SERINUS ENERGY INC.
CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED December 31, 2015 AND 2014
US dollars in 000's

Management's Responsibility Statement

The consolidated financial statements of Serinus Energy Inc. and all information in this report were prepared by, and are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes thereto in accordance with International Financial Reporting Standards. The consolidated financial statements and related financial information reflect amounts which must of necessity be based upon informed estimates and judgments of management with appropriate consideration to materiality.

Serinus Energy Inc. has developed and maintains systems of controls, policies and procedures in order to provide reasonable assurance that assets are properly safeguarded, and that the financial records and systems are appropriately designed and maintained, and provide relevant, timely and reliable financial information to management. Serinus Energy Inc. has effective disclosure controls and procedures to ensure timely and accurate disclosure of material information relating to the Company which complies with the current requirements of Canadian securities legislation.

KPMG LLP are the external auditors appointed by the shareholders, and they have conducted an independent examination of the corporate and accounting records in order to express an Auditors' Opinion on these consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors carries out its responsibility principally through its Audit Committee. The Audit Committee is comprised of independent directors who are all financially literate. The Audit Committee reviews with management and the external auditors any significant financial reporting issues, the consolidated financial statements, and any other matters of relevance to the parties. The Audit Committee meets quarterly to review and approve the interim financial statements prior to their release, as well as annually to review the Company's annual consolidated financial statements and Management's Discussion and Analysis and to recommend their approval to the Board of Directors. The external auditors have unrestricted access to the Company, the Audit Committee and the Board of Directors.

"Signed" Timothy M. Elliott

Timothy M. Elliott
Chief Executive Officer

"Signed" Tracy H.Heck

Tracy H. Heck, CA
Chief Financial Officer

March 16, 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Serinus Energy Inc.

We have audited the accompanying consolidated financial statements of Serinus Energy Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Serinus Energy Inc. as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

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Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates Serinus Energy Inc. projects that it will be in violation of certain debt covenants during fiscal year 2016, and that such covenants have not been waived by its lender. This condition indicates the existence of a material uncertainty that may cast significant doubt about Serinus Energy Inc.'s ability to continue as a going concern

KPMG LLP

Chartered Professional Accountants

March 16, 2016
Calgary, Canada

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Serinus Energy Inc.
Consolidated Statement of Financial Position
(Stated in thousands of US dollars)

		December 31, 2015	December 31, 2014
Assets			
Current			
Cash and cash equivalents		$ 6,594	$ 11,096
Accounts receivable		2,795	19,223
Income taxes receivable		2,971	3,758
Prepaids and other		428	2,283
Restricted cash	(Note 6)	1,346	6,697
Assets held for sale	(Note 5)	58,780	-
Total current assets		72,914	43,057
Investment	(Note 7)	75	125
Property, plant and equipment	(Note 8)	93,677	196,962
Exploration and evaluation	(Note 9)	18,521	19,323
Total assets		$ 185,187	$ 259,467
Liabilities			
Current			
Accounts payable and accrued liabilities		$ 16,494	$ 46,996
Income taxes payable		-	722
Current portion of long-term debt	(Note 11)	54,070	5,103
Asset retirement obligation	(Note 13)	3,209	3,209
Liabilities held for sale	(Note 5)	10,384	-
Total current liabilities		84,157	56,030
Asset retirement obligation	(Note 13)	36,446	27,581
Other provisions	(Note 14)	1,148	1,148
Deferred tax liability	(Note 15)	17,238	36,514
Long-term debt	(Note 11)	-	32,204
Total liabilities		138,989	153,477
Shareholders' Equity			
Share capital	(Note 16)	$ 344,479	$ 344,479
Contributed surplus		21,711	20,936
Accumulated other comprehensive loss		(32,585)	(24,145)
Deficit		(303,626)	(254,522)
Equity attributable to owners of the company		29,979	86,748
Non-controlling interest	(Note 5)	16,219	19,242
Total shareholders' equity		46,198	105,990
Total liabilities and shareholders' equity		$ 185,187	$ 259,467

Commitments (Note 19)
Subsequent events (Note 5)

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

"Signed"
TIMOTHY M. ELLIOTT, DIRECTOR, PRESIDENT AND CEO

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

		Year ended December 31,	
		2015	2014(i)
Oil and gas revenue		$ 25,975	$ 45,002
Royalty expense		(2,989)	(5,937)
Oil and gas revenue, net of royalties		22,986	39,065
Operating expenses			
Production expenses		(12,966)	(13,778)
General and administrative		(6,984)	(10,398)
Transaction costs	(Note 12)	(304)	(1,533)
Stock based compensation	(Note 16(d))	(775)	(2,897)
Gain on disposition		(11)	986
Depletion and depreciation	(Note 8)	(8,401)	(12,942)
Asset impairment	(Note 10)	(51,390)	(49,333)
Total operating expenses		(80,831)	(89,895)
Finance income/(expenses)			
Interest and other		(1,498)	1,089
Unrealized loss on investments	(Note 7)	(50)	(30)
Interest expense and accretion		(4,762)	(3,590)
Foreign exchange loss	(Note 17)	(1,765)	(2,295)
Total finance expenses		(8,075)	(4,826)
Loss before tax		(65,920)	(55,656)
Current tax expense	(Note 15)	(32)	(74)
Deferred tax recovery	(Note 15)	13,802	9,967
Net loss from continuing operations		(52,150)	(45,763)
Net earnings from discontinued operations (net of tax)	(Note 5)	4,352	21,802
Net loss		(47,798)	(23,961)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Foreign currency translation loss of foreign operations	(Note 17)	(12,057)	(34,108)
Total comprehensive loss		$ (59,855)	$ (58,069)
Earnings (loss) attributable to:			
Common shareholders		(49,104)	(30,501)
Non-controlling interest	(Note 5)	1,306	6,540
Earnings (loss) for the period		$ (47,798)	$ (23,961)
Earnings (loss) per share attributable to common shareholders			
Continuing operations - basic and diluted	(Note 16(b))	$ (0.66)	$ (0.58)
Discontinued operations - basic and diluted	(Note 16(b))	$ 0.04	$ 0.19
Total comprehensive loss attributed to:			
Common shareholders		(57,544)	(54,377)
Non-controlling interest		(2,311)	(3,692)
Total comprehensive loss for the year		$ (59,855)	$ (58,069)

(i) Certain comparative amounts have been restated, refer to Note 5.

Serinus Energy Inc.
Consolidated Statement of Cash Flows
(Stated in thousands of US dollars)

		Year ended December 31, 2015	2014
Net loss		$ (47,798)	$ (23,961)
Items not involving cash:			
Depletion and depreciation	(Note 8)	18,747	29,747
Impairment of assets	(Note 10)	54,693	54,926
Loss (gain) on disposition		93	(834)
Accretion on asset retirement obligation	(Note 13)	610	852
Stock based compensation	(Note 16(d))	775	2,897
Unrealized loss on investments	(Note 7)	50	30
Unrealized foreign exchange loss	(Note 17)	1,106	7,405
Deferred income tax recovery	(Note 15)	(15,295)	(8,097)
Expenditures on decommissioning liabilities	(Note 13)	-	(145)
Interest and other income		(814)	(2,359)
Interest expense		4,662	4,850
		16,829	65,311
Changes in non-cash working capital		(4,247)	834
		12,582	66,145
Financing:			
Issuance of long-term debt	(Note 11)	21,280	30,000
Repayment of long-term debt	(Note 11)	(5,557)	(5,281)
Debt issuance costs	(Note 11)	(439)	-
Dividends paid to non-controlling interest	(Note 5)	(712)	(9,435)
Repayment of convertible debenture		-	(15,000)
Issuance of shares		-	53
Interest received		396	298
Interest paid		(2,790)	(3,880)
Changes in non-cash working capital related to financing		659	1,091
		12,837	(2,154)
Investing:			
Property and equipment expenditures	(Note 8)	(13,275)	(52,609)
Restricted cash movement	(Note 6)	2,757	(5,281)
Exploration and evaluation expenditures	(Note 9)	(5,510)	(13,868)
Changes in non-cash working capital related to investing		(8,590)	(5,482)
		(24,618)	(77,240)
Effect of exchange rate changes on cash		(80)	4,429
Change in cash		721	(8,820)
Cash and cash equivalents, beginning of year		11,096	19,916
Cash and cash equivalents, end of year		$ 11,817	$ 11,096
Supplemental cash flow information			
Cash taxes paid		$ (3,976)	$ (16,092)

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

	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	(23)	-	-	-	53
Stock-based compensation	-	-	2,897	-	-	-	2,897
Foreign currency translation adjustment on foreign operations	-	-		(23,876)	(10,232)	-	(34,108)
Dividends declared to non-controlling interest	-	-	-	-	(9,435)	-	(9,435)
Net earnings (loss)	-	-	-	-	6,540	(30,501)	(23,961)
Balances, December 31, 2014	78,629,941	$ 344,479	$ 20,936	$ (24,145)	$ 19,242	$ (254,522)	$ 105,990
Stock-based compensation	-	-	775	-	-	-	775
Foreign currency translation adjustment on foreign operations	-	-	-	(8,440)	(3,617)	-	(12,057)
Dividends declared to non-controlling interest	-	-	-	-	(712)	-	(712)
Net earnings (loss)	-	-	-	-	1,306	(49,104)	(47,798)
Balances, December 31, 2015	78,629,941	344,479	21,711	(32,585)	16,219	(303,626)	46,198

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 years ended December 31, 2015 and 2014. Serinus is principally engaged in the exploration for and development of oil and gas properties in Ukraine, Tunisia, and Romania.

On December 23, 2015, Serinus announced an agreement to dispose of its 70% shareholding in KUB-GAS Holdings Limited ("KUB Holdings"), which holds a 100% interest in KUB-Gas LLC ("KUB-Gas"), a Ukrainian company, representing Ukrainian operations. The Ukraine segment has been presented as a discontinued operation and held for sale for the year ended and as at December 31, 2015. On February 8, 2016, Serinus announced the closing of the sale of its interests in Ukraine to Resano Trading Ltd. Upon close, Serinus received total cash consideration of $32.9 million including all working capital and inter-company adjustments, subject to a statement of adjustment (See Note 5).

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.

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

Serinus is a publicly listed company whose common shares are traded under the symbol "SEN" on the Toronto Stock Exchange ("TSX") and the Warsaw Stock Exchange ("WSE"). Kulczyk Investments, S.A. ("KI") holds a 50.8% investment in Serinus and is the ultimate parent of Serinus.

(a) Basis of consolidation

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

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

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.

2. Basis of Preparation

(a) Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that Serinus will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

At December 31, 2015, the Company was not in compliance with the financial debt to EBITDA ratio financial covenant at the Tunisia level on its debt held with the European Bank for Reconstruction and Development ("EBRD"). Subsequently, EBRD has formally waived compliance with this ratio for the year ended December 31, 2015. The implication of this waiver is that debt repayments will follow their original scheduled repayment terms and the bank will not be acting on its security. However, given the covenant was breached as at December 31, 2015, Serinus has reclassified its long-term debt to current in the financial statements, as required under accounting standards.

As at December 31, 2015, the Company had a working capital deficiency of $11.2 million, due to the reclassification of all debt as current, and cash flows from operations $12.6 million for the year ended December 31, 2015.

Internally prepared forecasts for 2016 indicate that the Company is likely to breach certain of its financial covenants from the second quarter of 2016 onwards, due to continuing low commodity prices. Although the EBRD has previously provided waivers for covenant breaches there is no certainty this will occur in the future. If these covenants are not met the debt may therefore become payable on demand. This material uncertainty may cast significant doubt with respect to the ability of the Company to continue as a going concern. The Company is actively evaluating its options at this time, including discussions with the EBRD related to amending the banking facility and its related covenants as well as a potential farmout of assets.

These financial statements do not reflect the adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if the Company were unable to continue as a going concern.

(b) Statement of compliance

The consolidated financial statements were prepared in accordance with international financial reporting standards ("IFRS") and were authorized for issuance by the Board of Directors on March 16, 2015.

(c) Basis of measurement

The consolidated financial statements have been prepared using the historical cost basis except for certain financial instruments which are measured at fair value.

(d) Functional and presentation currency

The consolidated financial statements are presented in US dollars, which is the functional currency of the Company and its subsidiaries with the exception of KUB-Gas which uses the Ukrainian Hryvnia as its functional currency.

(e) 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.

3. Significant accounting policies

Serinus has consistently applied the accounting policies set out below to all periods presented in these consolidated financial statements:

(a) Principles of consolidation

The consolidated financial statements include the accounts of Serinus and all of its controlled subsidiaries. Control exists when the Company is exposed to, or has the rights to, variable returns from its involvement and has ability to affect returns through its power over the entity. The financial statements of subsidiaries are prepared for the same reporting period and using consistent accounting policies.

Many of the Company’s oil and gas activities involve jointly owned assets. The consolidated financial statements include the Company’s share of these jointly owned assets and a proportionate share of the relevant revenue and related costs.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated upon consolidation.

(b) Business combinations and goodwill

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the statement of operations. Generally, acquisitions of exploration and evaluation assets do not meet the definition of a business. The Company has no goodwill.

(c) Segment information

Operating segments have been determined based on the nature of the Company’s activities and the geographic locations in which the Company operates, and are consistent with the level of information regularly provided to and reviewed by the Company’s chief operating decision makers.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the Company’s functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the year-end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss.

(ii) Foreign currency translation

In preparing the Company's consolidated financial statements, the financial statements of each entity are translated into U.S. dollars, the functional currency of Serinus and its subsidiaries with the exception of KUB-Gas, which uses the Ukrainian Hryvnia as its functional currency. The assets and liabilities of the foreign operation that does not have a functional currency of US dollars, KUB Gas, are translated into US dollars at exchange rates at the balance sheet date. Revenues and expenses of foreign operations are translated into US dollars using foreign exchange rates that approximate those on the date of the underlying transaction. Foreign exchange differences are recognized in Other Comprehensive Income.

(e) Revenue recognition

Revenue from the sale of crude oil, natural gas and natural gas liquids is recorded when title transfers and collection is reasonably assured. Revenue from properties in which the Company has an interest with other producers is recognized on the basis of the Company's net working interest. Crude oil and natural gas sold below or above the Company's working interest share of production results in production underlifts or overlifts. Underlifts are recorded as inventory at market value with a corresponding increase to revenues, while overlifts are recorded as deferred revenue at market value with a corresponding decrease to revenues.

Until October 1, 2015, the selling price of gas in Ukraine was determined based on the application of prices for gas sales as approved by the Ukrainian National Commission on Energy Regulation. Since October 1, 2015, market reforms allow for gas to be sold at market price. Prices for crude oil in Tunisia are established at the market based on actual correspondence of supply and demand at a particular period of time.

(f) Finance income and expenses

Finance expense comprises of interest expense on borrowings, accretion of the asset retirement provision and accretion of transaction costs incurred on debt.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses, reported under finance income and expenses, are reported on a net basis.

(g) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, term deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Restricted cash is comprised of cash held in trust by a financial institution for the benefit of a third party as a guarantee that certain work commitments

will be met. Once the work commitments are met, the restricted cash is released from the trust and returned to cash.

(i) Inventory

Inventory is primarily comprised of oil produced and held at the end of the year ("commodity inventory"). Commodity inventory is recorded at fair value with the change in value being recorded in Oil and Gas Revenue. Materials and supplies are valued at the lower of cost and net realizable value.

(j) Financial instruments

Non-derivative financial instruments include cash and cash equivalents, restricted cash, trade and other receivables, investment, trade and other payables and long-term debt. Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs, except for financial assets at fair value through profit or loss whereby any directly attributable transaction costs are expensed as incurred. Subsequent to initial recognition, measurement of non-derivative financial instruments depends on their classification as described below. The Company has no derivative financial instruments.

(i) Financial assets and liabilities at fair value through profit or loss

Subsequent to the initial recognition, this financial instrument is measured at fair value, and changes therein are recognized in profit or loss. The Company's investment in Jura Energy Corporation, a publically traded company held for trading (level 1 input), is a financial asset recorded at fair value through profit or loss.

(ii) Financial assets and liabilities at amortized cost

Subsequent to the initial recognition, these financial instruments are measured at amortized cost using the effective interest method through profit or loss. Serinus' assets in this category include trade and other receivables. Serinus' liabilities in this category include trade and other payables and long-term debt.

(iii) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(k) Assets held for sale and discontinued operations

Assets and liabilities are classified as held for sale if their carrying amounts are expected to be recovered through a disposition rather than through continuing use. The assets or disposal groups are measured at the lower of their carrying amount and fair value less costs of disposal. Impairment losses on initial classification as well as subsequent gains or losses on re-measurement are recognized in Asset Impairment. However, when the assets or disposal groups are sold, the gains or losses on sale are recognized in (Gain) Loss on disposal. Assets classified as held for sale are not depreciated, depleted or amortized. As at December 31, 2015, the Ukrainian assets are held for sale (see Note 5).

Individual non-current assets or disposal groups are classified and presented as discontinued operations if the assets or disposal groups are disposed of or classified as held-for-sale. The results of discontinued operations are shown separately in the consolidated statements of operations with comparative figures restated. Detailed disclosure of revenue, expenses, pre-tax profit (loss) and income taxes is disclosed in the notes. Cash flows and comparative figures are disclosed in the notes.

(l) Property, plant and equipment and exploration and evaluation assets

(i) Recognition and measurement

Exploration and evaluation ("E&E") expenditures:

Pre-license costs are recognized in the statement of operations as incurred.

Exploration and evaluation costs, including the costs of acquiring licenses and directly attributable general and administrative costs, are capitalized as exploration and evaluation assets. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are grouped by concession or license area.

The technical feasibility and commercial viability of extracting a resource is considered to be determinable based on several factors including the assignment of proved or probable reserves. A review of each exploration license or field is carried out, at least annually, to ascertain whether the project is technically feasible and commercially viable. Upon determination of technical feasibility and commercial viability, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within property, plant and equipment referred to as oil and natural gas interests.

Development and production costs:

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into cash generating units ("CGU") for impairment testing and categorized within property and equipment as oil and natural gas interests. Property, plant and equipment is comprised of drilling and well servicing assets, office equipment and other corporate assets. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized within profit or loss.

(ii) Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized costs generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depletion and depreciation

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves.

Certain of the Company's assets are not depleted based on the unit of production method as they relate to infrastructure, corporate and other assets. Such plant and equipment items are recorded at cost and are

depreciated over the estimated useful lives of the asset using the declining balance basis at rates ranging from 20% to 45%. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(iv) Impairment

The carrying amounts of the Company's property, plant and equipment are reviewed whenever events or changes in circumstances indicate that that the carrying value of an asset may not be recoverable and at a minimum at each reporting date. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit or "CGU"). The Company's CGU's generally align with each concession or production sharing contract. The recoverable amount is then estimated. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

Value in use is generally computed as the present value of the future cash flows, discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, expected to be derived from production of proved and probable reserves.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

(l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

(i) Asset retirement obligations

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Asset Retirement obligations ("ARO") are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date using a risk free interest rate associated with the type of expenditure and jurisdiction. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the ARO are charged against the provision to the extent the provision was established.

(ii) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on associated assets. The Company has no onerous contracts.

(m) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(n) Dividends

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

(o) Stock based compensation

The Company has issued options to directors, officers and employees to purchase common shares. The expense is based on the fair value of the options at the time of the grant using the Black-Scholes options pricing model and is recognized over the vesting period of the option with a corresponding increase recorded to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(p) Per share amounts

Basic earnings or loss per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

4. Significant accounting estimates and judgements

The preparation of financial statements in conformity with IFRS 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.

Significant estimates and judgments made by management in the consolidated financial statements are described below:

(i) Oil and gas reserves

Measurements of depletion, depreciation, impairment, ARO and business acquisitions are determined in part based on the company's estimate of oil and gas reserves and resources. The process of determining reserves is complex and involves the exercise of professional judgement. All reserves have been evaluated at December 31, 2015 by independent qualified reserves evaluators. All significant judgments are based on available geological, geophysical, engineering, and economic data. These judgments are based on estimates and assumptions that may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates are based on current production forecasts, prices and economic conditions. As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices and economic conditions. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices and reservoir performance. Such revisions could be material and result in either positive or negative amounts.

The cash flow model used to value oil and gas properties incorporates estimates of future commodity prices. Generally the pricing assumptions used are those of the external reserve engineer adjusted for differentials specific

to the Company. Commodity prices can fluctuate for a variety of external reasons including supply and demand fundamentals, inventory levels, exchange rates, weather, and economic and geopolitical factors as well as internal reasons including quality differentials.

(ii) Oil and gas activities

The company is required to apply judgment when designating the nature of oil and gas activities as exploration, evaluation, development or production, and when determining whether the initial costs of these activities are capitalized and reclassified. The company is required to make judgments about future events and circumstances and applies estimates to assess the economic viability of extracting the underlying resources.

(iii) Cash generating units

The determination of CGUs requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

(iv) Impairment and reversals

Judgment in assessing the existence of impairment and impairment reversal indicators is based on various internal and external factors. The recoverable amount of CGUs and individual assets is determined on the higher of fair value less cost of disposal or value in use. Key estimates in determining the recoverable amount normally include proved and probable reserves, forecasted commodity prices, expected production, future operating and development costs, discount rates and tax rates. In determining the recoverable amount, management may also need to make assumptions regarding the likelihood of an event. Changes to these estimates and judgements will impact the recoverable amounts of CGUs and individual assets and may require a material adjustment to their carrying value.

(v) Asset retirement obligation

The Company recognizes liabilities for the future decommissioning and restoration of exploration and evaluation assets and property, plant and equipment. Management applies judgment in assessing the existence and extent as well as the expected method of reclamation of the Company's decommissioning and restoration obligations at the end of each reporting period. Management also uses judgment to determine whether the nature of the activities performed is related to decommissioning and restoration activities or normal operating activities. In addition, these provisions are based on estimated costs, which take into account the anticipated method and extent of restoration and the possible future use of the site. Actual costs are uncertain and estimates can vary as a result of changes to relevant laws and regulations, the emergence of new technology, operating experience, prices and closure plans. The estimated timing of future decommissioning and restoration may change due to certain factors, including reserve life. Changes to estimates related to future expected costs, discount rates and timing could result in a significant adjustment to the provisions established which would affect future financial results.

(vi) Deferred taxes

Estimates and assumptions are used in the calculation of deferred taxes. Judgments include assessing whether tax assets can be recognized is based on expectations of future cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the balance sheet date could be impacted by a material amount. Additionally, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future.

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. Estimates that require significant judgments are also made with respect to the timing of temporary difference reversals, the realizability of tax assets and in circumstances where the transaction and calculations for which the ultimate tax determination are uncertain. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

(vii) Stock based compensation

Stock options issued by the Company are recorded at fair value using the Black-Scholes option pricing model. The calculation of share-based payment expense requires estimates which involve assumptions about the share price volatility, forfeiture rates, option life, dividend yield and risk-free rate at the initial grant date. Changes to these estimates impact the stock based compensation expense and contributed surplus and may have a material impact on the amounts presented.

5. Disposition of Ukraine

On February 8, 2016, Serinus announced the closing of the sale of its 70% ownership interests in Ukraine to Resano Trading Ltd. On close, Serinus received total cash consideration of $32.9 million including working capital and inter-company adjustments, subject to a final statement of adjustment.

Net proceeds of the sale have been used to repay outstanding indebtedness of $11.2 million long term debt plus $0.3 million of accrued interest under the Romanian funding with ERBD and $7.4 million long term debt plus $0.2 million of accrued interest under the Tunisia funding with ERBD.

The Ukraine segment is presented as discontinued operations and a disposal group held for sale as at and for the year ended December 31, 2015.

At December 31, 2015, an impairment loss of $3.3 million on the re-measurement of the long term assets and liabilities of the segment to the lower of its carrying amount and its fair value less costs to sell has been recognized in asset impairment (see note 10). On close, a gain or loss on disposal will be recognized, at which time all assets, liabilities, plus the non-controlling interest and accumulated other comprehensive income will be de-recognized and released through the income statement, offset by the proceeds on disposition. The tax impact of the impairment loss at December 31, 2015, is $0.4 million.

As at December 31, 2015 the Ukraine segment comprised of the following assets and liabilities:

Assets held for sale	As at December 31, 2015	
Cash	$	5,223
Restricted cash (Note 6)		2,594
Accounts receivable		1,873
Income tax receivable		1,858
Commodity inventory		2,109
Prepaids and other		917
Exploration and evaluation (Note 9)		4,742
Property, plant and equipment (Note 8)		39,464
Total	$	58,780

Liabilities held for sale	As at December 31, 2015	
Accounts payable	$	5,914
Tax payable		329
Current debt (Note 11)		634
Asset retirement obligation (Note 13)		263
Deferred tax liabilities (Note 15)		3,244
Total	$	10,384

Net earnings from discontinued operations	Year ended December 31, 2015	2014
Oil and gas revenue	$ 61,986	$ 119,325
Royalty expense	(34,701)	(42,670)
Oil and gas revenue, net of royalties	27,285	76,655
Operating expenses		
Production expenses	(8,539)	(13,428)
General and administrative	(46)	(88)
Loss on disposition of assets	(82)	(152)
Depletion and depreciation	(10,346)	(16,805)
Asset impairment	(3,303)	(5,594)
Finance income/(expense)		
Interest and other	2,312	1,270
Interest expense and accretion	(510)	(2,112)
Foreign exchange loss	(1,104)	(6,706)
Earnings before tax	5,667	33,040
Current tax expense	(2,808)	(9,368)
Deferred tax recovery/(expense)	1,493	(1,870)
Net earnings from discontinued operations	$ 4,352	$ 21,802
Dividends paid to non-controlling interests during the year	$ (712)	$ (9,435)

Other comprehensive loss from foreign currency translation loss of foreign operations is attributable entirely to the Ukraine segment.

Cash flows from discontinued operations	Year ended December 31, 2015	2014
Net cash from operating activities	$ 7,546	$ 23,853
Net cash used in investing activities	(2,307)	(7,029)
Net cash used in financing activities	(621)	(18,850)
Effect of exchange rate changes on cash	(216)	-
Change in cash	4,402	(2,026)
Cash and cash equivalents, beginning of year	821	2,847
Cash and cash equivalents, end of year	$ 5,223	$ 821
Supplemental cash flow information:		
Cash taxes paid	$ (3,976)	$ (8,275)

6. Restricted cash

	As at December 31, 2015	2014
Cash held in Ukraine [(1)]	$ -	$ 5,073
Standby letter of credit [(2)]	1,346	1,624
Total	$ 1,346	$ 6,697

(1) These funds represent dividends that are being held in Ukraine due to currency controls and have been reclassified as part of assets held for sale as at December 31, 2015 (Note 5).
(2) As part of the 2013 Winstar Acquisition, the Company has an irrevocable standby letter of credit issued by a Canadian chartered bank of $1.1 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.

7. Investment

The Company holds a 1.1% shareholding interest in Jura Energy Corporation, a public company traded on the TSX. The market value of the investment at December 31, 2015 was $75 thousand (December 31, 2014 - $125 thousand).

8. Property, plant and equipment

Future development costs associated with the proved plus probable reserves of $104.0 million (2014 - $67.8 million) were included in the depletion calculations.

	Oil and gas interests	Plant and equipment	Other	Total
Cost or deemed cost:				
Balance at December 31, 2013	$ 287,426	$ 30,621	$ 5,403	$ 323,450
Additions	48,100	3,076	2,210	53,386
Dispositions	-	(105)	(245)	(350)
Foreign currency translation adjustment	(39,136)	(14,467)	(1,546)	(55,149)
Balance at December 31, 2014	$ 296,390	$ 19,125	$ 5,822	$ 321,337
Additions	11,141	2,609	(475)	13,275
Change in decommissioning liabilities (Note 13)	8,202	-	-	8,202
Dispositions	(1)	(40)	(330)	(371)
Transfer from exploration and evaluation	524	-	-	524
Reclassification - asset held for sale (i)	(83,920)	(12,988)	(2,116)	(99,024)
Foreign currency translation adjustment	(15,795)	(5,402)	(829)	(22,026)
Balance at December 31, 2015	$ 216,541	$ 3,304	$ 2,072	$ 221,917
Accumulated depletion and depreciation:				
Balance at December 31, 2013	$ (53,909)	$ (4,682)	$ (1,414)	$ (60,005)
Depletion and depreciation	(27,088)	(1,843)	(816)	(29,747)
Depreciation capitalized	859	-	-	859
Dispositions	-	47	162	209
Impairment	(54,121)	(798)	(7)	(54,926)
Foreign currency translation adjustment	16,097	2,745	393	19,235
Balance at December 31, 2014	$ (118,162)	$ (4,531)	$ (1,682)	$ (124,375)
Depletion and depreciation	(17,214)	(1,279)	(442)	(18,935)
Depreciation capitalized	188	-	-	188
Dispositions	1	29	10	40
Impairment (Note 10)	(54,693)	-	-	(54,693)
Reclassification - asset held for sale (i)	54,622	4,000	938	59,560
Foreign currency translation adjustment	8,314	1,501	160	9,975
Balance at December 31, 2015	$ (126,944)	$ (280)	$ (1,016)	$ (128,240)
Net book value:				
Balance at December 31, 2014	$ 178,228	$ 14,594	$ 4,140	$ 196,962
Balance at December 31, 2015	$ 89,597	$ 3,024	$ 1,056	$ 93,677

(i) Property, plant and equipment located in Ukraine have been reclassified as assets held for sale as at December 31, 2015 (Note 5).

9. Exploration and evaluation assets

	As at December 31, 2015	As at December 31, 2014
Carrying amount, beginning of the year	$ 19,323	$ 11,834
Additions	5,510	13,868
Change in decommissioning liabilities (Note 13)	427	-
Transfer to property, plant & equipment	(524)	-
Reclassification - asset held for sale (Note 5)	(4,742)	-
Foreign currency translation adjustment	(1,473)	(6,379)
Carrying amount, end of the year	$ 18,521	$ 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 year. The following is a breakdown of the carrying amount of the E&E assets:

	As at December 31, 2015	As at December 31, 2014
Ukraine (i)	$ -	$ 6,766
Romania	18,521	12,557
	$ 18,521	$ 19,323

(i) E&E assets located in Ukraine have been transferred to asset held for sale as at December 31, 2015 (Note 5).

10. Impairment

a) Tunisia

Due to the sustained low oil prices, the Company performed impairment tests on Tunisian cash generating units ("CGU") at September 30, 2015 and December 31, 2015 using a value in use methodology. The following summaries the recoverable amount and total 2015 impairment for each Tunisian CGUs that was impaired:

	Recoverable Amount	Impairment Recorded
Sabria	$ 47,951	$ 22,700
Chouech Es Saida	34,202	18,148
Ech Chouech	7,444	5,593
Sanrhar	-	1,938
Zinnia	-	3,011
	$ 89,597	$ 51,390

The value in use was used based on: 2015 year-end proved plus probable reserves data; a risk-adjusted discount rate of 24%-27%; and the following price forecast (adjusted for quality differentials specific to the Company) (level 3 inputs):

	Oil (US$/bbl)	Gas (US$/mcf)	
Year	All fields	Sabria	Chouech / Ech Chouech
2016	43.80	7.15	7.78
2017	49.75	8.13	8.84
2018	57.75	9.43	10.25
2019	64.75	10.57	11.49
2020	72.75	11.87	12.91
2021	77.75	12.68	13.79
2022	82.75	13.49	14.67
2023	87.75	14.30	15.56
2024	92.75	15.12	16.44
2025	95.36	15.54	16.90
2026	97.27	15.85	17.24
2027	99.22	16.17	17.59
2028	101.21	16.49	17.94
2029	103.24	16.82	18.30
2030	105.31	17.16	18.66
Remaining	122.40	21.45	20.56

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

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

Sabria	$	105
Chouech Es Saida		460
Ech Chouech		105
Sanrhar		-
Zinnia		-
	$	670

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

Sabria	$	10,730
Chouech Es Saida		4,995
Ech Chouech		1,030
Sanrhar		-
Zinnia		-
	$	16,755

In 2014, the company performed an impairment test on its Tunisian assets using a value in use methodology to determine the recoverable amount, and an impairment charge of $49.3 million was recognized in 2014 under Asset impairment and charged against Property, plant and equipment.

b) Ukraine

The Ukraine segment is presented as discontinued operations and a disposal group held for sale as at and for the year ended December 31, 2015. Initial classification as held for sale requires an assessment of impairment. As a result, $3.3 million of impairment has been recognized in 2015, representing the lower of fair value less costs of disposal and carrying amount. Fair value was determined to be equal to the sale price less transaction costs, subject to the final statement of adjustment. The long term assets and liabilities relating to Ukraine were

compared to the proportion of the sale proceeds not representing working capital, intercompany, or restricted cash, grossed up to represent 100% of Ukraine.

	Recoverable Amount	Impairment Recorded
Net long term asset value	$ 40,699	$ 3,303

In 2014, as a result of the security situation in and around the Vergunskoye and Krutogorovskoye fields and the declining commodity prices for oil, natural gas and natural gas liquids, the Company performed an impairment test on its Ukraine CGUs at December 31, 2014 using a value in use methodology, based on 2014 year-end reserve data, a risk adjusted pre-tax discount rate of 29.8% (after tax 25%) and a price forecast adjusted for Company specific quality differentials. The recoverable amounts determined as a result of the test were nil for Vergunskoye and Krutogorovskoye fields, resulting in impairment charge of $5.6 million under Asset impairment and charged against Property, plant and equipment.

11. Long-term debt

	As at December 31, 2015	As at December 31, 2014
Current portion of long-term debt		
Ukraine funding (a)	$ -	$ 1,770
Tunisia funding (b)	42,917	3,333
Romania funding (c)	11,153	-
	54,070	5,103
Long-term debt		
Ukraine funding (a)	-	615
Tunisia funding (b)	-	31,589
	-	32,204
Total debt	$ 54,070	$ 37,307

At December 31, 2015, the Company was not in compliance with the financial debt to EBITDA ratio financial covenant at the Tunisia level on its debt held with EBRD. Subsequently, EBRD has formally waived compliance with this ratio for the year ended December 31, 2015. The implication of this waiver is that debt repayments will follow their original scheduled repayment terms and the bank will not be acting on its security. However, given the covenant was breached as at December 31, 2015, Serinus has reclassified its long-term debt to current in the financial statements, as required under accounting standards.

(a) Ukraine funding

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

As a result of Serinus entering into an agreement for the sale of its 70% of the outstanding shares of KUB Holdings, $0.6 million outstanding as at December 31, 2015 was reclassified as a liability held for sale. See Note 5 for further details.

The Company made a repayment of $1.8 million in December 2014 in advance of the instalment due in January 2015 due to issues with obtaining USD in Ukraine. During July 2015, a scheduled repayment of $1.8 million was made, resulting in $0.6 million left outstanding which was paid in January 2016, resulting in the loan being repaid in its entirety.

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

(b) Tunisia funding

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

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

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 December 31,	
	2015	2014
Current portion of long-term debt	$ 21,059	$ 3,333
Long-term debt	-	16,433
Total	$ 21,059	$ 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. On August 14, 2015, $5.0 million was drawn under the second tranche of the senior loan. On September 30, 2015 the second scheduled repayment of $2.1 million was made.

The Company will apply 40% of its Excess Cash from Tunisia toward early repayment of the 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, less capital expenditures, plus any new debt disbursement on the Tunisian debt. In the event that pre-payments are made on the Romania loan in any given year, the repayment from Tunisia shall drop to 25% of the Excess Cash. No pre-payment fees are applicable to the accelerated payments described above.

Convertible Loan

	As at December 31,	
	2015	2014
Current portion of long-term debt	$ 21,858	$ -
Long-term debt	-	15,156
Total	$ 21,858	$ 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 December 31, 2015, the Company was not in compliance with the debt to EBITDA covenant at the Tunisia level (December 31, 2014: all covenants in compliance), resulting in the reclassification of all debt as current.

As at December 31, 2015, the Company has drawn $20.0 million from Tranche 1 of the Senior Loan, $5.0 million from Tranche 2 of the Senior Loan, $20.0 from the Convertible Loan and incurred $1.0 million of transaction costs (December 31, 2014: $20.0 million Senior Loan; $15.0 million Convertible Loan; and $1.0 million transaction costs).

Subsequent to year end, $7.6 million of the Senior Loan was repaid using the proceeds from the sale of Ukraine resulting in Tranche 2 of the Senior Loan being fully repaid.

(c) Romania funding

	As at December 31, 2015	As at December 31, 2014
Current portion of long-term debt	$ 11,153	$ -

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

Interest on the Romania Facility was payable semi-annually in March and September of each year at a variable rate equal to LIBOR (six month) plus 8%. The first interest payment for the Romania Facility occurred on September 30, 2015. The principle balance of the Romania Facility was repayable in ten equal semi-annual installments.

The debt was subject to certain affirmative covenants, including maintaining the specific security, environmental and social compliance, and maintenance of specified financial ratios. At December 31, 2015, the Company was not in compliance with the debt to EBITDA ratio covenant at the Tunisia level (December 31, 2014: all covenants in compliance).

As at December 31, 2015, the Company had fully drawn the facility of $11.28 million and $0.4 million of transaction costs were paid. Subsequent to year-end the full amount of the loan was repaid following close of the disposition of Ukraine.

12. Transaction costs

Transaction costs include costs associated with discontinued operations, new ventures, financing opportunities and other miscellaneous projects. For the year ended December 31, 2015, transaction costs were $0.3 million (2014 - $1.5 million).

13. Asset retirement obligation

	As at December 31 2015	As at December 31 2014
Balance, beginning of year	$ 30,790	$ 28,989
Provisions for new wells	427	908
Changes in estimates	8,202	587
Abandoned wells	-	(145)
Accretion	610	852
Translation adjustment	(111)	(401)
Transferred to liabilities held for sale (i)	(263)	-
Balance, end of year	$ 39,655	$ 30,790
Due within one year	$ 3,209	$ 3,209
Long term liability	36,446	27,581
Total	$ 39,655	$ 30,790

(i) Asset retirement obligations located in Ukraine have been transferred to liability held for sale as at December 31, 2015.

The Company's obligation arises from its ownership interests in oil and natural gas assets including well sites and gathering systems in Tunisia, Romania, Brunei and Canada. The total asset retirement obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years.

The Company has estimated the asset retirement obligation of Brunei's Block L, Block M and the wells in Canada to be $3.2 million. These obligations are expected to be settled within the next twelve months and are accordingly classified as a current liability.

The Company has estimated the future cash flows prior to discounting, of the asset retirement obligation for Ukraine to be $0.3 million as at December 31, 2015 (December 31, 2014 - $0.4 million) which has been classified as part of liabilities held for sale (see Note 5). The asset retirement obligation for Tunisia is estimated to be $36.0 million (December 31, 2014 - $27.7 million), and $0.5 million for Romania (December 31, 2014 - $0.1 million). The asset retirement obligation in Ukraine was discounted using a risk free interest rate of approximately 7% (2014 – 7%). The Tunisia asset retirement obligation was discounted using a risk free discount rate of approximately 2% (2014 – 2%), and the asset retirement obligation in Romania was discounted using a risk free interest rate of approximately 4%. Other than as noted above, these obligations are not expected to be settled within a year and are therefore reported as a long-term liability.

14. Other provisions

	As at December 31,	
	2015	2014
Balance, beginning and end of year	$ 1,148	$ 1,148

The Company is subject to audits from various counterparties arising in the normal course of business for which a provision is made to reflect management's best estimate of eventual settlement. Management expects settlement of all other provisions will occur later than 12 months from year end.

15. Income taxes

Reconciliation of effective tax rate:

	As at December 31	
	2015	2014 (i)
Loss from continuing operations before income taxes	$ (65,920)	$ (55,656)
Federal and provincial statutory rate	*26.0%*	*25.0%*
Expected income tax reduction	(17,139)	(13,914)
Non-deductible expenditures	885	929
Tax rate differences and net changes in tax attributes not recognized	2,484	3,092
Income tax expense/(recovery)	$ (13,770)	$ (9,893)

(i) Comparative amounts have been restated (Note 5).

The general federal/provincial tax rate in Alberta, Canada has changed from 25.0% to 27.0% effective July 1, 2015 (2014 – 25.0%).

The current tax expense is generated from the Company's operations in Ukraine and Tunisia. The corporate income tax rate effective during 2015 in Ukraine is approximately 18.0% with a blended rate of approximately 45.2% in Tunisia (2014 - Ukraine 18.0%, Tunisia 45.2%). There was no income tax recognized directly in equity during 2015 and 2014.

Movement in deferred income tax balances:

	December 31, 2013	Recovery	Recovery/(expense) from discontinued operations	Equity	December 31, 2014
Property and equipment and E&E assets	$ (57,169)	$ 4,246	$ (1,928)	$ 3,102	$ (51,749)
Decommissioning provision	9,089	2,629	(7)	(662)	11,049
Other	1,280	3,092	65	(251)	4,186
Deferred income tax liability	$ (46,800)	$ 9,967	$ (1,870)	$ 2,189	$ (36,514)

	December 31, 2014	Recovery/ (expense)	Recovery/(expense) from discontinued operations	Equity	Discontinued operations	December 31, 2015
Property and equipment and E&E assets	$ (51,749)	$ 20,586	$ 335	$ 165	$ 728	$ (29,935)
Decommissioning provision	11,049	(226)	2	1	3	10,829
Other	4,186	(6,558)	1,156	571	2,513	1,868
Deferred income tax liability	$ (36,514)	$ 13,802	$ 1,493	$ 737	$ 3,244	$ (17,238)

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit through future tax profits is probable.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	As at December 31 2015	2014
Property and equipment and E&E assets	$ 126,175	$ 128,269
Share issuance costs	1,280	1,920
Decommissioning provision	4,053	-
Non-capital losses carried forward and other	91,709	91,931
	$ 223,217	$ 222,120

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profits will be available against which they can be utilized.

The Company has Canadian non-capital losses of $49.3 million that expire between 2028 and 2034, Cyprus tax losses of $27.5 million that expire between 2016 and 2020, Tunisian losses of $9.2 million of which $5.8 million expire in four years and $3.4 million have no expiry date, and Romanian losses of $5.7 million that expire after seven years. (2014 – Canadian - $68.0 million and Cyprus - $23.9 million).

The Company has temporary differences associated with its investments in its foreign subsidiaries. The Company has no deferred tax liabilities in respect to these temporary differences.

The Company operates in multiple jurisdictions with complex tax laws and regulations, which are evolving over time. The Company has taken certain tax positions in its tax filings and these filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax impact may differ significantly from that estimated and recorded by management.

16. 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 without nominal or par value. 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 December 31, 2015 (December 31, 2014: 78,629,941).

(b) Earnings/(loss) per share

	Year ended December 31, 2015	2014
Net loss attributable to common shareholders		
Continuing operations - Basic and diluted	$ (52,150)	$ (45,763)
Discontinued operations - Basic and diluted	3,046	15,262
Net loss attributable to common shareholders	(49,104)	(30,501)
Weighted average number of shares outstanding		
Basic and diluted	78,629,941	78,627,711
Loss per share attributable to common shareholders		
Continuing operations - Basic and diluted	$ (0.66)	$ (0.58)
Discontinued operations - Basic and diluted	$ 0.04	$ 0.19

(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 year ended December 31, 2015, is presented below:

	USD denominated options		**CAD denominated options**	
	Number of Options	Weighted average exercise price per option (US$)	Number of Options	Weighted average exercise price per option (CAD$)
Balance, December 31, 2013	7,089,900	$ 4.69	-	$ -
Granted	248,000	$ 3.54	141,000	$ 2.39
Exercised	(18,500)	$ 2.85	-	$ -
Expired	(1,677,000)	$ 5.40	-	$ -
Balance, December 31, 2014	5,642,400	$ 4.39	141,000	$ 2.39
Expired/Cancelled	(4,371,800)	$ 4.52	(30,000)	$ 2.80
Balance, December 31, 2015	1,270,600	$ 3.96	111,000	$ 2.28

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

USD denominated options:

Exercise price (US$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
$ 2.85 - $ 3.50	168,000	168,000	2.61
$ 3.51 - $ 4.00	354,000	354,000	0.89
$ 4.01 - $ 5.00	736,600	736,600	2.76
$ 5.01 - $ 6.20	12,000	12,000	1.20
$ 3.96	1,270,600	1,270,600	2.20

CAD denominated options:

Exercise price (CAD$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
$ 1.56 - $ 2.50	74,000	49,333	3.84
$ 2.51 - $ 3.22	37,000	24,666	3.43
$2.28	111,000	73,999	3.70

(d) Stock based compensation expense

During the year ended December 31, 2015, there were no options granted. The weighted average inputs used in the Black-Scholes pricing model to determine the fair value of the options granted during the prior year ended December 31, 2014 include the following:

	2014	
	USD	CAD
Weighted average fair value per	$1.78	$1.19
Exercise price ($USD)	$3.54	$2.35
Volatility	66%	61%
Interest rate	1.49%	1.37%
Expected life (years)	4.00	4.79
Forfeiture rate	3.33%	0.00%
Dividends	Nil	Nil

17. Fair values, financial instruments and risk management

Fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Fair value of oil and gas properties:

The fair value of oil and gas properties is determined using externally prepared reserve reports and discount rates specific to the Company and the respective oil and gas properties.

(ii) Fair value of financial instruments:

The Company, as part of its operations, carries a number of financial instruments including cash and cash equivalents, restricted cash, investments, accounts receivable, crude oil inventory, accounts payable and accrued liabilities and long-term debt.

There are three levels of fair value by which a financial instrument can be classified:

- Level 1 - fair value measurements are based on unadjusted quoted market prices.
- Level 2 - fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices. Inputs other than quoted prices that are observable for the asset and liability either directly or indirectly such as quoted forward prices for commodities, time value and volatility factors which can be substantially observed or corroborated in the marketplace; and
- Level 3 - fair value measurements rely on inputs that are not based on observable market data.

The fair values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their short-term maturities. The fair value of crude oil inventory is measured at market (level 1 fair value). The Company's investment is classified as fair value through profit and loss and is an investment in a public company that is quoted on the TSX (level 1 fair value). The fair value of the long-term debt approximates carrying value as interest is at a floating market rate and accordingly the fair market value approximates the carrying value (level 2 fair value). Serinus does not have any derivative financial instruments at December 31, 2015 (2014 – nil).

(iii) Fair value of stock options:

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), 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).

Offsetting of financial instruments

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

The following table presents the recognized loan receivable in KUB-Gas that is offset by a dividend payable to the minority partner.

	Total
Financial aid loan receivable (Note 21)	394
Dividend payable	(374)
Net receivable reported in Assets held for sale	20

Risk management

The Board of Directors has overall responsibility for identifying the principal risks of the Company and ensuring the policies and procedures are in place to appropriately manage these risks. Serinus' management identifies, analyzes and monitors risks and considers the implication of the market condition in relation to the Company's activities.

Market risk is the risk that the fair value of future cash flows of a financial asset or a financial liability will fluctuate because of changes in market prices. Market risk is comprised of commodity price risk, foreign currency risk and interest rate risk, as well as credit and liquidity risks.

(i) Commodity price risk

The Company is exposed to commodity price risk in fluctuations in the price of oil, natural gas and natural gas liquids. The domestic gas price within Ukraine was set by the National Electricity Regulatory Commission of Ukraine by reference to the Russian imported gas price until September 30, 2015. On October 1, 2015, market

reforms led to pricing being based on the market in Ukraine. Average natural gas prices in Ukraine were $7.19 per Mcf versus $9.69 per Mcf in 2014, a decrease of 26%. In Tunisia, oil prices are based on a premium or discount to the market price of Brent crude oil. Brent averaged $52.35 per bbl in 2015 versus $99.02 in 2014 a decrease of 47%. Serinus' vulnerability to volatility of commodity prices is somewhat reduced through diversifying by both region and product type. The Company has no commodity hedge program in place which could limit exposure to price risk.

(ii) Foreign currency exchange risk

Foreign currency transactions

The Company is exposed to risks arising from fluctuations in currency exchange rates between the Canadian dollar, Polish zloty, Ukraine UAH, Romanian leu, Tunisian dinar, the Euro and the United States dollar. At December 31, 2015 the Company's primary currency exposure related to Canadian dollar ("CAD"), Ukraine UAH ("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:

	December 31, 2015			
	CAD	UAH	TD	LEU
Cash and cash equivalents	443	124,517	2,006	326
Accounts receivable	56	41,886	4,589	401
Income tax receivable	-	44,739	6,052	3
Prepaid expenses	(169)	15,827	437	265
Accounts payable and accrued liabilities	(409)	(138,123)	(9,536)	(767)
Net foreign exchange exposure	(79)	88,846	3,548	228
US $ equivalent at year end exchange rate	$ (57)	$ 3,690	$ 1,741	$ 55

	December 31, 2014			
	CAD	UAH	TD	LEU
Cash and cash equivalents	687	9,075	9,909	6,692
Accounts receivable	210	80,232	26,489	(326)
Income tax receivable	-	10,871	5,774	-
Prepaid expenses	88	16,923	164	82
Accounts payable and accrued liabilities	(1,521)	(180,473)	(37,442)	(15,213)
Net foreign exchange exposure	(536)	(63,372)	4,894	(8,765)
US $ equivalent at year end exchange rate	$ (462)	$ (3,893)	$ 2,619	$ (2,366)

Based on the net foreign exchange exposure at the end of the year, if these currencies 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 the following amounts:

	As at December 31,	
	2015	2014
Canadian dollar	$ (6)	$ (46)
Ukraine UAH	369	(389)
Tunisian dinar	174	262
Romanian leu	5	(237)
Total	$ 542	$ (410)

Foreign currency translation:

On consolidation of KUB-Gas by the Company, the assets and liabilities of KUB-Gas are translated into US dollars at exchange rates at the balance sheet date. Revenues and expenses of foreign operations are translated into US dollars using foreign exchange rates that approximate those on the date of the underlying transaction. These

translation gains and losses are included in accumulated other comprehensive loss, with a loss of $12.1 million recorded for the year ended December 31, 2015 (2014: loss of $34.1 million).

(iii) Interest rate risk

The primary exposure to interest rate risk is related to Serinus' debt. Subsequent to year end, the Ukraine debt and Romanian debt were fully repaid, resulting in the Tunisia debt being the only debt outstanding. The Tunisia EBRD loan is based on LIBOR and 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, assuming the amount of debt remains unchanged, would affect interest expense by $6 thousand based on the debt balance outstanding at December 31, 2015 (2014 - $24 thousand).

(iv) 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. As at December 31, 2015, $7.8 million of cash and restricted cash is held in Ukraine due to dividend restrictions and which are included as assets held for sale (December 31, 2014 - $5.6 million).

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 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.

Management believes that the Company's exposure to Tunisian credit risk is manageable, as commodities sold are under contract or payment within 30 days. Oil is sold with reputable parties and collection is prompt based on the individual terms with the parties. At December 31, 2015, the Company had $nil (December 31, 2014 - $1.4 million) receivables that were considered past due (over 90 days outstanding). The majority of these amounts are due from large well established customers and management believes the balances will be collected. For the year ended December 31, 2015, the Company has four customers from continuing operations with sales representing 36%, 22%, 11% and 11% of total sales (2014 – 34%, 23%, 13% and 7%).

Management has no formal credit policy in place for customers outside 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. The Company does not require collateral in respect of financial assets.

(v) Liquidity risk

Liquidity risk is the risk that Serinus will not be able to pay financial obligations when due. 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. The Company mitigates this risk through monitoring 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. 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.

Timing of cash outflows related to commitments including debt follow the schedule provided under note 19 Contractual obligations and commitments. All outflows are anticipated to follow the schedule for payment. The risk that payment could occur significantly earlier may arise if a loan covenant is violated and an acceptable arrangement could not be made, in which case the bank could act on its security for that particular loan. The maximum exposure to liquidity risk in this case is represented by the carrying amount of that loan.

18. Capital management

	Year ended December 31, 2015	2014
Shareholders' equity	46,198	105,990
Current portion of long-term debt	54,070	5,103
Long-term debt	-	32,204
Total capital resources	$ 100,268	$ 143,297

Consistent with prior years, the Company manages its capital structure to maximize financial flexibility making adjustments in light of changes in economic conditions and risk characteristics of the underlying assets. Further, each potential acquisition and investment opportunity is assessed to determine the nature and total amount of capital required together with the relative proportions of debt and equity to be deployed. The Company does not presently utilize any quantitative measures to monitor its capital.

The terms and conditions of the EBRD Loan agreements do not prohibit the payment of dividends in Ukraine or Tunisia as long as the Company is in compliance with the financial and non-financial covenants in the agreements. In 2014, certain restrictions were waived allowing for a higher portion of Ukraine earnings to be paid to the Company as a dividend or as a repayment of existing loans. Since September 2014, National Bank of Ukraine has prohibited several types of foreign exchange transactions, including the ability of KUB-Gas to pay dividends to shareholders. As a result, dividends declared but not paid have been held as restricted cash. No dividends have been paid from Tunisia in 2015 (2014 – nil). For compliance with covenants see Long-term debt Note 11.

19. Contractual obligations and commitments

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

	Within 1 Year	2-3 Years	4-5 Years	+5 Years	Total
Office Rental	$ 575	$ 836	$ 801	$ -	$ 2,212
EBRD loan-Ukraine (i)	634	-	-	-	634
EBRD loan-Tunisia (i)(ii)	11,134	6,667	3,788	22,033	43,622
EBRD loan-Romania (i)(ii)	11,526	-	-	-	11,526
Total contractual obligations	$ 23,869	$ 7,503	$ 4,589	$ 22,033	$ 57,994

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

(ii) The current amounts for Tunisia and Romania are net of the prepayments made from the proceeds of the sale of Ukraine of $7.6 million and $11.6 million respectively.

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

Ukraine

Ukraine is presented as a discontinued operation and held for sale as at December 31, 2015.

Due to the sale of 100% of Serinus' interest in Ukraine all contractual obligations and commitments have transferred to the new owner.

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 December 31, 2015 cumulative liquid hydrocarbon sales net of royalties and shrinkage was 5.1 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

A 3 year extension to the exploration period of the 2,949 square kilometer onshore Satu Mare Concession ("Satu Mare") in northwest Romania was approved by the National Agency for Mineral Resources ("NAMR") and will become effective once it has been approved by certain government ministries and gazetted. The work obligations pursuant to the extension include the drilling of two wells, and, at the Company's option, either the acquisition of 120 km2 of new 3D seismic data or to drill a third well. The two firm wells must be drilled to minimum depths of 1,500 and 2,000 metres respectively, and if so elected, the third well to a depth of 2,500 metres.

Office Space

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

20. Personnel expenses

(a) The aggregate payroll expense of employees and executive management of Serinus and all its subsidiaries, including 100% of personnel costs in Ukraine, was:

	Year ended December 31, 2015	Year ended December 31, 2014
Wages, salaries and benefits	$ 13,208	$ 15,754
Bonus	255	1,213
Stock based compensation (i)	775	2,897
Total remuneration	$ 14,238	$ 19,864

(i) Represents the amortization of stock based compensation associated with options granted in the consolidated financial statements.

(b) Compensation of key management personnel includes Serinus' Board of Directors and members of the Executive Leadership Team (President & CEO, CFO, Executive Vice President & COO, Vice President Operations & Engineering, Vice President Exploration, Vice President Investor Relations & Managing Director CEE and General Counsel, Vice President Legal and Corporate Secretary). Key management personnel compensation consists of the following:

	Year ended December 31, 2015	Year ended December 31, 2014
Wages, salaries and benefits	$ 4,136	$ 3,182
Bonus	-	1,213
Stock based compensation (i)	712	2,287
Total remuneration	$ 4,848	$ 6,682

(i) Represents the amortization of stock based compensation associated with options granted as recorded in the consolidated financial statements.
(ii) Wages, salaries and benefits includes $1.2 million of termination/retirement payments.

21. 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 year ended December 31, 2015, the fees totalled $0.7 million (2014: $0.7 million). At December 31, 2015, $11 thousand was due 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 year ended December 31, 2015, these fees totalled $9 thousand (2014: $12 thousand). At December 31, 2015, Loon Energy owed $nil (December 31, 2014: $nil) to Serinus for these services.

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

As part of the Serinus plan of arrangement to spin-off its Colombian and Peruvian assets to Loon Energy in 2008, Loon Energy and Serinus entered into an indemnification agreement in which Loon Energy agreed to indemnify Serinus for any and all liabilities, claims, etc. associated with the share and asset transfers that were part of the spin-off of those assets. Both companies are in process of wind-up and management expects the exposure under the guarantee to end in 2016.

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

22. Segmented information

The Company's reportable segments are organized by geographical areas and consist of Romania, Tunisia, Ukraine and Corporate (including Brunei).

	Romania	Tunisia	Ukraine (Discontinued)	Corporate	Total
As at December 31, 2015					
Total Assets	$ 18,774	$ 103,289	$ 58,780	$ 4,344	$ 185,187

	Romania	Tunisia	Ukraine	Corporate	Total
For the year ended December 31, 2015					
Oil and gas revenue, net of royalties	$ -	$ 22,986	$ 27,285	$ -	$ 50,271
Operating expenses:					
Production expenses	-	(12,718)	(8,539)	(248)	(21,505)
General and administrative	-	(120)	(46)	(6,864)	(7,030)
Transaction costs	-	-	-	(304)	(304)
Stock based compensation	-	-	-	(775)	(775)
Gain (loss) on disposition of assets	-	5	(82)	(16)	(93)
Depletion and depreciation	(5)	(8,190)	(10,346)	(206)	(18,747)
Asset impairment	-	(51,390)	(3,303)	-	(54,693)
Finance income/(expense)					
Interest and other income	92	-	2,312	(1,590)	814
Unrealized loss on investments	-	-	-	(50)	(50)
Interest expense and accretion	(474)	(3,043)	(510)	(1,245)	(5,272)
Foreign exchange gain (loss)	680	(99)	(1,104)	(2,346)	(2,869)
Earnings (loss) before tax	$ 293	$ (52,569)	$ 5,667	$ (13,644)	$ (60,253)
Current tax expense	-	(32)	(2,808)	-	(2,840)
Deferred tax recovery	-	13,802	1,493	-	15,295
Net Earnings (loss)	$ 293	$ (38,799)	$ 4,352	$ (13,644)	$ (47,798)
Capital expenditures	$ 4,785	$ 8,430	$ 5,552	$ 18	$ 18,785

	Romania	Tunisia	Ukraine (Discontinued)	Corporate	Total
As at December 31, 2014					
Total Assets	$ 14,340	$ 154,340	$ 83,195	$ 7,592	$ 259,467

	Romania	Tunisia	Ukraine	Corporate	Total
For the year ended December 31, 2014					
Oil and gas revenue, net of royalties	$ -	$ 39,065	$ 76,655	$ -	$ 115,720
Operating expenses:					
Production expenses	-	(13,538)	(13,428)	(240)	(27,206)
General and administrative	-	-	(88)	(10,398)	(10,486)
Transaction costs	-	-	-	(1,533)	(1,533)
Stock based compensation	-	-	-	(2,897)	(2,897)
Gain (loss) on disposition of assets	-	-	(152)	986	834
Depletion and depreciation	(6)	(12,790)	(16,805)	(146)	(29,747)
Asset impairment	-	(49,333)	(5,593)	-	(54,926)
Finance income/(expense)					
Interest and other income	-	4	1,270	1,085	2,359
Unrealized loss on investments	-	-	-	(30)	(30)
Interest expense and accretion	(45)	(1,674)	(2,112)	(1,871)	(5,702)
Foreign exchange loss	(721)	(606)	(6,707)	(968)	(9,002)
Earnings (loss) before tax	$ (772)	$ (38,872)	$ 33,040	$ (16,012)	$ (22,616)
Current tax expense	-	(35)	(9,368)	(39)	(9,442)
Deferred tax recovery/(expense)	-	9,967	(1,870)	-	8,097
Net Earnings (loss)	$ (772)	$ (28,940)	$ 21,802	$ (16,051)	$ (23,961)
Capital expenditures	$ 12,312	$ 36,651	$ 18,322	$ 1,165	$ 68,450