SERINUS ENERGY INC.

Management's Discussion and Analysis
For the year ended December 31, 2013
(US Dollars)

*This Management's Discussion and Analysis ("MD&A") for Serinus Energy Inc. ("**Serinus**", or "**the Company**") should be read in conjunction with the Company's audited Consolidated Financial Statements as at and for the years ended December 31, 2013 and 2012 ("**the Consolidated Financial Statements**"). Readers should also read the "Forward-Looking Statements" legal advisory contained at the end of this document.*

*Management is responsible for preparing the MD&A, while the audit committee of the Company's Board of Directors ("**the Board**") reviews the MD&A and recommends its approval by the Board.*

*This MD&A uses United States dollars ("**US Dollars**") which is the reporting currency of the Company. The consolidated financial statements for December 31, 2013 and 2012 are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). This document is dated March 19, 2014.*

In the Advisory section located at the end of this document, readers can find the definition of certain terms used in the disclosure regarding Oil and Gas Information, Non-IFRS Measures as well as information on "Critical Accounting Estimates".

Financial Highlights

- On June 24, 2013, the Company closed a plan of arrangement transaction ("**Arrangement**") with Winstar Resources Limited ("**Winstar**"), pursuant to which the Company acquired all of the issued and outstanding shares of Winstar. Results of operations of Winstar have been included in the consolidated financial results of Serinus effective June 24, 2013 with no comparative figures for 2012 or for the first six months of 2013.
- During 2013 net production levels (being the Company's production from Tunisia and its net 70% interest in Ukraine) averaged 4,081 boe per day, compared to 2,655 boe/d for 2012. The increase reflects production from Winstar's Tunisian assets acquired of 762 boe/d, and an increase in Ukraine production of 664 boe/d as a result of capital programs during 2013 and in 2012. Production for 2013 was weighted 83% (2012 -95%) natural gas with the remainder consisting of oil production. A similar trend is noted for the fourth quarter of 2013, which averaged 5,088 boe/d compared to 2,937 boe/d for the comparative period of 2012.
- Average natural gas prices in Ukraine remained strong and were slightly less during 2013 at $11.21 per Mcf as compared to $11.71 per Mcf for 2012. Crude oil sales in Tunisia realized an average price of $111.08 per bbl.
- The netback for the year ended December 31, 2013 for the Company was $45.43 per boe, compared to $48.88 in 2012. The decrease is attributable to a slightly lower netback in Ukraine of $41.69 as compared to 2012 of $48.88 , driven by lower natural gas realized prices and a higher royalty rate (25% in 2013 from 19% in 2012), partially offset by a higher netback in Tunisia at $68.68 per boe.
- Funds generated from operations were $14.6 million and $55.1 million for the three and twelve months ended December 31, 2013, respectively, as compared to $9.4 million and $33.3 million for the comparative periods of 2012. Funds from operations increased from 2013 due to the Winstar acquisition and increased production in Ukraine resulting in higher revenues, net of expenses. On a per share basis funds from operations increased from $0.75 in 2012 to $0.86.
- Revenue net of royalties increased to $112.2 million for 2013 compared to $80.1 million in 2012, with the three month period ended December 31, 2013 increasing to $33.9 million compared to $21.9 million in 2012. The increases are attributable to the Winstar acquisition and increased production in Ukraine largely a result of the tie-in of the M-16 well and the wells that have been tied in from the 2012 and 2013 capital program.
- During 2013, the Company through its 70% owned subsidiary in the Ukraine made an early repayment of $10 million on the European Bank for Reconstruction and Development ("**EBRD**") loan from cash generated by operations in Ukraine, in addition to the regular scheduled repayments, leaving a balance of $7.6 million outstanding as at December 31, 2013.
- Dividends in the amount of $32.5 million were successfully paid out of the Ukraine from cash generated from Ukrainian operations during 2013 with $9.7 million being allocated to the non-controlling shareholder. Since acquisition a total of $40 million has been paid out by Kub Gas LLC.
- The Kulczyk Investments ("KI") loan was converted to common shares at the time of closing the Arrangement and KI was issued 3,183,268 post-consolidation common shares relating to the aggregate principal and interest outstanding in the amount of $13.4 million.
- In July 2013, the Company entered into a strategic relationship with Dutco Energy Ltd ("**Dutco**") which involved entering into an option agreement with Dutco, which gives Dutco the right to acquire an interest in Block L in consideration for providing the Company with a $15 million secured credit facility. The credit facility was used to fund capital expenditures in Brunei. As at December 31, 2013, the full $15 million had been drawn on this facility.
- In November 2013, the Company entered into two loan agreements in the aggregate amount of USD $60 million (the "Financing") with EBRD to assist the Company in funding the capital program being planned for its recently acquired oil and gas fields in Tunisia.
- The Company drilled two wells in Brunei, to meet its minimum work commitments. The Lukut Updip-1 well was drilled in the third quarter to a total measured depth of 2,137 metres and suspended pending further evaluation after encountering very high formation pressures. Due to the significantly higher than expected formation pressures and equipment limitations, the Company determined that it could no longer safely continue to drill the well and casing was set to a depth of 2,120 metres after a cement plug had been placed in the well. Testing of the heavily damaged zones produced gas at non-commercial rates. The drill rig was moved to the Luba-1 well, which was drilled in the fourth quarter to a total measure depth of 1,720 meters and suspended pending further evaluation after attempts to recover the bottom hole assembly ("BHA"), which was stuck in the hole, were not successful. All efforts to free the BHA were unsuccessful and the Company decided to cut off the drill string and set a cement

plug above the BHA. At this stage it remains unclear why the drill string became stuck in the well, and since the Company cannot guarantee not getting stuck again in a sidetrack it was decided to suspend the well to allow time for evaluation and future planning. The Company, together with Petroleum Brunei, are in the process of evaluating the drilling campaign with a view to determining a way forward. The Company has fully impaired its Brunei assets as at December 31, 2013 following the unsuccessful drills.

Overview

Serinus is an international oil and gas exploration and production company with operations in Ukraine, Tunisia, Brunei, Romania, and interests in Syria. The Company has management offices in Calgary (Canada), Dubai (United Arab Emirates) and in Warsaw (Poland).

On June 11, 2010, the Company completed the acquisition of an effective 70% ownership interest in KUB-Gas LLC ("**KUB-Gas**"), a Ukrainian company which owns assets from which all of the Company's revenues were produced prior to the acquisition of Winstar in June 2013. Prior to June 11, 2010, none of the Company's oil and natural gas projects had any production. All the KUB-Gas shares are held through KUBGAS Holdings Limited ("**KUB Holdings**"), a private company incorporated in Cyprus, which is 70% owned by the Company.

The Company controls KUB Holdings and is required under International Financial Reporting Standards ("**IFRS**") to consolidate the results of KUB Holdings and KUB-Gas into its financial statements, and in doing so the Company has reported 100% of the revenues, royalties and production and other expenses for KUB Holdings and KUB-Gas. Similarly, the Company reports 100% of the assets and liabilities of KUB Holdings and KUB-Gas on its consolidated balance sheet.

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

The Company's activities are focused on the further development of producing assets in Ukraine and Tunisia and on the acquisition and evaluation of various exploration projects, which are in the pre-production phase. The Company believes it has demonstrated its ability to source, negotiate and conclude agreements for exploration, development and production opportunities, and to mitigate risk as well as partially finance the expenditure commitments pursuant to these agreements via farm-out arrangements. Capital expenditures and operations are also funded through debt facilities and through internally generated net production revenue. Management intends to continue following this successful business model in developing future opportunities while it continues to develop existing oil and gas assets.

Subsequent to year end, Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest, which escalated into violent conflicts in February 2014, has resulted in the Ukrainian parliament initiating the resignation of the president, change of government and heads of key governing bodies. It also lead to the deepening of the ongoing economic crisis, widening of the state budget deficit, depletion of the National Bank of Ukraine's foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings. In February 2014, following the significant devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions. The new government has approached international lenders with the request to provide financing in order to stabilize macroeconomic situation. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

To date there has been limited impact on the Company's Ukrainian operations however, whilst management believes it is taking appropriate measures to support the sustainability of the KUB-Gas' business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Company's results and financial position in a manner not currently determinable.

(Stated in US dollars, except as noted)

Acquisition of Winstar Resources Ltd.

On June 24, 2013, the Company closed a plan of Arrangement with Winstar pursuant to which the Company acquired all of the issued and outstanding shares of Winstar.

In connection with the closing of the 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 post-consolidation share for every ten pre-consolidation shares. On June 27, 2013 the Company's common shares commenced trading on the Toronto Stock Exchange under trading symbol "SEN". The Company's common shares continue to be listed on the Warsaw Stock Exchange, now under the trading symbol "SEN".

Under the terms of the Arrangement, Winstar shareholders, for each share held, received 7.555 pre-consolidation shares of the Company or CAD$2.50 in cash, subject to a maximum of CAD$35 million in cash, with such cash provided by Kulczyk Investments S.A. ("**KI**"), the major shareholder of the Company. 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 Arrangement, of which 10,577,000 post-consolidation common shares were issued to KI. A total of 16,675,500 post-consolidation common shares of the Company were issued to Winstar shareholders who elected to receive common shares, for a total of 27,252,500 post-consolidation common shares issued as consideration for the acquisition of Winstar. The closing price of the common shares on the Warsaw Stock Exchange at time of closing was equivalent to $3.65 USD per share.

The Acquisition was accounted for by the acquisition method based on fair values with operating results included from July 1, 2013. Results of the Winstar assets for the period June 25 to June 30, 2013 were not material and are not reflected in the results of Serinus. The results of operations of Winstar have been included in the consolidated financial results of Serinus effective July 1, 2013 with no comparative figures for 2012 or for the first six months of 2013.

UKRAINE

As at December 31, 2013 KUB-Gas owns the following licenses in Ukraine:

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

The Company may produce gas and gas condensate under the exploration licence in an amount up to 10% of total estimated reserves as approved by the licensor, the Ministry for Environmental Protection of Ukraine, and may not exceed the cap during the exploration status. The Company can convert exploration licences into production licences which allow unlimited production of gas and gas condensate over the terms of the licences, and which are generally 20-25 years in duration. During the third quarter of 2013 the Company converted the Krutogorovskoye field exploration licence into a production licence.

The Company began to generate revenues with its acquisition of its interest in the licences in June 2010, and since that time has generated $193.8 million of revenue, net of royalties, in aggregate from these assets, of which $135.6 million is net to the 70% interest held by Serinus.

TUNISIA

With the acquisition of Winstar, the Company acquired working interests in the Chouech Es Saida, Ech Chouech, Sanrhar, Sabria and Zinna concessions in Tunisia. Four of the concessions are currently producing oil or gas.

(Stated in US dollars, except as noted)

As at December 31, 2013, the Company has the following interests in the concessions:

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

The Tunisian state oil and gas company, Enterprise Tunisienne d'Activites Petroliere ("**ETAP**"), has the right to back into up to a 50% working interest in the Chouech Es Saida concession if and when the cumulative liquid hydrocarbon sales, net of royalties and shrinkage, from the concession exceed 6.5 million barrels. As at December 31, 2013, cumulatively 4.7 million barrels, net of royalties and shrinkage have been sold from the concession.

BRUNEI BLOCK L

In Brunei, the Company holds a 90% working interest in the Brunei Block L production sharing agreement ("**Block L PSA**") which gives the Company and the other parties thereto the right to explore for and, upon fulfillment of certain conditions, the right to produce oil and gas from Block L, a 1,123 square kilometre (281,000 acre) area covering certain onshore and offshore areas. The Company is Operator of the Block. The minimum expenditure commitment under phase 2 of the exploration period was $16 million, which was met as at December 31, 2012 and the remaining work commitments were to drill at least two onshore exploration wells, each to a minimum of 2,000 metres. The first well, Lukut Updip-1 drilled to a total depth of 2,137 metres measured depth and suspended pending further evaluation after encountering very high formation pressures and gas. Due to the significantly higher than expected formation pressures and equipment limitations, the Company determined that it could no longer safely continue to drill the well and casing was set to a depth of 2,120 metres after a cement plug had been placed in the well. Testing of the heavily damaged zones subsequent to the end of the third quarter produced gas at non-commercial rates. The rig and equipment were moved to the second drilling location Luba-1, which was drilled to a total measure depth of 1,720 metres and suspended pending further evaluation after attempts to recover the bottom hole assembly ("BHA"), which was stuck in the well, were not successful.

The Company has spent approximately $50.5 million on drilling four wells in Block L, $25.5 million on seismic and $7.0 million on capitalized G&A and other minor capital costs. Due to the results of the wells drilled to date, the Company has determined that an indicator of impairment exists at December 31, 2013 and management performed an impairment test. The future cashflows of Block L are uncertain with no proved or probable reserves assigned; therefore the Company determined that as of December 31, 2013, the Block L CGU was impaired by the full amount spent to date and impairment of $83.0 million was recorded on the statement of operations and comprehensive loss.

The Company, together with Petroleum Brunei, are in the process of evaluating the drilling campaign with a view to determining a way forward.

ROMANIA

With the acquisition of Winstar, the Company has become party to a joint venture agreement with Rompetrol S.A. ("**Rompetrol**"), under which, by fulfilling certain commitments consisting of processing and acquiring seismic and the drilling of exploration wells, the Company earned a 60% interest in the 2,949 square kilometre onshore Satu Mare exploration concession agreement in north western Romania. The Company has fulfilled 100% of the first stage of the work commitments required under the concession agreement, and has committed to a second phase of exploration. The second stage, which expires in May 2015, includes the drilling of two exploration locations and the acquisition of 180 km of 3D seismic, which, under the terms of the joint venture agreement, the Company is required to fund 100%. The Company expects to complete phase 2 in 2014.

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

(Stated in US dollars, except as noted)

SYRIA

In Syria, the Company holds a working interest of 50% in the Syria Block 9 production sharing contract ("**Block 9 PSC**") which provides the right to explore for and, upon fulfillment of certain conditions, to produce oil and gas from Block 9, a 10,032 square kilometre (2.48 million acre) area in northwest Syria. The Company has an agreement to assign a 5% ownership interest to a third party which is subject to the approval of Syrian authorities, and which, if approved, would leave the Company with a remaining effective interest of 45% in Block 9.

Effective July 16, 2012 the Company, in its capacity as Operator of Block 9 in Syria, gave notice to the Ministry of Petroleum and Mineral Resources of its declaration of force majeure. The circumstances leading to the force majeure included conditions arising from the current instability, including difficult operating conditions and the inability to move funds into the country, rendering performance of the Company's obligations under the contract impossible and all of the circumstances beyond the Company's reasonable control. The exploration period of the Block was due to expire on October 27, 2012. The first exploration well, the Itheria 1 well, remains suspended at a depth of 2,072 metres.

As at December 31, 2013, the Company's Syrian assets are fully impaired as the project remains suspended. The Company continues to monitor the situation, but no definite plans can be made with respect to the timing of a potential return to Syria to continue with the exploration of Block 9.

MINOR ASSETS

As part of the Winstar acquisition, the Company acquired interests in a minor property at Sturgeon Lake in Alberta, Canada. The Company plans to dispose of the asset during 2014. This asset is not currently producing and has a future abandonment liability associated with it of $1.4 million.

In addition, as part of the Winstar acquisition, the Company acquired a 4% net profits interest in the Igal II Exploration permit in Hungary.

The Company also acquired the interest held by Winstar in the Torokkoppany field in Hungary. Abandonment of this field was completed during the first six months of 2013. The Company expects to wind up its Hungarian operations in 2014.

Oil and Gas Reserves

FACTORS	LIGHT AND MEDIUM OIL			ASSOCIATED AND NON-ASSOCIATED GAS			TOTAL		
	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved + Probable (Mbbl)	Gross Proved (MMscf)	Gross Probable (MMscf)	Gross Proved + Probable (MMscf)	Gross Proved (Mboe)	Gross Probable (Mboe)	Gross Proved + Probable (Mboe)
TOTAL COMPANY									
December 31, 2012	203	287	490	30,926	22,383	53,308	5,358	4,017	9,375
Extensions	(7)	(11)	(17)	(697)	(575)	(1,273)	(123)	(107)	(230)
Improved Recovery	(5)	(4)	(9)	4,146	5,139	9,286	686	853	1,539
Technical Revisions	440	138	578	1,121	(2,544)	(1,424)	627	(286)	341
Discoveries	-	-	-	-	-	-	-	-	-
Acquisitions	2,500	5,395	7,895	5,907	13,015	18,921	3,485	7,564	11,049
Dispositions	-	-	-	-	-	-	-	-	-
Economic Factors	(40)	9	(32)	37	(65)	(28)	(34)	(2)	(36)
Production + Inventory changes	(256)	-	(256)	(7,417)	-	(7,417)	(1,493)	-	(1,493)
							-	-	-
December 31, 2013	2,836	5,813	8,650	34,022	37,351	71,373	8,507	12,038	20,545

As a result of the 2013 drilling program in the Ukraine and the Winstar Acquisition, offset by the increased production in 2013 in the Ukraine, 11.1 Mboe of new proved plus probable ("**2P**") reserves were added and 1.4 Mboe's were produced during the year leaving an ending total of 20.5 Mboe's in 2P reserves at year end, an increase of 119% over the December 31, 2012 ending balance of 9.3 Mboe's. During 2013, the Company drilled exploration and development wells which determined the existence and commercial capability of new productive zones, and further defined the extent and size of current productive zones in existing wells.

The Company's plans for 2014 are to continue developing its reserves through further drilling both in Ukraine and Tunisia.

Non-Controlling interest

The Company controls KUB Holdings and is required under International Financial Reporting Standards ("**IFRS**") to consolidate the results of KUB Holdings and KUB-Gas into its financial statements, and in doing so, report 100% of the revenues, royalties and production expenses for KUB Holdings and KUB-Gas within its Statements of Operations and Cash Flow. Similarly, the Company reports 100% of the assets and liabilities of KUB Holdings and KUB-Gas on its consolidated balance sheet. The 30% share of the net assets of KUB Holdings and KUB-Gas attributable to the minority shareholder in KUB Holdings is then presented by way of a one line entry as "non-controlling interest" within shareholders' equity on the balance sheet. Net earnings and comprehensive earnings for the year are presented in the table below to show the allocation between the Company's 70% shareholdings and the non-controlling 30% shareholder's interest.

Substantially all financial and production analysis in this MD&A reflect the 100% interest in the results of KUB Holdings and KUB-Gas. The table below summarizes the 2013 results reported by the Company in accordance with IFRS, including 100% of KUB Holdings and KUB-Gas as described above, then removes the 30% share allocable to the non-controlling interest to reflect the net results of operations attributable to the Company's 70% economic interest.

(Thousands of US dollars except volume amounts)	As reported	Allocated to non-controlling interest	Net to Serinus
Total daily production (boe)	5,503	(1,422)	4,081
Oil and gas revenue	$ 146,732	$ (35,325)	$ 111,407
Royalties	(34,496)	9,109	(25,387)
Oil and gas revenues, net of royalties	112,236	(26,216)	86,020
Production expenses	(20,926)	4,553	(16,373)
General and administrative	(12,067)	523	(11,544)
Transaction costs	(4,487)	-	(4,487)
Stock-based compensation	(2,927)	-	(2,927)
Depletion and depreciation	(27,782)	6,323	(21,459)
Impairment of exploration and evaluation assets	(83,053)	-	(83,053)
Interest and other income	590	(169)	421
Foreign exchange gain/(loss)	(1,174)	393	(781)
Unrealized gain (loss) on investments	(145)	-	(145)
Interest expense and accreation	(4,409)	725	(3,684)
Earnings before taxes	(44,144)	(13,868)	(58,012)
Current tax expense	(16,025)	3,145	(12,880)
Deferred tax expense	2,643	(433)	2,210
Earnings for the period	$ (57,526)	$ (11,156)	$ (68,682)
Funds from operations	$ 55,074	$ (17,090)	$ 37,984

Funds from Operations

As noted in the non-IFRS measures section of this MD&A, the Company uses funds from operations as a key performance indicator to measure the ability of the Company to generate cash from operations to fund future exploration activities.

Funds flow from operations is calculated based on cash flow from operating activities before changes in non-cash working capital and transaction costs.

The following table reconciles the cash flow from operating activities to funds from operations:

(Thousands of US dollars except per share amounts)	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended 2013	Year ended 2012
Cash flow from operations	$ 12,745	$ 14,943	$ 53,911	$ 38,747
Changes in non-cash working capital	1,880	(5,544)	1,163	(5,488)
Funds from operations	$ 14,625	$ 9,399	$ 55,074	$ 33,259
Funds from operations per share	$ 0.19	$ 0.20	$ 0.86	$ 0.75

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

Funds from operations increased by $5.2 million to $14.6 million for the fourth quarter of 2013 (2012 - $9.4 million). The increase in funds from operations for the fourth quarter of 2013 is attributable to increased royalties ($4.4 million), production expense ($4.6 million) general and administrative costs ($0.8 million) and current taxes ($4.9 million) , more than offset by increased revenue ($16.4 million) and decreased net interest expense (including interest and other income) ($4.7 million). The remaining difference is due to transaction costs, expenditures on decommissioning liabilities and realized foreign exchange losses.

For the year ended December 31, 2013, funds from operations increased $21.8 million as compared to the comparable period in 2012 to $55.4 million. Increased production revenue ($47.1 million) and decreased net interest expense (including interest and other income) ($2.8 million) were partially offset by increased royalties ($15.0 million), production expenses ($8.7 million), general and administrative costs ($2.6 million) and current taxes ($6.3 million). The remaining variance is attributable to the additional Block M penalty of $6.0 million which was recorded in 2012 reducing the 2012 funds from operations as well as an increase in transaction costs, expenditures on decommission liabilities and realized foreign exchange gains (losses).

Production

	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended 2013	Year ended 2012
Average Daily Production (net to Serinus)				
Crude Oil (bbl/d)	1,047	-	557	-
Natural gas (mcf/d)	23,566	16,832	20,418	15,098
Natural gas liquids (bbl/d)	113	132	120	139
Total boe/d	5,088	2,937	4,081	2,655
Production by Location (boe/d)				
Ukraine	3,626	2,937	3,319	2,655
Tunisia	1,462	-	762	-
Total boe/d	5,088	2,937	4,081	2,655

Production volumes increased by 53% in 2013 to 4,081 boe/d, net to Serinus, compared to 2,655 boe/d in the comparable period of 2012. The increase in 2013 reflects production of 762 boe/d resulting from the acquisition of Winstar and an increase of 25% in production volumes from Ukraine. The Winstar production reflected includes the impact on the full year boe/d calculation but only includes the production from the Winstar assets post acquisition from June 24 to December 31, 2013. Since acquisition production volumes were 1,512 boe/d.

(Stated in US dollars, except as noted)

Similar trends are noted on a quarterly basis with the Winstar production included for the fourth quarter.

UKRAINE

	Three months ended December 31,		Year ended	
	2013	2012	2013	2012
Average Daily Production (net to Serinus)				
Natural gas (mcf/d)	21,075	16,832	19,198	15,098
Natural gas liquids (bbl/d)	113	132	120	139
Total boe/d	3,626	2,937	3,319	2,655

In Ukraine, production volumes increased by 24% in the fourth quarter of 2013 to average 3,626 boe/d, compared to 2,937 boe/d in the comparable period of 2012. Similar trends are noted on a full year basis, with production increasing by 25% in 2013 to 3,319 boe/d as compared to 2,655 boe/d in 2012.

In 2013 the Company's net production from Ukraine had increased to 19.2 MMcfe/d with gross production of 27.4 MMcfe/d from the four producing fields, largely a result of the tie-in of the M-16 well and the wells that have been tied in from the 2012 and 2013 capital program, plus the numerous wells that have been worked over.

The M-16 well commenced production in late May and produced an average of 2.1 MMcfe/d (1.4 MMcfe/d net to Serinus) of natural gas for the year ending December 2013. The M-16 exploration well resulted in the discovery of a new pool on the Makeevskoye field in the S6 zone.

Production from the Olgovskoye and Makeevskoye fields is currently at maximum capacity given constraints of the gas processing facilities. KUB-Gas has expanded its facilities to increase the throughput capacity, from approximately 30 MMcf/d to 68 MMcf/d, for these fields. This work is completed with throughput starting in early March, 2014.

TUNISIA

	Three months ended December 31,		Year ended	
	2013	2012	2013	2012
Average Daily Production				
Crude Oil (bbl/d)	1,047	-	557	-
Natural gas (mcf/d)	2,486	-	1,229	-
Total boe/d	1,462	-	762	-

In Tunisia, production averaged 1,462 boe/d for the three months ended December 31, 2013. Production is predominantly from the Chouech Es Saida and Sabria fields, which account for 92% of the production from Tunisia. Minimal capital expenditures have been incurred on the Winstar properties since acquisition, limited to workover activities on producing wells resulting in minor amounts of downtime. New wells on the Tunisia properties are expected to commence drilling in the second quarter of 2014, with expected production adds in the second half of 2014.

The production for the year ended 2013 includes only the amounts produced since acquisition resulting in the impact to Serinus being an additional 762 boe/d for the year ended December 31, 2013. The production relating to Tunisia for the six months since acquisition was 1,512 boe/d.

Oil and natural gas sales

(Thousands of US dollars except per unit amounts)	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended 2013	Year ended 2012
Crude oil	$ 10,438	$ -	$ 22,590	$ -
Natural gas	32,184	25,643	118,632	92,384
Natural gas liquids	1,079	1,695	5,510	7,204
	$ 43,700	$ 27,338	$ 146,732	$ 99,588
Ukraine (a)				
Natural gas ($/mcf)	$ 11.02	$ 11.62	$ 11.21	$ 11.71
Natural gas liquids ($/bbl)	77.37	98.04	87.90	98.91
Average price ($/boe)	$ 66.48	$ 70.80	$ 67.99	$ 71.70
Tunisia (b)				
Crude Oil($/bbl)	$ 108.48	$ -	$ 111.08	-
Natural gas ($/mcf)	14.09	-	14.26	-
Average price ($/boe)	$ 101.70	$ -	$ 104.22	-

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

Oil and gas revenue increased by 60% in the fourth quarter of 2013 as compared to the fourth quarter of 2012, reflecting revenues attributable to Winstar (Tunisia) since July 1, 2013 and increased revenues from Ukraine, driven by a 24% increase in production volumes, partially offset by a decrease in the average realized price of 6%. Similar trends are noted for the year ended December 31, 2013, with oil and gas revenue increasing by 47%.

In Ukraine, revenues totalled $117.8 million for 2013, as compared to $99.6 million in 2012. The increase of 18% is attributable to increased volumes of 25%, partially offset by a decrease in the average commodity price of 4%.

Ukraine natural gas commodity prices were slightly lower in the fourth quarter of 2013 compared to the same period in 2012, with a realized natural gas price of $11.02 per Mcf, compared to $11.62 for the fourth quarter of 2012, with similar trends noted on a year to date basis. The domestic gas price within Ukraine is set by the National Electricity Regulatory Commission of Ukraine by reference to the Russian imported gas price.

In Ukraine, all of the Company's production is marketed and sold to wholesalers, who then sell to industrial users. With the previous agreement between Russia and Ukraine, the government of Ukraine had published maximum natural gas prices by quarter for 2014 for the sale of natural gas to industrial consumers. This price schedule represents a decrease in pricing every quarter with the first quarter at USD 10.70/Mcf, using an exchange rate of 8.2 UAH/USD and net of VAT. In January 2014, Ukraine natural gas sold by KUB-Gas has realized a price of $9.48/Mcf. While gas produced by KUB-Gas in February was sold at a price of USD8.74 per Mcf. These prices reflects both the discounts on the Russian gas, and the ongoing deterioration of the Ukrainian Hryvnia vs. in particular the US Dollar. While the Company has been advised that the gas price for the month of March will be the same as in the month of February, reports are that the Russian gas price will not be subsidized in April and consequently the Company expects that the price at which it will sell gas in April will increase. The future of natural gas prices in Ukraine is currently subject to a high degree of uncertainty and it is unknown what the future prices the Company will receive on its Ukraine production.

Oil sales for Tunisia included volumes loaded onto tankers, which generally occurs every two months, as well as the change in the net realizable value of oil inventory. During the fourth quarter of 2013, the Company had a tanker lifting in October and December, resulting in crude oil volumes of 11,052 boe being on hand and recorded as inventory as at December 31, 2013. Inventory is recorded at net realisable value, with the amount recognised in revenue relating to inventory being $1.2 million.

Tunisian revenues of $28.9 million reflect an average crude oil price of $111.08 per bbl. Oil prices in Tunisia are based on a premium to Brent over the 3 day lifting period. The Company is required to sell 20% of its annual oil production from the Sabria concession into the local market, which is sold at an approximate 10% discount to the price obtained on its other crude sales. Natural gas prices are nationally regulated and are tied to the twelve month trailing average of low sulphur heating oil (benchmarked to Brent).

Royalties

(Thousands of US dollars except per unit amounts)	Three months ended December 31,		Year ended	
	2013	2012	2013	2012
Ukraine	$ 7,689	$ 5,367	$ 30,364	$ 19,468
Tunisia (a)	2,092	-	4,132	-
Total royalties	$ 9,781	$ 5,367	$ 34,496	$ 19,468
$/boe	$ 16.71	$ 13.90	$ 17.16	$ 14.02
Royalties by Location as a percentage of sales				
Ukraine	25.6%	19.6%	25.8%	19.5%
Tunisia	15.3%	-	14.3%	-
	22.4%	19.6%	23.5%	19.5%

(a) Operating results from Tunisia are included from June 24, 2103, the date of acquisition, onwards.

In Ukraine, prior to 2013, royalty rates were set each month by the government based primarily on prevailing market prices. Commencing January 2013, royalty rates were set at rates of 25% for natural gas and 39% for condensate. The average royalty rate in the fourth quarter of 2013 was 25.6% as compared to 19.6% in the fourth quarter of 2012, the increase reflecting the new legislated rates for 2013. Similar trends are noted on a year-to-date basis.

In Tunisia, royalties are based on individual concession agreements, which do not exceed 15%. In two concessions, Sabria and Zinnia, the royalty rate varies depending on a calculation of cumulative revenues, net of taxes, as compared to cumulative investment in the concession, known as the "R factor". As the R factor increases, so does the royalty percentage to a maximum rate of 15%. However, as the royalty rate set by the government, is based on the previous month's published average pricing, which differs to the Company's actual realized price, it creates a minor difference to the rate of 15%.

Production expenses

(Thousands of US dollars except per unit amounts)	Three months ended December 31,		Year ended	
	2013	2012	2013	2012
Ukraine	$ 4,004	$ 2,970	$ 15,176	$ 12,223
Tunisia (b)	3,575	-	5,750	-
Production expenses	$ 7,579	$ 2,970	$ 20,926	$ 12,223
Production expense by location ($/boe)				
Ukraine (a)	$ 8.84	$ 7.69	$ 8.76	$ 8.80
Tunisia	26.64	-	20.67	-
	$ 12.75	$ 7.69	$ 10.41	$ 8.80

(a) The Ukraine production expense per boe are based on the average price received in Hryvnia for the fourth quarter converted to USD using the average FX rate for the quarter.
(b) Operating results from Tunisia are included from June 24, 2103, the date of acquisition, onwards.

On an absolute basis, production expenses have increased 155% to $7.6 million in the fourth quarter of 2013 from $3.0 million in the fourth quarter of 2012, and have increased on a per boe basis to $12.75 per boe from $7.69 per boe. The increase during the fourth quarter of 2013 is due to the inclusion of production costs related to Tunisia, and an increase of $1.0 million in Ukraine with per boe rates increasing by $1.15 to $8.84.

(Stated in US dollars, except as noted)

For the year ended December 31, 2013, production expenses have increased to $20.9 million from $12.2 million in 2012, reflecting increased production. On a per boe basis production expenses have increased 18% to $10.41 per boe from $8.80 per boe in the prior year, due to the inclusion of Tunisia at $20.67 per boe in the second half of the year. Tunisia's production is weighted to oil which has a higher cost to produce than the other Serinus natural gas properties due to the desert terrain and drilling depth. Production costs in Ukraine have increased 24% year over year due to increased production levels but are consistent on a per boe basis year over year.

Oil and Gas Netback

UKRAINE Netback by Commodity (a)	Three months ended December 31,					
	2013			2012		
	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**
Average daily sales volumes (gross)	30,107	161	**5,179**	24,046	189	**4,196**
Average daily sales volumes (net to Serinus)	21,075	113	**3,626**	16,832	132	**2,937**
Revenue	$ 11.02	$ 77.37	**$ 66.48**	$ 11.62	$ 98.04	**$ 70.80**
Royalty expense	(2.74)	(34.90)	**(17.02)**	(2.14)	(36.36)	**(13.90)**
Production expenses	(1.52)	-	**(8.84)**	(1.34)	-	**(7.69)**
Netback	$ 6.76	$ 42.47	**$ 40.62**	$ 8.14	$ 61.68	**$ 49.21**

	Year ended December 31					
	2013			2012		
	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**
Average daily sales volumes (gross)	27,425	171	**4,742**	21,569	199	**3,793**
Average daily sales volumes (net to Serinus)	19,198	120	**3,319**	15,098	139	**2,655**
Revenue	$ 11.21	$ 87.90	**$ 67.99**	$ 11.71	$ 98.91	**$ 71.70**
Royalty expense	(2.81)	(34.71)	**(17.53)**	(2.12)	(37.53)	**(14.02)**
Production expenses	(1.52)	-	**(8.76)**	(1.55)	-	**(8.80)**
Netback	$ 6.88	$ 53.18	**$ 41.69**	$ 8.01	$ 63.22	**$ 48.88**

(a) The Ukraine netbacks per boe are based on the average price received in Hryvnia for the fourth quarter converted to USD using the average FX rate for the quarter.

TUNISIA Netback by Commodity	Three months ended December 31, 2013			Year ended December 31, 2013		
	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**	Gas (Mcf)	Oil and liquids (bbl)	**Total (boe)**
Average production volumes (net to Serinus)	2,486	1,047	**1,462**	1,229	557	**762**
Revenue	$ 14.09	$ 108.48	**$ 101.70**	$ 14.26	$ 111.08	**$ 104.22**
Royalty expense	(2.06)	(16.87)	**(15.59)**	(1.99)	(15.92)	**(14.86)**
Production expenses	(4.44)	(26.64)	**(26.64)**	(3.45)	(20.67)	**(20.67)**
Netback	$ 7.59	$ 64.96	**$ 59.47**	$ 8.82	$ 74.48	**$ 68.68**

Operating results from Tunisia are included form June 24, 2013, the date of acquisition, onwards. There are no 2012 comparative figures for Tunisia.

In Ukraine, netback decreased to $40.64 per boe in the fourth quarter of 2013, compared to $49.21 per boe in the comparable period of 2012, due to lower realized prices, higher royalty rates and higher production expenses. Similar trends are noted on a full year basis with production expenses comparable to the prior year.

In Tunisia, the netback was $59.47 per boe for the fourth quarter and $68.68 on a year to date basis. The decrease in the fourth quarter is due to lower realized prices, higher royalties and higher production expenses, driven by increased personnel, safety and training costs.

General and Administrative

(Thousands of US dollars except per unit amounts)

	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended 2013	Year ended 2012
General and administrative	$ 2,425	$ 1,599	$ 12,067	$ 9,498
$/boe	$ 3.97	$ 4.14	$ 6.00	$ 6.84

General and administrative ("**G&A**") costs for the fourth quarter of 2013 have increased to $2.4 million, an increase of $0.8 million, which reflects additional administrative costs associated with the acquisition of Winstar, including an increase in Calgary head office employees. On a per boe basis, G&A costs have decreased by 4 % to $3.97 per boe for the quarter.

On a year-to-date basis similar trends are noted with G&A per boe down 12% reflecting higher production levels as on an absolute basis costs have increased by $2.6 million.

G&A costs incurred by the Company are expensed, with certain costs directly related to exploration and development assets being capitalized.

Transaction Costs

(Thousands of US dollars except per unit amounts)

	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended 2013	Year ended 2012
Transaction costs	$ 1,083	$ 903	$ 4,487	$ 4,193
$/boe	$ 1.77	$ 2.34	$ 2.23	$ 3.02

Transaction costs are project related expenditures. The 2013 expense comprises of costs associated with the acquisition of Winstar and other miscellaneous projects.

Stock based compensation

(Thousands of US dollars except per unit amounts)

	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended 2013	Year ended 2012
Stock based compensation	$ 2,094	$ 336	$ 2,927	$ 1,968
$/boe	$ 3.43	$ 0.87	$ 1.46	$ 1.42

Stock based compensation was $2.1 million for the fourth quarter of 2013 (2012 - $0.3 million) and $2.9 million for the year ended December 31, 2013 (2012 - $1.9 million). The increase in the fourth quarter of 2013 reflects the number of options granted and immediately vested, whereas fewer options were granted during the comparable period of 2012. Under the terms of the stock option plan, when options are granted 1/3 vest immediately and then 1/3 vests on the anniversary of grant date for each of the two subsequent years. These terms result in a proportionally higher expense in the period of grant as compared to later periods.

Depletion and Depreciation and Impairment

(Thousands of US dollars except per unit amounts)

	Three months ended December 31,				Year ended			
	2013		2012		2013		2012	
Ukraine	$	5,522	$	5,740	$	21,077	$	25,796
Tunisia		3,380		-		6,552		-
Corporate		42		28		153		34
Depletion and depreciation ("**D&D**")	$	8,944	$	5,768	$	27,782	$	25,830
Impairment	$	83,053	$	2,451	$	83,053	$	87,739
D&D by location ($/boe)								
Ukraine	$	11.59	$	14.87	$	12.17	$	18.57
Tunisia		25.19		-		23.56		-
	$	14.64	$	14.87	$	13.82	$	18.57

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

The depletion and depreciation expense in the fourth quarter of 2013 was $8.9 million compared to $5.8 million in the fourth quarter of 2012, an increase of 53% attributable to the acquisition of Winstar and offset by a decrease in Ukraine as a result of using the December 2013 reserve report. The depletion rate per boe has remained similar in the fourth quarter of 2013 at $14.64 from $14.94 with the decrease attributable to the lower depletion rate in Ukraine offset by higher depletion rate in Tunisia driven by its oil weighting.

Depletion and depreciation expense for the year ended December 31, 2013 was $27.7 million (2012 - $25.8 million). The overall annual depletion rate per boe decreased in 2013 to $13.82 from $18.57 in 2012. The decrease year over year is attributable to higher reserve volumes at December 2012 for Ukraine. In 2012, the first nine months depletion calculation was based on the 2011 reserves which resulted in a higher depletion rate in the first nine months of 2012 compared to 2013.

Impairment of $83 million in the fourth quarter of 2013 reflects impairment of Brunei Block L. The Company has spent approximately $50.5 million on drilling four wells in Block L, $25.5 million on seismic and $6.0 million on capitalized G&A and other minor capital costs. Due to the results of the wells drilled to date, the Company has determined that an indicator of impairment exists at December 31, 2013 and management performed an impairment test. The future cashflows of Block L are uncertain with no proved or probable reserves assigned; therefore, the Company determined that as of December 31, 2013, the Block L CGU was impaired by the full amount spent to date and impairment of $82.0 million was recorded on the statement of operations and comprehensive loss. The Company together with Petroleum Brunei are in the process of evaluating the drilling campaign with a view to determining a way forward.

In 2012, an impairment charge for Block M in Brunei was recorded totalling $85.5 million in addition to a $2.2 million impairment charge relating to Syria.

Interest expense and accretion

(Thousands of US dollars)	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended 2013	Year ended 2012
Interest on long-term debt	$ 310	$ 2,489	$ 2,362	$ 5,542
Interest on convertible note payable and convertible debentures	459	988	1,370	2,392
Other interest charges	36	-	215	-
Accretion	167	127	462	153
	$ 972	$ 3,604	$ 4,409	$ 8,087

Interest and accretion expense in the fourth quarter of 2013 was $1.0 million (2012 - $3.6 million). The decrease in the current quarter was attributable lower debt levels, resulting from the conversion of the note payable in June 2013 and principal repayments on the EBRD loan of $13.5 million, which resulted in a loan balance of $7.6 million compared to 2012 of $21.4 million.

On a full year basis, interest and accretion expense has decreased from $8.1 million to $4.4 million. The decrease is mainly attributable to interest on the KI-Radwan convertible debentures that matured in August 2012, the pre-payment early in 2013 of $10 million on the Ukrainian loan from EBRD and the conversion of the KI loan on acquisition of Winstar. Refer to Debt section of this MD&A for further details.

Summarized Balance Sheet ($'000's)

(Thousands of US dollars)	As at December 31, 2013	2012	2011
Total current assets	$ 37,039	$ 40,305	$ 19,284
Total non-current assets	275,434	147,404	200,991
Total assets	312,473	187,709	220,275
Total current liabilities	60,171	39,088	18,751
Total non-current liabilities	81,758	25,171	26,997
Total liabilities	141,929	64,259	45,748
Total share capital	344,403	231,516	205,445
Total equity	170,544	123,450	174,527

Total Assets

Total assets as at December 31, 2013 were $312.4 million compared to $187.7 million as at December 31, 2012. The increase is due to the acquisition of Winstar ($180.0 million) and capital expenditures during the period, net of depletion and impairments.

Total Liabilities

Total liabilities as at December 31, 2013 were $141.9 million compared to $64.3 million as at December 31, 2012, an increase of $77.6 million. The increase is due to liabilities acquired with Winstar ($79.1 million), the Dutco loan ($15.0 million), the Tunisian loan with EBRD ($5.0 million) partially offset by the settlement of the KI loan outstanding that was converted to equity in June 2013, a decrease of $10.6 million from the December 31, 2012 balance outstanding, and a decrease of $13.5 million in the Ukrainian loan with EBRD, due to the regular scheduled repayment of interest and principal and the early repayment of $10 million.

The Company and its subsidiaries in Ukraine and Tunisia were in compliance with all of the EBRD's financial ratio debt covenants and Serinus was in compliance with the Dutco loan financial covenant as at December 31, 2013.

Capital Expenditures

Capital expenditures consist of expenditures incurred on assets which are in the exploration and evaluation stage and include expenditures incurred on wells and seismic acquisition and processing. For these assets, the technical feasibility and commercial viability of the underlying property has yet to be determined. Exploration and evaluation assets ("**E&E**") are not subject to depletion and depreciation, but are subject to impairment. As at December 31, 2013, this includes certain Ukraine assets, the Brunei and the Romanian assets. Expenditures incurred on assets for which technical feasibility and commercial viability have been determined are classified as property, plant and equipment ("**PP&E**") and as at December 31, 2013 this includes certain Ukraine assets and the Tunisian assets.

(Thousands of US dollars)	Three months ended December 31,		Year ended	
	2013	2012	2013	2012
Capital expenditures on property, plant and equipment	$ 9,859	$ 23,449	$ 29,505	$ 27,780
Capital expenditures on exploration and evaluation assets	15,181	(2,931)	46,055	29,581
Total capital expenditures	$ 25,040	$ 20,518	$ 75,560	$ 57,361

(Thousands of US dollars)	Three months ended December 31,		Year ended	
Expenditure by location	2013	2012	2013	2012
Ukraine	$ 7,036	$ 14,781	$ 30,034	$ 35,947
Tunisia	1,644	-	2,681	-
Brunei	15,994	5,164	42,146	20,687
Romania	455	-	788	-
Other	(89)	573	(89)	727
	$ 25,040	$ 20,518	$ 75,560	$ 57,361

During 2013, the Company incurred $75.6 million of capital expenditures on property, plant and equipment, including in Ukraine the drilling of the O-15 well, O-24 well and O-17 well, testing and tie-in of the M-16 well, and certain tie-in costs.

The Company drilled the O-24 well in August 2013, to a final total depth of 3,300 metres and was logged. The logs indicated 15 metres of potential pay in four different zones within the Bashkirian and Serpukhovian zones. Production testing of the well is scheduled to occur in 2014.

The Company also successfully stimulated two wells, the O-5 and O-4, resulting in maximum test rates of 4.0 MMcf/d from the O-4 well and 1.3 MMcf/d from the O-5 well. The O-4 well has been tied in for commercial production. The production facility at the Olgovskoye/Makeevskoye gas processing facility is at maximum capacity and production from this O-4 well backed out approximately 2 MMcf/d of gas that had been flowing through it. The O-5 well was tie-in in the fourth quarter of 2013. The Company expects the facility expansion to cost approximately $7.8 million ($5.5 million net to Serinus).

The O-15, which was spud in March, reached total measured depth of 3,246 metres in May and came on production during August.

In Ukraine, exploration assets include work associated with the North Makeevskoye field. During February 2013, the NM-2 well was abandoned after being drilled to a depth of 3,150 metres and after information obtained during drilling indicated there were no prospective zones.The Company drilled the NM-3 well during the second quarter and reached total measured depth of 2,426 metres in July. Testing of the well has indicated potential for oil, a first for the Company in Ukraine, and is the first indication that reservoirs of Visean age may be hydrocarbon bearing within the Company's licences. The well has been cased to total depth for further testing.

In the fourth quarter KUB-Gas began drilling one additional new well M-17 with drilling operations completed in Q1 2014. In addition, Kub-Gas continued the workover and fracture stimulation programs during the last quarter of 2013 to further develop the fields with further work continuing into 2014.

In Tunisia, the Company is currently assessing the assets acquired as part of the Winstar acquisition. A comprehensive field development program is being developed and will commence early in the second quarter of 2014. Since acquisition, the Company has spent $2.6 million on the Winstar properties primarily on work overs of producing wells in an effort to stimulate higher production rates. The Company expects the drilling of new wells to begin in Q2, 2014.

In Brunei Block L, the Lukut Updip-1 well, an onshore directional well with a planned measured depth of 2,959 metres was drilled to a total depth of 2,137 metres measured depth. Due to significantly higher than expected formation pressures and equipment limitations, the Company determined that it could not safely drill the well to its planned measured depth. The Company tested the well subsequent and the well flowed gas continuously from two separate intervals that have not previously been penetrated by any wells onshore Brunei. While the rates were estimated at less than 50 Mcf/d, the discovery of hydrocarbons within these zones indicates that further analysis and appraisal will be required to evaluate the resource potential of this play.

The Luba-1 well in Brunei Block L was subsequently drilled in November 2013, to a total measure depth of 1,720 metres and suspended pending further evaluation after attempts to recover the bottom hole assembly ("BHA"), which was stuck in the well, were not successful. All efforts to free the BHA were unsuccessful and the Company decided to cut off the drill string and set a cement plug above the BHA. At this stage it remains unclear why the drill string became stuck in the well, and since the Company cannot guarantee not getting stuck again in a sidetrack it was decided to suspend the well to allow time for evaluation and future planning.

The Company has spent approximately $50.5 million on drilling four wells in Block L, $25.5 million on seismic and $7.0 million on capitalized G&A and other minor capital costs. Due to the results of the wells drilled to date, the Company has determined that an indicator of impairment exists at December 31, 2013 and management performed an impairment test. The future cashflows of Block L are uncertain with no proved or probable reserves assigned; therefore, the Company determined that as of December 31, 2013, the Block L CGU was impaired by the full amount spent to date and impairment of $83.0 million was recorded on the statement of operations and comprehensive earnings.

In Romania the Company is progressing with plans to drill two wells and the acquisition of 180 square km of 3D seismic in 2014 to meet its minimum work commitments.

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

(Thousands of US dollars)	As at December 31, 2013	As at December 31, 2012
Brunei Block L	$ -	$ 40,820
Ukraine	10,947	6,538
Romania	887	-
	$ 11,834	$ 47,358

Debt and Convertible Debt

(Thousands of US dollars)	As at December 31 2013	As at December 31 2012
Current liabilities net of current assets	23,132	(1,217)
Long-term debt	8,030	17,112
Net debt	31,162	15,895

Dutco

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

The term of the Dutco Credit Facility 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 terms and conditions of Dutco Credit Facility into a variable number of common shares of the Company, subject to TSX approval. The loan is convertible into common shares based on the trading price of the Company on the Toronto Stock Exchange ("TSX"). The facility requires that the Company maintain a financial ratio of current assets to current liabilities of not less than 1:1 on a consolidated basis excluding certain non-operating items and 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, with interest repayments of $0.3 million being made in 2013.

The Company also entered into an agreement that gives Dutco the right to acquire an interest in Block L of a minimum of 5% to a maximum of 15%. For each one percent ownership interest in Block L, Dutco can convert the amount outstanding on the convertible note payable by $1.0 million. 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 Block L.

EBRD- Tunisia Loan Facility

On November 20, 2013 the Company finalized two loan agreements aggregating $60 million with EBRD. The Senior Loan is in the amount of USD $40 million, has a term of seven years, and is available in two tranches of USD $20 million each. Interest is payable semi-annually at a variable rate equal to the sum of the London UK interbank rate for a period equivalent to the interest payment period and 6%. At the Company's option, the interest rate may be fixed at the sum of 6% and the forward rate available to EBRD on the interest rate swap market. The Senior Loan is repayable in twelve equal semi-annual instalments commencing 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 in the amount of USD $20 million 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 shares of the Company at the then current market price of the shares on the TSX or WSE, as required by the exchange rules. The EBRD can also at any time, and on multiple occasions elect to convert all or any portion of the Convertible Loan principal and accrued interest outstanding for newly issued shares of the Company at the then current market price of the shares on the TSX or WSE. Conditions to conversion include a requirement for substantially all of the Company's assets and operations to be located and carried out in the EBRD countries of operations.

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

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

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

Both loan agreements contain a number of affirmative covenants, including maintaining the specified security, environmental and social compliance, and maintenance of specified financial ratios. The financial ratios include maintaining a debt service coverage ratio of not less than 1.5:1 for both the Company and the Tunisia subsidiary. In addition, the Company and Tunisia subsidiary must maintain a ratio of financial debt to EBITDA of no more than 2.75 times. At December 31, 2013 the Company was in compliance with these covenants.

On December 30, 2013 the Company drew $5.0 million from Tranche 1 and $0.6 of transaction costs were paid that have been recorded as reduction to the carrying amount of the loan and will be amortized over the life of the loan.

KI – Loan

On June 22, 2012, the Company entered into a loan agreement with KI for a maximum of $12.0 million. The loan bore interest at 15% and was scheduled to mature on December 31, 2013. As a condition of the Arrangement, this debt was converted to common shares at the time of closing the Arrangement. Consequently, the debt was converted to common shares and KI was issued 3,183,268 post-consolidation common shares relating to the aggregate conversion of principal and interest in the amount of $13.4 million.

EBRD – Ukraine Loan Facility

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

KUB-Gas is required to maintain the following covenants:

- a debt service coverage ratio of not less than 1.3 times,
- a financial debt to EBITDA of no more than 3 times, and
- a current ratio of not less than 1.0 times.

At December 31, 2013 the Company was in compliance with these financial ratios.

At December 31, 2013, $7.6 million of principal and interest was outstanding (December 31, 2012: $21.4 million). In January 2013, a $10.0 million early repayment and a second $1.8 million regular scheduled payment were made. In July 2013, a third $1.8 million payment was made. At December 31, 2013, $4.0 million is reported as a current liability. In January 2014, a fourth installment of $1.8 million was made and the Company received a waiver from EBRD to remove a covenant for KUB-Gas to maintain a current ratio of 1:1 as well as provide consent for KUB-Gas to repay all or portions of the debt to its parent totalling $4.0 million at December 31, 2013.

KI – Radwan Convertible Debentures

In August 2011, the Company entered into unsecured convertible debenture agreements with KI and Radwan Investments GmBH ("**Radwan**"). The total amount available under the debentures was $23.5 million, interest was at a rate of 8.0% per annum, and the debentures matured on August 11, 2012. On maturity, the $23.5 million principal and all accrued interest was converted to 60,499,029 pre-consolidation common shares. The convertible debentures also included a provision for an implied additional 12.0% in interest which was paid in common shares upon conversion.

Liquidity and Capital Resources

The Company's liquidity requirements arise primarily from the need to finance exploration and development expenditures and general working capital. The Company's primary sources of liquidity during the periods under review, other than the cash generated from its Ukraine and Tunisian operations, have been debt capital raises, principally the funds from its debenture holders, the KI loan, the EBRD loans and the Dutco loan. Outside of Ukraine and Tunisia, the Company's projects are currently in the exploration phase and accordingly, the Company is not forecasting revenue from those operations for the immediate future. Operating cash flow from Ukraine and Tunisia plus the EBRD debt facilities and the

Dutco facility are sufficient to completely support the intensive capital investment program of the Company and settle any outstanding working capital deficiency.
KUB-Gas generates positive operating cash flow, which is expected to be sufficient to support the significant capital investment program in Ukraine and settle any outstanding working capital and the Ukraine EBRD loan.

The Winstar Tunisian generates positive operating cash flow and with the availability of the EBRD loan is expected to have sufficient funding for its capital program.

To date, the acquisition and development of the Company's assets have been financed primarily through the issuance of new equity, which has raised approximately $304.5 million in the aggregate since the formation of the Company, and the proceeds of the debentures, which have totaled $55.5 million in aggregate.

As is the case with many exploration companies, the Company is exposed to the risk of not being able to meet all the financial obligations as they come due or not being able to liquidate assets at a reasonable price and on a timely basis. The Company has successfully undertaken and plans to continue to undertake various measures to mitigate this risk. The Company monitors its liquidity position regularly to assess whether it has funds necessary to complete planned exploration commitments and programs on its petroleum and natural gas properties or that viable options are available to fund such commitments from new equity or debt issuances or alternative sources of financing such as farm-out agreements.

Economic factors affecting the Company's cash flow required for operations and for investments include fluctuations in foreign currency exchange rates. Fluctuations in foreign currency exchange rates between United States dollars and other currencies, primarily the Canadian dollar, resulted in a foreign exchange loss of $1.2 million for the year ended December 31, 2013.

At December 31, 2013, the Company has debt consisting of the Dutco loan which has a fixed interest rates and two loans with the EBRD which have variable rates, but with the option to convert to a fixed rate. At December 31, 2013, approximately 46% of the debt is affected by movements in interest rates.

Since commencement of activities in the international oil and gas business, the Company has relied on regular injections of new equity to fund its operations and capital expenditure programs as well as farm-out agreements under which a portion of the historical costs incurred have been returned to the Company and a portion of the future capital commitments are assumed by the new partner. The Company has successfully raised new equity when required in the past, and intends to raise new equity when required in the future.

The Company considers that it has two significant covenants that are monitored on an ongoing basis, being the working capital ratio for the EBRD Ukraine debt and the current ratio for the Dutco loan. At December 31, 2013 the Company was compliant with these covenants.

The Dutco loan is due to be repaid early in the third quarter of 2014.

On an ongoing basis, the Company may utilize various sources of funding to finance its capital expenditure program: internally generated funds, farm-out arrangements, debt where appropriate, new equity issuances if available on favourable terms, and asset sales. Future borrowing requirements will be assessed on an ongoing basis. When financing corporate acquisitions, the Company may also assume certain future liabilities.

Dividends can be paid out of the Ukrainian subsidiary, KUB-Gas, providing that the terms and conditions of the EBRD Loan agreement are met. These terms do restrict the ability of KUB-Gas to pay dividends as such payments are subject to maintaining certain covenant restrictions. During 2013, the Ukrainian subsidiary successfully declared and paid dividends to its parent Company. Subsequent to December 31, 2013, the EBRD waived a covenant for KUB-Gas to maintain a current ratio of 1:1 as well as provide consent for KUB-Gas to repay all or portions of the debt to its parent totalling $4.0 million at December 31, 2013.

Dividends can be paid out of the Tunisian subsidiary providing the terms and conditions of the EBRD loan agreement are met. Certain financial and reserve coverage covenants are in place at both the Tunisian subsidiary level and the Serinus corporate level.

As an exploration and development company, there are inherent liquidity risks, including the possibility that internally generated cash flows may not be sufficient to fund the exploration program, that additional financing may not be available to the Company, or that actual exploration expenditures may exceed those planned. Alternatives available to the Company to manage its liquidity risk include deferring planned capital expenditures that exceed amounts required to retain concession licences, farm-out arrangements and securing new equity or debt capital.

Equity and debt funds raised by the Company are transferred to operating subsidiaries to fund operating activities and capital expenditures when required; there have been no legal or economic restrictions experienced by the Company to date for such cash transfers, other than, the terms and conditions of the EBRD loan agreement restrict the ability of KUB-Gas to pay dividends or repay loans or loan money to the Company, however this is not expected to be a material restriction. Subsequent to December 31, 2013, certain restrictions have been waived as noted above.

The Company is also subject to the financial covenants attached to the Dutco debt facility, which include a current ratio test.

As the operator of the Block 9 joint venture in Syria, the Company has experienced, and continues to experience difficulty in transferring cash required to meet contractually committed and incurred expenses as a result of sanctions placed by the governments of the United States, Canada, the Arab League and the European Union on oil and gas investment in Syria.

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

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

During the period covered by this report, the Company did not issue guarantees exceeding 10% of the Company's equity, except for the guarantee of the loan drawn by KUB-Gas, as discussed under the heading "EBRD Loan Facility" above. Details of all debt outstanding, including pledges, are disclosed in the notes to the consolidated annual financial statements as at December 31, 2013.

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

Working Capital

(Thousands of US dollars)	As at December 31	
	2013	2012
Current assets	$ 37,039	$ 40,305
Current liabilities	60,171	39,088
Working capital	$ (23,132)	$ 1,217

The Company has working capital deficit of $23.1 million as at December 31, 2013 (December 31, 2012: $1.2 million). The Company believes that funds from operations in the future or equity and further debt financing can be used to settle the working capital deficiency.

Related Party Transactions

Nemmoco Petroleum Corporation ("Nemmoco"), a private company of which 37.5% is owned by Timothy M. Elliott, an officer and director of the Company, provides certain personnel 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 $0.8 million (2012 - $0.7 million). At December 31, 2013, $23 thousand was owed to Nemmoco (2012 - $26 thousand).

Loon Energy Corporation ("Loon Energy"), a publicly traded Canadian corporation, has no employees. Management and administrative services are provided by the management and staff of Serinus. For the year ended December 31, 2013, these fees totaled $12 thousand (2012 - $12 thousand). At December 31, 2013, Loon Energy owed Nil (2012 – $12 thousand) to Serinus for these services. Certain expenditures of Loon Energy are paid for by Serinus and Loon Energy reimburses Serinus for these expenditures. As at December 31, 2013, Loon Energy owed nil (2012 – $0.1 million) for these costs. Serinus and Loon Energy are related as they have five common directors and officers and the same principal shareholder.

The Company remains legally responsible for a guarantee issued in August 2007 (the "Loon Guarantee") to the Government of Peru regarding the granting of a license contract to a former subsidiary company, Loon Peru Limited. Loon Energy, the parent company of Loon Peru Limited, had begun the process of replacing the Loon Guarantee, however, the block to which the guarantee related is in the process of being relinquished and it is not currently anticipated that the guarantee will be replaced.

Loon Energy and the Company have entered into an indemnification agreement in respect of the Loon Guarantee. Loon Energy announced on October 25, 2010 that it will not proceed to the second exploration stage and therefore the maximum liability to the Company 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 guarantee.

Until mid-October 2013, the Company provided office space to Jura, a public company in which the Company owned 1.1% of the outstanding common shares at December 31, 2013. In 2013, the Company charged fees and associated costs to Jura totaling $20 thousand (2012 – $56 thousand). At December 31, 2013, $nil (2012 – Nil) was due from Jura. Until the third quarter of 2012, three directors of the Company were directors of Jura, and the Chief Financial Officer of the Company was also the Chief Financial Officer of Jura.

On June 22, 2012, the Company entered into a loan agreement with KI for a maximum of $12.0 million. The loan bore interest at 15% and was scheduled to mature on December 31, 2013. As a condition of the Arrangement, this debt was converted to common shares at the time of closing the Arrangement. Consequently, the debt was converted to common shares and KI was issued 3,183,268 post-consolidation common shares relating to the aggregate conversion of principal and interest in the amount of $13.4 million.

In August 2011, the Company entered into unsecured convertible debenture agreements with KI and Radwan. The total amount available under the debentures was $23.5 million, interest was at a rate of 8.0% per annum, and the debentures matured on August 11, 2012. On maturity, the $23.5 million principal and all accrued interest was converted to 60,499,029 pre-consolidation common shares. The convertible debentures also included a provision for an implied additional 12.0% in interest which was paid in common shares upon conversion.

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

Commitments

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

(Thousands of US dollars)	Within 1 Year	2-3 Years	3-4 Years	+5 Years	Total
Office Rental	$ 744	$ 985	$ 1,044	$ 1,092	$ 3,865
Dutco loan	15,000	-	-	-	15,000
EBRD loan-Ukraine	4,026	3,640	-	-	7,666
EBRD loan-Tunisa	-	1,566	1,566	1,258	4,390
Total contractual obligations	$ 19,770	$ 6,191	$ 2,610	$ 2,350	$ 30,921

The Company's commitments are all in the ordinary course of business and include the work commitments for Brunei Block L, Syria Block 9, Ukraine, Tunisia and Romania.

Brunei Block L

The Block L PSA provides for an exploration period of six years from the date of the Block L PSA, August 27, 2006, divided into two phases, Phase 1 and Phase 2, each of which was initially for a period of three years, with Phase 2 due to expire on August 27, 2013. The Company received confirmation that its request to extend the PSA for three months had been granted and the new date for completing the minimum work obligations for Phase 2 of the exploration period was November 27, 2013. Phase 2 of the exploration period automatically extended to allow for the completion of the drilling of the well and to allow for the implementation of the appraisal program.

In August 2010, parties to the Block L PSA elected to proceed to the Phase 2 exploration period. The minimum work obligations for Phase 2 include i) acquire and process 130 square kilometres of onshore 3D seismic; ii) acquire and process 13.5 square kilometres of onshore 3D swath data; iii) acquire and process 13 kilometres of onshore 2D seismic, (iv) acquire and process not less than 34.5 square kilometres of onshore 3D seismic and (v) drill at least two onshore exploration wells, each to a minimum depth of 2,000 metres. The minimum spend commitment of $16 million for Phase 2 specified in the Brunei Block L PSA has been exceeded and the remaining work commitment was undertaken in 2013, with the first well being drilled in October and the second in December.

After encountering operational difficulties during the phase 2 work commitments, the Company has suspended further drilling activities and is currently evaluating its drilling campaign together with Petroleum Brunei.

Pursuant to an agreement reached to settle a legal challenge to the Company's title under the Block L PSA, the Company agreed to pay a maximum of $3.5 million out of 10% of its share of profit oil as defined in the Block L PSA. No amount has been accrued in the financial statements as there is not yet production from Block L.

Syria

Under the terms of the Block 9 PSC, the Company has a first phase exploration period of four years, originally expiring on November 27, 2011, during which it has committed to acquire and process 350 square kilometres of 3D seismic and drill two exploratory wells. The remaining work commitment outstanding is to drill two exploration wells. The Syrian authorities, subject to certain conditions, extended the term of the first exploration period under the Block 9 PSC to October 26, 2012. The drilling of the first of the two exploratory wells commenced on July 22, 2011 and was suspended in October 2011 due to unfavourable operating conditions in Syria.

Effective July 16, 2012, the Company, in its capacity as Operator of Syria's Block 9, declared a Force Majeure event due to conditions arising from the current instability, including difficult operating conditions and the inability to move funds into the country, rendering the performance of its obligations under the contract impossible. The Company will continue to monitor operating conditions in Syria to assess when a recommencement of its Syrian operations is possible.

Ukraine

The Company has an obligation to incur certain capital expenditures to comply with the Ukrainian exploration licence requirements. Under these licence maintenance commitments, KUB-Gas is required to acquire and process seismic, conduct geophysical studies and drill exploratory wells on licenced fields. Although these commitments are not binding and may be modified based on results of exploration work, KUB-Gas' potential capital expenditures relating to qualifying activities on gas and gas condensate fields may reach $39.8 million during the period from 2014 to 2015 as part of the planned development program. Justified deviation from the capital expenditures committed is permitted and should be agreed with the licensor, while failure to commit exploration works and substantiate the different capital expenditure schedule may result in termination of the licence. In respect of the North Makeevskoye license, the Company expects to drill one well in 2014 with follow up wells based on test results.

Tunisia

The Tunisian state oil and gas company, Enterprise Tunisienne D'Activities Petroliers ("ETAP"), has the right to back into up to a 50% working interest in the Chouech Es Saida concession if, and when, the cumulative liquid hydrocarbon sales, net of royalties and shrinkage, from the concession exceeds 6.5 million barrels. As at December 31, 2013 cumulative liquid hydrocarbon sales net of royalties and shrinkage was 4.7 million barrels. Management is of the opinion that there are sufficient exploration and development opportunities which, if successful, could result in this provision being exercised within the next 10 years.

Romania

With the acquisition of Winstar, the Company acquired a 60% interest in the 2,949 square kilometer onshore Satu Mare exploration concession in north western Romania. In accordance with the terms of a farm-in agreement with Rompetrol, the Company must pay 100% of the concession's phase 1 and phase 2 work commitments. The joint venture has fulfilled 100% of the first stage of the work commitments under the concession agreement and has committed to a second phase of exploration. The second stage, which expires May 2015, includes the drilling of two exploration wells and the acquisition of 180 square km of 3D seismic. These expenditures are expected to occur in 2014.

Office Space

The Company had a lease agreement for office space in Calgary, Canada which was due to expire on October 31, 2014. However, the Company has signed a lease extension to November 30, 2020.

Dividends

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

Selected Annual Information

The following tables set out selected annual information extracted from the audited consolidated financial statements.

(Thousands of US dollars, except share data and volumes)	Year ended December 31,		
	2013	2012	2011
Sales revenue, net of royalties	$ 112,236	$ 80,120	$ 28,337
Earnings per share attributable to:			
Common shareholders	$ (68,682)	$ (86,769)	$ (20,875)
Non-controlling interest	$ 11,156	$ 7,787	$ 3,959
Net loss per share attributable to common shareholders			
- Basic and diluted	$ (1.07)	$ (1.95)	$ (0.51)
Weighted average number of shares	64,018,949	44,452,298	40,946,044
Average daily production volumes (boe)	4,081	3,794	1,057

Selected Quarterly Data ($'000's, except per share amounts)

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

(Thousands of US dollars except per unit amounts and volumes)

	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Oil and gas revenue	$ 43,700	$ 45,394	$ 28,929	$ 28,709
Netback ($/boe)	$ 48.69	$ 46.60	$ 37.80	$ 40.08
Earnings (loss) for the period				
Common shareholders	$ (79,740)	$ 8,147	$ 829	$ 2,082
Non-controlling interest	$ 2,837	$ 3,815	$ 2,352	$ 2,152
Per share - basic and diluted attributable to common shareholders	$ (1.01)	$ 0.10	$ 0.02	$ 0.04
Average daily production (boe)	6,639	6,318	4,541	4,500

	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Oil and gas revenue	$ 27,338	$ 25,717	$ 24,713	$ 21,820
Netback ($/boe)	$ 49.20	$ 48.30	$ 46.86	$ 51.54
Earnings (loss) for the period				
Common shareholders	$ (917)	$ (85,089)	$ (880)	$ 117
Non-controlling interest	$ 1,982	$ 1,741	$ 2,155	$ 1,909
Per share - basic and diluted attributable to common shareholders	$ (0.20)	$ (1.87)	$ (0.02)	$ 0.00
Average daily production (boe)	4,194	3,911	3,761	3,301

During the period from Q1 2012 to Q4 2012, the Company's oil and gas revenue and average daily production was entirely from the Ukrainian operations. During this period, the operations had a steady increase through capital expenditure investments that increased production by 27%. In Q3 2012, the net income was negatively impacted by an impairment charge recorded on Block M in Brunei. The steady increase in production and oil and gas revenues continued into Q1 and Q2 of 2013, again driven by the drilling success in Ukraine. At the end of Q2 2013, the Company completed the Winstar acquisition which resulted in substantial increases to oil and gas revenue, and average daily production. In Q4 2013, the earnings were negatively impacted by an impairment charge of $83.0 million related to Brunei Block L.

Share Data

The Company is authorized to issue an unlimited number of common shares of which 78,611,441 common shares and 7,089,900 options to purchase common shares were outstanding as at December 31, 2013.

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

On June 24, 2013, the Company closed a plan of Arrangement with Winstar pursuant to which the Company acquired all of the issued and outstanding shares of Winstar.

Under the terms of the Arrangement, Winstar shareholders, for each share held, received 7.555 pre-consolidation shares of the Company or CAD$2.50 in cash, subject to a maximum of CAD$35 million in cash, with such cash provided by Kulczyk Investments S.A. ("**KI**"), the major shareholder of the Company. 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 Arrangement, of which 10,577,000 post-consolidation common shares were issued to KI. A total of 16,675,500 post-consolidation common shares of the Company were issued to Winstar shareholders who elected to receive common shares, for a total of 27,252,500 post-consolidation common shares issued as consideration for the acquisition of Winstar. The closing price of the common shares on the Warsaw Stock Exchange at time of closing was equivalent to $3.65 U.S. per share.

Summary of common shares outstanding:

(Thousands of US dollars, except share data)	Number of Shares	Carrying amount
Balance, December 31, 2012	48,175,673	$ 231,516
Issued on conversion of convertible debt	3,183,268	13,369
Issued on acqusition of Winstar Resources Ltd	27,252,500	99,518
Balance, December 31, 2013	78,611,441	344,403

During the second quarter of 2013, 27,252,500 common shares were issued in consideration of the acquisition of Winstar and 3,183,268 common shares on settlement of the KI Loan.

Summary of options outstanding:

	Number of Options	Weighted average exercise price per option (US$)
Balance, December 31, 2011	4,124,500	$5.40
Granted	519,000	$4.39
Excerised	(45,333)	$4.00
Expired	(246,000)	$6.80
Forfeited	(222,767)	$4.00
Balance, December 31, 2012	4,129,400	$5.28
Granted	3,062,000	$3.89
Expired	(47,500)	$4.00
Forfeited	(54,000)	$3.61
Balance, December 31, 2013	7,089,900	$4.69

The following table summarizes information about common share purchase options outstanding and exercisable at December 31, 2013:

(Stated in US dollars, except as noted)

	Exercise price (US$)	Options outstanding	Options exercisable	Contractual life remaining, years (weighted average)
$	4.00	7,500	7,500	0.13
$	6.86	166,000	166,000	0.37
$	6.00	1,025,000	1,025,000	0.71
$	5.60	1,419,300	1,419,300	1.40
$	4.00	4,200	4,200	1.77
$	4.70	87,000	87,000	2.21
$	4.00	15,000	15,000	2.36
$	4.00	69,800	69,800	2.59
$	4.00	759,100	759,100	2.93
$	3.80	90,000	60,000	3.04
$	4.00	25,000	16,667	3.06
$	5.10	12,000	8,000	3.20
$	4.90	50,000	33,333	3.34
$	4.90	18,000	12,000	3.35
$	4.10	90,000	30,000	3.59
$	4.30	210,000	70,000	3.62
$	4.20	6,000	2,000	3.71
$	4.00	12,000	4,000	3.86
$	2.85	190,000	63,333	4.51
$	3.14	20,000	6,667	4.70
$	3.30	152,000	50,667	4.72
$	3.35	75,000	25,000	4.81
$	4.11	2,587,000	862,333	4.88
$	4.69	7,089,900	4,796,900	3.08

At various dates throughout 2013, the Company granted 3,062,000 share purchase options at a weighted price of $3.89 per share to certain directors and to certain employees of Serinus. These share purchase options have a five-year term and vested one-third immediately, and one-third on each of the first and second anniversary of the grant date.

As at the date of publishing this report, the following are shares owned and options granted to executives and officers since December 31, 2012:

(Stated in US dollars, except as noted)

Name of Director/Executive Officer/Key Person	Options held as at March 19, 2014	Changes to Option Ownership		Shares owned at at March 19, 2014
		Options granted	Options Expired/Forfeited	
Timothy M. Elliott	1,403,100	633,600	-	537,787
Norman W. Holton	1,102,800	498,300	-	337,791
Manaj Narender Madnani	221,000	100,000	-	37,568
Michael A. McVea	180,000	100,000	-	10,000
Dariusz Mioduski	221,000	100,000	-	-
Gary King	170,000	100,000	-	6,750
Stephen Akerfeldt	171,000	100,000	-	-
Helmut Langanger	150,000	100,000	-	-
Jock M. Graham	1,145,600	518,100	-	146,258
Edwin A. Beaman	187,000	-	-	55,610
Paul H. Rose(retired effective January 3, 2014)	249,000	35,000	(35,000)	24,331
Trent A. Rehll	200,000	-	-	17,032
Evgenij Lorich	100,000	100,000	-	5,883,899
Buce Libin	100,000	100,000	-	448,340
Tracy Heck (appointed effective January 4, 2014)	150,000	60,000	-	-
Jakub Korczak	99,000	-	-	-
Alec Silenzi	90,000	-	-	10,000
	5,939,500	2,545,000	(35,000)	7,515,366

As at the date of issuing this report, management is only aware of two shareholders holding more than 5% of the common shares of the company. KI owns 50.33% and Pala Holdings owns 7.48% of the common shares issued at December 31, 2013.

Risk Management

The Company and its business, future prospects, financial condition and operations are impacted by risks that are categorized as financial and market risks, operational risks and safety, environment and regulatory risks. The Company takes a proactive approach to identifying and mitigating risks, but occasionally unforeseen issues arise and must be handled urgently.

Financial and Market Risk

Financial and market risks include interest rate risk, credit risk, currency, and commodity price risks.

Interest rate risk

The Company maintains its cash and cash equivalents in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations thereon. Interest rate risks on the Company's note payable are not considered material because the costs are fixed. Interest on the EBRD loans for Ukraine and Tunisia (note 11) are based on LIBOR plus a margin. The EBRD loan for Ukraine also has a portion that is variable based on incremental revenue growth, up to a stated maximum of 19% while the EBRD loan for Tunisia has a portion based on incremental revenue with a floor of 8% and ceiling of 17% relating to the convertible loan portion. A 1% change in the LIBOR rate would affect interest expense by $0.1 million (2012 - $0.2 million), based on the debt balance outstanding at year end. Restricted cash is in instruments that are redeemable only upon completion of certain work commitments and therefore is subject to interest rate fluctuations. However, the interest rate risk thereon is not significant.

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 and Tunisia credit risk is not significant, as the products sold are under contract or payment is made at the beginning of each month. Oil sold in Tunisia is with reputable parties and collection is prompt based on the individual terms with the parties. At December 31, 2013, the Company had $2.1 million (2012 – $0.1 million) of receivables that were considered past due. The majority of these amounts are due from large well established customers and management believes the balances will be collected.

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

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

Currency risk

The Company is exposed to risks arising from fluctuations in currency exchange rates between the Canadian dollar, Polish zloty, Ukraine hryvnia, Romanian Leu, Tunisian Dinar, the Euro and the United States dollar. At December 31, 2013 the Company's primary currency exposure related to Canadian dollar ("CAD"), Ukraine hryvnia ("UAH"), Tunisian Dinar ("TD"), and Romanian Leu ("LEU") balances. The following table summarizes the Company's foreign currency exchange risk for each of the currencies indicated:

	December 31, 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	16,793	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 earnings would have decreased or increased by approximately $28,000 (2012 - $10,000). Earnings are not impacted by fluctuations in the Hryvnia as translation gains and losses are included in accumulated other comprehensive income (loss).

***Liquidity* risk**

The Company monitors its liquidity position regularly to assess whether it has the resources necessary to fund planned exploration commitments on its petroleum and natural gas properties or that viable options are available to fund such commitments from operating cash flow, new equity issuances or alternative sources of financing such as farm-out agreements. However, as an exploration and development company without sufficient internally generated cash flow to fund the exploration program, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that actual exploration expenditures may exceed those planned. Alternatives available to the Company to manage its liquidity risk include deferring planned capital expenditures that exceed amounts required to retain concession licences, farm-out arrangements and securing new equity or debt capital.

Commodity Price Risk

The Company is exposed to risks due to fluctuations in the price of natural gas in the Ukraine and the market price of Brent crude oil. Natural gas in the Ukraine is impacted by the availability of imported natural gas from Russia and the price set by exporters in Russia while the market price of Brent crude oil is impacted by market risk factors. The Company has no commodity hedge program in place which could potentially mitigate the price risk.

Operational Risk

The Company's ability to operate, generate cash flows, complete projects and find reserves is dependent on general market and business conditions, the ability to obtain and maintain cost effective financing to meet the Company's commitments and execute on planned programmes, environmental and regulatory matters in multiple jurisdictions, unexpected cost increases, availability of equipment, supplies and labour, availability of pipeline capacity and reservoir quality. Failure to acquire or find additional reserves will, at minimum, erode the Company's existing reserves as these reserves are depleted through ongoing production, and may negatively impact the Company's ability to grow its asset base in the future.

To mitigate these risks, the Company evaluates projects for financial, geological and engineering risk and mitigation plans are developed, including a comprehensive insurance program.

Safety, Environmental and Regulatory Risk

The Company is engaged in relatively high risk activities. The Company is committed to both safety in operations and to preserving and protecting the environment. The Company believes it fully complies with or exceeds all government regulations and industry standards in the countries of operation; however operations are subject to regulation and intervention by governments that can affect exploration, production and abandonment of fields and licenses. Rights and licenses can be cancelled, may expire or be expropriated and regulations can change. Certain licenses have restrictions which may not be removed on a timely basis.

Political Risk

Certain areas in which the Company operates are politically and economically unstable and the assets and operations may be affected by changes in government policy, social instability or other political or economic developments outside the control of the Company. To date the current instability in the Ukraine has not had any impact on the Company's operations. However, whilst management believes it is taking appropriate measures to support the sustainability of KUBGas' business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Company's results and financial position in a manner not currently determinable.

Contingency plans are in place to ensure a timely response to a safety or environmental event and a security program is in place to protect the Company's assets and staff.

Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Fair value of financial instruments

The Company, as part of its operations, carries a number of financial instruments including cash and short-term deposits, restricted cash, investments, accounts receivable, accounts payable and accrued liabilities and debt.
There are three levels of fair value by which a financial instrument can be classified:

- Level 1-Quoted prices in active markets for identical assets and liabilities such as traded securities on a registered exchange where there are a sufficient frequency and volume of transactions to provide ongoing pricing information.
- Level 2- Inputs other than quoted prices that are observable for the asset and liability either directly or indirectly such as quoted forward prices for commodities, time value and volatility factors which can be substantially observed or corroborated in the marketplace; and
- Level 3- Inputs that are not based on observable market data.

The fair values of cash and cash equivalent, accounts receivable, accounts payable and accrued liabilities and convertible note payable approximate their carrying amounts due to their short-term maturities. The Company's long-term debts bear's interest at a floating market rate and accordingly the fair market value approximates the carrying value.

The Company's investment is classified as fair value through profit and loss and is an investment in a public company that is quoted on the TSX. This investment is carried at fair value as a level 1 investment.

(ii) Property, plant and equipment and intangible exploration assets:
The fair value of property and equipment recognized in a business combination or used in an impairment test (fair value less cost to sell) is based on market values. The market value of property, plant and equipment is the estimated amount for which property, plant and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property, plant and equipment) and intangible exploration assets is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve and resource reports.

The market value of other items of property, plant and equipment is based on the quoted market prices for similar items.

The impairment test for property, plant and equipment is also impacted by the various judgements made by management in determining the assets that comprise each CGU and a field/area for exploration and evaluation assets.

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

(iv) Fair value measurements
Investments are recorded at fair value based on the quoted market prices for the shares (level 1 fair value). The fair value of the convertible note payable is estimated based on current interest rates for similar instruments, credit spreads applicable to the Company and the term of the instrument (level 2 fair values). The fair value of the long-term debt approximates to carrying value as interest rates and credit spreads applicable to the Company have not estimated to have changed significantly since the credit facility was established (level 2 fair value).

(v) Purchase Price Allocation
Purchase prices related to business combinations and asset acquisitions are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value requires the Company to make estimates, assumptions and judgements regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities, including the fair value of crude oil and natural gas properties. As a result, the purchase price allocation impacts the Company's reported assets and liabilities and future net earnings due to the impact on future depletion, depreciation, and amortization expense and impairment tests.

Proceedings before courts, arbitration or public administration

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

2014 Outlook

In 2014, the Company intends to increase overall corporate production by 30% to 35% by the end of the year. To achieve this level of production, the Company expects its 2014 capital expenditure budget will exceed USD $55 million. Under the current work plan, this level of capital expenditures will allow Serinus to drill a minimum of 8 gross new wells in Ukraine, Tunisia and Romania. Capital expenditures in Tunisia will be funded through the Company's financing arrangements with the European Bank of Reconstruction and Development ("EBRD"). Capital expenditures in Ukraine will be funded by Ukraine cash flow and capital expenditures in Romania will be funded by corporate cash flow. Given the change in gas price, it is possible that the drilling program in Ukraine may be constrained.

The Company does not prepare and publish financial forecast results for the current or future financial years.

Forward-Looking Statements

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

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

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

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

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

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

- general economic conditions;
- volatility in global market prices for oil and natural gas;
- competition;
- liabilities and risks, including environmental liability and risks, inherent in oil and gas operations;

- the availability of capital;
- geopolitical volatility in the countries of operations; and
- alternatives to and changing demand for petroleum products.

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

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

Critical Accounting Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions based on currently available information that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However actual results could differ from these estimates. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following judgements, estimates, and assumptions which has the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Depletion, depreciation and Reserves

Depletion is based on the proved plus probable reserves as evaluated in accordance with the Canadian Oil and Gas Evaluation Handbook ("COGEH"). The process of determining reserves is complex. Significant judgments are based on available geological, geophysical, engineering, and economic data. These judgments are based on estimates and assumptions that may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates are based on current production forecasts, prices and economic conditions. As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices and economic conditions. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices and reservoir performance. Such revisions can be either positive or negative. Changes in reserve estimates impact the financial results of the Company as reserves and estimated future development costs are used to calculate depletion and are also used in measuring fair value less costs to sell of property, plant and equipment for impairment.

(ii) Cash Generating Units("CGU") and Impairment

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

Judgments include determining whether indicators of impairment exist, as well as the discount rate used in discounted cash flow models. Estimates and assumptions include those used in the determination of the recoverable amounts of CGUs and individual assets which are based on the higher of their value-in-use and fair values less costs to sell. Unless indicated otherwise, the recoverable amount used in assessing impairment charges is fair value less costs to sell. For PP&E, the Company generally estimates fair value less costs to sell using a discounted cash flow model which has a significant number of assumptions including proved and probable reserves, forecasted commodity prices, future costs required to develop and produce reserves, discount rates and other relevant assumptions. Reserve estimates and expected future cash flows from production of reserves are subject to measurement uncertainty as discussed above and subject to variability to changes in forecasted commodity prices. Commodity price changes impact the expected future cash flows which may require a material adjustment to the carrying value of tangible and intangible assets. Further assumptions are discussed in Note 8 of the financial statements.

For E&E, estimates and assumptions include those used in the calculation of recoverable amounts for E&E CGUs and individual assets, which are based on the higher of value-in-use and fair value less costs to sell, and are discussed further in note 8.of the financial statements.

(iii) Asset Retirement Obligation (note 12)

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

(iv) Deferred taxes (note 15)

The Company follows the liability method for calculating deferred taxes. Judgments include assessment whether valuation allowances are required based on expectations of future cashflows from operations and the application of existing tax laws. Estimates and assumptions are used in the calculation of deferred taxes. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the balance sheet date could be impacted. Additionally, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future.

(v) Measurement of stock based compensation expense (note 16)

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

Non-IFRS Measures

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

Serinus calculates "funds from operations", "netback", "net debt" and "working capital" as presented earlier in this document.

Future Changes in Accounting Policies

(i) New and Amended Standards Adopted

As disclosed in the December 31, 2012 annual Consolidated Financial Statements, effective January 1, 2013, the Company adopted, as required, IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), IFRS 11, "Joint Arrangements" ("IFRS 11"), IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12") as well as the amendments to IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28").

Serinus reviewed its consolidation methodology and determined that the adoption of these standards did not result in a change in the consolidation status of its subsidiaries and investees.

In May 2011, the IASB issued IFRS 13, "Fair Value Measurement" ("IFRS 13") which establishes a single source of guidance for most fair value measurements, clarifies the definition of fair value, and enhances the disclosures on fair value measurement. IFRS 13 is effective for fiscal years beginning on or after January 1, 2013. The Company reviewed its fair value measurements and determined that the adoption of this standard did not result in any change except for the expanded disclosure on fair value measurement required.

Effective January 1, 2013, the Company complied with the amended disclosure requirements, regarding offsetting financial assets and financial liabilities, found in IFRS 7, "Financial Instruments: Disclosures" issued in December 2011. The application of the amendment had no impact on the consolidated statement of operation and comprehensive (loss) or the consolidated statement of financial position.

(ii) New Standards and Interpretations not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 2013 reporting period. The following standard is effective for annual periods beginning on or after January 1, 2014:

IFRS 9 Financial Instruments

This standard sets out the recognition and measurement requirements for financial instruments and contracts to buy or sell non-financial items. The IASB is finalizing this standard as it completes the various phases of its comprehensive project on financial instruments. The Company will continue to monitor the changes to this standard as they arise and will determine the impact closer to the effective date which has been tentatively set by the IASB for accounting periods commencing on or after January 1, 2018.

Amendment to IAS 36

This amendment requires entities to disclose the recoverable amount of an impaired Cash Generating Unit ("CGU") if the amount is based on fair value less costs of disposal. The amendment is effective January 1, 2014 with earlier adoption permitted. Adoption of the amendment is not expected to result in a significant accounting change to the Company's consolidated financial statements, but may impact the related disclosures.

Disclosure Controls and Procedures, and Internal Controls over Financial Reporting

The preparation of this MD&A is supported by a set of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") as at December 31, 2013.

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

(Stated in US dollars, except as noted)

Internal control over financial reporting means a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP and includes those policies and procedures that:
(a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer;
(b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the issuer's GAAP, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and
(c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the annual financial statements or interim financial statements.

The Company's Chief Executive Officer and Chief Financial Officer of the Company have designed DC&P and ICFR, or caused them to be designed under their supervision, to provide reasonable assurance that all material information required to be disclosed by Serinus in its annual filings and interim filings are recorded, processed, summarized and reported within the time periods specified in applicable securities legislation, and to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with IFRS.

Under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, Serinus conducted an evaluation of the effectiveness of its DC&P and ICFR as at December 31, 2013. Based on this evaluation, the Officers conclude that as of December 31, 2013 the DC&P and ICFR are effective.

As permitted the Company's evaluation limited the scope of design of DC&P and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days before the last day of the period covered by this interim filing, the Winstar Acquisition.

Summary financial information of Winstar as at December 31, 2013 includes:

- Current assets of $22.0 million
- Non-current assets of $161.9 million
- Current liabilities of $11.0 million
- Non- current liabilities of $67.7 million

Summary financial information of Winstar for six months ended December 31, 2013 includes:

- Revenue of $28.9 million
- Net income of $7.2 million

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

Changes to the Company's internal controls over financial reporting since December 31, 2012 relate to the acquisition of Winstar. The Company is currently assessing processes and controls to ensure compliance with Serinus' policies.

Approval

The Company's Board of Directors has approved the disclosure contained within this MD&A.

Abbreviations

The following abbreviations may be used throughout this MD&A document:

Crude Oil and Natural Gas Liquids		Natural Gas	
Bbl	Barrel	Mcf	thousand cubic feet

Crude Oil and Natural Gas Liquids		Natural Gas	
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
		Mcfe	thousand cubic feet equivalent
Mboe	thousand boe	Tcf	trillion cubic feet
NGL	natural gas liquids	BcfE	billion cubic feet equivalent

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 Mcfe's 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.

Additional Information

Additional information regarding Serinus and its business and operations is available at **www.sedar.com**. Information is also accessible on the Company's website at **www.serinusenergy.com.** Copies of the information can also be obtained by contacting the Company at Serinus Energy Inc, 1170, 700 – 4th Avenue S.W., Calgary, Alberta T2P 3J4 (Phone: +1 403 264-8877) or by e-mail at **ryaniw@serinusenergy.com**.