SERINUS ENERGY INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED June 30, 2015 AND 2014
US dollars in 000's

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Independent Auditors' Report on Review of Interim Financial Statements

To the shareholders of Serinus Energy Inc.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Serinus Energy Inc. as at June 30, 2015, the condensed consolidated interim statements of operations and comprehensive earnings/(loss) and cash flows for the three and six-month periods ended June 30, 2015 and 2014, and changes in equity for the six-month periods ended June 30, 2015 and 2014, and notes to the condensed consolidated interim financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at June 30, 2015, are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Emphasis of Matter

We draw attention to Note 1(b) to the condensed consolidated interim financial statements, which describes the potential impact of the current political, social and security situation in Ukraine on the condensed consolidated interim financial statements. The events referred to in Note 1(b) could adversely affect Serinus Energy Inc.'s results and financial position in a manner not currently determinable. Our opinion is not qualified in respect of this matter.

KPMG LLP

Chartered Accountants

August 13, 2015
Calgary, Canada

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

		June 30, 2015	December 31, 2014
Assets			
Current			
Cash and cash equivalents		$ 12,484	$ 11,096
Accounts receivable		8,841	19,223
Income taxes receivable		2,915	3,758
Prepaids and other		1,626	2,283
Restricted cash	(Note 3)	3,600	6,697
Total current assets		29,466	43,057
Investments		72	125
Property, plant and equipment	(Note 4)	189,799	196,962
Exploration and evaluation	(Note 5)	23,300	19,323
Total Assets		$ 242,637	$ 259,467
Liabilities			
Current			
Accounts payable and accrued liabilities		$ 26,305	$ 46,996
Income taxes payable		307	722
Current portion of long-term debt	(Note 6)	7,510	5,103
Asset retirement obligation		3,209	3,209
Total current liabilities		37,331	56,030
Asset retirement obligation		28,213	27,581
Other provisions		1,154	1,148
Deferred tax liability		35,979	36,514
Long-term debt	(Note 6)	44,947	32,204
Total liabilities		147,624	153,477
Shareholders' Equity			
Share capital	(Note 7)	$ 344,479	$ 344,479
Contributed surplus		21,651	20,936
Accumulated other comprehensive loss		(29,698)	(24,145)
Deficit		(258,741)	(254,522)
Equity attributable to owners of the company		77,691	86,748
Non-controlling interest		17,322	19,242
Total shareholders' equity		95,013	105,990
Total liabilities and shareholders' equity		$ 242,637	$ 259,467
Commitments	(Note 9)		

"Signed"

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

"Signed"

TIMOTHY M. ELLIOTT,
DIRECTOR, PRESIDENT AND CEO

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

		Three months ended June 30,		Six months ended June 30,	
		2015	2014	2015	2014
Oil and gas revenue		$ 22,343	$ 41,635	$ 47,498	$ 77,498
Royalty expense		(9,713)	(8,059)	(21,510)	(16,008)
Oil and gas revenue, net of royalties	(Note 11)	12,630	33,576	25,988	61,490
Operating expenses					
Production expenses		(5,830)	(7,197)	(10,698)	(13,239)
General and administrative		(1,543)	(2,421)	(2,938)	(4,406)
Transaction costs		(10)	(517)	(57)	(1,500)
Stock based compensation		(79)	(687)	(715)	(1,717)
Gain on disposition		1	107	1	107
Depletion and depreciation	(Note 4)	(4,408)	(7,854)	(9,228)	(16,151)
Asset impairment		-	-	-	(337)
Total operating expenses		(11,869)	(18,569)	(23,635)	(37,243)
Finance income/(expenses)					
Interest income and other		(671)	144	240	348
Unrealized gain/(loss) on investments		(37)	27	(54)	69
Interest expense and accretion		(1,489)	(1,721)	(2,662)	(3,035)
Foreign exchange gain/(loss)	(Note 8)	2,805	(873)	(636)	(4,517)
Total finance income (expenses)		608	(2,423)	(3,112)	(7,135)
Earnings (loss) before tax		1,369	12,584	(759)	17,112
Current tax expense		(1,494)	(1,567)	(2,751)	(4,501)
Deferred tax recovery/(expense)		674	(2,284)	(64)	(1,144)
Net earnings (loss)		549	8,733	(3,574)	11,467
Other comprehensive earnings (loss)					
Items that may be reclassified to profit or loss					
Foreign currency translation gain (loss) of foreign operations	(Note 8)	2,934	(1,996)	(7,933)	(20,886)
Total comprehensive earnings (loss)		$ 3,483	$ 6,737	$ (11,507)	$ (9,419)
Earnings (loss) attributable to:					
Common shareholders		49	5,344	(4,219)	7,001
Non-controlling interest		500	3,389	645	4,466
Earnings (loss) for the period		$ 549	$8,733	$ (3,574)	$ 11,467
Earnings (loss) per share attributable to common shareholders					
- basic and diluted	(Note 7(b))	$ 0.00	$ 0.07	$ (0.05)	$ 0.09
Total comprehensive earnings (loss) attributed to:					
Common shareholders		2,103	3,947	(9,772)	(7,620)
Non-controlling interest		1,380	2,790	(1,735)	(1,799)
Total comprehensive earnings (loss) for the period		$ 3,483	$ 6,737	$ (11,507)	$ (9,419)

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

		Three months ended June 30,		Six months ended June 30,	
		2015	2014	2015	2014
Net earnings (loss)		$ 549	$ 8,733	$ (3,574)	$ 11,467
Items not involving cash:					
Depletion and depreciation	(Note 4)	4,408	7,854	9,228	16,151
Impairment of assets		-	-	-	337
Accretion on asset retirement obligation		78	213	305	427
Stock based compensation		79	687	715	1,717
Unrealized (gain)/loss on investments		37	(27)	54	(69)
Unrealized foreign exchange (gain)/loss	(Note 8)	(1,391)	1,096	603	4,532
Deferred income tax expense (recovery)		(674)	2,284	64	1,144
Interest income and other		671	(144)	(240)	(348)
Interest expense		1,411	1,508	2,357	2,608
Funds from operations		5,168	22,204	9,512	37,966
Changes in non-cash working capital		3,080	8,035	391	(2,179)
		8,248	30,239	9,903	35,787
Financing:					
Issuance of long-term debt	(Note 6)	-	5,000	16,280	10,000
Repayment of long-term debt	(Note 6)	-	(7,000)	(1,667)	(8,868)
Debt issuance costs	(Note 6)	-	-	(541)	(4,095)
Dividends paid to non-controlling interest		-	(3,060)	(185)	-
Issuance of shares		-	-	-	50
Interest received		95	39	157	85
Interest paid		-	(525)	(792)	(2,112)
Changes in non-cash working capital related to financing		(403)	(878)	(403)	(233)
		(308)	(6,424)	12,849	(5,173)
Investing:					
Property and equipment expenditures	(Note 4)	(3,422)	(13,671)	(10,529)	(21,892)
Restricted cash movement	(Note 3)	(212)	-	3,097	-
Exploration and evaluation expenditures	(Note 5)	(219)	(2,388)	(3,805)	(4,418)
Changes in non-cash working capital related to investing		(13,141)	(7,000)	(9,659)	(9,146)
		(16,994)	(23,059)	(20,896)	(35,456)
Effect of exchange rate changes on cash		(1,281)	208	(468)	645
Change in cash		(10,335)	964	1,388	(4,197)
Cash and cash equivalents, beginning of period		22,819	14,755	11,096	19,916
Cash and cash equivalents, end of period		$ 12,484	$ 15,719	$ 12,484	$ 15,719
Supplemental cash flow information					
Cash taxes paid		$ (1,107)	$ (4,172)	$ (2,169)	$ (6,794)

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

	Common Shares												
	Number of shares		Amount		Contributed surplus		Cumulative translation adjustment		Non-controlling interest		Deficit		Total
Balances, December 31, 2013	78,611,441	$	344,403	$	18,062	$	(269)	$	32,369	$	(224,021)	$	170,544
Issued on exercise of stock options	18,500		76		(26)		-		-		-		50
Stock-based compensation	-		-		1,717		-		-		-		1,717
Foreign currency translation adjustment on foreign operations	-		-		-		(14,621)		(6,265)		-		(20,886)
Dividends declared to non-controlling interest	-		-		-		-		(4,095)		-		(4,095)
Net earnings	-		-		-		-		4,466		7,001		11,467
Balances, June 30, 2014	78,629,941	$	344,479	$	19,753	$	(14,890)	$	26,475	$	(217,020)	$	158,797
Balances, December 31, 2014	78,629,941	$	344,479	$	20,936	$	(24,145)	$	19,242	$	(254,522)	$	105,990
Stock-based compensation	-		-		715		-		-		-		715
Foreign currency translation adjustment on foreign operations	-		-		-		(5,553)		(2,380)		-		(7,933)
Dividends declared to non-controlling interest	-		-		-		-		(185)		-		(185)
Net earnings	-		-		-		-		645		(4,219)		(3,574)
Balances, June 30, 2015	78,629,941	$	344,479	$	21,651	$	(29,698)	$	17,322	$	(258,741)	$	95,013

1. Reporting entity

The consolidated financial statements for Serinus Energy Inc. ("Serinus" or "the Company") include the accounts of Serinus and its controlled subsidiaries as at and for the three and six month periods ended June 30, 2015 and 2014. Serinus is principally engaged in the exploration for and development of oil and gas properties in Ukraine, Tunisia, and Romania. These financial statements reflect only the Company's proportionate interest in such activities except for operations in Ukraine, which are consolidated due to the Company holding a 70% controlling ownership interest in KUB-Gas LLC ("KUB Gas"), a Ukrainian company.

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

Serinus is a publicly listed company whose common shares are traded under the symbol "SEN" on the Toronto Stock Exchange ("TSX") and the Warsaw Stock Exchange ("WSE"). Kulczyk Investments, S.A. ("KI") holds a 50.7% investment in Serinus and is the ultimate parent of Serinus.

(a) Basis of consolidation

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

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

Serinus controls KUB Holdings and under IFRS must consolidate the results of KUB Holdings and KUB-Gas into its financial statements. The Company reports 100% of the revenues, royalties and production and other expenses for KUB Holdings and KUB-Gas. Similarly, the Company reports 100% of the assets and liabilities of KUB Holdings and KUB-Gas on its consolidated statement of financial position. The 30% share of the net assets and earnings of KUB Holdings and KUB-Gas attributable to the minority shareholder is presented by way of a one line entry as non-controlling interest ("NCI").

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

(b) Ukraine operational update

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

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The ability to make reliable estimates is further complicated when the political, economic and security situation results in an unstable environment. Management has based its estimates with respect to the Company's operations in Ukraine based on information available up to the date these financial statements were approved by the board of directors. However, the situation in Ukraine is unstable and significant changes can occur which could materially impact the estimates made in these financial statements. For future discussion on the impact to the financial statements please refer to the "Ukraine operational update" in the notes to the Consolidated Financial Statements for the year ended December 31, 2014.

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

(i) Operations

During 2015, the Company's production of natural gas has been impacted by the current situation in Ukraine and production levels decreased from the prior year. In November 2014, The Ukraine government issued three decrees which reserved a large share of the natural gas market for the state owned National Joint Stock Company, Naftogaz ("Naftogaz") through legislation. In Q1 2015, the Company experienced the practical effects of the legislation, as the remaining market was insufficient to accept all available gas, resulting in cutbacks by private producers. A Ukraine court subsequently overturned these regulations, and this decision was subsequently upheld on appeal. The government appealed again, but on March 31, 2015, the High Administrative Court of Ukraine dismissed the government's claims in their entirety. In Q2 2015, the market has started to readjust but overall production continues to be below capacity due to the lingering effects of this legislation.

The development of the Company's oil and gas properties has been impacted by the security situation in eastern Ukraine as drilling and exploration activity was temporarily suspended in the third quarter of 2014. The Company completed the drilling of the M-22 well on the Makeevskoye licence in the fourth quarter of 2014. The well was suspended in the second quarter of 2015 following test results and was added to the list of wells being considered for fracture stimulation. In July, a workover rig moved on to the NM-3 well, originally drilled in 2013, which found small amounts of oil in the Visean formation. Additional perforations were shot in a higher interval, but there were no signs of hydrocarbons. The Company understands that this operation will fulfill the work obligations required to retain the North Makeevskoye licence until December 29, 2020 and KUB-Gas staff have commenced the extension application process. At this time, no additional exploration and development projects are planned for 2015 beyond a field compression project on the Olgovskoye field.

The Company may consider additional capital expenditures on development projects during the balance of 2015, subject to keeping such expenditures within operating cash flow and no further material adverse changes in either the fiscal terms or the security situation in and around the Ukraine licences. A three well fracking program for O-11, O-15 and M-22 is being considered for later this year, pending the approval of the new royalty regime and cash availability. Once economic conditions improve, KUB-Gas has a significant inventory of drilling locations and other projects in the Ukraine licences.

(ii) Foreign currency

The functional currency of the Company's Ukrainian operations is the hyrvnia. The situation in Ukraine has caused the value of the Ukrainian hryvnia ("UAH) to the US dollar ("USD") to fluctuate, changing from 16.28 (Ukraine hryvnia to the US dollar) at December 31, 2014 to 23.47 at March 31, 2015 and 21.01 at June 30. Refer to note 8 for the foreign exchange fluctuation impact on the consolidated statements.

(iii) Currency controls

On June 4, 2015, the National Bank of Ukraine announced that the restrictions on foreign currency transactions first imposed in September 2014 have been extended until September 3, 2015. The enacted legislation prohibits several types of foreign exchange transactions, including the ability of KUB-Gas to pay dividends to shareholders.

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

2. Basis of Preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2014.

The condensed consolidated interim financial statements have been prepared following the same basis of measurement, functional currency and accounting policies and methods of computation as described in the notes to the consolidated financial statements for the year ended December 31, 2014.

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

(b) Use of estimates and judgements

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements are described in note 4 to the consolidated financial statements for the year ended December 31, 2014.

(c) Recent accounting pronouncements

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

On May 28 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. On April 28, 2015, the IASB proposed to defer the effective date by one year to January 1, 2018, which was approved on July 22, 2015. The Corporation intends to adopt IFRS 15 on the finalized adoption date and is currently evaluating the impact of adopting the standard on its consolidated financial statements.

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

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

(Stated in thousands of US dollars, except share and per share data)

(d) Fair value measurements

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

The fair value of employee stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information and peer comparisons), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

3. Restricted cash

	As at June 30 2015	As at December 31 2014
Cash held in Ukraine [1]	$ 1,973	$ 5,073
Standby letter of credit [2]	1,627	1,624
Total	$ 3,600	$ 6,697

(1) These funds represent dividends that are being held in Ukraine due to currency controls.
(2) As part of the 2013 Winstar Acquisition, the Company has an irrevocable standby letter of credit issued by a Canadian chartered bank of $1.4 million plus cash on deposit of $0.2 million, as required to meet future abandonment obligations existing on certain oil and gas properties in Canada.

The fair value of restricted cash approximates the carrying value.

4. Property, Plant and Equipment

	Oil and gas interests	Plant and equipment	Other	Total
Cost or deemed cost:				
Balance at December 31, 2014	$ 298,339	$ 15,905	$ 4,025	$ 318,269
Additions	9,684	1,384	(438)	10,630
Dispositions	-	(10)	(100)	(110)
Foreign currency translation adjustment	(10,909)	(3,618)	(597)	(15,124)
Balance at June 30, 2015	$ 297,114	$ 13,661	$ 2,890	$ 313,665
Accumulated depletion and depreciation:				
Balance at December 31, 2014	$ (114,792)	$ (4,376)	$ (2,139)	$ (121,307)
Depletion and depreciation	(8,462)	(644)	(219)	(9,325)
Depreciation capitalized	97	-	-	97
Dispositions	-	5	4	9
Foreign currency translation adjustment	5,466	1,007	187	6,660
Balance at June 30, 2015	$ (117,691)	$ (4,008)	$ (2,167)	$ (123,866)
Net book value:				
Balance at December 31, 2014	$ 183,547	$ 11,529	$ 1,886	$ 196,962
Balance at June 30, 2015	$ 179,423	$ 9,653	$ 723	$ 189,799

(Stated in thousands of US dollars, except share and per share data)

5. Exploration and evaluation assets

	As at June 30, 2015	As at December 31, 2014
Carrying amount, beginning of the year	$ 19,323	$ 11,834
Additions	4,205	13,868
Cumulative translation adjustment	(228)	(6,379)
Carrying amount, end of the period	$ 23,300	$ 19,323

E&E assets consist of the Company's exploration projects which are pending the determination of proved or probable reserves. Additions represent the Company's share of costs incurred on E&E assets during the period. The following is a breakdown of the carrying amount of the E&E assets:

	As at June 30 2015	As at December 31 2014
Ukraine	$ 5,233	$ 6,766
Romania	18,067	12,557
	$ 23,300	$ 19,323

6. Long-term debt

	As at June 30 2015	As at December 31 2014
Current portion of long-term debt		
Ukraine funding (a)	$ 2,462	$ 1,770
Tunisia funding (b)	3,670	3,333
Romania funding (c)	1,378	-
	7,510	5,103
Long-term debt		
Ukraine funding (a)	-	615
Tunisia funding (b)	35,307	31,589
Romania funding (c)	9,640	-
	44,947	32,204
Total debt	$ 52,457	$ 37,307

(a) Ukraine funding

	As at June 30 2015	As at December 31 2014
Current portion of long-term debt	$ 2,462	$ 1,770
Long-term debt	-	615
Total debt	$ 2,462	$ 2,385

Subsequent to quarter end, a scheduled repayment of $1.8 million was made, resulting in $0.6 million left outstanding to be repaid January 2016, at which time the loan will be repaid in its entirety.

The loan is secured by pledges on certain tangible assets in Ukraine as well as on future revenues earned in Ukraine. The debt is fully guaranteed by the Company through a parent company guarantee. At June 30, 2015, KUB-Gas was in compliance with all debt covenants (December 31, 2014: in compliance).

(Stated in thousands of US dollars, except share and per share data)

(b) Tunisia funding

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

Both loans have a term of seven years and are available to be drawn for a period of three years.

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

Senior Loan

	As at June 30 2015	As at December 31 2014
Current portion of long-term debt	$ 3,670	$ 3,333
Long-term debt	14,414	16,433
Total	$ 18,084	$ 19,766

The Senior Loan is repayable in twelve equal semi-annual installments with the first repayment of $1.7 million made on March 31, 2015. The second tranche of the Senior Loan is now available to be drawn, as the Convertible Loan has been fully drawn, and is also subject to certain conditions including achieving and maintaining specified production targets, and meeting specified financial and reserve coverage ratios. Subsequent to quarter end, $5.0 million was drawn under the second tranche of the senior loan.

Convertible Loan

	As at June 30 2015	As at December 31 2014
Current portion of long-term debt	$ -	$ -
Long-term debt	20,893	15,156
Total	$ 20,893	$ 15,156

Both loan agreements contain a number of affirmative covenants, including maintaining the specified security, environmental and social compliance, and maintenance of specified financial ratios. At June 30, 2015, the Company was in compliance with all debt covenants (December 31, 2014: in compliance).

As at June 30, 2015, the Company has drawn $20.0 million from Tranche 1 of the Senior Loan, $20.0 from the Convertible Loan and incurred $1.0 million of transaction costs (December 31, 2014: $20.0 million Senior Loan; $15.0 million Convertible Loan; and $1.0 million transaction costs).

(c) Romania funding

	As at June 30 2015	As at December 31 2014
Current portion of long-term debt	$ 1,378	$ -
Long-term debt	9,640	-
Total	$ 11,018	$ -

On February 20, 2015, Serinus finalized a new $11.28 million debt facility with EBRD. The proceeds from the senior loan facility (the "Romania Facility") were used to fund the Company's capital program in Romania.

(Stated in thousands of US dollars, except share and per share data)

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

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

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

The Company will apply 40% of its Excess Cash from Tunisia toward early repayment of the Romania Facility and once repaid, then Excess Cash shall be applied to the Tunisian facility outstanding with EBRD. Excess Cash is defined as the Operating Cash Flow from Serinus' Tunisia subsidiary, less debt repayments and service costs arising from all senior debt on the Tunisia assets and the Romanian debt, less capital expenditures, plus any new debt disbursement on the Tunisian debt. In the event that pre-payments are made in any given year from Ukraine as described above, the repayment from Tunisia shall drop to 25% of Excess Cash. No pre-payment fees are applicable to the accelerated payments described above.

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

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

7. Share capital

(a) Authorized and issued

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. The preferred shares may be issued in one or more series, with rights and privileges as determined by the Board of Directors. There are no preferred shares issued.

The Company has a total of 78,629,941 shares outstanding at June 30, 2015 (December 31, 2014: 78,629,941).

(b) Earnings per share

	Three Months ended June 30,		Six Months ended June 30,	
	2015	2014	2015	2014
Net earnings (loss) attributable to common shareholders				
Basic and diluted	$ 49	$ 5,344	$ (4,219)	$ 7,001
Weighted average number of shares outstanding				
Basic and diluted	78,629,941	78,629,941	78,629,941	78,625,522
Earnings (loss) per share attributable to common shareholders				
Basic and diluted	$ 0.00	$ 0.07	$ (0.05)	$ 0.09

(Stated in thousands of US dollars, except share and per share data)

(c) Stock options

The Company has granted common share purchase options to officers, directors, employees and certain consultants with exercise prices equal to or greater than the fair value of the common shares on the grant date. Upon exercise, the options are settled in common shares issued from treasury. Each tranche of the share purchase options have a five year term and vest one-third immediately with the remaining two-thirds at one-third per year each on the anniversary of the grant date.

A summary of the changes to the option plan during the period ended June 30, 2015, is presented below:

	USD denominated options		**CAD denominated options**	
	Number of Options	Weighted average exercise price per option (US$)	Number of Options	Weighted average exercise price per option (CAD$)
Balance, December 31, 2014	5,642,400	$ 4.39	141,000	$ 2.39
Granted	-	$ -	-	$ -
Exercised	-	$ -	-	$ -
Expired/Cancelled	(4,259,600)	$ 4.55	(20,000)	$ 2.80
Balance, June 30, 2015	1,382,800	$ 3.92	121,000	$ 2.32

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

USD denominated options:

Exercise price (US$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
$ 2.85 - $ 3.50	270,000	180,002	3.16
$ 3.51 - $ 4.00	358,200	358,200	1.38
$ 4.01 - $ 5.00	742,600	519,734	3.26
$ 5.01 - $ 6.20	12,000	12,000	1.70
$ 3.92	1,382,800	1,069,936	2.74

CAD denominated options:

Exercise price (CAD$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
$ 1.56 - $ 2.50	74,000	24,667	4.34
$ 2.51 - $ 3.22	47,000	34,666	3.95
$ 2.32	121,000	59,333	4.19

8. Foreign currency translation

The financial statements are presented in U.S. dollars, which is the reporting currency of the Company. For the three and six months period ended June 30, 2015, a foreign exchange gain/(loss) of $2.8 million and $(0.6) million was recorded in the income statement (Q2 2014: losses of $0.9 million and $4.5 million).

The financial statements of KUB-GAS use the Ukraine Hryvnia as its functional currency. As a result of the 12% recovery and 23% deterioration of the Hryvnia versus the US dollar during the three and six months ended June 30, 2015 (Q2 2014: 6% and 44% deterioration), the translation of balances denominated in currencies other than Hryvnia at period end into Hryvnia resulted in a foreign exchange gain/(loss) of $1.4 million and $(0.6) million (Q2 2014: losses of $0.6 million and

(Stated in thousands of US dollars, except share and per share data)

$4.2 million). This foreign exchange gain/(loss) is recorded in the income statement and represents our Ukrainian operation's portion of the total foreign exchange fluctuation.

On consolidation of KUB-GAS by the Company, the assets and liabilities of KUB-GAS are translated into U.S. dollars at exchange rates at the balance sheet date. Revenues and expenses of foreign operations are translated into U.S. dollars using foreign exchange rates that approximate those on the date of the underlying transaction. These translation gains and losses are included in accumulated other comprehensive loss, with a gain/(loss) of $2.9 million and $(7.9) million being recorded for the three and six months period ended June 30, 2015 (Q2 2014: losses of $2.0 million and $20.9 million).

9. Contractual obligations and commitments

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

	Within 1 Year	2-3 Years	4-5 Years	+5 Years	Total
Office Rental	$ 336	$ 962	$ 930	$ 442	$ 2,670
EBRD loan-Ukraine	2,462	-	-	-	2,462
EBRD loan-Tunisia	3,670	6,667	6,667	21,973	38,977
EBRD loan-Romania	1,378	4,512	4,512	616	11,018
Total contractual obligations	$ 7,846	$ 12,141	$ 12,109	$ 23,031	$ 55,127

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

Ukraine

The Company has an obligation to incur certain capital expenditures to comply with Ukrainian exploration licence requirements. Under these licence maintenance commitments, KUB-Gas is required to acquire and process seismic, conduct geophysical studies and drill exploratory wells on licenced fields. Although these commitments are not binding and may be modified based on results of exploration work, KUB-Gas' potential capital expenditures relating to qualifying activities on gas and gas condensate fields may reach $1.0 million during 2015 as part of the planned development program. In July, a workover rig moved on to the NM-3 well, originally drilled in 2013, which found small amounts of oil in the Visean formation. Additional perforations were shot in a higher interval, but there were no signs of hydrocarbons. The Company understands that this operation will fulfill the work obligations required to retain the North Makeevskoye licence and KUB-Gas staff have commenced the extension application process. At this time, no additional exploration and development projects are planned for 2015 beyond a field compression project on the Olgovskoye field.

Additionally, there are work commitments associated with the special permit in the West Olgovskoye block in eastern Ukraine which consist of 202.3 million hryvnia or approximately $9.6 million at the current exchange rate of 21 UAH/USD. Almost 90% of the total required spending is scheduled for between 2018 and 2020.

Tunisia

The Tunisian state oil and gas company, Enterprise Tunisienne D'Activities Petroliers ("ETAP"), has the right to back into up to a 50% working interest in the Chouech Es Saida concession if, and when, the cumulative liquid hydrocarbon sales, net of royalties and shrinkage, from the concession exceeds 6.5 million barrels. As at June 30, 2015 cumulative liquid hydrocarbon sales net of royalties and shrinkage was 5.0 million barrels. Management is of the opinion that there are sufficient exploration and development opportunities which, if successful, could result in this provision being exercised within the next 10 years.

Romania

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

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 NAMR. The guarantee was for Phase 2, and as all obligations for Phase 2 have been met as confirmed by NAMR, the Company does not anticipate any exposure to the guarantee.

Office Space

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

10. Related Party Transactions

Nemmoco Petroleum Corporation ("Nemmoco") is a private company of which 37.5% is owned by Timothy M. Elliott, an officer and director of the Company, provides certain personnel, general, accounting and administrative services to the Company at its offices in Dubai on a cost basis. For the three and six months ended June 30, 2015, the fees totalled $0.2 million and $0.4 million, (Q2 2014: $0.2 and $0.4 million). At June 30, 2015, $36 thousand was owed to Nemmoco (December 31, 2014: $67 thousand).

Loon Energy Corporation ("Loon Energy") is a publicly traded Canadian corporation with no employees. Serinus and Loon Energy are related as they have five common directors and officers and the same principal shareholder. Management and administrative services are provided by the management and staff of Serinus. For the three and six months ended June 30, 2015, these fees totalled $3 thousand and $5 thousand (Q2 2014: $3 thousand and $6 thousand). At June 30, 2015, Loon Energy owed $nil (December 31, 2014: $nil) to Serinus for these services.

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

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

11. Segmented information

The Company's reportable segments are organized by geographical areas and consist of Romania, Tunisia, Ukraine and Corporate (including Brunei). For the three and six month period ended June 30, 2015, the Company has three significant customers with sales representing 34%, 15% and 12% of total sales.

(Stated in thousands of US dollars, except share and per share data)

	Romania	Tunisia	Ukraine	Corporate	Total
As at June 30, 2015					
Total Assets	$ 17,663	$ 146,220	$ 68,241	$ 10,513	$ 242,637
For the three month period ended June 30, 2015					
Oil and gas revenue, net of royalties	$ -	$ 6,008	$ 6,622	$ -	$ 12,630
Operating expenses:					
Production expenses	-	(3,340)	(2,455)	(35)	(5,830)
General and administrative	-	-	-	(1,543)	(1,543)
Transaction costs	-	-	-	(10)	(10)
Stock based compensation	-	-	-	(79)	(79)
Gain (loss) on disposition of assets	-	7	(6)	-	1
Depletion and depreciation	(2)	(2,051)	(2,301)	(54)	(4,408)
Finance income/(expense)					
Interest income and other	-	-	(672)	1	(671)
Unrealized gain/(loss) on investments	-	-	-	(37)	(37)
Interest expense and accretion	(137)	(668)	(358)	(326)	(1,489)
Foreign exchange loss	1,254	25	1,350	176	2,805
Earnings (loss) before tax	$ 1,115	$ (19)	$ 2,180	$ (1,907)	$ 1,369
Current tax expense	-	(721)	(773)	-	(1,494)
Deferred tax recovery	-	399	275	-	674
Net Earnings (loss)	$ 1,115	$ (341)	$ 1,682	$ (1,907)	$ 549
Capital expenditures	$ 619	$ 1,903	$ 1,155	$ 9	$ 3,686
For the six months period ended June 30, 2015					
Oil and gas revenue, net of royalties	$ -	$ 13,211	$ 12,777	$ -	$ 25,988
Operating expenses:					
Production expenses	-	(6,204)	(4,419)	(75)	(10,698)
General and administrative	-	-	-	(2,938)	(2,938)
Transaction costs	-	-	-	(57)	(57)
Stock based compensation	-	-	-	(715)	(715)
Gain (loss) on disposition of assets	-	7	(6)	-	1
Depletion and depreciation	(3)	(4,580)	(4,553)	(92)	(9,228)
Finance income/(expense)					
Interest income and other	-	-	189	51	240
Unrealized gain/(loss) on investments	-	-	-	(54)	(54)
Interest expense and accretion	(174)	(1,425)	(494)	(569)	(2,662)
Foreign exchange gain/(loss)	1,298	(236)	(603)	(1,095)	(636)
Earnings (loss) before tax	$ 1,121	$ 773	$ 2,891	$ (5,544)	$ (759)
Current tax expense	-	(904)	(1,847)	-	(2,751)
Deferred tax recovery/(expense)	-	(1,213)	1,149	-	(64)
Net Earnings (loss)	$ 1,121	$ (1,344)	$ 2,193	$ (5,544)	$ (3,574)
Capital expenditures	$ 4,194	$ 8,048	$ 2,678	$ 12	$ 14,932

(Stated in thousands of US dollars, except share and per share data)

	Romania	Tunisia	Ukraine	Corporate (i)	Total
As at December 31, 2014					
Total Assets	$ 14,340	$ 154,340	$ 83,195	$ 7,592	$ 259,467
For the three month period ended June 30, 2014					
Oil and gas revenue, net of royalties	$ -	$ 10,647	$ 22,929	$ -	$ 33,576
Operating expenses:					
Production expenses	-	(4,105)	(3,092)	-	(7,197)
General and administrative	-	59	16	(2,496)	(2,421)
Transaction costs	-	-	-	(517)	(517)
Stock based compensation	-	-	-	(687)	(687)
Gain (loss) on disposition of assets	-	-	-	107	107
Depletion and depreciation	(1)	(3,003)	(4,815)	(35)	(7,854)
Finance income/(expense)					
Interest income and other	-	5	39	100	144
Unrealized loss on investment	-	-	-	27	27
Interest expense and accretion	-	(302)	(570)	(849)	(1,721)
Foreign exchange loss	(11)	(99)	(591)	(172)	(873)
Earnings (loss) before tax	$ (12)	$ 3,202	$ 13,916	$ (4,522)	$ 12,584
Current tax expense	-	1,002	(2,569)	-	(1,567)
Deferred tax recovery / (expense)	-	(2,233)	(51)	-	(2,284)
Net Earnings (loss)	$ (12)	$ 1,971	$ 11,296	$ (4,522)	$ 8,733
Capital expenditures	$ 1,618	$ 8,815	$ 5,367	$ 259	$ 16,059
For the six month period ended June 30, 2014					
Oil and gas revenue, net of royalties	$ -	$ 21,409	$ 40,081	$ -	$ 61,490
Operating expenses:					
Production expenses	-	(6,894)	(6,345)	-	(13,239)
General and administrative	-	-	-	(4,406)	(4,406)
Transaction costs	-	-	-	(1,500)	(1,500)
Stock based compensation	-	-	-	(1,717)	(1,717)
Gain (loss) on disposition of assets	-	-	-	107	107
Depletion and depreciation	(3)	(6,016)	(10,068)	(64)	(16,151)
Impairment on exploration and evaluation assets	-	-	-	(337)	(337)
Finance income/(expense)					
Interest income and other	-	5	243	100	348
Unrealized loss on investment	-	-	-	69	69
Interest expense and accretion	-	(504)	(1,030)	(1,501)	(3,035)
Foreign exchange loss	(23)	(193)	(4,192)	(109)	(4,517)
Earnings (loss) before tax	$ (26)	$ 7,807	$ 18,689	$ (9,358)	$ 17,112
Current tax expense	-	(243)	(4,258)	-	(4,501)
Deferred tax recovery / (expense)	-	(1,599)	455	-	(1,144)
Net Earnings (loss)	$ (26)	$ 5,965	$ 14,886	$ (9,358)	$ 11,467
Capital expenditures	$ 2,641	$ 10,486	$ 12,528	$ 655	$ 26,310

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