



**SERINUS ENERGY INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
AS AT AND FOR THE YEARS ENDED December 31, 2016 AND 2015  
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 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" Jeffrey Auld

Jeffrey Auld  
Chief Executive Officer

"Signed" Tracy Heck

Tracy Heck, CA  
Chief Financial Officer

March 16, 2017



KPMG LLP  
205 5th Avenue SW  
Suite 3100  
Calgary AB T2P 4B9  
Telephone (403) 691-8000  
Fax (403) 691-8008  
www.kpmg.ca

## 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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 3 in the consolidated financial statements which indicates Serinus Energy Inc. projects that it will be in violation of certain debt covenants during fiscal year 2017, 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, 2017

Calgary, Canada

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

|  |             | December 31,<br>2016 | December 31,<br>2015 |
|--|-------------|----------------------|----------------------|
| <b>Assets</b>                                |             |                      |                      |
| Current                                      |             |                      |                      |
| Cash and cash equivalents                    |             | \$ 4,297             | \$ 6,594             |
| Accounts receivable                          |             | 1,358                | 2,795                |
| Income taxes receivable                      |             | 2,581                | 2,971                |
| Prepays and other                            |             | 209                  | 428                  |
| Commodity inventory                          | (Note 7)    | 1,194                | -                    |
| Restricted cash                              | (Note 8)    | 1,089                | 1,346                |
| Assets held for sale                         | (Note 6)    | -                    | 58,780               |
| Total current assets                         |             | <u>10,728</u>        | <u>72,914</u>        |
| Investment                                   | (Note 9)    | 67                   | 75                   |
| Property, plant and equipment                | (Note 10)   | 73,770               | 93,677               |
| Exploration and evaluation                   | (Note 11)   | 20,271               | 18,521               |
| Total Assets                                 |             | <u>\$ 104,836</u>    | <u>\$ 185,187</u>    |
| <b>Liabilities</b>                           |             |                      |                      |
| Current                                      |             |                      |                      |
| Accounts payable and accrued liabilities     |             | \$ 15,693            | \$ 16,494            |
| Current portion of long-term debt            | (Note 13)   | 30,699               | 54,070               |
| Asset retirement obligation                  | (Note 14)   | 2,811                | 3,209                |
| Liabilities held for sale                    | (Note 6)    | -                    | 10,384               |
| Total current liabilities                    |             | <u>49,203</u>        | <u>84,157</u>        |
| Asset retirement obligation                  | (Note 14)   | 37,425               | 36,446               |
| Other provisions                             | (Note 15)   | 1,148                | 1,148                |
| Deferred tax liability                       | (Note 16)   | 13,310               | 17,238               |
| Total liabilities                            |             | <u>101,086</u>       | <u>138,989</u>       |
| <b>Shareholders' Equity</b>                  |             |                      |                      |
| Share capital                                | (Note 17)   | \$ 344,479           | \$ 344,479           |
| Contributed surplus                          |             | 21,796               | 21,711               |
| Accumulated other comprehensive loss         | (Note 6)    | -                    | (32,585)             |
| Deficit                                      |             | <u>(362,525)</u>     | <u>(303,626)</u>     |
| Equity attributable to owners of the company |             | 3,750                | 29,979               |
| Non-controlling interest                     | (Note 6)    | -                    | 16,219               |
| Total shareholders' equity                   |             | <u>3,750</u>         | <u>46,198</u>        |
| Total liabilities and shareholders' equity   |             | <u>\$ 104,836</u>    | <u>\$ 185,187</u>    |
| Going concern                                | (Note 3(a)) |                      |                      |
| Commitments                                  | (Note 20)   |                      |                      |
| Subsequent event                             | (Note 2)    |                      |                      |

*"Signed"*

EVGENIJ IORICH, DIRECTOR, INTERIM CHAIR OF THE  
AUDIT COMMITTEE

*"Signed"*

JEFFREY AULD, 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, |             |
|--|-------------------|-------------------------|-------------|
|  |                   | 2016                    | 2015        |
| Oil and gas revenue  |                   | \$ 14,753               | \$ 25,975   |
| Change in oil inventory  |                   | 1,194                   | -           |
|  |                   | 15,947                  | 25,975      |
| Royalty expense  |                   | (1,972)                 | (2,989)     |
|  |                   | 13,975                  | 22,986      |
| Operating expenses   |                   |                         |             |
| Production expenses  |                   | (9,358)                 | (12,966)    |
| General and administrative   |                   | (8,320)                 | (6,984)     |
| Transaction costs  |                   | (97)                    | (304)       |
| Stock based compensation   | (Note 17(d))      | (85)                    | (775)       |
| Loss on disposition  |                   | -                       | (11)        |
| Depletion and depreciation   | (Note 10)         | (5,258)                 | (8,401)     |
| Asset impairment   | (Notes 10 and 12) | (16,754)                | (51,390)    |
| Total operating expenses   |                   | (39,872)                | (80,831)    |
| Finance income/(expenses)  |                   |                         |             |
| Interest and other income  |                   | 10                      | (1,498)     |
| Unrealized loss on investments   | (Note 9)          | (8)                     | (50)        |
| Interest expense and accretion   |                   | (4,265)                 | (4,762)     |
| Foreign exchange loss  | (Note 18)         | (717)                   | (1,765)     |
| Total finance expenses   |                   | (4,980)                 | (8,075)     |
| Loss before tax  |                   | (30,877)                | (65,920)    |
| Current tax expense  | (Note 16)         | (1)                     | (32)        |
| Deferred tax recovery  | (Note 16)         | 3,357                   | 13,802      |
| Net loss from continuing operations                                    |                   | (27,521)                | (52,150)    |
| Net earnings/(loss) from discontinued operations (net of tax)          | (Note 6)          | (30,657)                | 4,352       |
| Net loss   |                   | (58,178)                | (47,798)    |
| Other comprehensive loss   |                   |                         |             |
| Items that may be reclassified to profit or loss                       |                   |                         |             |
| Foreign currency translation loss from discontinued foreign operations | (Note 6)          | (2,290)                 | (12,057)    |
| Total comprehensive loss   |                   | \$ (60,468)             | \$ (59,855) |
| Earnings (loss) attributable to:                                       |                   |                         |             |
| Common shareholders  |                   | (58,899)                | (49,104)    |
| Non-controlling interest   | (Note 6)          | 721                     | 1,306       |
| Net loss for the year  |                   | \$ (58,178)             | \$ (47,798) |
| Earnings (loss) per share attributable to common shareholders          |                   |                         |             |
| Continuing operations - basic and diluted                              | (Note 17(b))      | \$ (0.35)               | \$ (0.66)   |
| Discontinued operations - basic and diluted                            | (Note 17(b))      | \$ (0.40)               | \$ 0.04     |
| Total comprehensive loss attributed to:                                |                   |                         |             |
| Common shareholders  |                   | (60,502)                | (57,544)    |
| Non-controlling interest   |                   | 34                      | (2,311)     |
| Total comprehensive loss for the year                                  |                   | \$ (60,468)             | \$ (59,855) |

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

|   | Year ended December 31,  |             |
|---|--------------------------|-------------|
|   | 2016                     | 2015        |
| Net loss  | \$ (58,178)              | \$ (47,798) |
| Items not involving cash:   |                          |             |
| Depletion and depreciation  | (Notes 6 and 10) 5,857   | 18,747      |
| Impairment of assets  | (Notes 10 and 12) 16,754 | 54,693      |
| Loss on disposition   | (Note 6) 33,040          | 93          |
| Accretion on asset retirement obligation  | (Note 14) 777            | 610         |
| Stock based compensation  | (Note 17(d)) 85          | 775         |
| Expenditures on decommissioning liabilities   | (Note 14) (407)          | -           |
| Unrealized loss on investments  | (Note 9) 8               | 50          |
| Unrealized foreign exchange loss  | (Note 18) 378            | 1,106       |
| Deferred income tax recovery  | (Note 16) (3,357)        | (15,295)    |
| Interest and other income   | (88)                     | (814)       |
| Interest expense  | 3,491                    | 4,662       |
| Funds from operations   | (1,640)                  | 16,829      |
| Changes in non-cash working capital   | 205                      | (4,247)     |
|   | (1,435)                  | 12,582      |
| Financing:  |                          |             |
| Issuance of long-term debt  | (Note 13) -              | 21,280      |
| Repayment of long-term debt   | (Note 13) (26,061)       | (5,557)     |
| Debt issuance costs   | (Note 13) (22)           | (439)       |
| Dividends paid to non-controlling interest  | -                        | (712)       |
| Interest received   | -                        | 396         |
| Interest paid   | (1,413)                  | (2,790)     |
| Changes in non-cash working capital related to financing                                    | 88                       | 659         |
|   | (27,408)                 | 12,837      |
| Investing:  |                          |             |
| Property and equipment expenditures   | (Note 10) (1,914)        | (13,275)    |
| Restricted cash movement  | (Note 8) 287             | 2,757       |
| Exploration and evaluation expenditures   | (Note 11) (1,737)        | (5,510)     |
| Proceeds on disposal of discontinued operation (net of transaction costs and cash disposed) | (Note 6) 27,843          | -           |
| Changes in non-cash working capital related to investing                                    | (2,802)                  | (8,590)     |
|   | 21,677                   | (24,618)    |
| Effect of exchange rate changes on cash   | (354)                    | (80)        |
| Change in cash  | (7,520)                  | 721         |
| Cash and cash equivalents, beginning of year  | 11,817                   | 11,096      |
| Cash and cash equivalents, end of year  | \$ 4,297                 | \$ 11,817   |
| Supplemental cash flow information  |                          |             |
| Cash taxes paid   | \$ -                     | \$ (3,976)  |

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

|  | Common Shares       |            | Contributed<br>surplus | Cumulative<br>translation<br>adjustment | Non-controlling<br>interest | Deficit      | Total    |
|--|---------------------|------------|------------------------|---|-----------------------------|--------------|----------|
|  | Number of<br>shares | Amount     |                        |   |                             |              |          |
| 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<br>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   |
| Stock-based compensation   | -                   | -          | 85                     | -                                       | -                           | -            | 85       |
| Foreign currency translation adjustment on<br>foreign operations | -                   | -          | -                      | (1,603)                                 | (687)                       | -            | (2,290)  |
| Disposition of subsidiary (Note 6)                               | -                   | -          | -                      | 34,188                                  | (16,253)                    | -            | 17,935   |
| Net earnings (loss)  | -                   | -          | -                      | -                                       | 721                         | (58,899)     | (58,178) |
| Balances, December 31, 2016                                      | 78,629,941          | \$ 344,479 | \$ 21,796              | -                                       | -                           | \$ (362,525) | 3,750    |



**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

**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, 2016 and 2015. Serinus is principally engaged in the exploration for and development of oil and gas properties in 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 held a 100% interest in KUB-Gas LLC (“KUB-Gas”), a Ukrainian company, representing all of Serinus’ interests and operations in Ukraine. On February 8, 2016, Serinus announced the closing of that sale. Upon close, Serinus received total cash consideration of \$33.2 million including all working capital and inter-company adjustments. The Ukraine segment was presented as held for sale as at December 31, 2015 and as a discontinued operation for the years ended December 31, 2016 and 2015 (see Note 6).

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”) held a 50.8% investment in Serinus as of December 31, 2016 and subsequently increased their ownership to 52.18% as at the date of issuing this report.

**(a) Basis of consolidation**

Serinus has three direct wholly-owned subsidiaries, Serinus Holdings Limited (“Serinus Holdings”), Serinus Petroleum Consultants Limited (“Serinus Petroleum”), 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 held 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.

Through Winstar, Serinus has one wholly owned subsidiary Winstar B.V., which in turn owns 100% of Winstar Tunisia B.V. (“Winstar Tunisia”), and 99.9995% of Winstar Satu Mare S.A. (“Winstar Romania”). Winstar Tunisia owns the remaining 0.0005% of Winstar Romania.

**2. Equity Financing**

Subsequent to year end, on February 24, 2017, the Company issued 72 million common shares of the Company at CAD\$0.35 per share for aggregate gross proceeds of CAD\$25.2 million (net CAD\$24.3 million, after agents fees of CAD\$0.9 million).

**3. 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, 2016, the Company was not in compliance with the annual consolidated financial debt to EBITDA covenant on its debt held with the European Bank for Reconstruction and Development (“EBRD”). Subsequent to December 31, 2016, EBRD has formally waived compliance with this ratio for the year ended December 31, 2016. 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 as a result of this breach. However, given the covenant was breached as at

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

December 31, 2016, Serinus has reclassified its long-term debt to current in the financial statements, as required under accounting standards.

As at December 31, 2016, the Company had a working capital deficiency of \$38.5 million, due to the reclassification of all debt as current, and negative cash flows from operations of \$1.4 million for the year ended December 31, 2016 (2015: working capital of \$11.2 and cash flows from operations of \$12.6 million).

Internally prepared forecasts indicate that the Company is likely to continue to breach certain of its financial covenants in future reporting periods during 2017, 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.

These consolidated 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, 2017.

**(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 U.S. dollars, which is the functional currency of the Company and its subsidiaries.

**(e) Recent accounting pronouncements**

For the year ended December 31, 2016, Serinus adopted the IASB issued amendments to IAS 1, “Presentation of Financial Statements”. The amendments had minimal impact on the consolidated financial statements.

Serinus has not yet adopted certain standards and interpretations that have been issued but are not yet effective. Below is a brief description of 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.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue, and related interpretations. The new standard requires revenue to be recognized upon the transfer of goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The standard requires consideration of the following five steps: (1) identify the contract, (2) identify the performance obligations of the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when the entity fulfills a performance obligation. The new standard is to be applied either retrospectively or on a modified retrospective basis and is effective for the annual period commencing September 1, 2018. The Company has identified all existing customer contracts that are within the scope of the new guidance and has begun to analyze individual contracts to identify the impact on revenues as a result of implementing the new standard. As the Company is currently evaluating the impact of this standard, it has not yet determined the effect on its consolidated financial statements.

In July 2014, the IASB issued the complete IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments Recognition and Measurement. The new standard clarifies the requirements for the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and updated hedge accounting. The standard is required to be applied retrospectively for the annual period commencing

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

September 1, 2018. The Company is currently evaluating the impact of this standard, it has not yet determined the effect on its consolidated financial statements.

In January 2016, the IASB issued IFRS 16 Leases which replaces the existing leasing standard (IAS 17 Leases). The new standard requires entities to recognize lease assets and lease obligations on the Consolidated Statement of Financial Position. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value are exempt from the requirements and may continue to be treated as operating leases. The standard may be applied retroactively or using a modified retrospective approach for annual periods commencing January 1, 2019, with early adoption permitted if IFRS 15 Revenue from Contracts with Customers has been adopted. The Company is evaluating existing lease agreements that are within the scope of the new guidance and has begun to analyze the impact of this standard. As the Company is currently evaluating the impact of this standard, it has not yet determined the effect on its consolidated financial statements.

**4. 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.

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

(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 used the Ukrainian Hryvnia as its functional currency up until the date of disposition (see Note 6). The assets and liabilities of the foreign operation that does not have a functional currency of U.S. dollars, KUB Gas, are translated into U.S. dollars at exchange rates at the balance sheet date. Revenues and expenses of foreign operations are translated into U.S. dollars using foreign exchange rates that approximate those on the date of the underlying transaction. Foreign exchange differences until the date of disposition were 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 change in oil inventory, while overlifts are recorded as deferred revenue at market value with a corresponding decrease to change in oil inventory.

Prices for crude oil and natural gas 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

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

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 comprised of oil produced and held at the end of the year (“commodity inventory”). In the second quarter of 2016, the Company entered into a marketing agreement with Shell International Trading and Shipping Company Limited (“Shell”) for the sale of its Tunisian oil production. The terms of this agreement are such that crude oil accumulates in storage until lifting and prepayments of cash are received monthly for a proportion of this accumulated crude oil. As the crude oil accumulates, the Company records inventory at its net realizable value and the change in inventory is recorded in the income statement as Change in oil inventory. The cash prepayments that are received monthly from Shell are presented on the balance sheet as Advances for crude oil sales. Once the crude oil is physically lifted onto tankers and title passes, the Inventory and Advances are reversed and an Accounts Receivable is set up for the remaining amount due from Shell, and the Change in oil inventory in the income statement is reclassified as Revenue.

Materials and supplies are valued at the lower of cost and net realizable value and is reported in Property, plant & equipment.

**(j) Financial instruments**

Non-derivative financial instruments include cash and cash equivalents, restricted cash and investments, 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

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

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 were held for sale (see Note 6).

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.

**(I) 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.

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

(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 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.

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

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.

**5. 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, 2016 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



**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

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 and terms of concession agreements. 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.

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

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.

**6. Disposition of Ukraine**

On February 8, 2016, Serinus completed the sale of its 70% ownership interests in Ukraine for total cash consideration of \$33.2 million including working capital and inter-company adjustments.

Net proceeds of the sale have been used to repay outstanding indebtedness of \$11.2 million of long term debt plus \$0.4 million of accrued interest under the Romanian funding with EBRD, and \$7.4 million of long term debt plus \$0.2 million of accrued interest under the Tunisia funding with EBRD.

The Ukraine segment was presented as held for sale as at December 31, 2015 and as a discontinued operation until its sale. The net loss from discontinued operations comprises the results of operations until the date of close of the transaction plus the loss resulting from disposition of the Ukraine segment.

|  | Years ended December 31, |           |
|--|--------------------------|-----------|
|  | 2016                     | 2015      |
| <i>Net earnings from discontinued operations</i> |                          |           |
| Oil and gas revenue                              | \$ 5,416                 | \$ 61,986 |
| Royalty expense                                  | (1,492)                  | (34,701)  |
| Oil and gas revenue, net of royalties            | 3,924                    | 27,285    |
| Operating expenses:                              |                          |           |
| Production expenses                              | (396)                    | (8,539)   |
| General and administrative                       | (3)                      | (46)      |
| Depletion and depreciation                       | (599)                    | (10,346)  |
| Loss on disposition                              | -                        | (82)      |
| Asset impairment                                 | -                        | (3,303)   |
| Finance income/(expense)                         |                          |           |
| Interest and other                               | 78                       | 2,312     |
| Interest expense and accretion                   | (3)                      | (510)     |
| Foreign exchange loss                            | (105)                    | (1,104)   |
| Earnings before tax                              | 2,896                    | 5,667     |
| Current tax expense                              | (513)                    | (2,808)   |
| Deferred tax recovery/(expense)                  | -                        | 1,493     |
| Net earnings from discontinued operations        | \$ 2,383                 | \$ 4,352  |
| Loss on disposal (net of transaction costs)      | (33,040)                 | -         |
| Loss for the years ended                         | \$ (30,657)              | \$ 4,352  |

Other comprehensive loss from foreign currency translation loss of \$2.3 million from foreign operations is attributable entirely to the Ukraine segment.

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

|   | Years ended December 31, |            |
|---|--------------------------|------------|
|   | 2016                     | 2015       |
| <i>Cash flows from discontinued operations</i>              |                          |            |
| Net cash from operating activities                          | \$ 869                   | \$ 7,546   |
| Net cash used in investing activities                       | (5,403)                  | (2,307)    |
| Net cash used in financing activities                       | (557)                    | (621)      |
| Effect of exchange rate changes on cash                     | (132)                    | (216)      |
| Change in cash  | (5,223)                  | 4,402      |
| Cash and cash equivalents, beginning of year                | 5,223                    | 821        |
| Cash and cash equivalents, end of year                      | \$ -                     | \$ 5,223   |
| Supplemental cash flow information:                         |                          |            |
| Cash taxes paid   | \$ -                     | \$ (3,976) |
| Dividends paid to non-controlling interests during the year | \$ -                     | \$ (712)   |

|  | 2016        |
|--|-------------|
| <i>Effect of disposal on the financial position of the Company</i> |             |
| Cash and cash equivalents  | \$ (4,921)  |
| Accounts receivable  | (4,403)     |
| Income tax receivable  | (1,739)     |
| Prepays and other  | (704)       |
| Crude oil inventory  | (1,921)     |
| Restricted cash  | (2,437)     |
| Property, plant and equipment                                      | (37,727)    |
| Exploration and evaluation   | (4,402)     |
| Accounts payable and accrued liabilities                           | 6,647       |
| Current tax payable  | 329         |
| Deferred tax liability   | 3,168       |
| Asset retirement obligation  | 243         |
| Net assets and liabilities   | \$ (47,867) |
| Consideration received in cash                                     | \$ 33,244   |
| Transaction costs  | (482)       |
| Non-controlling interest   | 16,253      |
| Accumulated other comprehensive loss                               | (34,188)    |
| Loss on disposal   | \$ (33,040) |
| Proceeds net of transaction costs                                  | \$ 32,764   |
| Cash disposed  | (4,921)     |
| Net cash inflow  | \$ 27,843   |

**7. Commodity inventory**

|                               | As at December 31, |          |
|-------------------------------|--------------------|----------|
|                               | 2016               | 2015     |
| Balance, beginning of year    | \$ -               | \$ -     |
| Crude oil inventory additions | 13,143             | 20,331   |
| Oil lifting                   | (11,949)           | (20,331) |
| Balance, end of year          | \$ 1,194           | \$ -     |

Commodity inventory represents crude oil produced and stored awaiting lifting. In the second quarter, 2016 the Company entered into a marketing agreement with Shell International Trading and Shipping Company Limited (“Shell”) for the sale of its Tunisian oil production. The terms of this agreement are such that crude oil accumulates in storage until lifting and prepayments of cash are received monthly for a proportion of this accumulated crude oil. As the crude oil accumulates, the Company records inventory at its net realizable value and the change in inventory is recorded in the

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

income statement as Change in oil inventory. The cash prepayments that are received monthly from Shell are presented on the balance sheet as Advances for crude oil sales. Once the crude oil is physically lifted onto tankers and title passes, the Inventory and Advances are reversed and an Accounts Receivable is set up for the remaining amount due from Shell, and the Change in oil inventory in the income statement is reclassified as Revenue. As at December 31, 2016 there were \$nil advances for crude oil sales (2015: \$nil).

**8. Restricted cash**

The Company has cash on deposit with the Alberta Energy Regulator of \$1.1 million, as required to meet future abandonment obligations existing on certain oil and gas properties in Canada (December 31, 2015: \$1.3 million). The fair value of restricted cash approximates the carrying value.

**9. 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, 2016 was \$67 thousand (December 31, 2015 - \$75 thousand).

**10. Property, plant and equipment**

Future development costs associated with the proved plus probable reserves of \$50.3 million (2015 - \$49.4 million) were included in the depletion calculation.

|  | Oil and gas<br>interests | Other      | Total        |
|--|--------------------------|------------|--------------|
| <b>Cost or deemed cost:</b>                                    |                          |            |              |
| Balance at December 31, 2014                                   | \$ 299,027               | \$ 22,310  | \$ 321,337   |
| Additions  | 11,277                   | 1,998      | 13,275       |
| Change in decommissioning liabilities (Note 14)                | 8,202                    | -          | 8,202        |
| Dispositions   | (1)                      | (370)      | (371)        |
| Transfer from exploration and evaluation                       | 524                      | -          | 524          |
| Reclassification - asset held for sale <sup>(i)</sup> (Note 6) | (83,920)                 | (15,104)   | (99,024)     |
| Foreign currency translation adjustment                        | (15,795)                 | (6,231)    | (22,026)     |
| Balance at December 31, 2015                                   | \$ 219,314               | \$ 2,603   | \$ 221,917   |
| Additions  | 1,899                    | 15         | 1,914        |
| Change in decommissioning liabilities (Note 14)                | 191                      | -          | 191          |
| Dispositions   | -                        | (91)       | (91)         |
| Balance at December 31, 2016                                   | \$ 221,404               | \$ 2,527   | \$ 223,931   |
| <b>Accumulated depletion and depreciation:</b>                 |                          |            |              |
| Balance at December 31, 2014                                   | \$ (118,162)             | \$ (6,213) | \$ (124,375) |
| Depletion and depreciation                                     | (17,214)                 | (1,721)    | (18,935)     |
| Depreciation capitalized                                       | 188                      | -          | 188          |
| Dispositions   | 1                        | 39         | 40           |
| Impairment   | (54,693)                 | -          | (54,693)     |
| Reclassification - asset held for sale <sup>(i)</sup> (Note 6) | 54,622                   | 4,938      | 59,560       |
| Foreign currency translation adjustment                        | 8,314                    | 1,661      | 9,975        |
| Balance at December 31, 2015                                   | \$ (126,944)             | \$ (1,296) | \$ (128,240) |
| Depletion and depreciation                                     | (4,956)                  | (302)      | (5,258)      |
| Dispositions   | -                        | 91         | 91           |
| Impairment   | (16,754)                 | -          | (16,754)     |
| Balance at December 31, 2016                                   | \$ (148,654)             | \$ (1,507) | \$ (150,161) |
| <b>Net book value:</b>   |                          |            |              |
| Balance at December 31, 2015                                   | \$ 92,370                | \$ 1,307   | \$ 93,677    |
| Balance at December 31, 2016                                   | \$ 72,750                | \$ 1,020   | \$ 73,770    |

<sup>(i)</sup> Property, plant and equipment located in Ukraine have been reclassified as assets held for sale as at December 31, 2015 (Note 6).

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

**11. Exploration and evaluation assets**

|  | As at December 31, |                  |
|--|--------------------|------------------|
|  | 2016               | 2015             |
| Carrying amount, beginning of the year                         | \$ 18,521          | \$ 19,323        |
| Additions  | 1,737              | 5,510            |
| Change in decommissioning liabilities (Note 14)                | 13                 | 427              |
| Transfer to property, plant & equipment                        | -                  | (524)            |
| Reclassification - asset held for sale <sup>(i)</sup> (Note 6) | -                  | (4,742)          |
| Foreign currency translation adjustment                        | -                  | (1,473)          |
| Carrying amount, end of the year                               | <u>\$ 20,271</u>   | <u>\$ 18,521</u> |

(i) E&E assets located in Ukraine were transferred to asset held for sale as at December 31, 2015 (Note 6).

E&E assets consist of the Company's exploration project in Romania which are pending the determination of proved or probable reserves.

**12. Impairment**

As a result of negative technical reserve revisions and sustained low oil and natural gas prices, the Company performed impairment tests on its Tunisian cash generating units ("CGU") at December 31, 2016 using a fair value less costs to sell methodology. The following summarizes the recoverable amount and total 2016 impairment for each Tunisian CGU that was impaired:

|                  | Recoverable Amount <sup>(i)</sup> | Impairment Recorded |
|------------------|-----------------------------------|---------------------|
| Sabria           | \$ 42,326                         | \$ 3,691            |
| Chouech Es Saida | 30,424                            | 5,575               |
| Ech Chouech      | -                                 | 7,456               |
| Sanrhar          | -                                 | 4                   |
| Zinnia           | -                                 | 28                  |
|                  | <u>\$ 72,750</u>                  | <u>\$ 16,754</u>    |

(i) Represents the net book value of oil gas assets as at December 31, 2016.

The fair value was based on: 2016 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):

| Year      | Oil (US\$/bbl) | Gas (US\$/mcf) |                       |
|-----------|----------------|----------------|-----------------------|
|           | All fields     | Sabria         | Chouech / Ech Chouech |
| 2017      | 54.82          | 5.84           | 6.15                  |
| 2018      | 60.30          | 6.42           | 6.77                  |
| 2019      | 62.64          | 6.67           | 7.03                  |
| 2020      | 65.44          | 6.96           | 7.34                  |
| 2021      | 69.54          | 7.40           | 7.80                  |
| 2022      | 75.64          | 8.05           | 8.48                  |
| 2023      | 79.04          | 8.41           | 8.86                  |
| 2024      | 82.74          | 8.80           | 9.27                  |
| 2025      | 87.71          | 9.33           | 9.83                  |
| 2026      | 89.43          | 9.51           | 10.03                 |
| 2027      | 91.22          | 9.70           | 10.23                 |
| 2028      | 93.05          | 9.90           | 10.43                 |
| 2029      | 94.92          | 10.10          | 10.64                 |
| 2030      | 96.82          | 10.30          | 10.85                 |
| 2031      | 98.78          | 10.50          | 11.07                 |
| Remaining | <u>122.69</u>  | <u>13.10</u>   | <u>13.70</u>          |

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

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           | \$        | 1,064        |
| Chouech Es Saida |           | 243          |
| Ech Chouech      |           | -            |
| Sanrhar          |           | -            |
| Zinnia           |           | -            |
|                  | <u>\$</u> | <u>1,307</u> |

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

|                  |           |               |
|------------------|-----------|---------------|
| Sabria           | \$        | 10,192        |
| Chouech Es Saida |           | 4,122         |
| Ech Chouech      |           | -             |
| Sanrhar          |           | -             |
| Zinnia           |           | -             |
|                  | <u>\$</u> | <u>14,314</u> |

In 2015, 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 \$51.4 million was recognized in 2015 under Asset impairment and charged against Property, plant and equipment. 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):

| Year      | Oil (US\$/bbl) |        | Gas (US\$/mcf)        |  |
|-----------|----------------|--------|-----------------------|--|
|           | 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                 |  |

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

**13. Long-term debt**

|                                   | As at December 31, |           |
|-----------------------------------|--------------------|-----------|
|                                   | 2016               | 2015      |
| Current portion of long-term debt |                    |           |
| Tunisia funding (a)               | \$ 30,699          | \$ 42,917 |
| Romania funding (b)               | -                  | 11,153    |
| Total Debt                        | \$ 30,699          | \$ 54,070 |

**(a) 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 \$40 million and was available in two tranches of \$20 million each. Upon finalization of the Romania funding in the first quarter of 2015, the second tranche was reduced from \$20 million to \$8.72 million. The Convertible Loan is in the amount of \$20 million and can be converted into common shares of the Company.

Both loans have a term of seven years and were 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.

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, 2016, the Company was not in compliance with the consolidated financial debt to EBITDA ratio covenant (December 31, 2015: the Company was not in compliance with the debt to EBITDA covenant at the Tunisia level), resulting in the reclassification of all debt as current as required under accounting standards.

**Senior Loan**

|                                   | As at December 31, |           |
|-----------------------------------|--------------------|-----------|
|                                   | 2016               | 2015      |
| Current portion of long-term debt | \$ 6,799           | \$ 21,059 |

Senior Loan interest is payable semi-annually at a variable rate equal to LIBOR plus 6%. At the Company's option, the interest rate may be fixed at the sum of 6% and the forward rate available to EBRD on the interest rate swap market. The Company had locked in the interest rate on the \$20.0 million Senior Loan at a rate of 6.9% for a two-year period from September 30, 2014 to September 30, 2016 at which time it reverted back to LIBOR plus 6%.

The Senior Loan is repayable in twelve equal semi-annual installments with the first repayment made on March 31, 2015. Subsequent repayments, on March 31 and September 30 of each year, have followed the repayment schedule. In the first quarter of 2016, \$7.6 million, including interest, of the Senior Loan was repaid using the proceeds from the sale of Ukraine, and a \$1.7 million scheduled semi-annual installment was paid. The additional repayment resulted in Tranche 2 of the Senior Loan being fully repaid. In the third quarter of 2016, a scheduled semi-annual installment of \$1.7 million was made.

The Company must 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. In the second quarter of 2016, a repayment was made under this provision of the loan agreement, relating to excess cash generated in 2015, for \$3.4 million.

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

As at December 31, 2016, \$7.1 million of principal was outstanding (December 31, 2015: Principal outstanding of \$20.0 million from Tranche 1, \$5.0 million from Tranche 2).

***Convertible Loan***

|                                   | As at December 31, |           |
|-----------------------------------|--------------------|-----------|
|                                   | 2016               | 2015      |
| Current portion of long-term debt | \$ 23,900          | \$ 21,858 |

The Convertible Loan bears interest at a variable rate that is the LIBOR and a percentage calculated on the basis of incremental net revenues earned from the Tunisian assets, with a floor of 8% per annum and a ceiling of 17% per annum.

The Company can elect, subject to certain conditions, to convert all or any portion of the Convertible Loan principal and accrued interest outstanding for newly issued shares of the Company at the then current market price of the shares on the TSX or WSE, as required by the exchange rules. The EBRD can also at any time, and on multiple occasions elect to convert all or any portion of the Convertible Loan principal and accrued interest outstanding for newly issued shares of the Company at the then current market price of the shares on the TSX or WSE. Conditions to conversion include a requirement for substantially all of the Company's assets and operations to be located and carried out in the EBRD countries of operations.

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

As at December 31, 2016, the convertible loan principle amount of \$20.0 million has been fully drawn and is outstanding (December 31, 2015: \$20.0 million).

**(b) Romania funding**

|                                   | As at December 31, |           |
|-----------------------------------|--------------------|-----------|
|                                   | 2016               | 2015      |
| 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. In the first quarter of 2016, the full amount of the loan was repaid following close of the disposition of Ukraine and all security pledged under the loan agreement has been released (December 31, 2015: \$11.28 million debt and \$0.4 million transaction costs).



**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

**14. Asset retirement obligation**

|   | As at December 31 |                  |
|---|-------------------|------------------|
|   | 2016              | 2015             |
| Balance, beginning of year                              | \$ 39,655         | \$ 30,790        |
| Provisions for new wells                                | -                 | 427              |
| Changes in estimates                                    | 213               | 8,202            |
| Abandoned wells   | (407)             | -                |
| Accretion   | 775               | 610              |
| Translation adjustment                                  | -                 | (111)            |
| Transferred to liabilities held for sale <sup>(i)</sup> | -                 | (263)            |
| Balance, end of year                                    | <u>\$ 40,236</u>  | <u>\$ 39,655</u> |
| Due within one year                                     | \$ 2,811          | \$ 3,209         |
| Long term liability                                     | <u>37,425</u>     | <u>36,446</u>    |
| Total   | <u>\$ 40,236</u>  | <u>\$ 39,655</u> |

(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, Brunei, Romania, 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 \$2.8 million. These obligations are reported as current liabilities because they relate to non-producing properties or expired production sharing contracts.

The asset retirement obligation for Tunisia is estimated to be \$36.9 million (December 31, 2015 - \$36.0 million), and \$0.5 million for Romania (December 31, 2015 - \$0.5 million). The Tunisia asset retirement obligation was discounted using a risk free discount rate of approximately 2% (2015 - 2%), and the asset retirement obligation in Romania was discounted using a risk free interest rate of approximately 4% (2015 - 4%). These obligations are not expected to be settled within a year and are therefore reported as a long-term liability.

**15. Other provisions**

|                                    | As at December 31, |                 |
|------------------------------------|--------------------|-----------------|
|                                    | 2016               | 2015            |
| Balance, beginning and end of year | <u>\$ 1,148</u>    | <u>\$ 1,148</u> |

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.

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

**16. Income taxes**

Reconciliation of effective tax rate:

|   | As at December 31 |                    |
|---|-------------------|--------------------|
|   | 2016              | 2015               |
| Loss from continuing operations before income taxes | \$ (30,877)       | \$ (65,920)        |
| <i>Federal and provincial statutory rate</i>        | <i>27.0%</i>      | <i>26.0%</i>       |
| Expected income tax reduction                       | (8,337)           | (17,139)           |
| Non-deductible expenditures                         | 303               | 885                |
| Tax rate differences                                | 215               | (4,018)            |
| Net changes in tax attributes not recognized        | 4,463             | 6,502              |
| Income tax recovery                                 | <u>\$ (3,356)</u> | <u>\$ (13,770)</u> |

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

The blended corporate income tax rate effective during 2016 in Tunisia is approximately 50.0% (2015 - 45.2%). There was no income tax recognized directly in equity during 2016 and 2015.

Movement in deferred income tax balances:

|                                       | December 31,<br>2014 | Recovery/<br>(expense) | Recovery/(expense)<br>from discontinued<br>operations | Equity        | Discontinued<br>operations | December 31,<br>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         | <u>\$ (36,514)</u>   | <u>\$ 13,802</u>       | <u>\$ 1,493</u>                                       | <u>\$ 737</u> | <u>\$ 3,244</u>            | <u>\$ (17,238)</u>   |

|                                       | December 31,<br>2015 | Recovery/<br>(expense) | Other         | December 31,<br>2016 |
|---------------------------------------|----------------------|------------------------|---------------|----------------------|
| Property and equipment and E&E assets | \$ (29,935)          | \$ 10,285              | -             | \$ (19,650)          |
| Decommissioning provision             | 10,829               | (6,265)                | -             | 4,564                |
| Losses carried forward                | 1,756                | (1,298)                | -             | 458                  |
| Other                                 | 112                  | 635                    | 571           | 1,318                |
| Deferred income tax liability         | <u>\$ (17,238)</u>   | <u>\$ 3,357</u>        | <u>\$ 571</u> | <u>\$ (13,310)</u>   |

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:

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

|  | As at December 31 |            |
|--|-------------------|------------|
|  | 2016              | 2015       |
| Property and equipment and E&E assets        | \$ 8,845          | \$ 126,175 |
| Share issuance costs                         | 640               | 1,280      |
| Decommissioning provision                    | 8,351             | 4,053      |
| Non-capital losses carried forward and other | 89,806            | 91,709     |
|  | \$ 107,642        | \$ 223,217 |

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 \$57.1 million (2015 - \$49.3 million) that expire between 2028 and 2036, Cyprus tax losses of \$14.6 million (2015 - \$27.5 million) that expire between 2017 and 2022, Tunisian losses of \$5.7 million that expire in four years and \$6.5 million have no expiry date (2015 - \$5.8 and \$3.4 million respectively), and Romanian losses of \$7.7 million (2015 - \$5.7 million) that expire after seven years.

The Company has temporary differences associated with its investments in its foreign subsidiaries. The Company has not recorded any deferred tax liabilities in respect to these temporary differences as they are not expected to reverse in the foreseeable future.

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.

## 17. 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, 2016 (December 31, 2015: 78,629,941).

### (b) Earnings/(loss) per share

|  | Year ended December 31, |             |
|--|-------------------------|-------------|
|  | 2016                    | 2015        |
| Net loss attributable to common shareholders       |                         |             |
| Continuing operations - Basic and diluted          | \$ (27,521)             | \$ (52,150) |
| Discontinued operations - Basic and diluted        | (31,378)                | 3,046       |
| Net loss attributable to common shareholders       | (58,899)                | (49,104)    |
| Weighted average number of shares outstanding      |                         |             |
| Basic and diluted <sup>(i)</sup>                   | 78,629,941              | 78,629,941  |
| Loss per share attributable to common shareholders |                         |             |
| Continuing operations - Basic and diluted          | \$ (0.35)               | \$ (0.66)   |
| Discontinued operations - Basic and diluted        | \$ (0.40)               | \$ 0.04     |

(i) For the year ended December 31, 2016 there were 0.7 million weighted average stock options exercisable that were excluded from the calculation as the impact was anti-dilutive (2015: 1.8 million).

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

**(c) Stock options**

The Company has granted common share purchase options to officers, directors, and employees 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. For options issued prior to 2016, 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. In the third quarter of 2016, options were granted with a seven-year term and which vest one-third per year on the anniversary of the grant date for the three subsequent years. All options are to be settled by physical delivery of shares.

A summary of the changes to the option plan during the year ended December 31, 2016, 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, 2015 | 1,270,600               | \$ 3.96   | 111,000                 | \$ 2.28  |
| Granted                    | -                       | \$ -  | 3,500,000               | \$ 0.32  |
| Expired/Cancelled          | (1,191,600)             | \$ 3.97   | -                       | \$ -   |
| Balance, December 31, 2016 | 79,000                  | \$ 3.90   | 3,611,000               | \$ 0.38  |

The following tables summarize information about the options outstanding as at December 31, 2016:

**USD denominated options:**

| Exercise price (US\$) | Outstanding | Exercisable | Weighted average contractual life remaining, years |
|-----------------------|-------------|-------------|--|
| \$ 3.01 - \$ 4.00     | 32,000      | 32,000      | 1.74   |
| \$ 4.01 - \$ 5.00     | 35,000      | 35,000      | 1.88   |
| \$ 5.01 - \$ 5.10     | 12,000      | 12,000      | 0.19   |
| \$ 3.90               | 79,000      | 79,000      | 1.57   |

**CAD denominated options:**

| Exercise price (CAD\$) | Outstanding | Exercisable | Weighted average contractual life remaining, years |
|------------------------|-------------|-------------|--|
| \$ 0.01 - \$ 1.50      | 3,500,000   | -           | 6.73   |
| \$ 1.51 - \$ 2.50      | 74,000      | 74,000      | 2.84   |
| \$ 2.51 - \$ 3.22      | 37,000      | 37,000      | 2.43   |
| \$0.38                 | 3,611,000   | 111,000     | 6.61   |

**(d) Measurement of grant date fair values**

The weighted average inputs used in the Black-Scholes pricing model to determine the fair value of the options granted during the year ended December 31, 2016 include the following:

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

|  | <u>CAD Options</u> |
|--|--------------------|
| Weighted average fair value per option (\$CAD) | \$ 0.23            |
| Exercise price (\$CAD)                         | \$ 0.32            |
| Volatility                                     | 78.89%             |
| Interest rate                                  | 0.85%              |
| Expected life (years)                          | 7.00               |
| Forfeiture rate                                | 0.00%              |
| Dividends                                      | Nil                |

There were no options granted during the year ended December 31, 2015.

## 18. 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, 2016 (2015 – 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

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

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).

**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. In Tunisia, oil prices are based on the terms of the Shell contract which reflect the market price of Brent crude oil. Brent averaged \$43.55 per bbl in 2016 versus \$52.35 in 2015 a decrease of 17%. 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, Romanian leu, Tunisian dinar, the Euro and the United States dollar. At December 31, 2016 the Company's primary currency exposure related to Canadian dollar ("CAD"), 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, 2016 |          |        |
|--|-------------------|----------|--------|
|  | CAD               | TD       | LEU    |
| Cash and cash equivalents                  | 113               | 1,505    | 58     |
| Accounts receivable                        | 136               | 1,497    | 801    |
| Income tax receivable                      | -                 | 5,959    | 3      |
| Prepaid expenses                           | (92)              | 410      | 93     |
| Accounts payable and accrued liabilities   | (153)             | (6,004)  | (508)  |
| Net foreign exchange exposure              | \$ 4              | \$ 3,367 | \$ 447 |
| US \$ equivalent at year end exchange rate | \$ 3              | \$ 1,458 | \$ 104 |

|  | 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 |

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

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, |        |
|-----------------|--------------------|--------|
|                 | 2016               | 2015   |
| Canadian dollar | \$ -               | \$ (6) |
| Tunisian dinar  | 146                | 174    |
| Romanian leu    | 10                 | 5      |
| Total           | \$ 156             | \$ 173 |

(iii) Interest rate risk

The primary exposure to interest rate risk is related to Serinus' debt. During the first quarter of 2016, the Ukraine debt and Romanian debt were fully repaid, resulting in the Tunisia debt being the only debt outstanding. The Company had locked in the interest rate on the \$20.0 million Senior Loan at a rate of 6.9% for a two year period from September 30, 2014 to September 30, 2016 at which time it reverted back to LIBOR plus 6%. The convertible loan is based on LIBOR and has a portion based on incremental revenue with a floor of 8% and ceiling of 17%.

The Company's net earnings are impacted by changes in LIBOR interest rates, if interest rates applicable to Serinus' debt increased by 1%, assuming the amount of debt remains unchanged, the senior loan interest expense would be impacted in 2016 by \$18 thousand (2015 - \$nil), and the convertible loan by \$232 thousand (2015 - \$207 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.

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, 2016, the Company had \$nil (December 31, 2015- \$nil) of receivables that were considered past due (over 90 days outstanding). For the year ended December 31, 2016, the Company has four customers from continuing operations with sales representing 51%, 19%, 22% and 8% of total sales (2015 – six customers representing 40%, 24%, 12%, 12%, 6%, 6%).

Management has no formal credit policy in place for customers 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

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

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 20 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.

**19. Capital management**

|                                   | Year ended December 31, |            |
|-----------------------------------|-------------------------|------------|
|                                   | 2016                    | 2015       |
| Shareholders' equity              | 3,750                   | 46,198     |
| Current portion of long-term debt | 30,699                  | 54,070     |
| Total capital resources           | \$ 34,449               | \$ 100,268 |

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.

Given the dramatic decrease in commodity prices and the sale of Ukraine, the Company's equity has been severely impacted. Subsequent to year end, the Company raised CAD\$25.2 million in equity through the issuance of 72 million common shares as a step towards strengthening its capital structure.

**20. Contractual obligations and commitments**

The contractual obligations of the Company as at December 31, 2016 are as follows:

|                                  | Within 1 Year | 2-3 Years | 4-5 Years | +5 Years | Total     |
|----------------------------------|---------------|-----------|-----------|----------|-----------|
| Office Rental                    | \$ 592        | \$ 899    | \$ 385    | \$ -     | \$ 1,876  |
| EBRD loan-Tunisia <sup>(i)</sup> | 3,464         | 3,734     | 24,050    | -        | 31,248    |
| Total contractual obligations    | \$ 4,056      | \$ 4,633  | \$ 24,435 | \$ -     | \$ 33,124 |

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

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

***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 crude oil sales, net of royalties and shrinkage, from the concession exceeds 6.5 million barrels. As at December 31, 2016 cumulative crude oil sales, net of royalties and shrinkage was 5.2 million barrels.

***Romania***

The work obligations pursuant to the Phase 3 extension, approved on October 31, 2016, include the drilling of two wells, and, at the Company's option, either the acquisition of 120 km<sup>2</sup> of new 3D seismic data or drill a third well. The two firm wells must be drilled to minimum depths of 1,000 and 1,600 metres respectively, and if so elected, the third well to a depth of 2,000 metres. The term of the Phase 3 extension is for three years, expiring on October 28, 2019.



**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

*Office Space*

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

**21. Personnel expenses**

- (a) The aggregate payroll expense of employees and executive management of Serinus and all its subsidiaries was:

|   | Year ended December 31, |           |
|---|-------------------------|-----------|
|   | 2016                    | 2015      |
| Wages, salaries and benefits            | \$ 7,903                | \$ 12,106 |
| Bonus                                   | 270                     | 255       |
| Severance                               | 2,776                   | 1,102     |
| Stock based compensation <sup>(i)</sup> | 85                      | 775       |
| Total remuneration                      | \$ 11,034               | \$ 14,238 |

- (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, and the former 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, |          |
|---|-------------------------|----------|
|   | 2016                    | 2015     |
| Wages, salaries and benefits            | \$ 1,715                | \$ 2,703 |
| Bonus                                   | 114                     | -        |
| Severance                               | 2,202                   | 926      |
| Stock based compensation <sup>(i)</sup> | 62                      | 712      |
| Total remuneration                      | \$ 4,093                | \$ 4,341 |

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

**22. Related party transactions**

Nemmoco Petroleum Corporation ("Nemmoco") is a private company of which 37.5% is owned by Timothy M. Elliott, a former officer and director of the Company. Nemmoco provided certain personnel, general, accounting and administrative services to the Company at its offices in Dubai on a cost basis. With the changes to senior executive effective August 31, 2016, the contract with Nemmoco was terminated and the Company no longer has a presence in Dubai, therefore Nemmoco ceased to be a related party on September 1, 2016. For the year ended December 31, 2016, the fees totaled \$0.6 million (2015: \$0.7 million).

Loon Energy Corporation ("Loon Energy") is a publicly traded Canadian corporation. Serinus and Loon Energy are related as they have the same principal shareholder with significant influence over both companies. Management and administrative services were provided by the management and staff of Serinus until August 31, 2016 when the services agreement was terminated and an office lease rental agreement was entered into which was then terminated effective February 15, 2017. For the year ended December 31, 2016, these fees totalled \$9 thousand (2015: \$9 thousand). As at December 31, 2016, Loon Energy owes \$nil (December 31, 2015: \$nil) to Serinus for these services.

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

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

**23. Segmented information**

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

|   | <u>Romania</u> | <u>Tunisia</u> | <u>Ukraine<br/>(Discontinued)</u> | <u>Corporate</u> | <u>Total</u> |
|---|----------------|----------------|-----------------------------------|------------------|--------------|
| <b>As at December 31, 2016</b>              |                |                |                                   |                  |              |
| Total Assets                                | \$ 20,536      | \$ 81,010      | \$ -                              | \$ 3,290         | \$ 104,836   |
| <b>For the year ended December 31, 2016</b> |                |                |                                   |                  |              |
| Oil and gas revenue, net of royalties       | \$ -           | \$ 13,975      | \$ 3,924                          | \$ -             | \$ 17,899    |
| Operating expenses:                         |                |                |                                   |                  |              |
| Production expenses                         | -              | (9,279)        | (396)                             | (79)             | (9,754)      |
| General and administrative                  | (2)            | -              | (3)                               | (8,318)          | (8,323)      |
| Transaction costs                           | -              | -              | -                                 | (97)             | (97)         |
| Stock based compensation                    | -              | -              | -                                 | (85)             | (85)         |
| Gain (loss) on disposition of assets        | -              | -              | (33,040)                          | -                | (33,040)     |
| Depletion and depreciation                  | (5)            | (5,070)        | (599)                             | (183)            | (5,857)      |
| Asset impairment                            | -              | (16,754)       | -                                 | -                | (16,754)     |
| Finance income/(expense)                    |                |                |                                   |                  |              |
| Interest and other income                   | -              | -              | 78                                | 10               | 88           |
| Unrealized loss on investments              | -              | -              | -                                 | (8)              | (8)          |
| Interest expense and accretion              | (5)            | (770)          | (3)                               | (3,490)          | (4,268)      |
| Foreign exchange loss                       | 18             | (497)          | (105)                             | (238)            | (822)        |
| Earnings (loss) before tax                  | \$ 6           | \$ (18,395)    | \$ (30,144)                       | \$ (12,488)      | \$ (61,021)  |
| Current tax expense                         | -              | -              | (513)                             | (1)              | (514)        |
| Deferred tax recovery/(expense)             | -              | 3,357          | -                                 | -                | 3,357        |
| Net Earnings (loss)                         | \$ 6           | \$ (15,038)    | \$ (30,657)                       | \$ (12,489)      | \$ (58,178)  |
| Capital expenditures                        | \$ 1,740       | \$ 1,911       | \$ -                              | \$ -             | \$ 3,651     |

**Serinus Energy Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in thousands of US dollars, except as noted)**

|   | <u>Romania</u> | <u>Tunisia</u> | <u>Ukraine<br/>(Discontinued)</u> | <u>Corporate</u> | <u>Total</u> |
|---|----------------|----------------|-----------------------------------|------------------|--------------|
| <b>As at December 31, 2015</b>              |                |                |                                   |                  |              |
| Total Assets                                | \$ 18,774      | \$ 103,289     | \$ 58,780                         | \$ 4,344         | \$ 185,187   |
|   |                |                |                                   |                  |              |
| <b>For the year ended December 31, 2015</b> |                |                |                                   |                  |              |
| 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    |