SERINUS ENERGY INC.

Management's Discussion and Analysis
For the year ended December 31, 2014
(US Dollars)

The following management's discussion and analysis ("MD&A") is a review of the results of operations and the liquidity and capital resources of Serinus Energy Inc. and its subsidiaries (collectively "Serinus" or "the Company"). The MD&A should be read in conjunction with Serinus' December 31, 2014 audited Consolidated Financial Statements and the accompanying notes. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") also referred to as GAAP, and are stated in United States dollars ("US Dollars" or "USD"), the reporting currency of Serinus. Additional information related to Serinus, including its Annual Information Form, is available on SEDAR at www.sedar.com or on Serinus' website at www.serinusenergy.com.

Management is responsible for preparing the MD&A, while the audit committee of the Company's Board of Directors ("the Board") reviews the MD&A and recommends its approval by the Board. The Board has approved the MD&A for issuance as of March 18, 2015.

This MD&A contains non-IFRS measures and forward looking statements and readers are cautioned that the MD&A should be read in conjunction with Serinus' disclosure under "Non-IFRS Financial Measures" and "Forward Looking Statements" included at the end of this MD&A.

HIGHLIGHTS [1]

- During 2014, net production levels (being the Company's production from Tunisia and its net 70% interest in Ukraine) averaged 5,219 boe/d, compared to 4,081 boe/d for 2013, an increase of 28%. The increase reflects an increase in Tunisia production of 553 boe/d and an increase in Ukraine production of 585 boe/d. Tunisia production increased as a result of owning the assets for the full year vs. half year as Serinus acquired Winstar in June 2013. Ukraine production increased as a result of capital programs during 2013 and 2014. Production for 2014 was weighted 79% (2013: 83%) natural gas with the remainder consisting of oil and condensate production.
- In the fourth quarter of 2014, net production levels average 5,413 boe/d compared to 5,088 boe/d for 2013, an increase of 6%. The increase reflects an increase in Ukraine production of 353 boe/d, offset by a slight decrease of 28 boe/d in production in Tunisia.
- Average natural gas prices in Ukraine were lower in 2014 at $9.69 per Mcf compared to $11.21 per Mcf in 2013. Gas prices decreased effective January 1, 2014 due to incentives granted by Russia to Ukraine on their imported gas prices. Following the expiry of these incentives on April 1, 2014, the hryvnia price at which the Company's natural gas is sold increased and was higher than realized hryvnia prices in 2013. However a significant deterioration in the hryvnia ("UAH") as compared to the US Dollar has resulted in lower USD natural gas prices compared to 2013. The average effective market exchange rates for the hryvnia for the three and twelve months ended December 31, 2014 were 14.62 UAH/USD and 12.19 UAH/USD, respectively, as compared to 8.22 UAH/USD and 8.16 UAH/USD in the comparable periods of 2013.
- Average crude oil prices in Tunisia were lower in 2014 at $96.18 per bbl compared to $111.08 per bbl in 2013. In the fourth quarter of 2014, realized prices were impacted by a significant decline in commodity prices. The realized price was $73.61 per bbl in the Q4 2014, compared to $108.48 per bbl in Q4 2013. In Q4, 2014, Brent prices averaged $81.53 per bbl compared to $109.80 per bbl in the comparable period.
- The netback for 2014 overall for the Company was $35.19 per boe, compared to $45.43 per boe in 2013. The decrease is attributable to lower netbacks in Ukraine of $31.05 per boe compared to $41.69 per boe in 2013, and Tunisia of $53.18 per boe compared $68.68 per boe in 2013. The lower netback in Ukraine is driven by higher royalties and lower commodity prices, partially offset by lower operating costs due to deterioration in the hryvnia. Royalties on natural gas in Ukraine increased from 28% to 55%, effective August 1, 2014. The lower netback in Tunisia is driven by lower commodity prices and higher operating costs, due to an increase in staff related costs.
- Funds from operations[2] [3] were $10.4 million and $65.3 million for the three and twelve months ended December 31, 2014, respectively, as compared to $18.0 million and $58.4 million for the comparative periods of 2013. In the fourth quarter, lower commodity prices, higher Ukraine royalties and increased net interest expense, offset by lower taxes and transaction costs contributed to the decrease in funds from operations. On year to date basis, funds from operations were higher due to increased revenue, decreased general and administrative costs, decreased transaction costs and lower taxes, which were partially offset by higher production expenses in Tunisia and higher royalties in Ukraine.
- Revenue, net of royalties, for the three months ended December 31, 2014 decreased to $24.1 million compared to $33.9 million in the comparative period in 2013. For the twelve months ended December 31, 2014, revenue net of royalties increased slightly to $115.7 million from $112.2 million in the comparative period in 2013. The decrease in the three month period is attributable to lower commodity prices in Tunisia and higher royalty rates in Ukraine. The increase for the year is attributable to 2014 including a full year of results from the Winstar acquisition, partially offset by lower revenues, net of royalties, in Ukraine, due to lower gas prices and increased royalties.
- Cash payments were successfully made out of Ukraine in 2014. Intercompany loans of $3.6 million were repaid and dividends of $29.1 million were paid from cash generated from Ukrainian operations. Since acquisition, total dividends of $69.1 million have been paid out by KUB-Gas LLC. Effective September 23, 2014, the National Bank of Ukraine issued a resolution prohibiting foreign exchange transactions associated with the payment of dividends to foreign entities. This resolution was due to expire on March 3, 2015 but has subsequently been further extended to June 3, 2015.

[1] Substantially all financial and production analysis in this MD&A reflect the 100% interest in the results of KUB Holdings and KUB-Gas unless specifically noted as net to Serinus which is at the effective 70%. See "Non-Controlling Interest" for further explanation.
[2] See "Non-IFRS Financial Measures" in the end of this MD&A
[3] See "Funds from Operations" for a reconciliation of funds from operations to cash flows.

(Thousands of US dollars, except as noted)

- During June 2014, the Company ceased all drilling and workover activities in Ukraine due to the escalation of violence in the area around the licenses. During Q4 2014, the Company resumed operations with the spud of the M-22 well. This well reached total depth in late December. Completion, testing and tie-in is planned to be completed during Q1 2015. At this time, no additional drilling and workover projects beyond the M-22 well have been approved.
- In Tunisia, the Winstar-12bis ("WIN-12bis") well was spud on July 17, 2014 and commenced production on December 10, 2014 at 635 boe/d. Gross production from Win-12bis for the month of January and February averaged 1,033 boe/d (746 bbl/d of oil and 1.7MMcf/d of gas). Serinus owns a 45% working interest in Sabria. The Winstar-13 ("WIN-13) well was spud on December 10, 2014 and reached its target total depth of 3,781 metres on March 11, 2015. . The completion and tie-in of the well is planned to be completed by mid-April.
- In Romania, two exploration wells, Moftinu-1001 and Moftinu-1002bis, were drilled during November and December, with the rig released from Moftinu-1002-bis on January 7, 2015. Both wells will be completed and tested in Q1 2015.
- Due to the decline in crude oil prices and the political violence in Ukraine, the Company recorded impairment of $49.3 million in Tunisia and $5.6 million in Ukraine as at December 31, 2014.
- Subsequent to year end the Company finalized a new $11.28 million (Euro 10 million) debt facility with the European Bank for Reconstruction and Development ("EBRD"). The proceeds from this new facility will be used to fund the Company's capital program currently underway in Romania.

OPERATIONAL OVERVIEW

Serinus is an international oil and gas exploration and production company with operations in Ukraine, Tunisia, Brunei, Romania, and interests in Syria. The Company has management offices in Calgary (Canada), Dubai (United Arab Emirates) and Warsaw (Poland). On June 24, 2013, the Company closed a plan of Arrangement with Winstar Resources Limited ("Winstar") pursuant to which the Company acquired all of the issued and outstanding shares of Winstar. With this acquisition the Company acquired its interests in Tunisia and Romania. Serinus is organized into four business segments: Ukraine, Tunisia, Romania and Corporate.

Ukraine

As at December 31, 2014, Serinus owns the following licenses in Ukraine:

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

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

The Company began to generate revenues with its acquisition of KUB-Gas in June 2010, and since that time has generated $279.6 million of revenue, net of royalties, in aggregate from these assets, of which $195.7 million is net to the 70% interest held by Serinus[4].

Ukraine's political, economic and security situation deteriorated significantly since late 2013 with violent conflicts in the capital city of Kyiv in early 2014, the removal of the former president and changes to governing bodies, a depletion of the country's foreign currency reserves, downgrading of sovereign debt ratings and devaluation of the currency. The political

[4] See "Non-controlling Interest" in this MD&A

(Thousands of US dollars, except as noted)

and economic situation has been further exacerbated by the violent conflict in eastern Ukraine where fighting continues between Ukrainian military forces and opposing rebel factions.

The royalty rates applied to the Company's production have increased significantly as a result of the government of Ukraine's actions to increase state revenues. In August 2014, the royalty rate on natural gas and condensate production increased to 55% and 45% respectively, from 28% and 42%, effective August 1, 2014 until January 1, 2015. The new law had a provision for a "lowering coefficient" on new wells drilled after August 1, 2014, which reduced royalties on new wells to 55% of nominal rates (i.e. the effective rate of new wells is 30.25% for gas and 24.75% for condensate). The increase was set to expire January 2015, however, the Ukrainian government has permanently enacted the higher rates.

On September 22, 2014, the National Bank of Ukraine enacted legislation that prohibits several types of foreign exchange transactions, including the ability of KUB-Gas to pay dividends to shareholders. The restrictions were set to expire in December 2014 and were extended to March 3, 2015. In March 2015, the restrictions were further extended to June 3, 2015.

The Company's production of natural gas has not been significantly impacted by the current situation in Ukraine and production levels increased in 2014 compared to the prior year. The development of the Company's oil and gas properties has been impacted by the security situation in eastern Ukraine as drilling and exploration activity was temporarily suspended in the third quarter of 2014. The Company completed the drilling of the M-22 on the Makeevskoye license in the fourth quarter of 2014.

At this time, no additional exploration and development projects are planned for 2015 beyond the testing, completion and tie-in of the M-22 well and a field compression project on the Olgovskoye field. The Company may consider additional capital expenditures in 2015 subject to the availability of cash flow from operations and the security situation. The Company may also resume drilling of the NM-4 exploration well that is required to be drilled by December 29, 2015 to retain the North Makeevskoye license. However, management is investigating extending the drilling deadline due to the current security and economic circumstances. Should the Company not be able to drill the NM-4 well or obtain an extension, the North Makeevskoye license may be subject to relinquishment. In the longer term, should the Company not be able to recommence active exploration and development activity, production and reserve volumes could be negatively impacted.

Whilst management believes it is taking appropriate measures to support the sustainability of the KUB-Gas' business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Company's results and financial position in a manner not currently determinable.

Tunisia

As at December 31, 2014, Serinus has the following interests in Tunisia concessions:

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

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

The Tunisian state oil and gas company, Enterprise Tunisienne d'Activites Petroliere ("ETAP"), has the right to back into the Chouech Es Saida concession for up to a 50%, if and when the cumulative liquid hydrocarbon sales, net of royalties and shrinkage, from the concession exceed 6.5 million barrels. As at December 31, 2014, cumulatively 4.9 million barrels, net of royalties and shrinkage have been sold from the concession.

Romania

With the acquisition of Winstar, Serinus gained interests in Romania through a joint venture agreement with Rompetrol S.A. ("Rompetrol"). By fulfilling certain commitments within the agreement, consisting of processing and acquiring seismic and the drilling of exploration wells, Serinus has earned a 60% interest in the 2,949 square kilometre onshore Satu Mare exploration concession agreement in north western Romania. The Company has fulfilled 100% of the first stage of the work commitments required under the concession agreement, and has committed to a second phase of exploration. The second stage, which expires in May 2015, includes the drilling of two exploration locations and the acquisition of 180 square km of 3D seismic, which, under the terms of the joint venture agreement, the Company is required to fund 100%. In 2014, the Company drilled the two exploratory wells, Moftinu-1001 and Moftinu-1002bis. Both wells are being completed and tested in Q1 2015. The Company also completed the 3D seismic program in the Santau area in late 2014. As a result, written confirmation of fulfillment of the second phase work commitments is expected to be received in May 2015.

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

Brunei

In Brunei, Serinus holds a 90% working interest in the Brunei Block L production sharing agreement ("Block L PSA") which gives the Company and the other parties thereto the right to explore for and, upon fulfillment of certain conditions, the right to produce oil and gas from Block L, a 1,123 square kilometre (281,000 acre) area covering certain onshore and offshore areas. Serinus is the operator of Block L.

Due to the results of the wells drilled to date, Serinus determined that an indicator of impairment existed at December 31, 2013 as future cash flows of Block L were uncertain with no proved or probable reserves assigned. Block L CGU was impaired by the full amount spent to date. The Company, together with Petroleum Brunei, are in the process of evaluating the drilling campaign with a view to determining a way forward.

As at December 31, 2014, the Brunei Block L assets are fully impaired.

Other

In Syria, the Company holds a working interest of 50% in the Syria Block 9 production sharing contract ("Block 9 PSC") which provides the right to explore for and, upon fulfillment of certain conditions, to produce oil and gas from Block 9, a 10,032 square kilometre (2.48 million acre) area in northwest Syria. The Company has an agreement to assign a 5% ownership interest to a third party which is subject to the approval of Syrian authorities, and which, if approved, would leave the Company with a remaining effective interest of 45% in Block 9. Effective July 16, 2012, the Company, in its capacity as Operator of Syria's Block 9, declared a Force Majeure event due to conditions arising from the current instability, including difficult operating conditions and the inability to move funds into the country, rendering the performance of its obligations under the contract impossible. The Company will continue to monitor operating conditions in Syria to assess when a recommencement of its Syrian operations is possible.

As part of the Winstar acquisition, Serinus acquired interests in a minor property at Sturgeon Lake in Alberta, Canada. The Company plans to dispose of the asset. This asset is not currently producing and has a future abandonment liability associated with it of $1.6 million.

In addition, as part of the Winstar acquisition, the Company acquired a 4% net profits interest in the Igal II Exploration permit in Hungary. The Company expects to wind up its Hungarian operations in early 2015.

NON-CONTROLLING INTEREST

Serinus holds a 70% ownership interest in KUB-Gas LLC ("KUB-Gas"), a Ukrainian company held through KUB GAS Holdings Limited ("KUB Holdings"), a private company incorporated in Cyprus. Serinus controls KUB Holdings and is required under IFRS to consolidate the results of KUB Holdings and KUB-Gas into its financial statements, and in doing so the Company reports 100% of the revenues, royalties and production and other expenses for KUB Holdings and KUB-Gas. Similarly, the Company reports 100% of the assets and liabilities of KUB Holdings and KUB-Gas on its consolidated balance sheet. The 30% share of the net assets and earnings of KUB Holdings and KUB-Gas attributable to the minority shareholder is presented by way of a one line entry as “non-controlling interest”.

(Thousands of US dollars, except as noted)

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

The table below summarizes the year ended December 31, 2014 results reported by the Company in accordance with IFRS, including 100% of KUB Holdings and KUB-Gas as described above, with the 30% share allocated to the non-controlling interest to reflect the net results of operations attributable to the Company’s 70% economic interest.

	Three months ended Dec 31, 2014			Year ended December 31, 2014		
	As reported	Allocated to non-controlling interest	Net to Serinus	As reported	Allocated to non-controlling interest	Net to Serinus
Total daily production (boe)	7,119	(1,705)	5,413	6,893	(1,674)	5,219
Oil and gas revenue	$ 40,422	$ (9,117)	$ 31,305	$ 164,327	$ (35,798)	$ 128,529
Royalties	(16,273)	4,488	(11,785)	(48,607)	12,801	(35,806)
Oil and gas revenues, net of royalties	24,149	(4,629)	19,520	115,720	(22,997)	92,723
Production expenses	(7,658)	1,231	(6,427)	(27,206)	4,028	(23,178)
General and administrative	(2,677)	7	(2,670)	(10,486)	26	(10,460)
Transaction costs	(92)	-	(92)	(1,533)	-	(1,533)
Stock-based compensation	(495)	-	(495)	(2,897)	-	(2,897)
Gain on disposition of asset	708	35	743	834	46	880
Depletion and depreciation	(5,455)	445	(5,010)	(29,747)	5,042	(24,705)
Impairment of exploration and evaluation assets	(54,589)	1,678	(52,911)	(54,926)	1,678	(53,248)
Interest and other income	21	(47)	(26)	2,359	(381)	1,978
Unrealized loss on investments	(22)	-	(22)	(30)	-	(30)
Foreign exchange gain/(loss)	(2,177)	235	(1,942)	(9,002)	2,013	(6,989)
Interest expense and accretion	(1,971)	315	(1,656)	(5,702)	634	(5,068)
Earnings before taxes	(50,258)	(730)	(50,988)	(22,616)	(9,911)	(32,527)
Current tax expense	(3,295)	730	(2,565)	(9,442)	2,810	(6,632)
Deferred tax expense	11,574	684	12,258	8,097	561	8,658
Earnings for the period	$ (41,979)	$ 684	$ (41,295)	$ (23,961)	$ (6,540)	$ (30,501)
Funds from operations	$ 10,424	$ (2,384)	$ 8,040	$ 65,311	$ (15,867)	$ 49,444

FUNDS FROM OPERATIONS

Serinus uses funds from operations as a key performance indicator to measure the ability of the Company to generate cash from operations to fund future exploration activities. Funds from operations is not a standard measure under IFRS and therefore may not be comparable to similar measures reported by other entities.

The following table is a reconciliation of funds from operations to its most closely related IFRS measure cash flow from operations:

	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Cash flow from operations	$ 4,336	$ 17,382	$ 67,236	$ 58,548
Changes in non-cash working capital	6,088	600	(1,925)	(117)
Funds from operations (a)	$ 10,424	$ 17,982	$ 65,311	$ 58,431
Funds from operations per share	$ 0.13	$ 0.23	$ 0.83	$ 0.91

(Thousands of US dollars, except as noted)

(a) Funds from operations is defined as cash flow from operations before changes in non-cash working capital. Funds from operations is not a standard measure under IFRS. See section titled "Non-IFRS Financial Measures" for advisory over use of non-IFRS financial measures.

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

Funds from operations decreased by $7.6 million to $10.4 million for the fourth quarter of 2014 (2013 - $18.0 million). The decrease in funds from operations in the fourth quarter of 2014 is attributable to decreased commodity prices ($3.3M) increased royalties ($6.5 million), and increased net interest expense (including interest and other income) ($2.0 million), offset by decreased current taxes ($4.0 million) and decreased transaction costs ($1.0 million). The remaining difference is due to production expenses, general and administrative costs and realized foreign exchange losses.

For the year ended December 31, 2014, funds from operations increased by $6.9 million to $65.3 million from $58.4 million in the comparable period in 2013. The increase is due to increased production revenue ($17.6 million), decreased general and administrative costs ($1.6 million), decreased transaction costs ($3.0 million), and decreased current taxes ($6.6 million), offset by increased royalties ($14.1 million) and increased production expenses ($6.3 million). The remaining variance is attributable to realized foreign exchange gains (losses).

PRODUCTION (Net to Serinus)

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Average Daily Production (net to Serinus)				
Crude Oil (bbl/d)	1,115	1,047	999	557
Natural gas (Mcf/d)	25,289	23,566	24,768	20,418
Natural gas liquids (bbl/d)	83	113	92	120
Total boe/d	5,413	5,088	5,219	4,081
Production by Location (boe/d)				
Ukraine	3,979	3,626	3,904	3,319
Tunisia	1,434	1,462	1,315	762
Total boe/d	5,413	5,088	5,219	4,081

Production volumes increased by 6% in the fourth quarter of 2014 to 5,413 boe/d, net to Serinus, compared to 5,088 boe/d in the comparable period of 2013. The increase in Q4 2014 reflects an increase of 10% in production volumes from Ukraine offset by a decrease of 2% from Tunisia.

Production volumes increased year over year by 28% from 4,081 boe/d to 5,219 boe/d, net to Serinus. The increase in 2014 reflects an increase in Tunisian production of 553 boe/d and an increase of 18% (585 boe/d) in production volumes from Ukraine.

Ukraine

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Average Daily Production (net to Serinus)				
Natural gas (Mcf/d)	23,375	21,075	22,874	19,198
Natural gas liquids (bbl/d)	83	113	92	120
Total boe/d	3,979	3,626	3,904	3,319

In Ukraine, production volumes, net to Serinus, increased by 10% in the fourth quarter of 2014, to 3,979 boe/d, compared to 3,626 boe/d in the comparable period of 2013. Similar trends are noted on a full year basis, with production increasing by 18% in 2014 to 3,904 boe/d, as compared to 3,319 boe/d in 2013. The increase is a result of the successful drilling campaign in 2013 and first half of 2014, which included the M-16 and M-17 wells.

(Thousands of US dollars, except as noted)

Tunisia

	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Average Daily Production (net to Serinus)				
Crude Oil (bbl/d)	1,115	1,047	999	557
Natural gas (Mcf/d)	1,914	2,486	1,894	1,229
Total boe/d	1,434	1,462	1,315	762

In Tunisia, production volumes decreased by 2% in the fourth quarter of 2014 to 1,434 boe/d, compared to 1,462 boe/d in the comparable period of 2013. Production is predominantly from the Chouech Es Saida and Sabria fields, which account for 90% of the production in Tunisia.

Production increased by 264 boe/d in the fourth quarter of 2014, as compared to the third quarter of 2014 (1,170 boe/d). The major factors behind the increase were the success of the Win-12 drill which commenced production December 10, 2014 and produced 9,202 boe, which accounted for a 100 boe/d increase in the fourth quarter, and increases from the summer workover program.

On a full year basis, the increase in production in 2014 reflects that the Company acquired its Tunisian assets on June 24, 2013, as part of the acquisition of Winstar. Therefore, the 2013 operating results from the Tunisia assets were included in the consolidated financial statements of Serinus from June 24, 2013 onwards.

OIL AND GAS REVENUE

	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Crude oil	$ 7,552	$ 10,438	$ 35,071	$ 22,590
Natural gas	32,078	32,184	125,487	118,632
Natural gas liquids	792	1,079	3,769	5,510
	$ 40,422	$ 43,700	$ 164,327	$ 146,732
Ukraine (a)				
Natural gas ($/mcf)	$ 9.63	$ 11.02	$ 9.69	$ 11.21
Natural gas liquids ($/bbl)	72.34	77.37	78.19	87.90
Average price ($/boe)	$ 58.10	$ 66.48	$ 58.61	$ 67.99
Tunisia (b)				
Crude Oil($/bbl)	$ 73.61	$ 108.48	$ 96.18	$ 111.08
Natural gas ($/mcf)	14.10	14.09	14.37	14.26
Average price ($/boe)	$ 76.06	$ 101.70	$ 93.76	$ 104.22

(a) Ukraine realized commodity prices for natural gas price and condensate are based on the average price received in hryvnia converted to USD using the average FX rate for the period.
(b) 2013 Operating results from Tunisia are included from June 24, 2013, the date of acquisition, onwards.

Oil and gas revenue decreased by 8% in the fourth quarter of 2014 as compared to the fourth quarter of 2013. During the fourth quarter of 2014, lower commodity prices more than offset the increase in production.

Oil and gas revenue increased by 12% for the full year 2014 as compared to 2013. The increase was due to a 25% increase in production offset by an 11% decrease in commodity prices.

In Ukraine, revenues totalled $119.3 million for 2014, compared to $117.8 million in 2013. The 1% increase is attributable to an 18% increase in production volumes offset by a 14% decrease in the average commodity price. A similar trend is noted on quarterly basis.

(Thousands of US dollars, except as noted)

Ukraine natural gas commodity prices were lower in Q4 2014 compared to the same period in 2013, with a realized natural gas price of $9.63 per Mcf, compared to $11.02 per Mcf for Q4 2013. The domestic gas price within Ukraine is set by the National Electricity Regulatory Commission (“NERC”) of Ukraine by reference to the Russian imported gas price. Gas sold in Ukraine is paid in hryvnia, making its realized price in USD also subject to exchange rate risk. The majority of the Company’s production is marketed and sold to wholesalers, who then sell to industrial users. KUB-Gas, therefore receives a price discounted, generally 5-10%, to the limit price set by the NERC, reflecting the profit margin of wholesalers.

During 2014, natural gas prices in hryvnia steadily increased over the year, but a deteriorating hryvnia significantly impacted the USD equivalent price. Exchange rates for the hryvnia for the three months and year ended December 31, 2014 were 14.62 UAH/USD and 12.19 UAH/USD, respectively, as compared to 8.22 UAH/USD and 8.16 UAH/USD in the comparable periods of 2013.

A similar trend is noted on a yearly basis with a realized natural gas price of $9.69 per Mcf, compared to $11.21 per Mcf in 2013.

Oil sales for Tunisia include volumes loaded onto tankers, which generally occur every two months, as well as the change in the net realizable value of oil inventory. During 2014, the Company had eight tanker liftings, in February, March, April, June, July, September, November and December. The Company had a tanker lifting near the end of December, resulting in the Company selling more volumes than it produced. The Company’s overlift position was approximately 4,826 bbls at December 31, 2014, resulting in deferred revenue of $0.3 million recognized in accounts payable. When applicable, inventory is recorded at net realisable value.

In Tunisia, revenues totalled $10.0 million for Q4 2014, compared to $13.6 million in Q4 2013. The decrease of 26% is attributable to a 2% decrease in production volumes and a 25% decrease in the average commodity price. Oil prices in Tunisia are based on a premium or discount to Brent over the 3 day lifting period, depending on the payment settlement terms. The Company is required to sell 20% of its annual oil production from the Sabria concession into the local market, which is sold at an approximate 10% discount to the price obtained on its other crude sales. In Q4, 2014, Brent prices averaged $81.53 per bbl compared to $109.80 per bbl in the comparable period. Natural gas prices are nationally regulated and are tied to the twelve month trailing average of low sulphur heating oil (benchmarked to Brent).

For the year ended December 31, 2014, Tunisian revenues totalled $45.0 million, compared to $28.9 million in the comparable period. The increase in revenues compared to 2013 is primarily attributable to the acquisition of Winstar in June 2013, partially offset by decline crude oil prices in the Q4 2014.

ROYALTIES

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Ukraine	$ 14,959	$ 7,689	$ 42,670	$ 30,364
Tunisia (a)	1,314	2,092	5,937	4,132
Total royalties	$ 16,273	$ 9,781	$ 48,607	$ 34,496
$/boe	$ 24.85	$ 16.71	$ 19.32	$ 17.16
Royalties by Location as a percentage of sales				
Ukraine	49.2%	25.6%	35.8%	25.8%
Tunisia	13.1%	15.3%	13.2%	14.3%
	40.3%	22.4%	29.6%	23.5%

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

The average royalty rate for the three months and year ended December 31, 2014 were 40.3% and 29.6%, respectively, as compared to 22.4% and 23.5% in the prior year. The increase in royalty rates year over year is attributable to an increase in rates in Ukraine.

(Thousands of US dollars, except as noted)

In Ukraine, the average royalty rate for the three months and year ended December 31, 2014 was 49.2% and 35.8%, respectively, as compared to 25.6% and 25.8% in the comparable periods of 2013, respectively.

Commencing January 2013, royalty rates in Ukraine were set at rates of 25% for natural gas and 39% for condensate. Effective April 1, 2014, the government of Ukraine announced an increase in royalty rates to 28% for natural gas and 42% for condensate. On August 1, 2014, Ukrainian Parliament and President passed a law to increase natural gas and condensate royalties to 55% and 45% respectively, effective August 1, 2014 and lasting until January 1, 2015. The new law also contained provisions for a "lowering coefficient" on new gas wells drilled after August 1, 2014. This reduced the royalties paid on production from those new wells to 55% of the nominal rate for a period of two years (i.e. the effective gas royalty rate for new wells is 30.25%). In addition, the tax base used to calculate royalties is no longer the average customs value of imported gas, as it was, but is now the price level for natural gas sold to industrial consumers, which is set by the NERC of Ukraine.

In January 2015, the Ukrainian Parliament passed an amendment to the Tax Code of Ukraine, which made permanent the 55% (for natural gas) and 45% (oil and liquids) royalty rates imposed on August 1, 2014. In February 2015, the Ukrainian Parliament also passed an amendment, which included the provision for the lower (30.25%) rate on natural gas from new wells for the first two years of production, effective August 1, 2014.

For the three months ended December 31, 2014, the Tunisia royalty rate was consistent at approximately 13.1%. On a year to date basis, the royalty rate was 13.2%. Tunisian royalties are based on individual concession agreements, none of which exceed 15%. In two concessions, Sabria and Zinnia, the royalty rate varies depending on a calculation of cumulative revenues, net of taxes, as compared to cumulative investment in the concession, known as the "R factor". As the R factor increases, so does the royalty percentage to a maximum rate of 15%.

PRODUCTION EXPENSES

	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Ukraine	$ 4,105	$ 4,004	$ 13,428	$ 15,176
Tunisia (a)	3,501	3,575	13,538	5,750
Canada	52	-	240	-
Production expenses	$ 7,658	$ 7,579	$ 27,206	$ 20,926
Production expense by location ($/boe)				
Ukraine	$ 7.85	$ 8.84	$ 6.60	$ 8.76
Tunisia	26.54	26.64	28.21	20.67
	$ 11.69	$ 12.75	$ 10.81	$ 10.41

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

On an absolute basis, production expenses have increased 1% to $7.7 million in Q4 2014 from $7.6 million in Q4 2013. On a per boe basis, production expenses decreased to $11.69 per boe in Q4 2014 compared to $12.75 per boe in Q4 2013. Ukraine production expense was $7.85 per boe compared to $8.84 per boe. Production expenses remained relatively constant due to the weakening of the Ukrainian hryvnia despite increases in production volumes. Tunisia's production has higher average production expenses as compared to Ukraine, as Tunisia's production is weighted to oil which has a higher cost to produce than the Ukraine natural gas properties. Tunisia production costs for Q4 2014 averaged $26.54 per boe, compared to $26.64 per boe in Q4 2013.

For the year ended December 31, 2014, production expenses increased to $27.2 million from $20.9 million in 2013. On a per boe basis production expenses increased slightly from $10.41 per boe in the prior year to $10.81 per boe, reflecting higher costs in Tunisia. Production costs in Ukraine decreased 25% year over year to $6.60 per boe, due to increased production levels and the weakening of the Ukrainian hryvnia. Tunisia production costs for 2014 averaged $28.21 per boe, compared to $20.67 per boe in 2013, the increase attributable to higher staff costs in 2014.

For the three months and year ended December 31, 2014, production expenses included $0.05 million and $0.2 million related to the Sturgeon Lake assets. As part of the Winstar acquisition, the Company acquired interests in a minor property in Sturgeon Lake, Alberta, Canada. The asset is not producing and is incurring minimal operating costs to maintain the property.

OIL AND GAS NETBACK

Ukraine Netback by Commodity	Three months ended December 31,					
(Volume in thousands)	2014			2013		
	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**
Average daily sales volumes (gross)	33,393	119	**5,685**	30,107	161	**5,179**
Average daily sales volumes (net)	23,375	83	**3,979**	21,075	113	**3,626**
Revenue	$ 9.63	$ 72.34	**$ 58.10**	$ 11.02	$ 77.37	**$ 66.48**
Royalty expense	(4.77)	(28.41)	**(28.60)**	(2.74)	(34.90)	**(17.02)**
Production expenses	(1.34)	-	**(7.85)**	(1.52)	-	**(8.84)**
Netback	$ 3.52	$ 43.93	**$ 21.65**	$ 6.76	$ 42.47	**$ 40.62**

	Year ended December 31,					
	2014			2013		
	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**
Average daily sales volumes (gross)	32,678	132	**5,578**	27,425	171	**4,742**
Average daily sales volumes (net)	22,874	92	**3,904**	19,198	120	**3,319**
Revenue	$ 9.69	$ 78.19	**$ 58.61**	$ 11.21	$ 87.90	**$ 67.99**
Royalty expense	(3.44)	(35.06)	**(20.96)**	(2.81)	(34.71)	**(17.53)**
Production expenses	(1.13)	-	**(6.60)**	(1.52)	-	**(8.76)**
Netback	$ 5.12	$ 43.13	**$ 31.05**	$ 6.88	$ 53.18	**$ 41.69**

Tunisia Netback by Commodity	Three months ended December 31,					
(Volume in thousands)	2014			2013		
	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**
Average daily sales volumes (net to Serinus)	1,914	1,115	**1,434**	2,486	1,047	**1,462**
Revenue	$ 14.10	$ 73.61	**$ 76.06**	$ 14.09	$ 108.48	**$ 101.70**
Royalty expense	(1.73)	(9.84)	**(9.96)**	(2.06)	(16.87)	**(15.59)**
Production expenses	(2.72)	(29.46)	**(26.54)**	(4.44)	(26.64)	**(26.64)**
Netback	$ 9.65	$ 34.31	**$ 39.56**	$ 7.59	$ 64.96	**$ 59.47**

Tunisia Netback by Commodity (Volume in thousands)	Year ended December 31, 2014			2013		
	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**
Average daily sales volumes (net to Serinus)	1,894	999	**1,315**	1,229	557	**762**
Revenue	$ 14.37	$ 96.18	**$ 93.76**	$ 14.26	$ 111.08	**$ 104.22**
Royalty expense	(1.81)	(12.85)	**(12.37)**	(1.99)	(15.92)	**(14.86)**
Production expenses	(4.32)	(28.93)	**(28.21)**	(3.45)	(20.67)	**(20.67)**
Netback	$ 8.24	$ 54.40	**$ 53.18**	$ 8.82	$ 74.48	**$ 68.68**

In Ukraine, the netback decreased to $21.65 per boe in Q4 2014 compared to $40.62 per boe in the comparable period of 2013, due to higher royalties and lower realized prices. For the year ended December 31, 2014 the netback in Ukraine decreased to $31.05 compared to $41.69 in 2013, primarily due to a lower realized price as a result of the incentives agreement in early 2014 and a 49% deterioration in the Ukrainian hryvnia to the US Dollar since the beginning of the year. The impact of higher royalties during the year was partially offset by lower production costs.

In Tunisia, the netback was $39.56 per boe for Q4 2014 compared to $59.47 in Q4 2013. The decrease in Q4 2014 is due to lower realized prices and higher production expenses. Production expenses are higher in Q4 2014 due to an increase in staff related costs. On a year to date basis similar trends are noted as the netback decreased to $53.18 per boe compared to $68.68 per boe in 2013. Operating results from Tunisia are included from June 24, 2013, the date of acquisition, onwards.

GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended December 2014	2013	Year ended December 31, 2014	2013
General and administrative	$ 2,677	$ 2,425	$ 10,486	$ 12,067
$/boe	$ 4.09	$ 3.97	$ 4.17	$ 6.00

G&A costs incurred by the Company are expensed, with certain costs directly related to exploration and development assets being capitalized. General and administrative ("G&A") costs increased to $2.6 million for the three months ended December 31, 2014, compared to $2.4 million for the comparative period in 2013. The increase in costs is mainly attributable to higher consulting fees in Q4 2014. On a per boe basis, G&A costs increased to $4.09 per boe (2013: 3.97/boe) due to higher costs, offset by higher production.

For the year ended December 31, 2014, G&A costs decreased to $10.5 million compared to $12.1 million in 2013, due to non-routine charges in 2013 of $1.6 million for consulting services provided in Ukraine.

On a per boe basis, G&A costs were $4.17 per boe for the year ended December 31, 2014, compared to $6.00 per boe in 2013, consistent with lower costs and increased production levels.

TRANSACTION COSTS

	Three months ended December 31, 2014	2013	Year ended December 31, 2014	2013
Transaction costs	$ 92	$ 1,083	$ 1,533	$ 4,487
$/boe	$ 0.14	$ 1.77	$ 0.61	$ 2.23

Transaction costs are project related expenditures. For the three and twelve months of 2014, transaction costs totalled $0.01 million and $1.5 million, respectively. In 2013, transaction costs were $1.1 million and $4.5 million for the three and twelve months ended December 31, 2013, respectively. Costs in 2014 included expenses associated with the listing of shares issued on the Winstar acquisition on the Warsaw Stock Exchange and other corporate related projects.

(Thousands of US dollars, except as noted)

STOCK BASED COMPENSATION

	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Stock based compensation	$ 495	$ 2,094	$ 2,897	$ 2,927
$/boe	$ 0.76	$ 3.43	$ 1.15	$ 1.46

Under the terms of the stock option plan, when options are granted 1/3 vest immediately and then 1/3 vests on the anniversary of grant date for each of the two subsequent years. These terms result in a proportionally higher expense in the period of grant as compared to later periods.

Stock based compensation was $0.5 million and $2.9 million for the three and twelve months ended December 31, 2014, respectively (three and twelve months ended December 31, 2013: $2.1 million and $2.9 million). On a full year basis, expenses were comparable year over year at $2.9 million. The lower expense recognized in Q4 2014 as compared to Q4, 2013, is due to the timing of grants made. Significant grants were made in Q4 2013 and Q1 2014, and therefore expense was high through Q4 2013 and Q1 2014 as grants immediately vest resulting in higher compensation expense in these periods. For the remaining quarters of 2013 and 2014 minimal options were granted resulting in lower compensation expense.

DEPLETION, DEPRECIATION AND IMPAIRMENT

	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Ukraine	$ 1,483	$ 5,522	$ 16,805	$ 21,077
Tunisia	3,928	3,380	12,790	6,552
Corporate	44	42	152	153
Depletion and depreciation ("**D&D**")	$ 5,455	$ 8,944	$ 29,747	$ 27,782
Impairment	$ 54,589	$ 83,053	$ 54,926	$ 83,053
D&D by location ($/boe)				
Ukraine	$ 2.84	$ 11.59	$ 8.25	$ 12.17
Tunisia	29.77	25.19	26.65	23.56
	$ 8.33	$ 14.64	$ 11.82	$ 13.82

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

The depletion and depreciation expense for the three months ended December 31, 2014 decreased to $5.5 million from $8.9 million in the comparative period of 2013. Of this amount, $1.5 million relates to Ukraine and $3.9 million relates to Tunisia. The decline in depreciation expense within the fourth quarter reflects lower depletion expense in Ukraine, due to a lower depletable base, primarily due to the deterioration in the hryvnia. Depletion in Tunisia increased due to increased production and a higher depletion rate per boe, attributable to a higher depletable base. Depletion expense in Q4 2014 reflects reserves associated with the 2014 reserve report.

On a full year basis, depletion and depreciation expense increased to $29.7 million as compared to $27.8 million in 2013. Of this amount, $16.8 million relates to Ukraine and $12.8 million relates to Tunisia. The majority of the change is attributable to the acquisition of the Tunisian assets, partially offset by the overall declines noted in the fourth quarter above.

(Thousands of US dollars, except as noted)

On a per boe basis, depletion expense has decreased to $8.33 per boe and $11.82 per boe for the three and twelve months ended December 31, 2014, respectively, compared to $14.64 per boe and $13.82 per boe in the comparative periods of 2013. The decrease is due to lower depreciation rates per boe in Ukraine, primarily due to deterioration in the hryvnia, which has resulted in lower net book values. The decline per boe within Ukraine is offset by an increase on a per boe basis within Tunisia, due to an increase to the depletable base associated with capital expenditures during 2014.

Impairment expense of $54.9 million was recognized for the year ended December 31, 2014, as compared to $83.1 million in 2013. Of this amount, $49.3 million relates to Tunisia and $5.6 million relates to Ukraine. In 2013, impairment related to the Brunei Block L asset.

As a result of declining market oil prices, the Company performed an impairment test based on the value in use methodology for the cash generating units ("CGUs") within Tunisia. CGU's are defined as concessions. The value in use was based on; 2014 year-end reserves data, a risk adjusted pre-tax discount rate of 29.7%, an average crude oil price of approximately US$70.03/bbl and an average natural gas price of US$10.03/mcf through 2015, escalated at an average of 2% per year thereafter. The calculation resulted in an impairment charge in all CGUs within Tunisia.

In Ukraine, two of the Company's licences, the Vergunskoye and Krutogorovskoye fields, are located inside the area that is currently controlled by the rebel factions opposing the government of Ukraine. The carrying value of these assets of approximately $5.6 million has been impaired at December 31, 2014. The remaining Ukrainian fields were assessed for impairment using a value in use methodology based on 2014 year-end reserves data. The expected cash flow was present valued using a risk-adjusted pre-tax discount rate of 29.8%, and an average price of approximately US$8.43/mcf for natural gas and US$56.87/bbl for condensate through 2015, escalated at an average of 2% per year thereafter. There were no further impairments recognized as a result of this test.

INTEREST EXPENSE AND ACCRETION

	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Interest on long-term debt	$ 1,745	$ 310	$ 3,817	$ 2,362
Interest on convertible note and debentures	-	459	922	1,370
Other interest charges	21	36	119	215
Accretion on asset retirement obligations	205	167	844	462
	$ 1,971	$ 972	$ 5,702	$ 4,409

Interest expense and accretion for the three months and year ended December 31, 2014, was $2.0 million and $5.7 million, respectively, compared to $1.0 million and $4.4 million in prior year. During the year, the Company repaid the Dutco loan in July 2014 and made three principal repayments on the Ukraine EBRD debt. However, the Company continued to draw on the Tunisia EBRD debt, which resulted in interest expense costs increasing year over year.

FOREIGN EXCHANGE LOSS

	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Foreign exchange loss	$ 2,177	$ 1,012	$ 9,002	$ 1,174

Fluctuations in foreign currency exchange rates are an economic factor that affects the Company's cash flow required for operations and for investments. The financial statements are presented in U.S. dollars, which is the reporting currency of the Company. Fluctuations in foreign currency exchange rates between US Dollars and other currencies resulted in a foreign exchange loss of $2.2 million and $9.0 million for the three months ended and year ended December 31, 2014, respectively, compared to $1.0 million and $1.2 million in prior year.

The financial statements of KUB-GAS use the Ukraine hryvnia as its functional currency. As a result of a 18% and 49% deterioration of the hryvnia versus the US dollar during the three months and year ended December 31, 2014, the translation of balances denominated in currencies other than hryvnia at period end into hryvnia resulted in a foreign exchange loss of $0.8 million and $6.7 million for the three months and year ended December 31, 2014 (2013: $0.9 million and $1.3 million). This foreign exchange loss is recorded in the income statement.

(Thousands of US dollars, except as noted)

On consolidation of KUB-GAS by the Company, the assets and liabilities of KUB-GAS are translated into U.S. dollars at exchange rates at the balance sheet date. Revenues and expenses of foreign operations are translated into U.S. dollars using foreign exchange rates that approximate those on the date of the underlying transaction. These translation gains and losses are included in accumulated other comprehensive income (loss), with a loss of $6.7 million and $34.1 million being recorded for the three months and year ended December 31, 2014. An appreciation in the exchange rate would have the opposite effect.

CAPITAL EXPENDITURES

	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Capital expenditures on property, plant and equipment	$ 18,629	$ 9,859	$ 54,246	$ 29,505
Capital expenditures on exploration and evaluation assets	7,958	15,181	14,204	46,055
Total capital expenditures	$ 26,587	$ 25,040	$ 68,450	$ 75,560

	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Expenditure by location				
Ukraine	$ 4,242	$ 7,036	$ 18,322	$ 30,034
Tunisia	13,240	1,644	36,651	2,681
Romania	7,969	455	12,312	788
Brunei	-	15,994	337	42,146
Corporate	1,136	(89)	828	(89)
	$ 26,587	$ 25,040	$ 68,450	$ 75,560

Capital expenditures consist of expenditures incurred on assets which are in the exploration and evaluation stage and include expenditures incurred on wells and seismic acquisition and processing. For these assets, the technical feasibility and commercial viability of the underlying property has yet to be determined. Exploration and evaluation assets (“E&E”) are not subject to depletion and depreciation, but are subject to impairment. As at December 31, 2014, this includes certain Ukraine assets and the Romanian assets. Expenditures incurred on assets for which technical feasibility and commercial viability have been determined are classified as property, plant and equipment (“PP&E”) and as at December 31, 2014 this includes certain Ukraine assets and the Tunisian assets.

In Ukraine, the Company incurred $4.2 million and $18.3 million of capital expenditures for the three months and year ended December 31, 2014, respectively, which included:

- In the first quarter of 2014, work was completed on the Makeevskoye gas processing facility. Gas began flowing through the facility on March 6, 2014.
- Drilling the M-17 well: the well was drilled in the first quarter of 2014 to a total depth of 3,445 metres. During the second quarter, the well was cased and the service rig began completion operations. Prior to cessation of developmental field operations, the Company completed and tested the M-17 well. Logs indicated pay in the S5 and S6 zones, and resource potential in the R30c and S7 sections. The S7 tested 900 Mcf/d without stimulation. The S6 was tested at multiple rates, the highest of which was 6.6 MMcf/d. The S6 zone was placed on production on June 26. During the fourth quarter the M-17 well averaged 11.9 MMcf/d (8.3 MMcf/d net to Serinus).

(Thousands of US dollars, except as noted)

- Drilling the O-11 well: the well was spud on April 4, 2014 after the drilling rig moved on from M-17. It reached its planned depth of 3,230 metres in late May, and was cased and the rig released. In June, the well was perforated in the S6 zone, and experienced a strong air blow, followed by gas to surface. The well was shut in for a pressure build up.
- Drilling the NM-4 well: the well was spud on June 16, and drilled to a depth of 102 metres. Surface casing was run and cemented in place prior to suspending drilling operations.
- Drilling the M-22 well: on October 2, 2014, the Company announced that the security situation had improved in and around the Makeevskoye, Olgovskoye and North Makeevskoye licenses and the Company resumed drilling activity in the Makeevskoye license with the spud of the M-22 well. The M-22 well is targeting a new Serpukhovian accumulation to the southwest of the pool containing the M-16 and M-17 wells. The well reached total depth at the end of December. The well indicated pay in two zones, which included the S13a which has not been previously tested in the area. The well also indicated four other zones that have resource potential. Completion, testing and tie-in will be completed during Q1 2015.

In Tunisia, capital expenditure of $13.2 million and $36.6 million were incurred for the three months and year ended December 31, 2014, which included:

- Drilling Win12bis well: the well was spud on July 17, 2014 and commenced production on December 10, 2014 at 635 boe/d. Gross production for the month of January and February 2015 averaged 1,033 boe/d (746 bbl/d of oil and 1.7 MMcf/d of gas).
- Drilling Win-13 well: the well was spud on December 10, 2014 and reached its target total depth of 3,781 metres on March 11, 2015. The completion and tie-in of the well is planned to be completed by mid-April.
- Workover: in Ech Chouech and Chouech Es Saida, a full workover rig commenced operations on May 29. In the Ech Chouech field, the EC-4 and ECS-1 wells were worked over, perforated and fractured. In the Chouech Es Saida field, CS-8 bis and CS-11 wells were worked over to replace the pumps. The CS-Sil-1 and CS-Sil10 wells were worked over using a coiled tubing unit.
- Seismic Acquisition: a 203.5 km2 3D seismic program over the Sanrhar field was completed and processing of the data is approximately 75% complete.

In Romania, capital expenditures of $8.0 million and $12.3 million were incurred for the three months and year ended December 31, 2014, which included:

- A seismic acquisition program
- The drilling of the two exploratory wells, Moftinu-1001 and Moftinu-1002bis to meet the minimum work commitment under Phase 2
- Shooting of new 3D seismic commenced in September and the survey area covered 180 km2 located approximately 35 km southwest of the Moftinu field against the western boundary of the Satu Mare concession.
- Completion and testing of the Moftinu-1001 and Moftinun-1002bis is being completed in Q1 2015

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

	As at December 31, 2014	As at December 31, 2013
Ukraine	$ 6,766	$ 10,947
Romania	12,557	887
	$ 19,323	$ 11,834

(Thousands of US dollars, except as noted)

LIQUIDITY, DEBT AND CAPITAL RESOURCES

	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Operating	$ 4,336	$ 17,382	$ 67,236	$ 54,918
Financing	(2,003)	5,726	(3,245)	(2,947)
Investing	(26,231)	(20,125)	(77,240)	(67,409)
Effect of exchange rate changes on cash	7,841	(62)	4,429	(199)
Change in cash	$ (16,057)	$ 2,921	$ (8,820)	$ (15,637)

Working Capital

	As at December 31, 2014	As at December 31, 2013
Current assets	$ 43,057	$ 37,039
Current liabilities	56,030	60,171
Working capital	$ (12,973)	$ (23,132)

Serinus has a working capital deficit of $13.0 million as at December 31, 2014 (December 31, 2013: $23.1 million). The Company’s liquidity requirements arise primarily from the need to finance exploration and development expenditures and general working capital. The Company believes that funds from operations in the future or equity or debt financing can be used to settle the working capital deficiency.

As is the case with many exploration companies, the Company is exposed to the risk that internally generated cash flows may not be sufficient to fund capital projects, additional financing may not be available to the Company, or that actual expenditures may exceed those planned. The Company has successfully undertaken, and plans to continue to undertake, various measures to mitigate the risk. The Company monitors its liquidity position regularly to assess whether it has the funds necessary to complete planned programs. Alternatives available to Serinus to manage this 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.

The Company is currently restricted from paying dividends out of Ukraine, due to currency controls that were first implemented in September 2014. These currency controls were due to expire on December 3, 2014 but were extended to March 3, 2015 and have since been extended to June 3, 2015.

On February 20, 2015, Serinus finalized a new 10 million Euro ($11.28 million) debt facility with ERBD. The proceeds from the new facility (the "Romania Facility") will be used to fund the Company's capital program currently underway in Romania.

There are no other restrictions on the use of the Company’s capital resources that could materially affect, directly or indirectly, its operations or activities. The Company is in compliance with all covenants to debt agreements which could restrict its operations or activities.

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

During the period covered by this report, the Company did not issue guarantees exceeding 10% of the Company’s equity, except for the guarantee of the loan drawn by KUB-Gas, as discussed under the heading “EBRD Loan Facility”. Details of all debt outstanding, including pledges, are disclosed in the notes to the condensed consolidated financial statements as at December 31, 2014.

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

The following details the debt agreements the Company has or had in place over the two year period ended December 31, 2014:

Dutco

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

The term of the Dutco Credit Facility was 12 months with interest calculated on outstanding amounts at a rate of 12% per annum and paid monthly. As at December 31, 2014, the Dutco Credit Facility was fully repaid ($15 million outstanding at December 31, 2013).

EBRD-Tunisia Loan Facility

On November 20, 2013 the Company finalized two loan agreements aggregating USD $60 million with EBRD. The Senior Loan is in the amount of USD $40 million, has a term of seven years, and is available in two tranches of USD $20 million each. Interest is payable semi-annually at a variable rate equal to 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 Senior Loan is repayable in twelve equal semi-annual instalments commencing March 31, 2015. The second tranche of the Senior Loan is available only after the Convertible Loan is fully drawn, and is also subject to certain conditions including achieving and maintaining specified production targets for a period of three continuous months, and meeting specified financial and reserve coverage ratios. Refer to "Covenants" section for details of the associated covenants.

With the placement of the EBRD Romanian Facility subsequent to the year end, the committed portion of the second tranche of the Company's senior debt facility with the EBRD associated with the Tunisian assets has been reduced from $20 million to $8.72 million.

The Convertible Loan in the amount of USD $20 million has a term of seven years, and bears interest at a variable rate that is the 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.

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

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

As at December 31, 2014, the Company has drawn $20.0 million of the Senior Loan, $15.0 million of the Convertible Loan and incurred transaction costs of $1.0 million (December 31, 2013: $5.0 million, $nil and $0.6 million respectively). In addition, the Company locked in the interest rate on the $20.0 million of the Senior Loan at a rate of 6.9% for a two year period from September 30, 2014 to September 30, 2016.

(Thousands of US dollars, except as noted)

EBRD-Tunisia Loan Facility Covenants

Both loan agreements as part of the EBRD-Tunisia Loan Facility contain a number of affirmative covenants, including maintaining the specified security, environmental and social compliance, and maintenance of specified financial ratios.

	As at December 31, 2014	As at December 31, 2013
Debt Service Coverage Ratio (not less than 1.3:1) (a)		
- Tunisia (b)	23.0	26.5
Debt Service Coverage Ratio (not less than 1.5:1) (c)		
- Serinus (d)	5.8	21.2
Financial Debt to EBITDA (no more than 2.5) (e)		
- Tunisia (f)	0.8	0.6
Financial Debt to EBITDA (no more than 2.75) (g)		
- Serinus (h)	0.5	0.9
Compliance	YES	YES

(a) This calculation is equal to the trailing twelve month cash flow from operations divided by debt service costs. A deduction is made from cash flows for Tunisia capital expenditures not considered part of the EBRD project expenditures.
(b) Tunisia adjusted cash flow was $21.0 million for the 12 month period ended December 31, 2014. The debt service costs for the same period were $0.91 million (2013: $30.9 million and $1.165 million respectively).
(c) This calculation is equal to the trailing twelve month cash flow from operations divided by debt service costs. A deduction is made from cash flow for capital expenditures not considered EBRD project costs in Tunisia and Romania
(d) Serinus' adjusted consolidated cash flow amount was $43.1 million for the 12 month period ended December 31, 2014. The debt service costs for the same period were $7.4 million (2013: $24.7 million and $1.165 million respectively).
(e) Financial debt as defined under the agreement includes the senior portion of the EBRD Tunis Loan and Romanian EBRD Loan. EBITDA as defined under the agreement is for the trailing 12 months and is defined as oil and gas revenue, net of royalties less production expenses, general and administrative expenses and transaction costs.
(f) Tunisia financial debt totalled $19.8 million as at December 31, 2014. EBITDA totalled $25.5 million for the 12 month period ending December 31, 2014 (2013 $19.6 million and $32.7 million respectively).
(g) Financial debt as defined under the agreement includes all Serinus long term debt. EBITDA as defined under the agreement is for the trailing 12 months and is defined as oil and gas revenue, net of royalties less production expenses, general and administrative expenses and transaction costs.
(h) Serinus financial debt totalled $37.3 million as at December 31, 2014. EBITDA totalled $76.5 million for the 12 month period ending December 31, 2014 (2013 $66.7 million and $74.5 million respectively).

EBRD–Ukraine Loan Facility

In the second quarter of 2011, KUB Gas signed an agreement with the EBRD for a loan facility of up to $40.0 million with proceeds of the loan to be used to fund development of the licenses in Ukraine. The financing bears interest in two components, one being LIBOR + 6% and the other being a fee based on incremental revenues with the total rate not to exceed 19%. The loan proceeds were to be advanced in two tranches, with $23.0 million having been advanced in 2011 and the remaining $17.0 million available to be advanced in 2012. On May 20, 2013, availability of the second tranche of $17.0 million expired without any drawdown in accordance with the terms of the loan agreement. The loan balance outstanding is to be repaid in thirteen equal semi-annual payments that commenced in July 2012. Serinus, as the indirect majority owner of KUB-Gas, provided a guarantee for the entire amount of the loan outstanding from time to time.

At December 31, 2014, $2.4 million of principal and interest was outstanding (December 31, 2013: $7.6 million). In January 2014 and July 2014, scheduled repayments of $1.8 million each were made. A repayment of $1.8 million was made in December 2014 in advance of the instalment due in January 2015 due to issues with obtaining USD in Ukraine.

(Thousands of US dollars, except as noted)

EBRD – Ukraine Loan Facility Covenants

In accordance with the EBRD – Ukraine Loan Facility there are specified financial ratios, as follows. In 2014, the working capital covenant relating to the EBRD Ukraine loan was removed from the loan agreement.

	As at December 31, 2014	As at December 31, 2013
Debt Service Coverage Ratio (not less than 1.3:1) (a)		
- Ukraine (b)	5.3	1.4
Financial Debt to EBITDA (no more than 3) (c)		
- Ukraine (d)	0.1	0.1
Compliance	YES	YES

(a) This calculation is equal to KUB Gas LLC trailing twelve month adjusted cash flows divided by debt service costs. Cash flows are adjusted as required by the agreement for interest expense and capital expenditures net of loan proceeds from borrowings.
(b) KUB Gas LLC adjusted cash flow was UAH 483.9 million for the 12 month period ended December 31, 2014. The debt service costs for the same period were UAH 91.9 million (2013: UAH 207.2 million and UAH 146.7 million respectively).
(d) Financial debt as defined under the agreement includes current and long term loans. EBITDA as defined under the agreement is for the trailing 12 months and is defined as oil and gas revenue, net of royalties less production expenses, general and administrative expenses and transaction costs.
(f) KUB Gas LLC financial debt totalled UAH 42.3 million as at December 31, 2014. EBITDA totalled UAH 709.6 million for the 12 month period ending December 31, 2014. (2013: UAH 64.0 million and UAH 576.1 million respectively).

EBRD–Romania Facility

On February 20, 2015 the Company finalized a loan agreement for €10 million (approximately USD $11.28 million) with EBRD. The Loan has a term of six years. Interest is payable semi-annually at a variable rate equal to LIBOR for a period equivalent to the interest payment period and 8%. At the Company’s option, the interest rate may be fixed at the sum of 8% and the forward rate available to EBRD on the interest rate swap market. The loan is to be repaid over 10 equal semi-annual instalments commencing March 31, 2016. The loan also contains the following accelerated loan repayment provisions:

> If and when the Company is able to convert and repatriate its cash in Ukraine, currently held in UAH, the Company will apply those funds to early repayment the Romania Facility according to the following schedule:

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

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

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

SHARE DATA

The Company is authorized to issue an unlimited number of common shares of which 78,629,941 common shares and 5,642,400 options with a USD exercise price and 141,000 options with a Canadian Dollar (“CAD”) exercise price to purchase common shares were outstanding as at December 31, 2014.

Subsequent to December 31, 2014, the Company cancelled 2.7 million USD denominated options with a weighted average exercise price of $4.05.

(Thousands of US dollars, except as noted)

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

Summary of common shares outstanding:

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

Summary of options outstanding:

The following table summarizes information about common share purchase options outstanding at December 31, 2014:

	USD denominated options		CAD denominated options	
	Number of Options	Weighted average exercise price per option (US$)	Number of Options	Weighted average exercise price per option (CAD$)
Balance, December 31, 2013	7,089,900	$ 4.69	-	$ -
Granted	248,000	$ 3.54	141,000	$ 2.39
Exercised	(18,500)	$ 2.85	-	$ -
Expired	(1,677,000)	$ 5.40	-	$ -
Balance, December 31, 2014	5,642,400	$ 4.39	141,000	$ 2.39

During 2014, the Company granted 248,000 USD share purchase options at a weighted price of $3.54 per share to certain employees of Serinus. In addition, the Company granted a total of 141,000 Canadian denominated stock options to employees at a weighted average exercise price of CAD$2.39 with 62,000 being granted during the 3 months ended December 31, 2014. These share purchase options have a five-year term and vested one-third immediately, and one-third on each of the first and second anniversary of the grant date.

The following tables summarize information about the USD and CAD options outstanding as at December 31, 2014:

<u>USD denominated options:</u>

Exercise price (US$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
$ 2.85 - $ 3.50	489,000	290,002	3.74
$ 3.51 - $ 4.00	1,357,400	1,357,400	1.45
$ 4.01 - $ 5.00	2,761,000	1,965,330	3.71
$ 5.01 - $ 6.20	1,035,000	1,035,000	0.46
$ 4.39	5,642,400	4,647,732	2.57

<u>CAD denominated options:</u>

Exercise price (CAD$)	Outstanding	Exercisable	Weighted average contractual life remaining, years
$ 1.56 - $ 2.50	74,000	24,667	4.84
$ 2.51 - $ 3.22	67,000	22,333	4.46
$ 2.39	141,000	47,000	4.66

(Thousands of US dollars, except as noted)

At the date of issuing this report, the following are the options outstanding and changes to executives and officers options owned since December 31, 2014, up to the date of this report:

		Changes to Option Ownership		
Name of Director/Executive Officer/Key Person	**Options held as at March 18, 2015**	**Shares held at December 31, 2014**	**Change in share ownership**	**Shares held at March 18, 2015**
Timothy M. Elliott	1,153,600	537,787	62,213	600,000
Norman W. Holton	285,000	337,791	-	337,791
Manoj Narender Madnani	51,000	37,568	-	37,568
Michael A. McVea	-	10,000	-	10,000
Gary King	-	6,750	-	6,750
Stephen Akerfeldt	-	-	-	-
Helmut Langanger	-	-	-	-
Sebastian Kulczyk (1)	-	-	-	-
Jock M. Graham	285,000	146,258	-	146,258
Edwin A. Beaman	48,000	55,610	-	55,610
Aaron LeBlanc	-	-	-	-
Evgenij Iorich (2)	-	3,415	-	3,415
Tracy Heck	-	-	-	-
Jakub Korczak	90,000	-	-	-
Alec Silenzi	-	10,000	-	10,000
	1,912,600	1,145,179	62,213	1,207,392

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

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

OBLIGATIONS AND COMMITMENTS

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

	Within 1 Year	2-3 Years	4-5 Years	+5 Years	Total
Office Rental	$ 671	$ 959	$ 925	$ 441	$ 2,996
EBRD loan-Ukraine	1,770	615	-	-	2,385
EBRD loan-Tunisia	3,333	6,667	6,667	18,255	34,922
Total contractual obligations	$ 5,774	$ 8,241	$ 7,592	$ 18,696	$ 40,303

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

Ukraine

The Company has an obligation to incur certain capital expenditures to comply with Ukrainian exploration licence requirements. Under these licence maintenance commitments, KUB-Gas is required to acquire and process seismic, conduct geophysical studies and drill exploratory wells on licenced fields. Although these commitments are not binding and may be modified based on results of exploration work, KUB-Gas' potential capital expenditures relating to qualifying activities on gas and gas condensate fields may reach $1.0 million during 2015 as part of the planned development program. Justified deviation from the capital expenditures committed is permitted and should be agreed with the licensor, while failure to commit exploration works and substantiate the different capital expenditure schedule may result in termination of the licence. KUB-Gas's potential capital expenditure relate to the North Makeevskoye license, where the Company may resume drilling of the NM-4 exploration well for retention of the license.

Tunisia

The Tunisian state oil and gas company, ETAP, has the right to back into up to a 50% working interest in the Chouech Es Saida concession if, and when, the cumulative liquid hydrocarbon sales, net of royalties and shrinkage, from the concession exceeds 6.5 million barrels. As at December 31, 2014 cumulative liquid hydrocarbon sales net of royalties and shrinkage was 4.9 million barrels. Management is of the opinion that there are sufficient exploration and development opportunities which, if successful, could result in this provision being exercised within the next 10 years.

Romania

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

Office Space

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

OFF BALANCE SHEET ARRANGEMENTS

Serinus was not party to any off balance sheet arrangements during the reporting or comparative period.

RELATED PARTY TRANSACTIONS

Nemmoco Petroleum Corporation ("Nemmoco"), a private company of which 37.5% is owned by Timothy M. Elliott, an officer and director of the Company, provides certain personnel, general, accounting and administrative services to the Company at its offices in Dubai on a cost basis. For the three months and year ended December 31, 2014, the fees totalled \$0.1 and \$0.7 million, respectively (2013: \$0.3 million and \$0.8 million). At December 31, 2014, \$67 thousand was owed to Nemmoco (December 31, 2013: \$23 thousand).

Loon Energy Corporation ("Loon Energy"), a publicly traded Canadian corporation with no employees. Serinus and Loon Energy are related as they have five common directors and officers and the same principal shareholder. Management and administrative services are provided by the management and staff of Serinus. For the three months and year ended December 31, 2014, these fees totalled \$3 thousand and \$11 thousand (2013: \$3 thousand and \$12 thousand). At December 31, 2014 and 2013, Loon Energy owed \$nil to Serinus for these services.

Serinus remains legally responsible for a guarantee issued in August 2007 (the "Loon Guarantee") to the Government of Peru regarding the granting of a license contract to a former subsidiary company, Loon Peru Limited. Loon Energy and Serinus have entered into an indemnification agreement in respect of the Loon Guarantee. The maximum liability to the Company that may arise from the Loon Guarantee is based on the first exploration phase as the minimum work program for the first phase has been completed, the Company does not anticipate any exposure to the guarantee.

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

(Thousands of US dollars, except as noted)

2015 OUTLOOK

The Company expects its 2015 capital expenditures program to be negatively impacted by tighter fiscal terms in Ukraine and lower commodity prices. Serinus currently anticipates $17 million (net to Serinus) of total capital expenditures for 2015. The major projects include:

- Ukraine – Completion, testing and tie in of the M-22 well
- Ukraine – Field compression for Olgovskoye field.
- Tunisia – Drilling completion and testing of Win-13
- Tunisia - Installation of coiled tubing in ECS-1
- Romania – Completion and testing of Moftinu-1001 and Moftinu-1002bis

Most of these items are expected to be completed in Q1, with the exceptions of WIN-13 (April/May) and the Olgovskoye compression project (May). Capital expenditures in Tunisia and Romania will be funded through the Company's financing arrangements with the EBRD. Capital expenditures in Ukraine will be funded by Ukraine cash flow.

DIVIDENDS

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

SELECTED ANNUAL INFORMATION

The following table sets out selected annual information extracted from the audited consolidated financial statements.

	As at December 31, 2014	2013	2012
Total assets	$ 259,467	$ 312,473	$ 187,709
Total liabilities	153,477	141,929	64,259
Total equity	105,990	170,544	123,450

	For the year ended December 31, 2014	2013	2012
Sales revenue, net of royalties	$ 115,720	$ 112,236	$ 80,120
Earnings per share attributable to:			
Common shareholders	$ (30,501)	$ (68,682)	$ (86,769)
Non-controlling interest	6,540	11,156	7,787
Net loss per share attributable to common shareholders			
Basic and diluted	$ (0.39)	$ (1.07)	$ (1.95)
Weighted average number of shares	78,627,711	64,018,949	44,452,298
Average daily production volumes (boe)	5,219	4,081	3,794

Total Assets

Total assets as at December 31, 2014 were $259.5 million compared to $312.5 million as at December 31, 2013. The decrease is due impairments of capital assets and the continued decline in the exchange rate between the Ukraine hryvnia and the US Dollar. Year over year, the deterioration in the Ukrainian hryvnia to the USD Dollar was 49%. This was partially offset by an increase in accounts receivable in Tunisia from their partner, ETAP, in the Sabria permit for drilling capital spent during the year.

(Thousands of US dollars, except as noted)

Total Liabilities

Total long term liabilities as at December 31, 2014 were $153.5 million compared to $141.9 million as at December 31, 2013. The change is due to $35.0 million of drawdowns on the EBRD-Tunisia loan, offset by the decline in exchange rate between the Ukraine hryvnia and the US Dollar and repayments of $15.0 million on the Dutco facility.

SUMMARY OF QUARTERLY RESULTS

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

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Oil and gas revenue	$ 40,422	$ 46,407	$ 41,635	$ 35,863	$ 43,700	$ 45,394	$ 28,929	$ 28,709
Netback ($/boe)	$ 25.18	$ 34.19	$ 44.38	$ 38.27	$ 48.69	$ 46.60	$ 37.80	$ 40.08
Earnings (loss) for the period								
Common shareholders	$ (41,295)	$ 3,793	$ 5,344	$ 1,657	$ (79,740)	$ 8,147	$ 829	$ 2,082
Non-controlling interest	$ (684)	$ 2,758	$ 3,389	$ 1,077	$ 2,837	$ 3,815	$ 2,352	$ 2,152
Per share - basic and diluted attributable to common shareholders	$ (0.53)	$ 0.50	$ 0.07	$ 0.02	$ (1.01)	$ 0.10	$ 0.02	$ 0.04
Average daily production (boe) (gross)	7,119	7,556	6,531	6,351	6,639	6,318	4,541	4,500
Average daily production (boe) (net to Serinus)	5,413	5,640	4,965	4,849	5,079	4,892	3,179	3,151

- In Q1 2013 and Q2 2013, the Company's oil and gas revenue and average daily production was entirely from the Ukrainian operations. During this period, the operations had a steady increase through capital expenditure investments that increased production and oil and gas revenues.
- At the end of Q2 2013, the Company completed the Winstar acquisition which resulted in substantial increases to oil and gas revenue, and average daily production.
- In Q4 2013, the earnings were negatively impacted by an impairment charge of $83.0 million related to Brunei Block L.
- In Q3 2014, the netback was negatively impacted by the increase in royalties in Ukraine effective August 1, 2014.

In Q4 2014, revenues were impacted by lower commodity prices and the netback was impacted by the increase in Ukraine royalties. In Q4 2014, earnings were negatively impacted by an impairment charge of $54.9 million, $5.6 million related to Ukraine and $49.3 million related to Tunisia.

RISK FACTORS

Serinus takes a proactive approach to identifying inherent risks to its business and operations through the consistent identification of risks in day to day operations enabling the appropriate decision making. Below is a list of what Serinus has identified as its principal risks. A principal risk is an exposure that has the potential to materially impact the ability of Serinus to meet objectives. Some risks are common to operations in the oil and gas industry, while others are specific to Serinus and its operations in emerging markets. The risks below are not meant to be an exhaustive or a static list, nor should they be taken as a complete summary of all the risks associated with our business. If any of the these risks or other risks occur, our business, financial condition, results of operations and cash flows could be adversely affected in a material way.

Commodity Price Risk

Serinus' financial performance is impacted by prices obtained for crude oil, natural gas and natural gas liquids. The prices of all of these commodities are influenced by global and regional supply and demand which can result in price volatility. Prices are also affected by factors such as economic growth, transportation constraints, political developments, decisions made by the Organization of Petroleum Exporting Countries (OPEC) members and weather. These dynamics can affect different types of products differently.

Specifically, Serinus is exposed to risks due to fluctuations in the price of natural gas in Ukraine and the market price of Brent crude oil. Natural gas in Ukraine is impacted by the availability of imported natural gas from Russia and the price set by exporters in Russia while the market price of Brent crude oil is impacted by market risk factors.

Given recent global economic conditions, there has been volatility and we expect continued uncertainty in prices in the near time. A prolonged period of low prices could affect the value of assets and the level of capital expenditure, thus having a material adverse effect on Serinus and its operations. Serinus currently does not have a commodity hedge program in place which could potentially partially mitigate price risk.

Financial Risks

Financial risks include interest rate risk, credit risk, foreign currency exchange risk and liquidity risks. For discussion on these and management of these risks please refer to the "Fair Value and Financial Risk Management" note in the notes to the Consolidated Financial Statements for the year ended December 31, 2014.

Operational, Environmental and Safety Risks

Serinus' operations require significant investment in both the exploration and evaluation and operation and maintenance of facilities. Associated are the risks relating to environmental and safety. Keeping employees and worksites safe and secure and to preserving and protecting the environment, is of paramount importance. Operational hazards include fires, explosions, blow-outs, power outages, severe weather conditions and the release of harmful substances such as oil spills, gas leaks. Any of these hazards can interrupt operations, cause injury or death, damage property, equipment or/and the environment. Losses resulting from the occurrence of any of these risks could have a material adverse effect on operations.

To mitigate these risks, the Company evaluates projects for financial, geological and engineering risk and mitigation plans are developed, including a comprehensive insurance program. There is the risk that insurance may not provide adequate coverage in all circumstances, nor are all risks insurable.

Project risk

There are risks associated with exploration, evaluation and execution of oil and gas projects.

Risks in exploration include failure to acquire or find additional reserves which will, at minimum, result in erosion of the Company's existing reserves as these reserves are depleted through ongoing production, and may negatively impact the Company's ability to grow its asset base in the future. There is no assurance that Serinus will be able to find suitable properties to acquire or participate in the future. Serinus uses proactive project planning on existing licences and performs extensive business development dedicated to identifying and pursuing potential opportunities. Further, all investment opportunities are reviewed using careful consideration and technical analysis.

Risks in the evaluation of future oil and natural gas properties may involve unprofitable efforts from dry wells as well as from wells that are productive but do not produce sufficient production to return a profit after drilling, completing, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of costs spent. To mitigate this, Serinus uses reputable industry specialists and monitors field performance on a daily basis

Risks involved in the execution of projects relate primarily to engineering and a failure in the specification, design or technology of a project; the construction and a failure in the ability to build the project in the time and cost budgeted; and lastly the commissioning and start up a failure of the facility to meet performance targets. To mitigate these risks, Serinus estimates costs and an expectation for all projects and at each stage evaluates the project to ensure financial viability. There are numerous factors beyond our control such as commodity prices, weather, availability of equipment, unexpected cost increases, accidental events, regulatory changes which could have a negative impact on Serinus ability to execute projects on time and budget.

The oil and natural gas industry in emerging markets where Serinus operates is not as developed as the oil and natural gas industry in developed nations such as Canada. As a result, drilling and development operations may take longer to complete and may cost more than similar operations in a developed nation. As well, the availability of technical expertise, specific equipment and supplies may be more limited. Such factors subject operations in emerging markets to unique risks not experienced by others.

Political and Economic Risks

Serinus operates in emerging markets that are subject to political and economic risks. Political stability and the uncertainty regarding political decisions may result in: the possibility of war/revolution, border disputes, expropriation, renegotiation or modification of existing contracts, import, export and transportation restrictions, change in regulations and tariffs, tax increases, loss of subsidy, change of market policy and laws regarding resource extraction. As a result of political instability, economic challenges that may ensue include slow growth, high inflation and unfavorable fluctuations in exchange rates.

To date the current instability in Ukraine has not significantly impacted the Company's production of natural gas as production levels increased in 2014 compared to the prior year. The development of the Company's oil and gas properties has been impacted by the security situation in eastern Ukraine as drilling and exploration activity was temporarily suspended in the second and third quarter of 2014. The Company completed the drilling of the M-22 on the Makeevskoye license in the fourth quarter of 2014. At this time, no additional exploration and development projects are planned for 2015 beyond the testing, completion and tie-in of the M-22 well and a field compression project on the Olgovskoye field.

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

Regulatory Risks

Serinus is subject to a range of laws and regulations imposed by a number of and various levels of government and regulatory bodies in the jurisdictions in which it operates. The Company believes it fully complies with or exceeds all government laws, regulations and industry standards in its countries of operation; however these regulations are subject to intervention by governments that can affect future exploration, production and abandonment of fields and licenses. Rights and licenses can be cancelled, may expire or be expropriated and regulations can change. Certain licenses have restrictions which may not be removed on a timely basis. Due to the nature of emerging markets and changing regulations, regulatory changes can have a material adverse effect on operations in a way beyond what we can forecast.

LITIGATION

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

CRITICAL ACCOUNTING ESTIMATES

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, 2014 by independent qualified reserves evaluators. All significant judgments are based on available geological, geophysical, engineering, and economic data. These judgments are based on estimates and assumptions that may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates are based on current production forecasts, prices and economic conditions. As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices and economic conditions. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices and reservoir performance. Such revisions could be material and result in either positive or negative amounts.

The cash flow model used to value oil and gas properties incorporates estimates of future commodity prices. Generally the pricing assumptions used are those of the external reserve engineer adjusted for differentials specific to the Company. Commodity prices can fluctuate for a variety of external reasons including supply and demand fundamentals, inventory levels, exchange rates, weather, and economic and geopolitical factors as well as internal reasons including quality differentials.

(ii) Oil and Gas Activities

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

(iii) Cash Generating Units ("CGU")

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 are 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 assessment whether valuation allowances are required based on expectations of future cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the balance sheet date could be impacted by a material amount. Additionally, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future.

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

(vii) Stock Based Compensation Expense

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.

FUTURE CHANGES IN ACCOUNTING POLICIES

In July 2014, the IASB issued IFRS 9, Financial Instruments to replace IAS 39 which provides a logical model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. The standard is effective for the Company for annual periods beginning on January 1, 2018, with required retrospective application and early adoption permitted. The adoption of the standard is not expected to have a material impact on the Company's annual consolidated financial statements.

In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers” to replace IAS 18 which establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. The standard is effective for the Company for annual periods beginning on January 1, 2017, with required retrospective application and early adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The preparation of this MD&A is supported by a set of disclosure controls and procedures (“DC&P”) and internal controls over financial reporting (“ICFR”) as at December 31, 2014.

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

Internal control over financial reporting means a process designed by, or under the supervision of, an issuer’s certifying officers, and effected by the issuer’s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP and includes those policies and procedures that:
(a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer;

(b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the issuer's GAAP, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and
(c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the annual financial statements or interim financial statements.

The Company's Chief Executive Officer and Chief Financial Officer of the Company have designed DC&P and ICFR, or caused them to be designed under their supervision, to provide reasonable assurance that all material information required to be disclosed by Serinus in its annual filings and interim filings are recorded, processed, summarized and reported within the time periods specified in applicable securities legislation, and to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with IFRS. The ICOFR is based on the framework in "Internal Control Over Financial Reporting" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 1992.

The board of directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee meets at least annually with the Company's external auditors to review accounting, internal control, financial reporting, and audit matters.

There have been no material changes to the Company's internal controls over financial reporting since December 31, 2013. Under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, Serinus conducted an evaluation of the effectiveness of it DC&P and ICFR as at December 31, 2014. Based on this evaluation, the Officers conclude that as at December 31, 2014 the DC&P and ICFR are effective.

NON-IFRS MEASURSES

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

Serinus calculates "funds from operations", "netback", "net debt", "EBITDA" and "working capital" as applicable to its most closely related IFRS measure.

FORWARD-LOOKING STATEMENTS

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

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

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

- Commodity prices.

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

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

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

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

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

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

ABBREVIATIONS

The following is a list of abbreviations that may be used in this MD&A:

Crude Oil and Natural Gas Liquids		***Natural Gas***	
bbl	barrel	Mcf	thousands of cubic feet
bbl/d	barrels per day	MMcf	millions of cubic feet
Mbbl	thousands of barrels	Mcf/d	thousands of cubic feet per day
boe	barrels of oil equivalent	MMcf/d	millions of cubic feet per day
boe/d	barrels of oil equivalent per day	Mcfe	thousands of cubic feet of equivalent
Mboe	thousands of barrels of oil equivalent		

MEASUREMENT CONVERSIONS

Certain crude oil and natural gas liquids volumes have been converted to Mcfe or MMcfe on the basis of one bbl to six Mcf. Also, certain natural gas volumes have been converted to boe or Mboe on the same basis. Any figure presented in Mcfe, MMcfe, boe or Mboe may be misleading, particularly if used in isolation. A conversion ratio of one bbl of crude oil or natural gas liquids to six mcf of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent value equivalency at the wellhead.

INVESTOR INFORMATION

Additional information regarding Serinus and its business and operations is available at **www.sedar.com**. Information is also accessible on the Company's website at www.serinusenergy.com**.**

We welcome questions from interested parties. Contact should be directed to Serinus' head office via address: 1500, 700 – 4th Avenue S.W., Calgary, Alberta T2P 3J4, phone: +1 403 264-8877 or e-mail: **ryaniw@serinusenergy.com**.