the total foreign exchange fluctuation.

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 \$0.2 million and \$8.1 million being recorded for the three and nine months period ended September 30, 2015 (Q3 2014: losses of \$6.5 million and \$27.4 million).

10. Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where Serinus has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The following table presents the recognized loan receivable in KUB-Gas that is off-set relating to a loan to the minority partner.

	<u>Total</u>
Financial aid loan receivable (Note 12)	447
Dividend payable	<u>(425)</u>
Net receivable	<u>22</u>

There is an enforceable right to set-off of the loan agreement and dividend payable in the event of bankruptcy or default of either party to the agreement.

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11. Contractual obligations and commitments

The contractual obligations of the Company as at September 30, 2015 are as follows:

	Within 1 Year	2-3 Years	4-5 Years	+5 Years	Total
Office Rental	\$ 513	\$ 870	\$ 866	\$ 72	\$ 2,321
EBRD loan-Ukraine (i)	622	-	-	-	622
EBRD loan-Tunisia (i)	4,242	8,485	8,485	21,561	42,773
EBRD loan-Romania (i)	2,256	4,512	4,512	-	11,280
Total contractual obligations	\$ 7,633	\$ 13,867	\$ 13,863	\$ 21,633	\$ 56,996

(i) Long-term debt obligations are presented excluding deferred financing costs and include only current accrued interest.

The Company's commitments are all in the ordinary course of business and include the work commitments for 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. In July, a workover rig moved on to the NM-3 well, originally drilled in 2013, which found small amounts of oil in the Visean formation. Additional perforations were shot in a higher interval, but there were no signs of hydrocarbons. The Company has fulfilled the work obligations required to retain the North Makeevskoye licence and KUB-Gas staff has commenced the extension application process. At this time, no additional exploration and development projects are planned for 2015.

Additionally, there are work commitments associated with the special permit in the West Olgovskoye block in eastern Ukraine which consist of 202.3 million Hryvnia or approximately \$9.5 million at the September 30, 2015 exchange rate of 21.20 UAH/USD. Almost 90% of the total required spending is scheduled for between 2018 and 2020.

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 September 30, 2015 cumulative liquid hydrocarbon sales net of royalties and shrinkage was 5.0 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 3 year extension to the exploration period for the 2,949 square kilometer onshore Satu Mare Concession ("Satu Mare") in northwest Romania which expires in May 2018. The work obligations pursuant to the extension include the drilling of two wells, and, at the Company's option, either the acquisition of 120 km² of new 3D seismic data or to drill a third well. The two firm wells must be drilled to minimum depths of 1,500 and 2,000 metres respectively, and if so elected, the third well to a depth of 2,500 metres. The extension was approved by the National Agency for Mineral Resources ("NAMR") and is subject to ratification by several government ministries.

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Office Space

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

12. 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 and nine months ended September 30, 2015, the fees totalled \$0.2 million and \$0.6 million, (Q3 2014: \$0.2 and \$0.6 million). At September 30, 2015, \$7 thousand was owed from Nemmoco (December 31, 2014: \$67 thousand due to).

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 and nine months ended September 30, 2015, these fees totalled \$2 thousand and \$7 thousand (Q3 2014: \$3 thousand and \$8 thousand). At September 30, 2015, Loon Energy owed \$nil (December 31, 2014: \$nil) to Serinus for these services.

Serinus, through its ownership of KUB-Gas, has a non-interest bearing loan with its minority partner totaling \$0.4 million. The loan is due on or before December 31, 2016. There is an enforceable right to set off the loan and a dividend payable (held in Ukraine) to the minority partner in the event of bankruptcy or default of either party to the agreement.

As part of the Serinus plan of arrangement to spin-off its Colombian and Peruvian assets to Loon Energy in 2008, Loon Energy and Serinus entered into an indemnification agreement in which Loon Energy agreed to indemnify Serinus for any and all liabilities, claims, etc. associated with the share and asset transfers that were part of the spin-off of those assets.

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

13. Segmented information

The Company’s reportable segments are organized by geographical areas and consist of Romania, Tunisia, Ukraine and Corporate (including Brunei). For the three and nine month period ended September 30, 2015, the Company has three significant customers with sales representing 26%, 17% and 12% of total sales. (2014: four representing 31%, 21%, 20% and 11%).

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	<u>Romania</u>	<u>Tunisia</u>	<u>Ukraine</u>	<u>Corporate</u>	<u>Total</u>
As at September 30, 2015					
Total Assets	\$ 18,163	\$ 101,961	\$ 67,746	\$ 4,342	\$ 192,212
For the three month period ended Sept 30, 2015					
Oil and gas revenue, net of royalties	\$ -	\$ 5,543	\$ 7,377	\$ -	\$ 12,920
Operating expenses:					
Production expenses	-	(2,816)	(1,750)	(68)	(4,634)
General and administrative	-	(88)	-	(1,729)	(1,817)
Transaction costs	-	-	-	(7)	(7)
Stock based compensation	-	-	-	(20)	(20)
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 gain/(loss) on investments	-	-	-	(10)	(10)
Interest expense and accretion	(148)	(795)	44	(349)	(1,248)
Foreign exchange loss	(753)	(223)	(119)	134	(961)
Earnings (loss) before tax	\$ (790)	\$ (44,874)	\$ 3,316	\$ (2,221)	\$ (44,569)
Current tax recovery/(expense)	-	239	(519)	-	(280)
Deferred tax recovery/(expense)	-	15,554	(209)	-	15,345
Net Earnings (loss)	\$ (790)	\$ (29,081)	\$ 2,588	\$ (2,221)	\$ (29,504)
Capital expenditures	\$ 414	\$ (9)	\$ 1,527	\$ 11	\$ 1,943
	<u>Romania</u>	<u>Tunisia</u>	<u>Ukraine</u>	<u>Corporate</u>	<u>Total</u>
For the nine months period ended Sept 30, 2015					
Oil and gas revenue, net of royalties	\$ -	\$ 18,754	\$ 20,154	\$ -	\$ 38,908
Operating expenses:					
Production expenses	-	(9,020)	(6,169)	(143)	(15,332)
General and administrative	-	(88)	-	(4,667)	(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 and other income	112	-	288	53	453
Unrealized 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	\$ (44,101)	\$ 6,207	\$ (7,765)	\$ (45,328)
Current tax expense	-	(665)	(2,366)	-	(3,031)
Deferred tax recovery/(expense)	-	14,341	940	-	15,281
Net Earnings (loss)	\$ 331	\$ (30,425)	\$ 4,781	\$ (7,765)	\$ (33,078)
Capital expenditures	\$ 4,608	\$ 8,039	\$ 4,205	\$ 23	\$ 16,875

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	<u>Romania</u>	<u>Tunisia</u>	<u>Ukraine</u>	<u>Corporate (i)</u>	<u>Total</u>
As at December 31, 2014					
Total Assets	\$ 14,340	\$ 154,340	\$ 83,195	\$ 7,592	\$ 259,467
For the three month period ended Sept 30, 2014					
Oil and gas revenue, net of royalties	\$ -	\$ 8,936	\$ 21,145	\$ -	\$ 30,081
Operating expenses:					
Production expenses	-	(3,143)	(2,978)	(188)	(6,309)
General and administrative	-	-	-	(3,403)	(3,403)
Transaction costs	-	-	-	59	59
Stock based compensation	-	-	-	(685)	(685)
Gain (loss) on disposition of assets	-	-	(38)	57	19
Depletion and depreciation	(2)	(2,846)	(5,254)	(39)	(8,141)
Finance income/(expense)					
Interest and other income	-	(1)	872	1,119	1,990
Unrealized loss on investment	-	-	-	(77)	(77)
Interest expense and accretion	(17)	(494)	(34)	(151)	(696)
Foreign exchange loss	(285)	(325)	(1,736)	38	(2,308)
Earnings (loss) before tax	\$ (304)	\$ 2,127	\$ 11,977	\$ (3,270)	\$ 10,530
Current tax recovery/(expense)	-	1,058	(2,675)	(29)	(1,646)
Deferred tax expense	-	(2,288)	(45)	-	(2,333)
Net Earnings (loss)	\$ (304)	\$ 897	\$ 9,257	\$ (3,299)	\$ 6,551
Capital expenditures	\$ 1,702	\$ 12,925	\$ 1,552	\$ (626)	\$ 15,553
For the nine month period ended Sept 30, 2014					
Oil and gas revenue, net of royalties	\$ -	\$ 30,345	\$ 61,226	\$ -	\$ 91,571
Operating expenses:					
Production expenses	-	(10,037)	(9,323)	(188)	(19,548)
General and administrative	-	-	-	(7,809)	(7,809)
Transaction costs	-	-	-	(1,441)	(1,441)
Stock based compensation	-	-	-	(2,402)	(2,402)
Gain (loss) on disposition of assets	-	-	(38)	164	126
Depletion and depreciation	(5)	(8,862)	(15,322)	(103)	(24,292)
Impairment on exploration and evaluation assets	-	-	-	(337)	(337)
Finance income/(expense)					
Interest and other income	-	4	1,115	1,219	2,338
Unrealized loss on investment	-	-	-	(8)	(8)
Interest expense and accretion	(17)	(998)	(1,064)	(1,652)	(3,731)
Foreign exchange loss	(308)	(518)	(5,928)	(71)	(6,825)
Earnings (loss) before tax	\$ (330)	\$ 9,934	\$ 30,666	\$ (12,628)	\$ 27,642
Current tax expense	-	815	(6,933)	(29)	(6,147)
Deferred tax recovery/(expense)	-	(3,887)	410	-	(3,477)
Net Earnings (loss)	\$ (330)	\$ 6,862	\$ 24,143	\$ (12,657)	\$ 18,018
Capital expenditures	\$ 4,343	\$ 23,411	\$ 14,080	\$ 29	\$ 41,863

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