SERINUS ENERGY INC.

(formerly Kulczyk Oil Ventures Inc.)

Management's Discussion and Analysis
For the three and nine months ended September 30, 2013
(US Dollars)

*This Management's Discussion and Analysis ("**MD&A**") for Serinus Energy Inc. ("**Serinus**", or "**the Company**") should be read in conjunction with the Company's unaudited Condensed Consolidated Interim Financial Statements as at and for the periods ended September 30, 2013 and the December 31, 2012 annual consolidated financial statements and MD&A ("**the Consolidated Financial Statements**"). Readers should also read the "Forward-Looking Statements" legal advisory contained at the end of this document.*

*Management is responsible for preparing the MD&A, while the audit committee of the Company's Board of Directors ("**the Board**") reviews the MD&A and recommends its approval by the Board.*

*In connection with the filings for the period ended September 30, 2013, this MD&A uses United States dollars ("**US Dollars**") which is the reporting currency of the Company. The Condensed Consolidated Interim Financial Statements for September 30, 2013 are prepared in accordance with IAS 34 Interim Financial Reporting and do not include all the information required for full annual financial statements. This document is dated November12, 2013.*

In the Advisory section located at the end of this document, readers can find the definition of certain terms used in the disclosure regarding Oil and Gas Information, Non-IFRS Measures as well as information on "Critical Accounting Estimates".

Financial and Operational Highlights

- On June 24, 2013, the Company closed a plan of arrangement transaction ("**Arrangement**") with Winstar Resources Limited ("**Winstar**"), pursuant to which the Company acquired all of the issued and outstanding shares of Winstar. Results of operations of Winstar have been included in the consolidated financial results of Serinus effective July 1, 2013.
- During the third quarter net production levels (being the Company's production from Tunisia and its net 70% interest in Ukraine) averaged 4,892 boe per day, compared to 2,738 boe/d in the comparable period of 2012. The increase reflects production from Winstar's Tunisian assets acquired of 1,564 boe/d and an increase in Ukraine production of 589 boe/d as a result of capital programs during the first nine months of 2013 and in 2012. Production for the quarter was weighted 74% natural gas with the remainder consisting of oil production.
- Average natural gas prices in Ukraine remained strong and were slightly less during third quarter 2013 at $11.32 per Mcf as compared to $11.71 per Mcf for the third quarter 2012. Crude oil sales in Tunisia realized an average price of $113.39 per bbl.
- The netback for the three months ended September 30, 2013 was $56.97 per boe, compared to $48.33 in the comparative period of 2012. The increase is attributable to a higher netback in Tunisia at $77.27 per boe, partially offset by a slightly lower netback in Ukraine as compared to the third quarter of 2012, driven by lower natural gas realized prices and a higher royalty rate (25% in 2013 from 19% in 2012).
- Funds generated from operations were $21.6 million and $40.4 million for the three and nine months ended September 30 2013, respectively, as compared to $5.9 million and $23.9 million for the comparative periods of 2012. The increase in funds from operations was driven by increased production levels, a reflection of Tunisian production included from July 1, 2013 and an increase in Ukraine production.
- During the first nine months of 2013, the Company made an early repayment of $10 million on the European Bank for Reconstruction and Development ("**EBRD**") loan from cash generated by operations in Ukraine, in addition to the regular scheduled repayments, leaving a balance of $7.6 million outstanding as at September 30, 2013.
- Dividends in the amount of $23 million were successfully paid out to the Company and the minority shareholder in the Ukraine assets, from cash generated from Ukrainian operations during the first nine months of 2013.
- The KI loan was converted to common shares at the time of closing the Arrangement and KI was issued 3,183,268 post-consolidation common shares relating to the aggregate principal and interest outstanding in the amount of $13.4 million.
- In July 2013, the Company entered into a strategic relationship with Dutco Energy Ltd ("**Dutco**") which involved entering into an option agreement with Dutco, which gives Dutco the right to acquire an interest in Block L in consideration for providing the Company with a $15 million secured credit facility. The credit facility is to be used to fund capital expenditures in Brunei. As at September 30, 2013, $10 million had been drawn on this facility.
- The Lukut Updip-1 well in Brunei Block L was drilled to a total measured depth of 2,137 metres and suspended pending further evaluation after encountering very high formation pressures. Due to the significantly higher than expected formation pressures and equipment limitations, the Company determined that it could no longer safely continue to drill the well and casing was set to a depth of 2,120 metres after a cement plug had been placed in the well. Testing of the heavily damaged zones subsequent to the end of the third quarter produced gas at non-commercial rates. The drilling rig has now moved to the Luba-1 well location, where drilling has commenced.

Overview

Serinus is an international oil and gas exploration and production company with operations in Ukraine, Tunisia, Brunei, Romania, and interests in Syria. The Company has management offices in Calgary (Canada), Dubai (United Arab Emirates) and in Warsaw (Poland).

On June 11, 2010, the Company completed the acquisition of an effective 70% ownership interest in KUB-Gas LLC ("**KUB-Gas**"), a Ukrainian company which, as explained further below, owns assets from which all of the Company's revenues were produced prior to the acquisition of Winstar in June 2013, as discussed below. Prior to June 11, 2010, none of the Company's oil and natural gas projects had any production. All the KUB-Gas shares are held through KUBGAS Holdings Limited ("**KUB Holdings**"), a private company incorporated in Cyprus, which is 70% owned by the Company.

The Company's activities are focused on the further development of producing assets in Ukraine and Tunisia and on the acquisition and evaluation of various exploration projects, which are in the pre-production phase. The Company believes it has demonstrated its ability to source, negotiate and conclude agreements for exploration, development and production opportunities, and to mitigate risk as well as partially finance the expenditure commitments pursuant to these agreements via farm-out arrangements. Capital expenditures and operations are also funded through debt facilities and through internally generated net production revenue. Management intends to continue following this successful business model in developing future opportunities while it continues to develop existing oil and gas assets

Acquisition of Winstar Resources Ltd.

On June 24, 2013, the Company closed a plan of Arrangement with Winstar pursuant to which the Company acquired all of the issued and outstanding shares of Winstar.

In connection with the closing of the Arrangement, the Company changed its name from "Kulczyk Oil Ventures Inc." to "Serinus Energy Inc." and consolidated its common shares on the basis of one post-consolidation share for every ten pre-consolidation shares. On June 27, 2013 the Company's common shares commenced trading on the Toronto Stock Exchange under trading symbol "SEN". The Company's common shares continue to be listed on the Warsaw Stock Exchange, now under the trading symbol "SEN".

Under the terms of the Arrangement, Winstar shareholders, for each share held, received 7.555 pre-consolidation shares of the Company or CAD$2.50 in cash, subject to a maximum of CAD$35 million in cash, with such cash provided by Kulczyk Investments S.A. ("**KI**"), the major shareholder of the Company. The maximum cash consideration was elected, resulting in KI acquiring 14,000,000 Winstar shares at closing, which were then exchanged for common shares of the Company in accordance with the terms of the Arrangement, of which 10,577,000 post-consolidation common shares were issued to KI. A total of 16,675,500 post-consolidation common shares of the Company were issued to Winstar shareholders who elected to receive common shares, for a total of 27,252,500 post-consolidation common shares issued as consideration for the acquisition of Winstar. The closing price of the common shares on the Warsaw Stock Exchange at time of closing was equivalent to $3.65 per share.

The Acquisition was accounted for by the acquisition method based on fair values with operating results included from July 1, 2013. Results of the Winstar assets for the period June 25 to June 30, 2013 were not material and are not reflected in the results of Serinus.

(Stated in US dollars, except as noted)

UKRAINE

As at September 30, 2013 KUB-Gas owns the following licences in Ukraine:

Production licence	**Issue date**	**Expiry date**
Vergunskoye field	27 September 2006	27 September 2026
Olgovskoye field	06 February 2012	06 February 2032
Makeevskoye field	10 April 2012	10 April 2032
Krutogorovskoye field	30 August 2013	30 August 2033
Exploration licence		
North Makeevskoye field	29 December 2010	20 December 2015

The Company may produce gas and gas condensate under the exploration licence in an amount up to 10% of total estimated reserves as approved by the licensor, the Ministry for Environmental Protection of Ukraine, and may not exceed the cap during the exploration status. The Company can convert exploration licences into production licences which allow unlimited production of gas and gas condensate over the terms of the licences, and which are generally 20-25 years in duration. During the third quarter of 2013 the Company converted the Krutogorovskoye field exploration licence into a production licence.

The Company began to generate revenues with its acquisition of its interest in the licences in June 2010, and since that time has generated $171.5 million of revenue, net of royalties, in aggregate from these assets, of which $120.1 million is net to the 70% interest held by Serinus.

TUNISIA

With the acquisition of Winstar, the Company acquired working interests in the Chouech Es Saida, Ech Chouech, Sanrhar, Sabria and Zinna concessions in Tunisia. Four of the concessions are currently producing oil or gas.

As at September 30, 2013, the Company has the following interests in the concessions:

Concession	**Working interest**	**Expiry date**
Chouech Es Saida	100%	December 2027
Ech Chouech	100%	June 2022
Sabria	45%	November 2028
Zinnia	100%	December 2020
Sanhrar	100%	December 2021

The Tunisian state oil and gas company, Enterprise Tunisienne d'Activites Petroliere ("**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 exceed 6.5 million barrels. As at September 30, 2013, cumulatively 4.7 million barrels, net of royalties and shrinkage have been sold from the concession.

BRUNEI BLOCK L

In Brunei, the Company holds a 90% working interest in the Brunei Block L production sharing agreement ("**Block L PSA**") which gives the Company and the other parties thereto the right to explore for and, upon fulfillment of certain conditions, the right to produce oil and gas from Block L, a 1,123 square kilometre (281,000 acre) area covering certain onshore and offshore areas. The Company is Operator of the Block and is currently in phase 2 of the exploration period. The minimum expenditure commitments of $16 million under this phase were met as at December 31, 2012 and the remaining work commitments are to drill at least two onshore exploration wells, each to a minimum of 2,000 metres. The first well, Lukut Updip-1 drilled to a total depth of 2,137 metres measured depth. The rig and equipment are currently in the second drilling location, Luba-1 well location, where drilling commenced on November 11, 2013.

Application has been made to PetroleumBRUNEI to re-acquire certain areas relinquished upon the completion of Phase 1, in accordance with the terms of the Block L PSA.

The Company received confirmation that its request to extend the PSA for three months had been granted and the new date for completing the minimum work obligations for Phase 2 of the exploration period under the terms of the PSA is now November 27, 2013. Phase 2 of the exploration period will be automatically extended to allow for the completion of the drilling of the well and in the event the Company decides to appraise a discovery the term of the exploration period is further extended to allow for the implementation of the appraisal program.

ROMANIA

With the acquisition of Winstar, the Company has become party to a joint venture agreement with Rompetrol S.A. ("**Rompetrol**"), under which, by fulfilling certain commitments consisting of processing and acquiring seismic and the drilling of exploration wells, the Company earned a 60% interest in the 2,949 square kilometre onshore Satu Mare exploration concession agreement in north western Romania. The Company has fulfilled 100% of the first stage of the work commitments required under the concession agreement, and has committed to a second phase of exploration. The second stage, which expires May 2015, includes the drilling of two exploration locations and the acquisition of 180 km of 3D seismic, which, under the terms of the joint venture agreement, the Company is required to fund 100%.

The Satu Mare concession is on the border with Hungary and Ukraine within the Pannonian Basin and the term of the concession expires September 2033.

SYRIA

In Syria, the Company holds a working interest of 50% in the Syria Block 9 production sharing contract ("**Block 9 PSC**") which provides the right to explore for and, upon fulfillment of certain conditions, to produce oil and gas from Block 9, a 10,032 square kilometre (2.48 million acre) area in northwest Syria. The Company has an agreement to assign a 5% ownership interest to a third party which is subject to the approval of Syrian authorities, and which, if approved, would leave the Company with a remaining effective interest of 45% in Block 9.

Effective July 16, 2012 the Company, in its capacity as Operator of Block 9 in Syria, gave notice to the Ministry of Petroleum and Mineral Resources of its declaration of force majeure. The circumstances leading to the force majeure included conditions arising from the current instability, including difficult operating conditions and the inability to move funds into the country, rendering performance of the Company's obligations under the contract impossible and all of the circumstances beyond the Company's reasonable control. The exploration period of the Block was due to expire on October 27, 2012. The first exploration well, the Itheria 1 well, remains suspended at a depth of 2,072 metres.

As at September 30, 2013, the Company's Syrian assets are fully impaired as the project remains suspended. The Company continues to monitor the situation, but no definite plans can be made with respect to the timing of a potential return to Syria to continue with the exploration of Block 9.

MINOR ASSETS

As part of the Winstar acquisition, the Company acquired interests in a minor property at Sturgeon Lake in Alberta, Canada. The Company plans to dispose of or abandon the asset during 2013. This asset is not currently producing and has a future abandonment liability associated with it of $0.5 million.

In addition, as part of the Winstar acquisition, the Company acquired a 4% net profits interest in the Igal II Exploration permit in Hungary.

The Company also acquired the interest held by Winstar in the Torokkoppany field in Hungary. Abandonment of this field was completed during the first six months of 2013. The Company expects to wind up its Hungarian operations in 2013.

Non-Controlling interest

The Company controls KUB Holdings and is required under International Financial Reporting Standards ("**IFRS**") to consolidate the results of KUB Holdings and KUB-Gas into its financial statements, and in doing so, report 100% of the revenues, royalties and production expenses for KUB Holdings and KUB-Gas within its Statements of Operations and Cash Flow. Similarly, the Company reports 100% of the assets and liabilities of KUB Holdings and KUB-Gas on its consolidated balance sheet. The 30% share of the net assets of KUB Holdings and KUB-Gas attributable to the minority shareholder in KUB Holdings is then presented by way of a one line entry as "non-controlling interest" within shareholders' equity on the balance sheet. Net earnings and comprehensive earnings for the year are presented in the table below to show the allocation between the Company's 70% shareholdings and the non-controlling 30% shareholder's interest.

Substantially all financial and production analysis in this MD&A reflect the 100% interest in the results of KUB Holdings and KUB-Gas. The table below summarizes the first nine months of 2013 results reported by the Company in accordance with IFRS, including 100% of KUB Holdings and KUB-Gas as described above, then removes the 30% share allocable to the non-controlling interest to reflect the net results of operations attributable to the Company's 70% economic interest.

(Thousands of US dollars except volume amounts)		As reported		Allocated to non-controlling interest		Net to Serinus
Total daily production (boe)		5,125		(1,379)		3,746
Oil and gas revenue	$	103,032	$	(26,309)	$	76,724
Royalties		(24,715)		6,802		(17,913)
Oil and gas revenues, net of royalties		78,317		(19,507)		58,811
Production expenses		(13,348)		3,352		(9,996)
General and administrative		(9,642)		520		(9,123)
Transaction costs		(3,404)		-		(3,404)
Stock-based compensation		(831)		-		(831)
Depletion and depreciation		(18,838)		4,632		(14,206)
Finance income and expenses		(4,129)		860		(3,269)
Earnings before taxes		28,125		(10,143)		17,982
Current tax expense		(8,713)		1,803		(6,910)
Deferred tax expense		(35)		21		(14)
Earnings for the period	$	19,377	$	(8,319)	$	11,058

Funds from Operations

As noted in the non-IFRS measures section of this MD&A, the Company uses funds from operations as a key performance indicator to measure the ability of the Company to generate cash from operations to fund future exploration activities.

Funds flow from operations is calculated based on cash flow from operating activities before changes in non-cash working capital and transaction costs.

The following table reconciles the cash flow from operating activities to funds from operations:

(Thousands of US dollars except per share amounts)	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Cash flow from operations	$ 21,942	$ 3,854	$ 41,166	$ 23,804
Changes in non-cash working capital	(382)	2,022	(717)	56
Funds from operations	$ 21,560	$ 5,876	$ 40,449	$ 23,860
Funds from operations per share	$ 0.27	$ 0.13	$ 0.68	$ 0.55

Positive funds from operations are generated in Ukraine and Tunisia, representing the Company's producing assets for the period. Funds from operations generated were sufficient to cover the operating cash outflows for the rest of the Company.

Funds from operations increased by $15.7 million to $21.6 million for the third quarter of 2013 (2012 - $5.9 million). The increase in funds from operations for the third quarter of 2013 is attributable to increased production revenue ($19.7 million), decreased transaction costs ($1.1 million), partially offset by increased royalties ($4.7 million), general and administrative costs ($1.5 million) and finance expenses ($3.1 million). In addition, the prior year reflected an impairment charge of $6 million relating to the Block M penalty.

For the nine months ended September 30, 2013, funds from operations increased $16.5 million as compared to the comparable period in 2012 to $40.4 million. Increased production revenue ($30.8 million) was partially offset by increased royalties ($10.6 million), production expenses ($4.1 million), general and administrative costs ($1.7 million) and finance expenses ($2.2 million). In addition the change reflects the Block M penalty which was recorded in 2012.

Production

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Average Daily Production (net to Serinus)				
Crude Oil (bbl/d)	1,165		- 393	
Natural gas (mcf/d)	21,738	15,598	19,382	14,516
Natural gas liquids (bbl/d)	104	138	123	142
Total boe/d	4,892	2,738	3,746	2,561
Production by Location (boe/d)				
Ukraine	3,327	2,738	3,218	2,561
Tunisia	1,565	-	528	-
Total boe/d	4,892	2,738	3,746	2,561

Production volumes increased by 79% in the third quarter of 2013 to 4,892 boe/d, net to Serinus, compared to 2,738 boe/d in the comparable period of 2012. The increase in the third quarter of 2013 reflects production of 1,564 boe/d resulting from the acquisition of Winstar and an increase of 22% in production volumes from Ukraine.

Similar trends are noted on a year to date basis.

UKRAINE

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Average Daily Production (net to Serinus)				
Natural gas (mcf/d)	19,338	15,598	18,576	14,516
Natural gas liquids (bbl/d)	104	138	123	142
Total boe/d	3,327	2,738	3,218	2,561

In Ukraine, production averaged 3,327 boe/d and 3,218 boe/d for the three and nine month periods ended September 30, 2013, respectively. This represents an increase of 26% over the average production for the first nine months of 2012 of 2,561 boe/d.

In September 2013, the Company's net production from Ukraine had increased to more than 19.8 MMcfe/d with gross production of more than 28.8 MMcfe/d from the four producing fields, largely a result of the tie-in of the M-16 well and the wells that have been tied in from the 2012 and 2013 capital program, plus the numerous wells that have been worked over.

The M-16 well commenced production in late May and produced an average of 3.67 MMcfe/d (2.6 MMcfe/d net to Serinus) of natural gas during September 2013. The M-16 exploration well resulted in the discovery of a new pool on the Makeevskoye field in the S6 zone.

Production from the Olgovskoye and Makeevskoye fields is currently at maximum capacity given constraints of the gas processing facilities. KUB-Gas is currently expanding its facilities to increase the throughput capacity, from approximately 30 MMcf/d to 68 MMcf/d, for these fields. This work is scheduled to be completed by early 2014.

TUNISIA

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Average Daily Production				
Crude Oil (bbl/d)	1,165	-	393	-
Natural gas (mcf/d)	2,398	-	808	-
Total boe/d	1,564	-	528	-

In Tunisia, production averaged 1,564 boe/d for the three months ended September 30, 2013. Production is predominantly from the Chouech Es Saida and Sabria fields, which account for 92% of the production from Tunisia.

Oil and natural gas sales

(Thousands of US dollars except per unit amounts)	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Crude oil	$ 12,153	$ -	$ 12,153	$ -
Natural gas	31,959	24,031	86,448	66,741
Natural gas liquids	1,282	1,686	4,431	5,509
	$ 45,394	$ 25,717	$ 103,032	$ 72,250
Ukraine				
Natural gas ($/mcf)	$ 11.32	$ 11.71	$ 11.50	$ 11.74
Natural gas liquids ($/bbl)	93.52	92.73	92.75	99.18
Average price ($/boe)	$ 68.73	$ 71.47	$ 69.86	$ 72.07
Tunisia				
Crude Oil($/bbl)	$ 113.39	$ -	$ 113.39	-
Natural gas ($/mcf)	14.43	-	14.43	-
Average price ($/boe)	$ 106.56	$ -	$ 106.56	-

Oil and gas revenue increased by 77% in the third quarter of 2013 as compared to the third quarter of 2012, reflecting revenues attributable to Winstar (Tunisia) since July 1, 2013 and increased revenues from Ukraine, driven by a 21% increase in production volumes, partially offset by a 3% decline in the average realized price. Similar trends are noted for the nine months ended September 30, 2013, with oil and gas revenue increasing by 43%.

In Ukraine, revenues totalled $87.7 million for the nine months ended September 30, as compared to $72.2 million in the comparable period of 2012. The increase of 21% is attributable to increased volumes of 26%, partially offset by a decrease in the average commodity price of 3%.

Ukraine natural gas commodity prices were slightly lower in third quarter 2013 compared to the same period in 2012, with a realized natural gas price of $11.32 per Mcf, compared to $11.71 for the third quarter of 2012, with similar trends on a year to date basis. The domestic gas price within Ukraine is set by the National Electricity Regulatory Commission of Ukraine by reference to the Russian imported gas price.

In Tunisia, oil sales include volumes loaded onto tankers, which generally occurs every two months, and the change in the net realizable value of oil inventory. During the third quarter of 2013, the Company had a tanker lifting in August, resulting in crude oil volumes of 20,482 boe being on hand and recorded as inventory as at September 30, 2013. Inventory is recorded at net realisable value, with the amount recognised in revenue relating to inventory being $2.3 million.

Tunisian revenues of $15.3 million reflect an average crude oil price of $113.39 per bbl. Oil prices in Tunisia are based on a premium to Brent over the 3 day lifting period. The Company is required to sell 20% of its annual oil production from the Sabria concession into the local market, which is sold at an approximate 10% discount to the price obtained on its other crude sales. Natural gas prices are nationally regulated and are tied to the nine month trailing average of low sulphur heating oil (benchmarked to Brent).

Royalties

(Thousands of US dollars except per unit amounts)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Ukraine	$ 7,701	$ 5,031	$ 22,675	$ 14,101
Tunisia	2,040	-	2,040	-
Total royalties	$ 9,741	$ 5,031	$ 24,715	$ 14,101
$/boe	$ 16.76	$ 13.98	$ 17.66	$ 14.06
Royalties by Location as a percentage of sales				
Ukraine	25.6%	19.5%	25.9%	19.5%
Tunisia	13.3%	-	13.3%	-
	21.5%	19.5%	24.0%	19.5%

In Ukraine, prior to 2013, royalty rates were set each month by the government based primarily on prevailing market prices. Commencing January 2013, royalty rates were set at rates of 25% for natural gas and 39% for condensate. The average royalty rate in the third quarter of 2013 was 25.6% as compared to 19.5% in the third quarter of 2012, the increase reflecting the new legislated rates for 2013. Similar trends are noted on a year-to-date basis.

In Tunisia, royalties are based on individual concession agreements, which do not exceed 15%. In two concessions, Sabria and Zinnia, the royalty rate varies depending on a calculation of cumulative revenues, net of taxes, as compared to cumulative investment in the concession, known as the "R factor". As the R factor increases, so does the royalty percentage to a maximum rate of 15%.

Production expenses

	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
Ukraine	$ 363	$ 3,297	$ 11,172	$ 9,253
Tunisia	2,175	-	2,175	-
Production expenses	$ 2,538	$ 3,297	$ 13,347	$ 9,253
Production expense by location ($/boe)				
Ukraine	$ 0.83	$ 9.16	$ 8.90	$ 9.23
Tunisia	15.11	-	15.11	-
	$ 4.37	$ 9.16	$ 9.54	$ 9.23

On an absolute basis, production expenses have decreased 23% to $2.5 million in the third quarter of 2013 from $3.3 million in the third quarter of 2012, and have decreased on a per boe basis to $4.37 per boe from $9.16 per boe. The decrease during the third quarter, despite the inclusion of production costs related to Tunisia, was attributable to adjustments of approximately $2.5 million or $3.61 per boe made to capitalize costs that were incorrectly expensed during the second quarter in Ukraine. Excluding the prior period adjustment, production costs for the period were $7.98 per boe.

For the nine months ended September 30, 2013, production expenses have increased to $13.3 million from $9.3 million in the comparable period of 2012, reflecting increased production. On a per boe basis production expenses have increased 3% to $9.54 per boe from $9.23 per boe in the prior year, due to the inclusion of Tunisia at $15.11 per boe in the third quarter. Production costs in Ukraine have decreased 4% year over year to $8.90 per boe, due to increased production levels as a portion of production costs are fixed.

Oil and Gas Netback

UKRAINE Netback by Commodity (Thousands of US dollars)	Three months ended September 30, 2013			2012		
	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**
Average daily sales volumes (net to Serinus)	19,337	104	**3,327**	14,919	146	**2,738**
Revenue	$ 11.32	$ 93.52	**$ 68.73**	$ 11.76	$ 109.20	**$ 71.47**
Royalty expense	(2.84)	(36.04)	**(17.61)**	(2.13)	(37.32)	**(13.98)**
Production expenses	(0.14)		**(0.83)**	(2.01)		**(9.16)**
Netback	$ 8.34	$ 57.48	**$ 50.29**	$ 7.62	$ 71.88	**$ 48.33**

	Nine months ended September 30, 2013			2012		
	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**
Average daily sales volumes (net to Serinus)	18,573	122	**3,218**	14,516	142	**2,561**
Revenue	$ 11.50	$ 92.75	**$ 69.87**	$ 11.74	$ 99.18	**$ 72.07**
Royalty expense	(2.89)	(35.45)	**(18.07)**	(2.12)	(37.89)	**(14.06)**
Production expenses	(1.54)		**(8.90)**	(1.63)	-	**(9.23)**
Netback	$ 7.07	$ 57.30	**$ 42.90**	$ 8.01	$ 63.22	**$ 48.78**

TUNISIA Netback by Commodity	Three months ended June 30, 2013		
	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**
Average daily sales volumes (net to Serinus)	2,398	1,165	**1,564**
Revenue	$ 14.43	$ 113.39	**$ 106.56**
Royalty expense	(1.92)	(15.08)	**(14.18)**
Production expenses	(2.52)	(15.11)	**(15.11)**
Netback	$ 9.99	$ 83.20	**$ 77.27**

In Ukraine, netback increased to $50.29 per boe in the third quarter of 2013, compared to $48.33 per boe in the comparable period of 2012, due to decreased production expenses per boe, partially offset by lower realized prices and higher royalty rates per boe. On a year to date basis, the netback decreased to $42.90 per boe, compared to $48.78 per boe in 2012. The decrease is attributable to lower natural gas prices and slightly higher royalties, partially offset by lower production costs per boe.

In Tunisia, the netback was $77.27 per boe for the third quarter.

General and Administrative

(Thousands of US dollars except per unit amounts)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
General and administrative	$ 4,265	$ 2,770	$ 9,642	$ 7,899
$/boe	$ 7.34	$ 7.70	$ 6.89	$ 7.88

General and administrative ("**G&A**") costs for the third quarter of 2013 have increased to $4.3 million, an increase of $1.5 million, which reflects additional administrative costs associated with Winstar, including an increase in Calgary head office employees. On a per boe basis, G&A costs have decreased by 5% to $7.34 per boe for the quarter.

On a year-to-date basis similar trends are noted.
G&A costs incurred by the Company are expensed, with certain costs directly related to exploration and development assets being capitalized.

Transaction Costs

(Thousands of US dollars except per unit amounts)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30 2013	Nine months ended September 30 2012
Transaction costs	$ 949	$ 2,011	$ 3,404	$ 3,290
$/boe	$ 1.63	$ 5.59	$ 2.43	$ 3.28

Transaction costs are project related expenditures. The 2013 expense comprises the costs associated with the acquisition of Winstar and the costs of securing financing with Dutco, in addition to other miscellaneous projects.

Stock based compensation

(Thousands of US dollars except per unit amounts)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Stock based compensation	$ 393	$ 627	$ 831	$ 1,632
$/boe	$ 0.68	$ 1.74	$ 0.59	$ 1.63

Stock based compensation was $0.4 million (2012 - $0.6 million) for the third quarter of 2013 and $0.8 million (2012 - $1.6 million) for the nine months ended September 30, 2013. The decrease in this expense reflects the number of options granted and immediately vested in the first nine months of 2012, whereas fewer options were granted during the first nine months of 2013. Under the terms of the stock option plan, when options are granted 1/3 vest immediately and then 1/3 vests on the anniversary of grant date for each of the two subsequent years. These terms result in a proportionally higher expense in the period of grant as compared to later periods.

Depletion and Depreciation and Impairment

(Thousands of US dollars except per unit amounts)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Ukraine	$ 5,480	$ 8,963	$ 15,555	$ 20,062
Tunisia	3,172	-	3,172	-
Corporate	35	6	111	6
Depletion and depreciation ("**D&D**")	$ 8,687	$ 8,969	$ 18,838	$ 20,068
Impairment	$ -	$ 85,113	$ -	$ 85,288
D&D by location ($/boe)				
Ukraine	$ 12.53	$ 24.90	$ 12.39	$ 20.00
Tunisia	22.04	-	22.04	-
	$ 14.95	$ 24.92	$ 13.46	$ 20.01

D&D is computed on a field by field basis taking into account the net book value of the field, future development costs associated with the reserves as well as the proved and probable reserves of the field.

The depletion and depreciation expense in the third quarter of 2013 was $8.7 million compared to $9.0 million in the third quarter of 2012. The depletion rate per boe declined to $14.95 in the third quarter of 2013, from $24.92 in the comparable period of 2012, due to an increase in reserve volumes as at December 31, 2012.

Similar trends are noted on a year-to-date basis.

Interest expense and accretion

(Thousands of US dollars)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Interest on long-term debt	$ 516	$ 542	$ 2,052	$ 2,180
Interest on convertible note payable and convertible debentures	128	204	911	2,277
Other interest charges	137	-	179	-
Accretion	272	9	295	26
	$ 1,053	$ 755	$ 3,437	$ 4,483

Interest and accretion expense in the third quarter of 2013 was $1.1 million (2012 - $0.8 million). The increase in the current quarter was attributable to accretion charges related to asset retirement obligations in Tunisia.

On a year to date basis, interest and accretion expense has decreased from $4.5 million to $3.4 million. The decrease attributable to interest on the KI-Radwan convertible debentures that matured August 2012. Refer to Debt section of this MD&A for further details.

Summarized Balance Sheet ($'000's)

(Thousands of US dollars)	As at September 30	As at December 31,	
	2013	2012	2011
Total current assets	$ 42,378	$ 40,305	$ 19,284
Total non-current assets	347,944	147,404	200,991
Total assets	390,322	187,709	220,275
Total current liabilities	48,533	39,088	18,751
Total non-current liabilities	92,281	25,171	26,997
Total liabilities	140,814	64,259	45,748
Total share capital	344,403	231,516	205,445
Total equity	249,508	123,450	174,527

Total Assets

Total assets as at September 30, 2013 were $390.3 million compared to $187.7 million as at December 31, 2012. The increase is due to the acquisition of Winstar ($186.5 million) and capital expenditures during the period, net of depletion.

Total Liabilities

Total liabilities as at September 30, 2013 were $140.8 million compared to $64.3 million as at December 31, 2012, an increase of $76.5 million. The increase is due to liabilities acquired with Winstar ($87.0 million), the Dutco loan drawn ($10.0 million), partially offset by the settlement of the KI loan outstanding that was converted to equity in June 2013, a decrease of $10.6 million from the December 31, 2012 balance outstanding, and a decrease of $13.9 million in the EBRD loan, due to the regular scheduled repayment of interest and principal and the early repayment of $10 million.

KUB-Gas was in compliance with all three of the EBRD's financial ratio debt covenants and Serinus was in compliance with the Dutco loan financial covenant as at September 30, 2013.

Capital Expenditures

Capital expenditures consist of expenditures incurred on assets which are in the exploration and evaluation stage and include expenditures incurred on wells and seismic acquisition and processing. For these assets, the technical feasibility and commercial viability of the underlying property has yet to be determined. Exploration and evaluation assets ("**E&E**") are not subject to depletion and depreciation, but are subject to impairment. As at September 30, 2013, this includes certain Ukraine assets, the Brunei and the Romanian assets. Expenditures incurred on assets for which technical feasibility and commercial viability have been determined are classified as property, plant and equipment ("**PP&E**") and as at September 30, 2013 this includes certain Ukraine assets and the Tunisian assets.

(Thousands of US dollars)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Capital expenditures on property and equipment	$ 11,407	$ (1,042)	$ 19,646	$ 4,331
Capital expenditures on exploration and evaluation assets	19,060	8,457	30,874	32,512
Total capital expenditures	$ 30,467	$ 7,415	$ 50,520	$ 36,843

During the first nine months of 2013, the Company incurred $19.6 million of capital expenditures on property, plant and equipment, including in Ukraine the drilling of the O-15 well and O-24 well, testing and tie-in of the M-16 well, NM-2 well costs and certain tie-in costs in. During February 2013 the NM-2 well (Ukraine) was abandoned after being drilled to a depth of 3,150 metres and after information obtained during drilling indicated there were no prospective zones.

During the third quarter, the Company continued its Ukraine drilling program with the drilling of the O-24 well in August, which was drilled to a final total depth of 3,300 metres and logged. The logs indicate 15 metres of potential pay in four different zones within the Bashkirian and Serpukhovian zones. Production testing of the well is scheduled to occur prior to year end.

During the third quarter, the Company successfully stimulated two wells, the O-5 and O-4, resulting in maximum test rates of 4.0 MMcf/d from the O-4 well and 1.3 MMcf/d from the O-5 well. The O-4 well has been tied in for commercial production subsequent to quarter end. The production facility at the Olgovskoye/Makeevskoye gas processing facility is at maximum capacity and production from this O-4 well backed out approximately 2 MMcf/d of gas that had been flowing through it. The O-5 well has been suspended pending tie-in in the first quarter of 2014 after the upgrade of the gas processing facility has been completed. The Company expects that capital expenditures for the facility expansion will not exceed $6 million ($4.2 million net to Serinus).

The O-15, which was spud in March, reached total measured depth of 3,246 metres in May and came on production during August.

In Ukraine, exploration assets include work associated with the North Makeevskoye field. The Company drilled the NM-3 well during the second quarter and reached total measured depth of 2,426 metres in July. Testing of the well has indicated potential for oil, a first for the Company in Ukraine, and is the first indication that reservoirs of Visean age may be hydrobcarbon bearing within the Company's licences. The well has being cased to total depth for further testing.

KUB-Gas has plans to drill one additional new well and continue the workover and fracture stimulation programs during the last quarter of 2013 to further develop the fields.

In Tunisia, the Company is currently assessing the assets acquired as part of the Winstar acquisition and will do so for the remainder of 2013. A comprehensive field developmnet program is being developed and will commence early in 2014.

In Brunei Block L, the Lukut Updip-1 well, an onshore directional well with a planned measured depth of 2,959 metres was drilled to a total depth of 2,137 metres measured depth. Due to significantly higher than expected formation pressures and equipment limitations, the Company determined that it could not safely drill the well to its planned measured depth. The Company tested the well subsequent to quarter end and the well flowed gas continuously from two separate intervals that have not previously been penetrated by any wells onshore Brunei. While the rates were estimated at less than 50 Mcf/d, the discovery of hydrocarbons within these zones indicates that further analysis and appraisal will be required to evaluate the resource potential of this play.

The Company is currently drilling the second well, required to satisfy the Block L minimum work commitments under Phase 2 at the Luba prospect, which was spud on November 11, 2013.

In Romania the Company is progressing with plans to drill two wells and the acquisition of 180 square km of 3D seismic in 2014 to meet its minimum work commitments.

Capitalized costs of the Company's exploration and evaluation assets are as follows:

(Thousands of US dollars)	As at September 30, 2013	As at December 31, 2012
Brunei Block L	$ 66,972	$ 40,820
Ukraine	11,027	6,538
Romania	333	-
	$ 78,332	$ 47,358

Debt and Convertible Debt

(Thousands of US dollars)	September 30, 2013	December 31, 2012
Current liabilities net of current assets	$ 4,551	$ (1,217)
Long-term debt	3,812	17,112
Net debt	$ 8,363	$ 15,895

Dutco

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

The term of the Dutco Credit Facility is 12 months with interest calculated on outstanding amounts at a rate of 12% per annum and paid monthly. Dutco may convert up to $5.0 million, unless the loan is in default in which case up to $15 million, of the amounts outstanding under the terms and conditions of Dutco Credit Facility into a variable number of common shares of the Company, subject to TSX approval. The loan is convertible into common shares based on the trading price of the Company on the Toronto Stock Exchange ("TSX"). The facility requires that the Company maintain a financial ratio of current assets to current liabilities of not less than 1:1 on a consolidated basis excluding certain non-operating items. At September 30, 2013, the Company was in compliance with the covenant.

As at September 30, 2013, $10 million had been drawn on this facility, with the remaining $5 million drawn subsequent to quarter end.

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

KI – Convertible note

On June 22, 2012, the Company entered into a loan agreement with KI for a maximum of $12.0 million. The loan bore interest at 15% and was scheduled to mature on December 31, 2013. As a condition of the Arrangement, this debt was converted to common shares at the time of closing the Arrangement. Consequently, the debt was converted to common shares and KI was issued 3,183,268 post-consolidation common shares relating to the aggregate conversion of principal and interest in the amount of $13.4 million.

EBRD – Ukraine Loan Facility

In the second quarter of 2011, KUB-Gas signed an agreement with the EBRD for a loan facility of up to $40.0 million with proceeds of the loan to be used to fund development of the licences in Ukraine. The financing bears interest in two components, one being LIBOR + 6% and the other being a fee based on incremental revenues with the total rate not to exceed 15%. The loan proceeds were to be advanced in two tranches, with $23.0 million having been advanced in 2011 and the remaining $17.0 million available to be advanced in 2012. On May 20, 2013, availability of the second tranche of $17.0 million expired without any drawdown in accordance with the terms of the loan agreement. The loan balance outstanding is to be repaid in thirteen equal semi-annual payments that commenced July 2012. Serinus, as the indirect majority owner of KUB-Gas, provided a guarantee for the entire amount of the loan outstanding from time to time.

At September 30, 2013, $7.6 million of principal and interest was outstanding (December 31, 2012: $21.4 million). In January 2013, a $10.0 million early repayment and a $1.8 million regular scheduled payment were made. At September 30, 2013, $3.5 million is reported as a current liability.

KI – Radwan Convertible Debentures

In August 2011, the Company entered into unsecured convertible debenture agreements with KI and Radwan Investments GmBH ("**Radwan**"). The total amount available under the debentures was $23.5 million, interest was at a rate of 8.0% per annum, and the debentures matured on August 11, 2012. On maturity, the $23.5 million principal and all accrued interest was converted to 60,499,029 pre-consolidation common shares. The convertible debentures also included a provision for an implied additional 12.0% in interest which was paid in common shares upon conversion.

EBRD- Tunisia Loan Facility

The Company is in negotiations with EBRD for long-term credit facilities aggregating $60 million to fund the field development programs for four of the five Tunisian concessions. Term sheets for the financing facilities have been approved by the EBRD Board of Directors with finalization subject to concluding definitive loan agreements and related security documents, Serinus board approval and TSX approval.

Liquidity and Capital Resources

The Company's liquidity requirements arise primarily from the need to finance exploration and development expenditures and general working capital. The Company's primary sources of liquidity during the periods under review, other than the cash generated from its Ukraine and Tunisian operations, have been debt capital raises, principally the funds from its debenture holders, the KI loan, the Dutco loan and the EBRD loan in Ukraine.

Outside of Ukraine and Tunisia, the Company's projects are currently in the exploration phase and accordingly, the Company is not forecasting revenue from those operations for the immediate future. Operating cash flow from Ukraine and Tunisia, the EBRD debt facilities and the Dutco facility are considered sufficient to completely support the intensive capital investment program of the Company.

KUB-Gas generates positive operating cash flow, which is sufficient to support the significant capital investment program in Ukraine.

To date, the acquisition and development of the Company's assets have been financed primarily through the issuance of new equity, which has raised approximately $304.5 million in the aggregate since the formation of the Company, and the proceeds of the debentures, which have totaled $55.5 million in aggregate.

As is the case with many exploration companies, the Company is exposed to the risk of not being able to meet all the financial obligations as they come due or not being able to liquidate assets at a reasonable price and on a timely basis. The Company has successfully undertaken and plans to continue to undertake various measures to mitigate this risk. The Company monitors its liquidity position regularly to assess whether it has funds necessary to complete planned exploration commitments and programs on its petroleum and natural gas properties or that viable options are available to fund such commitments from new equity or debt issuances or alternative sources of financing such as farm-out agreements.

Economic factors affecting the Company's cash flow required for operations and for investments include fluctuations in foreign currency exchange rates. Fluctuations in foreign currency exchange rates between United States dollars and other currencies, primarily the Canadian dollar, resulted in a foreign exchange loss of $0.2 million for the nine month period ended September 30, 2013.

On an ongoing basis, the Company may utilize various sources of funding to finance its capital expenditure program: internally generated funds, farm-out arrangements, debt where appropriate, new equity issuances if available on favourable terms, and asset sales. Future borrowing requirements will be assessed on an ongoing basis. When financing corporate acquisitions, the Company may also assume certain future liabilities.

Dividends can be paid out of the Ukrainian subsidiary, KUB-Gas, providing that the terms and conditions of the EBRD Loan agreement are met. These terms do restrict the ability of KUB-Gas to pay dividends as such payments are subject to maintaining certain financial ratios, including a current ratio test. During the first nine months of 2013, the Ukrainian subsidiary successfully declared and paid dividends to its parent company.

As an exploration and development company there are inherent liquidity risks, including the possibility that internally generated cash flows may not be sufficient to cover the exploration and development program, or that additional financing may not be available to the Company when required, or that actual exploration expenditures may exceed those planned. Alternatives available to the Company to manage its liquidity risk include deferring planned capital expenditures that exceed amounts required to retain concession licences, farm-out arrangements and securing new equity or debt capital.

Equity and debt funds raised by the Company are transferred to operating subsidiaries to fund operating activities and capital expenditures when required. There have been no legal or economic restrictions experienced by the Company to date for such cash transfers, other than the terms and conditions of the EBRD loan agreement which restrict the ability of KUB-Gas to pay dividends or repay loans or loan money to the Company, however this has not shown to be a material restriction. The Company is also subject to the financial covenants attached to the Dutco debt facility, which include a current ratio test.

As the operator of the Block 9 joint venture in Syria, the Company has experienced difficulty in transferring cash required to meet contractually committed and incurred expenses as a result of sanctions placed by the governments of the United States, Canada, the Arab League and the European Union on oil and gas investment in Syria.

Other than as explained above for Syria, there are no other restrictions on the use of the Company's capital resources that could materially affect, directly or indirectly, its operations or activities. The Company is in compliance with all covenants to debt agreements which could restrict its operations or activities or has sought and obtained waivers to the covenants.

To ensure security and the preservation of capital, Serinus' investment policy for cash that is surplus to immediate requirements is to invest such funds in instruments issued by major chartered banks that are rated "triple A", or its equivalent by independent rating agencies.

During the period covered by this report, the Company did not issue guarantees exceeding 10% of the Company's equity, except for the guarantee of the loan drawn by KUB-Gas, as discussed under the heading "EBRD Loan Facility" above. Details of all debt outstanding, including pledges, are disclosed in the notes to the consolidated annual financial statements as at December 31, 2012.

In addition, Serinus is responsible for a $6,000,000 guarantee, without cash or any other asset pledged as security, issued by Winstar in favour 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.

Working Capital

(Thousands of US dollars)	As at September 30, 2013	As at December 31, 2012
Current assets	$ 42,378	$ 40,305
Current liabilities	48,533	39,088
Working capital	$ (6,155)	$ 1,217

The Company has a working capital deficiency of $6.1 million as at September 30, 2013 compared to positive working capital of $1.2 million as at December 31, 2012, due to an increase in payables at September 30, 2013 of $7.3 million. At June 30, 2013 the positive working capital was $9.5 million, the decrease of $15.6 million during the third quarter of 2013 is attributable to $10.1 million outstanding under the Dutco facility and a decrease in prepaids and other assets of $5.2 million.

Related Party Transactions

Nemmoco Petroleum Corporation ("**Nemmoco**"), a private company of which 37.5% is owned by Timothy M. Elliott, an officer and director of the Company, provides certain personnel and general, accounting and administrative services to the Company at its offices in Dubai on a cost-sharing basis. For the three and nine months ended September 30, 2013, the fees totalled $178,395 and $535,185, respectively (three and nine months ended September 30, 2012 - $178,056 and $534,168). At September 30, 2013, $30,623 was owed to Nemmoco (December 31, 2012 - $25,538).

Loon Energy Corporation ("**Loon Energy**"), a publicly traded Canadian corporation, has no employees. Management and administrative services are provided by the management and staff of Serinus on a fee for services arrangement. For the three and nine months ended September 30, 2013, these fees totalled $2,883 and $8,795, respectively (three and nine months ended September 30, 2012 - $3,150 and $9,532). At September 30, 2013, Loon Energy owed $30,108 (2012 – $20,873) to Serinus for these services. Certain expenditures of Loon Energy are paid for by Serinus and Loon Energy reimburses Serinus for these expenditures. As at September 30, 2013, Loon Energy owed $65,404 (2012 – $82,965) for these costs. Serinus and Loon Energy are related as they have five common directors and officers and the same principal shareholder.

Until mid-October 2013, the Company provided office space to Jura Energy Corporation ("**Jura**"), a public company in which the Company owns 1.1% of the outstanding common shares. For the three and nine months ended September 30, 2013, the Company charged costs to Jura totalling $6,271 and $18,813 (three and nine months ended September 30, 2012 – $8,962 and $56,317). At September 30, 2013, $4,180 (2012 – $nil) was due from Jura. Until the third quarter of 2012, the Company provided financial and accounting services, pursuant to a shared services agreement to Jura. Three directors of the Company were directors of Jura and the Chief Financial Officer of the Company was also the Chief Financial Officer of Jura until Jura completed an acquisition during the third quarter of 2012, at which point the board of directors was reconstituted and a change in management occurred, the result of which is that one of the directors and the CFO are no longer associated with Jura. As of mid-October 2013, the Company no longer provides any services to and has any transactions with Jura.

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

Commitments

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

Brunei Block L

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

In August 2010, parties to the Block L PSA elected to proceed to the Phase 2 exploration period. The minimum work obligations for Phase 2 include i) acquire and process 130 square kilometres of onshore 3D seismic; ii) acquire and process 13.5 square kilometres of onshore 3D swath data; iii) acquire and process 13 kilometres of onshore 2D seismic, (iv) acquire and process not less than 34.5 square kilometres of onshore 3D seismic and (v) drill at least two onshore exploration wells, each to a minimum depth of 2,000 metres. The minimum spend commitment of $16 million for Phase 2 specified in the Brunei Block L PSA has been exceeded and the remaining work commitment is to drill two exploration wells, the first of which has been drilled. The second well was spud on November 11, 2013..

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

Syria

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

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

Ukraine

The Company has an obligation to incur certain capital expenditures to comply with the Ukrainian exploration licence requirements. Under these licence maintenance commitments, KUB-Gas is required to acquire and process seismic, conduct geophysical studies and drill exploratory wells on licenced fields. Although these commitments are not binding and may be modified based on results of exploration work, KUB-Gas' potential capital expenditures relating to qualifying activities on gas and gas condensate fields may reach $45 million during the period from 2013 to 2015 as part of the planned development program. Justified deviation from the capital expenditures committed is permitted and should be agreed with the licensor, while failure to commit exploration works and substantiate the different capital expenditure schedule may result in termination of the licence. In respect of the North Makeevskoye license, the Company expects to drill a further four wells over the next three years.

Tunisia

The Tunisian state oil and gas company, 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, 2013 cumulative liquid hydrocarbon sales net of royalties and shrinkage was 4.7 million barrels. Management is of the opinion that there are sufficient exploration and development opportunities which, if successful, could result in this provision being exercised within the next 10 years.

Romania

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

Office Space

The Company has a lease agreement for office space in Calgary, Canada which expires on October 31, 2014. The commitment is approximately $325,000 per year for the term of the lease.

Selected Quarterly Data ($'000's, except per share amounts)

The following table sets forth selected quarterly financial information for the most recent eight financial quarters:

(Thousands of US dollars)

	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Oil and gas revenue	$ 45,394	$ 28,929	$ 28,709	$ 27,338
Netback ($/boe)	$ 46.44	$ 37.80	$ 40.08	$ 49.20
Earnings (loss) for the period	$ 14,028	$ 3,181	$ 4,234	$ 1,065
Per share - basic and diluted	$ 0.18	$ 0.06	$ 0.09	$ 0.02
Average daily production (Boe) [1]	3,746	3,179	3,151	2,937

	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Oil and gas revenue	$ 25,717	$ 24,713	$ 21,820	$ 14,299
Netback ($/boe)	$ 48.30	$ 46.86	$ 51.54	$ 47.94
Earnings (loss) for the period	$ (83,348) [2]	$ 1,275	$ 2,026	$ (9,282) [3]
Per share - basic and diluted	$ (1.76)	$ 0.03	$ 0.05	$ (0.20)
Average daily production (Boe) [1]	2,738	2,633	2,311	1,495

(1) Production net to Serinus
(2) Includes $85.1 million impairment charge related to Brunei Block M
(3) Includes $8.7 million impairment charge related to Syria Block 9

Significant Market Trends

For the foreseeable future, the Company will be conducting exploration and development activities such as seismic acquisition programs, exploratory and development drilling and well workover programs that will require third party services. The market for the provision of such services in Ukraine, Romania, Tunisia and Brunei is relatively limited, with the consequence that these services may be secured at a cost that does not reflect a market where such services are more broadly available, and therefore more competitively priced. In Ukraine, the selling price of natural gas is driven partly by political issues between Ukraine and Russia.

(Stated in US dollars, except as noted)

Share Data

The Company is authorized to issue an unlimited number of common shares of which 78,611,441 common shares and 4,512,400 options to purchase common shares were outstanding as at September 30, 2013. In conjunction with the closing of the Arrangement, the Company consolidated its common shares on the basis of one post-consolidation share for every ten pre-consolidation shares. Accordingly, share transactions and balances and per share disclosures have been revised to reflect the impact of the consolidation for all periods presented.

There has been no change to the number of common shares between September 30, 2013 and November 12, 2013.

The Company is also authorized to issue an unlimited number of preferred shares. No preferred shares are issued or outstanding.

Summary of common shares outstanding:

	Number of Shares	Carrying amount
Balance, December 31, 2012	48,175,673	231,516
Issued on conversion of convertible debt	3,183,268	13,369
Issued on acquisition of Winstar Resources Ltd.	27,252,500	99,518
Balance September 30, 2013	78,611,441	$ 344,403

During the second quarter of 2013, 27,252,500 common shares were issued in consideration of the acquisition of Winstar and 3,183,268 common shares on settlement of the KI Loan.

The following table summarizes information about common share purchase options outstanding and exercisable at September 30, 2013:

(Stated in US dollars, except as noted)

	Exercise price (US$)	Options outstanding	Options exercisable	Contractual life remaining, years (weighted average)
$	4.00	47,500	47,500	0.01
$	4.00	7,500	7,500	0.38
$	6.86	166,000	166,000	0.62
$	6.00	1,025,000	1,025,000	0.96
$	5.60	1,419,300	1,419,300	1.65
$	4.00	4,200	4,200	2.02
$	4.70	97,000	64,667	2.46
$	4.00	15,000	10,000	2.61
$	4.00	69,800	46,533	2.84
$	4.00	757,600	505,067	3.18
$	3.80	90,000	30,000	3.29
$	4.00	25,000	8,333	3.31
$	5.10	12,000	4,000	3.45
$	4.90	50,000	16,667	3.59
$	4.90	18,000	6,000	3.60
$	4.10	90,000	30,000	3.84
$	4.30	210,000	70,000	3.87
$	4.20	6,000	2,000	3.96
$	4.00	12,000	4,000	4.11
$	2.85	227,500	75,833	4.76
$	3.14	20,000	6,667	4.95
$	3.30	152,000	50,667	4.97
$	5.32	4,521,400	3,599,933	2.25

During the first nine months of 2013 400,000 share purchase options were granted. The share purchase options outstanding have a five-year term and vest one-third immediately, and one-third on each of the first and second anniversaries of the grant date.

During the first nine months of 2013, 17,000 share purchase options were forfeited and none expired.

The complete list of shares and options owned by Serinus directors and executive officers is presented in Management's Discussion and Analysis for the year ended December 31, 2012. As at the date of issuing this report, management is aware of two shareholders holding more than 5% of the common shares of the Company. KI owned approximately 48.1% of the common shares issued and outstanding at September 30, 2013. Subsequent to quarter end, Management has been informed that KI now owns 50.77% of the shares issued and outstanding. In addition, Pala Asset Holdings owns approximately 7.5% of the common shares issued and outstanding at September 30, 2013.

Risk Management

The Company and its business, future prospects, financial condition and operations are impacted by risks that are categorized as financial and market risks, operational risks and safety, environment and regulatory risks. The Company takes a proactive approach to identifying and mitigating risks, but occasionally unforeseen issues arise and must be handled urgently.

Financial and Market Risk

Financial and market risks include interest rate risk, credit risk, currency, and commodity price risks.

Interest rate risk

The Company maintains its cash and cash equivalents in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations thereon. Restricted cash, when required, is held in instruments that are redeemable upon meeting certain work commitments. Interest rate risks on the Company's obligations are not considered material because the rate on the convertible loan is fixed and while the Company is exposed to interest rate fluctuations as interest rates on the EBRD facility are variable, the Company does have the option to convert to fixed interest rates.

Credit risk

Credit risk is the risk that a customer or counter party will fail to perform an obligation or fail to pay amounts due causing a financial loss.

The Company's cash and cash equivalents and restricted cash are held with major financial institutions. Management monitors credit risk by reviewing the credit quality of the financial institutions that hold the cash, cash equivalents and restricted cash.

Accounts receivable as at September 30, 2013 include receivables from joint venture partners that are anticipated to be applied against future capital expenditures, sales revenue receivable for production in the Ukraine and Tunisia, and receivables pertaining to taxes recoverable in Tunisia and commodity taxes recoverable from the federal government of Canada.

In Ukraine, credit evaluations are performed on customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets. Management believes that the Company's exposure to the Ukrainian credit risk is not significant, as the gas sold under contract is based on monthly nominations, and traditionally was paid for at the beginning of each month and therefore prior to the gas being delivered to the customer. This practice of pre-paying for natural gas sales appears to be changing in 2013 with an increasingly competitive gas sales market; KUB-Gas management is presently evaluating what additional credit assessment measures, if any, should be implemented. The Company's credit risk arising from possible defaults on gas sales contracts is expected to be, at worst, limited to one month's sales.

In Tunisia, the Company assesses each counterparty's creditworthiness. The Company does not require collateral in respect of its financial assets. The Company historically has not experienced any collection issues with its oil and natural gas customers, which are large public oil and gas companies and state owned enterprises. The Company's joint venture partner is ETAP. However, risk exists with the joint partnership as disagreements occasionally arise that increase the potential for non-collection. Other receivables are expected to be received within pre-existing terms and are primarily related to various entities of the Tunisian state: being ETAP, STEG (the Tunisian national Utilities Company); and the Tunisian taxation authorities.

As at September 30, an allowance of $0.25 million was recorded in respect of account balances pertaining to Winstar's Canadian operations.

Management has no formal credit policy in place for customers outside the Ukraine and Tunisia. The exposure to credit risk is monitored on an ongoing basis individually for all significant customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Currency risk

The Company is exposed to risks arising from fluctuations in currency exchange rates between the Canadian dollar, Australian dollar, Polish zloty, Ukraine hryvnia, Tunisian dinar, Romanian new lei, Euros, Syrian pound and the United

States dollar. Fluctuations in exchange rates could result in unanticipated and material fluctuations in the reported financial results of the Company.

For the period ended September 30, 2013, based on the net foreign exchange exposure at the end of the period, if the Canadian dollar had strengthened or weakened by 10% compared to the U.S. dollar and all other variables were held constant, the after tax net loss would have decreased or increased by an immaterial amount. Earnings are not impacted by fluctuations in the Ukraine Hryvnia as translation gains and losses are included in other comprehensive income (loss).

Commodity Price Risk

The Company is exposed to risks due to fluctuations in the price of natural gas in the Ukraine which is impacted by, among other things, the availability of imported natural gas from Russia and the price set by exporters in Russia. In Tunisia, the Company is exposed to risks due to fluctuations in the price of oil which is impacted by, among other things, popular unrest and anti-government sentiment which has been observed in the Middle East and North Africa region, including Tunisia, aimed at altering political and economic conditions.

The Company has no commodity hedge programs in place which could potentially mitigate the price risk.

Political Risk

Serinus' operations may be adversely affected by political and economic developments or social instability. The Company's internal security and safety programs assist in mitigating the risks and aid in the recruitment and retention of qualified personnel. For all countries in which Serinus operates, the social, political and civil environments are continuously monitored to ensure that any changes can be appropriately addressed. The Company is committed to operating as a good corporate citizen in a responsible manner.

Under the jurisdictions in which the Company operates, its contracts, licences and permits are subject to review by various governmental and judicial bodies. Despite Serinus' best efforts to conform to all known customs laws and regulations, the results of such reviews may be unfavourable and may impact current and future operations.

Operational Risk

The Company's ability to operate, generate cash flows, complete projects and find reserves is dependent on general market and business conditions, the ability to obtain and maintain cost effective financing to meet the Company's commitments and execute on planned programmes, environmental and regulatory matters in multiple jurisdictions, unexpected cost increases, availability of equipment, supplies and labour, availability of pipeline capacity and reservoir quality. Failure to acquire or find additional reserves will, at minimum, erode the Company's existing reserves as these reserves are depleted through ongoing production, and may negatively impact the Company's ability to grow its asset base in the future.

To mitigate these risks, the Company evaluates projects for financial, geological and engineering risk and mitigation plans are developed, including a comprehensive insurance program.

Safety, Environmental and Regulatory Risk

The Company is engaged in relatively high risk activities. The Company is committed to both safety in operations and to preserving and protecting the environment. In respect of the Winstar assets, the Company is currently undertaking a review to determine compliance with applicable regulations. Other than the Winstar assets for which such assessment remains to be completed, the Company believes it fully complies with or exceeds all government regulations and industry standards in the countries of operation; however operations are subject to regulation and intervention by governments that can affect exploration, production and abandonment of fields and licences. Rights and licences can be cancelled, may expire or be expropriated and regulations can change. Certain licences have restrictions which may not be removed on a timely basis.

Certain areas in which the Company operates are politically and economically unstable and the assets and operations may be affected by changes in government policy, social instability or other political or economic developments outside the control of the Company.

Contingency plans are in place to ensure a timely response to a safety or environmental event and a security program is in place to protect the Company's assets and staff.

Proceedings before courts, arbitration or public administration

Neither the Company nor any of its subsidiaries are involved in any proceedings before a court, relevant arbitration body or public administrative authority concerning payables or debt of the Company or its subsidiaries whose value, individually or in aggregate, would be equal to or greater than 10% of the Company's equity.

2013 Outlook

In the last quarter of 2013, in Ukraine the Company intends to drill one new well, recomplete or workover wells and construct pipelines to tie-in wells as needed. Management forecasts that the Company will exit the 2013 year with a production rate higher than the 2012 year-end exit rate as a result of these projects and from bringing on-stream production resulting from the 2012 capital program.

In Brunei Block L, the second well commence drilling on November 11, 2013, in order to meet minimum work commitments.

In Syria, the Company will continue to closely monitor the social and political situation in the country while continuing to analyse the results of drilling to date.

The Company expects to spend the remainder of 2013 conducting an in-depth assessment of the Tunisian assets acquired as part of the Winstar acquisition and currently plans to commence a drilling program in Tunisia early in 2014. In addition, the Company expects to drill the two wells required to be drilled in Romania to meet its commitment in 2014.

The Company does not prepare and publish financial forecast results for the current or future financial years.

Non-IFRS Measures

The financial information presented in this MD&A has been prepared in accordance with IFRS except for the terms "funds from operations", "netback", "working capital" and "net debt" which are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. These non-IFRS measures are presented for information purposes only and should not be considered an alternative to, or more meaningful than information presented in accordance with IFRS. Management believes funds from operations, netback and working capital may be useful supplemental measures as they are used by the Company to measure operating performance and to evaluate the timing and amount of capital required to fund future operations. The Company's method of calculating these measures may differ from those of other companies and, accordingly, they may not be comparable to measures used by other companies.

Forward-Looking Statements

This MD&A contains forward-looking statements. These statements relate to future events or future performance of the Company. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "predict", "seek", "propose", "expect", "potential", "continue", and similar expressions, are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance, or achievements to vary from those described in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated, or expected.

Specific forward-looking statements in this MD&A, among others, include statements pertaining to the following:

- factors upon which the Company will decide whether or not to undertake a specific course of action;
- world-wide supply and demand for petroleum products;
- expectations regarding the Company's ability to raise capital;
- treatment under governmental regulatory regimes; and
- commodity prices.

With respect to forward-looking statements in this MD&A, the Company has made assumptions, regarding, among other things:

- the impact of increasing competition;
- the ability of partners to satisfy their obligations;
- the Company's ability to obtain additional financing on satisfactory terms;
- the Company's ability to attract and retain qualified personnel.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- general economic conditions;
- volatility in global market prices for oil and natural gas;
- competition;
- liabilities and risks, including environmental liability and risks, inherent in oil and gas operations;
- the availability of capital;
- geopolitical volatility in the countries of operations; and
- alternatives to and changing demand for petroleum products.

Furthermore, statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitable in the future.

The forward–looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. These statements speak only as of the date of this MD&A.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In the opinion of management, the Company's consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies outlined in the consolidated financial statements.

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 consolidated financial statements is included in the following notes to those consolidated financial statements as at and for the period ended December 31, 2012:

- Note 3 – Reserves estimates and depletion
- Note 4 – Determination of fair values
- Note 12 – Convertible debentures (fair value measurement)
- Note 17 – Income taxes
- Note 18 – Stock options (measurement of share-based payments)

Changes in Accounting Policies

On January 1, 2013 the Company adopted new standards with respect to consolidations (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial instrument disclosures (IFRS 7) as well as amendments related to investments in associates and joint ventures (IAS 28). The adoption of these amendments and standards had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2013 or on the comparative periods. Additional fair value disclosure in accordance with IFRS 13 is included in the notes to the financial statements.

Disclosure Controls and Procedures, and Internal Controls over Financial Reporting

The preparation of this MD&A is supported by a set of disclosure controls and procedures as at September 30, 2013. Disclosure controls and procedures ("**DC&P**") and internal controls over financial reporting ("**ICFR**") have been designed to provide reasonable assurance that material information required to be disclosed by the Company is accumulated, appropriately processed and communicated to the Company's management to allow timely decisions regarding and preparation of required disclosures. Current securities policies in Canada require that management of the Company certifies that it has assessed the effectiveness of the Company's disclosure controls and procedures at every interim and annual period.

The Company's Chief Executive Officer and Chief Financial Officer conclude that the Company's DC&P and ICFR provide a reasonable level of assurance that they are effective, however they do not expect that the DC&P and ICFR will prevent all errors and/or fraud. The Company's Chief Executive Officer and Chief Financial Officer have concluded that the DC&P and ICFR as at September 30, 2013 were effective in ensuring that all material information required to be filed had been provided to it in a timely manner, and that the information was recorded, processed and reported within the time period necessary to prepare the filings. The board of directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee meets at least annually with the Company's external auditors to review accounting, internal control, financial reporting, and audit matters.

Changes to the Company's internal controls over financial reporting since December 31, 2012 relate to the acquisition of

Winstar. The Company is currently assessing processes and controls to ensure compliance with Serinus' policies.

Approval

The Company's Board of Directors has approved the disclosure contained within this MD&A.

Abbreviations

The following abbreviations may be used throughout this MD&A document:

Crude Oil and Natural Gas Liquids		Natural Gas	
Bbl	Barrel	Mcf	thousand cubic feet
bbl/d	barrels per day	MMcf	million cubic feet
Mbbl	thousands of barrels	Bcf	billion cubic feet
boe/d	barrels of oil equivalent per day	Mcf/d	thousand cubic feet per day
Boe	barrels of oil equivalent of natural gas and crude oil, unless otherwise indicated	MMcf/d	million cubic feet per day
		Mcfe	thousand cubic feet equivalent
Mboe	thousand boe	Tcf	trillion cubic feet
NGL	natural gas liquids	BcfE	billion cubic feet equivalent

Production information is commonly reported in units of barrel of oil equivalent ("**boe**" or "**BOE**") or in units of natural gas equivalent ("**Mcfe**"). However, BOEs or Mcfe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl, or an Mcfe conversion ratio of 1 bbl:6 Mcf, is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Additional Information

Additional information regarding Serinus and its business and operations is available at **www.sedar.com**. Information is also accessible on the Company's website at **www.serinusenergy.com.** Copies of the information can also be obtained by contacting the Company at Serinus Energy Inc., 1170, 700 – 4th Avenue S.W., Calgary, Alberta T2P 3J4 (Phone: +1 403 264-8877) or by e-mail at **ryaniw@serinusenergy.com**.