SERINUS ENERGY INC.

Management's Discussion and Analysis
For the three and six months ended June 30, 2014
(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 Financial Statements as at and for the period ended June 30, 2014 and the December 31, 2013 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.

This MD&A uses United States dollars ("US Dollars") which is the reporting currency of the Company. The consolidated financial statements for June 30, 2014 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 August 12, 2014.

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".

Serinus Energy Inc.
Management's Discussion and Analysis
As at, and for three and six months period ended June 30, 2014
(Stated in US dollars, except as noted)

Financial Highlights

- During Q2 2014, net production levels (being the Company's production from Tunisia and its net 70% interest in Ukraine) averaged 4,965 boe per day, compared to 3,179 boe per day for Q2 2013, an increase of 56%. The Company acquired its Tunisian assets on June 24, 2013 as part of the acquisition of Winstar Resources Limited ("Winstar"), therefore Q2 2013 does not include any operating results from the Winstar assets, as the results of operations of Winstar have been included in the consolidated financial statements of Serinus from June 24, 2013 onwards. The increase reflects Tunisian production of 1,311 boe/d, and an increase in Ukraine production of 475 boe/d as a result of capital programs during 2013 and 2014. Production for Q2 2014 was weighted 78% (Q2 2013- 96 %) natural gas with the remainder consisting of oil and condensate production.
- Average natural gas prices in Ukraine were lower in Q2 2014 at $10.23 per Mcf compared to $11.55 per Mcf in the comparable period of 2013, though higher than the Q1 2014 realized price of $8.55 per Mcf. Effective January 1, 2014 natural gas prices decreased due to incentives granted by Russia to Ukraine on their imported gas prices and deterioration in the hryvnia as compared to the US dollar. The average effective market exchange rates for the hryvnia for the three and six months ended June 30, 2014 were 11.85 UAH/USD and 10.55 UAH/USD, respectively, as compared to 8.15 UAH/USD and 8.13 UAH/USD in the comparable periods of 2013. Natural gas prices realized in Tunisia were $14.47/ Mcf and crude oil sales in Tunisia realized an average price of $108.13 per bbl for the quarter.
- The netback for Q2 2014 overall for the Company was $44.38 per boe, compared to $37.80 in Q2 2013. The increase is attributable to a higher netback in Ukraine of $41.76 as compared to Q2 2013 of $37.80 and a netback in Tunisia for Q2 2014 of $54.83 per boe. The higher netback in Ukraine is driven by lower royalty and operating costs due to deterioration in the hryvnia, partially offset by lower commodity prices.
- Funds generated from operations were $21.0 million and $35.7 million for the three and six months ended June 30, 2014 respectively, as compared to $8.9 million and $18.9 million for the comparative periods of 2013. Funds from operations increased from 2013 due to the Winstar acquisition. On a per share basis funds from operations has increased period over period at $0.27 in Q2 2014 compared to $0.18 in Q2 2013.
- Revenue, net of royalties increased to $33.6 million and $61.5 million for the three and six months ended June 30, 2014, compared to $21.5 million and $42.7 million in the comparative periods. The increase is attributable to the Winstar acquisition and increased Ukraine production.
- Cash payments were successfully made out of Ukraine in the first half of 2014. Intercompany loans of $3.6 million were repaid and dividends of $11.5 million were paid from cash generated from Ukrainian operations. Since acquisition total dividends of $51.5 million have been paid out by KUB-Gas LLC.
- The Company has fully repaid its outstanding loan of $15 million with Dutco, $8 million was outstanding as at June 30, 2014 and has been paid subsequent to quarter end.
- The Company has put developmental field operations in Ukraine on hold pending improvement in the security situation. Production is continuing, but drilling, workover, stimulation and construction activities have ceased. The security situation near the Company's main producing fields has improved significantly and the Company is currently in communication with contractors with regards to potentially resuming operations. During the second quarter, the M-17 well in Ukraine was completed, and is currently on production. In Tunisia, a coiled tubing unit was successful in restoring the CS Sil-1 well to production, while in Ech Chouech and Chouech Es Saida a full workover rig commenced operations during May. Subsequent to quarter end, the Company commenced its drilling program in Tunisia with the Winstar-12bis development well which is expected to reach its target depth of 3,900 metres in mid September.

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 owns assets from which all of the Company's revenues were produced prior to the acquisition of Winstar in June 2013. 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 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 the Company has reported 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 balance sheet.

Substantially all financial and production analysis in this MD&A reflect the 100% interest in the results of KUB Holdings and KUB-Gas unless specifically noted as net to Serinus which is at the effective 70%.

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. With this acquisition the Company acquired its interests in Tunisia and Romania.

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.

Ukraine's political and economic situation has deteriorated significantly since the government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest, which escalated into violent conflicts in February 2014, resulted in the removal of the president and change of the government and heads of key governing bodies. The crisis has further escalated and fighting continues in the eastern part of Ukraine. The United States and European Union declared sanctions against selected Russian individuals and companies at various stages of the conflict and international pressure on Russia to de-escalate the crisis further increased when Malaysian Airlines flight MH17 was shot down over the separatist-controlled territory on July 17, killing all 298 people on board. Tougher sanctions against Russia are being implemented as a result of these developments.

Recent events lead to the deepening of the ongoing economic crisis, widening of the state budget deficit, depletion of the National Bank of Ukraine's foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings. In February 2014, following significant devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions. The Ukrainian interim government approached international lenders with the request to provide financing in order to stabilize the country's macroeconomic situation. On April 30, 2014 the International Monetary Fund committed to a $17 billion two-year aid program to help the country's economic recovery. On May 25 Mr. Petro Poroshenko was elected President and sworn into office on June 7. On June 27 he signed the agreement with the European Union, slashing import tariffs among the signatory countries and committing Ukraine to an ambitious programme of political and economic reform. In the long term, the agreement is expected to bring a boost to Ukrainian economy and improve Ukraine's business climate. However, the country will be required to introduce wide-ranging changes that will initially cause disruption as Ukrainian businesses struggles to make the change.

To date there has been limited impact on the Company's Ukrainian operations, however, the Company has put developmental field operations in Ukraine on hold pending improvement in the security situation. Production is continuing, but drilling, workover, stimulation and construction activities have ceased. 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.

The security situation near our main producing fields has improved and the Company is currently in communication with contractors with regards to potentially resuming operations.

(Stated in US dollars, except as noted)

UKRAINE

As at June 30, 2014 KUB-Gas owns the following licenses in Ukraine:

Production license	**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 license		
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 $240.3 million of revenue, net of royalties, in aggregate from these assets, of which $168.2 million is net to the 70% interest held by Serinus.

TUNISIA

Effective June 24, 2013, the Company acquired working interests in the Chouech Es Saida, Ech Chouech, Sanrhar, Sabria and Zinnia concessions in Tunisia. Four of the concessions are currently producing oil or gas.

As at June 30, 2014, 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 the Chouech Es Saida concession for up to a 50%, if and when the cumulative liquid hydrocarbon sales, net of royalties and shrinkage, from the concession exceed 6.5 million barrels. As at June 30, 2014, cumulatively 4.8 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. The minimum expenditure commitment under phase 2 of the exploration period was $16 million, which was met as at December 31, 2012 and the remaining work commitments were 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 and suspended pending further evaluation after encountering very high formation pressures and gas. 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 produced gas at non-commercial rates. The rig and equipment were moved to the second drilling location Luba-1, which was drilled to a total measure depth of 1,720 metres and suspended pending further evaluation after attempts to recover the bottom hole assembly ("BHA"), which was stuck in the well, were not successful.

The future cashflows of Block L are uncertain with no proved or probable reserves assigned; therefore the Company determined that as of December 31, 2013, the Block L CGU was impaired by the full amount spent to date. The Company, together with Petroleum Brunei, are in the process of evaluating the drilling campaign with a view to determining a way forward.

As at June 30, 2014, the Brunei Block L assets are fully impaired.

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 in 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 Company expects to complete phase 2 in 2014.

The Satu Mare concession is on the border with Hungary and Ukraine within the Pannonian Basin and the term of the concession expires in 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 June, 2014, 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 the asset during 2014. This asset is not currently producing and has a future abandonment liability associated with it of $1.61 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 expects to wind up its Hungarian operations in 2014.

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 tables below summarize the three and six months ended June 30, 2014 results reported by the Company in accordance with IFRS, including 100% of KUB Holdings and KUB-Gas as described above, then remove the 30% share allocable to the non-controlling interest to reflect the net results of operations attributable to the Company's 70% economic interest.

Three Months ended June 30, 2014

(Thousands of US dollars except volume amounts)	As reported	Allocated to non-controlling interest	Net to Serinus
Total daily production (boe)	6,531	(1,566)	4,965
Oil and gas revenue	$ 41,635	$ (8,812)	$ 32,823
Royalties	(8,059)	1,933	(6,126)
Oil and gas revenues, net of royalties	33,576	(6,879)	26,697
Production expenses	(7,197)	928	(6,269)
General and administrative	(2,421)	(5)	(2,426)
Transaction costs	(517)	-	(517)
Stock-based compensation	(687)	-	(687)
Depletion and depreciation	(7,854)	1,445	(6,409)
Gain on disposition of asset	107	-	107
Interest and other income	144	(12)	132
Foreign exchange gain/(loss)	(873)	177	(696)
Unrealized gain (loss) on investments	27	-	27
Interest expense and accreation	(1,721)	171	(1,550)
Earnings before taxes	12,584	(4,175)	8,409
Current tax expense	(1,567)	771	(796)
Deferred tax expense	(2,284)	15	(2,269)
Earnings for the period	$ 8,733	$ (3,389)	$ 5,344
Funds from operations	$ 20,840	$ (5,062)	$ 15,778

Six Months ended June 30, 2014

(Thousands of US dollars except volume amounts)	As reported	Allocated to non-controlling interest	Net to Serinus
Total daily production (boe)	6,441	(1,534)	4,907
Oil and gas revenue	$ 77,498	$ (15,845)	$ 61,653
Royalties	(16,008)	3,821	(12,187)
Oil and gas revenues, net of royalties	61,490	(12,024)	49,466
Production expenses	(13,239)	1,903	(11,336)
General and administrative	(4,406)	-	(4,406)
Transaction costs	(1,500)	-	(1,500)
Stock-based compensation	(1,717)	-	(1,717)
Depletion and depreciation	(16,151)	3,021	(13,130)
Gain on disposition of asset	107	-	107
Impairment of exploration and evaluation assets	(337)	-	(337)
Interest and other income	348	(73)	275
Foreign exchange gain/(loss)	(4,517)	1,258	(3,259)
Unrealized gain (loss) on investments	69	-	69
Interest expense and accreation	(3,035)	309	(2,726)
Earnings before taxes	17,112	(5,606)	11,506
Current tax expense	(4,501)	1,277	(3,224)
Deferred tax expense	(1,144)	(137)	(1,281)
Earnings for the period	$ 11,467	$ (4,466)	$ 7,001
Funds from operations	$ 35,706	$ (8,613)	$ 27,093

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 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 June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Cash flow from operations	$ 28,875	$ 10,090	$ 33,527	$ 19,224
Changes in non-cash working capital	(8,035)	(1,162)	2,179	(335)
Funds from operations	$ 20,840	$ 8,928	$ 35,706	$ 18,889
Funds from operations per share	$ 0.27	$ 0.18	$ 0.45	$ 0.38

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.

(Stated in US dollars, except as noted)

Funds from operations increased by $11.9 million and $16.8 million for the three and six month period ended June 30, 2014, to $20.8 million and $35.7 million, respectively, compared to $8.9 million and $18.9 million of the comparative year. The increase in funds from operations compared to 2013 is primarily attributable to the acquisition of Winstar and increased production in Ukraine.

Production

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Average Daily Production (net to Serinus)				
Crude Oil (bbl/d)	982	-	1,003	-
Natural gas (mcf/d)	23,293	18,331	22,827	18,185
Natural gas liquids (bbl/d)	101	124	100	132
Total boe/d	4,965	3,179	4,907	3,163
Production by Location (boe/d)				
Ukraine	3,654	3,179	3,579	3,163
Tunisia	1,311	-	1,328	-
Total boe/d	4,965	3,179	4,907	3,163

Production volumes increased by 56% in the second quarter to 4,965 boe/d, net to Serinus, compared to 3,179 boe/d in the comparable period of 2013. The increase in Q2 2014 reflects Tunisian production of 1,311 boe/d and an increase of 15% in production volumes from Ukraine.

A similar trend is noted on a year to date basis.

UKRAINE

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Average Daily Production (net to Serinus)				
Natural gas (mcf/d)	21,318	18,331	20,875	18,185
Natural gas liquids (bbl/d)	101	124	100	132
Total boe/d	3,654	3,179	3,579	3,163

In Ukraine, production volumes increased by 15% in the second quarter of 2014, to 3,654 boe/d, compared to 3,179 boe/d in the comparable period of 2013. The increase is a result of the successful drilling campaign in 2013 and first half of 2014, which included the M-16 and M-17 wells.

A similar trend is noted on a year to date basis.

Gas began flowing through the new treatment facility at Makeevskoye on March 6, 2014. This new facility increased the throughput capacity, from approximately 30 MMcf/d to 68 MMcf/d, for the Olgovskoye and Makeevskoye fields. This work was completed by the end of the first quarter, and production from the M16 has been re-routed to the facility from the end of April.

TUNISIA

	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
Average Daily Production (net to Serinus)				
Crude Oil (bbl/d)	982	-	1,003	-
Natural gas (mcf/d)	1,975	-	1,952	-
Total boe/d	1,311	-	1,328	-

In Tunisia, production averaged 1,311 boe/d and 1,328 boe/d for the three and six months ended June 30, 2014. Production is predominantly from the Chouech Es Saida and Sabria fields, which account for 90% of the production from Tunisia.

Oil and natural gas sales

(Thousands of US dollars except per unit amounts)	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
Crude oil	$ 9,661	$ -	$ 19,617	$ -
Natural gas	30,952	27,518	55,860	54,490
Natural gas liquids	1,022	1,411	2,021	3,149
	$ 41,635	$ 28,929	$ 77,498	$ 57,638
Ukraine				
Natural gas ($/mcf)	$ 10.23	$ 11.55	$ 9.41	$ 11.59
Natural gas liquids ($/bbl)	77.79	88.76	77.97	92.41
Average price ($/boe)	$ 61.83	$ 70.08	$ 57.07	$ 70.48
Tunisia (a)				
Crude Oil($/bbl)	$ 108.13	$ -	$ 108.09	$ -
Natural gas ($/mcf)	14.47	-	14.33	-
Average price ($/boe)	$ 102.79	$ -	$ 102.68	$ -

(a) Operating results from Tunisia are included from June 24, 2013, the date of acquisition, onwards.

Oil and gas revenue increased by 44% in Q2 2014 compared to Q2 2013, reflecting revenues attributable to Winstar (Tunisia) since acquisition.

In Ukraine, revenues totalled $29.4 million for Q2 2014, compared to $28.9 million in Q2 2013. The minor increase is attributable to a decrease in the average commodity price of 12% offset by a 15% increase in volumes.

Ukraine natural gas commodity prices were lower in Q2 2014 compared to the same period in 2013, with a realized natural gas price of $10.23 per Mcf, compared to $11.55 per Mcf for Q2 2013. The domestic gas price within Ukraine is set by the National Electricity Regulatory Commission of Ukraine by reference to the Russian imported gas price. Gas sold in Ukraine is paid in hryvnia, making its realized price in USD also subject to exchange rate risk.

A similar trend is noted on a year to date basis with a realized natural gas price of $9.41 per Mcf, compared to $11.59 per Mcf in 2013.

Effective January 1, 2014 natural gas prices decreased in Ukraine due to incentives granted by Russia to Ukraine on their imported gas prices and the deterioration of the Ukraine hryvnia versus in particular the US dollar. This resulted in a realised price for Q1 2014 of $8.55 per Mcf. Effective April 1, 2014 the discounts on Russian gas expired increasing the realised price to $10.23 per Mcf for Q2 2014. Exchange rates stabilized during the second quarter with the average effective exchange rate for the hryvnia for the three and six months ended June 30, 2014 being 11.85 UAH/USD and 10.55 UAH/USD, respectively, as compared to 8.15 UAH/USD and 8.13 UAH/USD in the comparable periods of 2013.

In Ukraine, the majority of the Company's production is marketed and sold to wholesalers, who then sell to industrial users. The actual price received by Kub-Gas is approximately 9-10% less for the profit margin of the wholesalers.

Oil sales for Tunisia included volumes loaded onto tankers, which generally occur every two months, as well as the change in the net realizable value of oil inventory. During the first six months of 2014, the Company had four tanker liftings, in February, March, April and June. As at June 30, 2014 the Company is in an underlift position, with approximately 8,264 bbls on hand and recorded in inventory. Inventory is recorded at net realisable value, with an amount recognised in revenue relating to inventory of approximately $0.9 million at June 30.

Tunisian revenues of $12.2 million and $24.7 million for the three and six months reflect an average crude oil price of $108.13 and $108.09 per bbl, respectively. 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 twelve month trailing average of low sulphur heating oil (benchmarked to Brent).

Royalties

	Three months ended June 30,		Six months ended June 30,	
(Thousands of US dollars except per unit amounts)	2014	2013	2014	2013
Ukraine	$ 6,443	$ 7,427	$ 12,737	$ 14,974
Tunisia (a)	1,616	-	3,271	-
Total royalties	$ 8,059	$ 7,427	$ 16,008	$ 14,974
$/boe	$ 13.56	$ 18.00	$ 13.73	$ 18.31
Royalties by Location as a percentage of sales				
Ukraine	21.9%	25.7%	24.1%	26.0%
Tunisia	13.2%	-	13.3%	-
	19.4%	25.7%	20.7%	26.0%

(a) Operating results from Tunisia are included from June 24, 2103, the date of acquisition, onwards.

The average royalty rate for the three and six month period ended June 30, 2014 were 19.4% and 20.7%, respectively, as compared to 25.7% and 26% in the prior year. The decrease in royalty rates is attributable to lower royalty rates in Tunisia and a decrease in rates in Ukraine.

Commencing January 2013, royalty rates in Ukraine were set at rates of 25% for natural gas and 39% for condensate. Effective April 1, 2014, the government of Ukraine announced an increase in royalty rates to 28% for natural gas and 42% for condensate.

In Ukraine, the average royalty rate for Q2 2014 was 21.9% as compared to 25.7% in Q2 2013. The decrease in royalty rate is due to the Ukraine average customs price of imported gas, on which royalties are determined, not increasing in line with the domestic gas price limit set by the National Electricity Regulatory Commission ("NERC"). This occurred following expiration of the Russian incentives on April 1, 2014, at this time the limit price at which gas can be sold increased significantly more than the stated price on which royalties are based.

Subsequent to quarter end the Ukrainian Parliament and President approved to increase natural gas and condensate royalties to 55% and 45% respectively, from their current levels of 28% and 42%, effective August 1, 2014 and lasting until January 1, 2015. Unless subsequently renewed or extended, royalties would then revert back to current levels (i.e. 28% and 42%). The new law also contains provisions for a "lowering coefficient" on new gas wells drilled after August 1, 2014. This reduces the royalties paid on production from those new wells to 55% of the nominal rate for a period of two years (i.e. the effective gas royalty rate for new wells would be 30.25%). In addition, the tax base used to calculate royalties will not be the average customs value of imported gas, as it is now, but the price level for natural gas sold to industrial consumers which is set by the NERC.

For Q2 2014, the Tunisia royalty rate is 13.2%. This is comparable to Q1 2014 but lower than the Q4, 2013 rate of 15.3%. Tunisian 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%. The decrease is royalty rate in 2014 compared to 2013 is due to lower royalty rates in Sabria for 2014. The royalty rate in Sabria is based on an R-factor calculation, which is estimated based on the 2014 budgeted information, and resulted in a lower royalty rate in 2014 when compared to 2013 due to the capital program planned for 2014.

On a year to date basis similar trends are noted as the average royalty rate decreased to 20.7% compared to 26.0% in 2013.

Production expenses

	Three months ended June 30,		Six months ended June 30,	
(Thousands of US dollars except per unit amounts)	2014	2013	2014	2013
Ukraine	$ 3,092	$ 5,890	$ 6,345	$ 10,809
Tunisia (a)	4,105	-	6,894	-
Production expenses	$ 7,197	$ 5,890	$ 13,239	$ 10,809
Production expense by location ($/boe)				
Ukraine	$ 6.51	$ 14.28	$ 6.86	$ 13.22
Tunisia	34.41	-	28.68	-
	$ 12.11	$ 14.28	$ 11.36	$ 13.22

(a) Operating results from Tunisia are included from June 24, 2103, the date of acquisition, onwards.

On an absolute basis, production expenses have increased 22% to $7.2 million in Q2 2014 from $5.9 million in Q2 2013, though have decreased on a per boe basis to $12.11 per boe from $14.28 per boe.

The increase in absolute dollars during Q2 2014 is due to the inclusion of production costs related to Tunisia of $4.1 million offset by a reduction of $2.8 million in Ukraine driven by the impact of the weakening of Ukrainian hryvnia as the Ukraine business is reported in US dollars.

On a per boe basis, production expenses decreased to $12.11 per boe in Q2 2014 compared to $14.28 per boe in Q2 2013. Ukraine production expense reduced from $14.28 per boe to $6.51 per boe due to the weakening of Ukrainian hryvnia as the Ukraine business is reported in US dollars. Tunisia production has higher average production expenses as compared to Ukraine, and for Q2 2014 these averaged of $34.41 per boe. Tunisia's production is weighted to oil which has a higher cost to produce than the Ukraine natural gas properties due to the desert terrain and drilling depth.

For the six months ended June 30, 2014, production expenses have increased to $13.2 million from $10.8 million in the comparable period of 2013, reflecting increased production. On a per boe basis production expenses have decreased to $11.36 per boe from $13.22 per boe in the prior year, due to the inclusion of Tunisia at $28.68 per boe. Production costs in Ukraine have decreased 48% year over year to $6.86 per boe, due to increased production levels and the weakening of the Ukrainian hryvnia.

Oil and Gas Netback

Ukraine Netback by Commodity (Volume in thousand)	Three months ended June 30, 2014			Three months ended June 30, 2013		
	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**
Average daily sales volumes (gross)	30,454	144	**5,220**	26,146	177	**4,541**
Average daily sales volumes (net to Serinus)	21,318	101	**3,654**	18,331	124	**3,179**
Revenue	$ 10.23	$ 77.79	**$ 61.83**	$ 11.55	$ 88.76	**$ 70.08**
Royalty expense	(2.15)	(37.53)	**(13.56)**	(2.90)	(36.00)	**(18.00)**
Production expenses	(1.12)	-	**(6.51)**	(2.47)	-	**(14.28)**
Netback	$ 6.96	$ 40.26	**$ 41.76**	$ 6.18	$ 52.76	**$ 37.80**

	Six months ended June 30, 2014			Six months ended June 30, 2013		
	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**
Average daily sales volumes (gross)	29,821	143	**5,113**	25,979	188	**4,518**
Average daily sales volumes (net to Serinus)	20,875	100	**3,579**	18,185	132	**3,163**
Revenue	$ 9.41	$ 77.97	**$ 57.07**	$ 11.59	$ 92.41	**$ 70.48**
Royalty expense	(2.20)	(34.07)	**(13.76)**	(2.93)	(36.25)	**(18.31)**
Production expenses	(1.18)	-	**(6.86)**	(2.30)	-	**(13.22)**
Netback	$ 6.03	$ 43.90	**$ 36.45**	$ 6.36	$ 56.16	**$ 38.95**

Tunisia Netback by Commodity (Volume in thousand)	Three months ended June 30, 2014		
	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**
Average daily sales volumes (net to Serinus)	1,975	982	**1,311**
Revenue	$ 14.47	$ 108.13	**$102.79**
Royalty expense	(1.85)	(14.37)	**(13.55)**
Production expenses	(5.75)	(34.38)	**(34.41)**
Netback	$ 6.87	$ 59.38	**$ 54.83**

	Six months ended June 30, 2014		
	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**
Average daily sales volumes (net to Serinus)	1,952	1,003	**1,328**
Revenue	$ 14.33	$ 108.09	**$102.68**
Royalty expense	(1.84)	(14.44)	**(13.61)**
Production expenses	(4.78)	(28.68)	**(28.68)**
Netback	$ 7.71	$ 64.97	**$ 60.39**

In Ukraine, the netback increased to $41.76 per boe in Q2 2014 compared to $37.80 per boe in the comparable period of 2013, due to lower royalties and lower production expenses, largely as a result of the deterioration in the hryvnia, partially offset by lower realized prices.

For the six months ended June 30, 2014 the netback decreased to $36.45 compared to $38.95 in 2013, primarily due to a lower realized price as a result of the incentives agreement in 2014 and 44% deterioration in the Ukrainian hryvnia to the US dollar since the beginning of the year.

In Tunisia, the netback was $54.83 per boe for Q2 2014 compared to $65.86 in Q1 2014. The decrease in Q2 2014 compared to Q1 2014 is due to higher operating expenses. Operating expenses are higher in Q2 2014 due to an increase in staff related costs. Operating results from Tunisia are included from June 24, 2013, the date of acquisition, onwards; therefore there are no Q2 2013 comparative figures for Tunisia.

General and Administrative

	Three months ended June 30,		Six months ended June 30,	
(Thousands of US dollars except per unit amounts)	2014	2013	2014	2013
General and administrative	$ 2,421	$ 2,138	$ 4,406	$ 5,377
$/boe	$ 4.07	$ 5.18	$ 3.78	$ 6.58

General and administrative ("G&A") costs for Q2, 2014 have increased to $2.4 million, compared to $2.1 million in the comparative period of 2013. The Q2, 2014 costs are higher due an increase in employee costs.

For the six month period G&A costs have decreased by $0.9 million due to non-routine charges in 2013 of $1.6 million, for consulting services provided in Ukraine, partially offset by higher employee costs in 2014.

On a per boe basis, G&A costs have decreased to $4.07 per boe and $3.78 per boe for the three and six months ended June 30, 2014, respectively compared to $5.18 per boe and $6.58 per boe in 2013, due to increased production.

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 June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Transaction costs	$ 517	$ 1,955	$ 1,500	$ 2,455
$/boe	$ 0.87	$ 4.74	$ 1.29	$ 3.00

Transaction costs are project related expenditures. The three and six months expense comprises of costs associated with listing of shares issued on the Winstar acquisition on the Warsaw stock exchange and other corporate related projects.

Stock based compensation

(Thousands of US dollars except per unit amounts)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Stock based compensation	$ 687	$ 211	$ 1,717	$ 438
$/boe	$ 1.16	$ 0.51	$ 1.47	$ 0.54

Stock based compensation was $0.7 million for Q2 2014 (Q2 2013 - $0.2 million). The increase in Q2 2014 reflects the number of options granted and immediately vested, whereas fewer options were granted during the comparable period of 2013.

A similar trend is noted on a year to date basis.

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 June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Ukraine	$ 4,815	$ 5,029	$ 10,068	$ 10,076
Tunisia	3,003	-	6,016	-
Corporate	36	35	67	75
Depletion and depreciation ("**D&D**")	$ 7,854	$ 5,064	$ 16,151	$ 10,151
Impairment	$ -	$ -	$ 337	$ -
D&D by location ($/boe)				
Ukraine	$ 10.14	$ 12.19	$ 10.88	$ 12.32
Tunisia	25.17	-	25.03	-
	$ 13.22	$ 12.27	$ 13.85	$ 12.41

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

The depletion and depreciation expense for the three and six months ended June 30, 2014 increased to $7.9 and $16.1 million from $5.1 million and $10.1 million in the comparative period of 2013. The increase is attributable to the Tunisian assets.

A similar trend is noted on a per boe basis.

Interest expense and accretion

(Thousands of US dollars)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Interest on long-term debt	$ 1,044	$ 522	$ 1,645	$ 1,474
Interest on convertible note payable and convertible	418	468	868	887
Other interest charges	46	-	95	-
Accretion	213	12	427	23
	$ 1,721	$ 1,002	$ 3,035	$ 2,384

Interest and accretion expense increased by $0.7 for both the three and six months ended June 30, 2014. The increase is attributable to higher debt levels, resulting from the EBRD Tunisia loan, and by inclusion of accretion expense associated with the Winstar properties.

Foreign exchange loss

(Thousands of US dollars)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Foreign exchange loss	$ 873	$ 22	$ 4,517	$ 282

For the three months ended June 30, 2014 the hryvnia deteriorated by 4.1% with a $0.9 million loss recorded for the period, compared to $22 thousand in the comparative period of 2013.

For the six month period a 44% weakening of the hryvnia against the US dollar since the beginning of the year resulted in a $4.5 million loss compared to $0.3 million in 2013.

Summarized Balance Sheet ($'000's)

(Thousands of US dollars)	As at June 30, 2014	As at December 31, 2013	As at December 31, 2012
Total current assets	$ 37,295	$ 37,039	$ 40,305
Total non-current assets	260,046	275,434	147,404
Total assets	297,341	312,473	187,709
Total current liabilities	49,022	60,171	39,088
Total non-current liabilities	89,522	81,758	25,171
Total liabilities	138,544	141,929	64,259
Total share capital	344,479	344,403	231,516
Total equity	$ 158,797	$ 170,544	$ 123,450

Total Assets

Total assets as at June 30, 2014 were $297.3 million compared to $312.5 million as at December 31, 2013. The decrease is due to the continued decline in the exchange rate between the Ukraine hryvnia and the US Dollar. This resulted in an unrealized loss of $28.1 million offset by an increase in accounts receivable from the June lifting in Tunisia.

Total Liabilities

Total liabilities as at June 30, 2014 were $138.5 million compared to $141.9 million as at December 31, 2013, a decrease of $3.4 million. The decrease is due to the decline in exchange rate between the Ukraine hryvnia and the US Dollar of $6.6 million and due to repayments of $7.0 million on the Dutco facility, offset partially by a draw of $10.0 million on the EBRD-Tunisia loan.

The Company and its subsidiaries in Ukraine and Tunisia were in compliance with all of the EBRD's financial ratio debt covenants and Serinus was in compliance with the Dutco loan financial covenant as at June 30, 2014.

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 June 30, 2014, this includes certain Ukraine assets 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 June 30, 2014 this includes certain Ukraine assets and the Tunisian assets.

	Three months ended June 30,		Six months ended June 30,	
(Thousands of US dollars except per unit amounts)	2014	2013	2014	2013
Capital expenditures on property, plant and equipment	$ 13,671	$ 3,055	$ 21,892	$ 6,801
Capital expenditures on exploration and evaluation	2,388	6,203	4,418	11,338
Total capital expenditures	$ 16,059	$ 9,258	$ 26,310	$ 18,139

(Thousands of US dollars)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Expenditure by location				
Ukraine	$ 5,367	$ 3,824	$ 12,528	$ 8,985
Tunisia	8,815	-	10,486	-
Brunei	-	5,430	337	9,149
Romania	1,618	-	2,641	-
Other	259	4	318	5
	$ 16,059	$ 9,258	$ 26,310	$ 18,139

In Ukraine, the Company incurred $5.4 million and $12.5 million of capital expenditures for the three and six month periods ended June 30, 2014, which included work on the M-17 well, drilling on the O-11 and NM-4 wells and completion work on the Makeevskoye facility.

Prior to cessation of developmental field operations, the Company completed and tested the M-17 well, this well was drilled in the first quarter of 2014 to a total depth of 3,445 metres. During the second quarter, the well was cased and the service rig began completion operations. Logs indicated pay in the S5 and S6 zones, and resource potential in the R30c and S7 sections, the S7 tested 900 Mcf/d without stimulation. The S6 was tested at multiple rates, the highest of which was 6.6 MMcf/d. The S6 zone was placed on production on June 26, and averaged 6.4 MMcf/d (4.4 MMcf/d net to Serinus) as at June 30, 2014.

The O-11 well was spud on April 4, 2014 after the drilling rig moved on from M-17. It reached its planned depth of 3,230 metres in late May, and was cased and the rig released. In June, the well was perforated, and experienced a strong air blow, followed by gas to surface. The well was shut in for a pressure build up. No further testing will be undertaken at this time.

The NM-4 well was spud on June 16, and drilled to a depth of 102 metres. Surface casing was run and cemented in place prior to suspending drilling operations.

Work was completed on the Makeevskoye gas processing facility. Gas began flowing through the facility on March 6, 2014, and the M-16 well was re-routed to that new facility at the end of April.

Once the security situation improves enough to resume development activities, drilling will resume on NM-4, after which the rig will move to M-22. NM-4 is testing a Moscovian stratigraphic trap and if successful, will establish a new play type within the Company's Ukrainian licences. The M-22 well is targeting a new Serpukhovian accumulation to the southwest of the pool containing the M-16 and M-17 wells. A fracture stimulation campaign had also been planned in later in the year for O-11 and O-15, NM-3 and M-17.

In Tunisia, capital expenditure of $8.8 million and $10.5 million were incurred for the three and six month periods. Spending in the first quarter had been on well site preparation and minor work over initiatives. In the second quarter the workover campaign for the CS- Sil-1 well using a coiled tubing unit was completed and was successful in restoring the well to production at a rate of approximately 400 - 500 Mcf/d and 40 - 50 bbl/d of oil. The coiled tubing unit also attempted to recomplete CS Sil-10 from the Triassic TAGI sandstone to the Silurian Tannezuft, but was unsuccessful. Both wells are being reviewed to determine additional measures to increase or restore production.

In Ech Chouech and Chouech Es Saida, a full workover rig commenced operations on May 29. Operations so far have been to clean out debris left in the well by previous operators. Once the wellbore is remediated and pending regulatory approval, the well will be perforated, and prepared for stimulation later this summer currently targeted for September.

The balance of the workover campaign includes various operations on ECS-1, CS-11, and CS-8bis. This program is expected to increase or restore production, and to improve overall uptime rates. A 203.5 km2 3D seismic program over the Sanrhar field commenced in early June, and is approximately 90% complete. Legacy sparse 2D data indicates a number of four-way structural closures which this program will investigate more thoroughly.

In Romania, amounts were spent on planning for the seismic and drilling campaign including the preparation of an access road to the first location. The two well drilling program is expected to begin in November with both wells being drilled back to back. Shooting of new 3D seismic program will commence in September, and is expected to take 6 - 8 weeks. The survey area covers 180 km2 located approximately 35 km southwest of the Moftinu field against the western boundary of the Satu Mare concession. This area is in a well established hydrocarbon fairway on the edge of the Carei graben, and overlies the Santau oil pool.

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

(Thousands of US dollars)	As at June 30, 2014	As at December 31, 2013
Ukraine	8,980	10,947
Romainia	3,528	887
	$ 12,508	$ 11,834

Debt and Convertible Debt

(Thousands of US dollars)	As at June 30, 2014	As at December 31, 2013
Current liabilities net of current assets	$ 11,727	$ 23,132
Long-term debt	15,413	8,030
Net debt	$ 27,140	$ 31,162

Dutco

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

The term of the Dutco Credit Facility was 12 months with interest calculated on outstanding amounts at a rate of 12% per annum and paid monthly. During the period ended June 30, 2014 the Company made two early repayments totalling $7 million. Subsequent to June 30, 2014, the Company made further repayments of $8 million in final settlement of the facility.

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

EBRD-Tunisia Loan Facility

On November 20, 2013 the Company finalized two loan agreements aggregating $60 million with EBRD. The Senior Loan is in the amount of USD $40 million, has a term of seven years, and is available in two tranches of USD $20 million each. Interest is payable semi-annually at a variable rate equal to the sum of the London UK interbank rate for a period equivalent to the interest payment period and 6%. At the Company's option, the interest rate may be fixed at the sum of 6% and the forward rate available to EBRD on the interest rate swap market. The Senior Loan is repayable in twelve equal semi-annual instalments commencing after the first year of the loan. The second tranche of the Senior Loan is available only after the Convertible Loan is fully drawn, and is also subject to certain conditions including achieving and maintaining specified production targets for a period of three continuous months, and meeting specified financial and reserve coverage ratios.

The Convertible Loan in the amount of USD $20 million has a term of seven years, and bears interest at a variable rate that is the sum of a London interbank rate and a percentage calculated on the basis of incremental net revenues earned from the Tunisian assets, with a floor of 8% per annum and a ceiling of 17% per annum. The Company can elect, subject to certain conditions, to convert all or any portion of the Convertible Loan principal and accrued interest outstanding for newly issued shares of the Company at the then current market price of the shares on the TSX or WSE, as required by the exchange rules. The EBRD can also at any time, and on multiple occasions elect to convert all or any portion of the Convertible Loan principal and accrued interest outstanding for newly issued shares of the Company at the then current market price of the shares on the TSX or WSE. Conditions to conversion include a requirement for substantially all of the Company's assets and operations to be located and carried out in the EBRD countries of operations.

The Company can also repay the Convertible Loan at maturity in cash or in kind, subject to certain conditions, by issuing new common shares valued at the then current market price of the shares on the TSX or WSE. The repayment amount is subject to a discount of approximately 10% in the event that the requirement for substantially all of the Company's assets and operations to be located and carried out in the EBRD countries of operations is not met at the date of repayment.

Both loans are available to be drawn for a period of three years.

The loans are secured by the Tunisian assets, pledges of certain bank accounts plus the shares of the Company's subsidiaries through which the concessions are owned, plus the benefits arising from the Company's interests in insurance policies and on-lending arrangements within the Serinus group of companies. Refer to "Covenants" section for details of the associated covenants.

As at June 30, 2014 the Company has drawn $15.0 million from Tranche 1, and is presented net of transaction costs of $0.9 million. Subsequent to quarter end, the Company drew the final $5 million under tranche 1 of the Senior Loan facility.

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 licenses 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 19%. 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 in 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. Refer to "Covenants" section for details of the associated covenants.

At June 30, 2014, $6.1 million of principal and interest was outstanding (December 31, 2013: $7.6 million). In January 2014, a scheduled repayment of $1.8 million was made. Subsequent to the period ended June 30, 2014, a further scheduled repayment of $1.8 million was made, leaving $4.3 million outstanding.

Covenants

Dutco

As at June 30, 2014, $8 million is outstanding under the Dutco loan and was fully repaid subsequent to June 30, 2014. The facility required 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 and taxes payable or recoverable. At June 30, 2014, the ratio was 1.59:1which includes exclusions of net liabilities of $25.0 million relating to net tax payables, the Dutco loan balance, current portion of the EBRD loan and other liabilities not relating to the current operations as allowed in the Dutco Credit Facility agreement. The company was in compliance with the covenant.

EBRD-Tunisia Loan Facility

As at June 30, 2014, $15 million is outstanding under the Tunisian EBRD Senior Loan agreement. Both loan agreements as part of the EBRD-Tunisia Loan Facility contain a number of affirmative covenants, including maintaining the specified security, environmental and social compliance, and maintenance of specified financial ratios. The financial ratios include maintaining a debt service coverage ratio of not less than 1.5:1 for both the Company and the Tunisia subsidiary. In addition, the Company and Tunisia subsidiary must maintain a ratio of financial debt to EBITDA of no more than 2.75 times.

At June 30, 2014, the Company's debt service coverage ratio under the terms of the EBRD- Tunisia Loan Facility was calculated to be 253:1. This calculation is based on the trailing twelve months cash flow of the Serinus Consolidated group after adjustments required per the agreement. The Serinus consolidated cash flows are adjusted for interest expense and capital expenditures excluding those expenditures associated with the developments in Brunei and the expenditures in Tunisia for which the EBRD – Tunisia loan facility is intended to finance. This adjusted consolidated cash flow amount was $20.0 million for the 12 month period ended June 30, 2014. The coverage required is based on the scheduled EBRD-Tunisia Loan Facility principal and interest payments for the same period which was $79 thousand as at June 30, 2014.

At June 30, 2014, the Tunisian Subsidiary's debt service coverage ratio under the terms of the EBRD- Tunisia Loan Facility was calculated to be 473:1. This calculation is based on the trailing twelve months cash flow of the Tunisian subsidiary after adjustments required per the agreement. The Tunisia subsidiary's cash flows are adjusted for interest expense and capital expenditures excluding those expenditures associated with the expenditures in Tunisia for which the EBRD – Tunisia loan facility is intended to finance. This adjusted consolidated cashflow amount was $31.1 million for the 12 month period ended June 30, 2014. The coverage required is based on the scheduled EBRD- Tunisia Loan Facility principal and interest payments for the same period which was been estimated to be $79 thousand as at June 30, 2014.

At June 30, 2014 the Company's ratio of financial debt to EBITDA was calculated to be 0.67:1. The financial debt as defined under the agreement includes the accounts payable, income taxes payable, convertible note payable, current portion of long-term debt, other provisions and long term debt which totalled $62.3 million as at June 30, 2014. The Company's EBITDA for the trailing 12 months is determined as oil and gas revenue, net of royalties less production expenses, general and administrative expenses and transaction costs which totalled $93.0 million for the 12 month period ending June 30, 2014.

At June 30, 2014 the Tunisian Subsidiary's ratio of financial debt to EBITDA was calculated to be 0.51:1. The financial debt as defined under the agreement includes the accounts payable, income taxes payable, convertible note payable, current portion of long-term debt, intercompany loans and payables, other provisions and long term debt which totalled $17.4 million as at June 30, 2014. The Tunisian Subsidiary's EBITDA for the trailing 12 months is determined as Oil and gas revenue, net of royalties less production expenses, general and administrative expenses and transaction costs which totalled $34.2 million for the 12 month period ending June 30, 2014.

The Company was in compliance with all associated EBRD- Tunisia Loan Facility covenants above at June 30, 2014.

EBRD – Ukraine Loan Facility

KUB-Gas is required to maintain the following covenants:

- a debt service coverage ratio of not less than 1.3 times, and
- a financial debt to EBITDA of no more than 3 times.

At June 30, 2014, 2014, Kub Gas's debt service coverage ratio under the terms of the EBRD- Ukraine Loan Facility was calculated to be 2.60:1. This calculation is based on the trailing twelve months cash flow of Kub Gas LLC after adjustments required per the agreement. The Kub Gas LLC cash flows are adjusted for interest expense and capital expenditures net of loan proceeds from borrowings. This adjusted Kub Gas LLC's cash flow amount was 303.4 million Ukrainian hryvnia for the 12 month period ending June 30, 2014. The coverage required is based on the scheduled EBRD- Ukraine Facility principal and interest payments for the same period which was 116.6 million Ukrainian hryvnia as at June 30, 2014.

At June 30, 2014, Kub Gas's ratio of financial debt to EBITDA was calculated to be 1.69:1. The financial debt as defined under the agreement includes the current and long term loans which totalled 127.5 million Ukrainian hryvnia as at June 30, 2014. The Company's EBITDA for the trailing 12 months is determined as Oil and gas revenue, net of royalties less production expenses, general and administrative expenses and transaction costs which totalled 630.1 million Ukrainian hryvnia for the 12 month period ending June 30, 2014.

At June 30, 2014 Kub Gas LLC Company was in compliance with these financial ratios. The total outstanding balance on this facility as at June 30, 2014 was $6.1 million.

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 EBRD loans and the Dutco loan. 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 plus the EBRD debt facilities are sufficient to completely support the intensive capital investment program of the Company and settle any outstanding working capital deficiency.

KUB-Gas generates positive operating cash flow, which is expected to be sufficient to support the significant capital investment program in Ukraine and settle any outstanding working capital and the Ukraine EBRD loan.

The Tunisian assets generate positive operating cash flow and with the availability of the EBRD loan is expected to have sufficient funding for its capital program.

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 totalled $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 resulted in a foreign exchange loss of $0.9 million for the three months ended June 30, 2014.

At June 30, 2014, the Company had debt consisting of the Dutco loan which has fixed interest rates and two loans with the EBRD which have variable rates, but with the option to convert to a fixed rate. At June 30, 2014, approximately 73% of the debt is affected by movements in interest rates.

Since commencement of activities in the international oil and gas business, the Company has relied on regular injections of new equity to fund its operations and capital expenditure programs as well as farm-out agreements under which a portion of the historical costs incurred have been returned to the Company and a portion of the future capital commitments are assumed by the new partner. The Company has successfully raised new equity when required in the past, and intends to raise new equity when required in the future.

The Dutco loan was fully repaid subsequent to period end.

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 and the Tunisian subsidiary providing the terms and conditions of the EBRD loan agreement are met. Certain financial and reserve coverage covenants are in place at both the Tunisian subsidiary level and the Serinus corporate level.

As an exploration and development company, there are inherent liquidity risks, including the possibility that internally generated cash flows may not be sufficient to fund the exploration program, that additional financing may not be available to the Company, 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 had restricted the ability of KUB-Gas to pay dividends or repay loans or loan money to the Company. In Q1 2014, the working capital covenant relating to the EBRD Ukraine loan was waived.

The Company was also subject to the financial covenants attached to the Dutco debt facility, which include a current ratio test.

As operator of the Block 9 joint venture in Syria, the Company 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 is complying with sanctions placed by the governments of the United States, Canada, the Arab League and the European Union on its oil and gas investment in 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.

To ensure security and the preservation of capital, the Company's 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 condensed consolidated interim financial statements as at June 30, 2014.

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

Working Capital

(Thousands of US dollars)	As at June 30, 2014	As at December 31, 2013
Current assets	$ 37,295	$ 37,039
Current liabilities	49,022	60,171
Working capital	$ (11,727)	$ (23,132)

The Company has working capital deficit of $11.7 million as at June 30, 2014 (December 31, 2013: $23.1 million). The Company believes that funds from operations in the future or equity and further debt financing can be used to settle the working capital deficiency.

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 six months ended June 30, 2014, the fees totalled $nil and $0.2 million, respectively (2013 - $0.2 million and $0.4 million). At June 30, 2014, nil was owed to Nemmoco (December 31, 2013 - $23 thousand).

Loon Energy Corporation ("Loon Energy"), a publicly traded Canadian corporation, has no employees. Management and administrative services are provided by the management and staff of Serinus. For the three and six months ended June 30, 2014, these fees totalled $3 thousand and $6 thousand (2013 - $3 thousand and $6 thousand). At June 30, 2014, Loon Energy owed $6 thousand (December 31, 2013 – $nil) to Serinus for these services, which was settled subsequent to quarter end. Serinus and Loon Energy are related as they have five common directors and officers and the same principal shareholder.

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

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

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

Commitments

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

(Thousands of US dollars)	Within 1 Year	2-3 Years	4-5 Years	+5 Years	Total
Office Rental	$ 529	$ 943	$ 1,044	$ 1,214	$ 3,730
EBRD loan-Ukraine	3,707	2,389	-	-	6,096
EBRD loan-Tunisa	1,524	5,000	5,000	3,750	15,274
Total contractual obligations	$ 5,760	$ 8,332	$ 6,044	$ 4,964	$ 25,100

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. Subsequent to period end the Company made further repayments of $8.0 million in final settlement of the Dutco facility.

Brunei Block L

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

November 27, 2013. Phase 2 of the exploration period automatically extended to allow for the completion of the drilling of the well and to allow for the implementation of the appraisal program.

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

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

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

Syria

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

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

Ukraine

The Company has an obligation to incur certain capital expenditures to comply with the Ukrainian exploration licence requirements. Under these licence maintenance commitments, KUB-Gas is required to acquire and process seismic, conduct geophysical studies and drill exploratory wells on licenced fields. Although these commitments are not binding and may be modified based on results of exploration work, KUB-Gas' potential capital expenditures relating to qualifying activities on gas and gas condensate fields may reach $22.1 million during the period from 2014 to 2015 as part of the planned development program. Justified deviation from the capital expenditures committed is permitted and should be agreed with the licensor, while failure to commit exploration works and substantiate the different capital expenditure schedule may result in termination of the licence. In respect of the North Makeevskoye license, the Company commenced drilling one well in 2014 with follow up wells based on test results.

Tunisia

The Tunisian state oil and gas company, Enterprise Tunisienne D'Activities Petroliers ("ETAP"), has the right to back into up to a 50% working interest in the Chouech Es Saida concession if, and when, the cumulative liquid hydrocarbon sales, net of royalties and shrinkage, from the concession exceeds 6.5 million barrels. As at June 30, 2014 cumulative liquid hydrocarbon sales net of royalties and shrinkage was 4.8 million barrels. Management is of the opinion that there are sufficient exploration and development opportunities which, if successful, could result in this provision being exercised within the next 10 years.

Romania

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

Office Space

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

Dividends

To date, the Company has not paid dividends and does not anticipate paying dividends in the foreseeable future. Should the Company decide to pay dividends in the future the Company would be required to satisfy certain liquidity tests as established in the Alberta Business Corporations Act.

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 except per unit amounts and volumes)	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Oil and gas revenue	$ 41,635	$ 35,863	$ 43,700	$ 45,394
Netback ($/boe)	$ 44.38	$ 38.27	$ 43.18	$ 56.97
Earnings (loss) for the period				
Common shareholders	$ 5,344	$ 1,657	$ (79,740)	$ 8,147
Non-controlling interest	$ 3,389	$ 1,077	$ 2,837	$ 3,815
Per share - basic and diluted attributable to common shareholders	$ 0.07	$ 0.02	$ (1.01)	$ 0.10
Average daily production (boe) (gross)	6,531	6,351	6,631	6,318
Average daily production (boe) (net to Serinus)	4,965	4,849	5,079	4,892

(Thousands of US dollars except per unit amounts and volumes)	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Oil and gas revenue	$ 28,929	$ 28,709	$ 27,338	$ 25,717
Netback ($/boe)	$ 37.80	$ 40.08	$ 49.20	$ 48.30
Earnings (loss) for the period				
Common shareholders	$ 829	$ 2,082	$ (917)	$ (85,089)
Non-controlling interest	$ 2,352	$ 2,152	$ 1,982	$ 1,741
Per share - basic and diluted attributable to common shareholders	$ 0.02	$ 0.04	$ (0.02)	$ (1.87)
Average daily production (boe) (gross)	4,541	4,500	4,194	3,911
Average daily production (boe) (net to Serinus)	3,179	3,151	2,937	2,738

During the period from Q3 2012 to Q2 2013, the Company's oil and gas revenue and average daily production was entirely from the Ukrainian operations. During this period, the operations had a steady increase through capital expenditure investments that increased production by 16%. In Q3 2012, the net income was negatively impacted by an impairment charge recorded on Block M in Brunei. The steady increase in production and oil and gas revenues continued into Q1 and Q2 of 2013, again driven by the drilling success in Ukraine. At the end of Q2 2013, the Company completed the Winstar acquisition which resulted in substantial increases to oil and gas revenue, and average daily production. In Q4 2013, the earnings were negatively impacted by an impairment charge of $83.0 million related to Brunei Block L.

Share Data

The Company is authorized to issue an unlimited number of common shares of which 78,629,941 common shares and 6,900,732 options with a USD exercise price and 67,000 options with a Canadian Dollar ("CAD") exercise price to purchase common shares were outstanding as at June 30, 2014.

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:

(Thousands of US dollars)	Number of Shares	Carrying Amount
Balance, December 31, 2013	78,611,441	$ 344,403
Issued on exercise of stock options	18,500	76
Balance, June 30, 2014	78,629,941	$ 344,479

Summary of options outstanding:

The following table summarizes information about common share purchase options outstanding at June 30, 2014:

<u>USD options</u>

	Number of Options	Weighted average exercise price per option (US $)
Balance, December 31, 2013	7,089,900	$ 4.69
Granted	248,000	3.54
Exercised	(18,500)	2.85
Forefeited	(418,668)	4.22
Balance, June 30, 2014	6,900,732	$ 4.68

<u>CAD options</u>

	Number of Options	Weighted average exercise price per option (CAD $)
Balance, December 31, 2013	-	$ -
Granted	67,000	2.86
Balance, June 30, 2014	67,000	$ 2.86

The Company granted 248,000 USD share purchase options at a weighted price of $3.54 per share to certain employees of Serinus. In addition, the Company granted a total of 67,000 Canadian denominated stock options to employees at a weighted average exercise price of CAD$2.86 with 58,000 being granted during the 3 months ended June 30, 2014. These share purchase options have a five-year term and vested one-third immediately, and one-third on each of the first and second anniversary of the grant date.

The following table summarizes information about the USD and CAD options outstanding as at June 30, 2014:

(Stated in US dollars, except as noted)

USD denominated options:

Exercise price (US$)		Outstanding	Exercisable	Weighted average contractual life remaining, years
$	6.00	1,025,000	1,025,000	0.21
$	5.60	1,419,300	1,419,300	0.90
$	4.00	4,200	4,200	1.27
$	4.70	87,000	87,000	1.71
$	4.00	69,800	69,800	2.09
$	4.00	756,100	756,100	2.44
$	3.80	90,000	60,000	2.55
$	4.00	25,000	25,000	2.56
$	5.10	12,000	12,000	2.70
$	4.90	50,000	50,000	2.84
$	4.90	18,000	18,000	2.85
$	4.10	90,000	60,000	3.09
$	4.30	210,000	140,002	3.12
$	4.20	6,000	4,000	3.22
$	4.00	12,000	8,000	3.36
$	2.85	171,000	57,000	4.01
$	3.14	20,000	6,667	4.20
$	3.30	152,000	50,667	4.22
$	3.35	75,000	25,000	4.32
$	4.11	2,587,000	862,333	4.39
$	3.76	50,000	16,667	4.51
$	3.74	90,000	30,000	4.52
$	3.27	102,000	34,000	4.55
$	3.42	6,000	2,000	4.64
$	4.60	7,127,400	4,822,736	2.66

CAD denominated options:

Exercise price (CAD$)		Outstanding	Exercisable	Weighted average contractual life remaining, years
$	2.80	58,000	19,333	5.00
$	3.22	9,000	3,000	4.73
$	2.86	67,000	22,333	4.97

The complete list of shares and options owned by Serinus directors and executive officers is presented in the Management's

(Stated in US dollars, except as noted)

Discussion and Analysis for the year ended December 31, 2013. As at the date of issuing this report, management is only aware of two shareholders holding more than 5% of the common shares of the company. KI owns 50.8% and Pala Holdings owns 7.5% of the common shares issued at June 30, 2014.

At the date of issuing this report, the following are the options outstanding and changes to executives and officers shares owned since December 31, 2013, up to the date of this report:

		Changes to Option Ownership		
Name of Director/Executive Officer/Key Person	**Options held as at August 12, 2014**	**Shares held at December 31, 2013**	**Change in share ownership**	**Shares held at August 12, 2014**
Timothy M. Elliott	1,353,100	537,787	30,000	567,787
Norman W. Holton	1,092,800	337,791	-	337,791
Manaj Narender Madnani	199,000	37,568	-	37,568
Michael A. McVea	170,000	10,000	-	10,000
Dariusz Mioduski (retired effective April 16, 2014)	154,333	-	-	-
Gary King	148,000	6,750	-	6,750
Stephen Akerfeldt	171,000	-	-	-
Helmut Langanger	150,000	-	-	-
Sebastian Kulczyk (1)	-	-	-	-
Jock M. Graham	1,115,600	146,258	-	146,258
Edwin A. Beaman	187,000	55,610	-	55,610
Paul H. Rose(retired effective January 3, 2014)	249,000	24,331	-	24,331
Aaron LeBlanc (appointed effective Mar 26, 2014)	99,000	-	-	-
Evgenij Lorich (2)	100,000	3,415	-	3,415
Bruce Libin (retired effective April 16, 2014)	33,333	448,340	-	448,340
Tracy Heck (appointed effective January 4, 2014)	150,000	-	-	-
Jakub Korczak	99,000	-	-	-
Alec Silenzi	90,000	10,000	-	10,000
	5,561,166	1,617,850	30,000	1,647,850

1) Mr. Kulczyk holds a senior executive position with KI. KI owns 39,909,606 Shares. By virtue of his position with KI, Mr. Kulczyk is deemed to have direction over such Shares in addition to those Shares that are shown above.
2) Mr. Iorich holds a position with Pala Investments, which is related to Pala Assets Holdings Limited ("Pala"). Pala owns 5,880,484 Shares. By virtue of his position with Pala Investments, Mr. Iorich is deemed to have direction over such Shares in addition to those Shares that are shown above.

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. Interest rate risks on the Company's note payable are not considered material because the costs are fixed. Interest on the EBRD loans for Ukraine and Tunisia are based on LIBOR plus a margin. The EBRD loan for Ukraine also has a portion that is variable based on incremental revenue growth, up to a stated maximum of 19% while the EBRD loan for Tunisia has a portion based on incremental revenue with a floor of 8% and ceiling of 17% relating to the convertible loan portion. A 1% change in the LIBOR rate would affect interest expense by $55 thousand based on the debt balance outstanding at June 30, 2014. Restricted cash is in instruments that are redeemable only upon completion of certain work commitments and therefore is subject to interest rate fluctuations. However, the interest rate risk thereon is not significant.

Credit risk

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.

The Company's accounts receivable consist of receivables from other joint venture partners that are anticipated to be applied against future capital expenditures, receivables for revenue in Ukraine and Tunisia, commodity taxes recoverable from the federal government of Canada and interest earned on restricted cash deposits, for which credit risk is assessed as being low as the funds are on deposit with major financial institutions.

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 and Tunisia credit risk is not significant, as the products sold are under contract or payment within 30 days. Oil sold in Tunisia is with reputable parties and collection is prompt based on the individual terms with the parties. At June 30, 2014, the Company had $2.0 million (December 31, 2013- $2.1 million) of receivables that were considered past due. The majority of these amounts are due from large well established customers and management believes the balances will be collected. For the period ending June 30, 2014, the Company has four customers with sales representing 25%, 21%, 17% and 16% of total sales.

Management has no formal credit policy in place for customers outside the Ukraine and the exposure to credit risk is approved and 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 statement of financial position.

Currency risk

The Company is exposed to risks arising from fluctuations in currency exchange rates between the Canadian dollar, Polish zloty, Ukraine hryvnia, Romanian Leu, Tunisian Dinar, the Euro and the United States dollar. At June 30, 2014 the Company's primary currency exposure related to Canadian dollar ("CAD"), Ukraine hryvnia ("UAH"), Tunisian Dinar ("TD"), and Romanian Leu ("LEU") balances. The following table summarizes the Company's foreign currency exchange risk for each of the currencies indicated:

	June 30, 2014				December 31, 2013			
(Thousands)	CAD	UAH	TD	LEU	CAD	UAH	TD	LEU
Cash and cash equivalents	273	33,383	1,034	65	112	22,027	446	947
Accounts receivable	141	57,050	7,924	1,391	103	22,640	16,793	120
Prepaid expenses	432	25,453	447	7	318	46,479	97	-
Accounts payable and accrued liabilities	(705)	(68,764)	(3,625)	(2,208)	(879)	(66,266)	(17,261)	(498)
Net foreign exchange exposure	141	47,122	5,780	(745)	(346)	24,880	75	569
US $ equivalent at period end exchange rate	$ 132	$ 3,987	$ 3,673	$ (233)	$(348)	$ 3,001	$ 46	$177

For the six months ended June 30, 2014, 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 earnings would have decreased or increased by approximately $13 thousand (2013 - $28,000).

If the Tunisian Dinar had strengthened or weakened by 10% compared to the U.S. dollar and all other variables were held constant, the after tax net earnings would have decreased or increased by approximately $0.4 million.

Earnings are not impacted by fluctuations in the hryvnia as translation gains and losses are included in accumulated other comprehensive income (loss) as it relates to the balances in UAH. Due to the deterioration of the hryvnia versus the US dollar a loss of $6.7 million was recorded. An appreciation in the exchange would have the opposite effect.

Earnings are impacted by fluctuations in the hryvnia for US dollar balances outstanding within the Ukraine subsidiaries that have the hryvnia as their functional currency.

The following table summarizes the Company's foreign currency exchange risk of US dollar balances in the Ukraine:

	June 30, 2014	December 31, 2013
(Thousands)	USD	USD
Cash and cash equivalents	67	66
Loan with parent	(1,306)	(4,870)
Loan with third parties	(5,915)	(7,666)
Accounts payable and accrued liabilities	(3,961)	(2,616)
Net foreign exchange exposure	(11,115)	(15,086)

A 10% weakening of the hryvnia compared to the US dollar and all other variables were held constant, would result in a decrease in the after tax earnings by approximately $0.1 million.

Liquidity risk

The Company monitors its liquidity position regularly to assess whether it has the resources necessary to fund planned exploration commitments on its petroleum and natural gas properties or that viable options are available to fund such commitments from operating cash flow, new equity issuances or alternative sources of financing such as farm-out agreements. However, as an exploration and development company without sufficient internally generated cash flow to fund the exploration program, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, 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.

Commodity Price Risk

The Company is exposed to risks due to fluctuations in the price of natural gas in the Ukraine and the market price of Brent crude oil. Natural gas in the Ukraine is impacted by the availability of imported natural gas from Russia and the price set by exporters in Russia while the market price of Brent crude oil is impacted by market risk factors. The Company has no commodity hedge program in place which could potentially mitigate the price risk.

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. 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 licenses. Rights and licenses can be cancelled, may expire or be expropriated and regulations can change. Certain licenses have restrictions which may not be removed on a timely basis.

Political Risk

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. To date the current instability in the Ukraine has restricted development activities but has not had any significant impact on the Company's production operations. However, whilst management believes it is taking appropriate measures to support the sustainability of KUBGas' 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.

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.

2014 Outlook

The events in Ukraine this year have presented an unusual set of challenges for Serinus and its partners this year. These issues have resulted in the delay or deferral of a number of projects, and the Company now expects to exit 2014 at a production rate of 6,000 boe/d. Previous guidance was for growth of 30% - 35% over the 2013 exit rate of 4,986 boe/d, or approximately 6,500 – 6,750 boe/d.

The first major issue that affected operations was the reduction in realized gas prices during Q1 due to the discount on imported Russian gas, and the deterioration of the UAH/USD exchange rate, reducing cash flow from operations for the quarter. The Company adjusted by delaying certain operations such as the Tunisian and Romanian drilling programs and seismic acquisition to later in the year. These delays were implemented to impose the greatest delays on operations that would not have contributed to 2014 production (i.e, the seismic and Romanian drilling programs), and it was believed at the time that the 6,500 boe/d exit rate was still attainable.

Two additional developments have since occurred which now make it unlikely that the originally planned 2014 work program can be completed by year end. First was the decision to suspend drilling and development operations in Ukraine due to security concerns, and the second was the imposition of a new royalty regime in Ukraine which will significantly affect the amount of cash flow available for this year's development program.

With the deterioration of the security situation in eastern Ukraine, the decision was made in late June to suspend drilling, workover and construction operations until such time as safer conditions prevail. This delay has now lasted long enough that even if re-mobilization were to begin today, the total 2014 drilling program will be one well short of its original goal. There has been some improvement in the security situation in the vicinity of the Company's main producing fields, and KUB-Gas is in discussions with service providers regarding the potential of resuming drilling and completion operations, but it is not yet possible to predict when and if that may occur.

Capital expenditures in Tunisia will be funded through the Company's financing arrangements with the European Bank of Reconstruction and Development ("EBRD"). Capital expenditures in Ukraine will be funded by Ukraine cash flow and capital expenditures in Romania will be funded by corporate cash flow.

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 requires management to make judgements, estimates and assumptions based on currently available information that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However actual results could differ from these estimates. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The list of critical accounting estimates was included in the Management, Discussion and Analysis for the year ended December 31, 2013 and those listed critical accounting estimates apply to the three months ended June 30, 2014.

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", "net debt" and "working capital" 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, net debt 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.

Serinus calculates "funds from operations", "netback", "net debt", "EBITDA" and "working capital" as presented earlier in this document.

Future Changes in Accounting Policies

(i) New and Amended Standards Adopted

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

(ii) New Standards and Interpretations not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 2014 reporting period.

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

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for fiscal years ending on or after December 31, 2017. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

On July 24, 2014 the IASB issued IFRS 9 Financial Instruments. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The new Standard will come into effect on 1 January 2018 with early application permitted. The extent of the impact of adoption of the standard has not yet been determined.

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 ("DC&P") and internal controls over financial reporting ("ICFR") as at June 30, 2014.

Disclosure controls and procedures as defined in National Instrument 52-109 means controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the issuer's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure;

Internal control over financial reporting means a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP and includes those policies and procedures that:
(a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer;
(b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the issuer's GAAP, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and
(c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the annual financial statements or interim financial statements.

The Company's Chief Executive Officer and Chief Financial Officer of the Company have designed DC&P and ICFR, or caused them to be designed under their supervision, to provide reasonable assurance that all material information required to be disclosed by Serinus in its annual filings and interim filings are recorded, processed, summarized and reported within the time periods specified in applicable securities legislation, and to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with IFRS.

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.

There have been no changes to the Company's internal controls over financial reporting since December 31, 2013.

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**.