SERINUS ENERGY

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2013

March 31, 2014

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GLOSSARY OF TERMS

All capitalized terms used in this Annual Information Form ("**AIF**") but not otherwise defined herein shall have the meanings set forth below. The information set out in the AIF is stated as at December 31, 2013 unless otherwise specifically stated.

"2008 Arrangement" means the court-approved plan of arrangement involving Loon, the securityholders of Loon and Loon Corp effected pursuant to Section 193 of the ABCA, which was completed on December 10, 2008;

"2013 Arrangement" means the court-approved plan of arrangement involving Winstar, the securityholders of Winstar, Serinus and KI effected pursuant to Section 193 of the ABCA, which was completed on June 24, 2013;

"**ABCA**" means the *Business Corporations Act* (Alberta), as amended;

"**AED SEA**" means AED Southeast Asia Limited, a company existing under the laws of Cyprus, which is a wholly-owned subsidiary of KOV Cyprus;

"**AED SEA Acquisition**" means the acquisition by KOV Cyprus of all of the issued and outstanding shares of AED SEA effective December 5, 2011;

"**Block 9**" means Syria Block 9;

"**Block 9 JOA**" means the Joint Operating Agreement dated September 1, 2010 in respect of Syria Block 9 among Loon Latakia, MENA Syria and Ninox;

"**Block L Operating Agreement**" means the operating agreement in respect of Block L dated August 28, 2006 among Kulczyk Oil Brunei and QAF;

"**Board of Directors**" means the board of directors of the Company;

"**Brunei Assets**" means the right to explore for and produce oil and gas from Block L in Brunei as set forth in the Brunei Block L PSA;

"**Brunei Block L**" or "**Block L**" means the lands subject to the Brunei Block L PSA;

"**Brunei Block L PSA**" means the production sharing agreement for Brunei Block L, which is described in "*Principal Oil and Gas Assets - Brunei*";

"**Brunei Block M**" means the lands that were subject to the Brunei Block M PSA;

"**Brunei Block M PSA**" means the production sharing agreement for Brunei Block M which expired in August, 2012;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook;

"**Common Shares**" means the common shares in the capital of the Company on a post-consolidation basis after giving effect to the 2013 Arrangement;

"**Company**" **has the same meaning as** Serinus, a term defined below;

"**Cub Energy**" means Cub Energy Inc. (formerly 3P Energy International Energy Corp.), a public company listed on the TSX-V;

"Dutco" means Dutco Energy Limited, a wholly owned subsidiary of Dubai Transport Company LLC, a Middle Eastern conglomerate with operations in construction and engineering, trading, manufacturing, hospitality and oil and gas.

"Dutco Loan" means the $15 million credit facility provided by Dutco to the Company for the purpose of funding exploration drilling in Brunei. See also "*General Development of the Business – Three Year History of the Company – Dutco Loan"*

"**EBRD**" means the European Bank for Reconstruction and Development;

"**EBRD Tunisia Facility**" means the $60.0 million loan facility provided by the EBRD to Serinus with respect to financing the Company's capital program for the Tunisia Assets;

"**EBRD Ukraine Facility**" means the $40.0 million loan facility provided by the EBRD to KUB-Gas;

"ETAP" means Entreprise Tunisienne d'Activités Pétrolières, the state owned national oil company of Tunisia;

"**Gastek**" means Gastek LLC, a private California company, which is a 30% shareholder of KUBGAS Holdings, and which is wholly-owned by Cub Energy;

"**GPC**" means General Petroleum Corporation, successor to the SPC;

"**Jura**" means Jura Energy Corporation, a public company listed on the Toronto Stock Exchange, in which KOV owns a non-controlling interest;

"**KI**" means Kulczyk Investments S.A., a company existing under the laws of Luxembourg, which is the largest shareholder of the Company;

"**KI Loan**" means the $12.0 million in debt funding provided by KI to KOV pursuant to the KI Loan Agreement;

"**KI Loan Agreement**" means the amended and restated loan agreement dated December 11, 2012 pursuant to which KI provided the KI Loan to KOV;

"**KI/Radwan Debentures**" means the unsecured convertible debentures for a principal amount of up to $23.5 million formerly issued by the Company to KI and Radwan;

"KOV Borneo" means KOV Borneo Limited, a company existing under the laws of the United Kingdom, which is a wholly-owned subsidiary of KOV Cyprus;

"**KOV Cyprus**" means Kulczyk Oil Ventures Limited, a company existing under the laws of Cyprus, which is a wholly-owned subsidiary of the Company;

"**KUB-Gas**" means KUB-Gas LLC, a company existing under the laws of Ukraine, which is a wholly-owned subsidiary of KUBGAS Holdings, which is an indirect 70% owned subsidiary of the Company;

"**KUBGAS Holdings**" means KUBGAS Holdings Limited (formerly Loon Ukraine Holding Limited), a company existing under the laws of Cyprus, which is a 70% owned subsidiary of KOV Cyprus, which in turn owns 100% of KUB-Gas;

"**Kulczyk Oil Brunei**" means Kulczyk Oil Brunei Limited (formerly Loon Brunei Limited), a company existing under the laws of Cyprus, which is a wholly-owned subsidiary of KOV Cyprus;

"**Loon Corp**" means Loon Energy Corporation. Loon Corp is a public company listed on the TSX-V, which was formed as a part of the 2008 Arrangement;

"**Loon Latakia**" means Loon Latakia Limited, a company existing under the laws of Cyprus, which is a wholly-owned subsidiary of KOV Cyprus;

"**MENA**" means MENA Hydrocarbons Inc., a public company listed on the TSX-V;

"**MENA Syria**" means MENA Hydrocarbons (Syria) Inc., a subsidiary of MENA;

"**Naftogaz**" means National Joint Stock Company Naftogaz of Ukraine, a state-owned company under the Ministry of Fuel and Energy of Ukraine;

"NAMR" means the National Agency for Mineral Resources, the government body regulating petroleum and mineral resources in Romania.

"**NERCU**" means the National Electricity Regulatory Commission of Ukraine, the body regulating gas and electricity prices in Ukraine

"**NI 51-101**" means National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;

"**Ninox**" means Ninox Energy Pte Ltd. (formerly Triton Petroleum Pte Ltd.), a privately held Australian company, in which KOV Cyprus owns a non-controlling interest;

"**PetroleumBRUNEI**" means Brunei National Petroleum Company Sendirian Berhad, a private limited company wholly-owned by the Government of Brunei;

"**Pre-Consolidation Shares**" means common shares in the capital of the Company issued and outstanding prior to giving effect to the consolidation of the Pre-Consolidation Shares on June 24, 2013 on the basis of ten Pre-Consolidation Shares for on post-consolidation Common Share;

"**Radwan**" means Radwan Investments GmBH, a private Austrian company;

"**Romania Assets**" means the right to explore for and produce oil and gas from the Satu Mare concession under the terms of the Satu Mare Concession Agreement and the property, plant and equipment associated with the exploration and production of oil and gas on those concessions described in the section *Principal Oil and Gas Assets – Romania"*;

"**RPS**" means RPS Energy, an engineering consulting company;

"**RPS Report**" means the report of RPS effective December 31, 2013 and dated March 28, 2014 on their evaluation of the reserves in the Company's holdings in Tunisia and Ukraine;

"Serinus" or **"SEN"** or **"Company"** means Serinus Energy Inc., a company incorporated pursuant to the laws of the Province of Alberta, Canada which is listed on the TSX and the WSE under trading symbol 'SEN';

"**Satu Mare Concession Agreement**" or "**SMCA**" means the agreement governing the exploration, development and production of oil and gas in the Satu Mare concession in northwest Romania.

"**Satu Mare Farm Out Agreement**" or "**SMFA**" means the agreement between Rompetrol S.A. and Winstar Romania whereby Winstar Romania earned a 60% interest in the Satu Mare Concession Agreement by fulfilling certain work and expenditure requirements. See *"Principle Oil and Gas Properties – Romania – Material Agreements"*

"**SHA**" means the shareholder's agreement dated November 10, 2009, as amended, between KOV Cyprus, Gastek and KUBGAS Holdings governing their relationship as shareholders of KUBGAS Holdings;

"**SPC**" means Syrian Petroleum Company, a legal entity created by Legislative Decree Number 9 of 1974 by the Government of the Syrian Arab Republic and registered in Damascus, Syria;

"**Syria Assets**" means the right to explore for and produce oil and gas from Syria Block 9 in Syria as set forth in the Syria Block 9 PSC;

"**Syria Block 9**" means the lands subject to the Syria Block 9 PSC;

"**Syria Block 9 PSC**" means the contract for the exploration, development and production of petroleum under which the Company has the right to explore for and produce oil or gas from Syria Block 9, which is described in "*Principal Oil and Gas Assets - Syria*";

"**TIG**" means, collectively, TGEM Asia LP, Tiedemann Global Emerging Markets LP and Tiedemann Global Emerging Markets QP LP, each a limited partnership registered in the Cayman Islands;

"**TIG Convertible Debenture**" has the meaning ascribed thereto in "*Interest of Management and Others in Material Transactions – TIG Notes and TIG Convertible Debenture*";

"**TIG Notes**" means convertible unsecured loan notes formerly issued by Triton and held by TIG;

"**Triton**" means Triton Hydrocarbons Pty Ltd., a private Australian company, whose entire share capital KOV Cyprus acquired in the Triton Acquisition, as described in the section "*General Development of the Business*";

"**TSX-V**" means the TSX Venture Exchange;

"**TSX**" means the Toronto Stock Exchange;

"Tunisia Assets" means all the assets held by the Company in Tunisia, including its working interests in its five concession areas, and the property, plant and equipment associated with the exploration and production of oil and gas on those concessions described in the section *Principal Oil and Gas Assets – Tunisia"*;

"**Tunisia Concession Agreements**" means the agreements governing oil and gas exploration, development and production in the Sabria, Sanrhar, Zinnia, Ech Chouech and Chouech Es Saida concessions operated by Winstar Tunisia

"**Ukraine Assets**" or "**KUB-Gas Assets**" means the assets owned by KUB-Gas, including the Ukraine Licences, and certain other property, plant and equipment described in the section "*Principal Oil and Gas Assets - Ukraine*";

"**Ukraine Licences**" or "**KUB-Gas Licences**" means the exploration and production special permits in five licence areas owned by KUB-Gas in Ukraine in the Makeevskoye, Olgovskoye, Krutogorovskoye, Vergunskoye and North Makeevskoye areas;

"**WI**" means working interest, the proportional interest owned by any entity in a concession, licence, permit or other title instrument (collectively "Concessions") entitling that entity to explore and/or produce hydrocarbons, and by extension, that entity's share of the production of hydrocarbons (before the deduction of royalties) from those Concessions, or that entity's share of the volume of hydrocarbon reserves (also before the deduction of royalties) estimated to be contained within those Concessions;

"Winstar" means Winstar Resources Ltd., a company incorporated pursuant to the *Business Corporations Act (Alberta)* which is a wholly-owned subsidiary of Serinus;

"Winstar Hungary" means Winstar Magyarorszag Kft, a company existing under the laws of Hungary which 99.8% owned by Winstar Netherlands and 0.2% owned by Winstar Tunisia;

“Winstar Netherlands” means Winstar B.V., a company existing under the laws of the Netherlands which is a wholly-owned subsidiary of Winstar;

“Winstar Romania” means Winstar Satu Mare SRL, a company existing under the laws of Romania which is 99.9995% owned by Winstar Netherlands and 0.0005% owned by Winstar Tunisia;

“Winstar Tunisia” means Winstar Tunisia B.V., a company existing under the laws of the Netherlands which is a wholly-owned subsidiary of Winstar Netherlands;

“**WSE**” means the Warsaw Stock Exchange.

ABBREVIATIONS

Crude Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel	Mcf	thousand cubic feet
bbl/d	barrels per day	MMcf	million cubic feet
Mbbl	thousands of barrels	Bcf	billion cubic feet
boe/d	barrels of oil equivalent per day	Mcf/d	thousand cubic feet per day
Boe	barrels of oil equivalent of natural gas and crude oil, unless otherwise indicated	MMcf/d	million cubic feet per day
		GJ	gigajoule
Mboe	thousand boe	Tcf	trillion cubic feet
MMboe	million boe		
NGL	natural gas liquids	Mcfe	thousand cubic feet equivalent
MMBtu	million British thermal units	kPa	kilopascals, a measurement of pressure
Stb	standard stock tank barrel	psi	pounds per square inch, a measurement of pressure
Mstb	thousand standard stock tank barrels	$E3m^3$	thousand cubic metres

Production information is commonly reported in units of barrel of oil equivalent ("**boe**" or "**BOE**") or in units of natural gas equivalent ("**Mcfe**"). However, BOEs or Mcfes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl, or an Mcfe conversion ratio of 1 bbl:6 Mcf, is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

CONVERSIONS

To Convert From	To	Multiply By
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
kilograms	pounds	2.205
pounds	kilograms	0.454
Mcf	thousand cubic metres	0.028
thousand cubic metres	Mcf	35.494
bbl	cubic metres	0.159
cubic metres	bbl	6.29
psi	kilopascals	6.895
kilopascals	psi	0.145

CURRENCY PRESENTATION AND EXCHANGE RATE DATA

Unless otherwise indicated, references herein to "$", "US$", "U.S. dollars" or "dollars" are to United States dollars. References to "PLN" are to Polish Zlotys and "UAH" are to Ukrainian Hryvnias

	Canadian Dollar (CDN$) to US$1.00 Source: Bank of Canada (www.bankofcanada.ca)	**Polish Zloty** (PLN) to US$1.00 Source: National Bank of Poland (www.nbp.pl)	**Ukrainian Hryvnia** (UAH) to US$1.00 Source: National Bank of Ukraine (www:bank.gov.ua)
2011:			
Year-end	1.0054	2.9641	7.9617
Average	1.0054	3.0157	7.9356
Annual high	0.9390	2.8518	7.8903
Annual low	1.0301	3.3571	8.0003
2012:			
Year-end	1.0051	3.0996	7.9930
Average	0.9996	3.2581	7.9911
Annual high	0.9599	3.5777	7.9840
Annual low	1.0299	3.0690	7.9930
2013			
Year-end	1.0636	3.0120	8.1508
Average	1.0299	3.1615	8.1196
Annual high	0.9815	3.3724	8.0240
Annual low	1.0737	3.0105	8.1541

FORWARD-LOOKING INFORMATION

Certain statements contained in this AIF constitute forward-looking statements under applicable securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "predict", "project", "should", "target", "will", or similar words suggesting future outcomes or language suggesting an outlook. 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. Management believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF should not be unduly relied upon.

Forward-looking statements and information in this AIF include, but are not limited to, statements with respect to:

- drilling plans and timing of drilling and testing of wells;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production;
- the Company's intention to conduct additional reservoir stimulation programmes using hydraulic fracturing technology and implement a compression strategy in Ukraine;
- drilling, completion and facilities costs;
- results of various projects of the Company;

- growth expectations within the Company;
- access to attractive investment opportunities and success in bidding for and winning new assets;
- timing of development of undeveloped reserves;
- transportation arrangements and markets for oil and/or gas produced from the Company's licence areas;
- the performance and characteristics of the Company's oil and natural gas properties;
- the quantity of oil and natural gas reserves and resources;
- capital expenditure programs;
- supply and demand for oil and natural gas and commodity prices;
- the impact of governmental regulation on the Company relative to other oil and gas companies of similar size;
- expected levels of royalty rates, operating costs, general administrative costs, costs of services and other costs and expenses;
- expectations regarding the Company's ability to raise capital and to continually add to reserves and resources through acquisitions, development and exploration;
- treatment under governmental regulatory regimes and tax laws; and
- realization of the anticipated benefits of acquisitions and dispositions.

Statements relating to "reserves" or "resources" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, including that the reserves and resources described can be profitably produced in the future. See "*Statement of Reserves Data and Other Oil and Gas Information"*.

Developing forward-looking information involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to the Company and others that apply to the oil and gas industry generally.

Although the Company believes that the assumptions and expectations reflected in the forward-looking statements and information are reasonable, there can be no assurance that such assumptions and expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements and information. The factors or assumptions on which the forward-looking information is based include:

- the Company's projected capital investment levels;
- the flexibility of capital spending plans and the associated source(s) of funding;
- the expertise of management of the Company in contributing to increased production volumes and the success and revenues of the Company; and
- estimates of quantities of oil and natural gas from properties and other sources not currently classified as proved reserves.

Some of the risks and other factors, some of which are beyond the Company's control, which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this AIF include, but are not limited to:

- competition within the oil and natural gas industry for, among other things, capital, acquisitions of reserves, undeveloped land and skilled personnel;
- environmental risks and hazards associated with the oil and gas industry;
- adverse weather conditions in areas where the Company conducts operations;
- variations in foreign exchange rates and interest rates;
- risks associated with the realization of the anticipated benefits of acquisitions and dispositions;
- the available of certain equipment and services and the Company's access to such equipment and services;
- political, social, fiscal, legal and economic risks in the countries in which the Company operates;
- the early stage of some of the Company's operations;
- risks associated with the exploration, development and production of the Company's interests, including geological, technical, drilling and processing problems and other difficulties in producing reserves and failure to realize anticipated benefits of exploration activities;
- the effects of regulations (including environmental regulation) and changes in regulatory regimes (including recent developments relating to the Ukrainian land use registration system) in the countries in which the Company operates;
- the effects of sanctions, including those of the European Union, the Canadian government and the U.S. government on the Company's interests in Syria;
- risks of the effect of relinquishment obligations under the term of the Company's production sharing arrangements and governmental regulatory regimes in countries in which the Company operates;
- risks associated with the Company's reliance on its third party operators;
- uncertainties regarding the interpretation and application of foreign laws and regulations; and
- other factors described further in "*Risk Factors*".

Readers are cautioned that the foregoing lists are not exhaustive. The factors and risks set out in these lists are difficult to predict and the assumptions used in the development of the forward-looking information contained herein, although considered reasonably accurate at the time of development, may prove to be incorrect or incomplete. Furthermore, the forward–looking statements contained in this AIF are made as of the date hereof, and the Company undertakes no obligation, except as required by applicable securities laws, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

CORPORATE STRUCTURE

Name, Address and Incorporation

The full legal name of the Company is Serinus Energy Inc. The Company's head office and registered office are located at Suite 1170, 700-4th Avenue S.W. Calgary, Alberta T2P 3J4.

The Company was incorporated pursuant to the provisions of the ABCA on March 16, 1987 as Titan Diversified Holdings Ltd., a public investment company listed on the Alberta Stock Exchange, a predecessor to the TSX-V. On August 18, 1997, the name of the Company was changed to Loon Energy Inc. and the Company invested in Canadian oil and gas assets until 2001, at which time the Company changed its focus to international oil and gas assets.

In December 2008, following the completion of the 2008 Arrangement, the Pre-Consolidation Shares were de-listed from trading on the TSX-V at the request of the Company, the name of the Company was changed to Kulczyk Oil Ventures Inc.

On May 25, 2010 the common shares of the Company were listed for trading on the Warsaw Stock Exchange under trading symbol "KOV".

On September 7, 2010, the Articles of the Company were amended to permit shareholder meetings of the Company to be held outside of the province of Alberta, and the By-laws of the Company were amended to, among other things, provide the shareholders of the Company with protection against the dilution of their shareholdings in the Company by requiring majority shareholder approval for certain types of private placements by the Company.

On June 24, 2013, pursuant to the 2013 Arrangement, the Company completed the acquisition of Winstar, consolidated it Pre-Consolidation Shares on a 1:10 basis and changed the name of company from "Kulczyk Oil Ventures Inc." to "Serinus Energy Inc.".

In late June, 2013, the common shares of the Company were listed on the Toronto Stock Exchange under trading symbol "SEN" and the trading symbol on the WSE was changed to "SEN".

The Company continues to be a reporting issuer in the Provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland in Canada.

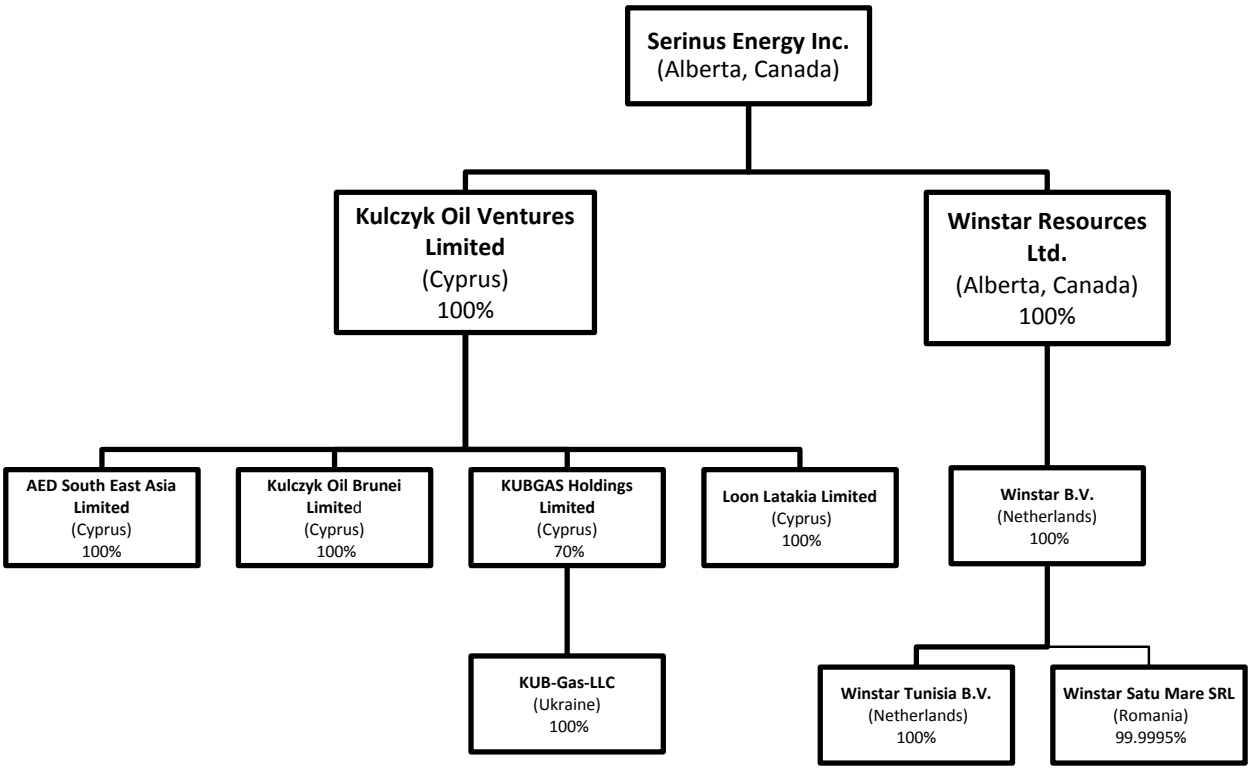
Intercorporate Relationships

Serinus has two direct wholly-owned subsidiaries, KOV Cyprus and Winstar.

KOV Cyprus in turn has four wholly-owned subsidiaries, KOV Borneo Limited, Kulczyk Oil Brunei, Loon Latakia and AED SEA., and one indirect 70% owned subsidiary, KUBGAS Holdings, which in turn owns 100% of the shares of KUB-Gas.

Winstar has one direct wholly owned subsidiary, Winstar B.V., which in turn owns 100% of Winstar Tunisia, 99.8% of Winstar Hungary and 99.9995% of Winstar Romania. Winstar Tunisia owns the remaining 0.2% and 0.0005% of Winstar Hungary and Winstar Romania respectively.

The corporate ownership structure and the inter-corporate relationships of the Company and its principal operating subsidiaries, including the percentage of votes attaching to voting securities owned, or controlled or directed, directly or indirectly, by Serinus, are shown below. The jurisdictions of incorporation, formation or organization are shown in brackets under the company name.



The above diagram includes the Company's subsidiaries which have total assets that exceed 10% of the Company's total consolidated assets, or which have sales and revenues which exceed 10% of the Company's total consolidated sales and revenues or which are, in the opinion of the Company, pertinent to an understanding of the business of the Company. The assets and revenues of the Company's unnamed subsidiaries did not exceed 20% of the Company's total consolidated assets or total consolidated sales and revenues at and for the year ended December 31, 2013.

GENERAL DEVELOPMENT OF THE BUSINESS

Serinus Energy, a Canadian company and producer of crude oil and natural gas, indirectly owns 70% of KUB-Gas, which operates the Ukraine Licenses and the gas fields contained therein, and 100% of Winstar which operates the Tunisia Assets and the Romania Assets. Serinus also owns 90% of the Brunei Block L PSA, and has a 50% participating interest in the Syria Block 9 PSC. During 2013, the Company had average working interest production of 19.2 MMcf/d and 120 bbl/d in Ukraine. Working interest production from the Tunisia Assets averaged 1,105 bbl/d and 2.44 MMcf/d during the period from June 24, 2013 (the date of the acquisition by Serinus) to December 31, 2013. There was no production from the Romania Assets, Brunei Block L or Syria Block 9.

Three-Year History of the Company

The following describes the significant events in the development of the Company's business over the last three years.

Triton Hydrocarbons Pty Ltd.

On October 23, 2009, the Company, through its subsidiary KOV Cyprus, completed the acquisition of all of the issued and outstanding shares of Triton (the "**Triton Acquisition**") in exchange for an aggregate of 75,065,944 newly issued Pre-Consolidation Shares which, at the time of the closing of the Triton Acquisition, represented 37.44% of the total issued and outstanding Pre-Consolidation Shares on a fully-diluted basis, pursuant to a pre-acquisition agreement dated August 11, 2009 between the Company and Triton. The principal asset of Triton was a 36% working interest in the Brunei Block M PSA. In August 2012, the exploration phase of the Brunei Block M PSA expired.

As part of the completion of the Triton Acquisition, the Company issued the TIG Convertible Debenture, a secured subordinated convertible debenture in the amount of $10.01 million, to TIG which was convertible into Pre-Consolidation Shares at $0.5767 per Pre-Consolidation Share, to replace a convertible note that TIG had held as a creditor of Triton. On August 1, 2011, TIG sold the TIG Convertible Debenture to a subsidiary of Milet Wirschaftsdeaten GesmbH ("**MWG**"), an unrelated third party, for the face value of $10.1 million plus accrued interest. On August 12, 2011, MWG converted the TIG Convertible Debenture into 18,501,037 Pre-Consolidation Shares at $0.5767 per Pre-Consolidation Share. For further information, please see "*Interest of Management and Others in Material Transactions – TIG Notes and TIG Convertible Debenture"*.

On closing, the Triton shareholders also received an aggregate of 13,670,723 Series A Preferred Shares of the Company, which were redeemed and cancelled by the Company and exchanged for 50% of the shares of Triton Petroleum Pte Ltd. ("**Triton Singapore**"), with the Company retaining the other 50% of the shares of Triton Singapore, and the Company agreed to transfer to Triton Singapore a 20% interest in Syria Block 9. Triton Singapore is a private company registered in Singapore which was formerly managed by the former executive officers of Triton.

In 2011, Ninox Energy Pte Ltd ("**Ninox**"), a privately held Australian company managed by one of the former executive officers of Triton, acquired 100% of the share capital of Triton Singapore in a share exchange transaction and, after this transaction and certain other share issuances by Ninox, the Company now owns less than 2% in Ninox.

KUB-Gas

On November 10, 2009, the Company, through its subsidiaries KOV Cyprus and KUBGAS Holdings, entered into two sale and purchase agreements with Gastek under which KOV indirectly acquired 70% of the share capital of KUB-Gas (the "**KUB-Gas Acquisition**") for a cash consideration of $45.0 million. KUB-Gas, at the time of acquisition, owned 100% interests in four gas-producing licences near the City of Lugansk in the northeast part of Ukraine as well as certain well servicing assets.

Through a series of steps which were completed in June 2010, KOV Cyprus now holds 70% of the ordinary issued equity of KUBGAS Holdings, with Cub Energy (which acquired Gastek in 2012) owning the remaining 30% of KUBGAS Holdings' shares. KUBGAS Holdings owns 100% of the charter capital of KUB-Gas.

In January 2011, KUB-Gas acquired a 100% interest in an additional licence in the same area as its other four licences, bringing the number of licences held by KUB-Gas to five. Four of the five licences currently produce natural gas and condensate have been designated as production licences . The remaining licence is an exploration licence. KUB-Gas is one of the largest private gas producers in Ukraine and it sells gas domestically to both gas traders and industrial consumers.

EBRD Loan Facility - Ukraine

In May 2011, KUB-Gas finalized an agreement for a loan facility of up to $40.0 million (the "**EBRD Ukraine Facility**") from the European Bank for Reconstruction and Development ("**EBRD**"). The proceeds of the EBRD Ukraine Facility are to be used to fund development of the Ukraine Licences. The EBRD Ukraine Facility bears interest at variable rates, to a maximum annual rate of 19.0%. The loan

proceeds from the EBRD Ukraine Facility were to be advanced in two tranches, with a first $23.0 million tranche being advanced in 2011. On May 30,2013, he remaining $17.0 million tranche expired without any drawdown in accordance with the terms of the loan agreement.. KOV, as the indirect majority owner of KUB-Gas, has provided a guarantee for the entire amount of the EBRD Ukraine Facility outstanding from time to time. The EBRD Ukraine Facility balance outstanding is to be repaid in thirteen equal semi-annual payments, which commenced in July 2012 with a repayment in the amount of $1.8 million. As at December 31, 2012, the entire first tranche in the amount of $23.0 million had been drawn. On January 8, 2013, the Company announced that a $10.0 million prepayment had been made under the EBRD Ukraine Facility, and, with the regularly scheduled repayment on January 15, 2013 in the amount of $1.8 million, the principal balance outstanding of the EBRD Ukraine Facility after that time was $9.5 million. A further scheduled payment of $1.8 million was made on July 15, 2013. At December 31, 2013, the principal balance outstanding was $7.7 million.

KI/Radwan Debentures

On August 11, 2011, the Company entered into new, unsecured convertible debenture agreements with KI and Radwan (the "**KI/Radwan Debentures**"). The total amount available under the KI/Radwan Debentures was $23.5 million, bearing interest at a rate of 8.0% per annum, payable annually. The KI/Radwan Debentures also included a provision for an implied additional 12.0% in interest to be paid in Serinus Pre-Consolidation Shares upon conversion. Notices of conversion were received by the Company prior to the maturity date of the KI/Radwan Debentures of August 11, 2012, and shortly thereafter, the full amount of $23.5 million principal and all accrued interest outstanding under the KI/Radwan Debentures were converted to Pre-Consolidation Shares at a price of approximately $0.43 per Pre-Consolidation Share, resulting in an aggregate of 60,499,029 Pre-Consolidation Shares being issued to KI and Radwan on August 14, 2012.

AED SEA Acquisition

Pursuant to a sales and purchase agreement dated December 5, 2011, KOV Cyprus acquired all of the issued and outstanding shares of AED SEA (the "**AED SEA Acquisition**") from its former parent company AED Oil Investments Pty Ltd., itself a wholly-owned subsidiary of AED Oil Limited (Receivers and Administrators appointed), an Australian public company, for $200,000, plus the assumption of AED SEA's unpaid obligations to the joint venture. AED SEA's sole asset is a 50% working interest in the Brunei Block L PSA, which provides it the right to explore for and, if the parties to the Brunei Block L PSA establish that the discovery is capable of commercial exploitation and PetroleumBRUNEI approves the development plan, produce oil and gas from Brunei Block L, an exploration and development block covering certain onshore and offshore areas of Brunei. As a result of the AED SEA Acquisition, the Company now holds an aggregate 90% interest in Brunei Block L, and is, through its indirectly wholly-owned subsidiary AED SEA, also the operator.

For further information, see *"Principle Oil and Gas Assets – Brunei"*.

KI Loan

On June 22, 2012, the Company finalized an arrangement with KI for the provision of up to $12.0 million in funding to Serinus (the "**KI Loan**") to fund Serinus' ongoing working capital requirements. KI agreed to provide funding by way of a loan to Serinus for the principal amount of up to $12.0 million. Interest was payable at a rate of 15.0% per annum, and Serinus could at any time prepay the loan in whole or in part.

On December 11, 2012, the Company and KI entered into an amended and restated loan agreement (the "**KI Loan Agreement**") to, among other things, extend the term of the loan by one year from December 31, 2012 to December 31, 2013, and to make amounts owing under the loan convertible into Pre-Consolidation Shares. The KI Loan Agreement provided that Serinus shall use its commercially reasonable efforts to complete an IPO (as such term was defined in the KI Loan Agreement) by no later than December 31, 2013. In the event of an IPO, the KI Loan Agreement provided for the automatic conversion of the outstanding principal amount under the KI Loan, together with all accrued and unpaid interest thereon and any other fees or costs payable by Serinus to KI in connection with the KI Loan, if

any. On June 24, 2013, the principle and accrued interest of $13.4 million on the KI Loan was converted into 3,183,268 Common Shares pursuant to the KI Loan Agreement and the 2013 Arrangement at a conversion price of $4.20 per Common Share.

Syria Block 9 Force Majeure

Operations in Syria were suspended in October 2011 and in July, 2012, the Company, in its capacity as operator of Syria Block 9, declared a *force majeure* event under the Syria Block 9 PSC. That status continues at the time of publication of this AIF. Although the current exploration period is extended by the time spent in *force majeure*, it was previously extended contingent on renewal of a bank guarantee which the Company has been unable to provide due to international sanctions. It is therefore possible that this extension may not be enforceable and the Syria Block 9 PSC could lapse. See also *"Principle Oil and Gas Assets – Syria (under force majeure)".*

Acquisition of Winstar Resources

On June 24, 2013 the Company completed the acquisition of Winstar pursuant to the 2013 Arrangement, adding approximately 1,500 boe/d of additional production. At the time of the 2013 Arrangement, Winstar held various interests in five concessions in Tunisia, a 60% interest in one concession in Romania, a 4% net profits interest in one exploration permit in Hungary, and an interest in one minor property in the province of Alberta in Canada. In connection with the closing of the 2013 Arrangement, the Company changed its name from "Kulczyk Oil Ventures Inc." to "Serinus Energy Inc." and consolidated its common shares on the basis of one Common Share for every ten Pre-Consolidation Shares. Under the terms of the 2013 Arrangement, Winstar shareholders, for each share held, received 7.555 Pre-Consolidation Shares or CAD$2.50 in cash, subject to a maximum of CAD$35 million in cash, with such cash provided by KI. The maximum cash consideration was elected, resulting in KI acquiring 14,000,000 Winstar shares at closing, which were then exchanged for Common Shares of the Company in accordance with the terms of the 2013 Arrangement, of which 10,577,000 Common Shares were issued to KI. A total of 16,675,500 Common Shares of the Company were issued to Winstar shareholders who elected to receive Common Shares, for a total of 27,252,500 Common Shares issued as consideration for the acquisition of Winstar. After completion of the 2013 Arrangement, the Company had a total of 78,644,441 Common Shares outstanding. The new Common Shares issued pursuant to the Winstar acquisition are freely trading on the TSX. The Company has made applications to the Polish Financial Services Authority, the Polish National Depository for Securities and the WSE to admit these new Common Shares to trading on the WSE, but as of the date of this AIF the share admission process remains ongoing.

For further information on the assets acquired, please see "*Principal Oil and Gas Assets – Tunisia"* and "*Principal Oil and Gas Assets – Romania",* and *"Statement of Reserves Data and Other Oil and Gas Information".*

Listing on TSX

On June 27, 2013 the Company's Common Shares commenced trading on the Toronto Stock Exchange under trading symbol "SEN" The Common Shares continue to be listed on the Warsaw Stock Exchange, now under the symbol "SEN".

Dutco Strategic Relationship and Dutco Loan

In July 2013, Serinus and Dutco announced the formalization of a strategic relationship. As part of this new strategic relationship and pursuant to various agreements entered into by Serinus, KOV Brunei and Dutco:

- Serinus granted Dutco an option to acquire between 5% and 15% of the Brunei Block L oil exploration block in Brunei (the "**Brunei Option**") in consideration of US$1 million per percentage point of interest acquired by Dutco. If there are amounts outstanding from Serinus to Dutco under the Dutco Loan then Dutco may elect to set-off the price of the Brunei Option against those

amounts. A decision to exercise the right to acquire an interest is to be made within 31 days of the test results of a discovery well being announced in Brunei Block L;

- Serinus granted Dutco a right to convert up to US$5 million of Serinus' debt under the newly established Dutco Loan into Common Shares based on the trading price of Common Shares on the TSX (the "Dutco Conversion Right"); and

- Serinus and Dutco agreed that for a period of one year, commencing July 17, 2013, they will jointly explore opportunities to collaborate on oil and gas investments in Tunisia.

As part of this transaction, the Company, as borrower, Dutco, as lender, and KOV Brunei entered into the Dutco Loan under which the Company could borrow up to $15 million to fund drilling in Brunei. The term of the Dutco Loan is 12 months with interest calculated on outstanding amounts at a rate of 12% per annum and paid monthly. Dutco may convert up to $5.0 million, unless the loan is in default in which case up to $15 million, of the amounts outstanding under the Dutco Loan into Common Shares, subject to TSX approval. The loan is convertible into Common Shares based on the trading price at the time of the conversion of the Company on the TSX. The facility requires that Serinus maintains a financial ratio of current assets to current liabilities of not less than 1:1 on a consolidated basis excluding certain non-operating items, taxes payable or recoverable. At December 31, 2013, the Company was in compliance with the covenant.

As at December 31, 2013, $15 million had been drawn on this facility.

EBRD Loan Facility - Tunisia

In November 2013, the Company finalized an agreement for a loan facility of up to $60.0 million (the "**EBRD Tunisia Facility**") from the EBRD.The proceeds are to be used to fund the capital program being planned for its recently acquired oil and gas fields in Tunisia. The EBRD Tunisia Facility consists of two separate loan agreements, a senior loan in the amount of $40 million (the "Senior Loan") and a convertible loan of $20 million (the "Convertible Loan"). The Senior Loan has a term of seven years, and is available in two tranches of $20 million each. Interest is payable semi-annually at a variable rate equal to the sum of the London UK interbank rate 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 installments commencing after the first year of the loan. The second tranche of the Senior Loan is available only after the Convertible Loan is fully drawn, and is also subject to certain conditions including achieving and maintaining specified production targets for a period of three continuous months, and meeting specified financial and reserve coverage ratios.

The Convertible Loan has a term of seven years, and bears interest at a variable rate that is the sum of a London interbank rate and a percentage calculated on the basis of incremental net revenues earned from the Tunisian assets, with a floor of 8% per annum and a ceiling of 17% per annum. The Company can elect, subject to certain conditions, to convert all or any portion of the Convertible Loan principal and accrued interest outstanding for newly issued Common Shares at the then current market price of the Common 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 Common Shares at the then current market price of the Common Shares on the TSX or WSE. 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 Common 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 for a period of three years. On a repayment or conversion initiated by the Company, the number of Common Shares that may be issued is limited to a maximum of 5% of the number of Common Shares then issued and outstanding, with any amounts remaining outstanding then paid in cash. On a conversion initiated by EBRD, no such limit applies.

On December 30, 2013, the Company drew $5 million on the first tranche of the Senior Loan and paid transaction costs of $0.6 million. At December 31, 2013, the amount outstanding was $5.0million.

Significant Acquisitions During Most Recently Completed Financial Year

On June 24, 2013, Serinus acquired Winstar pursuant to the 2013 Arrangement. As this was a significant acquisition, on August 9, 2013, Serinus filed a business acquisition report pursuant to Part 8 of National Instrument 51-102, which is available under the Company's profile on SEDAR at www.sedar.com. For further information on the 2013 Arrangement, please see "*General Development of the Business – Acquisition of Winstar Resources*".

2014 ACTIVITY

In 2014, Serinus is focused on enhancing gas production, production revenues and reserves in both Ukraine and Tunisia and exploring for natural gas in Romania. Further exploration work in Brunei may occur late in 2014 if the Company is able to find a farm-in partner. Exploration activities in Syria are currently suspended (and subject to *force majeure)* due to the prevailing political crisis in the country.

DESCRIPTION OF THE BUSINESS

Overview

Serinus is an international oil and gas exploration company led by a management team with a strong international and operational background and with extensive global contacts in the oil and gas business. The Company has a diversified asset base with exposure to development and appraisal prospects and significant exploration upside. Its principal assets include its interests in the Ukraine Assets, Tunisia Assets, Romania Assets, Brunei Assets and Syria Assets.

Oil and Natural Gas Exploration and Production

Serinus' average WI production (before royalties) in 2013 was 4,081 Boe/d. In Ukraine, average WI production was 19.2 MMcf and 120 bbl/d, and 21.1 MMcf/d and 111 bbl/d at year end. Tunisian production averaged 1,512 boe/d (73% oil) for the second half of calendar 2013, with an exit rate of 1,360 boe/d (1,026 bbl/d and 2 MMcf/d). The total corporate exit rate for 2013 was 4,986 boe/d.

The table below shows the Company's working interest production and realized sales price(s) by country for 2013 compared to 2012.

		2013			2012		
		Ukraine	**Tunisia ***	**Total**	**Ukraine**	**Tunisia**	**Total**
Oil	*(bbl/d)*	-	557	557	-	-	-
	($/bbl)	-	111.08	111.08	-	-	-
Gas	*(Mcf/d)*	19,198	1,229	20,427	15,098	-	15,098
	($/Mcf)	11.21	14.26	11.34	11.71	-	11.71
Condensate	*(bbl/d)*	120	-	120	139	-	139
	($/bbl)	87.90	-	87.90	98.91	-	98.91
BOE	*(BOE/d)*	3,319	762	4,081	2,656	-	2,656
	($/BOE)	67.99	104.22	74.76	48.90	-	48.90

***** Production from the Tunisia Assets averaged for the entire year. Serinus did not acquire the Tunisia Assets until June 24, 2013.

Through its indirectly owned 70% subsidiary KUB-Gas, Serinus has interests in 92,400 gross acres (64,680 net acres) within the Ukrainian Licences. The Company's exploration focus is in the Carboniferous sequence including the Moscovian and Bashkirian zones which have been the traditional source of production in the area, and the deeper Serpukhovian and Visean formations which have been drilled and established as prospective only recently. In 2013, KUB-Gas drilled 5 exploration and appraisal

wells, resulting in three gas wells, one suspended potential oil well (NM-3), and one dry hole (NM-2). A sixth well, M-17 is currently being completed as a gas well, was spud in 2013 and is designated as an appraisal well, following up on the M-16 discovery. In 2014, the Company plans to drill four wells, 2 of which will be exploration wells. See also *"Principle Oil and Gas Assets – Ukraine – Exploration/Development Activity"*

The five Tunisia concessions cover 163,640 gross acres (147,750 net acres). The major exploration and appraisal opportunities are within the Sabria (28,890 gross acres, SEN 45% WI), Chouech Es Saida (42,820 gross acres, SEN 100%) and Ech Chouech (35,860 gross acres, SEN 100%) blocks. Sabria contains an Ordovician aged oil accumulation of 347 MMbbl (OOIP, P50), into which only six wells (10 including re-entry attempts) have been drilled. Chouech Es Saida and Ech Chouech are prospective in the Triassic Trias Argilo-Greseux Inferieur ("**TAGI**") sandstone, Devonian Oum Qasa carbonates, and Silurian aged Acacus sands, and there may be potential in the deeper Ordovician, but it has not yet been penetrated in these two blocks. Company personnel substantially spent the second half of 2013 analyzing the wells and facilities, and formulating its strategy to optimize and enhance production. The major work planned for 2014 in Tunisia includes among other things, drilling two development wells in Sabria, facilities optimization and de-bottlenecking, and may include contingent work such as well workovers and stimulations. See also *"Principle Oil and Gas Assets – Tunisia".*

Through the Satu Mare Farm Out Agreement, Serinus has earned a 60% working interest in the Satu Mare Concession in northwest Romania, covering 765,000 gross acres. Historical drilling has been sparse, and the Company has an inventory of over 50 leads and prospects. The only activity in 2013 was production testing of the Moftinu-1000 well, drilled by Winstar in 2012. In 2014, Serinus plans to drill 2 exploration wells in the Moftinu area, targeting Pliocene aged channel sands.

In Brunei, exploration work on Brunei Block L is conducted by the Company's subsidiaries, AED SEA and Kulczyk Oil Brunei, through a joint venture with another local company. Two wells were drilled during 2013. The Company is currently evaluating the drilling program along with PetroleumBRUNEI. No drilling is anticipated in 2014. See also *'Principle Oil and Gas Assets – Brunei – Drilling and Exploration Activities".*

Exploration work in Syria, which has been conducted by the Company's subsidiary, Loon Latakia, remains suspended as at the date of this AIF. Effective July 16, 2012, the Company, in its capacity as operator of Syria Block 9, declared a *force majeure* event due to difficult local operating conditions and the inability due to sanctions to fund local operations, which have rendered the performance of its obligations under the Syria Block 9 PSC impossible. The Company continues to monitor operating conditions in Syria to assess when a recommencement of its Syrian operations may become possible. See also *"Principle Oil and Gas Assets – Syria – Activity and Future Plans".*

Key Personnel

The management of the Company is led by its President and Chief Executive Officer, Timothy Elliott, and its Executive Vice President, Jock Graham, both of whom are based in Dubai, United Arab Emirates, and the Vice Chairman of the Board of Directors, Norman Holton, who is based in Calgary, Alberta, Canada. The Company's management team has extensive experience in managing and growing publicly listed oil and gas companies, has demonstrated transaction-structuring capability that enhances shareholder value and has extensive technical and international oil and gas experience. The senior management and key technical personnel have in-depth expertise on the mechanics of evaluation of potential opportunities with respect to both commercial and technical risks and have a record of success in the international oil and gas business in the Middle East, Asia, Europe and Americas.

Specialized Skill and Knowledge

The Company's management team has expertise in all professional disciplines needed to successfully develop and manage its diversified international portfolio of oil and gas assets. The management team's specialized skills and knowledge include:

- a proven track record of delivering value in the upstream oil and gas business, including sourcing and executing discovery and development of oil and gas production, the application of modern technology to legacy assets and arranging appropriate financing to fund the necessary capital commitments;

- experience in the Americas, Europe, the Middle East, Southeast Asia and Africa and extensive global contacts in the oil and gas business, which can be utilized to exploit existing assets and develop new opportunities for growth effectively;

- strong deal-making capability leading to seamless transaction execution from initial scoping of deal through to due diligence and finalization of contracts; and

- highly effective evaluation of opportunities, ensuring the optimisation and acceleration of development and production plans and an efficient use of personnel and financial and technical resources.

The management of Serinus believes that the experience of its international management team, combined with its effective evaluation of opportunities, its deal-making capability and the quality of its technical team will continue to be key factors in achieving its strategic objectives.

Competitive Conditions

Companies operating in the petroleum industry must manage risks which are beyond the direct control of company personnel. Among these risks are those associated with exploration, transportation infrastructure (including access), environmental damage, fluctuating commodity prices, foreign exchange rates and interest rates, changes in law and its application and adjudication, and changes in political regimes.

The Company will, from time to time, compete for reserve acquisitions, exploration leases, licences and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than the Company. The Company's competitors include major integrated oil and natural gas companies, numerous independent oil and natural gas companies and trusts, and individual producers and operators.

The Company believes that the following factors contribute to its chances of success and revenue maximization in the future.

Diversified Asset Base

Serinus' management believes that its diversified asset base, balanced between high-risk exploration and lower risk appraisal opportunities, will maximize the future revenues of the Company and help mitigate the risks inherent in oil and gas exploration and development. It achieves further risk mitigation by having assets in multiple countries, reducing its dependence on any single jurisdiction for production, cash flow and development potential.

At year-end 2013, Serinus' production was split between Ukraine (approximately 73%) and Tunisia (27%). Exploration success in Romania in this year's program may result in production and cash flow from that country as early as 2015, although no production or cash flow has yet been forecast or budgeted in the Company's medium and long term plans.

Both the Ukraine Assets and Tunisia Asset have inventories of exploration, appraisal and development prospects, giving the Company the flexibility of directing capital investment to the venue(s) that offer the best returns at any given time. The exploration portfolio also contains the Romanian Assets, Brunei Block L, and Syria Block 9.

The Company's long-term success is not dependent on any particular country, development concept or prospect type.

High Quality Deal Flow

The management of Serinus based in Dubai and Calgary are able to access new exploration and production opportunities from these key energy hubs by utilising their extensive personal contacts in the industry. In addition, the extensive business networks of KI in emerging markets and in Central and Eastern Europe are another likely source of new investment opportunities for the Company.

Serinus' management believes that the deal flow available to it and its directors through Canada, Dubai and in Europe will lead to continued access to attractive investment opportunities.

Partnering with Local Companies

The management of Serinus believes that forming alliances with local and industry partners is an essential part of the sourcing and securing of new opportunities, through benefiting from such partners' local market knowledge and relationships, and helps mitigate the inherent operational risks associated with the exploration and development of gas and oil assets. Retention by local partners of equity in assets adds further comfort and mutual alignment in business development. In turn, local companies benefit from the technical expertise and business experience of the Serinus team.

Serinus has a strong track record of partnering with local companies in each of the countries in which it operates, and management believes that continuing to partner with local companies will help ensure continued success in bidding for and winning new assets.

Flexible Financing Structure

Serinus' management seeks to ensure an optimal mix of financing to fund the Company's operations, particularly its capital commitment obligations. The Company's principal sources of funding have been, and will likely continue to be, equity, debt, and farm-out arrangements. As at December 31, 2013, the Company had total borrowings of $27.7 million, of which $7.7 million was with the EBRD pursuant to the EBRD Ukraine Facility, $5.0 million was with the EBRD pursuant to the EBRD Tunisia Facility, and the remaining $15.0 million being the amount outstanding under the Dutco Loan. The Company currently has granted Dutco the Brunei Option to farm-in to Brunei Block L and has farm-out arrangements in place in respect of certain interests held by the Company in Syria Block 9.

Leverage Expertise

Serinus will continue to utilize the technical expertise of its experienced team in implementing production optimisation and acceleration based on the best available and cost-effective technology.

Portfolio Diversification

The Company will continue to evaluate both onshore and offshore oil and gas opportunities and focus on maintaining a well-balanced portfolio of exploration and development projects.

Management believes that the foregoing competitive strengths will enable the Company to take advantage of future opportunities and achieve its strategic objectives. The information presented above with respect to the competitive strengths of Serinus is presented by the management of Serinus, and there are no third-party reports or other sources that constitute the basis for statements made by the Company regarding its competitive position.

Cycles

Prices for crude oil and natural gas are subject to periods of volatility. Prolonged increases or decreases in the price of oil and gas could significantly impact the Company. There is a strong relationship between energy commodity prices and access to both equipment and personnel. High commodity prices also affect the cost structure of services which may impact the Company's ability to accomplish drilling,

completion and equipping goals. In addition, weather patterns are unpredictable and can cause delays in implementing and completing field projects.

The oil and gas business is cyclical by nature, due to the volatility of oil and gas commodity pricing as described above. Additionally, seasonal interruptions in drilling and construction operations can occur but are expected and accounted for in the budgeting and forecasting process. In Ukraine and Romania, cold temperatures, heavy snows or extremely muddy conditions may cause delays to planned activities. The rainy season, from September to January, is the principal weather factor in Brunei. In the Company's area of activity in Tunisia and Syria, sandstorms and both high and low temperatures can make operations more difficult and costly.

Employees

As at December 31, 2013, the Company had 180 direct employees in its offices in Calgary (25), Dubai (4), Warsaw (4) and Brunei (9), 461 staff employed directly by KUB-Gas in Ukraine, and 135 employed by Winstar in Tunisia and Romania. Serinus operates indirectly in Ukraine through its indirect 70% owned subsidiary KUB-Gas. As at December 31, 2013, the Company's operations on the Syrian Assets remained suspended.

PRINCIPAL OIL AND GAS ASSETS

This section of the AIF provides more detailed information with respect to the material oil and gas properties of the Company and the countries in which the properties are located. It also provides certain historical information concerning resources, estimates of the volume of resources, production estimates, historical production amounts and other information in respect of the areas surrounding the areas covered by the Ukraine Licences, the Tunisia Assets, the Romania Assets, Brunei Block L and Syria Block 9 which is "analogous information" as defined by applicable securities laws. This analogous information is derived from publicly available information sources which the Company believes are predominantly independent in nature. Some of this data may not have been prepared by qualified reserves evaluators or auditors and the preparation of any estimates may not be in strict accordance with the COGE Handbook. Regardless, estimates by engineering and geo-technical practitioners may vary and the differences may be significant. The Company believes that the provision of this analogous information is relevant to the Company's activities, given its ownership interests and operations (either ongoing or planned) in the areas in question. However, readers are cautioned that there is no certainty that any of the Company's activities on the areas covered by the Ukraine Licences, the Tunisia Assets, the Romania Assets, Brunei Block L and Syria Block 9 will be successful to the extent in which operations on the areas in which the analogous information is derived from were successful, or at all.

Ukraine

In Ukraine, the Company has an indirect 70% shareholding in KUBGAS Holdings, a private Ukrainian company that owns 100% of the share capital of KUB-Gas, one of the largest private gas producers in the country, selling gas domestically to both gas traders and industrial consumers. KUB-Gas holds a 100% interest in the Ukraine Licences, as well as a drilling rig, a specialized workover rig and other well servicing assets, and over 40 kilometres of gas pipelines connected to the Ukrainian gas transportation infrastructure. The remaining 30% shareholding in KUBGAS Holdings is held by Gastek. On March 29, 2012, Gastek was acquired by Cub Energy, a public oil and gas company listed in Canada on the TSX-V. The relationship between Serinus (through KOV Cyprus) and Gastek is governed by the SHA, the material terms of which are described below in "*Principal Oil and Gas Assets – Ukraine – Material Agreements – Shareholders' Agreement".*

Ukraine Assets

The five Ukraine Licences, Vergunskoye, Olgovskoye, Makeevskoye, North Makeevskoye and Krutogorovskoye are located in the Lugansk, Donetsk and Kharkov oblasts in the northeast part of

Ukraine. Information relating to each of the five Ukraine Licences held by KUB-Gas is summarized below.

Ukraine Licences – Size, Location and Duration

Field Name	Licence Type	#	Oblast	Approximate Area (km^2)	Restrictions	Date of Expiry *(dd/mm/yy)*
Olgovskoye	Production Special Permit	5480	Luganska, Kharkivska	79.72	None	06/02/32
Makeevskoye	Production Special Permit	5506	Luganska, Donetska	72.44	None	10/04/32
Vergunskoye	Production Special Permit	4037	Luganska	17.00	Note 1	27/09/26
Krutogorovskoye	Production Special Permit	5835	Luganska	10.93	None	30/08/33
North Makeevskoye	Exploration Special Permit	3915	Luganska	190.2	None	20/12/15

Note:
(1) The Vergunskoye licence is restricted to depths not deeper than 1,000 metres.

The total gross area included in the five Ukraine Licences is 36,315 hectares (89,736 acres). KUB-Gas must hold these licences in order to conduct its current natural gas and condensate producing operations in Ukraine. All five licences are subject to a royalty tax system, the rates of which are subject to periodic change. Currently, royalties are 25% and 39% for gas and liquids respectively, and the corporate income tax rate is 19%.

Serinus acquired its indirect 70% shareholding in KUB-Gas in June 2010. At the time of the acquisition, KUB-Gas held one 20-year production licence (Vergunskoye) and three exploration licences (Olgovskoye, Makeevskoye and Krutogorovskoye). Olgovskoye and Makeevskoye were converted to 20-year production special permits in February 2012 and April 2012 respectively. In August 2013, the Ukrainian Ministry of Fuel and Energy formally acknowledged the conversion of the Krutogorovskoye licence from an exploration licence to a 20-year production licence, leaving only North Makeevskoye as an exploration licence.

KUB-Gas was awarded its fifth exploration licence (North Makeevskoye) in December 2010. The North Makeevskoye licence area is 19,000 hectares (47,000 acres SEN WI) in size and is adjacent to the Makeevskoye and Olgovskoye licences. The North Makeevskoye licence is prospective for gas production from multiple zones within the Moscovian, Bashkirian and Serpukhovian sedimentary sections.

Each of the four producing licence areas (Vergunskoye, Olgovskoye, Krutogorovskoye, and Makeevskoye) has its own pipelines connecting each producing well to a central processing facility within each licence area where the gas is separated from the water, condensate and other impurities and treated. From the central processing facility, the gas is transported by pipeline and delivered to the national pipeline infrastructure.

KUB-Gas owns 100% of a Canadian-built drilling rig, a new snubbing unit, plus two service rigs, an inventory of spare parts, support vehicles, land and buildings

Licensing and Regulatory Regime in Ukraine

The regulation of hydrocarbons in Ukraine is administered by a number of governmental bodies including the Ministry of Energy and Coal Industry of Ukraine (the former Ministry of Fuel and Energy of Ukraine),

which is responsible for matters including energy strategy and regulation, and the Ministry of Ecology and Natural Resources of Ukraine (the former Ministry of Environmental Protection of Ukraine) and the State Geological Service, the latter of which is responsible for the issuance of exploration and development special permits and production special permits, which are referred to elsewhere in this AIF as exploration and development licences and production licences.

As a general rule, special permits for subsoil use are granted to eligible applicants on an auction basis. After permit issuance, the licencee and the State Geological Service also enter into a special permit agreement – which is deemed an integral part of the special permit. Exploration and development special permit agreements contain minimum work program obligations in respect of matters such as: (i) undertaking seismic surveys; (ii) exploration drilling; (iii) well workovers; (iv) reserves estimation and other studies; and (v) environmental impact assessments. The State Geological Service may insert additional special conditions, such as minimum production requirements.

Special permits for exploration (including pilot production) of onshore deposits are generally granted for a period of five years. A subsoil user is also provided with a pre-emptive right to extend the term of an existing special permit on a non-auction basis, provided that the subsoil user adhered to its obligations with respect to that special permit and can explain why additional time is needed to complete the exploration (i.e., to confirm reserves on the field). This right may be exercised no more than two times, each for five years. Hence, the total term of an exploration licence (with two extensions) may extend for up to 15 years.

Pilot production for an exploration licence is statutorily capped at 10% of previously estimated reserves, with limited exceptions.

Special permits for commercial production are issued for 20-year terms. The permits may be extended, although the legislation does not state how many times. The holder of a special permit allowing exploration at a particular field has the pre-emptive right to apply for a production special permit without the need for an auction, assuming that the holder is compliant with the terms of its exploration special permit.

In order to construct gas pipelines from its producing wells on the Ukraine Licences to the Ukraine gas transportation infrastructure, the Company must comply with the land use registration system in Ukraine. Recent developments relating to the land use registration system in Ukraine may result in delays or may increase the costs for the Company's plans to connect additional producing wells to the Ukraine gas transportation infrastructure, or may result in the Company having to suspend production of gas from certain of its producing wells on the Ukraine Licences until certain pipelines are constructed. For further information please see "*Risk Factors – Compliance with Foreign Regulatory Regimes"*.

The domestic gas price within Ukraine is set by NERCU by reference to the Russian imported gas price. Natural gas prices in Ukraine eased slightly in 2013 after increasing significantly in 2012 compared to 2011 and to 2010 as a result of changes in prices charged by Russia at the Russia/Ukraine border. As Ukraine relies to a significant extent on energy resources from Russia, the domestic industrial gas price in Ukraine exhibits a strong correlation with the Russian gas import price. This import price, and consequently the prices which may be charged by producers in Ukraine to their industrial customers, is determined based on annual negotiations between the governments of Ukraine and Russia. Prior to 2013, royalty rates were set each month by the government of Ukraine based primarily on prevailing market prices. From 2013 onward, royalties for gas and condensate are set at 25% and 39% respectively. See "*Risk Factors - Compliance with Foreign Regulatory Regimes*".

Ukrainian gas pricing regulation differentiates between gas prices which may be charged to residential customers and prices which may be charged to industrial customers. The Ukrainian government sets maximum prices at which gas is sold to the industrial end users. All of the KUB-Gas' production is ultimately sold to industrial users, although much of it is marketed via third parties, resulting in lower realized wellhead prices as the traders take a margin.

Exploration / Development Activity

Serinus acquired its indirect 70% shareholding in KUB-Gas in June 2010 and in July 2010, the first full production month following the acquisition, KUB-Gas' production from its four producing licence areas amounted to 4.88 MMcf/d of natural gas (3.4 MMcf/d SEN WI).

Seismic processing and interpretation undertaken by the Company in 2010 led to the identification of a "bright spot" in potential channel sands and the drilling of a gas discovery in the R8 sand package at Makeevskoye 19 ("**M-19**") in late 2010. The M-19 well was subsequently put on production in July 2011 at a rate of more than 5 MMcf/d (3.5 MMcf/d SEN WI).

A 120 km^2 3D seismic survey was shot during the first half of 2011 over the Olgovskoye and Makeevskoye licences to better define the M-19 discovery and other Carboniferous reservoirs and structures.

The 2011 drilling program included 5 wells in the Olgovskoye field, O-8, O-9, O-14, O-12 and O-18. Four were completed as gas producers in the Bashkirian formation, tied into processing facilities and are currently producing.

A 71 km^2 3D seismic programme over the North Makeevskoye licence area was completed in the second quarter of 2011.

In October 2011, KUB-Gas initiated a reservoir stimulation programme using hydraulic fracturing technology. The first two fracture stimulations on the O-6 and O-8 wells proved positive. The O-6 well was tied in for commercial production in February 2012 and gas production during that month averaged 1.5 MMcf/d (1.1 MMcf/d SEN WI). O-8 was tied in for commercial production in March 2012 and gas production during that month averaged 1.0 MMcf/d (0.7 MMcf/d SEN WI).

In January 2012, a new snubbing unit, a specialized service rig that allows for the workover of wells while under pressure without stopping production from an existing producing zone, manufactured in Canada, was delivered to KUB-Gas in Ukraine. The snubbing unit provides KUB-Gas with the ability to perform dual completions on certain of its wells. Dual completion of a well allows for natural gas production concurrently from two separate zones. In the fourth quarter of 2012, the O-18 well in the Olgovskoye licence area and the M-21 well in the Makeevskoye licence area were dually completed.

The M-21 well spud in February 2012 and was cased to a total depth of 2,210 metres in March 2012. The R8 formation was production tested in June 2012 for one hour at an average rate of 3 MMcf/d with a flowing tubing head pressure ("**FTHP**") of 9,185 kPa. M-21 began commercial production in August 2012 and as of December 31, 2013, was producing approximately 800 Mcf/d with its production being restricted by the flow from the M-19 and M-20 wells, each of which were producing in excess of 10 MMcf/d.

The NM-1 well was spud in May 2012 and cased to its total depth of 2,500 metres in mid-June in anticipation of further testing. The well is currently suspended.

In June 2012, a 225 km^3 3D seismic survey programme was completed over North Makeevskoye, expanding on the original 71 km^3 survey shot in 2011. Interpretation of the North Makeevskoye 3D data identified five additional structural prospects.

The M-20 well was spud in July 2012 and cased to its total depth of 2,000 metres in August. It was completed and tied-in for commercial production during Q4 of 2012 and as of December 31, 2013 was producing 5 MMcf/d.

The M-16 well was spud in August 2012 and was cased to its total depth of 4,300 metres in December 2012 after encountering seven potential gas zones. The well was tested in three sections of the Serpukhovian formation and is producing from the S6 zone.

The K-7 well was spud in September 2012 and cased to its total depth of 3,206 metres in November 2012. Evaluation of wireline logs and drilling information indicated up to five potential gas zones in this well. The well was completed and will be tied in and producing by the end of April 2014. The long delay is due was due to the change in the land registration system described further in *"Risk Factors – Risks Relating to the Operations of the Company - Compliance with Foreign Regulatory Regimes"*

The first of the North Makeevskoye structural prospects was evaluated by the drilling of the NM-2 well, located in the southern part of the North Makeevskoye licence area. The well was spud in December 2012, and was abandoned in February 2013 after being drilled to a depth of 3,150 metres after wireline logs and other information obtained during the drilling operation did not indicate any prospective zones.

In March 2013, KUB-Gas tested the S13 and S5 zones in the Carboniferous Serpukhovian section in the M-16 well. The S5 was tested with various choke sizes, and recorded a maximum stabilized rate of 4.3 MMcf/d at an FTHP of 1,900 psig. Total testing time was 74 hours. The S13 zone produced gas at rates too small to measure. The well was placed on production at an initial rate of 3.13 MMcf/d (2.2 MMcf/d SEN WI) in May 2013.

The O-15 well was spud in March 2013, and reached its total depth of 3,246 metres in late May. It was tested at various choke sizes, and achieved a maximum stabilized rate of 1.5 MMcf/d from the S5 zone and placed on production in August 2013.

The NM-3 well was spud in the North Makeevskoye licence on May 30, 2013. It reached a total depth of 2,426 metres (measured depth) and penetrated the metamorphic basement. An open hole drill stem test recovered 0.5 m^3 of 37° API oil and minor amounts of gas from the Carboniferous aged Visean sandstone. The well was cased, and operations to frac' and test the Visean are expected to occur in the second half of 2014.

On August 19, 2013, the drilling rig spud the O-24 well, targeting the Bashkirian aged B6 pool initially discovered in the O-12 well in 2011. The original planned target depth was 2,900 metres, but during drilling, it was decided to deepen the well to the Serpukhovian to see if the S5 zone discovered in O-15 extended northwest to the O-24 location. Logs indicated potential net pay in the B6 and S6, as well as the shallower R30c and B4b zones. The well was cased and completion and testing operations commenced in January 2014.

Drilling on the M-17 well commenced on November 27, 2013. Planned total depth is 3,450 metres, and the well is targeting the S6 sandstone and S5 limestone. The well reached a total depth of 3,445 metres in early March and logs indicated 9 metres of gas pay in the S6, 2.5 metres of gas pay in the S5 carbonates, and additional resource potential in the S7 and R30c zones.

In October 2013, the O-4 and O-5 wells were successfully fracture stimulated, resulting in maximum test rates of 4.0 MMcf/d and 1.3 MMcf/d respectively.

The work program for 2014 will principally target continued exploitation of Olgovskoye and Makeevskoye, and exploration and appraisal in North Makeevskoye. This will involve the drilling of new wells, the completion of new zones in existing wells, dual completions, stimulation treatments using modern and technically advanced methods commonly used elsewhere in the world and the implementation of a compression strategy. The Company plans to drill four new wells on the Ukraine Licences in 2014.

Infrastructure, Transportation and Marketing

The majority of the gas is sold to wholesalers (gas traders) within the price cap set by NERCU by reference to the Russian import gas price. The actual prices agreed between KUB-Gas and its customers are reviewed monthly by NERCU to ensure compliance with the price cap and prices vary from month to month based on market conditions. A small portion of the gas is sold directly to end consumers.

In January 2014, following the recent agreement between Russia and Ukraine, NERCU published a schedule of maximum natural gas prices by quarter for 2014 for the sale of natural gas to industrial

consumers as follows: Q1/14 UAH 3,113/E3m^3, Q2/14 UAH 2,752/E3m^3, Q3/14 UAH 2,602/E3m^3 and Q4/14 UAH 2,502/E3m^3, all prices net of VAT. Based on the then current exchange rate of 8.2 UAH/USD, the equivalent prices in US dollars per Mcf were Q1/14 USD10.70/Mcf, Q2/14 USD9.46/Mcf, Q3/14 USD8.94/Mcf and Q4/14 USD8.60/Mcf. On March 28, 2014, the exchange rate was 10.95 UAH/USD. To February 28, 2014, the gas sold by KUB-Gas realized an average price of $9.14/Mcf. The future of natural gas prices in Ukraine is currently subject to a high degree of uncertainty and the above numbers may not be representative of future prices that the Company will receive on its Ukraine production.

On March 4, 2014, the Russian energy company, Gazprom announced that it would cancel the discount on natural gas to Ukraine effective April 1, 2014. At the time of publication of this AIF, NERCU had not yet updated its price schedule.

Each of the four producing licence areas (Olgovskoye, Makeevskoye, Vergunskoye, and Krutogorovskoye) has its own pipelines connecting each producing well to central processing facilities within that licence area. The gas is then transported by pipeline to the national Ukraine pipeline infrastructure. The four gas processing plants have a total capacity of 80 MMcf/d of natural gas and a network of flow lines totalling more than 40 kilometres.

In September 2013, KUB-Gas embarked on an expansion of the Makeevskoye gas facilities. The expansion consists of a second plant with gas, condensate and water separation equipment, and is designed to increase the total throughput capacity in Makeevskoye from 30 MMcf/d to 68 MMcf/d. This still leaves significant spare capacity to accommodate potential production increases from the Company's ongoing exploration and development program. The new facility started up on March 6, 2014.

Recent developments relating to the land use registration system in Ukraine may result in delays and may increase the costs for the Company's plans to construct gas pipelines from its producing wells on the Ukraine Licences to gas transportation infrastructure, or may force the Company to suspend production of gas from certain producing wells on the Ukraine Licences until pipelines are constructed. These difficulties resulted in it taking nearly one year to get the pipeline permits and approvals for the K-7 well, and 4 – months for recent wells in Makeevskoye. See "*Risk Factors – Compliance with Foreign Regulatory Regimes*".

KUB-Gas is a party to various gas and condensate supply agreements with industrial users and utilities in Ukraine. According to these gas and condensate supply agreements, consumers pay for gas supplies in advance (not later than the 10th day of the month in which gas is supplied) with a final settlement made after the transfer-acceptance act for the gas supplied is signed (in any event not later than the 10th day of month following the month in which the gas is supplied). The trend in 2014 is to receive payment throughout the month and shortly after month end.

Material Agreements

(a) Shareholders' Agreement ("**SHA**")

On November 10, 2009, KOV Cyprus, Gastek and KUBGAS Holdings entered into the SHA governing KOV Cyprus' and Gastek's relationship as shareholders in KUBGAS Holdings. The SHA came into effect upon completion of the KUB-Gas Acquisition.

Under the SHA, KOV Cyprus and Gastek agree that KUBGAS Holdings' business will be to conduct petroleum operations in Ukraine through its wholly-owned subsidiary KUB-Gas under the existing Ukraine Licences as well as applying for and exploring new petroleum opportunities in Ukraine. If either KOV Cyprus or Gastek would prefer not to undertake a particular new petroleum opportunity in Ukraine through KUBGAS Holdings, the other party may proceed independently. The SHA has been amended by a letter agreement dated November 11, 2011 (the "**Letter Agreement**") to exclude certain areas from the application of this requirement. The SHA contains customary non-compete restrictions on the parties to the agreement. Under the Letter Agreement, certain business activities are excluded from the application of this requirement.

Each shareholder holds a first right of refusal over the transfer of shares by the other to a third party providing that the remaining shareholder matches the price offered by the third party. If a shareholder becomes insolvent, is subject to a change in control or fails to make a subscription or loan payment to KUBGAS Holdings in the manner required by the SHA, then the other shareholder has the right to buy the shares of the affected shareholder at either a predetermined price or a price determined by an expert.

The SHA also allows for a single KUBGAS Holdings' shareholder to require KUBGAS Holdings to direct KUB-Gas to conduct particular petroleum operations on an exclusive basis (for example, if the other shareholder did not wish for KUBGAS Holdings to direct KUB-Gas to do so) ("Exclusive Operations"). In such circumstances the party proposing the Exclusive Operations:

(i) must fund, and indemnify KUBGAS Holdings against, all costs and liabilities associated with conducting the Exclusive Operations; and

(ii) receives a beneficial interest in 90% of all net proceeds derived from the Exclusive Operations until it has received an amount of proceeds from such Exclusive Operation which is equal to 200% of the amount spent by it under (i).

The SHA is governed by English law. Any disputes arising out of, or in connection with, the SHA are to be referred to the London Court of International Arbitration.

(b) Technical Services Agreements

KUB-Gas benefits from two back-to-back Technical Services Agreements (the "**TSAs**"). The purpose of the TSA's is to allow KUB-Gas to benefit from the Company's skill and expertise in further developing and operating the KUB-Gas Assets (the "**Technical Services**"). The Technical Services may either be provided directly to the relevant counterparty by the service provider, by way of secondment or by way of sub-contracting of third party goods and/or service providers.

The first TSA operates as between the Company and KUBGAS Holdings (the "Head TSA"). It is dated January 13, 2011, and stated to be effective from January 1, 2010. It provides for the Technical Services to be provided to KUBGAS Holdings for the benefit of KUB-Gas. KUBGAS Holdings pays for the Technical Services on a time and costs basis.

The second TSA operates as between KUBGAS Holdings and KUB-Gas (the "sub TSA"). It is also dated January 13, 2011 and stated to be effective from January 1, 2010. Except as provided below, the sub TSA is drafted on substantially the same terms as the Head TSA. Under the sub TSA, Technical Services provided by the Company to KUBGAS Holdings pursuant to the Head TSA are passed through to KUB-Gas. However, KUBGAS Holdings may also provide Technical Services to KUB-Gas under the sub TSA independently of those provided to KUBGAS Holdings under the Head TSA. KUB-Gas pays for the Technical Services provided under the sub TSA by way of a fixed monthly fee plus costs.

The TSA's are governed by English law.

Tunisia

Through its wholly owned subsidiary, Winstar Resources Ltd., Serinus has interests in and operates five concessions in Tunisia. It holds 100% working interests in four blocks, and a 45% interest in Sabria, the fifth. The Tunisia Assets were acquired as part of the Company's acquisition of Winstar in 2013. Winstar in turn acquired them through its acquisition of Winstar Netherlands (then named Athanor B.V.) in 2005.

Tunisia Assets

The five concession blocks, Sabria, Zinnia, Sanrhar, Ech Chouech and Chouech Es Saida are located throughout the country, from the northern coast on the Mediterranean Sea, down to the south end near the Algerian border. Basic information regarding each is summarized in the table below:

Tunisia Concession Summary Data

Name	Location (within Tunisia)	Working Interest	Approximate Gross Area *(acres)*	Outstanding Work Commitments	Expiry
Chouech Es Saida	South	100%	52,480	nil	Dec 2027
Ech Chouech	South	100%	33,920	nil	June 2022
Sabria	Center West	45%	11,520	nil	Nov 2028
Sanrhar	South Central	100%	35,840	nil	Dec 2021
Zinnia	North	100%	17,920	nil	Dec 2020

The five concessions were originally awarded to a variety of operators, and changed ownership several times prior to their acquisition by Winstar Netherlands. See *'Principle Oil and Gas Properties – Tunisia – Sabria, Chouech Es Saida, Ech Chouech, Sanrhar and Zinnia"*

Government Administration and Licencing Terms

The Tunisian government administers the various licences through ETAP. The fiscal terms of the concessions are of a general royalty and income tax scheme. Details for each block are summarized in the table below:

Summary of Tunisia Asset Fiscal Terms

	Choech Es Saida	Ech Chouech	Sabria	Sanrhar	Zinnia
Working Interest	100% *	100%	45%	100%	100%
Outstanding Work Commitments	nil	nil	nil	nil	nil
Royalties	15%	15%	2 - 15% based on R factor	2 - 15% based on R factor	12.5%
Income Tax Rate	35%	35%	50 - 75% based on R factor	50 - 75% based on R factor	55%

* ETAP has the right to back in for a 50% working interest after a total of 6.5 MMbbl of crude/condensate sales, net of royalties. Current cumulative production is 4.8 MMbbl as of the date of this AIF

Exploration / Development Activity

Sabria

The Sabria Concession is located near the southern margin of Chott el Jerid in the Sahara Desert of Tunisia. The Sabria Concession, named after the nearby village of Sabriyah, was carved out of the Kebili Exploration Permit. The first seismic survey was carried out by Mobil who held the exploration permit for the area from 1970-1977. From 1978-1985 the area was operated by Amoco, who drilled four wells: Sabria North 1 ("**SAB-N1**"), Sabria North 2 ("**SAB-N2**"), Sabria North 3 ("**SAB-N3**") and Sabria West 1 ("**W-SAB-1**"). These exploration wells indicated oil in the Ordovician formations but were considered non-commercial at the time.

In 1991 MOL Hungarian Oil & Gas PLC ("**MOL**") became the operator of the Sabria concession. From 1991- 1995 MOL performed three 2D seismic surveys and based on these surveys and re-evaluation of the previous wells, re-completed W-SAB-1 as a horizontal well ("**W-SAB-1H**") near the top of the Hamra Formation. This well tested hydrocarbon potential in August 1996. In 1998 MOL drilled Sabria Northwest 1 ("**SAB-NW1**"), completed as a horizontal producer. In late 1998 and early 1999 MOL re-entered SAB-N1 and drilled a new horizontal leg. Based on disappointing results, the well was suspended in 1999.

Sabria was put on stream in October 1998 with well W-SAB-1H, followed by SAB-NW1 in May 1999 and SABN3H in January 2002. In early 2000, Winstar Netherlands (then Athanor B.V.) acquired the MOL interest in the Sabria concession and became the field operator. In 2002, the SAB-N3 well was re-

entered, drilled and completed as a horizontal producer ("**SAB-N3H**"). Associated gas is recovered at the field, compressed to 100 bar pressure and delivered into a third party gas pipeline from where it is transported and sold to Societe Tunisienne de l'Electricite et du Gaz ("**STEG**"), the Tunisian state electricity and gas company. Condensate is recovered from the associated gas via a chilling unit and slip-streamed back into the crude oil stream for sales.

During 2006 the transportation arrangements were upgraded such that oil is now trucked from the field to a transfer terminal on the local pipeline network at Oumchia from which it is transported via pipeline to the Mediterranean Coast at Skhira.

Winstar finished drilling the Sabria 11 well in the first quarter of 2007 and completed the well in the second quarter of 2007. Sabria 11 has been on production since late June 2007 but is currently shut in awaiting a workover to remedy production fluctuations.

In 2009, Winstar completed the re-entry and drilling of Sabria N3H. The re-entry operation consisted of drilling two new horizontal laterals from the existing wellbore at Sabria N3H. The well was successful in encountering abundant areas of highly fractured and productive reservoir.

Chouech Es Saida

The Chouech Es Saida oil field is located on the southwest border of the southern tip of Tunisia. Seven wells were drilled on the Chouech Es Saida structure between 1971 and 1992. The field was put on production in 1977, with the Chouech Es Saida #1 ("**CS-1**") well remaining on production until 1992. In 1993, Chouech Es Saida #3 ("**CS-3BIS**") and Chouech Es Saida #7 ("**CS7-BIS**") were put on production, and produced for seven and two years, respectively. In 1996, Chouech Es Saida #5 ("**CS-5**") was tested briefly, and was then suspended. Winstar Tunisia (then known as Athanor Tunisia B.V.) acquired the concession together with the neighbouring Ech Chouech concessions, from AGIP in 2002. The field was shut in from 1999 until late 2003, at which time Winstar Tunisia brought the CS7-BIS well back on production.

Oil from Chouech Es Saida is transported to a sales point at El Borma by a six inch, 80 kilometre pipeline that is owned by Winstar. In 2009, Winstar completed and commissioned its six inch diameter, 78 kilometre gas line, which is currently in use. Serinus has also installed two compressors at the Chouech Es Saida Central Production Facility with a combined capacity of 170 E3m^3/d (6.0 MMcf/d). During 2011, Winstar transported its 100% owned natural gas treatment and compression facility from Hungary to the Chouech Es Saida concession where it was installed and commissioned. Actual rates have fluctuated between 0 and 5.0 MMcf/d because STEG (purchaser of the gas in the Chouech Es Saida concession), is only required to take gas on a best efforts basis at its facility at El Borma.

Chouech Es Saida #8 ("**CS-8**") was drilled, completed and placed on production in 2008. Winstar attempted a dual completion in the well in the fourth quarter of 2008 and encountered a serious problem during routine cementing and recompletion operations, and the wellbore was lost. The re-entry and sidetrack of CS-8 commenced at the end of December, 2009 and was successful in reaching the target reservoir and achieved combined test rates in excess of 1,625 boepd. However, communication with the reservoir was lost after the testing and the well was suspended. Drilling of Chouech Es Saida #8Bis was completed on September 25, 2011. Initial production was unstable; and a subsequent work-over operation was required to install an electronic submersible pump ("**ESP**"), following which production stabilized at 300 bbl/d in December of 2011.

The Chouech Es Saida #9 well ("**CS-9**") was drilled in the third quarter of 2008, tested over 900 bbl/d from 4 zones and was placed on production in the fourth quarter of 2008 at approximately 500 bbl/d. Following a period of shut-in during the first seven months of 2011, Winstar performed a remedial cementing operation at CS-9, which produced approximately 200 bbl/d for the remainder of the year.

Chouech Es Saida #11 was drilled, completed and put on production in 2010 at a rate of approximately 500 bbl/d. Chouech Es Saida #13 was drilled, completed and tested in 2010. Although zones came in on prognosis the reservoirs themselves contained no hydrocarbons so the well was suspended.

In November of 2010, Winstar commenced the drilling of its first Silurian exploration well, Chouech Es Saida Silurian #1 ("**CS Sil #1**"), which tested at combined production test rates of approximately 3,379 boepd. Prior to the installation of the gas compression and treatment facility transported from Hungary, the primarily crude oil bearing zones (zones 2 &3) were placed on long term production tests from February 2011 to September 2011 producing between 80-120 bbl/d. Following the installation of the gas facility, production from zone 1 commenced at between 900 - 1,000 boepd. Sand production and liquid loading has subsequently limited production, and a workover to address these issues is scheduled for the first quarter of 2014.

Winstar completed drilling of Chouech Es Saida #12 in September 2011. Following the installation of a beam pump, the well has been producing approximately 30 bbl/d plus associated gas.

In December 2011, Winstar completed its drilling program at Chouech Es Saida Silurian #10 targeting both the Silurian zones identified and tested at CS Sil #1 as well as a new Triassic discovery that was logged but not tested at CS Sil#1. Initial test rates from all five targeted zones were inconclusive and following investigation into the well completion it was determined that the inconclusive testing resulted from potential downhole blockages in the lower Silurian zones and potential water invasion due to poor cementing and isolation of the targeted Triassic zones. During the fourth quarter of 2012 a workover was performed to remove the completion in the lower Silurian zones and re-cement the upper Triassic zones. That workover was not successful, and the well is currently shut in, awaiting further analysis and remedial measures.

Ech Chouech

Five wells have been drilled in the Ech Chouech concession since 1970. The field was discovered by the Ech Chouech #1 well ("**EC-1**"), which encountered oil in the Devonian Ouan Kasa formation at a depth of 3,220 metres. EC-1 was completed in 1991 and tested for 6 months at rates ranging from 200-220 boepd and produced a total of 34,000 bbl. The test was terminated by a well-bore blockage. In 2008, Winstar conducted a successful workover of EC-1 and the well was put back on production, averaging almost 100 bbl/d. A workover was conducted on EC-1 in 2010 to address some production impediments and the well came back on production at a rate of 140 bbl/d and produced and average of 100 bbl/d in 2011.

The second location drilled at this concession, Ech Chouech #2 tested a small quantity of gas in the Ouan Kasa sand to a depth of 3,182 metres. The Ech Chouech #3 well encountered only traces of gas but Ech Chouech #4 ("**EC-4**") tested oil in the Ouan Kasa sandstone. The operator assessed the field reserves to be some 478 Mbbl and no further development was undertaken. Winstar conducted a workover on the EC-4 well in 2007 but the workover did not result in commercial quantities of hydrocarbons and further analysis is required.

Sanrhar

The Sanhrar field is located 60 kilometres northeast of the El Borma oil field in the Sahara desert of Southern Tunisia. Three wells have been drilled on the Sanhrar domal structure of the Triassic TAGI Sandstone formation. The first well in 1957, Sanrhar-1 ("**SN-1**"), was drilled on the flank of the structure near the original oil/water contact. Sanrhar North 1 ("**SNN-1**") the "discovery well" drilled in 1989 was located near the top of the structure. Winstar Tunisia acquired the Sanrhar concession in May 2000. In 2002, a third well, Sanrhar West-1 ("**SNW-1**"), 6 km to the west down dip on the west flank of the structure was wet and was plugged and abandoned. SNN-1 is the sole oil producer in the field and has been on-stream since 1991. In 2008, the Company installed a new pump system in the SNN-1 well which had a positive impact on production.

Zinnia

The Zinnia oil field is located on the Cap Bon peninsula of Tunisia, 60 km southeast of Tunis, 10 km from the town of Nabeul, and approximately 3 km from the Mediterranean shore. Winstar Tunisia acquired the concession in 2000.

The field was discovered in 1989 by Shell, with the drilling of the Zinnia #1 ("**ZNN-1**") well on the west flank of a faulted anticlinal structure. The productive formation is the Abiod formation, a late Cretaceous fractured carbonate formation. A subsequent operator took over in March 1990 and completed the ZNN-1 well as an oil producing well. In April 1991, a second oil producing well, Zinnia 2 ("**ZNN-2D**"), was drilled from the same surface location in an up-dip bottom hole location position to improve the structural control of the northeast area of the trap. This well tested both oil and gas.

ZNN-1 was shut-in in July 1993 and then converted to a water disposal well. The ZNN-2D well was completed with 2 ⅞ inch tubing and had been producing with the assistance of an electric submersible pump. It was shut in in 2008 due to a pump failure and never resumed production as the combination of high operating costs and low productivity for the well made it uneconomic.

Infrastructure, Transportation and Marketing

Associated gas production from the Sabria and Chouech Es Saida concessions is sold into the domestic market. The price is indexed at 75% of the high sulphur fuel oil price for Zinnia gas (when producing) and at 77% of the low sulphur fuel oil price for Sabria gas. The price for the Chouech Es Saida concession is 65% of the low sulphur fuel oil price.

Winstar recently delivered a surplus refurbished compressor to STEG at its El Borma facilities. The intent is to improve on STEG's receipt capacity and up time percentage, thereby increasing Serinus gas sales. Operations are pending the arrival of a technician from the manufacturer to inspect the unit and supervise start-up.

In the longer term, STEG has undertaken a major expansion of its main carrier line called the South Tunisia Gas Project. The budgeted cost is $1.2 billion, and will expand STEG's capacity to move raw gas from the southern end of the country to a gas plant to be built near the town of Gabes in southeast Tunisia by 350 MMcf/d. From Gabes, the gas will be connected to existing sales lines including the TransMed Pipeline to Italy.

Oil production from the Sabria and Sanrhar concessions is trucked to a third party facility and then pipelined to a storage terminal. Oil production from Chouech Es Saida and Ech Chouech is pipelined to a third party facility and then to a storage terminal. Except for 20% of the Sabria oil production which is sold into the local market, the oil is loaded from the terminal onto tankers arranged by third parties and sold on the world market every one to three months, depending on production levels and tanker availability. The price paid for oil is directly tied to the price quoted for Zarzaitine crude. The oil tanker price is based on the average price for the three days after loading.

Romania

Serinus acquired its interest in the Satu Mare Concession in June 2013 as part of the Winstar Acquisition.

The Rompetrol Group N.V. and the NAMR entered into Satu Mare Concession Agreement in September 2003 which granted the Rompetrol Group N.V. the right to explore for hydrocarbons within the perimeter of the EIV 5-Satu Mare block. The Satu Mare Concession Agreement entered into force upon its publication in the Romanian Gazette in September 2004 and continues for a term of 30 years from that date, ending September 2034. The Concession terminates automatically if the Satu Mare Concession holders do not make a commercial discovery before the end of the second exploration phase.

In April 2008, Winstar executed a joint venture transaction with Rompetrol S.A. whereby, by fulfilling certain conditions, Winstar could earn up to a 60% interest in the Satu Mare Concession. Winstar

subsequently assigned its interest in the Satu Mare Farmout Agreement to its wholly-owned subsidiary, Winstar Satu Mare. In March 2009, after receiving approval from the NAMR, Rompetrol S.A. assigned an initial 25% participating interest in the Satu Mare Concession to Winstar Satu Mare. In Q3 2013, after Winstar Satu Mare had satisfied the conditions precedent to the second transfer and the NAMR had granted its approval of such transfer, Rompetrol S.A. assigned a subsequent 35% participating interest in the Satu Mare Concession to Winstar Satu Mare. Winstar Satu Mare and Rompetrol S.A. currently hold 60% and 40% participating interests in the Satu Mare Concession, respectively.

In July 2013, the NAMR granted its approval of the successful completion of the first stage exploration obligations under the Satu Mare Concession Agreement. Winstar Satu Mare satisfied 100% of the official first stage work program, which consisted of the re-processing of approximately 1,075 kilometres of existing 2D seismic, acquisition of 80 square kilometres of 3D seismic, and the drilling of two exploration wells, Madaras 109 and Moftinu 1000.

Winstar Satu Mare, encouraged by the success of the first stage, elected to enter the second stage of exploration in November 2012 (thereby placing the Satu Mare Concession holders in both the first stage and second stage of exploration for a time). In fall 2012 the Satu Mare Concession stake holders were successful in obtaining an extension of the end of the stage 2 exploration period from September 2013 to May 2015 and agreed to certain amendments to the stage 2 work commitments. The amended minimum work obligations for stage 2 are: (i) analysis of data acquired during stage 1, integrated reinterpretation of the geological and geophysical data and drillings, and a seismic 3D project; (ii) acquisition of 180 square kilometres of 3D seismic, processing and integrated reinterpretation of data, and the drilling of two exploration wells. Pursuant to the terms of the Satu Mare Farmout Agreement, the Company is responsible for 100% of the costs of satisfying the stage 2 minimum work commitments. The drilling program is anticipated to commence in September 2014, and preparations are underway to shoot the seismic in September as well.

The Romania Assets

The Satu Mare concession is a large block covering 765,000 gross acres in northwest Romania, bordering both Hungary and Ukraine. The basic fiscal terms of the Satu Mare Concession Agreement are summarized in the table below:

Summary of Satu Mare Concession Agreement Fiscal Terms

Phase 1 Exploration Period	Status:	Complete
Phase 2 Exploration Period	Expiry:	May 2015
	Status:	Ongoing
Concession Expiry		Sep 2034
Outstanding Work Commitments		60 km^2 of 3D seismic, two exploration wells
Royalties		3.5 - 13.5%
Income Tax Rate		16%

Infrastructure, Transportation and Marketing

As Serinus has not yet made a commercial discovery in Romania, it has not yet built or acquired any surface facilities or infrastructure.

In the event of a discovery, natural gas would be sold to Transgaz S.A, the Romanian national gas distribution and marketing company. Transgaz has transmission lines running through Satu Mare and, in the event of a discovery, tie in would be relatively uncomplicated.

Material Agreements

(a) Satu Mare Concession Agreement ("**SMCA**")

The Satu Mare Concession Agreement was originally executed between Rompetrol Group N.V. (as the contractor) and NAMR in 2003. Winstar became a party to the SMCA in 2008, as a condition precedent to the Satu Mare Farm Out Agreement was that the Romanian government approve the assignment of the interest in the SMCA to Winstar under the terms of the SMFA. The SMCA provides the contractor(s) the right to explore for and produce hydrocarbons from the Satu Mare concession, subject to the contractor(s) fulfilling certain work commitments in two phases:.

Phase 1: Reprocessing existing seismic data, acquiring new seismic data, and drilling one exploration well

Phase 2: New seismic acquisition and drilling two exploration wells.

All of the Phase 1 requirements have been met, and Serinus has budgeted $6 million toward the completion of Phase 2. The Romanian government has extended the deadline for completion of Phase 2 to May 2015, although Serinus anticipates completing all the remaining commitments in 2014.

The fiscal terms of the SMCA are shown in *Principle Oil and Gas Properties – Romania – The Romania Assets*.

(b) Satu Mare Farm Out Agreement ("**SMFA**")

In April 2008, Winstar executed the Satu Mare Farm Out Agreement with Rompetrol, the key terms of which are summarized below:

- Winstar would become operator and fully fund and perform all requirements of the Phase 1 exploration period under the Satu Mare Concession Agreement. By completing these requirements, Winstar would earn a 60% working interest in the entire Satu Mare concession.

- Winstar would have the option to continue to the Phase 2 exploration period, and fully fund and perform all the associated work requirements. Upon satisfying that commitment, the entire Satu Mare concession area would be retained with Winstar owning 60% and Rompetrol the remaining 40%. If Winstar elected not to continue on to Phase 2, it would retain its 60% interest in any discoveries made in Phase 1, and the balance of the lands would be relinquished.

Brunei

The Company, through its indirect wholly-owned subsidiaries, Kulczyk Oil Brunei and AED SEA, holds a 90% working interest in the Brunei Block L PSA. Serinus' interest in Brunei Block L is held 40% by Kulczyk Oil Brunei and 50% by AED SEA, and AED SEA is the operator. The remaining 10% is held by QAF Brunei Sendirian Berhad ("**QAF**"). The relationship between the Company and QAF is governed by the Block L Operating Agreement. See *"Principle Oil and Gas Assets – Brunei – Material Agreements – Block L Operating Agreement"*

As at December 31, 2011, the Company held a 36% interest in another Brunei onshore exploration block, Brunei Block M. The Brunei Block M PSA expired in late August 2012 after the operator of Brunei Block M failed to drill the wells required under the Block M PSA in the time allotted. See "*Risk Factors – Reliance on Third Party Operators*".

The Brunei Block L contracting parties are applying to PetroleumBRUNEI to re-acquire certain areas of Brunei Block L which were relinquished upon the completion of Phase 1, in accordance with the terms of the Block L PSA. In addition, the Company is considering its options with respect to Brunei Block M, including through discussions with PetroleumBRUNEI. Serinus' interest in Brunei Block M expired on

August 27, 2012. As at the date of this AIF, no decision has been made or agreement reached in relation to either of these matters.

Block L Overview

Brunei Block L is an area of approximately 1,123 km^2 covering onshore and offshore areas in northern Brunei. The concession area was originally 2,200 km^2 in size, and was reduced by approximately 50% to its current size in 2011 as part of the mandatory Phase 1 relinquishment process under the terms of the Block L PSA.

Kulczyk Oil Brunei and QAF entered in to the Block L PSA in August 2006 under which their respective interests at the time were 90% and 10%. Under a joint bidding agreement between Kulczyk Oil Brunei and QAF in relation to the application for the Block L PSA, it was agreed that the Company would fund 100% of the cash calls under the Block L Operating Agreement up to $25 million and that Kulczyk Oil Brunei and QAF would respectively fund 90% and 10% of such cash calls in excess of that amount.

In 2010, AED Oil Limited acquired a 50% operating interest in Brunei Block L by purchasing all the shares in AED SEA, which had previously farmed in for an interest in Brunei Block L from Kulczyk Oil Brunei. As part of the farm-out arrangements, AED SEA paid for 100% of the first $20.5 million of cash calls under the Block L Operating Agreement.

The Brunei Block L exploration period was originally six years from the date of the Brunei Block L PSA, August 28, 2006, and is divided into Phase 1 and Phase 2. In 2010, as a part of the Phase 1 work commitments, the Brunei Block L contracting parties drilled two wells in Brunei Block L at Lukut-1 and Lempuyang-1. Both wells encountered hydrocarbons but the contracting parties elected not to test the wells at that time. In August 2010, the Brunei Block L contracting parties elected to proceed with the Phase 2 exploration period.

The Brunei Block L contracting parties were successful in obtaining an extension of the Phase 2 exploration period to August 27, 2013 as well as revising the work commitments to correspond with the current work plan. The amended minimum work obligations for Phase 2 were to: (i) acquire and process 13 kilometres of onshore 2D seismic data; (ii) acquire and process not less than 130 km^2 of 3D seismic data; (iii) acquire and process 13.5 km^2 of onshore 3D swath data; (iv) acquire and process not less than 34.5 km^2 of onshore 3D seismic; and (v) drill at least two onshore exploration wells, each to a minimum depth of 2,000 metres. The Brunei Block L contracting parties were required to spend a minimum of $16.0 million during Phase 2 and the work commitments are required to be completed during the Phase 2 period. After a second extension of the Phase 2 exploration period to November 2013, all these obligations have been completed – the final elements were the drilling of the Luba-1 and Lukut Updip-1 wells in late 2013.

In accordance with the terms of the Block L PSA, Kulczyk Oil Brunei posted bank guarantees in favour of PetroleumBRUNEI in respect of the performance by Kulczyk Oil Brunei of certain obligations under Phase 1 and Phase 2. As at the date of this AIF, both Phase 1 and Phase 2 bank guarantees have been terminated and Kulczyk Oil Brunei has no remaining obligations in respect of such bank guarantees.

In July 2013, Serinus granted Dutco the Brunei Option to acquire between 5% and 15% of Brunei Block L. The Brunei Option may be exercised in consideration of US$1 million per percentage point of interest acquired by Dutco. If there are amounts outstanding from Serinus to Dutco under the Dutco Loan then Dutco may elect to set-off the price of the Brunei Option against those amounts. Dutco has up to 31 days from the date of publication of the tests results of a test well drilled at Brunei Block L being announced to exercise the Brunei Option. As of the date of this AIF, the Brunei Option remains outstanding. Dutco's right to acquire an interest in Brunei Block L is subject to the approval of PetroleumBRUNEI, as regulator of Brunei Block L, and to the pre-emptive rights of QAF, as the existing partner in Brunei Block L. If such approvals are not obtained within 120 days of delivery of the notice of exercise of the Brunei Option then Serinus and Dutco will attempt to structure an alternative transaction which will allow Dutco to obtain an economic interest equivalent to the interest it would have been entitled to obtain had the Brunei Option interest been validly assigned.

Government & Regulatory Regime

Oil and gas exploration and development are administered by the national oil company, PetroleumBRUNEI. Concessions are granted in the form of production sharing agreements ("**PSA's**"). Private contractors are granted rights to explore for and produce hydrocarbons for one or more exploration periods, each typically lasting one or more years. The contractors provide all the capital expenditures associated with finding and development, and are allowed to recoup those expenses from a share of subsequent oil and gas production. The production not dedicated to cost recovery is designated as "Profit Oil" or "Profit Gas" and is allocated between the contractor(s) and PetroleumBRUNEI. That allocation is typically specific to each agreement, and the formula is customarily dependent upon production rates and/or cumulative production.

Terms of PSA's are negotiated between the contractor(s) and PetroleumBRUNEI, and any subsequent modifications are also subject to the approval of PetroleumBRUNEI. The table below summarizes the terms of the Brunei Block L PSA.

Summary of Brunei Block L PSA Fiscal Terms

Exploration Phases		Development Term	Royalties
	(yr)	24 years	12.50%
Phase 1	3		
Phase 2	3		

Cost Recovery				Profit Petroleum			
Max. Cost Recovery	Eligibility for Recovery		Excess Cost Oil/Gas	Profit Oil		Profit Gas	
60%	All Costs	100%	To Profit Oil/Gas	Rate	Contractor	Cum Prod	Contractor
				(MBbl/d)		*(Tcf)*	
				<= 10	70%	0 - 2	50%
				10 - 25	60%	> 2	40%
				> 25	40%		
				Contractor share also goes to 40% once cumulative production reaches 50 MMBbl			

Drilling / Exploration Activities

A 350 km^2 3D seismic acquisition program was completed in the Tutong area of Block L on May 8, 2009.

In 2010, two exploratory wells, Lukut-1 and Lempuyang-1, were drilled and both encountered hydrocarbons in multiple horizons. The Lukut-1 well, which was spud May 2, 2010, was drilled to a total depth of 2,366 metres. Gas logs which evaluated the hydrocarbon content of the drilling fluid during the drilling operation showed a continual increase in gas content with indications of C1 to C5 over the interval from 1,745 metres to 2,230 metres. An interpretation of wireline logs indicated ten zones of potential with an aggregate possible net pay of between 19 and 47 metres, and the well was cased to total depth in June 2010 and suspended pending future testing.. No testing of this well has been undertaken as at the date of this AIF.

The Lempuyang-1 commenced drilling in mid-July 2010 and reached a total measured depth of 3,220 metres (true vertical depth of 2,817 metres). Significant drilling challenges related to managing over-pressured zones encountered during the drilling of the well led to the cessation of drilling above the 3,500 metre level which had originally been projected for this well. Three of the four target horizons were fully penetrated by the wellbore. Interpretation of wireline logs indicated possible gas-charged reservoirs at each of three lowest target horizons and the well was cased to total depth and suspended pending future testing.

The joint venture partners in Block L decided to test two of the three zones with an aggregate thickness of 56.4 metres. The first of these was perforated in early February 2011 and flowed water (potentially from one of the over-pressured sands below) and a small amount of gas. The second test was flowing gas to surface and cleaning up when a mechanical failure resulted in a loss of the pressure integrity of the downhole test equipment. The test was terminated without any measurement of gas rate and the well was suspended and ultimately abandoned.

In 2010, the Brunei Block L joint venture parties also conducted an airborne gravity and aeromagnetic survey over Brunei Block L covering about 3,000 square kilometres.

The Phase 1 exploration period was completed in 2011, having met all of the minimum work and expenditure obligations, and per the Block L PSA 1,077 km^2 were relinquished back to the state.

The Brunei Block L contracting parties completed a seismic program in early June 2012 under which they acquired a 191.8 km^2 3D seismic survey in West Jerudong and Updip Lukut, a 16.2 km^2 3D swath and an additional 14 kilometres of 2D seismic data in Brunei Block L. These surveys fulfilled all of the seismic commitments and related spending requirements required under the Phase 2 exploration program set out in the Brunei Block L PSA. The program started with the acquisition of the first 2D line in late December 2011 and the final portion of the 3D acquisition program was completed on May 29, 2012.

The Lukut Updip-1 well was spud on June 20, 2013. The well encountered higher than expected pressures at 2,137 metres, requiring mud weights of 17.7 pounds per gallon to control, and eventually, the well was cased at that depth without having penetrated the primary target. Two shallower zones were tested, but flowed non-commercial volumes of gas, likely due to formation damage caused by the heavy drilling fluids used to control the well. The well was suspended after testing.

The Luba-1 well was spud on November 11, 2013, and drilled to a measured depth of 1,720 metres before the bottomhole assembly ("**BHA**") became stuck. Attempts to free it were unsuccessful, and ultimately it was necessary to cut off the BHA and suspend the well.

The joint venture partners have until July 9, 2014 to submit a Work Program and Budget for the continued appraisal and exploration of Lukut Updip and Luba. Serinus is evaluating the drilling campaign along with PetroleumBRUNEI. In the event that no further activity is taken, it is possible that Brunei Block L will expire.

In light of the uncertainty over whether further exploration activity will be made in Brunei, the Company has concluded that indicators of impairment exist. Consequently, the Company has fully impaired the value of the exploration assets in Brunei.

Future Potential Transportation Arrangements and Markets

If the Company determines that an oil and gas discovery in Brunei Block L can be commercially produced from Brunei Block L, it and its partners will be required to notify PetroleumBRUNEI of the discovery and to apply to PetroleumBRUNEI for approval of an appraisal plan, gas marketing plan and a development plan. Subject to such plans being approved by PetroleumBRUNEI, the partners intend to drill development wells and connect them by pipelines located within the area of the producing field to a central processing facility where the oil, gas, water and other impurities will be separated and treated.

If there is an oil field development, the partners intend to initially transport the oil by truck to a refinery or oil export facilities at Seria, located on the coast of Brunei. The distance from the oil field to Seria will depend on the location of the oil field on Brunei Block L but would most likely be between 20 and 40 kilometres. In the event of a gas field development, the partners intend to construct a gas pipeline from the central processing facility to either an existing power plant located in the Gadong area of northern Brunei Block L or an existing methanol plant or LNG facility, both located at Lumut, on the coast of Brunei near to the boundary of Brunei Block L. The French oil and gas company Total, the only producer of oil and gas in Brunei other than Shell, pays a processing fee to Shell in order to process its oil and gas at Shell-owned facilities at Seria and Lumut.

Material Agreements

(a) Brunei Block L PSA

Kulczyk Oil Brunei and QAF entered into the Brunei Block L PSA dated August 28, 2006 with PetroleumBRUNEI, which granted to Kulczyk Oil Brunei and QAF the right to explore for and, if successful, develop and produce oil and natural gas from Block L, subject to the regulation and approval by PetroleumBRUNEI. The Brunei Block L PSA was entered into for a period of 30 years.

The Brunei Block L PSA is a production sharing type of agreement whereby the contractor(s) pay all exploration and development costs, and those costs are recovered from a proportion of the oil and gas subsequently produced. A summary of the fiscal terms are shown in *Principle Oil and Gas Properties – Brunei – Government and Regulatory regime.* All work commitments for the two exploration phases have been fulfilled.

The Brunei Block L PSA provides PetroleumBRUNEI or its nominee with a right to acquire up to a 15% participating interest in Block L (the "**Block L Back-In Right**") at any time. The Block L Back-In Right will be taken *pro rata* from the existing contractor parties' respective participating interests in the Brunei Block L PSA. If PetroleumBRUNEI exercises the Block L Back-In Right during the exploration period under the Brunei Block L PSA, its participating interest would be carried by the other contractor parties *pro rata* to their respective participating interests until expiry of the exploration period (after which it must bear its *pro rata* share of expenses). If PetroleumBRUNEI exercises the Block L Back-In Right after expiry of the exploration period, it must pay its *pro rata* share of expenses.

(b) Brunei Block L Operating Agreement

Kulczyk Oil Brunei entered into an operating agreement dated August 28, 2006 (the "**Block L Operating Agreement**") with QAF, initially appointing Kulczyk Oil Brunei as the operator. The Block L Operating Agreement sets out the terms and conditions that govern the conduct of the parties amongst themselves and the conduct of petroleum operations by the parties within Block L. The purpose of the Block L Operating Agreement is to establish the respective rights and obligations for the parties with regard to operations under the Block L PSA including the joint exploration, appraisal, development, production and disposition of any crude oil or natural gas produced from Block L.

As a parties to the Block L Operating Agreement, Kulczyk Oil Brunei and AED SEA must pay their respective participating interest share of Joint Account Expenses (as defined in the Block L Operating Agreement), including cash advances and interest accrued pursuant to the Block L Operating Agreement, when such contributions are due.

Syria (under *force majeure*)

Serinus, through its indirect wholly-owned subsidiary, Loon Latakia, holds a 50% participating interest in the Syria Block 9 PSC, which gives it, and the other participants, the right to explore for and, if certain conditions are satisfied, produce oil and natural gas from Syria Block 9. Block 9 is an area of approximately 10,032 km^2 (2,478,876 acres), located south of the City of Aleppo and immediately to the east of the City of Latakia in Syria. It is on the north western flank of the hydrocarbon-producing Palmyrides Basin and is prospective for crude oil, natural gas and condensate. Block 9 is operated as an unincorporated joint venture between Loon Latakia, MENA (30%) and Ninox (20%) under the Block 9 JOA. Loon Latakia is the operator of Syria Block 9.

Operations in Syria were suspended in October 2011 and in July, 2012, the Company, in its capacity as operator of Block 9, declared a *force majeure* event under the Syria Block 9 PSC. As at the date of this AIF, the Company's operations on the Syrian Assets remain suspended. Serinus is continuing to monitor operating conditions in Syria to assess if, and when, a recommencement of its Syrian operations is possible. If the *force majeure* event continues for a period of more than one year, the contracting parties are entitled to terminate their obligations under the Syria Block 9 PSC on 90 days' notice without further

liability. See also *"Principle Oil and Gas Assets – Syria (under force majeure) – Exploration / Development Activity"*

Despite the declaration of *force majeure*, certain conditions pertaining to the extension of the first exploration period may not have been satisfied, therefore there is a risk that the extension may not be enforceable and that the Syria Block 9 PSC has expired. See *"Principle Oil and Gas Properties – Syria (under force majeure) – Material Contracts – Syria Block 9 PSC" and* "*Risk Factors – Political Instability in Syria and Syria Sanctions"*.

At December 31, 2011, Serinus evaluated the situation in Syria, including the escalating crisis in the country as well as the strict sanctions imposed by the United States, Canada, the European Union and the Arab League, and concluded that indicators of impairment existed. Consequently, the Company has fully impaired the value of the exploration assets in Syria as well as the financial investment in Ninox Energy Pte Ltd, which holds a 20% interest in the Syria Block 9 PSC through its subsidiary, Ninox. The impairment of the exploration asset of $8.7 million and the write-off of the investment of $1.5 million were both recorded as at December 31, 2011.

Ownership of the Syria Block 9 PSC

On September 20, 2007, the Government of the Syrian Arab Republic, the SPC and the Company entered into the Syria Block 9 PSC, pursuant to which the Government of the Syrian Arab Republic granted Serinus the right to explore for and produce oil and natural gas from Syria Block 9. The Syria Block 9 PSC became effective on November 29, 2007. On April 28, 2008, the Company assigned its entire interest in the Syria Block 9 PSC to its wholly-owned subsidiary, Loon Latakia. See also *"Principle Oil and Gas Properties – Syria (under force majeure) – Material Contracts – Syria Block 9 PSC".*

By a farm-out agreement (the "**MENA Agreement**") dated September 1, 2010, and approved by the Syrian authorities in March 2011, Loon Latakia then assigned a 30% ownership in Syria Block 9 to MENA Syria, which became effective on June 17, 2010. As consideration for such assignment, MENA Syria agreed to pay: (i) 30% of historical costs incurred by Loon Latakia to the date of the agreement with MENA, being $3.1 million; (ii) 30% of the value of the bank guarantee outstanding at June 17, 2010, being $2.0 million; and (iii) 60% of the authorized drilling costs of the first exploratory well. All amounts due by MENA Syria in respect of the MENA Agreement were paid. On March 17, 2011, the Company was informed that the Syrian authorities had approved the assignment, consequently, MENA Syria now holds a direct 30% participating interest in Syria Block 9.

In July 2011, the Syrian authorities gave formal approval to the assignment by Loon Latakia of a further 20% participating interest in the Syria Block 9 PSC to Ninox.

Ansco Inc. ("**Ansco**"), an unrelated third party, has a right to acquire a 5% interest in Syria Block 9 from Loon Latakia subject to the consent of the Ministry of Petroleum and Mineral Resources and the GPC. In the event that Ansco elects to exercise that right, Loon Latakia would have an economic interest of 45% in Syria Block 9.

Loon Latakia initially posted a guarantee in the amount of $7.5 million, an amount which represents the minimum exploration expenditure level for Phase 1 specified in the Syria Block 9 PSC. As at June 30, 2012, approximately $5.0 million was outstanding under the guarantee. The full amount remaining on this guarantee was returned to the Company on July 6, 2012.

Government and Regulatory

Serinus and its partners in Block 9 are subject to administration by the SPC and the government of Syria. The Syria Block 9 PSC is a profit sharing arrangement, the major terms of which are summarized below:

Summary of Syria Block 9 PSC Fiscal Terms

Exploration Phases		Development Term	Royalties
	(yr)	20 years plus one 5 year extension	12.50%
Phase 1	4		
Phase 2	3		
Phase 3	2		

Cost Recovery					Profit Petroleum			
Max. Cost Recovery	Eligibility for Recovery		Excess Cost Oil		Profit Oil		Profit Gas	
40%	Operating Costs	100%	Gov't	Contractor	Rate	Contractor	Cum Prod	Contractor
	Exploration Costs	100%	50%	50%	*(MBbl/d)*		*(MMBoe)*	
	Development Costs *	25%			<= 15	71%	0 - 25	32%
	Intangible Drilling	100%			15 - 25	28%	25 - 50	32%
					25 - 50	26%	50 - 100	31%
					50 - 100	24%	> 100	28%
					>100	20%		

* Eligibility of costs incurred in the last 4 year of the Development Term is accelerated to ensure recoverability

The Syria Block 9 PSC provides for an exploration period of nine years, commencing on November 29, 2007 comprised of three phases of four, three and two years respectively. The first exploration phase of the Syria Block 9 PSC was extended by eleven months to October 28, 2012. Pursuant to the terms of the Syria Block 9 PSC, the period of any non-performance or delay which is caused by the *force majeure*, together with such period as may be necessary for the restoration of any damage done during such delay, will be added to the term of the Syria Block 9 PSC. However, the extension was expressed to be subject to the renewal of the bank guarantee provided in respect of the contractor parties' obligations under the Syria Block 9 PSC. Loon Latakia has not renewed the guarantee and is unable to do so as a result of strict sanctions imposed by certain governments against Syria. Therefore, there is a risk that this extension may not be enforceable notwithstanding the declaration of force majeure by Loon Latakia under the terms of the Syria Block 9.

Other Assets

Winstar formerly owned a working interest in a minor property at Sturgeon Lake in the Province of Alberta, Canada. The mineral rights expired in 2013, but the Company still owns surface access rights, and minor facilities. It also has a C$1.5 million bond posted with the Alberta government against abandonment liabilities. The new owner of the mineral rights has expressed an interest in those rights and facilities. The Company has agreed to convey those rights and facilities to the new mineral rights owner, who would post a similar bond with the government. That would result in the release of Serinus' bond. That transaction is expected to close in June 2014, after which Serinus will have no further assets or liabilities in Sturgeon Lake.

Winstar also owned two properties in Hungary through its wholly owned subsidiary El Paso Hungary Oil and Gas Limited Liability Company (now Winstar Magyarorszag Kft.). The first property, Törökkoppany, is a depleted gas field and has been abandoned and Serinus has no further interest or liabilities. The Igal II Exploration Permit was sold to a Hungarian company in 2010 for a 4% net profits interest. Those mineral rights subsequently expired and the lands reverted to the state, therefore the net profits interest has also expired.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Reserves

In accordance with the requirements of NI 51-101, RPS, an independent qualified reserves evaluator and auditor, prepared a report called "*Evaluation of Serinus Energy Tunisian and Ukraine Reserves as of 31st December, 2013*" dated March 28, 2014 (the "**RPS Report**").

All factual data supplied to RPS by the Company in connection with the preparation of the RPS Report was accepted as presented. The RPS Report was prepared in accordance with the definitions and guidelines set out in the COGE Handbook and in compliance with the requirements of NI 51-101. Among other things, NI 51-101 establishes a regime of continuous disclosure for all oil and gas companies and standardizes reporting and disclosure requirements for upstream oil and gas companies that are reporting issuers. NI 51-101 requires reporting issuers to comply with the COGE Handbook, as may be amended from time to time.

The RPS Report evaluates, effective as at December 31, 2013:

- The NGL and natural gas reserves of KUB-Gas including the Olgovskoye, Makeevskoye, Krutogorovskoye and Vergunskoye fields. The Company owns an effective 70% interest in KUB-Gas; and

- The oil and natural gas reserves of Winstar Tunisia, specifically with the Sabria, Sanrhar, Chouech Es Saida and Ech Chouech fields.

In preparing the RPS Report, RPS relied upon certain factual information and data furnished by KUB-Gas and the Company with respect to ownership interests, gas production, historical costs of operation and development, product prices, agreements relating to current and future operations, sales of production, and other relevant data to December 31, 2013.

All of the information derived from the RPS Report and disclosed in this AIF has been reviewed and approved by RPS.

Attached as Appendix "A" hereto is Form 51-101F1 "Statement of Reserves Data and Other Oil and Gas Information". Form 51-101F2 "Report of Independent Qualified Reserves Evaluator" by RPS and Form 51-101F3 "Report of Management on Oil and Gas Disclosure", prepared in accordance with the requirements of National Instrument 51-101, are attached hereto respectively as Appendix "B" and Appendix "C".

DIVIDENDS

The Company has not declared or paid any dividends in its three most recently completed financial years, and does not foresee the declaration or payment of any dividends on its Common Shares in the near future. Any decision to pay dividends will be made by the Board of Directors on the basis of the Company's earnings, financial requirements and other conditions existing at such future time.

The Articles of the Company do not place any restrictions on the declaration and payment of dividends by the Company. In accordance with the ABCA, the By-laws of the Company restrict the Board of Directors from declaring and the Company from paying a dividend if there are reasonable grounds for believing that the Company is, or would be after the payment, unable to pay its liabilities as they become due, or the realizable value of the Company's assets would after the payment be less than the aggregate of its liabilities and stated capital of all classes of shares.

DESCRIPTION OF CAPITAL STRUCTURE

Pursuant to the Articles of the Company, the Company may issue an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. As of December 31, 2013, there were 78,611,441 Common Shares and no preferred shares issued and outstanding in the capital of the Company.

Common Shares

The holder of a Common Share is entitled to receive notice of and to attend all meetings of the shareholders of the Company and to exercise one vote for each Common Share held at meetings of shareholders of the Company, and in respect of all other matters upon which the shareholders of the Company are asked to vote upon. The holder of a Common Share is entitled to receive: (a) dividends if, as and when declared by the Board of Directors in respect of the Common Shares out of the monies of the Company properly applicable to the payment of dividends, the amount of which the Board of Directors, in their absolute discretion, may from time to time determine; and (b) *pro rata* the remaining property and assets of the Company upon its dissolution, liquidation or winding-up, subject to the rights of shares having priority over the Common Shares.

On June 24, 2013, in connection with closing of the 2013 Arrangement, the Company consolidated its Pre-Consolidation Shares on the basis of one post-consolidation Common Share for every ten Pre-Consolidation Shares.

Preferred Shares

Preferred shares are issuable in series with such rights, privileges, restrictions and conditions attached to each series as the Board of Directors, prior to the issuance thereof, shall determine. Each series of preferred shares ranks in priority to all other shares of the Company in respect of the payment of dividends and, upon a winding up or liquidation, to receive such assets and property of the Company as are distributable to the holders of the preferred shares.

Pursuant to the Articles of the Company, the terms of any preferred shares issued by the Company from time to time in one or more series shall be determined by the Board of Directors who may by resolution fix before the issuance thereof the designation, preferences, rights, privileges, restrictions and conditions attaching to the preferred shares of each series, including the redemption price and conditions of redemption, if any.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares of the Company are traded on the TSX and the WSE. The following table sets forth information regarding the trading of the Common Shares on the WSE on a monthly basis for each month of the Company's most recently completed financial year end and for each month or portion thereof to the date of this AIF (note: all share prices and volumes are on a post-consolidation basis):

	Closing Price on the WSE (PLN)		**Closing Price on the TSX** [1] (CAD)		**Average Daily Trading Volume**		
	High	**Low**	**High**	**Low**	**WSE**	**TSX**	**Total**
2014							
March[2]	3.72	2.92	3.68	3.06	20,538	32,876	53,414
February	10.57	9.52	3.75	3.50	60,385	12,691	73,076
January	11.65	9.93	4.00	3.50	67,961	15,083	83,044
2013							
December	14.26	10.60	4.88	3.66	140,310	15,434	155,744
November	14.50	12.00	4.86	3.94	147,629	30,881	178,510
October	11.95	9.99	3.97	3.35	183,164	80,852	264,016
September	11.13	9.58	3.66	3.00	81,513	16,820	98,333
August	10.51	9.40	3.18	2.90	94,563	24,043	118,606

July	11.60	8.62	3.10	2.67	56,730	17,027	73,757
June	12.50	11.50	3.24	3.15	105,604	1,882	107,486
May	13.40	12.20			56,267		56,267
April	13.60	12.50			81,365		81,365
March	14.40	12.90			65,207		65,207
February	14,70	13.60			111,042		111,042
January	13.90	13.10			104,452		104,452

Notes:

(1) The Common Shares began trading on the TSX on June 27, 2013.
(2) March 2014 trading includes data up to and including March 27, 2014.

PRIOR SALES

The Company has granted Common Share purchase options to officers, directors, employees and certain consultants with exercise prices equal to or greater than the fair value of the Common Shares on the grant date. Upon exercise, the options are settled in Common Shares issued from treasury. Options generally vest over two years and have a life of five years. As at the date of this AIF, there were 7,089,900 Common Shares issuable upon the exercise of outstanding options of the Company at prices ranging from $2.85 to $6.86 per Common Share.

During the financial year ended December 31, 2013, the Company granted 3,062,000 Common Share purchase options exercisable into 3,062,000 Common Shares, the particulars of which are set out in the following table:

Date of Grant	Number and Type of Securities Issued	Exercise Price ($)
July 2, 2013	228,000	$2.85
September 11, 2013	20,000	$3.14
September 18, 2013	152,000	$3.30
October 23, 2013	75,000	$3.35
November 18, 2013	2,587,000	$4.11
Total:	**3,062,000 options**	

Each Common Share purchase option entitles the holder thereof to acquire one Common Share, on the terms and conditions set forth in the Company's stock option plan, and expires five years from the date of issuance. For further information, please see "Executive Compensation" in the Company's information circular dated May 21, 2013 relating to the annual meeting of shareholders of the Company held on June 20, 2013.

DIRECTORS AND OFFICERS

The overall supervision of the management of the Company's business is vested in the Board of Directors and the President and the Chief Executive Officer of the Company to whom the Board of Directors has delegated the day-to-day management of the Company, other than in relation to certain matters specifically reserved to the competence of the Board of Directors by the ABCA. The President and Chief Executive Officer is supported by the officers in the performance of the day-to-day management of the Company.

Directors and Executive Officers

The following table sets out the name, province or country of residence, position, date of appointment, principal occupation, and principal occupation during the preceding five years for each of the directors and officers of the Company as of the date of this AIF. Each director is elected or appointed to serve until the next annual meeting of shareholders or until a successor is elected or appointed, subject to the Articles and By-laws of the Company. The Company has seven executives (the "**Executive Officers**") based in Dubai, Calgary and Warsaw. All of the Executive Officers are active in the business of the Company on a day-to-day basis. There is no defined term of office for Executive Officers. The employment of any Executive Officer, subject to the terms and conditions of any employment agreements, may be terminated by the Board of Directors at any time.

Name	Province / Country of Residence	Position with the Company	Date of Appointment	Principal Occupation(s)
Dariusz Mioduski	St. Moritz, Switzerland	Chairman of the Board of Directors	Chairman of the Board of Directors since May 16, 2012 Director since December 10, 2008	Mr. Mioduski is President and CEO of the Management Board of Radwan Holdings S.A. He was President and Chief Executive Officer of the Management Board of Kulczyk Investments S.A. from December 2007 to January 2014.
Timothy M. Elliott	Dubai, United Arab Emirates	President and Chief Executive Officer; Director	President and Chief Executive Officer since February 10, 2006 Director since April 10, 2001	Mr. Elliott has been President and Chief Executive Officer of the Company since February 2006.
Norman W. Holton	Calgary, Alberta, Canada	Vice Chairman of the Board of Directors	Vice Chairman of the Board of Directors since December 10, 2008 Director since July 30, 1993	Mr. Holton has been Vice Chairman of the Board of Directors since December 10, 2008. Prior thereto, he was Executive Chairman of the Company (since May 2007) and Chairman and Chief Executive Officer of the Company (from 1995 to February 2006).
Helmut J. Langanger[(3)]	Vienna, Austria	Director	November 9, 2011	From 1974 until 2010, Mr. Langanger was employed by Austrian company OMV where he was since 2002 Group Executive Vice President EP, a member of the Executive Board and Managing Director Upstream. Since his retirement in 2010 Mr. Langanger has served as a director of various companies.

Name	Province / Country of Residence	Position with the Company	Date of Appointment	Principal Occupation(s)
Gary R. King [(1)(2)(3)]	Dubai, United Arab Emirates	Director	October 25, 2007	Mr. King was appointed Chief Executive Officer of Dutco Natural Resources Investments Ltd. in April 2012 and has been Managing Partner of Matrix Partnership, a strategic advisory firm, since March 2009. Prior thereto, he was the Chief Executive Officer of Dubai Natural Resources World, a private investment fund owned by the Government of Dubai (since September 1, 2008). Before this he was Chief Executive Officer of the Dubai Mercantile Exchange (from December 2005 to August 2008).
Manoj N. Madnani[(2)]	Dubai, United Arab Emirates	Director	October 25, 2007	Mr. Madnani has been Managing Director (Dubai) and a Board Member of Kulczyk Investments S.A. (Luxembourg) and related companies since June 2007. Prior to joining the Management Board of Kulczyk Investments S.A., he was Managing Director of The Marab Group, an oil and gas consultancy and investment banking firm focusing on sovereign energy security and global investments in the energy sector (from July 2005 to May 2007).
Michael A. McVea [(1)(2)]	Victoria, British Columbia, Canada	Director	February 10, 2006	Mr. McVea has been a retired barrister and solicitor and corporate director since 2004.
Stephen C. Akerfeldt [(1)]	Toronto, Ontario, Canada	Director	March 16, 2011	Mr. Akerfeldt has been President and a director of Ritz Plastics Inc., a private company that produces plastic parts primarily for the automotive industry by injection moulding, since 1999. From June 2007 until February 2011, he was Chairman of the Board and a director of Firstgold Corp., a gold exploration company and he was the Chief Executive Officer of Firstgold Corp. from January 2008 to July 2009.
Bruce R. Libin [(1)(3)]	Calgary, Alberta, Canada	Director	June 24, 2013	Mr. Libin is President of B. R. Libin Capital Corp. and a director of Greengate Power Corporation. From December 2002 until June 2013 he was the chairman of the board and a director of Winstar. Mr. Libin retired as the President of Logan International Inc. in January 2011, a position he held from early 2010. He was the Executive Chairman and Chief Executive Officer of Destiny Resource Services Corp. (2000-2010).

Name	Province / Country of Residence	Position with the Company	Date of Appointment	Principal Occupation(s)
Evgenij Iorich	Zug, Switzerland	Director	June 24, 2013	Mr. Iorich is a manager at Pala Investments, a multi-strategy investment company dedicated to investing in, and creating value across the mining sector in both developed and emerging markets. Mr. Iorich has been with Pala Investments since 2006 and his investment experience extends across oil and gas, base metal and bulk commodity investments. Prior to joining Pala, from 2004 until 2006, Mr. Iorich was a financial manager at Mechel OAO, the Russian metals and mining company, where his responsibilities included all aspects of budgeting, forecasting and financial modeling. Mr. Iorich graduated from the University of Zurich with a Masters of Arts degree.
Jock M. Graham	Dubai, United Arab Emirates	Executive Vice President	May 28, 2007	Mr. Graham has been Executive Vice President of the Company since February 2006 and prior to that was a consultant to the Company from March 2005.
Edwin A. Beaman	Calgary, Alberta, Canada	Vice President, Operations & Engineering	October 23, 2007	Mr. Beaman has been Vice President, Operations and Engineering for the Company since October 2007. Before that he was a consultant to the Company since April 2007 and prior to that, he was Vice President, Production of TUSK Energy Corporation since November, 2004.
Jakub J. Korczak	Warsaw, Poland	Vice President Investor Relations & Managing Director CEE	May 25, 2010	Prior to joining Serinus in January 2010 as Proxy & Investor Relations Officer, Mr. Korczak was the CFO and a board member at Bank Pocztowy (2009-2010) and prior to that head of strategy and IR officer at BRE Bank (2005-2009).
Tracy H. Heck (4)	Calgary, Alberta, Canada	Chief Financial Officer	January 1, 2014	Ms. Heck joined Serinus as Director of Finance in June 2012 and was appointed chief financial officer on January 1, 2014. Prior thereto, she was the Controller at NAL Energy Corporation from 2005.
Alec N. Silenzi	Calgary, Alberta, Canada	Vice President Legal & General Counsel	January 16, 2012	Prior to joining the Company in January 2012, Mr. Silenzi was a partner in the law firm Gowlings LLP from September 2007. Prior to that he was an associate at the law firm Heenan Blaikie LLP from 2002.

Notes:

(1) Member of Audit Committee.
(2) Member of Compensation and Corporate Governance Committee.
(3) Member of Reserves Committee.
(4) Ms. Heck was appointed chief financial officer on January 1, 2014. Mr. Paul Rose was the chief financial officer as of December 31, 2013.

As of the date of this AIF, the directors and executive officers of Serinus, as a group, when taken together with the shareholding of KI, beneficially own, or control or direct, directly or indirectly, an aggregate of 42,048,621 Common Shares, representing approximately 53.5% of the issued and outstanding Common Shares on a non-diluted basis. The information as to Common Shares beneficially owned, or controlled or directed, directly or indirectly, not being within the knowledge of the Company, has been furnished by the respective individuals.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company:

(a) is, or has been within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity:

(i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer; or

(ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while he was acting in the capacity of a director, chief executive officer or chief financial officer,

except:

- On July 22, 2009 a cease trade order was issued by the Ontario Securities Commission against the insiders, management, officers and directors of Firstgold Corp., including Stephen C. Akerfeldt, for failure to file various continuous disclosure materials within the prescribed time frame as required by Ontario securities law. All outstanding continuous disclosure materials were subsequently filed and the cease trade order expired on October 10, 2009.

No director or executive officer or shareholder holding a sufficient number of securities of Serinus to materially affect control of Serinus:

(a) is, or has been within 10 years before the date of this AIF, a director, or executive officer of any company that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets except

- In January 2010, Firstgold Corp. filed for protection under Chapter 11 in the United States. Mr. Akerfeldt was at the time of the filing a director of Firstgold Corp.; or

(b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer or shareholder holding a sufficient number of securities of Serinus to materially affect control of Serinus has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision, except:

- On April 16, 2013, Parker Drilling Corporation announced that it had entered into a settlement agreement with the U.S. Department of Justice and Securities and Exchange Commission with respect to possible violations of the U.S. *Foreign Corrupt Practices Act* in Nigeria. Pursuant to the settlement agreement, Parker Drilling Corporation agreed to pay $15.85 million, comprising $11.76 million in penalties, $3.05 million in the disgorgement of profits and $1.04 million in interest. Mr. King was a director of Parker Drilling Corporation at the time of the settlement agreement.

Conflicts of Interest

As of the date of this AIF, KI holds 50.76%% of the Company's issued and outstanding Common Shares, and two directors of the Company (Mr. Mioduski and Mr. Madnani) hold senior executive positions with KI. KI's business activities are varied, and include investments in resource companies other than Serinus. There is, therefore, potential for a conflict of interest to arise.

Nemmoco Petroleum Corporation ("**Nemmoco**"), a private company of which 37.5% is owned by Timothy Elliott, an officer and director of the Company, provides certain personnel and general, accounting and administrative services to the Company at its offices in Dubai on a cost-sharing basis. For the year ended December 31, 2013, the fees totaled $788,624 (December 31, 2012: $712,224). At December 31, 2013, $28,819 was owing to Nemmoco (December 31, 2012 - $25,538).

AUDIT COMMITTEE INFORMATION

In response to National Instrument 52-110 *Audit Committees* ("**NI 52-110**"), the Company has established terms of reference for its audit committee to address such items as: (a) the procedure to nominate the external auditor and recommend its compensation; (b) the oversight of the external auditor's work; (c) pre-approval of non-audit services; (d) the review of financial statements, management's discussion and analysis and financial sections of other public reports requiring board approval; (e) the procedure to respond to complaints respecting accounting, internal accounting controls or auditing matters and the procedure for confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and (f) the review of the Company's hiring policies towards present or former employees or partners of the Company's present or former external auditor. The terms of reference for the Audit Committee are attached to this AIF as Appendix "D".

Composition of the Audit Committee

The Audit Committee is comprised of Michael A. McVea, and Stephen C. Akerfeldt, Gary R. King and Bruce Libin. Mr. McVea is the chairman of the Audit Committee. Each of the members is "financially

literate" as that term is defined in section 1.6 of NI 52-110 and each of the members are independent directors, as "independent" is defined in NI 52-110.

Relevant Education and Experience

Michael A. McVea

Mr. McVea has been a retired barrister and solicitor since 2004. Prior to that, he was Senior Partner of McVea, Shook, Wickham & Bishop, a general practice law firm from September 1981 to December 2002 and Associate Counsel with that firm from January 2003 to June 2004. Mr. McVea practiced mainly in the areas of business and corporate commercial law. He graduated from University of British Columbia, Canada, with a Bachelor of Laws degree in 1974. Mr. McVea was a director of TKE Energy Trust from November 2004 to November 2005. Mr. McVea is also a director of Loon Energy Corporation. In these roles, Mr. McVea has acquired experience and exposure to accounting and financial reporting issues, as well as capital markets procedures, policies and rules.

Stephen C. Akerfeldt

Mr. Akerfeldt has been President and a director of Ritz Plastics Inc., a private company that produces plastic parts primarily for the automotive industry by injection molding, since 1999. From 2007 until February 2011, he was Chairman of the Board and a director of Firstgold Corp., a gold exploration company and he was the Chief Executive Officer of Firstgold Corp. from January 2008 to July 2009. In 1990, Mr. Akerfeldt founded Grayker Corporation, a private company which owned a large chain of dry cleaning stores, and he operated it with a partner until 2003 when it was sold. Prior thereto he served as Vice Chairman and Chief Financial Officer of Magna International Inc. from 1987 to 1990. Mr. Akerfeldt joined Coopers & Lybrand (now PricewaterhouseCoopers) in 1965 and worked with them until 1987. He was designated as a Chartered Accountant in 1969 and was made a partner in 1974. Mr. Akerfeldt graduated from the University of Waterloo, Waterloo, Ontario, Canada in 1966. Mr. Akerfeldt is currently a director of Jura, a public corporation which trades on the TSX. In these roles, Mr. Akerfeldt has acquired experience and exposure to accounting and financial reporting issues, as well as capital markets procedures, policies and rules.

Gary R. King

Mr. King was appointed Chief Executive Officer of Dutco Natural Resources Investments Ltd. in April 2012 and has been Managing Partner of Matrix Partnership, a strategic advisory firm, since March 2009. Prior thereto, he was the Chief Executive Officer of Dubai Natural Resources World, a private investment fund owned by the Government of Dubai exploring new long-term investment avenues across the entire natural resources value chain including oil and gas, power, alternative energy, mining and agriculture, primarily in the developing world since September 1, 2008. Prior thereto, he was Chief Executive Officer of the Dubai Mercantile Exchange from December 2005 to August 2008, a Senior Vice President of Macquarie Bank from July 2005 to December 2005 and Managing Director of Matrix Commodities, a private trading company, from November 2004 to July 2005. Mr. King was Regional Head of Standard Bank London based in Dubai, United Arab Emirates from March 2001 to August 2004. Prior thereto he was employed by Emirates National Oil Company, lastly as Advisor, Group CEO Office from July 2002 to August 2004 and firstly as General Manager, Risk Management from January 1999 to March 2001. Prior thereto, Mr. King's experience included employment with Dragon Oil PLC, an international oil and gas exploration and production company, TransCanada International Petroleum (Asia Pacific PTE LTD), an international oil and gas exploration and production company, Morgan Stanley and Neste Oy, the national oil and energy company of Finland. Mr. King graduated from Imperial College, Royal School of Mines, London University, United Kingdom with a Masters Degree in Petroleum Exploration Geology in 1983. In addition to serving on the Board of Directors he is a director of Parker Drilling Company, a public corporation which trades on the New York Stock Exchange. In these roles, Mr. King has acquired experience and exposure to accounting and financial reporting issues, as well as capital markets procedures, policies and rules.

Bruce Libin

Mr. Libin was chairman of the board of directors of Winstar between December 2002 and June 2013 and served on Winstar's audit committee. Effective January 31, 2011 Mr. Libin retired as President of Logan International Inc. a position he held from early 2010 until his retirement. From December 2000 until early 2010 Mr. Libin was Executive Chairman and Chief Executive Officer of Destiny Resource Services Corp. He was also the Chief Financial Officer of Destiny from December 2000 to May 2005. From 1994 to 2000, his principal occupation was as President of B.R. Libin Capital Corp., an investment, merchant banking and investment banking advisory services company. Prior to 1994 he was a senior partner with the law firm Bennett Jones, practicing mergers and acquisitions and securities law since joining the firm in 1975. Mr. Libin has his Bachelor of Commerce degree (Honours) from the University of Toronto, his Juris Doctorate from the University of Pennsylvania Law School and his Master of Business Administration degree from the Wharton School. He was appointed Queen's Counsel in 1990, received the Canada 125 Medal of Distinction in 1992 and was granted an Honorary Degree from the Southern Alberta Institute of Technology in May 2002. Mr. Libin's corporate directorships have included Amoco Canada Petroleum Company Limited, Beau Canada Exploration Ltd., Mark's Work Wearhouse Ltd., Maxx Petroleum Ltd., Tonko Development Corp., United Inc., Logan International Inc., Provident Energy Ltd., Greengate Power Corporation and Winstar. Mr. Libin served on the audit committee, in some cases as chairman, on each of these boards. In these roles, Mr. Libin has acquired experience and exposure to accounting and financial reporting issues, as well as capital markets procedures, policies and rules.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in section 2.4 (*De Minimis Non-audit Services*), section 3.2 (*Initial Public Offerings*), section 3.3(2) (*Controlled Companies*), section 3.4 (*Events Outside Control of Member*), section 3.5 (*Death, Disability or Resignation of Audit Committee Member*), section 3.6 (*Temporary Exemptions for Limited and Exceptional Circumstances*), or section 3.8 (*Acquisition of Financial Literacy*) or an exemption from this instrument in whole or in part, granted under Part 8 (*Exemptions)* of NI 52-110.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the board of directors.

Pre-Approval Policies and Procedures

The Audit Committee pre-approves engagements for non-audit services provided by the external auditors or their affiliates, together with estimated fees and potential issues of independence**.**

External Auditor Service Fees (By Category)

Fiscal Year Ended December 31	2013	2012
Audit Fees(1)	$548,926	$425,837
Audit Related Fees(2)	$89,178	-
Other Tax Fees(3)	$213,164	$98,694
All Other Fees(4)	$59,719	$763,920

Notes:

(1) Audit fees include amounts paid for the Company's annual audit examination of consolidated financial statements, together with fees paid to the Company's auditors for their review of interim quarterly financial information.
(2) Audit-Related Fees means the aggregate fees billed for assurance and related services by the issuer's external auditor that are reasonably related to the performance of the review of the issuer's financial statements and are not reported under Audit Fees.
(3) Tax fees include amounts paid for income and other tax planning and compliance services.
(4) All other fees include amounts paid for registering shares on the Warsaw Stock Exchange, and general accounting advice on various accounting matters.

RISK FACTORS

Management of the Company believes that the risks described below are the material risks relating to the market environment of the Company and the operations of Company as at the date of this AIF, although the information below does not purport to be an exhaustive list or summary of all of the risks that the Company may encounter. Additional risks and uncertainties not known to the Company as of the date of this AIF, or that the Company deems to be immaterial as at the date of this AIF, may also have an adverse effect on its business. The headings "Risks Relating to the Operations of the Company", "Risks Relating to the Company's Market Environment", and "Risks Relating to the Ownership of Common Shares" used in the following presentation of risk factors is for the convenience of the reader only.

Risks Relating to the Operations of the Company

Exploration, Development and Production Risks

The Company is in the oil and natural gas business. The oil and natural gas business involves many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company, meaning the capability to generate positive net revenues on a sustainable basis, will depend on its ability to find, acquire, develop and commercially produce oil and natural gas reserves.

In particular, the future value of the Company is dependent on the success of the Company's activities which are principally directed toward the further exploration, appraisal and development of its assets in Ukraine, Tunisia, Romania, Brunei and Syria. As of the date of this AIF, no proven or probable reserves have been assigned in connection with the Company's assets in Romania, Brunei or Syria given the early stage of development of these assets. There is no assurance that reserves of oil and natural gas will be discovered on those assets or, if reserves are discovered, that the Company will be able to realize those reserves as intended. The Company presently has the right in Romania, Brunei and Syria to explore for and, upon fulfillment of certain conditions, produce oil and natural gas that may be discovered. It is possible that the Company may be unable to reach an agreement with the government authorities or the national oil company concerning a development plan in Brunei and Syria, which is a prerequisite for the commencement of production in such countries.

The regulation of hydrocarbons in Ukraine is administered by a number of governmental bodies including the Ministry of Energy and Coal Industry of Ukraine (former Ministry of Fuel and Energy of Ukraine), which is responsible for matters including energy strategy and regulation, and the Ministry of Ecology and Natural Resources of Ukraine (the former Ministry of Environmental Protection of Ukraine) and the State Geological Service, the latter of which is responsible for the issuance of exploration and development special permits and production special permits, which are referred to elsewhere in this AIF as exploration and development licences and production licences.

In Tunisia, oil and gas is regulated by ETAP, the national oil company. ETAP is also a 55% working interest owner in the Sabria concession, and has a right to back in for a 50% interest in the Chouech Es Saida concession once cumulative production from that block reaches 6.5 MMbbl, which may create a conflict of interest due to the dual role of regulator and working interest partner.

Specific rights and obligations of the Company in Ukraine, Romania, Brunei and Syria are defined under the terms of the Ukraine Licences, the Brunei Block L PSA and the Syria Block 9 PSC. The work carried out by the Company under the Licences and production sharing agreements is divided into two stages, one devoted to exploration and the other to production. If it is determined that its oil and gas assets are capable of generating sustained positive cash flow from the production and sale of oil and gas (i.e. once the oil and gas assets are determined to be "commercial"), and following the approval of the development plan by the government or national oil company, the Company will be able to commence production without the need to satisfy other conditions.

In Tunisia, the Company's specific rights and obligations are defined under the terms of the Tunisia Concession Agreements. There are no work commitments or spending obligations required for the maintenance of the concessions.

In Romania, Serinus' rights and obligations are governed by the Satu Mare Concession Agreement, the joint operating agreement between the Company and Rompetrol S.A. and the Satu Mare Joint Venture Agreement. The Satu Mare Concession Agreement is in its Phase 2 exploration period, which has work commitments that includes the drilling of two exploration wells and the acquisition of 60 km^2 of 3D seismic.

Exploration, appraisal, development and production of oil and natural gas reserves are speculative and involve a significant degree of risk. The long-term commercial success of the Company will depend on its ability to find, acquire, develop and commercially produce oil and natural gas reserves through its assets in Ukraine, Tunisia, Romania, Brunei and Syria and other countries in which it may acquire assets.

The Company will need continually to locate and develop or acquire new reserves to replace its existing reserves that are being depleted by production. Future increases in the Company's reserves will depend not only on its ability to explore and develop its existing assets in Ukraine, Tunisia, Romania, Brunei and Syria, but also on its ability to select and acquire new assets. There are many reasons why the Company may not be able to find or acquire oil and gas reserves or develop them for commercially viable production. For example, the Company may be unable to negotiate commercially reasonable terms for the acquisition, exploration, development or production of assets. Factors such as adverse weather conditions, natural disasters, equipment or services shortages, procurement delays or difficulties arising from the political, environmental and other conditions in the areas where the reserves are located or through which the Company's products are transported may increase costs and make it uneconomical to develop potential reserves. Without successful further development, exploration and acquisition activities, the Company's reserves, production and revenues will not increase and any existing reserves of the Company will decline over time as the reserves are depleted as a result of production activities. There is no assurance that the Company will discover, acquire or develop further commercial quantities of oil and gas.

Not all properties that are explored by the Company may ultimately be developed into new reserves. If at any stage the Company is precluded from pursuing its existing exploration or development activities in Romania, Brunei and Syria or the further development of Ukraine Assets and/or Tunisia Assets, or such programs are otherwise not continued, the Company's business, financial condition and/or results of operations and, accordingly, the trading price of the Common Shares, is likely to be materially adversely affected. The Company's future oil and natural gas reserves and the ongoing production of oil and natural gas therefrom, and therefore its ability to generate cash flows and earnings, are highly dependent upon the Company continually developing existing reserves of oil and natural gas or acquiring new oil and natural gas reserves. Without the continual addition of new reserves of oil and natural gas, any existing reserves the Company may have at any particular time, as well as the quantity of oil and natural gas produced from such reserves will decline over time as the existing reserves are depleted as a result of production activities. Any future increase in the Company's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects.

Future oil and natural gas exploration may involve unprofitable efforts, not only from unsuccessful wells, but from wells that are productive but do not produce sufficient revenues to return a profit after deduction of expenditures, including the cost of drilling and operating expenses. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage may greatly increase the cost of operations, and field operating conditions may adversely affect the production from productive wells. These conditions include delays in obtaining governmental approvals or consent, restrictions on production from particular wells resulting from extreme weather conditions, insufficient storage or transportation capacity, or other geological and mechanical conditions.

The Company's assets in Ukraine and Tunisia include gas and condensate producing properties. These production operations are subject to all the risks typically associated with such gas and condensate operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees. Furthermore, the Company may be required to slow or halt production at one or more of its gas producing properties due to capacity limitations in transportation or storage facilities which may also adversely affect revenue and cash flow levels. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial condition, which, in turn, could have a material adverse effect on the trading price of the Common Shares.

Dry Well Risk

Many of the areas being explored by the Company have a number of prospects for the discovery of oil and gas. Should the Company undertake drilling in a particular geographic area but discover no commercial volumes of oil and gas (a "**dry well**"), this may lead to a downgrading of the potential value of the licence or PSC concerned and perhaps to other licences or PSCs within the same geological basin, and the Company may conclude that the other prospects within that geographic area would as a result be less likely to yield exploration success, potentially decreasing the value of the Company's assets. If this is the case, once the minimum work obligations under the relevant licence or PSC have been satisfied, the Company may relinquish its interests in that licence or PSC, in which case it would have no further exploration rights, even though it may have identified a number of additional prospects.

The drilling of dry wells may also have a negative impact on the price of the Company's common shares making additional funding to pay for other exploration activities of the Company either unavailable or only available on unfavourable terms. Drilling a dry well may also mean that the Company is not able to recover the costs incurred in drilling that well or able to make a return on its investment resulting in a write-off of exploration expenditures. Any of these circumstances may have a material adverse effect on the business, prospects, financial position and results of operations of the Company.

Additional Funding Requirements

The Company's business is at an early stage of operations. The Company's properties in Brunei, Romania and Syria do not have any established reserves and no revenue has been derived from these prospects as of the date of this AIF. Consistent with similar companies at the same stage of development operating in the upstream oil and gas sector, the Company has undertaken significant capital investment, and funds raised are invested in the exploration, appraisal, development and maintenance of oil and gas assets. The Company has a consolidated working capital deficit of $23.13 million as at December 31, 2013 (December 31, 2012 - $1.217 million surplus), which includes cash and cash equivalents in the amount of $19.92 million (December 31, 2012 - $35.553 million). The Company believes that its cash resources at December 31, 2013 will be sufficient to finance operations and planned capital spending anticipated for the next twelve months. Additional funding may be obtained by pursuing equity raises or measures including the reduction or deferral of currently planned capital expenditures and/or asset sales, any and all of which will be evaluated and implemented as deemed appropriate by Company management. The Company's continuing activities are contingent on the availability of financing to fund the Company's capital expenditures and other activities.

The Company has funded its capital expenditures, including exploration and development activities, primarily through equity, debt, and by farm-out arrangements with its joint venture partners, who pay for all or a portion of the Company's expenditures in return for a portion of the Company's ownership interest in the relevant asset. The Company's business requires significant capital expenditures for the foreseeable future with respect to the acquisition, exploration, development and production of oil and natural gas reserves now and in the future. The Company will require additional financing in order to carry out its oil and gas acquisition, exploration and development activities and intends to fund these planned capital expenditures from its existing borrowings, from farm-out agreements and from operating

cash flow and, in the longer term, from new debt and/or equity. The Company has a relatively short operating history on which to assess its future expected performance, resulting in uncertainty as to the success of its ongoing activities. Notwithstanding the strong growth in the Company's positive cash flows, there can be no assurance that, in the longer term, the Company will sustain profitability or positive cash flow from its operating activities.

There can also be no assurance that new debt or equity financing will be available or sufficient in amounts to meet the Company's longer term capital expenditure requirements or, if debt or equity financing is available, that it will be on commercial terms that may be acceptable to the Company. The Company's ability to arrange future financing, and the cost of financing generally, depends on many factors, including, economic and capital markets conditions generally, investor confidence in the oil and gas industry in general and in particular in the countries in which the Company operates, the business performance of the Company and regulatory and political developments. In addition, the level of the Company's indebtedness from time to time could impair the ability of the Company to obtain additional financing in the future and may subject the Company to more restrictive financial covenants.

If additional funds are raised by issuing Common Shares or securities which are convertible or exchangeable for Common Shares, then existing holders of Common Shares may be diluted. Whilst Serinus' largest shareholder, KI, has historically provided various sources of finance to the Company, including through the acquisition of convertible debt (subsequently converted into Common Shares), the subscription for Common Shares and the provision of loans, KI is under no obligation to provide any further financing and there can therefore be no guarantee that KI will provide any financing in the future. Should KI provide further financing in the form of equity or instruments convertible or exchangeable for equity, this would result in KI increasing its shareholding in the Company.

The failure by the Company to farm-down its interest in an asset may result in the Company retaining a greater exploration and development (and therefore financial) risk in that asset that it would otherwise have had, and may prevent the Company from pursuing other exploration and development opportunities. Whilst the Company and senior management of the Company are experienced in the farming-out of interests, there can be no assurances that the Company will be successful in farming-out interests in the future, including a portion of the Company's interest in Brunei Block L.

Expenditures will be incurred to satisfy contractual obligations arising from work commitments specified in the Satu Mare Concession Agreement, Satu Mare Farm Out Agreement, the Brunei Block L PSA and the Syria Block 9 PSC, and additional funding may be required to pay for further capital expenditures on these oil and gas assets if commercial quantities of oil or natural gas are discovered. Actual expenditures may exceed those that are planned and may require further capital to be contributed by the Company. The Company's business is inherently risky, and the outcome of future exploration and development activities cannot be determined at this stage. If exploratory drilling activities in Romania, Brunei and Syria are successful and oil or natural gas is discovered, additional expenditures will be required to further define the extent and quality of the newly discovered reserves, and to develop and produce these reserves. The nature and type of work that will be required, and therefore the amount of future expenditure required to conduct this work, are very dependent on such factors as the size and characteristics of the newly discovered reserves. These factors are impossible to predict prior to the exploratory drilling being completed. Further, if exploratory drilling results in a discovery that the Company believes to be commercial, then equipment and production facilities will be required to commence production, and to transport the oil or gas to a purchaser. Again, there are many factors that will affect the type and location of production facilities required, and these cannot be predicted in advance of a discovery. Conversely, the drilling of an unsuccessful well may result in the Company deciding that no further work should be performed in a particular area, and that planned spending should be re-allocated to a different project. The Company's business planning therefore allocates funds to planned spending for each of its assets, but recognizes that such allocations may change as further information is acquired as a result of the outcome of ongoing drilling activities.

Failure to access sufficient additional capital or realize sufficient funds through the deferral of planned expenditures and/or from asset sales in order to fund its operations and planned capital expenditures on a timely basis or at all could have a material adverse effect on the Company's financial condition, results of operations or potential for future asset growth, cause the Company to delay the exploration, appraisal

and development of assets that may otherwise be capable of producing revenue, forfeit its interest in properties, miss acquisition opportunities, become over-exposed to certain assets, and reduce or cease its operations.

Work Stoppages or Labour Disputes

The Company's contractors or service providers may be limited in their flexibility in dealing with their staff due to the presence of trade unions among their staff. If there is a material disagreement between contractors or service providers and their staff belonging to trade unions, the Company's operations could suffer an interruption or shutdown that could have a material adverse effect on its business, results of operations or financial condition.

In the second quarter of 2012, Winstar was exposed to three strikes for a total of 11 days, resulting in the shut-in of the producing facilities at the Chouech Es Saida, Ech Chouech and Sanrhar concessions. These actions, led by the local trade union were not isolated to Winstar but have affected all the social and economic sectors in Tunisia. The strikes essentially related to contract and trainee personnel demanding full time employee status with Winstar. Winstar negotiated an agreement with its regional staff and related unions, but faced further labour disputes and production disruptions in the first quarter of 2013, during which production was suspended for a total of 26 days. Further negotiations lead to a resolution to this dispute and a mechanism for dispute resolution has been established, through which the Company hopes to avoid further labour disputes and production disruptions. However, the avoidance of future social and political unrest in Tunisia and associated detrimental effects to the Company cannot be assured.

The failure to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labour and social unrest. Labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralized authority, increased nationalism including calls for restrictions on foreign ownership of local businesses, and violence. Any of these events could restrict its operations and lead to the loss of revenue, thereby materially adversely affecting its ability to conduct its business effectively.

Health, Safety and Environmental Risks

Developing oil and gas resources and reserves into commercial production involves a high degree of risk. The Company's drilling, exploration, production and related operations are subject to all the risks common in its industry. These hazards and risks include encountering unusual or unexpected rock formations or geological pressures, geological uncertainties, seismic shifts, blowouts, oil spills, uncontrollable flows of oil, natural gas or well fluids, explosions, fires, improper installation or operation of equipment and equipment damage or failure.

If any of these events were to occur, they could result in environmental damage, injury to persons and loss of life and a failure to produce oil or gas in commercial quantities. They could also result in significant delays to drilling programs, a partial or total shutdown of operations, significant damage to the Company's equipment and equipment owned by third parties and personal injury or wrongful death claims being brought against the Company. These events can also put at risk some or all of the Company's licences or production sharing contracts which enable it to explore, and could result in the Company incurring significant civil liability claims, significant fines or penalties as well as criminal sanctions potentially being enforced against the Company and/or its officers. The Company may also be required to curtail or cancel any operations on the occurrence of such events.

While the Company maintains insurance coverage that addresses many of these risks, the occurrence of any of the events described above could materially and adversely affect the Company's business, prospects, financial condition and results of operations.

Political, Social and Economic Risk

The Company's current exploration and development activities are located in Ukraine, Tunisia, Romania, Brunei and Syria. As a result, it is exposed to a wide range of political, social, economic, regulatory and tax environments that are subject to significant and sometimes rapid change that may have a materially adverse effect on the Company's business, results of operations and financial condition. These countries are subject to greater political, social, fiscal, legal and economic risks than more developed markets. Accordingly, investors should exercise particular care in evaluating the risks involved in an investment in the Company and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging and developing markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved.

The Company does business in locations where it is exposed to a greater-than-average risk of adverse sovereign action, including overt or effective expropriation or nationalization of property, including in countries where the government has previously expropriated assets of other companies held within the jurisdiction or where members of the government have publicly proposed that such action be taken. Relatively high commodity prices and other factors in recent years have resulted in increased resource nationalization in some countries, with governments repudiating or renegotiating contracts with, and expropriating assets from, companies that are producing in such countries. Oil and gas are considered strategic resources for particular countries. Governments in these countries may decide not to recognize previous arrangements if they regard them as no longer being in the national interest. Governments may also implement export controls on commodities regarded by them as strategic (such as oil or gas) or place restrictions on foreign ownership or operation of strategic assets. Expropriation of assets, renegotiation or nullification of existing agreements, leases or permits by the governments of counties in which the Company operates, particularly in Ukraine, could all have a material adverse effect on the Company's business, results of operations and financial condition.

Effective July 16, 2012, the Company, in its capacity as operator of Syria Block 9, declared a *force majeure* event due to the insurrection, riots, labour disturbances and other causes rendering the performance of its obligations under the Syria Block 9 PSC impossible. The Company continues to monitor operating conditions in Syria to asses when a recommencement of its Syrian operations is possible. See "*Risk Factors – Political Instability in Syria and Syria Sanctions"*.

The consequences of risks related to political and social instability, among other things, include:

- the risks of war, actions by terrorist or insurgent groups, community disturbances, guerrilla activities, military repression, civil disorder and crime;
- high levels of governmental and business corruption and other criminal activity;
- workforce instability;
- change in government policy or regulations;
- death or incapacitation of political leaders or change in the ruling party;
- unenforceability of contractual rights;
- import and export restrictions;
- freezing of funds and economic resources; and
- adverse changes to laws (whether of general application or otherwise) or the interpretation thereof.

The economies of Ukraine, Tunisia, Romania, Brunei and Syria may not compare favourably with those of more developed countries with respect to such issues as growth of gross national product, reinvestment

of capital, inflation, resources and balance of payment position. These economies may rely heavily on particular industries, such as the exploration and production of oil and gas, or foreign capital and may be more vulnerable to diplomatic developments, the imposition of economic sanctions against a particular country or countries, changes in international trading patterns, trade barriers and other protectionist or retaliatory measures. Any of these actions could severely affect security or prices, impair the ability of the Company to transfer the assets or income of the Company, or otherwise adversely affect the operations of the Company. The Company may also be affected by economic and fiscal instability related to the countries in which it operates. Economic and financial unreliability may expose the Company to the following risks:

- economic or other sanctions imposed by other countries or international bodies;
- changing taxation policies, rulings or interpretations (including new or increased taxes or royalty rates or implementation of a windfall tax);
- extreme fluctuations in currency exchange rates or high inflation;
- foreign exchange restrictions or currency controls;
- prohibition or substantial restrictions on foreign investment in capital markets or in certain industries;
- local currency devaluation; and
- governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

The Company plans its exploration and development activities and commitments based on an assessment of the regulatory environment in a particular country at the time the activities are planned. Subsequent changes in the regulatory environment or in the manner in which regulatory requirements are interpreted or enforced, could have a material adverse effect on the Company's ability to conduct planned exploration and development activities and could render such activities uneconomical.

The geopolitical, social and economic risks associated with operating in the regions and countries in which the Company operates, if realized, could affect the Company's ability to manage or retain interests in its assets and could have a material adverse impact on the profitability, ability to finance or, in extreme cases, viability of one or more of its assets. Some of these risks are discussed in greater detail elsewhere in this AIF. Although the Company's assets are geographically diversified across five countries, only its operations in Ukraine and Tunisia are currently producing oil and gas and generating revenues. Accordingly, any of these or similar factors could have a material adverse effect on the Company's business, results of operations or financial condition, particularly if they significantly impair or impede its ability to produce oil and gas in Ukraine or Tunisia.

Political and Geopolitical Instability in Ukraine

In December 2013, the Ukrainian government pulled out of discussions with the EU regarding closer economic ties, and entered into an agreement with Russia. In exchange for a closer political and economic relationship, Russia would invest $15 billion in Ukrainian government bonds, and sell natural gas to Ukraine at a 30% discount to then current price of approximately $410 per thousand cubic metres. Street protests erupted shortly thereafter, and grew. The Ukrainian Parliament on February 22, 2014, voted to impeach the President, Victor Yanukovich who subsequently fled the country. The Parliament also appointed an interim President to serve until new elections are held, scheduled for May 25, 2014.

In response, Russia has stated that it does not recognize the new Ukrainian government, and started military exercises along the border between the two countries. It also increased its troop strength in the Crimean peninsula. Pro-Russian protests broke out in Crimea, and the regional government there has

stated that it still recognizes Yanukovich as the country's president, and on March 11, adopted a declaration of independence, clearing the way for a referendum on independence to be held on March 16. On March 1, the Russian Parliament voted to approve the use of force to protect Russian citizens in Crimea. Russian President Vladimir Putin announced in a news conference on March 4 that Gazprom would end the discounted gas price effective April 1. The Crimean referendum on March 16 resulted in 97% of the electorate voting to join Russia, which was followed shortly by a treaty between the local Crimean government and Russia.

Europe, the United States and other countries have in turn offered financial assistance to Ukraine, as well as imposing sanctions on some former Ukrainian government officials. More measures are under consideration including among other things, the delay of talks with Russia with respect to the South Stream gas pipeline and possible economic sanctions against Russia itself. Both the United States and the European Union have imposed sanctions on senior Russian officials. Russia has responded with its own sanction list of certain American and Canadian officials.

It is impossible to predict how this situation will play out. Possible effects include, but are not limited to, continued depreciation of the Ukrainian Hryvnia vs. foreign currencies, inhibiting Ukraine's ability to pay for goods and services, a bifurcation of the country into two or more parts and in the worst cases, civil war or occupation by Russia. Kub-Gas' operations have mostly continued uninterrupted to date, but it a curtailment or shut down of operations could be among the consequences of increased unrest. In the event of a complete government collapse, it is possible that KUB-Gas' title to the Ukraine Licences could be lost.

Strategic Partners and Joint Ventures

The Company has and will in the future benefit from partnerships or joint ventures with local and international companies through which exploration, development and operating activities for particular assets are conducted. Benefits include the ability to source and secure new opportunities, capitalizing on the local partner's market knowledge and relationships (in particular in countries or regions where the Company has no or limited prior operations), mitigation of some of the financial risk inherent in the exploration and development of oil and gas assets through farm-out and similar arrangements, and the alignment of interests. A deterioration in relationships or disagreements with existing partners or a failure to identify suitable partners may have an adverse impact on its existing operations or affect its ability to grow its business.

Reserve and Resource Estimates

The resource and reserve data in respect of the Company's assets set forth in the RPS Report and elsewhere in this AIF represent RPS's best professional judgment as to such resources and reserves. Estimations of resources and reserves are inherently inexact and the accuracy of any estimate is a function of the quality of available data, engineering and geological interpretation, judgment, production projections, maintenance and development capital, and other uncertainties inherent in estimating quantities of recoverable oil and gas. Thus, there can be no guarantee that estimates of quantities and quality of oil and gas disclosed in the RPS Report and elsewhere in this AIF will be produced.

The reported hydrocarbon volumes are estimates based on professional judgment and are subject to further revision, upward or downward, because of future operations or as additional information becomes available. The RPS Report have been prepared by RPS, a third-party engineering firm that specializes in the estimation of oil and gas assets. The RPS Report have been compiled by RPS using the definitions and guidelines set out by the COGE Handbook for reserves. The COGE Handbook recognizes that contingent resources, although discovered, are by their nature uncertain in respect of the inferred volume range and prospective resources are speculative in respect of their inferred presence (i.e. they are undiscovered) and uncertain in respect of their inferred volume range.

Although the Company is unable to predict whether its exploration and assessment activities will result in newly discovered reserves, if such activities are successful, the Company may be able to begin producing gas and oil from these reserves. If the eventual commencement of production activities does occur, the

Company's actual production of quantities of oil and gas, revenues and development and operating expenditures with respect to its reserves and resources estimates, may vary from such estimates. In addition, any estimates of future net revenues contained within the RPS Report and elsewhere in this AIF are dependent on estimates of future oil prices, capital and operating costs. Variances to actual costs may be significant. As such, these estimates are subject to variations due to changes in the economic environment at the time and variances in future budgets and operating plans.

Compliance with Foreign Regulatory Regimes

In most countries, including Ukraine, Tunisia, Romania, Brunei and Syria, where the Company presently carries on business, all phases of oil and gas exploration, development and production are regulated by the respective government either directly or through agencies or national oil companies. Areas of regulation include exploration and production approvals and restrictions, production taxes and royalties, price controls, export controls, expropriation and relinquishment, marketing, pricing, transportation and storage of oil and gas, environmental protection and health and safety. Regulations applicable to the Company are derived both from national and local laws and from the production sharing or concession agreements governing the Company's interests. As a result, the Company may have limited control over the nature and timing of exploration and development of oil and gas fields in which the Company has or seeks interests. There can be no assurance that the Company will not in the future incur decommissioning charges since local or national governments may require decommissioning to be carried out in circumstances where there is no express obligation to do so, particularly in case of future licence renewals.

In the countries in which the Company carries on business, including Ukraine, Tunisia, Romania, Brunei and Syria, the state generally retains ownership of the minerals and consequently retains control of (and in many cases, participates in) the exploration and production of hydrocarbon reserves. Accordingly, the Company's operations may be materially affected by host governments through royalty payments, export taxes and regulations, surcharges, value added taxes, production bonuses and other charges to a greater extent than would be the case if its operations were conducted in countries where mineral resources are not predominantly state-owned. In addition, transfers of ownership interests typically require government approval, which may delay or otherwise impede transfers, and the government may impose obligations on the Company to complete minimum work within specified timeframes. In the future, the Company may extend its interests in operations to other countries where similar circumstances may exist.

The Company may require licences or permits from various governmental authorities to carry out its planned exploration, development and production activities. There can be no assurance that the licences and permits held by the Company will not expire or be revoked if the Company fails to comply with the terms of such licences or permits, or in the event of any change of relevant laws or their interpretation. The termination of any of the Company's contracts or licences granting rights in respect of the properties would have a material adverse effect on the Company, including the Company's financial condition.

For example, in August 2012, the Brunei Block M PSA with PetroleumBRUNEI relating to Brunei Block M expired after efforts by the joint venture partners to obtain an extension to the terms of the Brunei Block M PSA were unsuccessful. As a result of the expiration of the Brunei Block M PSA, the Company recorded an impairment in respect of the Brunei Block M exploration and evaluation assets in the third quarter 2012, in an amount of $85.1 million, which includes the Company's share of the penalty payable on expiry of the Brunei Block M PSA of $6.0 million relating to work commitments.

There can also be no assurance that the Company will be able to obtain all necessary licences and permits when required. In particular, recent developments relating to the land use registration system in Ukraine may result in delays and may increase the costs for the Company's plans to construct gas pipelines from its producing wells on the Ukraine Licences to gas transportation infrastructure, or may force the Company to suspend production of gas from certain producing wells on the Ukraine Licences until pipelines are constructed. Ukraine has made a series of changes to its land use registration system as it implements and develops a system of private land ownership and seeks to balance traditional state-owned land ownership with the rights of private land owners. In 2012, a new land use registration system was implemented with the objectives of making the Ukraine real estate framework more integrated,

coherent and efficient. Effective January 1, 2013, land use agreements or other contractual arrangements among commercial developers of gas and gas condensate fields and the holder of privately owned land, such as a land servitude agreement to construct a gas pipeline across privately owned land, must be registered under the newly implemented land use registration system operated by state authorities.

However, in order for such land use agreements to be registered with the new Ukraine land use registration system, the land plots subject to the land use agreement must also be registered with the land use registration system. Recent changes to legislation in Ukraine have heightened the administrative procedures and disclosure requirements necessary to register land plots. In some cases, the information required to register a land plot, or the regulations stipulating the format of the files required to be submitted for registration, are simply unavailable or have not yet been adopted or developed. In other cases, the owner of the land plot must undertake at their own expense a number of administrative actions, such as obtaining technical documentation for the renewal of land plot boundaries and satisfying various registration and filing requirements that have not been clearly established by the state authorities operating the land use registration system.

The foregoing issues with the Ukraine land use registration system may result in delays and may increase the costs for the Company's plans to construct gas pipelines from its producing wells on the Ukraine Licences to the Ukrainian gas transportation infrastructure, or may force the Company to suspend production of gas from certain producing wells on the Ukraine Licences until additional pipelines are constructed. KUB-Gas is actively engaged with various governmental agencies in Ukraine regarding the developments described above to seek clarification and resolution of the potential delays and cost increases associated with these developments.

Although the Company believes that it and its subsidiaries have good relations with the current governments in all of the countries in which they hold assets, there can be no assurance that the actions of present or future governments in these countries, or of governments of other countries in which the Company may operate in the future, will not materially adversely affect the business or financial condition of the Company, which could adversely affect the trading price of the Common Shares.

Foreign Exchange Risks and Commodity Hedging

The nature of the Company's activities results in exposure to fluctuations in foreign currency exchange rates. World oil and natural gas prices are quoted in US dollars and the price received by the Company may be affected in a positive or negative manner by fluctuations in the exchange rate of the US dollar against other currencies in which business of the Company is transacted. Variations in exchange rates have the effect of impacting the stated value of oil and natural gas reserves and/or production revenue. At December 31, 2013 the Company's primary currency exposure related to Canadian dollar ("**CAD**"), Ukraine hryvnia ("**UAH**"), Tunisia Dinar ("**TD**") and Romanian Leu ("**LEU**") balances. The following table summarizes the Company's foreign currency exchange risk for each of the currencies indicated:

	December 31, 2013				December 31, 2012	
(Thousands)	CAD	UAH	TD	LEU	CAD	UAH
Cash and cash equivalents	112	22,027	446	947	124	127,488
Accounts receivable	103	22,640	16,763	120	267	11,759
Prepaid expenses	318	46,479	97	-	248	2,796
Accounts payable and accrued liabilities	(879)	(66,266)	(17,261)	(498)	(422)	(92,943)
Net foreign exchange exposure	(346)	24,880	75	569	217	49,100
US $ equivalent at period-end exchange rate	$(325)	$3,001	$46	$177	$218	$6,143

For the year ended December 31, 2013, based on the net foreign exchange exposure at the end of the period, if the Canadian dollar had strengthened or weakened by 10% compared to the U.S. dollar and all other variables were held constant, the after tax net loss would have decreased or increased by approximately $28,000(2012 - $10,000). Earnings are not impacted by fluctuations in the Ukrainian hryvnia as translation gains and losses are included in accumulated other comprehensive income (loss).

Economic factors affecting the Company's cash flow required for operations and for investments in accordance with the Company's consolidated statement of cash flows include fluctuations in foreign currency exchange rates. To date, the Company has raised equity funds denominated in Canadian dollars and Polish Zlotys, however exploration expenditures are incurred primarily in United States dollars, and therefore currency exchange rates have an ongoing impact on the Company's cash flows. Fluctuations in foreign currency exchange rates between United States dollars and Canadian dollars and the Polish Zloty resulted in a realized foreign exchange loss of $0.4 million for the year ended December 31, 2013 (2012 - $0.343 million loss).

The Company is exposed to risks due to fluctuations in the price of natural gas in Ukraine which is impacted by, among other things, the availability of imported natural gas from Russia and the price set by exporters in Russia. From time to time the Company may enter into agreements to receive fixed prices on oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Company would not benefit from such increases.

As of the date of this AIF, the Company is not a party to any commodity hedging agreements and has not been a party to any such agreements in the past three years.

Credit Risk

The Company's cash and cash equivalents and restricted cash are held with major financial institutions. Management monitors credit risk by reviewing the credit quality of the financial institutions that hold the cash, cash equivalents and restricted cash.

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

In Ukraine, credit evaluations are performed on customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets. Management believes that the Company's exposure to the Ukrainian credit risk is not significant, as the gas sold under contract is based on monthly nominations, and traditionally was paid for at the beginning of each month and therefore prior to the gas being delivered to the customer. This practice of pre-paying for natural gas sales appears to be changing in 2013 with an increasingly competitive gas sales market; KUB-Gas management is presently evaluating what additional credit assessment measures, if any, should be implemented. The Company's credit risk arising from possible defaults on gas sales contracts will, at worst, be limited to one month's sales.

Management has no formal credit policy in place for customers outside Ukraine however the exposure to credit risk is a monitored on an ongoing basis individually for all significant customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Relinquishment Obligations under Applicable Legislation and Key Agreements

Consistent with international practice, the production sharing agreements to which the Company is a party contain, and production sharing agreements to which the Company may become a party in the

future may contain, certain relinquishment provisions upon entering into subsequent exploration phases and upon the occurrence of certain events. Collectively, this will have the result of reducing the total area available to be explored by the Company for oil and natural gas if not offset in some manner. Depending on the size and location of the area, such relinquishment could have a material adverse effect on the Company's results of operations and prospects. The Company's future oil and natural gas reserves and production, and therefore its future cash flows and earnings, are affected by the ability of the Company to find and develop oil and natural gas reserves on its properties. Furthermore, the Company may be obligated to satisfy certain site restoration and abandonment obligations with respect to the relinquished lands.

- Ukraine operates under a regulatory regime under which relinquishment is not relevant and therefore not a concern.

- Other than the ETAP back-in option in Chouech Es Saida (whereby ETAP can take a 50% working interest once cumulative gross oil production reaches 6 million bbl), there are no relinquishment issues with respect to the Tunisia Assets.

- In Romania, retention of the Satu Mare concession is subject to completion of the Phase 2 exploration work program described *"Principle Oil and Gas Assets – Romania"*.

- In Brunei, the Company relinquished approximately 49% of the original lands encompassed by the Brunei Block L PSA after the end of the Phase 1 exploration period in 2011. All work commitments for the Phase 2 exploration period have been completed, but the Company must file an Appraisal Program with PetroleumBRUNEI within six months of the formal approval and documentation of the Phase 2 exploration period, or the remainder may be subject to relinquishment as well. See "*Brunei – Block L Overview*".

- The original expiry of the first exploration period under the Syria Block 9 PSC remains was November 29, 2011, but was subsequently extended to October 27, 2012. The Company declared *force majeure* on July 16, 2012. The extension was expressed to be subject to the renewal of the bank guarantee provided in respect of the contractor parties' obligations. Loon Latakia has not renewed the guarantee and is unable to do so as a result of sanctions imposed by certain governments against Syria. There is a risk therefore, that this extension may not be enforceable notwithstanding the declaration of *force majeure* by Loon Latakia under the terms of the Syria Block 9 PSC.

Reliance on Key Management Personnel

The success of the Company depends in large measure on certain key personnel, which include the Executive Officers and certain other senior personnel. The contributions of these individuals to the immediate operations of the Company are likely to be of central importance. The Company's ability to maintain its competitive position and to implement its business strategy is dependent, to a large degree, on the services of its senior management team and its technical personnel. Competition in the oil and gas industry for senior management and technical personnel with relevant expertise and exposure to international best practices is intense due to the small number of qualified individuals, which may affect its ability to retain its existing senior management and technical personnel and to attract additional qualified personnel. Losses of or an inability to attract and retain additional senior management or technical personnel could have a material adverse effect on its business, financial condition, results of operations and prospects. There can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Uncertainty Regarding Interpretation and Application of Foreign Laws and Regulations

The Company's exploration and development activities are located in countries with differing legal systems. Rules, regulations and legal principles may differ both relating to matters of substantive law and in respect of such matters as court procedure and enforcement. Production and exploration rights and related contracts of the Company are subject to the national or local laws and jurisdiction of the

respective countries in which the operations are carried out. This means that the Company's ability to exercise or enforce its rights and obligations may differ between different countries.

Moreover, the jurisdictions in which the Company and its subsidiaries operate may have less developed legal systems than more established economies, which may result in risks such as:

- effective legal redress in the courts of subject jurisdictions being more difficult to obtain, whether in respect of a breach of law or regulation, or an ownership dispute;
- a higher degree of discretion on the part of governmental authorities;
- uncertainty regarding the constitutionality, validity or enforceability of laws and regulations, particularly where those rules and regulations are the result of recent legislative changes or have been recently adopted;
- the lack of judicial or administrative guidance on interpreting applicable rules and regulations, particularly where those rules and regulations are the result of recent legislative changes or have been recently adopted;
- provisions in laws and regulations that are ambiguously worded or lack specificity and thereby create difficulties when implemented or interpreted;
- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions;
- courts being used to further political aims;
- relative inexperience of the judiciary and courts in such matters or an overly formalistic judiciary; and
- corruption within the judiciary.

Enforcement of laws in some of the jurisdictions in which the Company and its subsidiaries operate may depend on and be subject to the interpretation placed upon these laws by the relevant local authority. These local authorities may adopt an interpretation of an aspect of local law which differs from the advice that has been given to the Company. The Company's contracts, joint ventures, licence, licence applications or other legal arrangements may be adversely affected by the actions of government authorities and the effectiveness of and enforcement of such arrangements in these jurisdictions. Effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, may be more difficult to obtain. In certain jurisdictions, the commitment of local businesses, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain and legislation and regulations may be susceptible to revision or cancellation; legal redress may be uncertain or delayed.

In general, if the Company becomes involved in legal disputes in order to defend or enforce any of its rights or obligations, such disputes or related litigation may be costly and time consuming and the outcome may be highly uncertain. Even if the Company would ultimately prevail, such disputes and litigation may still have a substantially negative effect on the Company and its operations.

Ukraine

Since independence, the Ukrainian legal system has been developing to support a market-based economy. The legal system is, however, in transition and is therefore subject to greater risks and uncertainties than a more mature legal system. In particular, risks include, but are not limited to, provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted; inconsistencies between and among Ukraine's Constitution, laws, presidential decrees and Ukrainian governmental, ministerial and local orders, decisions,

resolutions; and other acts. Also, there is a lack of judicial and administrative guidance on the interpretation of Ukrainian legislation, including the complicated mechanism of exercising constitutional jurisdiction by the Constitutional Court of Ukraine. This is further complicated by the relative inexperience of judges and courts in interpreting Ukrainian legislation in the same or similar cases, corruption within the judiciary and a high degree of discretion on the part of governmental authorities, which could result in arbitrary actions.

Furthermore, several fundamental Ukrainian laws either have only relatively recently become effective or are still pending hearing or adoption by the Ukrainian Parliament. For example, in 2005 and 2004, Ukraine adopted a new civil code, a new commercial code, new civil and administrative procedural codes, a new law on state registration of proprietary rights to immovable property, a new law on international private law, new secured finance laws and a new law on personal income tax. More recently, developments have occurred with respect to the land use registration system in Ukraine which may result in delays and may increase the costs for the Company's plans, or may force the Company to suspend production of gas from certain producing wells on the Ukraine Licences until pipelines are constructed. For further information on such developments, please see "*Risk Factors – Compliance with Foreign Regulatory Regimes"*.

The relatively recent origin of much of Ukrainian legislation, the lack of consensus about the scope, content and pace of economic and political reform, and the rapid evolution of the Ukrainian legal system in ways that may not always coincide with market developments, place the enforceability and underlying constitutionality of laws in doubt and may result in ambiguities, inconsistencies and anomalies. In addition, Ukrainian legislation in many cases contemplates implementing regulations, which have not yet been implemented.

Tunisia

During 2011, Tunisia experienced a period of political unrest and demonstrations that lead to the departure of the former president after 23 years of power. This led to the election of a Constituent Assembly, which was charged with the responsibility of drafting a new constitution and the appointment of a new government, which was intended to govern until a new constitution was ratified and further democratic elections can be held. The interim period was marked by political infighting, instability and assassinations. The new constitution was approved by the Tunisian National Assembly on January 27, 2014. The date for new elections has not yet been announced.

It is not yet clear how the new constitution may affect the legislation pertaining to the energy industry, or if it may lead to different interpretations of existing regulations.

Romania

As a European Union member, Romania started verifying the expansion terms of exploration licenses granted by NAMR in 2011 to the entire Romanian oil industry, including the Company's partner, Rompetrol S.A. The legal procedure between the administrative control authority, the Court of Accounts, and NAMR are ongoing. Risk of validity of license extensions is not considered significant.

Brunei

There are effectively two systems of law operating in Brunei: (a) the common law system, which follows English common law and applies to the business of the Company in Brunei; and (b) the Syariah Court system, which has limited, but exclusive jurisdiction to hear and decide on Islamic family law matters involving Muslim residents of Brunei. Under the *Application of Laws Act (Chapter 2)* under the laws of Brunei, the common law of England and the doctrine of equity, together with the statutes of general application in force in England prior to April 25, 1951, are in force in Brunei to the extent Brunei's circumstances permit, subject to native customs and local situations.

The *Arbitration Act of 1944* gives effect to the *1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards*. The Arbitration Association Brunei Darussalam ("**AABD**") is the

arbitral institution in Brunei. Part of its objective is to assist in developing and providing advisory and assistance support in the field of arbitration. To ensure that the membership and the panel of international arbitrators are kept to the highest possible standard, there is a wide range of leading international arbitrators, most of whom are non-Brunei nationals. The AABD assists domestic and international investors and parties in resolving commercial disputes and making arrangements for arbitration hearings.

The *Reciprocal Enforcement of Foreign Judgment Act (Chapter 177)* under Brunei law provides for reciprocity arrangements with certain countries on the enforcement of judgments.

Syria

The judicial system in Syria is an amalgam of Ottoman, French, and Islamic laws, with three levels of courts: (a) courts of first instance; (b) courts of appeals; and (c) the constitutional court, which is the highest tribunal. In addition, religious courts handle questions of personal and family law.

Foreign judgments can only be executed in Syria if they relate to civil or to commercial disputes upon the approval of the courts of first instance in the governorate where the judgment is to be executed. If there is no bilateral treaty on mutual recognition with the country concerned, the Syrian court will re-examine the case and scrutinize the foreign court's opinion. If a bilateral treaty exists, the Syrian court will limit its scrutiny to violations of Syrian public policy.

In Syria, neither public nor government institutions can agree to submit to arbitration unless provided for by statute. The state may only agree to arbitrate if it is bound by treaty. International arbitration held in Syria is subject to Syrian law and is generally covered by the same rules governing domestic arbitration. The enforcement of international arbitration awards generally follows the same rules as the enforcement of foreign court decisions.

In general, whether in Ukraine, Brunei, Syria, or elsewhere, if the Company becomes involved in legal disputes in order to defend or enforce any of its rights or obligations, such disputes or related litigation may be costly and time-consuming and the outcome may be highly uncertain. Even if the Company would ultimately prevail, such disputes and litigation may still have a substantially negative effect on the Company and its operations.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Company has made, and intends to make, acquisitions and possibly dispositions of businesses and assets in the ordinary course of business. There can be no assurance that the Company will be able to successfully realize the anticipated benefits of any acquisition or disposition. The costs involved and time required to realize the anticipated benefits of planned acquisitions or dispositions may exceed those benefits that may be realized by the Company, and may detract from available resources that could have been committed elsewhere for greater benefit. The integration of an acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters.

Although the Company conducts a due diligence review of properties prior to their acquisition that it believes to be consistent with industry practices, such reviews are inherently incomplete. It is not generally feasible to review in depth every individual property involved in each acquisition. Ordinarily, the Company will focus its due diligence efforts on higher valued properties and will sample the remainder. However, even an in-depth review of all properties and records may not necessarily reveal all existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to fully assess their deficiencies and capabilities. Inspections may not be performed on every well, and structural or environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken. For acquisitions that may occur in the future, the Company may be required to assume liabilities, including environmental liabilities, and may acquire interests in properties on an "as is" basis. Such liabilities, should they exist, will typically be known to the Company as a result of its due diligence investigations, and would influence or be an adjustment to the agreed acquisition

price. In addition, competition for the acquisition of prospective properties is intense, which may increase the cost of any potential acquisition.

Competition for the acquisition of prospective properties is intense, which may increase the cost of any potential acquisition. The Company's exploration and development activities have principally been based in Ukraine, Tunisia, Romania, Brunei and Syria. The Company's limited presence in other regions may limit its ability to identify and complete acquisitions in other geographic areas.

See also "*Risk Factors – Winstar May Fail to Realize its Anticipated Benefits*".

Decommissioning Liabilities

The Company, through its licence interests and production sharing contract interests, has assumed certain obligations in respect of the decommissioning of its fields and related infrastructure and is expected to assume additional decommissioning liabilities in respect of its future operations. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities and require the Company to make provision for and/or underwrite the liabilities relating to such decommissioning. Any significant increase in the actual or estimated decommissioning costs that the Company incurs may adversely affect its results of operations and financial condition.

Title to Properties

Notwithstanding any due diligence which may be undertaken by the Company, there may be title defects which affect production sharing contracts, licence agreements or other legal documents (such as special permits for subsurface use, as applicable in Ukraine) which relate to the Company's properties on which the production activities are performed, and which may adversely affect the Company. There is no guarantee that an unforeseen defect in title, changes in laws or change in their interpretation or political events will not arise to defeat or impair the claim of the Company to its properties which could result in a material adverse effect on the Company, including a reduction in the revenue to be received by the Company.

Crime and Governmental or Business Corruption

The Company conducts business in countries or regions which have experienced high levels of governmental and business corruption and other criminal activity.

The Company is required to comply with applicable anti-bribery laws, including the Canadian Corruption of Foreign Public Officials Act and the U.S. Foreign Corrupt Practices Act, as well as local laws in all countries in which the corporation does business. Ukraine, in particular, has a number of pieces of anti-money laundering and anti-corruption legislation. These, among other things, include laws in respect of the monitoring of financial transactions and provide a framework for the prevention and prosecution of corruption offences, including various restrictions and safeguards. However, there can be no guarantee that these laws will be effective in identifying and preventing money laundering and corruption.

The failure of the governments of the countries in which the Company operates to continue to fight corruption or the perceived risk of corruption could have a material adverse effect on the local economies. Any allegations of corruption in these countries or evidence of money laundering could adversely affect their ability to attract foreign investment and thus have an adverse effect on their economies which in turn could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

The Company has a Code of Business Conduct and Ethics in place with which directors, officers and employees must comply. Moreover, findings against the Company, the Directors, the Executive Officers or the employees of the Company, or their involvement in corruption or other illegal activity could result in criminal or civil penalties, including substantial monetary fines, against the Company, the Directors, the Executive Officers or the employees of the Company. Any government investigations or other allegations

against the Company, the Directors, the Executive Officers or the employees of the Company, or finding of involvement in corruption or other illegal activity by such persons, could significantly damage the Company's reputation and its ability to do business, including affecting its rights under the various oil and natural gas licences or concessions or through the loss of key personnel, and could materially adversely affect its financial condition and results of operations. Furthermore, alleged or actual involvement in corrupt practices or other illegal activities by the operators of certain of the Company's oil and natural gas licences or concessions, joint venture partners of the Company or others with whom the Company conducts business, could also significantly damage the Company's reputation and business and materially adversely affect the Company's financial condition and results of operations.

Management of Growth

The Company has experienced significant growth in a relatively short period of time, in particular through its acquisition of assets in Ukraine and Tunisia. The Company does not have a long history of operating in its current form, including in terms of size and geographic reach, and its ability to manage its existing business and its future growth depend upon a number of factors, including its ability:

- to effectively increase the scope of its management, operational and financial systems and controls to handle the increased complexity, expanded breadth and geographical area of its operations;
- to recruit, train and retain qualified staff to manage and operate its growing business;
- to accurately identify and evaluate the contractual, financial, regulatory, environmental and other obligations and liabilities associated with its international acquisitions and investments;
- to implement financial oversight and internal financial risk, and other controls, over its acquisitions and investments, and to ensure the timely preparation of financial statements that are in conformity with the Company's accounting and control policies;
- to accurately judge market dynamics, demographics, growth potential and competitive environments;
- to effectively determine, evaluate and manage the risks and uncertainties in entering new markets and acquiring new businesses through its due diligence and other processes, particularly given the heightened risks in emerging markets; and
- to maintain and obtain necessary permits, licences, spectrum allocation and approvals from governmental and regulatory authorities and agencies.

The Company's inability to deal with this growth may result in its failure to realize the benefits otherwise expected from such growth and could have a material adverse impact on its business, operations and potential for future growth.

Project Completion

The Company's current operations are, and future operations will be, subject to approvals of governmental authorities and, as a result, the Company has limited control over the nature and timing of the grant of such approvals for the exploration, development and operation of oil and natural gas concessions.

The Company's interests in oil and natural gas concessions and other contracts with governments and government bodies to explore and develop the properties are subject to specific requirements and obligations. If the Company fails to satisfy such requirements and obligations and there is a material breach of such contracts, such contracts could, under certain circumstances, be terminated. The

termination of any of the Company's contracts granting rights in respect of the properties would have a material adverse effect on the Company, including the Company's financial condition.

Reliance on Third Party Operators

It is common in the oil and gas industry for companies to form partnerships or joint ventures with other companies through which exploration, development and operating activities for a particular property or concession area are conducted. In such cases, one company is designated by agreement amongst the partnership or joint venture, to manage, or "operate" the partnership or joint venture. The operator is the primary point of contact for the national oil company or the government and is typically responsible for implementing the field work, including by entering into agreements with various sub-contractors to provide drilling rigs and other equipment and services necessary for carrying out exploration and development operations, decisions regarding the timing and amount of capital expenditure, the selection of technology and risk management and compliance policies. In addition, an operator is usually responsible for providing the other partners with operational, financial and other information relating to the asset.

To the extent the Company or one of its subsidiaries is not the operator of any of its assets, the Company will be dependent on the competence, expertise, judgement and financial resources of the operator, with the operator complying with the terms of the relevant contractual arrangements, and, subject to the terms of such arrangements, may have limited ability to exercise influence over the operations of these assets or their associated costs, or to control the quality of the information it receives in respect of such assets, which could adversely affect the Company's business, prospectus and financial performance. In addition, participants in a partnership may proportionately share liability for any claims and liabilities which may arise as a result of the operator's activities carried out for the benefit of participants (as the case may be). Should the operator become subject to any liabilities, the Company may be proportionally responsible for some of such liability. Actions or decisions taken by an operator, failure to act or non-performance by an operator, or the incurring of liabilities by an operator could adversely affect the Company's business, prospects and financial performance and, ultimately, potentially result in the loss of an asset.

In August 2012, the Brunei Block M PSA with PetroleumBRUNEI relating to Brunei Block M expired after efforts by the joint venture partners to obtain an extension to the terms of the Brunei Block M PSA were unsuccessful. As a result of the expiration of the Brunei Block M PSA, the Company recorded an impairment in respect of the Brunei Block M exploration and evaluation assets in the third quarter 2012, in an amount of $85.1 million, which includes the Company's share of the penalty payable on expiry of the Brunei Block M PSA of $6.0 million relating to work commitments.

Financial Covenants Relating to Ukrainian Assets

On May 20, 2011, KUB-Gas entered into the EBRD Ukraine Facility for up to US$40 million from EBRD. The EBRD Ukraine Facility contains a comprehensive set of representations and covenants provided by KUB-Gas, including financial covenants relating to debt service, leverage and current assets/liabilities. Compliance with these covenants limits the extent to which KUB-Gas is able to distribute funds which Serinus could otherwise utilize to fund other aspects of its business.

In particular, KUB-Gas may not distribute cash to the extent that any such distributions breach the financial covenants. As customers of KUB-Gas pay for gas and oil in advance, the Company tends to maintain a low or negative working capital balance, and as such, the current assets/liability financial ratio, which was required to be 1:1, restricted the amount of cash that KUB-Gas is able to distribute as dividends. This, in turn, restricted the Company's ability to use cash from its Ukrainian production activities to fund its development and exploration activities elsewhere. Subsequent to year-end the Company received a waiver for this covenant from EBRD.

Although as of the date hereof KUB-Gas is in compliance with the covenants in the EBRD Ukraine Facility, or has received waivers in those instances where the covenants have been, or will be breached, including the financial covenants, there can be no assurance that circumstances will not change, and any such changes could cause KUB-Gas to breach such covenants in the future, which may result in the acceleration of its debt. KUB-Gas may not have sufficient cash or assets to fulfil its payment obligations

upon any acceleration of its debt and, even if it were able to refinance indebtedness upon a default, the terms of any new debt agreements may be less favourable to KUB-Gas. Moreover, a default could cause the Company to lose key assets and/or shares of KUB-Gas that are pledged as security for such indebtedness.

Any of the foregoing developments could have a material adverse effect on the Company's financial condition and results of operations.

Financial Covenants Relating to the Tunisian Assets

On November 20, 2013, Serinus entered into the EBRD Tunisia Facility for up to US$60 million from EBRD. The EBRD Tunisia Facility contains a comprehensive set of representations and covenants provided by Serinus, as borrower thereunder, including financial covenants relating to a debt service coverage ratio and a financial debt to EBITDA ratio. Compliance with these covenants limits the extent to which Winstar Tunisia is able to distribute funds which Serinus could otherwise utilize to fund other aspects of its business.

Although as of the date hereof Serinus is in compliance with the covenants in the EBRD Tunisia Facility, or has received waivers in those instances where the covenants have been, or will be breached, including the financial covenants, there can be no assurance that circumstances will not change, and any such changes could cause Serinus to breach such covenants in the future, which may result in the acceleration of its debt. Serinus may not have sufficient cash or assets to fulfil its payment obligations upon any acceleration of its debt and, even if it were able to refinance indebtedness upon a default, the terms of any new debt agreements may be less favourable to Serinus (and, by extension, Winstar Tunisia). Moreover, a default could cause the Company to lose key assets and/or shares of Winstar Netherlands and Winstar Tunisia that are pledged as security for such indebtedness.

Any of the foregoing developments could have a material adverse effect on the Company's financial condition and results of operations.

Financial Covenants Relating to the Brunei Assets

On July 17, 2013, Serinus entered into the Dutco Loan for a loan of up to $15 million from Dutco. Serinus is required to comply with the covenants under the Dutco Loan, including a financial covenant that to Serinus shall maintain a ratio of current assets to current liabilities for the Serinus group of companies of not less than 1:1.

Although as of the date hereof Serinus is in compliance with the covenants in the Dutco Loan, or has received waivers in those instances where the covenants have been, or will be breached, including the financial covenant, there can be no assurance that circumstances will not change, and any such changes could cause Serinus to breach such covenants in the future, which may result in the acceleration of its debt. Serinus may not have sufficient cash or assets to fulfil its payment obligations upon any acceleration of its debt and, even if it were able to refinance indebtedness upon a default, the terms of any new debt agreements may be less favourable to Serinus (and, by extension, KOV Brunei). Moreover, a default could cause the Company to lose shares of KOV Cyprus that are pledged as security for such indebtedness.

Any of the foregoing developments could have a material adverse effect on the Company's financial condition and results of operations.

Risk of Annulling Concessions Held by KUB-Gas

Pursuant to Ukrainian law, geological exploration of mineral resources and the production of mineral resources owned by the State Fund of Mineral Deposits is conducted on the basis of licences issued separately for each kind of these activities. Additionally, Ukrainian law mandates that the utilization of any kind of subsoil natural resources requires a licence. Each licence granted is accompanied by a licence agreement specifying the terms of utilization of the subsoil natural resources. The licence

agreement sets out the key terms for the geological survey, exploration, drilling and production of mineral resources from the relevant subsoil resources area. The licence agreement may additionally impose certain social or environmental commitments on the user of the resources.

KUB-Gas holds licences for conducting geological survey and further pilot production of natural gas, condensate and oil in the licenced areas. According to these licences, KUB-Gas must satisfy certain detailed requirements which include, among other things, an obligation to satisfy requirements of the state environmental inspection authorities. One of the requirements is obtaining title certificates to the land plots required for geological survey and pilot production in the licenced areas. A default under any of these requirements may result in voiding a licence granted to KUB-Gas. Such an occurrence could have a material adverse effect on activities of KUB-Gas and on the business and financial condition of the Company.

Risk of Default by Gastek Relating to KUB-Gas

Should Gastek fail to meet its obligations, the Company may be required to fund Gastek's share of obligations which could adversely affect the business and financial condition of the Company.

Political Instability in Syria and Syria Sanctions

Recent developments in the Middle East and North Africa (particularly instability in Syria, Libya and Bahrain) have impacted and may have longer term significant impact on the Company's commercial operations in Syria. Given the ongoing difficult operating environment in Syria, Serinus' exploration activities in relation to Syria Block 9 are currently suspended and have been on hold since October 2011, and a *force majeure* was formally declared under the Syria Block 9 PSC in July 2012. If the *force majeure* event continues for a period of more than one year, the contracting parties are entitled to terminate their obligations under the Syria Block 9 PSC on 90 days' notice without further liability. The Company will continue to monitor operating conditions in Syria to assess when, and if, a recommencement of its Syrian operations is possible. However, there is no certainty as to if and when operations will be able to be recommenced. Serinus' exploration assets in Syria have been fully impaired.

The continued suspension of the Company's operations in Syria, which may or may not result in the invalidation or termination of the Syria Block 9 PSC, is delaying the Company's exploration and development activities there, and could have material adverse effect on the Company's financial condition and/or results of operations. In the event that the Company is able to recommence its operations in Syria, there is no certainty that the new social, political and economic environment will not adversely affect the Company's operations or its ability to grow its business.

Canada imposed targeted sanctions against members of the Syrian Government in May 2011 pursuant to certain regulations passed under the authority of Canada's Special Economic Measures Act. The sanctions have been expanded numerous times through various amending regulations.

The consolidated regulations, as of the date of this AIF, impose an assets freeze and dealings prohibition on numerous listed individuals and entities associated with the Assad regime. The sanctions also prohibit a person in Canada and any Canadian outside Canada from providing or acquiring financial or other related services to, from or for the benefit of or on the direction or order of Syria or any person in Syria for the purpose of facilitating the importation, purchase, acquisition, carriage or shipment of any petroleum or petroleum products, excluding natural gas, from Syria. There are also broad prohibitions on making investments in Syria that deal with property held by or on behalf of Syria, a person in Syria or a national of Syria who does not ordinarily reside in Canada and on providing or acquiring financial or other related services to, from or for the benefit of or on the direction or order of Syria or any person in Syria.

The United States implemented economic sanctions against Syria in May 2004 in accordance with the Syria Accountability Act. These sanctions include the prohibition of the export to Syria of products of the United States other than food or medicine. Accordingly, many products and equipment that are commonly used in the international oil and gas industry that are manufactured in the United States may

not be available within Syria. Similarly, services commonly provided in the oil and gas industry by firms or companies based in, or with significant activities in the United States may not be available in Syria.

The European Union implemented similarly wide measures against Syria in May 2011 which have been amended and replaced since that time in light of the deteriorating political and civil situation.

The effect of the Canadian, EU and US sanctions in reducing products, equipment, services and financial resources that would otherwise be available may cause such products, equipment, services and financial resources that are required by the Company to conduct its operations to be either not available at all, or to be available at a higher cost than would otherwise have been the case in the absence of such sanctions.

Loon Peru Limited Guarantee

The Company continues to be legally responsible for a parent company guarantee (the "**Loon Guarantee**") issued in August 2007 to the Government of Peru regarding the granting of a licence contract to a former subsidiary company, Loon Peru Limited. Serinus has no continuing ownership interest, directly or indirectly, in Loon Peru Limited following the implementation of 2008 Arrangement, the result of which was the transfer of ownership of the shares of Loon Peru Limited from the Company to a newly formed company, Loon Corp. Serinus does not currently hold, either directly or indirectly, any shares in Loon Peru Limited.

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

Winstar May Fail to Fully Realize its Anticipated Benefits

Taking into account the nature of the business activity of Winstar as an oil and natural gas production company, and Tunisia, an emerging market in which Winstar operates, the Company's investment in Winstar may not meet its economic or financial expectations or the Company may not be able to fully realize the anticipated benefits in connection with this acquisition. This may be caused by:

- risks and uncertainties concerning Winstar specifically, such as: (a) (a) potential actions against the Winstar legal titles and its rights to its lands and leases, (b) potential actions against the Winstar legal titles to certain real estate objects and natural gas wells, (c) potential litigation procedures over the Winstar concessions, (d) failure to obtain, maintain or renew necessary licences and special permits or failure to comply with the terms of its licences and permits or relevant legislation, (e) short-term nature of natural gas sales contracts with customers, and (f) potential actions against Winstar legal titles, assets and its rights to land or leases arising out of or in connection with compliance with its environmental and hazardous waste obligations;

- resource-industry specific risks, such as: (a) regulations concerning price controls at which natural gas and other production is sold, (b) competitive nature of the oil and natural gas industry in Tunisia, and (c) inadequate infrastructure that may affect the transportation of produced natural gas;

- country-related risks or uncertainties relating to Tunisia and arising because it is an emerging market and concerning its potential political or economic instability or uncertainty, as well as the Tunisian legal, judicial and tax system and its potential instability or uncertainty; or

- commencing any regulatory or administrative actions, instigating any dispute or litigation, lodging a claim, issuing an order or undertaking any measure to:

- suspend, revoke, cancel or terminate any Tunisian Licences;
- take measures tantamount to the expropriation of any of the Tunisian concessions; or
- terminate, restrict, invalidate or challenge certain of Winstar's real property rights, including challenging the titles to hold the land and to carry out exploration work.

The occurrence of any of the above-mentioned factors may have a material adverse effect on the Company's financial condition, results of operations or prospects in Tunisia.

Risks Relating to the Company's Market Environment

Competition

Oil and gas exploration is intensely competitive in all its phases and involves a high degree of risk. The Company competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Company's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Company. The ability of the Company to increase reserves of oil and natural gas in the future will depend not only on its ability to explore and develop its present properties, but also on whether it is able to select and acquire suitable producing properties or prospects for exploratory drilling. The Company's inability to successfully compete for the acquisition of new oil and gas assets could materially adversely affect the trading price of the Common Shares.

Competitive factors in the distribution and marketing of oil and natural gas include the proximity of and access to transportation infrastructure, transport prices and reliability of delivery.

Competition for exploration and production licences as well as other regional investment or acquisition opportunities may increase in the future. This may lead to increased costs in the carrying on of the Company's activities and reduced available growth opportunities. Any failure by the Company to compete effectively could adversely affect the Company's operating results and financial condition.

Industry Trends

The Company's business, results of operations, financial condition and future growth are substantially dependent on prevailing crude oil prices. The price of crude oil is influenced by the world economy and can be substantially influenced by the ability of the Organization of Petroleum Exporting Countries ("**OPEC**") or other major producers of crude oil to adjust supply to world demand. Crude oil prices have also historically been impacted by political events causing disruptions in the supply of oil and by concerns over potential supply disruptions or actual supply disruptions triggered by regional events.

The impact on the oil and natural gas industry from commodity price volatility is significant. During periods of high prices, producers may generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers, triggering premium costs for their services. The acquisition cost of oil and gas exploration and appraisal projects and producing properties similarly increase during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. During periods of decreased demand, the prices charged by the various service suppliers also tend to decline.

Another trend affecting the international oil and natural gas industry is the impact on capital markets caused by investor uncertainty in the world economy. The competitive nature of the oil and gas industry will cause opportunities for equity financings to be selective. Some companies will have to rely on internally generated funds to conduct their exploration and development programs.

It is impossible to accurately predict future crude oil and natural gas price movements. Any substantial decline in oil and natural gas prices would have a material adverse effect on the Company's revenues, operating income, cash flows and borrowing capacity and may require a reduction in the carrying value of the Company's properties, its planned level of spending for exploration and development and its level of reserves. No assurance can be given that commodity prices will be sustained at levels which will enable the Company to operate profitably.

Any substantial decline in crude oil and/or natural gas prices may also require the Company to write down the capitalized costs of certain oil and natural gas properties. Under IFRS, the net capitalized cost of oil and natural gas properties may not exceed a "ceiling limit", which is based, in part, upon estimated future net cash flows from reserves. If the net capitalized costs exceed this limit, the Company must charge the amount of the excess against earnings. As oil and natural gas prices decline, the Company's net capitalized cost may approach or exceed this cost ceiling, resulting in a charge against earnings. While a writedown would not directly affect cash flow, the charge to earnings could be viewed unfavourably in the market and thus cause an adverse impact on the trading price of the Common Shares or could limit the Company's ability to borrow funds or comply with covenants contained in future credit agreements or other debt instruments.

During the year ended December 31, 2013, the Company recorded an impairment to reflect the unsuccessful drilling campaign in Brunei and the end of the phase 2 exploration period. During the year ended December 31, 2012, the Company recorded an impairment to reflect the expiration of the Brunei Block M PSA in August 2012. The Company fully impaired the value of the exploration asset in Syria as well as the financial investment in Ninox in 2011. Effective July 16, 2012, the Company, in its capacity as operator of Block 9 in Syria, declared a *force majeure* event due to difficult operating conditions and restrictions on the movement of funds both into and within the country, which together resulted in circumstances under which it was impossible for the Company to meet its obligations under the Syria Block 9 PSC. The Company continues to monitor operating conditions in Syria to asses when a recommencement of its Syrian operations is possible.

Moreover, environmental legislation is evolving globally in a manner expected to result in stricter standards and enforcement, larger fines and liability, and potentially increased capital expenditures and operating costs. The Company may become subject to further extensive laws, regulations and scrutiny or become subject to more stringent application of existing regulations on drilling, particularly in areas that are environmentally sensitive and/or have not yet been open to drilling.

In the long term, the Company's ability to carry out exploration may be affected by such increased regulation and the terms of licences or permissions may include more stringent environmental and/or health and safety requirements. The obtaining of exploration, development or production licences, production sharing agreements or production sharing contracts for oil and gas exploration, particularly for offshore drilling, may become more difficult or be the subject of delay due to governmental, regional or local consultation, approvals or other considerations or requirements.

In addition, the Company may be required to incur additional expenditure or could be required to hire or purchase additional equipment to comply with any new operational, environmental and/or health and safety regulations. The impact of any such regulations or requirements could be to impose a constraint on long-term oil and gas production of the Company and restrict the Company's control over the nature and timing of its exploration, appraisal, development, production and other activities or its ability to undertake these activities at all may be materially and adversely affected, including by substantial delays or material increases in costs. Such additional costs, interruptions or delays could have an adverse impact on the Company's business, prospects, financial condition and results of operations.

Failure by the Company to comply with the applicable legal requirements or recognized international standards may give rise to significant liabilities.

International Economic Risk

The economies of emerging market countries, including those of Ukraine, Tunisia, Romania Syria and Brunei, may not compare favourably with those of developed countries with respect to such issues as growth of gross national product, reinvestment of capital, inflation, resources and balance of payment position. Such economies may rely heavily on particular industries or foreign capital and may be more vulnerable to diplomatic developments, the imposition of economic sanctions against a particular country or countries, changes in international trading patterns, trade barriers and other protectionist or retaliatory measures. Investments in such markets may also be adversely affected by governmental actions such as the imposition of capital controls, nationalization of companies or industries, expropriation of assets or the imposition of punitive taxes. In addition, the governments of certain countries may prohibit or impose substantial restrictions on foreign investing in their capital markets or in certain industries. Any of these actions could severely affect securities prices, impair the ability of the Company to transfer the assets or income of the Company, or otherwise adversely affect the operations of the Company. Other risks that may be associated with markets in emerging market countries include foreign exchange controls, difficulties in pricing securities, defaults on foreign government securities, difficulties in enforcing favourable legal judgments in foreign courts, and political and social instability.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and may be subject to environmental regulation pursuant to a variety of local laws and regulations in which such business is being conducted. Environmental legislation in the countries in which the Company or its subsidiaries carry on, or presently anticipates that it may carry on, business generally provide for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. Such legislation will also usually require that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving globally in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. The Company believes that it is in material compliance with current applicable environmental regulations in the countries in which it carries on business in that it is not aware of, or been notified of any material breach of such regulations. However, no assurance can be given that the interpretation or enforcement of environmental laws in the various jurisdictions in which the Company is active will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or potential for future asset growth.

The Company conducts operations in Ukraine. Oil and gas exploration and production companies in Ukraine are subject to a number of environmental and sanitary compliance requirements which are provided under a number of Ukrainian statutes. Primarily, these requirements relate to air pollution, water use and waste and sewage disposal. The Company is not aware of any breaches by KUB-Gas of environmental laws or regulations to which KUB-Gas is subject.

The Company also conducts operations in Tunisia. Tunisia currently has an environmental legal and institutional framework which compares favorably with the European standards. Tunisia's environmental administration has made progress in developing new environmental standards and a framework for the prevention of pollution that combines economic and ecological regulations, market-based incentives, stepped-up monitoring, and the execution of agreements negotiated between industries and the authorities. The administration's strategy has two main goals: the clean-up of historically heavily polluted areas corresponding roughly to major population and industrial centres and the promotion of "clean" industrial growth with acceptable environmental impact. Tunisia adheres to the Kyoto Accord under Law No. 2002-55 of June 19, 2002.

Romania has progressed in the field of environmental protection law before and further to the date it joined the European Union (January 1, 2007). Apart from the general regulations and principles on environmental protection, the following areas of environmental law are covered by the applicable legal provisions: air, water and soil quality, pollution control and risk management, ecological labelling, management and disposal of waste and dangerous materials, noise, biodiversity, bio-security and preservation, atmospheric pollution and climate change.

The Syrian government, with a view to protecting its environment and conforming with international environmental standards, introduced *Law No. 50 on the Protection of the Environment* ("Law No. 50") in 2002. Law No. 50 establishes the fundamental basis for the protection of the environment in Syria and the relevant legal processes to be followed by every industry that may cause damage to the Syrian environment.

As of the date of this AIF, there are no specific laws in Brunei which safeguard the environment. More specifically, there are currently no designated laws or regulations in Brunei governing oil and gas companies with respect to environmental matters. There are, however, provisions relating to the control of smoke emissions under the *Road Traffic Act (Chapter 68)*, which provides for restrictions on the smoke emissions of licenced motor vehicles in Brunei. Other relevant provisions can be found under the *Open Burning Order* which makes it an offence to openly burn materials or hazardous substances.

The Brunei government has taken active steps to safeguard against the damage that may be caused by oil pollution by amending the *Merchant Shipping Act (Chapter 154)*. The *Merchant Shipping (Civil Liability and Compensation for Oil Pollution) Order, 2008* gives effect to the *International Convention on Civil Liability for Oil Pollution Damage of 1992* and to the *International Convention on the Establishment of an International Fund for the Compensation of Oil Pollution Damage of 1992*. The public authority responsible for environmental matters in Brunei is the Department of Parks and Recreation, Ministry of Development.

Weather

Adverse weather conditions can cause delays and cost increases related to the capital spending programs of the Company such as drilling of exploration and development wells, completion of wells, construction of production facilities and pipelines and the acquisition of seismic data. In Ukraine and Romania, cold temperatures, heavy snows or extremely muddy conditions may cause delays to planned activities. The rainy season, from September to January, is the principal weather factor in Brunei. In the Company's areas of activity in Tunisia and Syria, sandstorms and both high and low temperatures can make operations more difficult and costly.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that is or may be acquired or discovered by the Company is affected by numerous factors beyond its control. See "*Risk Factors - Compliance with Foreign Regulatory Regimes*" with respect to recent developments relating to the land use registration system in Ukraine which may result in delays and may increase the costs for the Company's plans to construct gas pipelines from its producing wells on the Ukraine Licences to gas transportation infrastructure. In Tunisia, natural gas production particularly in the southern part of the country is constrained by lack of pipeline capacity to move the gas to either power generation plants in the north and central parts of the country, or to the TransMed pipeline through which it could be exported. In Romania, Brunei and Syria, where the Company does not currently produce oil or gas, the Company's future ability to market any oil or gas it produces will depend upon its ability to acquire space on pipelines that deliver oil and natural gas to commercial markets. Availability of pipeline capacity to new customers is determined primarily by volume commitments and the duration of those commitments made by the pipeline operator to existing customers. The Company may also be affected by:

- deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities;

- economic or other sanctions that prohibit, amongst other things, the export of crude oil or petroleum products that originate in countries in which the Company operates;

- operational problems with such pipelines and facilities; and

- extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. Commodity prices may also be impacted by the development of alternative fuel or energy sources.

The Company's profitability and future growth and the carrying value of its oil and gas properties are substantially dependent on prevailing prices of oil and gas. The Company's ability to obtain additional capital on attractive terms is also substantially dependent upon oil and gas prices. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors beyond the control of the Company. These factors include global economic conditions, the actions of the OPEC, governmental regulation, political circumstances in the Middle East and elsewhere, the foreign supply of oil and natural gas, the price of foreign imports and the availability of alternative fuel sources, including unconventional oil and natural gas accumulations. In Ukraine in particular, the Company is exposed to risks due to fluctuations in the price of natural gas influenced by the economic conditions in Ukraine, the recommendations of the International Monetary Fund and the availability of imported natural gas from Russia and the price set by exporters in Russia. Conflicts, or conversely peaceful developments, arising in areas of the world which produce significant volumes of oil or natural gas, may have a significant impact on the price of oil and natural gas and any individual negative event could result in a material decline in prices and result in a reduction of the Company's net production revenue.

Any substantial decline in oil and natural gas prices would have a material adverse effect on the Company's revenues, operating income, cash flows and borrowing capacity and may require a reduction in the carrying value of the Company's properties, its planned level of spending for exploration and development and its level of reserves. No assurance can be given that commodity prices will be sustained at levels which will enable the Company to operate profitably.

Any substantial decline in crude oil and/or natural gas prices may also require the Company to write down the capitalized costs of certain oil and natural gas properties. While a write-down would not directly affect cash flow, the charge to earnings could be viewed unfavourably in the market and thus cause an adverse impact on the trading price of the Common Shares or could limit the Company's ability to borrow funds or comply with covenants contained in future credit agreements or other debt instruments.

Risks Related to Tax/Royalty Regime of Ukraine

The Company pays different types of tax in Ukraine, including general corporate tax, payroll taxes, Value Added Tax, royalty (rent) payments on the extraction of natural gas and oil, which are set at different rates for oil and gas products. The tax regime in Ukraine is subject to frequent changes. Tax risks in Ukraine are much greater than those typically found in countries with more developed tax systems, which significantly increases the risks with respect to the Company's operations and investment in Ukraine. Ukrainian tax legislation has been in force since January 1, 2011 and is being continually improved and changed. As a result, there is no stable practice as to its application and the case law is still very limited. Differing opinions regarding legal interpretation often exist both among and within governmental ministries and organizations, including the tax administration, creating uncertainties and areas of conflict. Although the new Ukraine tax code, which took effect from January 1, 2011, is viewed by the Government as a substantial progress in the implementation of the tax reform aimed at modernizing and simplifying the Ukrainian tax system, the adoption of the Ukraine tax code may have an adverse effect on the Company's operations in Ukraine. In addition, enforcement of violations of the tax laws in Ukraine may involve penalties and fines, including criminal or administrative proceedings, substantially more significant than those typically found in countries with more developed tax systems. Moreover, the three-year statutory limitation period for re-assessment by the tax authorities may not be observed, or may be

extended, in certain circumstances, and the fact that a period has been reviewed does not exempt this period, or any tax declaration/return applicable to that period, from further review.

Availability of Equipment and Services

Oil and natural gas exploration and development activities are dependent on the availability of specialized drilling and other equipment, and third-party service contractors to provide such equipment and specialized services related to the drilling, testing, completion and production of oil and natural gas wells in the particular areas where such activities will be conducted. Limited equipment and services availability or access limitations may affect the availability and/or cost of such equipment and services to the Company and may delay exploration and development activities or increase the costs of the Company's exploration, development and production activities.

Limited availability and increased prices may, in particular, result from any significant increase in regional exploration and development activities which in turn may be the consequence of increased or continued high prices for oil or gas. In the areas in which the Company operates, there can be a significant demand for drilling rigs and other equipment and services with such demand increasing and decreasing over time according to general levels of activity in the industry. Failure by the Company to secure necessary equipment and services in a timely manner could delay, restrict or lower the profitability and viability of the Company's activities and adversely affect the Company's business, results of operations or financial condition.

New Technology

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilising new technologies. Other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies either before the Company does so or in circumstances where Company is not able to do so. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. If the Company is unable to utilize the most advanced commercially available technology, the Company's business, financial condition, results of operations and prospects could be materially adversely affected.

Insurance

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, or gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. The Company's involvement in the exploration for and development of oil and natural gas properties may result in the Company becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. All of these risks identified can be covered by various forms of insurance, including "property" insurance for damage to physical assets, "comprehensive general liability" insurance for third-party damages including those from injury and loss of life, and "control-of-well" for damages resulting from a blow-out, fire or explosion during the drilling of a well. The decision as to the quantum of insurance to obtain will be based on a case-by-case assessment of the cost of the insurance premium versus the risk of damages occurring and the consequent potential financial liability.

The Company through indirectly wholly-owned subsidiaries operates its assets in Tunisia, Romania, Syria and Brunei Block L, and places insurance as required for the activity which is to be undertaken. Under Ukrainian law, companies in the upstream oil and gas industry are required to insure against certain risks, and the Company has confirmed that KUB-Gas does have insurance coverage in place. KUB-Gas has also secured insurance on its property and operations for risks that are commonly insured by the Company in other countries within which it conducts operations. There may however, be circumstances where such insurance will not cover or be adequate to cover the consequences of an event or where

KUB-Gas may become liable for pollution or other operational hazards against which it either cannot insure or may have elected not to have insured. The Company obtains insurance in accordance with industry standards and upon consideration of advice provided by professional insurance brokers to address these risks. However such insurance may have limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. For example, the Company does not maintain insurance against political violence, governmental expropriation or confiscation of assets, governmental frustration or repudiation of contracts, wrongful calling of guarantees or letters of credit, business interruption, inconvertibility of foreign currency or the inability to repatriate funds or other similar political risks in the locations in which the Company operates. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the financial position of the Company, results of operations or prospects.

Global Capital Markets

The disruptions experienced in the past several years in the international and domestic capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing. Companies with operations located in countries in the emerging markets may be particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty. In addition, the availability of credit to entities operating within the emerging and developing markets is significantly influenced by levels of investor confidence in such markets as a whole and as such any factors that impact market confidence (for example, a decrease in credit ratings, state or central bank intervention in one market or terrorist activity and conflict) could affect the price or availability of funding for entities within any of these markets.

Since the advent of the global economic crisis in 2008, certain emerging market economies have been, and may continue to be, adversely affected by market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems outside countries with emerging or developing economies, or an increase in the perceived risks associated with investing in such economies, could dampen foreign investment in and adversely affect the economies of these countries (including, for example, countries in which the Company operates). The links between economic activities in different markets and sectors are complex and depend not only on direct drivers such as the balance of trade and investment between countries, but also on domestic monetary, fiscal and other policy responses to address macroeconomic conditions.

In addition, ongoing terrorist activity and armed conflicts in the Middle East, North Africa, West Africa and elsewhere have also had a significant effect on international finance and commodity markets. Any future national or international acts of terrorism or armed conflicts could have an adverse effect on the financial and commodities markets in the countries in which the Company operates and the wider global economy. Any acts of terrorism or armed conflicts causing disruptions of oil and gas exports could adversely affect the Company's business, financial condition, results of operations or prospects.

Unexpected Shutdowns

Mechanical problems, accidents, leaks or other events at the Company's pipelines or infrastructure may cause an unexpected production shutdown at its facilities. Political unrest may also lead to a shutdown in production. Any unplanned production shutdown of the Company's facilities or environmental damage caused by pollution from the Company's facilities could have a material adverse effect on the Company's business, production, financial condition and results of operations.

Litigation

The petroleum industry, as with all industries, may be subject to legal claims, both with and without merit, from time to time. Defense and settlement costs can be substantial, even with respect to claims that have

no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's financial position, results or operations. The Company's business may be materially adversely affected if the Company and/or its employees or agents are found not to have met the appropriate standard of care or not exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards. In addition, the adverse publicity surrounding such claims may have a material adverse effect on the Company's business.

Risks Relating to the Ownership of the Common Shares

Controlling Shareholder is able to Exercise Significant Control over the Affairs of the Company

As of the date of this AIF, 39,909,606 Common Shares representing approximately 50.76% of the issued and outstanding Common Shares in the capital of the Company are held by KI. One director of the Company, Manoj Madnani, is a member of the Management Board of KI.

The shareholding of KI in the Company allows KI to control the outcome of substantially all of the actions taken by the shareholders of the Company, including the election of directors. As of the date of this AIF, KI has sufficient voting power to, among other things, delay, deter or prevent a change in control of the Company that might otherwise be beneficial to its shareholders and may also discourage acquisition bids for the Company and limit the amount certain investors may be willing to pay for the Common Shares.

According to the early warning report filed by KI on SEDAR on June 25, 2013, KI and Radwan collectively hold an aggregate of 40,503,823 Common Shares representing approximately 51.5% of the Common Shares. Radwan may, in certain circumstances, be considered to be a joint actor to KI for the purposes of Canadian securities law, as a result of an agreement in place between Radwan and KI dated September 15, 2010 which entitles Radwan to participate in a percentage of KI's investments and provides that Radwan will vote any securities it purchases pursuant to such agreement in accordance with the directions of KI. The combined shareholding of KI and Radwan in the Company allows KI to control the outcome of substantially all of the actions taken by the shareholders of the Company, including the election of directors. As of the date of this AIF, KI and Radwan have sufficient voting power to, among other things, delay, deter or prevent a change in control of the Company that might otherwise be beneficial to its shareholders and may also discourage acquisition bids for the Company and limit the amount certain investors may be willing to pay for the Common Shares.

Sale of Common Shares by controlling and significant Shareholder(s) could have an adverse effect on the price of the Common Shares

The market price of the Common Shares could decline as a result of sales of a large number of Common Shares in the market or the perception that these sales may occur. These sales, or the possibility that these sales may occur, may make it more difficult for the Company to raise capital through future offerings of Common Shares at a time and at a price that the Company deems appropriate.

The Company cannot predict whether KI will sell any of the Shares it holds in the public market. Sales by KI of a large number of the Shares in the public market, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Company's ability to raise capital through future offerings of Common Shares.

Dilution Due to Financing or Acquisition Activities

The Company's Articles allow it to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series, for such consideration and on such terms and conditions as shall be established by its Board of Directors, in many cases, without the approval of the shareholders. In addition, as at the date of this AIF, there were 7,089,900 Common Shares issuable upon the exercise of outstanding options of the Company at prices ranging from $2.85 to $6.86 per Common Share. The Company may also issue Common Shares to finance future acquisitions and other projects. The Company cannot predict the size of future issuances of Common Shares or the effect that future

issuances and sales of Common Shares will have on the market price of the Common Shares. Issuances of a substantial number of additional Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Shares. If the share capital of the Company is increased and new Common Shares are issued for cash, existing shareholders of Common Shares are not, under the Company's constitutional documents and applicable Canadian law, entitled to pre-emptive or similar rights in respect of those Common Shares to preserve their *pro rata* shareholdings in the Company. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and may experience dilution in earnings per Common Share.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not and has not been a party to, nor is any of the Company's property the subject of and has not been the subject of a legal proceeding for which disclosure is required in this section since the beginning of the financial year ending December 31, 2013.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

General

This section includes a description of the material interest, direct or indirect, of directors or executive officers of Serinus, persons or companies that beneficially own, control, or direct more than 10% of the voting securities of the Company, or an associate or affiliate of any of such directors, executive officers, persons or companies, in transactions conducted by the Company within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

KI/Radwan Convertible Debentures

On August 11, 2011, the Company entered into the KI/Radwan Debentures with KI and Radwan. The total amount available under the KI/Radwan Debentures was $23.5 million, bearing interest at a rate of 8.0% per annum, payable annually. Notices of conversion were received prior to August 11, 2012, and shortly thereafter, the $23.5 million principal and all accrued interest were converted to 60,499,029 Pre-Consolidation Shares. The KI/Radwan Debentures also included a provision for an implied additional 12.0% in interest to be paid in Pre-Consolidation Shares upon conversion.

See "*General Development of the Business – Three-Year History of the Company – KI/Radwan Debentures*".

KI Loan

On June 22, 2012, the Company finalized an arrangement with KI for the provision of up to $12.0 million in funding to Serinus to fund Serinus' ongoing working capital requirements. KI agreed to provide funding by way of the KI Loan to Serinus for the principal amount of up to $12.0 million with a term ending December 31, 2012. Interest was payable at a rate of 15.0% per annum, and Serinus could at any time prepay the loan in whole or in part.

On December 11, 2012, the Company and KI entered into an amended and restated loan agreement to, among other things, extend the term of the KI Loan by one year from December 31, 2012 to December 31, 2013 and make amounts owing under the KI Loan convertible into Common Shares. On June 24, 2013, the principle and accrued interest of $13.4 million on the KI Loan was converted into 3,183,268 Common Shares pursuant to the KI Loan Agreement and the 2013 Arrangement.

See "*General Development of the Business – Three-Year History of the Company – KI Loan*".

Acquisition of Winstar Resources

On June 24, 2013 the Company completed the acquisition of Winstar pursuant to the 2013 Arrangement.

Under the terms of the 2013 Arrangement, Winstar shareholders, for each share held, received 7.555 Pre-Consolidation Shares or CAD$2.50 in cash, subject to a maximum of CAD$35 million in cash, with such cash provided by KI. The maximum cash consideration was elected, resulting in KI acquiring 14,000,000 Winstar shares at closing, which were then exchanged for Common Shares of the Company in accordance with the terms of the 2013 Arrangement, of which 10,577,000 Common Shares were issued to KI. In addition, upon closing of the 2013 Arrangement, Messrs. Libin and Iorich, directors of Winstar, became directors of Serinus.

Services Provided by KI and Kulczyk Holdings S.A.

The Company had service agreements for ongoing corporate, acquisition and consulting services to be provided to the Company by both Kulczyk Holdings S.A. ("**KH**") and KI which expired in June 2011. During 2012, the Company paid $nil in monthly fees to KI for services provided (2011 - $210,000), and paid $nil in monthly fees to KH (2011 - $90,000) for services provided. During the year ended December 31, 2010, the Company paid a $450,000 fee to KI for its assistance with the KUB-Gas Acquisition. Other than as stated in the preceding sections regarding the KI/Radwan Debentures and the KI Loan, the Company owed no amounts to either KI or KH at December 31, 2013, 2012 or 2011.

TIG Notes and TIG Convertible Debenture

On August 11, 2009, Serinus entered into an agreement with TIG pursuant to which Serinus agreed to purchase from TIG (directly or through one or more of its affiliates) and TIG agreed to sell to Serinus, all of TIG's right, title and interest in and to an aggregate of $15,015,000 principal amount 7.16% convertible unsecured loan notes of Triton (the "**TIG Notes**"), at a purchase price of $15,015,000 payable as to $5,005,000 in cash with the balance payable through the issuance of a $10,010,000 principal amount 7.16% secured subordinated convertible debenture of Serinus (the "**TIG Convertible Debenture**").

Prior to the closing of the Triton Acquisition, KI assumed Serinus' obligation to purchase $5,005,000 of the TIG Notes in cash pursuant to an assignment and assumption agreement dated September 15, 2009 and acquired on that date $5,005,000 of the TIG Notes. KI immediately converted the TIG Notes into Triton shares at a conversion price of $3.80 per share, resulting in KI acquiring 1,317,105 shares in Triton. Such shares were subsequently tendered by KI to Serinus' extended offer to acquire all of the issued and outstanding shares of Triton and KI received as consideration therefor 7,232,224 Pre-Consolidation Shares and 1,317,105 Series A Preferred Shares.

On September 15, 2009, financial closing of the Triton Acquisition took place, and the Company issued secured convertible debentures in the aggregate amount of $10,010,000 with a maturity date of August 12, 2011 (the "**TIG Convertible Debenture**") in exchange for the balance of the TIG Notes. The TIG Convertible Debenture was secured by a floating charge on all of the Company's present and after-acquired property and bore interest at a rate of 7.16% compounding semi-annually, payable annually. The Company had a pre-emptive right to repay the TIG Convertible Debenture in full upon a proposed transfer by TIG of the TIG Convertible Debenture. The TIG Convertible Debenture was convertible at any time after May 25, 2010 (the date of completion of an offering of the Pre-Consolidation Shares pursuant to an equity raise on the WSE) and prior to the maturity date at a conversion price equal to the lesser of $0.692 per Pre-Consolidation Share and the price for which the Pre-Consolidation Shares were offered in May 2010 pursuant to the equity raise on the WSE. The conversion price was subsequently fixed at $0.5767 per Pre-Consolidation Share by an amending agreement dated August 16, 2010. In September 2010, the Company paid accrued interest of $729,545 in cash.

On August 1, 2011, TIG sold the TIG Convertible Debenture to a subsidiary of MWG, an unrelated third party, for the face value of $10.0 million plus accrued interest. On August 12, 2011, MWG converted the TIG Convertible Debenture into 18,501,037 Pre-Consolidation Shares at $0.5767 per share.

Dutco Strategic Relationship and Dutco Loan

In July 2013, Serinus and Dutco announced the formalization of a strategic relationship. Gary King, a director of the Company, is Chief Executive Officer of Dutco Natural Resources Investments Ltd., an affiliate of Dutco. The following are part of this new strategic relationship:

- the Brunei Option and the Dutco Conversion Right;
- Serinus and Dutco agreed that for a period of one year, commencing July 17, 2013, they will jointly explore opportunities to collaborate on oil and gas investments in Tunisia; and
- Serinus and Dutco entered into the Dutco Loan. As at December 31, 2013, $15 million had been drawn on this facility.

For further information on the strategic relationship with Dutco, see *"General Development of the Business – Dutco Strategic Relationship and Dutco Loan".*

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Common Shares is Computershare Trust Company of Canada at its principal office in Calgary, Alberta.

MATERIAL CONTRACTS

The following is a list of material contracts required to be disclosed under National Instrument 51-102 *Continuous Disclosure Obligations*, which were entered into within the last financial year or are still in effect as of the date hereof, broken down into contracts entered into in the ordinary course of business and contracts entered into outside the ordinary course of business.

Material Contracts Entered into in the Ordinary Course of Business

For further information on the following agreements, see "*Principal Oil and Gas Assets – Romania - Material Agreements*".

- *Satu Mare Concession Agreement*
- *Satu Mare Farm Out Agreement*

For further information on the following agreements, see "*Principal Oil and Gas Assets – Brunei - Material Agreements*".

- *Block L Production Sharing Agreement ("**Block L PSA**")*
- *Block L Operating Agreement*

For further information on the following agreements, see *"Principal Oil and Gas Assets – Syria - Material Agreements".*

Material Contracts Entered into Outside the Ordinary Course of Business

For further information on the following agreement, see "*Principal Oil and Gas Assets – Ukraine - Material Agreements"*.

- *Shareholders' Agreement ("**SHA**")*
- *Technical Services Agreements*

For further information on the following agreements, please see "*General Development of the Business – EBRD Loan Facility - Ukraine*", "*General Development of the Business – Acquisition of Winstar Resources*", *"General Development of the Business – EBRD Loan Facility – Tunisia*" and "*General Development of the Business – Dutco Loan*" .

- *EBRD Loan Facility - Ukraine*

- Arrangement agreement dated April 24, 2013 among the Company, KI and Winstar, pursuant to which the 2013 Arrangement was effected. The particulars of the arrangement agreement dated April 24, 2013 are contained in the material change report dated May 6, 2013, which is hereby incorporated by reference into this AIF and which is available under the Company's profile on SEDAR at www.sedar.com.

- *EBRD Loan Facility - Tunisia*

- *Dutco Loan*

INTERESTS OF EXPERTS

KPMG LLP, Chartered Accountants (the auditors of the Company) prepared an auditors' report on the consolidated balance sheets of the Company as at December 31, 2013, and the consolidated statement of operations and retained earnings and cash flows for the year then ended, which auditor's report relates to the most recently completed fiscal year of the Company. As of March ●, 2014, KPMG LLP, Chartered Accountants have reported that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Alberta.

Information relating to the proven, probable and possible reserves of the Company in Ukraine and Tunisia included in this AIF were evaluated by RPS, as an independent third party qualified reserves evaluators. In addition, on September 6, 2013, the Company filed a document entitled "Reserves Data and Other Oil and Gas Information". The content, headings, formatting and tables in that document were taken directly from the Form NI 51-101F1 dated March 8, 2013 prepared by Winstar, which was in turn based on the RPS report dated March 11, 2013 and effective December 31, 2012. As of the date hereof, to the knowledge of the Company, the partners, employees and associates of RPS, as a group, own, directly or indirectly, less than 1% of the outstanding Common Shares.

OTHER EXPERTS WHO HAVE PREPARED REPORTS

On August 9, 2013, the Company filed a business acquisition report with respect to the 2013 Arrangement pursuant to National Instrument 51-102. As part of this filing, the Company included in a schedule an auditors' report prepared by PricewaterhouseCoopers LLP on the consolidated balance sheets of Winstar as at December 31, 2012, and the consolidated statement of operations and retained earnings and cash flows for the year ended December 31, 2012.

ADDITIONAL INFORMATION

Additional information regarding the Company may be found on SEDAR at www.sedar.com. In particular, additional information, including director's and officer's remuneration and indebtedness, the principal holders of Common Shares and the securities authorized for issuance under equity compensation plans, is contained in the Company's information circular dated May 21, 2013 relating to the annual and special meeting of shareholders held on June 20, 2013. Additional financial information is provided in the audited consolidated financial statements of the Company as at, and for the year ended, December 31, 2013 and management's discussion and analysis for the financial year ended December 31, 2013.