



*(a corporation incorporated under the laws of the Province of Alberta, Canada
with its registered office at Suite 1500, 700 — 4th Avenue S.W., Calgary, Alberta, Canada, T2P 3J4 and registered with the Alberta
Corporate Registry under the number 203581186)*

**Applying for the admission and introduction of 38,479,608 common shares to trading
on a regulated market of the Warsaw Stock Exchange**

The prospectus (the "**Prospectus**") has been prepared for the purpose of applying for the admission and introduction of 38,479,608 of the issued and outstanding common registered shares without nominal or par value (the "**Admission Shares**") in the capital of Serinus Energy Inc. ("**Serinus**", the "**Company**" or the "**Issuer**") to trading on the regulated market, the main market, of the Warsaw Stock Exchange (the "**WSE**").

All 78,629,941 Serinus issued and outstanding common registered shares without nominal or par value ("**Serinus Shares**"), including the Admission Shares to which this Prospectus relates to, have been listed on the Toronto Stock Exchange (the "**TSX**") since June 27, 2013. In addition, 40,150,333 Serinus Shares have already been admitted and introduced to trading on the regulated market of WSE. Upon the approval of the Prospectus by the Polish Financial Supervision Authority (the "**FSA**"), the Company intends to file an application for registration of the Admission Shares with the National Depository for Securities (the "**NDS**") as well as an application for introduction of the Admission Shares to trading on the regulated market of WSE.

The intent of the Issuer is that the Admission Shares to which the Prospectus relates be listed on the WSE within several days of the approval of the Prospectus.

This Prospectus has been prepared with due diligence and, based on the Company's best knowledge as at the date of the Prospectus, information included herein reflect the factual state as at the date of the approval of the Prospectus. Any material errors in the Prospectus as well as any significant factors which may affect an assessment of the securities that occur after the approval of the Prospectus or of which Serinus learned of after the approval and before the admission of the Admission Shares to trading on the WSE ("**Period of Validity**"), will be covered by an annex to the Prospectus. Such annex will be subject to approval and publication in the same manner as the Prospectus. Moreover, the Prospectus may be updated in a form of updating announcements, i.e. the Issuer's announcements regarding inter alia occurrence of important events or change of important information for announcement of which the annex to Prospectus is not required, pursuant to Article 52 of the Polish Offering Act. The updating announcements will be published on the Issuer's website in the same place where the Prospectus is to be published.

This Prospectus does not constitute an offer to subscribe for, or solicitation of an offer to subscribe for, Admission Shares and has been prepared solely for the purpose of applying for the admission and introduction of the Admission Shares to trading on a regulated market of the WSE.

An investment in the Admission Shares involves significant risks. Certain risk factors that persons to whom this Prospectus is addressed (potential investors) should consider before investing in the Admission Shares are outlined in the "Risk Factors" section.

This Prospectus constitutes a prospectus in the form of a single document for the purposes of Article 5 section 3 of Directive 2003/71/EC (together with any applicable implementing measures in any European Union ("**EU**") member state, the "**Prospectus Directive**") and the Polish Offering Act and which has been prepared in accordance with the provisions of European Commission Regulation (EC) 809/2004 of April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended ("**Regulation 809/2004**") and other laws regulating capital markets in Poland, in particular the Polish Offering Act.

This Prospectus does not constitute an offer to subscribe for, or solicitation of an offer to subscribe for, Admission Shares by any persons in any jurisdiction. The Prospectus was prepared exclusively for the purposes of applying for admission and introduction of the Admission Shares to trading on a regulated market, main market of the Warsaw Stock Exchange. Neither the Prospectus nor the Admission Shares have been registered or approved, nor are they subject to any application filed with any regulatory body in any jurisdiction outside the territory of the Republic of Poland other than the prior distribution of the Admission Shares and the listing on the TSX in accordance with applicable Canadian Securities legislation and TSX policies. This Prospectus is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation.

Serinus is a "reporting issuer" (as such term is defined in the relevant provisions of Canadian securities legislation) in each of the provinces of Canada other than Québec. The distribution of the Admission Shares to the holders thereof and the listing of the Admission Shares on the TSX were previously effected in accordance with applicable Canadian securities legislation and TSX policies. **ACCORDINGLY, THIS PROSPECTUS HAS NOT BEEN, AND WILL NOT BE, SUBMITTED TO CANADIAN SECURITIES REGULATORS OR THE TSX FOR THEIR APPROVAL AND THIS DOCUMENT DOES NOT CONSTITUTE, AND IS NOT INTENDED TO CONSTITUTE, A PROSPECTUS, OFFERING MEMORANDUM OR ANY OTHER OFFERING DOCUMENT UNDER**

APPLICABLE CANADIAN SECURITIES LEGISLATION. THE COMPANY PLANS TO FILE THIS PROSPECTUS ON SEDAR IN CANADA FOR THE SOLE PURPOSE OF ENSURING THAT INVESTORS IN CANADA AND INVESTORS IN POLAND HAVE EQUAL ACCESS TO INFORMATION.

THE ADMISSION SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE *U.S. SECURITIES ACT OF 1933*, AS AMENDED (THE "U.S. SECURITIES ACT"), OR BY ANY AUTHORITIES REGULATING SECURITIES TRADING PURSUANT TO THE SECURITIES LAWS OF ANY U.S. STATE, AND SUBJECT TO CERTAIN LIMITED EXCEPTIONS, MAY NOT BE OFFERED OR SOLD IN THE TERRITORY OF JURISDICTION OF THE UNITED STATES, EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, AND IN COMPLIANCE WITH ANY APPLICABLE U.S. STATE SECURITIES LAWS. THE PROSPECTUS WAS PREPARED EXCLUSIVELY FOR THE PURPOSES OF APPLYING FOR ADMISSION AND INTRODUCTION OF THE ADMISSION SHARES TO TRADING ON A REGULATED MARKET, MAIN MARKET OF THE WARSAW STOCK EXCHANGE.

The Prospectus was approved on 26 September 2014 by the FSA.

TABLE OF CONTENTS

I.	SUMMARY	10
II.	REGISTRATION DOCUMENT	41
1.	RISK FACTORS	41
1.1.	Risks Relating to the Operations of the Issuer	41
1.2.	Risks Relating to the Issuer's Market Environment	74
1.3.	Risks Relating to Ownership of the Admission Shares	83
1.4.	Risks relating to the Listing of the Admission Shares on the WSE	88
2.	PERSONS RESPONSIBLE	99
2.1.	All persons responsible for the information given in the Registration Document and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.	99
2.2.	A declaration by those responsible for the registration document that, having taken all reasonable care to ensure that such is the case, the information contained in the registration document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, a declaration by those responsible for certain parts of the registration document that, having taken all reasonable care to ensure that such is the case, the information contained in the part of the registration document for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.	99
3.	STATUTORY AUDITORS	103
3.1.	Names and addresses of the issuer's auditors for the period covered by the historical financial information (together with their membership in a professional body).	103
3.2.	If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, indicate details if material.	103
4.	SELECTED FINANCIAL INFORMATION	104
5.	INFORMATION ABOUT THE ISSUER	107
5.1.	History and Development of the Issuer	107
5.2.	Investments	113
6.	BUSINESS OVERVIEW	122
6.1.	Principal Activities	122
6.2.	Principal Markets	127
6.3.	Where the information given pursuant to items 6.1. and 6.2. has been influenced by exceptional factors, mention that fact.	142

6.4.	If material to the issuer's business or profitability, a summary information regarding the extent to which the issuer is dependent, on patents or licences, industrial, commercial or financial contracts or new manufacturing processes.	143
6.5.	The basis for any statements made by the issuer regarding its competitive position.	143
6.6.	Principal Oil and Gas Assets.	145
7.	ORGANIZATIONAL STRUCTURE.....	220
7.1.	If the issuer is part of a group, a brief description of the group and the issuer's position within the group.....	220
7.2.	A list of the issuer's significant subsidiaries, including name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held.	220
8.	PROPERTY, PLANTS AND EQUIPMENT.....	224
8.1.	Information regarding any existing or planned material tangible fixed assets, including leased properties, and any major encumbrances thereon.	224
8.2.	A description of any environmental issues that may affect the issuer's utilisation of the tangible fixed assets.....	228
9.	OPERATING AND FINANCIAL REVIEW.....	234
9.1.	Financial Condition.....	234
9.2.	Operating Results.....	244
10.	CAPITAL RESOURCES.....	249
10.1.	Information concerning the issuer's capital resources (both short and long term).....	249
10.2.	An explanation of the sources and amounts of and a narrative description of the issuer's cash flows;.....	250
10.3.	Information on the borrowing requirements and funding structure of the issuer;.....	253
10.4.	Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.	257
10.5.	Information regarding the anticipated sources of funds needed to fulfill commitments referred to in items 5.2.3. and 8.1.....	257
11.	RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES.....	259
12.	TREND INFORMATION.....	260
12.1.	The most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the registration document. ...	260
12.2.	Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.	263
13.	PROFIT FORECASTS OR ESTIMATES.....	265
14.	ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT.....	266

14.1.	Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside that issuer where these are significant with respect to that issuer:	266
14.2.	Administrative, Management, and Supervisory bodies and Senior Management conflicts of interests.....	282
15.	REMUNERATION AND BENEFITS.....	284
15.1.	The amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to such persons by the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person.	284
15.2.	The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits.....	284
16.	BOARD PRACTICES	293
16.1.	Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office.	293
16.2.	Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement.	293
16.3.	Information about the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates.....	294
16.4.	A statement as to whether or not the issuer complies with its country's of incorporation corporate governance regime(s). In the event that the issuer does not comply with such a regime, a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime.	295
17.	EMPLOYEES	302
17.1.	Either the number of employees at the end of the period or the average for each financial year for the period covered by the historical financial information up to the date of the registration document (and changes in such numbers, if material) and, if possible and material, a breakdown of persons employed by main category of activity and geographic location. If the issuer employs a significant number of temporary employees, include disclosure of the number of temporary employees on average during the most recent financial year.	302
17.2.	Shareholdings and stock options	307
17.3.	Description of any arrangements for involving the employees in the capital of the issuer.	314
18.	MAJOR SHAREHOLDERS.....	315
18.1.	In so far as is known to the issuer, the name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest or, if there are no such persons, an appropriate negative statement.	315

18.2.	Whether the issuer's major shareholders have different voting rights, or an appropriate negative statement.	315
18.3.	To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control and describe the measures in place to ensure that such control is not abused.....	316
18.4.	A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer.....	317
19.	RELATED PARTY TRANSACTIONS	318
20.	FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES.....	324
20.1.	Historical Financial Information	324
20.2.	Pro forma financial information	324
20.3.	Financial statements	325
20.4.	Auditing of historical annual financial information	325
20.5.	Age of latest financial information.....	325
20.6.	Interim and other financial information	325
20.7.	Dividend policy	325
20.8.	Legal and arbitration proceedings	326
20.9.	Significant change in the issuer's financial or trading position.....	326
21.	ADDITIONAL INFORMATION	328
21.1.	Share Capital	328
21.2.	Memorandum and Articles of Association.....	336
22.	MATERIAL CONTRACTS.....	345
22.1.	KI/Radwan Debentures	345
22.2.	Letter agreement relating to the KUB-Gas shareholders' agreement.....	346
22.3.	Licence Agreement.....	346
22.4.	EBRD Loan Facility.....	346
22.5.	KI Loan	347
22.6.	Winstar Acquisition (Winstar Arrangement)	347
22.7.	Dutco Agreements	347
22.8.	Tunisia Loan Facility.....	349
22.9.	KUB-Gas acquisition of K200 drilling rig	353
22.10.	Tunisian drilling contracts.....	354
22.11.	Rig For Drilling Program in Block L (agreement between AED SEA and PT Energi)	354
23.	THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST.....	355

23.1.	Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to the effect that such statement or report is included, in the form and context in which it is included, with the consent of the person who has authorised the contents of that part of the Registration Document.	355
23.2.	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information.	355
24.	DOCUMENTS ON DISPLAY.....	357
25.	INFORMATION ON HOLDINGS	359
25.1.	Information relating to the undertakings in which the issuer holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.	359
26.	KEY INFORMATION.....	364
26.1.	Working capital Statement	364
26.2.	Capitalization and indebtedness	364
26.3.	Interest of natural and legal persons involved in the issue/offer	367
26.4.	Reasons for the offer and use of proceeds.....	367
27.	INFORMATION CONCERNING THE SECURITIES TO BE ADMITTED TO TRADING.....	368
27.1.	A description of the type and the class of the securities being offered and/or admitted to trading, including the ISIN (International Security Identification Number) or other such security identification code.	368
27.2.	Legislation under which the securities have been created.....	368
27.3.	An indication whether the securities are in registered form or bearer form and whether the securities are in certificated form or book-entry form. In the latter case, name and address of the entity in charge of keeping the records.	397
27.4.	Currency of the securities issue.....	398
27.5.	A description of the rights attached to the securities, including any limitations of those rights, and procedure for the exercise of those rights.....	398
27.6.	In the case of new issues, a statement of the resolutions, authorizations and approvals by virtue of which the securities have been or will be created and/or issued.....	425
27.7.	In the case of new issues, the expected issue date of the securities.	426
27.8.	A description of any restrictions on the free transferability of the securities.	427
27.9.	An indication of the existence of any mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the securities and the description of disclosure obligations and notification requirement ensuing from anti-monopoly regulations.....	428

27.10.	An indication of public takeover bids by third parties in respect of the issuer's equity, which have occurred during the last financial year and the current financial year. The price or exchange terms attaching to such offers and the outcome thereof must be stated.	441
27.11.	In respect of the country of registered office of the issuer and the country(ies) where the offer is being made or admission to trading is being sought:	441
28.	TERMS AND CONDITIONS OF THE OFFER	453
28.1.	Conditions, offer statistics, expected timetable and action required to apply for the offer	453
28.2.	Plan of distribution and allotment	453
28.3.	Pricing	453
28.4.	Placing and Underwriting.....	453
29.	ADMISSION TO TRADING AND DEALING ARRANGEMENTS	454
29.1.	An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question. This circumstance must be mentioned, without creating the impression that the admission to trading will necessarily be approved. If known, the earliest dates on which the securities will be admitted to trading.	454
29.2.	All the regulated markets or equivalent markets on which, to the knowledge of the issuer, securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.....	457
29.3.	If simultaneously or almost simultaneously with the creation of the securities for which admission to a regulated market is being sought securities of the same class are subscribed for or placed privately or if securities of other classes are created for public or private placing, give details of the nature of such operations and of the number and characteristics of the securities to which they relate.	458
29.4.	Details of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment.	458
29.5.	Stabilization: where an issuer or a selling shareholder has granted an over-allotment option or it is otherwise proposed that price stabilizing activities may be entered into in connection with an offer:	458
30.	SELLING SECURITIES HOLDERS	459
30.1.	Name and business address of the person or entity offering to sell the securities, the nature of any position office or other material relationship that the selling persons has had within the past three years with the issuer or any of its predecessors or affiliates.	459
30.2.	The number and class of securities being offered by each of the selling security holders.	459
30.3.	Lock-up agreements The parties involved. Content and exceptions of the agreement. Indication of the period of the lock up.	459
31.	EXPENSE OF THE ISSUE	460
31.1.	The total net proceeds and an estimate of the total expenses of the issue.	460

32.	DILUTION	461
32.1.	The amount and percentage of immediate dilution resulting from the offer	461
32.2.	In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.	461
33.	ADDITIONAL INFORMATION – THIRD PARTY REPORT	462
33.1.	If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted.	462
33.2.	An indication of other information in the Securities Note which has been audited or reviewed by statutory auditors and where auditors have produced a report. Reproduction of the report or, with permission of the competent authority, a summary of the report.	462
33.3.	Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to the effect that such statement or report is included, in the form and context in which it is included, with the consent of the person who has authorised the contents of that part of the Securities Note.	463
33.4.	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information.	463
34.	DEFINITIONS AND ABBREVIATIONS	465
	Appendix A - List of the documents incorporated by reference to the Prospectus.	490
	Appendix B - Consolidated version of Issuer's Articles of Association	492
	Appendix C - Issuer's By-laws no. 1	504
	Appendix D - Issuer's By-laws no. 2	527
	Appendix E - Resolution of the Board of Directors of the Issuer from 11 December 2012	529
	Appendix F - Resolution of the Board of Directors of the Issuer from 12 November 2013 together with the appendices	534
	Appendix G - Resolution of the Board of Directors of the Issuer from 12 November 2013 together with the appendices	551
	Appendix H - Resolution of the Board of Directors of the Issuer from 18 March 2014 together with the appendices	596

I. SUMMARY

This summary has been prepared in accordance with the requirements as to content and form of the Commission Regulation (EC) No 809/2004 of April 29, 2004. Summaries are drawn up based on publication obligations known as “Elements”, in accordance with the above-mentioned Annex XXII. These Elements are numbered in Sections A – E (A.1 – E.7). This summary contains all Elements that have to be included in a summary for the issuance of shares. Because some Elements do not have to be discussed, there can be gaps in the order of the numbering of the Elements. Also when an Element has to be included in the summary because of the type of securities, it is possible that no relevant information can be given with regard to the Element. In that case, a brief description of the Element will be included in the summary with the mention ‘not applicable’.

Section A - Introduction and warnings

Element	Disclosure requirement
A.1	This summary should be read as introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor; where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	<p>Consent by the issuer or person responsible for drawing up the prospectus to the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.</p> <p>Indication of the offer period within which subsequent resale or final placement of securities by financial intermediaries can be made and for which consent to use the prospectus is given.</p> <p>Any other clear and objective conditions attached to the consent which are relevant for the use of the prospectus.</p> <p>Notice in bold informing investors that information on the terms and conditions of the offer by any financial intermediary is to be provided at the time of the offer by the financial intermediary.</p>
Not applicable. The Admission Shares to which this Prospectus relates are not subject to a public offer.	

Section B - Issuer and any guarantor

Element	Disclosure requirement
B.1	The legal and commercial name of the issuer.
	The Issuer operates under the business name “Serinus Energy Inc.” (formerly: “Kulczyk Oil Ventures Inc.”)
B.2	The domicile and legal form of the issuer, the legislation under which the issuer operates and its country of incorporation.
	<p>The Issuer is a corporation incorporated under the provisions of the laws of the Province of Alberta in Canada (including without limitation the Business Corporations Act – “ABCA”). The Issuer was incorporated on March 16, 1987.</p> <p>The registered office of the Issuer is in the city of Calgary in the Province of Alberta, Canada at Suite 1500, 700 - 4th Avenue S.W., Calgary, Alberta, T2P 3J4.</p>
B.3	A description of, and key factors relating to, the nature of the issuer's current operations and its principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the issuer competes.
	<p>The Issuer is a company engaged in oil and gas exploration and production led by a management team with a strong international and operational background with extensive global contacts in the oil and gas business. The Issuer and its subsidiaries (the “Group”, “Serinus Group”, “Issuer’s Group” or “Company Group”) has a diversified asset base with exposure to development and appraisal prospects and significant exploration upside. Currently, most of the assets in Ukraine and Tunisia are producing whereas all of the assets in Brunei and Romania are exploratory. Exploratory assets in Syria are under the force majeure since July 2012 therefore as of the date hereof the Syrian assets are no longer considered to be material. As at June 30, 2014 Brunei Block L assets are fully impaired. Generally, Serinus Group’s activity is a licensed activity and as such is dependent on cooperation with governmental entities controlling oil and gas resources in particular locations (although not strictly dependent, as the nature of oil and gas activity in particular locations is complex and in practice depends on various factors) and, consequently, cooperation with companies controlled by the State, as a rule, is required, which is typical for oil and gas industry.</p> <ul style="list-style-type: none"> Ukraine <p>In Ukraine, the Company has an indirect 70% shareholding in KUB-Gas Holdings Limited (“KUBGAS Holdings”), with a registered office in Nicosia, Cyprus, which owns 100% of the share capital of KUB-Gas LLC (“KUB-Gas”), with a registered office in Luganska, Ukraine, one of the largest private gas producers in Ukraine. KUB-Gas sells gas domestically to both gas traders and industrial consumers. KUB-Gas holds a 100% interest in five licences (the “Ukraine Licences”), being the Olgovskoye, Makeevskoye, Vergunskoye, Krutogorovskoye, and North Makeevskoye licences, as well as a drilling rig, a specialized workover rig and other well servicing assets, as well as over 20 kilometres of main gas pipelines connected to the Ukrainian gas transportation infrastructure. Three of the five licence areas are currently producing natural gas and condensate and a fourth is producing natural gas only. Condensate refers to liquid hydrocarbons produced with natural gas that</p>

are separated from the gas by cooling and various other means. Condensate generally has an American Petroleum Institute gravity of 50° to 120° and is water-white, straw, or bluish in color. The fifth licence, North Makeevskoye, is an exploration licence and does not currently have any production.

As outlined in the table, below, four of the five licences are 20-year production licences. Since the KUB-Gas Acquisition in June 2010, production (net to the 70% interest of the Company) has increased substantially from 4 million cubic feet equivalent per day (“**MMcfe/d**”) in June 2010 to 21.3 MMcfe/d as at June 2014. A thousand cubic feet equivalent (“**mcfe**” or “**Mcf**”) conversion of 1 barrel (“**bbl**”) to six thousand cubic feet (“**mcf**” or “**Mcf**”), or a barrel of oil equivalent (“**boe**”) conversion ratio of 6Mcf:1bbl, is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Production during the month of July 2014, the most recent month for which data is available as at the date of this Prospectus, from the four producing licence areas was 36.9 million cubic feet per day (“**MMcf/d**”) of natural gas (25.1 MMcf/d net to Serinus) and 122 barrels per day (“**bbl/d**”) condensate (85 bbl/d net to Serinus). Since acquisition of the Ukraine Assets in June 2010, fifteen wells have been drilled, including four wells in 2011, six in 2012, three in the 2013 and two so far in 2014. Additional wells are planned to be drilled in 2014 but further development activities have been put on hold until the security situation in Ukraine stabilizes.

The fifth licence, an exploration licence, was acquired at North Makeevskoye in December 2010 and since then three wells in that licence area have been drilled. Two of the North Makeevskoye wells showed evidence of potential hydrocarbon accumulation but none of the wells drilled are capable of commercial oil or gas production at this time. The Company (acting through KUB-Gas), has been actively drilling and developing the Ukraine Licences since 2010. However, due to a deteriorating security situation in Ukraine, on 27 June 2014 the Company has decided to put developmental field operations in Ukraine on hold. Production is continuing, but drilling, workover, stimulation and construction activities have ceased.

In March 2014, KUB-Gas completed the construction and commissioning of its new Makeevskoye gas processing plant. The new plant supplements existing infrastructure, and increased KUB-Gas' overall processing capacity from 30 MMcf/d to 68 MMcf/d.

Kulczyk Oil Ventures Limited (a direct 100%-owned subsidiary of the Company, which in turn owns the Company Group's shares in KUBGAS Holdings) (“**KOV Cyprus**”), Gastek LLC (the 30% owner of KUBGAS Holdings) (“**Gastek**”) and KUBGAS Holdings are party to a shareholders agreement (the “**SHA**”) to govern KOV Cyprus' and Gastek's relationship as shareholders in KUBGAS Holdings and, by extension, to govern decision making regarding KUB-Gas's operations in Ukraine. The board of directors of KUBGAS Holdings consists of five members. So long as KOV Cyprus holds 51% or more of the issued equity in KUBGAS Holdings, it is entitled to appoint three of its nominees to the KUBGAS Holdings board (with one of the KOV Cyprus nominees being the chairman). As of the date of this Prospectus, KOV Cyprus holds more than 51% of the issued equity in KUBGAS Holdings and as a result has appointed three of its nominees to the KUBGAS Holdings board (with one of the KOV Cyprus nominees being the Chairman). The SHA also establishes a management committee. Its function is to provide day-to-day operational recommendations to KUBGAS Holdings and the general director and technical director of KUB-Gas in respect of petroleum operations conducted by KUB-Gas (including decisions relating to field abandonment). It is also responsible for developing and recommending annual work programs and budgets to the KUBGAS Holdings board. Resolution of any deadlock occurring at either the board or management committee level is in the first instance by

way of consultation and agreement between the chief executives of Gastek and KOV Cyprus for resolution by them.

Licence/ Type	Date of		Licence granted by/ Entity entitled to revoke the licence	Legal basis	Assignment Restrictions
	Grant	Expiry			
Olgovskoye Production Special Permit	06/02/12	06/02/32	Geology and Mineral Resources of Ukraine of the Environmental Ministry “State Geological Service”	Order No.215 dated 27/12/11	None
Makeevskoye Production Special Permit	09/04/12	09/04/32	Geology and Mineral Resources of Ukraine of the Environmental Ministry “State Geological Service”	Order No.76 dated 02/03/12	None
Vergunskoye Production Special Permit ¹	27/09/06	27/09/26	Ministry of Environmental Protection of Ukraine “Environmental Ministry”	Protocol No.27 dated 16/03/2005	None
Krutogorovskoye Production Special Permit	30/08/2013	30/08/2033	Geology and Mineral Resources of Ukraine of the Environmental Ministry “State Geological Service”	Order No.356 dated 11 July 2013	None
North Makeevskoye Exploration Special Permit	29/12/10	29/12/15	Ministry of Environmental Protection of Ukraine “Environmental Ministry”	Protocol No.9-10 dated 09/12/10, order No.575 dated 21/12/10	None

Note:

- a) Vergunskoye licence is restricted to depths not deeper than 1,000 metres

• **Tunisia**

The Company’s assets in Tunisia, being a 100% working interest in the Chouech Es Saida, Ech Chouech, Zinnia and Sanhar concessions and a 45% working interest in the Sabria concession and assets related thereto (the “**Tunisia Assets**”) are operated by Winstar Tunisia B.V. (“**Winstar Tunisia**”), with a registered office in Breda, the Netherlands, a wholly-owned subsidiary of Winstar B.V., also with a registered office in Breda, the Netherlands, which is an indirect 100% owned subsidiary of the Company. A working interest is a percentage of ownership in an oil and gas lease granting its owner the right to explore, drill and produce oil and gas from a defined area. Working

interest owners are obligated to pay a corresponding percentage of the cost of exploration, drilling, production and any related activities (subject to any superceding terms of the oil and gas lease or amongst the owners which obligate one party to pay for or “carry” some or all of another party’s obligations). After royalties are paid, the working interest also entitles its owner to share in production revenues with other working interest owners.

The Tunisia Assets were acquired in June 2013 through the acquisition of shares in the capital of Winstar Resources Ltd., with a registered office in Calgary, Alberta, Canada, a Canadian exploration and producing company with material assets in Tunisia and Romania (the “**Winstar Acquisition**”). Long-term financing for the development of the Choueich Es Saida, Ech Choueich, Sanrhar and Sabria concessions is provided by the terms of two loan agreements signed between Serinus and the European Bank for Reconstruction and Development (“**EBRD**”) in November 2013, in the aggregate amount of \$60 million, such amounts to be disbursed to such bank accounts as Serinus may from time to time specify in disbursement applications Serinus submits to the EBRD. First loan agreement (the “**Senior Loan**”) is in the amount of \$40 million, has a term of seven years, and is available in two tranches of \$20 million each. 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. The second tranche of the Senior Loan is available only after the second loan agreement (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 \$20 million has a term of seven years. Both loans are available for a period of three years. The multi-year development project includes continuous drilling programme, including the stimulation of existing wells (for example, through hydraulic fracturing) and the drilling of new production wells, securing dedicated drilling and service rigs.

In addition, as part of a series of transactions between the Serinus Group and Dutco Energy Ltd. (a company registered in the British Virgin Islands with registered number 1736233, “**Dutco**”), a wholly owned subsidiary of Dubai Transport Company LLC, a Middle Eastern conglomerate with operations in construction and engineering, trading, manufacturing, hospitality and oil and gas), Serinus and Dutco have agreed to jointly pursue new oil and gas opportunities in Tunisia for the duration of the a financing agreement concluded on 17 July 2013 (the “**Dutco Credit Facility**”) between Dutco, Serinus and Kulczyk Oil Brunei Limited (“**Kulczyk Oil Brunei**”), with a registered office in Cyprus. The Dutco Credit Facility allowed a drawdown of up to \$15,000,000 from Dutco. The stated purpose of the Dutco Credit Facility was to fund intra group loans for the payment of costs related to the drilling of the test wells in Block L in Brunei. Dutco and the Dutco group of companies are at arm’s length to Serinus. As at the date of the Prospectus there are no amounts outstanding under Dutco Credit Facility.

Each of these concessions have expiry dates in or after the year 2020. Four of the concessions (Choueich Es Saida, Ech Choueich, Sanrhar and Sabria) are currently producing oil or gas while the fifth concession (Zinnia) is non-producing. The Tunisian state oil and gas company, Enterprise Tunisienne d’Activites Petroliere (“**ETAP**”), holds a back-in right to acquire up to a 50% working interest in the Choueich Es Saida concession if and when the cumulative liquid hydrocarbon sales since the inception of the Choueich Es Saida concession, net of royalties and shrinkage, from the concession exceeds 6.5 million barrels. As at December 31, 2013, cumulatively 4.7 million barrels and as at June 30, 2014 4.8 million of barrels, net of royalties and shrinkage, have been sold from the Choueich Es Saida concession.

In Tunisia, production averaged 1,462 boe per day (“**boe/d**”) for the three months ended December 31, 2013 and 1,311 boe/d and 1,328 boe/d for the three and six months ended June 30, 2014. Production is predominantly from the Chouech Es Saida and Sabria fields, which account for 90% of the production from Tunisia. Minimal capital expenditures have been incurred on the Tunisian properties since acquisition, limited to workover activities on producing wells resulting in minor amounts of downtime. Works on new wells on Tunisian Assets started in July 2014 with commencement of the drilling of WIN 12bis well. The drilling rig will move to the second location, WIN-13, immediately after finishing WIN-12bis. As at June 30, 2014, cumulatively 4.8 million barrels, net of royalties and shrinkage have been sold from the concession.

The production for the year ended 2013 includes only the amounts produced since the Winstar 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 Winstar Acquisition was 1,512 boe/d.

Production during the month of July 2014, the most recent month for which data is available as at the date of this Prospectus, from the four producing concessions was 1,482 mcf/d of natural gas (net to Serinus) and 748 bbl/d oil (net to Serinus). Oil production is loaded from the terminal onto tankers arranged by third parties and sold on the world market every one to three months, depending on production levels and tanker availability. Sabria oil production is sold into the local market. Gas production is sold to STEG.

Gross production from Chouech Es Saida up to December 31, 2013 was 5731 Mbbls and 24,294 MMcf and up to August 31, 2014 it was 5,882 Mbbls and 24,633 MMcf. Production started in 1977 and continued to 1998 when was shut in, and commenced again in 2003.

The Company, through its indirect subsidiary, Winstar Tunisia, is party to a joint venture agreement for the Sabria concession (the “**Sabria JVA**”), which governs its relationship at the Sabria concession with ETAP (which owns the remaining 55% of the concession). Winstar Tunisia owns 100% of its other properties in Tunisia, and as such is not party to any joint venture or joint operating agreements regarding those properties.

The Sabria JVA is governed by an operating committee (the “**Sabria Operating Committee**”). The Sabria Operating Committee is comprised of an equal number of representatives from Winstar Tunisia and ETAP and is chaired by the operator. All decisions of the Sabria Operating Committee must be unanimous. If unanimity cannot be obtained, then for joint operations the proposal will be approved upon obtaining approval of at least two parties representing more than 70% of the financing for such operations

Concession/ Type/	Date of		Concession granted by	Entity entitled to revoke the Concession	Legal basis	Assignment Restrictions
	Grant (based on issued date of granting order)	Expiry				
Chouech Es Saida Production	15 January 1977	31 December 2027	The Tunisian Minister of National Economy	The Tunisian Minister of National Economy	Decree dated December 13th, 1948 / Decree dated January 1st,	Please see note below.

				(now replaced by the Tunisian Minister of Industry, Energy and Mines)	1953 Law no, 99-93 from 17 August 1999 ("Hydrocarbon Code")	
Ech Chouech Production	22 May 1992	9 June 2022	The Tunisian Minister of National Economy	The Tunisian Minister of National Economy (now replaced by the Tunisian Minister of Industry, Energy and Mines)	Decree dated December 13th, 1948 / Decree dated January 1st, 1953/ Decree-Law N° 85-9	Please see note below.
Sabria Production	17 November 1998	16 November 2028	The Tunisian Minister of Industry	The Tunisian Minister of Industry (now replaced by the Tunisian Minister of Industry, Energy and Mines)	Decree dated December 13th, 1948 / Decree dated January 1st, 1953/ Decree-Law N° 85-9	Please see note below.
Sanrhar Production	27 May 1991	31 December 2021	The Tunisian Minister of National Economy	The Tunisian Minister of National Economy (now replaced by the Tunisian Minister of Industry, Energy and Mines)	Decree dated December 13th, 1948 / Decree dated January 1st, 1953/ Decree-Law N° 85-9	Please see note below.
Zinnia Production (Shut-in)	17 November 1990	31 December 2020	The Tunisian Minister of Economy and Finances	The Tunisian Minister of Economy and Finances (now replaced by the Tunisian Minister of Industry, Energy and	Decree dated December 13th, 1948 / Decree dated January 1st, 1953/ Decree-Law N° 85-9	Please see note below.

				Mines)		
--	--	--	--	--------	--	--

Note:

The alienation of all or a portion of the rights held by Winstar Tunisia in the Tunisian concessions may require the consent of the Tunisian state. The approval of the Tunisian state will be necessary if:

- Winstar Tunisia owns directly or indirectly less than 50 percent (70 percent for the Zinnia Concession) of the voting rights of the beneficiary of the transfer;
- the beneficiary of the transfer owns less than 50 percent (70 percent for the Zinnia Concession) of Winstar Tunisia;
- the beneficiary is a company of which Winstar Tunisia or the shareholders of Winstar Tunisia own less than 50 percent (70 percent for the Zinnia Concession) of the voting rights; or
- the beneficiary of the transfer is a company the nationality of which is a country with which the Republic of Tunisia does not maintain diplomatic relations or if the headquarters of such beneficiary are located in such country.

In addition, with respect to the Chouech Es Saida and Ech Chouech Concessions, in order for a company to be considered an affiliate it must be a Tunisian or an Italian resident company. As such, in addition to the requirements outlined above, the Tunisian Administrative Council must approve transfers within an “economic group” where it is:

- a transfer of the Chouech Es Saida or Ech Chouech Concessions and the transferee is not a Tunisian or an Italian resident company; or
- a transfer of the shares of a corporation which holds the Chouech Es Saida or the Ech Chouech Concessions, the transferee is an affiliate but does not currently own any shares in Winstar Tunisia, and the transferee is not a Tunisian or an Italian resident company.

A corporation also qualifies as Tunisian or Italian if it experiences greater than 50% shareholder control from one of these countries.

• **Brunei**

The Company, through two indirect wholly-owned subsidiaries, Kulczyk Oil Brunei Limited, with registered office in Nicosia, Cyprus (“**Kulczyk Oil Brunei**”) and AED South East Asia Limited, with registered office in Nicosia, Cyprus (“**AED SEA**”), holds a 90% working interest in the Brunei Block L Production Sharing Agreement (“**Brunei Block L PSA**”). Kulczyk Oil Brunei and QAF Brunei Sendirian Berhad entered into the Brunei Block L PSA dated August 28, 2006 with PetroleumBRUNEI, which granted to Kulczyk Oil Brunei and QAF the right to explore for and, if the parties decide that the discovered resources are sufficient for commercial exploitation and PetroleumBRUNEI approves the development plan, produce oil and natural gas from Block L. The Brunei Block L PSA provides PetroleumBRUNEI or its nominee with a right to acquire up to a 15% participating interest in Block L (the “**Block L Back-In Right**”) at any time. The Block L Back-In Right will be taken pro rata from the existing contractor parties' respective participating interests in the Brunei Block L PSA. Brunei Block L is approximately 1,123 square kilometres in size covering both onshore and offshore areas in northern Brunei. In the third quarter of 2010, the Brunei Block L PSA participants (i.e. QAF Brunei Sendirian Berhad - 10%, Kulczyk Oil Brunei - 40%, AED SEA - 50% and operator status, PetroleumBRUNEI) elected to enter into Phase 2 exploration programmes. The Phase 2 exploration period under the Block L PSA was extended by one year, to August 2013 but was extended from its original extended expiration date in August 2013 to November 27, 2013 and automatically extended thereafter to allow for the completion of the drilling of the Luba-1 well. In the event the Company Group decides to appraise a discovery the term of the exploration period is further extended to allow for the implementation of the appraisal program. The “automatic extension” to allow for the completion of the Luba-1 well was pursuant to the Block L PSA which allows for the

extension of the term of Block L PSA if a well is in the process of being drilled. As of November 27, 2013, the date the Block L PSA was to expire, the well was still being drilled, thus the term of Block L PSA was extended. On December 9, 2013 Luba-1 was exploration was suspended. The extension was basically open-ended and stated to be for a sufficient time for AED SEA to conduct the appraisal program. As per the provisions of the Block L PSA, AED SEA is required to submit the Appraisal Plan by July 9, 2014 (being 180 days after the Final Well report for Luba). The Appraisal Plan will include the estimated timing and cost of the works proposed to be carried out by the Contractor to delineate the discovered Petroleum Field (as those terms are defined in the Block L PSA). AED SEA submitted the Appraisal Plan on July 3, 2014. PetroleumBRUNEI provided a response on July 23, 2014. AED SEA intends to submit a revised Appraisal Plan on or before September 30, 2014.

On April 29, 2012 AED SEA has also made an application to PetroleumBRUNEI (which administers the Brunei Block L PSA on behalf of the Bruneian government) to re-acquire certain areas, i.e. retain the relinquished area that were relinquished upon the completion of Phase 1, in accordance with the terms of the Brunei Block L PSA. which required AED SAE to relinquish 50% of the original Agreement Area and enter into Phase 2 of the exploration period. In accordance with Article 4 of the Block L PSA, the Block L joint venture partners consisting of AED SEA, Kulczyk Oil Brunei and QAF Brunei Sendirian Berhad (together, for the purpose of this section “**Joint Venture Partners**”) relinquished 50 percent of the Block L Contract Area in February 2011, an area subsequently referred to as the “Retention Area”. At that time the Joint Venture Partners advised PetroleumBRUNEI its intention to negotiate a new Production Sharing Contract in respect of the Joint Venture Partners’s obligations and activities in the Retention Area. This was further reiterated to PetroleumBRUNEI in a letter of April 29, 2012 when formal application was submitted together with a Work Program. Article 4.2 of the Block L PSA states that the Block L Consortium i.e. Joint Venture Partners) may seek to retain the Proposed Retention Area if, among other things, retention of the Proposed Retention Area does not in any way restrict or diminish the ability of the Block L Consortium to fully perform its obligations in relation to Phase 2 of the Exploration Period.

In July 2013, the Company entered into a strategic relationship with Dutco which included entering into an option agreement with Dutco, which gave Dutco the right to acquire an interest in Block L in consideration for providing the Company with a \$15 million secured Dutco Credit Facility. The Dutco 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. As at the date of the Prospectus no amounts are outstanding under Dutco Credit Facility.

The Group had until recently a 36% working interest in a second asset in Brunei, Brunei Block M production sharing agreement. Brunei Block M is a 1,505 square kilometre area in southern Brunei. The exploration period for Brunei Block M expired on 27 August 2012 and was not extended by PetroleumBRUNEI.

The Company determined that as of December 31, 2013, the Block L cash generating unit 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. A further impairment of \$0.3 million was recorded for the six months ended June 30, 2014. The Company, together with Petroleum Brunei, are in the process of evaluating the drilling campaign with a view to determining a way forward.

As at June 30, 2014, the Brunei Block L assets are fully impaired.

- **Romania**

In Romania, the Company operates its assets Winstar Satu Mare SRL (“**Winstar Satu Mare**”), with a registered office in Bucharest, Romania, an indirect 100% owned subsidiary of the Company. As part of the Winstar Acquisition the Company, through Winstar Satu Mare, became a party to a joint

venture transaction with Rompetrol S.A. ("**Rompetrol**"), under which, by fulfilling certain commitments consisting of processing and acquiring seismic information and the drilling of exploration wells, the Company earned a 60% interest in the 2,949 square kilometre onshore Satu Mare exploration concession in northwestern Romania. Under the terms of the agreement, Winstar Satu Mare 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 locations and the acquisition of 180 square kilometres of 3D seismic.

The Satu Mare exploration concession was granted by the Romanian National Agency for Mineral Resources (the "**NAMR**") to the Rompetrol Group NV on 22 September 2003 under authority from the Romanian Oil Law of 28 March 1996. The Satu Mare exploration concession expires in May 2015.

In the event that the holders of the Satu Mare exploration concession, being Winstar Satu Mare and Rompetrol, breach the terms of the concession agreement governing the Satu Mare exploration concession, the NAMR is the authority which has the power to terminate the Satu Mare exploration concession. This power is granted to the NAMR pursuant to the concession agreement governing the Satu Mare exploration concession. Under the terms of the concession agreement, a transfer or assignment by Winstar Satu Mare of its interest in the Satu Mare exploration concession is subject to prior approval from the NAMR, except in the case of transfer to an affiliate, in which case the NAMR can only object.

In addition, under the terms of the joint operating agreement dated September 9, 2008 amongst Winstar Satu Mare and Rompetrol S.A. which governs operations at the Satu Mare exploration concession, if Winstar Satu Mare wishes to transfer its participating interest in the Satu Mare exploration concession to a third party, each other party to the joint operating agreement is entitled to submit an offer to purchase such participating interest but this offer is not binding on Winstar Satu Mare. No transfer shall be made by Winstar Satu Mare which results in the transferor or the transferee holding a participating interest of less than 10% (except where Winstar Satu Mare transfers all of its participating interest). There are no material restrictions on Winstar Satu Mare transferring its participating interest in the Satu Mare exploration concession to an affiliate or encumbering its participating interest to a third party for the purpose of security relating to finance.

- **Syria**

Serinus, through its indirect wholly-owned subsidiary, Loon Latakia Limited, with registered office in Nicosia, Cyprus ("**Loon Latakia**"), holds a 50% participating interest in the contract for exploration, development and production of petroleum from Block 9 in Syria ("**Syria Block 9 PSC**"), which gives it, and the other Syria Block 9 participants, the right to explore for and, if certain conditions are satisfied, produce oil and natural gas from Syria Block 9, an area of approximately 10,039 km², located south of the City of Aleppo and immediately to the east of the City of Latakia in Syria.

The Company, through Loon Latakia, commenced its first exploration well on Syria Block 9 at Itheria-1 in July 2011 and suspended the well at a depth of 2,072 metres in October 2011. In July 2012, Loon Latakia, in its capacity as operator of Syria Block 9, declared *force majeure* under the terms of the Syria Block 9 PSC, due to difficult local operating conditions and the inability to fund local operations due to international sanctions imposed on Syria, which have rendered the performance of its obligations under the Syria Block 9 PSC impossible. As at the date of this Prospectus, the Serinus Group's operations on the Syria Assets remained suspended. Serinus continues

to monitor operating conditions in Syria to assess if, and when, a recommencement of its Syrian operations is possible. Pursuant to the terms of the Syrian Block 9 PSC, because, the *force majeure* event has continued for a period of more than one year, the contracting parties are entitled to terminate their obligations under the Syria Block 9 PSC on 90 days' notice without further liability. As of the date of this Prospectus, Loon Latakia has not terminated its obligations under the Syria Block 9 PSC. Agreement does not stipulate any consequences in the event that any party does not choose to terminate its obligations one year after the force majeure has been declared. As at December 31, 2013 and June 30, 2014 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.

B.4a	A description of the most significant recent trends affecting the issuer and the industries in which it operates.
-------------	---

- During the first six months ended June 30, 2014, production levels continued their upward trend. Production volumes increased by 55% in Q1 2014 to 4,907boe/d, net to Serinus, compared to 3,163 boe/d in the comparable period of 2013. The increase in 2014 reflects Tunisian production of 1,328 boe/d and an increase of 13% in production volumes from Ukraine.
- Average natural gas prices in Ukraine were lower in Q1 2014 at \$8.55 per Mcf compared to \$11.61 per Mcf in the comparable period. The decrease in price is attributable to incentives Russia granted to Ukraine on their imported gas prices and deterioration in the hryvnia as compared to the US dollar. Effective April 1, 2014, the natural gas discounts expired. Ukraine natural gas commodity prices were lower in Q2 2014 compared to the same period in 2013, with a realized natural gas price of \$10.23 per Mcf, compared to \$11.55 per Mcf for Q2 2013.
- The netback (revenues less the cost of royalties and the cost of production) decreased to \$36.45 compared to \$38.95 in 2013, primarily due to a lower realized price as a result of the incentives agreement in 2014 and 44% deterioration in the Ukrainian hryvnia to the US dollar since the beginning of the year.
- On an absolute basis, production expenses have increased 22% to \$13.2 million in the first half of 2014 from \$10.8 million in first half of 2013, though have decreased on a per boe basis to \$11.36 per boe from \$13.22 per boe.

B.5	If the issuer is part of a group, a description of the group and the issuer's position within the group.
------------	--

The Serinus Group is an international upstream oil and gas exploration and production group led by a management team with a strong international and operational background and with extensive global contacts in the oil and gas business. The Group has, through its subsidiaries, operations in Ukraine, Tunisia, Romania, Brunei and Syria (under the *force majeure*).

The major shareholder of the Issuer is Kulczyk Investments S.A. (“**KI**”), an international investment house founded by Polish businessman Dr. Jan Kulczyk, existing under the laws of Luxembourg, with its registered office in Luxembourg, which, as at the date of this Prospectus, owns approximately 50.8% of the issued and outstanding Serinus Shares in the capital of the Issuer. As a result of an agreement in place between Radwan Investments GmbH, a private Austrian company (“**Radwan**”) and KI, KI may also be considered to direct Serinus Shares owned by Radwan. KI and Radwan

collectively holds approximately 51.5% of the issued and outstanding Serinus Shares.

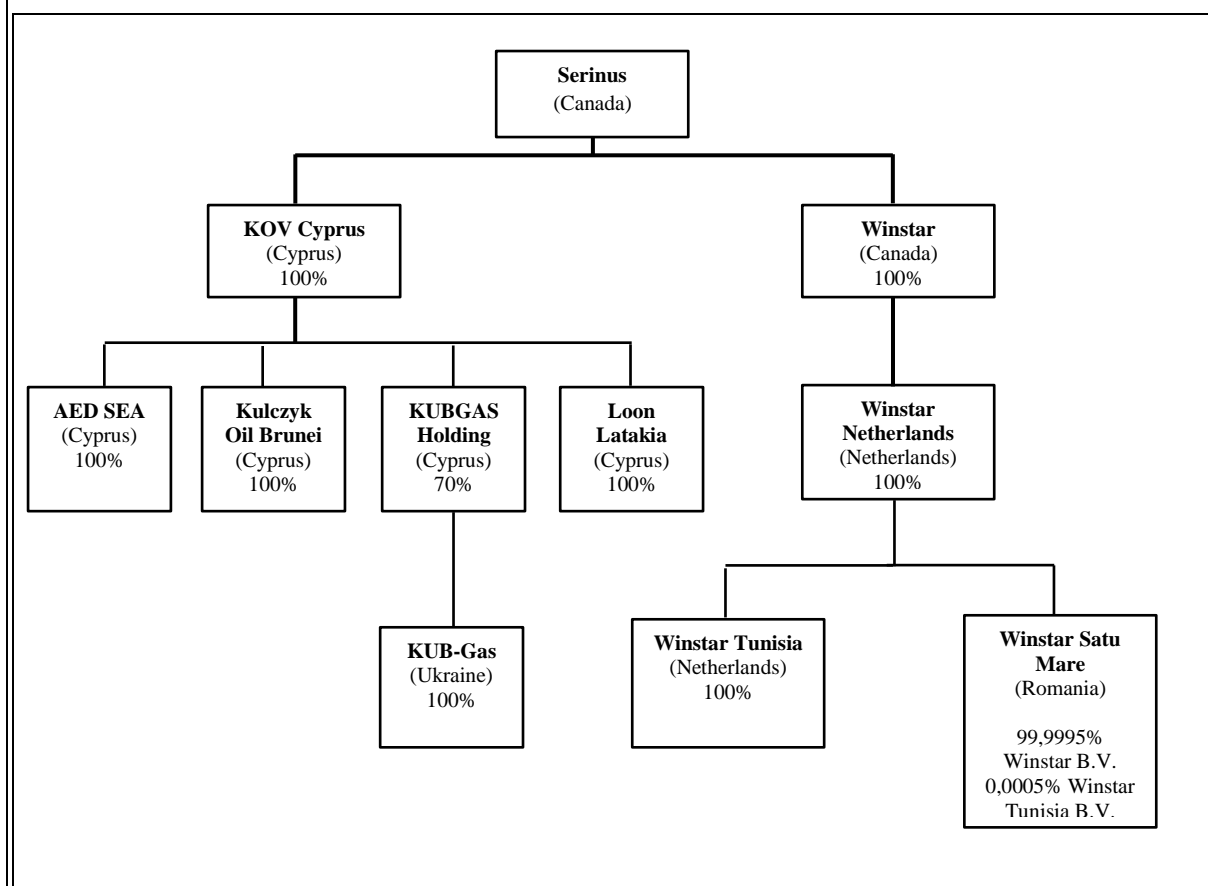
Serinus through its subsidiaries has thirteen (13) exploration and production licences with status of operator across five countries, i.e. Ukraine, Tunisia, Romania, Brunei and Syria (the Syrian licence is under force majeure and is not considered to be material).

The Issuer's Group is comprised of the following significant subsidiaries:

- (a) two direct wholly-owned subsidiaries (100% interest): Kulczyk Oil Ventures Limited (Nicosia, Cyprus) and Winstar Resources Ltd. (Calgary, Alberta, Canada),
- (b) six material indirect wholly-owned subsidiaries (100% interest):
 - AED South East Asia Limited (Nicosia, Cyprus),
 - Kulczyk Oil Brunei Limited (Nicosia, Cyprus),
 - Loon Latakia Limited (Nicosia, Cyprus),
 - Winstar B.V. (Breda, Netherlands),
 - Winstar Tunisia B.V. (Breda, Netherlands), and
 - Winstar Satu Mare SRL (Bucharest, Romania)
- (c) one indirect partly-owned subsidiary (70% interest): KUBGAS Holdings Limited (Nicosia, Cyprus).

KUBGAS Holdings Ltd. holds a 100% interest in KUB-GAS LLC (Lugansk, Ukraine).

The diagram below shows the organisational structure of the material subsidiaries held by the Issuer.



B.6	<p>In so far as is known to the issuer, the name of any person who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest.</p> <p>Whether the issuer's major shareholders have different voting rights if any.</p> <p>To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control.</p>
<p>To the best of the knowledge of the Issuer, the only shareholder of the Issuer who beneficially owns, directly or indirectly, or exercises control or direction over, Serinus Shares carrying more than 10% of the voting rights attached to all of the issued and outstanding Serinus Shares, as of the date of this Prospectus, is KI who owns 39,909,606 Serinus Shares constituting approximately 50.8 % of the issued and outstanding Serinus Shares.</p> <p>Each shareholder of the Issuer (a “Shareholder”) is entitled to one vote for every Serinus Share registered in its name. As a Shareholder, KI does not have any different voting rights with respect to the Serinus Shares registered in its name than those Serinus Shares held by the Issuer's other Shareholders.</p> <p>As of the date of this Prospectus, 39,909,606 Serinus Shares, representing approximately 50.8 % of the issued and outstanding Serinus Shares are held by KI. Dr Jan Kulczyk, formerly the Chairman of the Board of Directors of Serinus, is the President of the Supervisory Board of KI. Dr. Jan Kulczyk owns 100% of Luglio Limited, a private investment company established under the law of Cyprus registered in Limassol in Cyprus, which holds 68.33% of KI and is the only person who controls KI. Two current directors of the Company, being Sebastian Kulczyk and Manoj Madnani, are members of the Management Board of KI.</p> <p>The shareholding of KI in the Company allows KI to control the outcome of substantially all of the actions taken by the Shareholders, including the election of directors.</p> <p>As a result of an agreement in place between Radwan and KI, which provides that Radwan will vote any securities it purchases pursuant to such agreement in accordance with the directions of KI, KI may also be considered to direct 593,217 Serinus Shares owned by Radwan, representing approximately 0.77 % of the issued and outstanding Serinus Shares. KI and Radwan collectively holds 40,503,823 Serinus Shares or approximately 51.5% of the issued and outstanding Serinus Shares. The combined shareholding of KI and Radwan in the Company allows KI to control the outcome of substantially all of the actions taken by the Shareholders including the election of directors.</p> <p>Accordingly, dr Jan Kulczyk and Luglio Limited indirectly and KI directly are dominant entities of the Issuer.</p>	
B.7	<p>Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year end balance sheet information.</p> <p>This should be accompanied by a narrative description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information.</p>

Table 1 Consolidated results of Operations (US\$ in '000's)

	H1 2014 unaudited	H12014 unaudited	2013	2012	2011
Oil and gas revenue	77 498	57 638	146 732	99 588	35 227
Royalty expense	(16 008)	(14 974)	(34 496)	(19 468)	(6 890)
Oil and gas revenue, net of royalties	61 490	42 664	112 236	80 120	28 337
Operating expenses	(37 243)	(29 230)	(151 242)	(141 656)	(36 228)
Production expenses	(13 239)	(10 809)	(20 926)	(12 223)	(7 228)
General and administrative	(4 406)	(5 377)	(12 067)	(9 498)	(9 021)
Transaction costs	(1 500)	(2 455)	(4 487)	(4 193)	(1 047)
Stock based compensation	(1 717)	(438)	(2 927)	(1 968)	(2 672)
Loss on disposition of assets	107	-	0	-205	0
Depletion and depreciation	(16 151)	(10 151)	(27 782)	(25 830)	(7 596)
Impairment of exploration and evaluation assets	(337)	-	(83 053)	(87 739)	(8 664)
Finance income/(expenses)	(7 135)	(2 321)	(5 138)	(5 791)	(4 287)
Interest and other income	348	445	590	2 559	-6
Unrealized gain (loss) on investments	69	(100)	(145)	-82	-66
Interest expense and accretion	(3 035)	(2 384)	(4 409)	(8 087)	(3 861)
Foreign exchange gain (loss)	(4 517)	(282)	(1 174)	-181	-354
Earnings/loss of associates	-	-	-	-	(1 516)
Earnings/loss before tax	17 112	11 113	(44 144)	(67 327)	(13 694)
Current tax expense	(4 501)	(3 785)	(16 025)	(9 681)	(2 554)
Deferred tax recovery / (expense)	(1 144)	87	2 643	(1 974)	-668
Net earnings/loss	11 467	7 415	(57 526)	(78 982)	(16 916)
Foreign currency translation gain/(loss) of foreign operations	(20 886)	-	(1 445)	-37	927
Total comprehensive loss	(9 419)	7 415	(58 971)	(79 019)	(15 989)

Earnings (loss) attributable to:					
Common shareholders	7 001	2 911	(68 682)	(86 769)	(20 875)
Non-controlling interest	4 466	4 504	11 156	7 787	3 959
Earnings/loss for the period	11 467	7 415	(57 526)	(78 982)	(16 916)
Net earnings/loss per share attributable to common shareholders					
- basic and diluted	0,09	0,06	(1,07)	(1,95)	(0,51)
Total comprehensive earnings (loss) attributed to:					
Common shareholders	(7 620)	2 911	(69 694)	(86 762)	(20 226)
Non-controlling interest	(1 799)	4 504	10 723	7 743	4 237
Total comprehensive earnings/loss for the period	(9 419)	7 415	(58 971)	(79 019)	(15 989)

Source: Consolidated Financial Statements

Comment to results of operations for six months ended June 30, 2014

Oil and gas revenue increased by 34% in H1-2014 as compared to H1 2013, reflecting revenues attributable to Winstar (Tunisia) since July 1, 2013 and increase in production in Ukraine.

In Ukraine, revenues net of royalties totalled \$40.1 million for H1 2014, as compared to \$42.7 million in H1 2013. The decrease of 6% is attributable to a decrease in the average commodity price of 19% partially offset by increased volumes of 13%.

The production expenses have increased by 22.5% to \$13.2 million in H1 2014 from \$10.8 million in H1 2013, reflecting increased production. The increase in absolute dollars during H2014 is due to the inclusion of production costs related to Tunisia of \$6.9 million offset by a reduction of \$4,5 million in Ukraine driven by the impact of the weakening of Ukrainian Hryvnia as the Ukraine business is reported in US dollars.

On a per boe basis production expenses have decreased to \$11.36 per boe from \$13.22 per boe in the prior year, due to the inclusion of Tunisia at \$28.68 per boe.

For the six month period G&A costs have decreased by \$0.9 million due to non-routine charges in 2013 of \$1.6 million, for consulting services provided in Ukraine, partially offset by higher employee costs in 2014. On a per boe basis, G&A costs have decreased by 42,5% to \$3.78 per boe for the quarter compared to \$6.58 per boe in the comparable period in 2013 due to increased production. G&A costs incurred by the Group are expensed, with certain costs directly related to exploration and development assets being capitalized.

A further impairment of \$0.3 million was recorded for the period ended June 30, 2014 due to the impairment of Block L in Brunei. 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.

Transaction costs are project related expenditures. The H1 2014 expense comprises of costs associated with listing of shares issued on the Winstar acquisition on the Warsaw stock exchange and other corporate related projects.

The Company has in place a stock option plan (the “Stock Option Plan”) providing for the granting of stock options to directors, officers, employees and consultants of the Company and its affiliates. The purpose of the Stock Option Plan is to afford persons who provide services to the Company, whether as directors, officers, management, employees or otherwise, an opportunity to obtain a proprietary interest in the Company. The Company has granted common share purchase options to officers, directors, employees and certain consultants with exercise prices equal to or greater than the market value of the common shares on the grant date. Upon exercise, the options are settled in common shares issued from treasury.

Stock based compensation was \$1.7 million for –H1 2014 (H1 2013 \$0.4 million). The increase in H1 2014 reflects the number of options granted and immediately vested, whereas fewer options were granted during the comparable period of 2013. 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.

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers annually. Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable.

Plant and equipment are recorded at cost and are depreciated over the estimated useful lives of the asset using the declining balance basis at rates ranging from 10% to 30%. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Depletion and depreciation 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 for the six months ended June 30, 2014 increased to \$16.1 million from \$10.1 million in the comparative period of 2013. The increase is attributable to the Tunisian assets.

Interest and accretion expense in H1 2014 was \$3,03 million (H1 2013- \$2.38 million). Interest and accretion expense increased by \$0.7 million for the six months ended June 30, 2014. The increase is attributable to higher debt levels, resulting from the EBRD Tunisia loan, and by inclusion of accretion expense associated with the Winstar properties.

Comment to results of operations for the year ended December 31, 2013

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%.

For the year ended December 31, 2013, production expenses have increased to \$20.9 million from \$12.2 million in 2012, reflecting increased production (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). 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.

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 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.

General and administrative (G&A) costs for 2013, have increased to \$12.1 million, an increase of \$2.6 million, which reflects additional administrative costs associated with Winstar, including an increase in Calgary head office employees (increase from 18 employees as at December 31, 2012 to 26 employees as at the Date of the Prospectus). On a per boe basis, G&A costs have decreased by 12% to \$66.00 per boe. G&A costs incurred are expensed, with certain costs directly related to exploration and development assets being capitalized.

Transaction costs are project related expenditures. The 2013 expense comprises the costs associated with the acquisition of Winstar and other miscellaneous projects. Transaction costs amounted to \$4.5 million in 2013 (2012 - \$4.2 million).

Stock based compensation in Q4 2013 was \$2.1 million (0.3 in Q4 2012) and \$2.93 million for year ended December 31, 2013 (2012 - \$1.97 million). The increase in 2013 reflects the number of options granted and immediately vested, whereas fewer options were granted in 2012.

The depletion and depreciation expense for 2013 was \$27.8 million compared to \$25.8 million for 2012. The depletion rate per boe declined to \$13.82 for 2013, from \$18.57 in 2012, due to an increase in reserve volumes as at December 31, 2012 for Ukraine.

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.

Comment to results of operations for the year ended December 31, 2012

For the full year 2012, oil and gas revenues increased to \$99.6 million compared to \$35.2 million in 2011, reflecting increased production and an increase in the average realized price of 12%. Production

volumes increased by 97% in the fourth quarter of 2012 to 17,621 Mcfe/d, net to the Issuer, compared to 8,967 Mcfe/d in the comparable period of 2011. The increase in 2012 reflects six new wells that were tied-in and brought onto production during 2012 and numerous wells that have been worked over. Similar trends are noted on a full year basis, with production more than doubling in 2012 to 15,934 Mcfe/d, net to the Issuer, as compared to 6,338 Mcfe/d in 2011.

Production expenses, on an absolute basis, have increased 69% to \$12.2 million in 2012 from \$7.2 million in 2011, due to increased chemical, workover and repair and maintenance costs and higher utility expense. However, the increase in the costs was substantially less than the increase in production, resulting in lower costs per unit in 2012 compared to 2011.

G&A costs for the year ended December 31, 2012 were \$9.5 million (2011 - \$9.0 million) an increase of 5% from 2011 as more costs were incurred to support the growth of the Group. (G&A costs incurred are expensed, with some costs directly related to exploration and development assets being capitalized.)

Transaction costs are project related expenditures and for 2012 include costs associated with the potential AIM listing, costs for potential acquisitions and a recovery from KI of \$1.0 million for the previously expensed Neconde acquisition costs.

Stock based compensation was \$2.0 million (2011 - \$2.7 million) for the year ended December 31, 2012. The decrease in this expense reflects the larger number of options granted and immediately vested in prior years, partially offset by the cost of revaluing certain options (fair value of the stock options is estimated at each balance sheet date using the Black-Sholes method, thus valuation may vary from time to time, resulting in cost or profit).

Depletion and depreciation expense for the year ended December 31, 2012 was \$25.8 million (2011 - \$7.6 million). The overall annual depletion rate per Mcfe (annual depletion and depreciation expense divided per annual production measured in Mcfe – equivalent of a thousand cubic feet of natural gas) increased in 2012 to \$3.10 from \$2.30 in 2011. The increase year over year is attributable to the change in the reserves occurring as at December 31, 2011, which adjusted the fourth quarter 2011 depletion calculation and the first three quarters of 2012.

In 2012, the Brunei Block M PSA with PetroleumBRUNEI relating to Brunei Block M expired after efforts by the joint venture partners to obtain an extension to the terms of the Brunei Block M PSA were unsuccessful. As a result of the expiration of the Brunei Block M PSA, the Company recorded an impairment in respect of the Brunei Block M exploration and evaluation assets of \$85.5 million, which included a \$6.0 million penalty potentially payable relating to work commitments not met. In 2011, the Company concluded there were significant indicators of impairment in regards to the exploration assets in Syria and accordingly the carrying value should be written off. An impairment expense of \$8.7 million was recorded in 2011 and a further \$2.2 million recorded in 2012.

Interest and accretion expense was \$8.1 million (2011 - \$3.9 million) for the year ended December 31, 2012. The increase in the current year was mainly a result of higher debt levels in 2012. The EBRD loan was finalized in the second quarter 2011 and was drawn to \$23.0 million by the end of 2011, with the first repayment of \$1.8 million occurring in July 2012. This increase in debt, plus an increase in the fees due based on incremental revenues, resulted in a significant increase in interest on long-term debt during 2012. The interest on the note payable and debentures increased in 2012 due to higher debt levels being outstanding for a greater period of time. The KI/Radwan Debentures were first drawn down in the third quarter of 2011 and were outstanding for approximately eight months of 2012, with conversion occurring in August 2012. A new KI loan was issued in June of 2012, of which

\$10 million had been drawn by December 31, 2012.

Table 2 Consolidated Statement of Financial Position (US\$ in '000's)

ASSETS	30.06.2014 (unaudited)	31.12.2013	31.12.2012	31.12.2011
CURRENT				
Cash and cash equivalents	15 719	19 916	35 553	12 962
Accounts receivable	14 611	6 806	2 226	4 840
Prepays and other/Inventory and other	4 428	7 605	2 526	1 482
Crude oil inventory	918	1 296		
Restricted cash	1 619	1 416		
Total current assets	37 295	37 039	40 305	19 284
Restricted cash and investments	224	155	469	4 158
Property and equipment	247 314	263 445	99 577	92 265
Exploration and evaluation	12 508	11 834	47 358	104 568
TOTAL ASSETS	297 341	312 473	187 709	220 275
LIABILITIES	31.03. 2014 (unaudited)	31.12.2013	31.12.2012	31.12.2011
Current				
Accounts payable and accrued liabilities	29 787	33 111	22 822	4 874
Income taxes payable	2 932	4825	938	1 189
Convertible debentures				10 955
Convertible note payable	8 000	15 000	10 586	
Current portion of long-term debt	5 094	4 026	4 333	1 733
Decommissioning provision/Asset retirement obligation	3 209	3209	409	
Total current liabilities	49 022	60 171	39 088	18 751
Decommissioning provision/Asset retirement obligation	26 068	25 780	822	935
Other provisions	1 148	1 148	-	-
Deferred tax liability	46 893	46 800	7 237	5 262
Long-term debt	15 413	8 030	17 112	20 800
Total liabilities	138 544	141 929	64 259	45 748
Shareholders' equity				
Share capital	344 479	344 403	231 516	205 445
Contributed surplus	19 753	18 062	15 135	13 264

Accumulated other comprehensive income	(14 890)	(269)	742	735
Non-controlling interest	26 475	32 369	31 396	23 653
Deficit	(217 020)	(224 021)	(155 339)	(68 570)
Total shareholders' equity	158 797	170 544	123 450	174 527
TOTAL LIABILITIES and SHAREHOLDERS' EQUITY	297 341	312 473	187 709	220 275

Source: Consolidated Financial Statements

Comment to the statement of financial position

Total assets as at June 30, 2014 were \$297.3 million compared to \$312.5 million as at December 31, 2013. The decrease is due to the continued decline in the exchange rate between the Ukraine hryvnia and the US Dollar. This resulted in an unrealised loss of \$28.1 million, offset by an increase in accounts receivable from the June lifting in Tunisia.

The share of cash and cash equivalents decreased to 5.3% as of June 30, 2014 from 6.4% as at the end of 2013, 18.9% as at end of 2012 and 5.9% as at end of 2011. The main reason for this increased share of cash and cash equivalents as at end of 2012 was the increase of cash flow from operating activities mainly due to impairment of exploration and evaluation assets

Accounts receivable at June 30, 2014 was \$14.6 million compared to \$6.8 million at December 31, 2013. The increase was primarily a result of oil liftings in Tunisia in June 2014 where payment was not received until the end of Q2 2014.

Property and equipment accounted for 83.2% of total assets as at June 30, 2014 (compared to 84.3% as at the end of 2013, 53.0% as at the end of 2012, 41.9% as at the end of 2011) and consisted in 93.9% of oil and natural gas interests. Such increase was due to the Winstar Acquisition. The rest were mainly plant and equipment.

The share of E&E assets decreased from 47.5% as at the end of 2011 (51.7% as at the end of 2010) to 25.2% as at the end of 2012 and then to 3.8% at the end of 2013 and then increased to 4.2% as at the end of H1 2014. The main reason for this was impairment on Brunei Block M.

Total liabilities as at June 30, 2014 were \$138.5 million compared to \$141.9 million as at December 31, 2013, a decrease of \$3.4 million. The decrease is due to decline in the exchange rate between the Ukraine hryvnia and the US Dollar of \$6.6 million, a repayment of \$7 million on Dutco loan facility, offset by a draw of \$10.0 million on the EBRD-Tunisia loan.

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.

Total liabilities as at December 31, 2012 were \$64.3 million compared to \$45.7 million as at December 31, 2011 primarily due to the increased accounts payable of \$18.0 million, which includes a \$6.0 million potentially payable for the Brunei Block M penalty and the timing of payments to vendors, plus the advancement of \$10.0 million under the KI loan, and is partially offset by the conversion of convertible debentures principal and accrued interest of \$11.0 million.

Total liabilities as at December 31, 2011 were \$45.7 million compared to \$19.1 million as at December 31, 2010 due to the advancement of \$23.0 million of funds under the EBRD loan facility and the advancement of \$10.5 million of funds under the KI/Radwan Debentures, offset by the settlement of the TIG Debenture (\$9.0 million) which was included in the current liabilities at December 31, 2010. The TIG Debenture was converted into common shares at the cost of \$0.5767 per share on August 12, 2011. As a result, the liability was not settled for cash.

Table 3 Summarized Cash Flows (US\$ in '000's)

	H1 2014 (unaudited)	H1 2013 (unaudited)	2013	2012	2011
Total operating cash generated	33 527	19 224	53 911	38 747	1 155
Total investing cash used	(35 456)	(20 354)	(67 409)	(37 154)	(30 721)
Total financing cash generated	(2 913)	(15 170)	(1 940)	21 410	32 259
Change in cash	(4 197)	(16 300)	(15 637)	22 591	3 872
Cash and cash equivalents, end of period	15 719	19 253	19 916	35 553	12 962

Source: Consolidated Financial Statements

Comment to cash flows

The Group uses funds from operations as a key performance indicator to measure the ability of the Group to generate cash from operations to fund future exploration activities, which may include, inter alia 2D seismic, 3D seismic and exploratory drilling operations. Positive funds from operations are generated in Ukraine and Tunisia, where the Group's producing assets are located. Funds from operations generated were sufficient to cover the operating cash outflows for the rest of the Group.

Funds generated from operations were \$35.7 million in H1 2014 as compared to \$18.9 million for H1 2013. The increase is attributable mainly to the Winstar acquisition and the increased production in Ukraine.

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).

Funds from operations increased by \$27.6 million to \$33.3 million for full year 2012 (2011 - \$5.6 million). The increase in funds from operations for the full year is attributable to increased production and commodity prices (\$64.4 million), partially offset by increased royalties (\$12.6 million), production costs (\$5.0 million), general and administrative costs (\$0.5 million), transaction costs (\$3.1 million), tax (\$7.1 million), interest and other (\$3.2 million) and an accrued penalty relating to Brunei Block M work commitments (\$6.0 million).

In the first half of 2014, the Group's financing cash flow related mainly to the repayment of a loan from the EBRD Loan for Ukraine (\$1.8 million), the repayment of a loan from Dutco (\$7 million) and

drew of \$ 10 million as part of the EBRD loan for Tunisia. Dividends paid to non-controlling interest in the first half of 2014 amounted to \$4.1 million.

During 2013, the Company made an early repayment of \$10 million on the EBRD loan from cash generated by operations in Ukraine, in addition to the regular scheduled repayments, leaving a balance of \$7.66 million outstanding as at December 31, 2013. On the inflows side, the Company took additional financing – the Dutco loan was drawn in the amount of \$15.0 million (issuance of convertible note). Under a loan agreement with KI, signed on June 22, 2012, the Company issued additional \$2.0 million loan, to the maximum amount of \$12.0 million. On June 24, 2013 the convertible note payable was converted into Serinus Shares pursuant to the terms of the loan agreement. The principle and accrued interest of \$13.4 million was converted into 3,183,268 post-Consolidation Serinus Shares. On November 20, 2013 the Company finalized two loan agreements aggregating \$60 million with EBRD. On December 30, 2013 the Company drew \$5.0 million from Tranche 1 and \$0.6 million of transaction costs was paid (net inflow of \$4.39 million). Dividends paid to non-controlling interest during 2013 amounted to \$9.75 million.

Net cash from financing activities decreased in 2012 compared to 2011. In 2012, the financing activities represented draws on the KI/Radwan Debentures (\$13.0 million) and the KI Loan (\$10.0 million), partially offset by the first repayment on the EBRD loan (\$1.8 million). During 2011, cash from financing included the EBRD loan (\$23 million) and the KI convertible debentures (\$10.5 million).

During the first half of 2014, net cash from investing activities was affected by capital expenditures amounted to \$26.3 million, of which \$ 21.9 million related to capital expenditures on property and equipment, and \$ 4.4 million related to the capital expenditures on exploration and evaluation assets. In Ukraine, the Company incurred \$12.5 million of capital expenditures for the six month period ended June 30, 2014, which included work on the M-17 well, drilling on the O-11 and NM-4 wells and completion work on the Makeevskoye facility. In Tunisia, capital expenditure of \$10.5 million were incurred for the six month period ended June 30, 2014. Spending in the first quarter had been on well site preparation and minor work over initiatives. In the second quarter the workover campaign for the CS- Sil-1 well using a coiled tubing unit was completed and was successful in restoring the well to production at a rate of approximately 400 - 500 Mcf/d and 40 - 50 bbl/d of oil.

In 2013 the Group spent \$46.1 million on E&E assets and incurred \$29.5 million of capital expenditures on property, plant and equipment, including in Ukraine the drilling of the O-15 well and O-24 well, testing and tie-in of the M-16 well, NM-2 well costs and certain tie-in costs.

Net cash used in investing activities increased in 2012 compared to 2011. The current year reflects the development activity in Ukraine (\$35.9 million) and the exploration activity in Brunei (\$20.7 million). In 2011 the Group's development activity consisted in exploration activities in the Ukraine (\$30.2 million), Brunei (\$6.3 million) and Syria (\$3.6 million).

B.8

Selected key pro forma financial information, identified as such.

The selected key pro forma financial information must clearly state the fact that because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the company's actual financial position or results.

Not applicable. The Issuer does not prepare pro forma financial information.

B.9	Where a profit forecast or estimate is made, state the figure.
Not applicable. Forecasts or estimate results were not publicized.	
B.10	A description of the nature of any qualifications in the audit report on the historical financial information.
Not applicable. The respective audit reports to the financial statements do not include any qualifications.	
B.11	If the issuer's working capital is not sufficient for the issuer's present requirements an explanation should be included.
The working capital of the Serinus Group is sufficient for present requirements.	

Section C — Securities

Element	Disclosure requirement
C.1	A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.
The Company intends to apply for admission and introduction of 38,479,608 Admission Shares to trading on the regulated market of the Warsaw Stock Exchange (“WSE”). The Admission Shares are common shares without par value and no series designation. The Serinus Shares (including both those Serinus Shares that are deposited with CDS Clearing and Depository Services Inc., and those Serinus Shares that are not deposited with CDS) are registered under ISIN CA81752K1057.	
C.2	Currency of the securities issue.
Not applicable.	
C.3	The number of shares issued and fully paid and issued but not fully paid. The par value per share, or that the shares have not par value.
As at the date of this Prospectus, 78,629,941 Serinus Shares are issued and outstanding. These shares are common shares. All Serinus Shares are issued on a fully paid and non-assessable basis. The Serinus Shares have no nominal or par value and therefore, accordingly, they have no currency.	
C.4	A description of the rights attached to the securities.
The Issuer is incorporated under the laws of the Province of Alberta, Canada and is, therefore, subject to the provisions of <i>Business Corporations Act</i> (Alberta) (the “ABCA”). As a consequence, the corporate and property rights, including voting rights, attached to the Serinus Shares are	

governed by, amongst other things, the ABCA, the Business Corporations Regulation made under the ABCA and the Securities Transfer Act (Alberta). The provisions of these statutes are interpreted by courts in Alberta using prior case law and if remedies are pursued in an Alberta court of law, those remedies are governed by Alberta law (and Canadian federal law applicable therein) and the rules of the Alberta courts.

In the Canadian legal system a concept of a registered owner of shares (a “**Registered Shareholder**”) and a beneficial owner of shares (a “**Beneficial Shareholder**”) exists which is unknown to the Polish legal system. You are a Registered Shareholder if the shares of a corporation are registered in your name in the shareholders' register (which, in the Issuer's case, is maintained by Computershare Trust Company of Canada). You are a Beneficial Shareholder if you have an equitable right to the shares of a corporation, irrespective of whether or not such shares are registered in your name in the shareholders' register.

If you are a Registered Shareholder, you are able to enforce your rights directly against the Issuer. Under the ABCA, an Alberta corporation, such as the Issuer, may treat the Registered Shareholder as the person exclusively entitled to vote, to receive notices, to receive any interest, dividend or other payments in respect of the security, and otherwise to exercise all the rights and powers of an owner of the security. However, holding your Serinus Shares as a Beneficial Shareholder does not prejudice your rights with respect to your economic interest in the Serinus Shares. For example, if a corporation's board of directors declares a dividend, Beneficial Shareholders will be paid their respective portion of the dividend through the Registered Shareholder via the intermediaries who hold the shares on behalf of the Beneficial Shareholders. However, because it is only the Registered Shareholder that has a legal relationship as a shareholder with a corporation, only a Registered Shareholder may enforce legal remedies and procedures against a corporation to enforce its corporate and economic rights as a shareholder. Therefore, in order for a Beneficial Shareholder to enforce its rights, it must enforce its rights either through the Registered Shareholder, which entails certain procedural steps, or become a Registered Shareholder itself, which requires transferring its shares out of the book-based system.

In particular, the following rights are attached to the Serinus Shares:

- Registered Shareholders have the right to attend a meeting of the Shareholders, either in person or by proxy, to address matters that are properly brought before the meeting and to exercise voting rights. Each Serinus Share entitles the Registered Shareholder to one vote per Serinus Share. Beneficial Shareholders may provide instructions to intermediaries regarding the voting of their Serinus Shares;
- the Registered Shareholders or Beneficial Shareholders of not less than 5% of the issued and outstanding Serinus Shares that carry the right to vote at a meeting sought to be held may requisition the Board of Directors to call a Shareholder meeting for the purposes stated in the requisition. Upon receiving such a requisition, the directors of the Issuer shall call a meeting of shareholders to transact the business stated in the requisition unless: (a) a record date for notice of a meeting of shareholders has been fixed and notice of the record date has been given or waived, (b) the directors of the Issuer have called a meeting of shareholders and have given notice of the meeting, or (c) the business of the meeting as stated in such a requisition includes certain types of matters which a corporation is not required to include in a solicitation of proxies from shareholders pursuant to a management proxy circular, all in accordance with the ABCA. A Registered Shareholder or Beneficial Shareholder, who (i) owns at least 1% of the issued

voting Serinus Shares or owns Shares with a fair market value of at least C\$2,000, (ii) has been a Registered Shareholder or Beneficial Shareholder of such Serinus Shares for at least 6 months prior to submitting the shareholder proposal and (iii) have support for the proposal by other Registered Shareholders or Beneficial Shareholders of at least 5% of the Serinus Shares, has the right to submit to the Company notice of any matter related to the business or affairs of the corporation that the Registered Shareholder or Beneficial Shareholder proposes to raise at the meeting. However, pursuant to the ABCA, the Company is not required to include such a proposal from a Registered Shareholder or Beneficial Shareholder in a solicitation of proxies from shareholders pursuant to a management proxy circular if: (a) such proposal is not submitted to the Company at least 90 days before the anniversary date of the previous annual meeting of shareholders; (b) such proposal has clearly been submitted for the purpose of enforcing a personal claim or redressing a personal grievance against the Issuer, its directors, officers or security holders of them, or primarily for the purpose of promoting general economic, political, racial, religious, social or similar causes; (c) the Issuer, at the request of such Registered or Beneficial Shareholder, included a proposal in a management proxy circular relating to a meeting of shareholders held within two years preceding the receipt of the request, and the Registered Shareholder or Beneficial Shareholder failed to present the proposal at the meeting; (d) substantially the same proposal was submitted to shareholders in a management proxy circular or a dissident's proxy circular relating to a meeting of shareholders held within two years preceding the receipt of the request of the Registered Shareholder or Beneficial Shareholder and the proposal was defeated; or (e) the right to bring such a proposal is being abused to secure publicity. Pursuant to the ABCA, the oppression remedy is available to Registered Shareholders and Beneficial Shareholders, among others, to rectify conduct by directors or other persons having effective control over the company that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of any Shareholder, including the applicant Shareholder. On such an application, the Alberta courts may make an order to rectify the matter complained of as it sees fit, including an order restraining the conduct that is the subject of the complaint;

- Registered Shareholders have the right to receive dividends if, as and when declared by the Board of Directors. If the Board of Directors declares a dividend, Beneficial Shareholders will be paid their respective portion of the dividends through the Registered Shareholder via the intermediaries who hold the shares on behalf of the Beneficial Shareholders;
- Registered Shareholders have the right to receive *pro rata* the remaining property and assets of the Issuer upon its dissolution, liquidation or winding-up, subject to the rights of shares having priority over the Serinus Shares. Registered Shareholders will then be obliged to distribute such amounts to the intermediaries who, in turn, will distribute such amounts to the Beneficial Shareholders based on their respective holdings.

Neither Beneficial nor Registered Shareholders of Serinus Shares have *pro rata* pre-emptive right to subscribe for any newly issued Serinus Shares.

C.5	A description of any restrictions on the free transferability of the securities.
------------	--

The free transferability of the securities is limited by the following restrictions.

If Admissions Shares are acquired by a “control person” under the *Securities Act* (Alberta) (the “ASA”) then a subsequent trade of such Admission Shares by the control person would generally

require a prospectus unless the control person could obtain an exemption from this requirement. A “control person” means (i) a person or company who holds a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to materially affect control of the issuer, and if a person or company holds more than 20% of the voting rights attached to all outstanding voting securities of an issuer, the person or company is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer, or (ii) each person or company in a combination of persons or companies acting in concert by virtue of an agreement, arrangement, commitment or understanding, who holds in total a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to materially affect control of the issuer, and if a combination of persons or companies holds more than 20% of the voting rights attached to all outstanding voting securities of an issuer, the combination of persons or companies is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to materially affect the control of the issuer. KI is a control person of the Issuer and, as such, the free transferability of Admission Shares owned by KI are subject to restrictions imposed on a control person under the ASA.

In addition, there are certain prohibitions against insider trading. In Alberta, the term "insider trading" generally refers to the purchase or sale of securities of an issuer by persons whose relationship with the issuer is such that he or she is likely to have knowledge of material information concerning the issuer not available to the general public. The rules governing insider trading are found in the ABCA and the ASA and essentially prohibit a wider class of insiders from trading when they are in possession of material undisclosed information.

C.6	An indication as to whether the securities offered are or will be the object of an application for admission to trading on a regulated market and the identity of all the regulated markets where the securities are or are to be traded.
------------	---

On the basis of this Prospectus, the Company intends to apply for admission and introduction of 38,479,608 Admission Shares to trading on the regulated market of the WSE. There are already 40,150,333 Serinus Shares admitted and introduced to trading on the regulated market of the WSE.

Since June 27, 2013, all Serinus Shares existing from time to time have been listed on the regulated market of the Toronto Stock Exchange (TSX).

C.7	A description of dividend policy.
------------	-----------------------------------

The Company has not declared or paid any dividends in its three most recently completed financial years, and does not foresee the declaration or payment of any dividends on the Serinus Shares in the near future. As of the date of this Prospectus, Serinus’s management has not discussed the paying of a dividend to Shareholders and no proposal to pay a dividend to Shareholders has been presented to Serinus’s Board of Directors. As the international oil and gas business is complex and dynamic, Serinus is unable to provide any greater guidance to Shareholders with respect to if and when Serinus may pay a dividend. Any decision to pay dividends will be made by the Board of Directors on the basis of the Company's earnings, financial requirements and other conditions existing at such future time. Serinus believe its situation with respect to the payment of dividends is consistent with other international oil and gas firms of similar size in a similar state of maturity.

Section D - Risks

Element	Disclosure requirement
D.1	Key information on the key risks that are specific to the issuer or its industry.
<p>Risk Factors</p> <p>An investment in the Admission Shares involves significant risks. Among the risks and other factors potential investors should consider in connection with an investment in the Serinus Shares are the following:</p> <p><i>Risks Relating to the Operations of the Issuer</i></p> <ul style="list-style-type: none"> • Political, Social and Economic Risk; • Exploration, Development and Production Risks; • Strategic Partners and Joint Ventures; • Health, Safety and Environmental Risks; • Dry Well Risk; • Additional Funding Requirements; • Financial Covenants Relating to Ukrainian Assets; • Financial Covenants relating to Tunisian Loan Facility; • Compliance with Foreign Regulatory Regimes; • Failure to Realize Anticipated Benefits of Acquisitions and Dispositions; • Reserve and Resource Estimates; • Decommissioning Liabilities; • Foreign Exchange Risks and Commodity Hedging; • Credit Risk; • Title to Properties; • Political Instability in Ukraine; • Political Instability in Syria and Syria Sanctions; • Political Instability in Tunisia; • Crime and Governmental or Business Corruption; • Management of Growth; • Project Completion; • Relinquishment Obligations under Applicable Legislation and Key Agreements; • Reliance on Key Management Personnel; • Reliance on Third Party Operators; • Shared Trademark and Trade Name; • Uncertainty Regarding Interpretation and Application of Foreign Laws and Regulations; • Winstar Acquisition May Fail to Fully Realize its Anticipated Benefits; • KUB-Gas May Fail to Fully Realize its Anticipated Benefits; • Risk of the Annuling Concessions Owned by companies of Issuer's Group; • Risk of Default by Gastek Relating to KUB-Gas; • Risk Factors related to natural environment; • Weather Factors. <p><i>Risks Relating to the Issuer's Market Environment</i></p> <ul style="list-style-type: none"> • Competition; • Industry Trends; 	

	<ul style="list-style-type: none"> • International Economic Risk; • Prices, Markets and Marketing; • Risks Related to Tax/Royalty Regime of Ukraine; • Risks Related to Tax Regime of Tunisia; • Availability of Equipment and Services; • New Technology; • Insurance; • Global Capital Markets; • Work Stoppages or Labour Disputes; • Unexpected Shutdowns; • Litigation.
D.3	Key information on the key risks that are specific to the securities.
	<p><i>Risks Relating to Ownership of the Shares</i></p> <ul style="list-style-type: none"> • Controlling Shareholder is Able to Exercise Significant Control over the Affairs of the Issuer; • Sale of Shares by Controlling and Significant Shareholder(s) Could Have an Adverse Effect on the Price of the Shares; • Risks Related to Differences in applicable Polish and Canadian laws • Dilution may be Experienced due to Future Financing or Acquisition Activities; • Certain Delays may Occur with respect to the Transfer of Shares and Establishing and Performing the Rights under the Admission Shares ; • Costs Related to Maintaining Brokerage Accounts for the Admission Shares may be Higher than Expected; • Foreign Currency Risk for non-Polish Shareholders Executing Trades on the WSE; • Foreign Currency Risk for Shareholders Keeping Shares on Brokerage Accounts with NDS Participants; • Risk related to the Application of Regulations from Different Tax Systems and the Legal Implications that may arise for Potential Investors. <p><i>Risks Relating to the Listing of the Admission Shares on the WSE</i></p> <ul style="list-style-type: none"> • An Active Trading Market for the Shares may not continue to Develop on the WSE; • Risk of Violation by the Issuer of Legal Provisions, which may result in the Admission being Delayed or Aborted; • Risk that the Shares will not be Admitted or Introduced into Trading on the Regulated Market; • Risk of Violation by the Issuer of Legal Provisions, which may result in Trading in the Serinus Shares on the WSE being Suspended; • Risk of Violation by the Issuer of Legal Provisions, which may result in the Serinus Shares being Excluded from Trading on the Regulated Market; • Risk related to Violation by the Issuer of Legal Provisions on carrying out Promotional Activity, which may result in Imposing Sanctions Against the Issuer. • Risks concerning uncertainty about convergence of the mispricing impeding arbitrage strategy; • Risk related to violation by the Issuer of Canadian legal provisions, that may result in suspension of trading in Serinus Shares on WSE; • Beneficial Shareholders' Risk WSE related to penal and administrative sanctions imposed pursuant to Canadian provisions of law;

- Risk Related to Compliance with TSX Rules.

Section E - Offer

Element	Disclosure requirement
E.1	The total net proceeds and an estimate of the total expenses of the issue/offer, including estimated expenses charged to the investor by the issuer or the offeror.
<p>This Prospectus is prepared only for the purposes of admission and introduction of Admission Shares to trading on the regulated market of WSE – no public offer is proceeding so no public offer costs were /are incurred.</p> <p>The Issuer estimates that total costs of admission and introduction of Admission Shares to trading on the regulated market of WSE, including remuneration of the Legal Advisors, Financial Advisors and Auditor, will amount to PLN 3,073,058.93.</p> <p>Professional fees: USD 931,997.21 that is PLN 3,028,058.93, according to the average current rate of National Polish Bank published on 18 September 2014. Other administrative costs customarily incurred in connection with admission and introduction of Admission Shares to trading on the regulated market of WSE: approximately PLN 45,000.</p>	
E.2a	Reasons for the offer, use of proceeds, estimated net amount of the proceeds.
Not applicable. The Admission Shares to which this Prospectus relates are not subject to a public offer.	
E.3	A description of the terms and conditions of the offer.
Not applicable. The Admission Shares to which this Prospectus relates are not subject to a public offer.	
E.4	A description of any interest that is material to the issue/offer including conflicting interests.
<p>Legal Advisors</p> <p>T. Studnicki, K. Pleszka, Z. Ćwiakalski J.Górski Sp.k. with its registered office in Kraków, Jabłonowskich 8, 31-114 Kraków, Poland (SPCG) has a relationship to the issuer to the extent that is acts as an legal advisor for the Issuer regarding the Polish law in relation to the admission and introduction of Admission Shares to trading on the regulated market of the WSE. The scope of the work includes preparation of the information, i.e. description of Polish law contained in the following sub-sections of the Prospectus: 27.9.1 – 27.9.2 and 27.11.2 –. The remuneration of SPCG is not dependent on the success of the admission and introduction of the Admission Shares to trading on the regulated market of the WSE. No incentive for successful admission and introduction of the Admission Shares to trading on the regulated market of the WSE has been granted. There are no interest or conflicts of interests that are material to the issue.</p>	

Osler, Hoskin & Harcourt LLP, with a registered office in a registered office at 2500, 450–1st, Street SW, Calgary, Alberta, Canada, T2P 5H1, has a relationship to the Issuer to the extent that it acts as a legal advisor for the Issuer, including regarding Canadian law in relation to the Prospectus. The scope of Osler, Hoskin & Harcourt LLP's work with respect to the Prospectus includes preparation of the information which solely describes Canadian law contained in the following sub-sections of the Prospectus: point 27.1, 27.2 – Overview, 27.2.1 – 27.2.2, 27.2.4.1, 27.2.4.3, 27.3, 27.5.1.1 – 27.5.1.3, 27.5.2.1, 27.5.3 – 27.5.5, 27.5.6 – Overview, 27.5.6.1 – 27.5.6.2, 27.5.7 – 27.5.8, 27.6, 27.8, 27.9.3, 27.11.1, and point 29.2. The remuneration of Osler, Hoskin & Harcourt LLP is not dependent on the success of admission and introduction of Admission Shares to trading on the regulated market of WSE. No incentive for successful admission and introduction of Admission Shares to trading on the regulated market of the WSE has been granted. There are no interest or conflicts of interests that are material to the issue.

Financial Advisor

Dom Inwestycyjny Investors S.A., with a registered office in Warsaw, Mokotowska 1, 00-640 Warsaw, Poland ("DI Investors S.A.") has a relationship to the Issuer to the extent that it acts,

on behalf of the Issuer, as an investment firm that files the application for Prospectus approval

in relation to the admission and introduction of Admission Shares to trading on the regulated market of the WSE. The remuneration of DI Investors S.A. is not dependent on the success of admission and introduction of the Admission Shares to trading on the regulated market of the WSE. No incentive for successful admission of the Admission Shares to trading on the WSE has been granted. There are no interest or conflicts of interests that are material to the issue.

Auditor

KPMG LLP, with a registered office in Calgary, Alberta, Canada, 2700, 205 5th Avenue, S.W., Calgary has a relationship to the Issuer to the extent that it acts as an independent auditor of consolidated financial statements of the Issuer. The remuneration of KPMG LLP is not dependent on the success of admission and introduction of the Admission Shares to trading on the regulated market of the WSE. No incentive for successful admission of the Admission Shares to trading on the WSE has been granted. There are no interest or conflicts of interests that are material to the issue.

E.5

Name of the person or entity offering to sell the security.

Lock-up agreements: the parties involved; and indication of the period of the lock up.

Not applicable. The Admission Shares to which this Prospectus relates are not subject to a public offer.

Under the arrangement agreement executed with respect to the Winstar Acquisition, KI was obliged, inter alia, not to sell or otherwise dispose of, for a period of 180 days following the date of Winstar Acquisition (i.e. June 24, 2013), 10,577,000 Serinus Shares it received as share consideration. As of the date hereof this obligation expired.

E.6

The amount and percentage of immediate dilution resulting from the offer.

In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.

Not applicable. The Admission Shares to which this Prospectus relates are not subject to a public offer.	
E.7	Estimated expenses charged to the investor by the issuer or the offeror.
Not applicable. The Admission Shares to which this Prospectus relates are not subject to a public offer.	

II. REGISTRATION DOCUMENT

1. RISK FACTORS

Prominent disclosure of risk factors that are specific to the issuer or its industry in a section headed “Risk Factors”.

An investment in the Admission Shares involves a significant degree of risk. Prior to making a decision to invest in the Admission Shares, potential investors should take into consideration the risk factors presented below. Management of the Issuer believes that the risks described below are the material risks relating to the market environment of the Issuer, the operations of the Issuer, the Admission Shares, the Serinus Shares, the exercising of Shareholders’ rights by investors in Poland, and the Listing of the Admission Shares on the WSE as at the date of this Prospectus, although the information set forth below does not purport to be an exhaustive list or summary of all of the risks that the Issuer may encounter. Additional risks and uncertainties not known to the Issuer as of the date of this Prospectus, or that the Issuer deems to be immaterial as at the date of this Prospectus, may also have an adverse effect on its business. Potential investors should review this Prospectus carefully in its entirety and consult with their professional advisors before making an application to invest in the Admission Shares. No assurance can be given that potential investors will realize a profit or will avoid a loss on their investment. The sequence of the following presentation of risk factors is not based on their probability, scope or materiality. The headings “Risks Relating to the Operations of the Issuer”, “Risks Relating to the Issuer’s Market Environment”, “Risks Related to the Ownership of Shares” and “Risks Relating to the Listing of the Admission Shares on the WSE” used in the following presentation of risk factors is for the convenience of the reader only.

Due to the fact that the Issuer considers Ukrainian and Tunisian assets as most significant for its operations all risk factors affecting companies of the Issuer’ Group business located in those locations would be of the most importance for the Issuer. Risk factors affecting remaining locations were the companies of the Issuer’s Group conducts its business, although also important, might be considered as affecting Issuers business to a lesser degree. The risk factors are not material for the Company if realized the minor assets of the Company as described in Section 6 “Business Overview” in Subsection 6.1.1. *“A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information”* of this Prospectus.

For the purposes of this section only, use of the term “Shareholder” refers to Beneficial Shareholders of the Serinus Shares unless explicitly stated otherwise.

1.1. Risks Relating to the Operations of the Issuer

1.1.1. Political, Social and Economic Risk

The Issuer’s Group current exploration and development activities are located in Ukraine, Brunei, Syria, Tunisia and Romania. The Company, through Winstar also conducts minor operations in the province of Alberta, Canada, but intends to discontinue such operations in the near term as described in details in Section 6 “Business Overview” in Subsection 6.1.1. *“A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the*

historical financial information” of this Prospectus. As a result, Issuer’s Group is exposed to a wide range of political, social, economic, regulatory and tax environments that are subject to significant and sometimes rapid change that may have a materially adverse effect on the Company’s business, results of operations and financial condition. These countries are subject to greater political, social, fiscal, legal and economic risks than more developed markets. Accordingly, investors should exercise particular care in evaluating the risks involved in an investment in the Company and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging and developing markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved.

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

Effective July 16, 2012, the Company, via Loon Latakia, in its capacity as operator of Syria Block 9, declared a *force majeure* event due to the insurrection, riots, labour disturbances and other causes rendering the performance of Loon Latakia’s obligations under the Syria Block 9 PSC impossible. The Company continues to monitor operating conditions in Syria to assess when a recommencement of its Syrian operations is possible. See Section 1 of this Prospectus “*Risk Factors*” in Subsection 1.1.17. “*Political Instability in Syria and Syria Sanctions*”.

On 27 June 2014 due to a deteriorating security situation in Ukraine, Company has decided to put developmental field operations in this country on hold. Production is continuing, but drilling, workover, stimulation and construction activities have. The Company continues to monitor operating conditions in Ukraine to assess when a recommencement of Group’s Ukraine operations is possible. See this Section 1 in Subsection 1.1.16 “*Political instability in Ukraine*” and Section 6 “*Business overview*” in Subsection 6.6.2.1. “*Overview*”.

In the second quarter of 2012, Winstar Tunisia was exposed to three strikes for a total of 11 days, resulting in the shut-in of the producing facilities at the Choueich Es Saida, Ech Choueich and Sanhrar concessions in Tunisia. These actions were lead by the local trade union and labour disruptions have not been isolated to the Winstar Tunisia, but have affected all the social and economic sectors in Tunisia. The strikes essentially related to contract and trainee personnel demanding full time employee status with Winstar Tunisia. Winstar Tunisia negotiated an agreement with its regional staff and related unions, but faced further labour disputes and production disruptions in the first quarter of 2013, during which production from the Company’s Tunisia assets was suspended for a total of 26 days. Further negotiations lead to a resolution to this dispute and a mechanism for dispute resolution was

established. However, the avoidance of future social and political unrest in Tunisia and associated detrimental effects to the Company's operations in Tunisia cannot be assured.

Among the risks related to political, economic and social instability, among others, the following categories of potential adverse events or situations should be mentioned:

- (i) the risks of war, actions by terrorist or insurgent groups, community disturbances, guerrilla activities, military repression, civil disorder and crime (that might particularly affect following locations: Ukraine, Tunisia, Syria);
- (ii) high levels of governmental and business corruption and other criminal activity (that might particularly affect following locations: Ukraine, Syria, Tunisia, Romania);
- (iii) workforce instability, localized civil disruptions, and labour disputes (that might particularly affect following locations: Ukraine, Tunisia, Syria);
- (iv) change in government policy or regulations (that might particularly affect following locations: Ukraine, Tunisia, Syria);
- (v) death or incapacitation of political leaders or change in the ruling party (that might particularly affect following locations: Ukraine, Tunisia, Syria);
- (vi) unenforceability of contractual rights (that might particularly affect following locations: Ukraine, Tunisia, Syria);
- (vii) import and export restrictions (that might particularly affect following locations: Ukraine, Tunisia, Syria);
- (viii) freezing of funds and economic resources (that might particularly affect following locations: Ukraine, Tunisia, Syria); and
- (ix) adverse changes to laws (whether of general application or otherwise) or the interpretation thereof (that might particularly affect following locations: Ukraine, Tunisia, Syria).

Given the remote nature of the companies of Issuer's Group's production facilities and operations, there is a risk that localized civil disruptions, labour disputes or other disturbances may impede operations and have a material impact on production and the Company's ability to execute its capital programs. The Company is continuously monitoring the national and regional political and social environments and maintains a close contact with all its field operations in order to react to potential disruptions as they occur.

The economies of Ukraine, Brunei, Syria, Tunisia and Romania may not compare favourably with those of more developed countries with respect to such issues as growth of gross national product, reinvestment of capital, inflation, resources and balance of payment position. These economies may rely heavily on particular industries, such as the exploration and production of oil and gas, or foreign capital and may be more vulnerable to diplomatic developments, the imposition of economic sanctions against a particular country or countries, changes in international trading patterns, trade barriers and other protectionist or retaliatory measures. Any of these actions could severely affect security or prices, impair the ability of the Company to transfer the assets or income of the Company, or otherwise adversely affect the operations of the Company. The Company may also be affected by economic and fiscal instability related to the countries in which particular companies of Issuer's Group operate. Economic and financial unreliability may expose the Company to the following risks:

- (i) economic or other sanctions imposed by other countries or international bodies;

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

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

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

1.1.2. Exploration, Development and Production Risks

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

In particular, the future value of the Company is dependent on the success of the Issuer's Group's activities which are principally directed toward the further exploration, appraisal and development of companies of the Issuer's Group's assets in Ukraine, Brunei, Syria, Tunisia and Romania. As at the date hereof, no proven or probable reserves have been assigned in connection with the companies of the Issuer's Group's assets in Brunei, Syria or Romania given the early stage of development of these assets. There is no assurance that reserves of oil and natural gas will be discovered on those assets or, if reserves are discovered, that the Company will be able to realise those reserves as intended. The companies of the Issuer's Group presently have the right in Brunei, Syria and Romania to explore for and, upon fulfillment of certain conditions, produce oil and natural gas that may be discovered. It is possible that a particular company of the Issuer's Group may be unable to reach an agreement with

the government authorities or the national oil company concerning a development plan in Brunei, Syria, or Romania which is a prerequisite for the commencement of production in such countries.

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

Specific rights and obligations of the particular companies of Issuer's Group are defined under the terms of the Ukraine Licences, the Brunei Block L PSA, the Syria Block 9 PSC, the Tunisia Concession Agreements, and the Romania Concession Agreement. The work carried out by the particular companies of the Issuer's Group under the Ukraine Licences, the Brunei and Syria production sharing agreements and the Tunisia Concession Agreements is divided into two stages, one devoted to exploration and the other to production.

- In Ukraine, exploration and production are subject to two separate types of licences, and a move from exploration to commercial production requires a new licence as well as related regulatory approvals.
- In Brunei and Syria, if it is determined that its oil and gas assets are capable of generating sustained positive cash flow from the production and sale of oil and gas (i.e. once the oil and gas assets are determined to be "commercial"), and following the approval of the development plan by the government or national oil company, the Company's subsidiaries will be able to commence production without the need to satisfy other conditions.
- In Tunisia, exploration and production of oil and gas is essentially a two-step process. The government of Tunisia grants an oil and gas company an exploration permit to explore for hydrocarbons in a given area for a given period of time. This exploration permit is governed by a convention agreement. If the oil and gas company makes a commercial discovery within the area of the exploration permit, then it may make an application to the government of Tunisia for a production concession. The concession is granted by order of the relevant Tunisian state ministry, and is effective upon the publication of such order.
- In Romania, exploration and production of oil and gas are subject to two separate types of agreements: exploration licences, which give a company a limited right to explore an area for petroleum for a term of 3 years, and concession agreements, which give a company the right to perform the operations specifically provided for therein, which are typically the right to explore, develop and produce oil and gas in a particular area. Exploration licences do not provide the holder with the right to develop or produce oil and gas, so for a company to develop and produce any oil and gas discoveries discovered pursuant to an exploration licence, it must first enter into a concession agreement with the National Agency of Mineral Resources.

Exploration, appraisal, development and production of oil and natural gas reserves are speculative and involve a significant degree of risk. The long-term commercial success of the Company will depend on its ability to find, acquire, develop and commercially produce oil and natural gas reserves through

the Issuer's Group's assets in Ukraine, Brunei, Syria, Tunisia and Romania and other countries in which it may acquire assets.

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

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

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

The Issuer's Group's assets in Ukraine and Tunisia include gas and condensate producing properties. These production operations are subject to all the risks typically associated with such gas and condensate operations, including encountering unexpected formations or pressures, premature decline

of reservoirs and the invasion of water into producing formations. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees. Furthermore, the particular companies of the Issuer's Group may be required to slow or halt production at one or more of its gas producing properties due to capacity limitations in transportation or storage facilities which may also adversely affect revenue and cash flow levels. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial condition, which, in turn, could have a material adverse effect on the trading price of the Serinus Shares.

1.1.3. Strategic Partners and Joint Ventures

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

Please also refer to the description of the risk factor described in Section 1 "*Risk factors*" in Subsection 1.1.24. "*Reliance on Third Party Operators*".

1.1.4. Health, Safety and Environmental Risks

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

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

For example, the Lukut+Updip-1 well in Brunei encountered higher than expected pressures at 2,137 metres, requiring mud weights of 17.7 pounds per gallon to control, and eventually, the well was cased at that depth without having penetrated the primary target. Two shallower zones were tested, but

flowed non-commercial volumes of gas, likely due to formation damage caused by the heavy drilling fluids used to control the well. The well was suspended after testing. For detail please refer to Section 6 “*Business Overview*” in Subsection 6.1.1. “*A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information*” and in Subsection 6.6.4.1. “*Block L Overview*” of this Prospectus.

While the particular companies of the Issuer’s Group maintain insurance coverage that addresses many of these risks, the occurrence of any of the events described above could materially and adversely affect the Issuer’s Group’s business, prospects, financial condition and results of operations.

1.1.5. Dry Well Risk

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

Dry wells may also result in the Company requiring substantially more funds if it chooses to continue exploration work and drill further wells beyond the existing minimum work commitments of the particular companies of the Issuer’s Group. Such funding may be unavailable or may have to be obtained on unfavourable terms, leading to a potential deterioration in the Company’s financial position. Drilling a dry well would also mean that the Company may not be able to recover the costs incurred in drilling that well or make a return on its investment resulting in significant exploration expenditure being written off. Any of these circumstances may have a material adverse effect on the business, prospects, financial position and results of operations of the Company.

1.1.6. Additional Funding Requirements

The Issuer’s Group’s business is at an early stage of operations. The oil and gas development and exploration business has a long life cycle. Although the long history of operations, a large portion of that time has been within the exploration phases, therefore the Issuer’s Group still has a long life of reserves and resources to exploit making it in the early stages of development operations. While the Issuer’s Group’s properties in Ukraine and Tunisia generate revenues from sale of natural gas and oil, the Issuer’s Group’s properties in Brunei, Syria and Romania do not have any established reserves and no revenue has been derived from these prospects as of the date hereof. Consistent with similar companies at the same stage of development operating in the upstream oil and gas sector, the Company has undertaken significant capital investment, and funds raised are invested in the exploration, appraisal, development and maintenance of oil and gas assets. The Company reported consolidated working capital deficit of \$23.1 million as at December 31, 2013 (December 31, 2012 - \$1.2 million; June 30, 2014 \$11.7 mln) including cash and cash equivalents in the amount of \$19.916 million (December 31, 2012 - \$35.553 million, June 30, 2014 - \$15.179); moreover the Company had

working capital of \$4.551 million as at September 30, 2013 (compared to \$ 1.217 million as at December 31, 2012). The Company believes that its cash resources at June 30, 2014 will be sufficient to finance operations and planned capital spending anticipated for the next twelve months. Additional funding may be obtained by pursuing equity raises or measures including the reduction or deferral of currently planned capital expenditures and/or asset sales, any and all of which will be evaluated and implemented as deemed appropriate by Company management. The Issuer's Group's continuing activities are contingent on the availability of financing to fund the Issuer's Group's capital expenditures and other activities.

The Company has funded Issuer's Group's capital expenditures, including exploration and development activities, primarily through the sale of equity, the use of existing cash flow from its producing assets, debt and equity, and by farm-out arrangements with its joint venture partners, who pay for all or a portion of the Company's and its subsidiaries' expenditures in return for a portion of the Company's ownership interest in the relevant asset. The Company may from time to time partner with other companies to decrease its financial exposure to spread the risk. The Serinus Group's business requires significant capital expenditures for the foreseeable future with respect to the acquisition, exploration, development and production of oil and natural gas reserves now and in the future. The Company will require additional financing in order to carry out its oil and gas acquisition, exploration and development activities and intends to fund these planned capital expenditures from its existing borrowings, from farm-out agreements and from operating cash flow and, in the longer term, from new debt and/or equity. In particular Ukrainian and Tunisian development capital program including drilling and completions, seismic acquisitions, infrastructure investments will all be funded using the existing cashflow generated from the current production in the countries as well as outside sources of financing including the use of debt and equity. The planned future capital investment will include the costs of developing the proved and probable reserves noted in the reserve reports as well as expenditures on resources that have not yet met the definition of reserves. The exploration properties in Romania have a minimum work commitment to acquire seismic and drill two exploration wells. These projects are scheduled for 2014 with an expected cost of approximately \$14.8 million.

The Issuer's Group has a relatively short operating history on which to assess its future expected performance, resulting in uncertainty as to the success of its ongoing activities. The Issuer's Group will incur costs to reclaim and abandon well sites either at the end of its producing life or if it is deemed that economic production will not be obtained. The majority of these expenditures will not be incurred for a long period of time therefore the financing of these costs is built into the future plans and projections. Notwithstanding the strong growth in the Company's positive cash flows, there can be no assurance that, in the longer term, the Company will attain profitability or positive cash flow from its operating activities.

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

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

Further, there is no implicit or explicit agreement between the Company and KI which obligates KI to provide ongoing funding to the Company. As such, while the Company may develop plans which are contingent on financing from third parties, the Company may not automatically assume that KI will be this third party and the Company may be required to use its resources to identify and secure funding from other third parties. For example, during 2013 the Company entered into the Dutco Credit Facility with Dutco to help finance the exploration of Brunei Block L and entered into the Tunisia Loan Facility with the EBRD to help finance the development of certain Tunisia Assets. There is no assurance that the Company will be able to locate such third parties to meet the Company's future funding requirements.

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

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

Failure to access sufficient additional capital or realize sufficient funds through the deferral of planned expenditures and/or from asset sales in order to fund its operations and planned capital expenditures on a timely basis or at all could have a material adverse effect on the Issuer's Group's financial condition, results of operations or potential for future asset growth, cause the Issuer's Group to delay the exploration, appraisal and development of assets that may otherwise be capable of producing revenue, forfeit its interest in properties, miss acquisition opportunities, become over-exposed to certain assets, and reduce or cease its operations.

1.1.7. Financial Covenants Relating to Ukrainian Assets

On May 20, 2011, KUB-Gas entered into the EBRD Loan Facility for up to \$40 million from EBRD. The EBRD Loan Facility contains a comprehensive set of representations and covenants provided by KUB-Gas, including financial covenants relating to debt service, leverage and current assets/liabilities. Compliance with these covenants limits the extent to which KUB-Gas is able to distribute funds which Serinus could otherwise utilize to fund other aspects of its business. At the beginning of January 2013 KUB-Gas made a prepayment to the EBRD in the amount of USD 10,0 million under the terms of the EBRD Loan Facility and on January 15, 2013 and July 15, 2013 made regular scheduled principle payments in the amount of USD 1.8 million each. Following these repayments, the outstanding balance of the EBRD Loan Facility is USD 7.6 million. Until the third quarter of 2012, cash generated from operations had primarily been re-invested in Ukraine to continue the development of additional reserves and production and to purchase necessary technology and equipment. In October 2012 KUB-Gas for the first time paid a dividend to KUBGAS Holdings, its parent company. In 2013 KUBGAS Holdings in turn paid dividends of USD \$13.0 million to its shareholders.

In particular, KUB-Gas may not distribute cash to the extent that any such distributions breach the financial covenants. Customers of KUB-Gas have traditionally paid for gas and oil in advance, therefore the Company tends to maintain a low or negative working capital balance, and as such, the current assets/liability financial ratio, which is currently required to be 1:1, restricts the amount of cash that KUB-Gas is able to distribute as dividends. This, in turn, restricts the Company's ability to use cash from its Ukrainian production activities to fund its development and exploration activities elsewhere. However, since the fourth quarter of 2012, KUB-Gas has successfully paid out dividends to its parent company.

Although as of the date hereof KUB-Gas is in compliance with the covenants in the EBRD Loan Facility, or has received waivers in those instances where the covenants have been, or will be breached (including, without limitation, waivers permitting KUB-Gas to distribute cash dividends), including the financial covenants, there can be no assurance that circumstances will not change, and any such changes could cause KUB-Gas to breach such covenants in the future, which may result in the acceleration of its debt. KUB-Gas may not have sufficient cash or assets to fulfil its payment obligations upon any acceleration of its debt and, even if it were able to refinance indebtedness upon a default, the terms of any new debt agreements may be less favourable to KUB-Gas. Moreover, a default could cause the Company to lose key assets and/or shares of KUB-Gas that are pledged as security for such indebtedness.

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

1.1.8. Financial Covenants Relating to Tunisian Loan Facility

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

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

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

For further information concerning terms of the Tunisian Loan Facility, please see Section 22 of this Prospectus "*Material Contracts*", subsection 22.8.1. – "*Tunisian Loan Facility*".

1.1.9. Compliance with Foreign Regulatory Regimes

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

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

the government may impose obligations on the Company to complete minimum work within specified timeframes. In the future, the Issuer's Group may extend its interests in operations to other countries where similar circumstances may exist.

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

For example, in August 2012, the Brunei Block M PSA with PetroleumBRUNEI relating to Brunei Block M expired after efforts by the joint venture partners to obtain an extension to the terms of the Brunei Block M PSA were unsuccessful. As a result of the expiration of the Brunei Block M PSA, the Company recorded an impairment in respect of the Brunei Block M exploration and evaluation assets in the third/fourth quarter 2012, in an amount of \$85.5 million, which includes the Company's share of the penalty payable on expiry of the Brunei Block M PSA of \$6.0 million relating to work commitments.

Moreover, the Company, through KOV Brunei and AED SEA, holds a 90% working interest in the Brunei Block L production sharing agreement ("**Block L PSA**") which gives KOV Brunei and AED SEA and the other parties thereto the right to explore for and, upon fulfillment of certain conditions, the right to produce oil and gas from Brunei Block L, a 1,123 square kilometre (281,000 acre) area covering certain onshore and offshore areas. Brunei Block L was to expire on August 27, 2013, but was extended from its original extended expiration date in August 2013 to November 27, 2013 and automatically extended to allow for the completion of the drilling of the Luba-1 well and in the event the Company decides to appraise a discovery the term of the exploration period is further extended to allow for the implementation of the appraisal program.

An application has been submitted to PetroleumBRUNEI to re-acquire certain areas of Brunei Block L relinquished upon the completion of Phase 1, in accordance with the terms of the Brunei Block L PSA.

There can also be no assurance that the companies of the Issuer's Group will be able to obtain all necessary licences and permits when required. In particular, recent developments relating to the land use registration system in Ukraine may result in delays and may increase the costs for the Company's plans to construct gas pipelines from its producing wells on the Ukraine Licences to gas transportation infrastructure, or may force KUB-Gas to suspend production of gas from certain producing wells on the Ukraine Licences until pipelines are constructed. Ukraine has made a series of changes to its land use registration system as it implements and develops a system of private land ownership and seeks to balance traditional state-owned land ownership with the rights of private land owners. In 2012, a new land use registration system was implemented with the objectives of making the Ukraine real estate framework more integrated, coherent and efficient. Effective January 1, 2013, land use agreements or other contractual arrangements among commercial developers of gas and gas condensate fields and the holder of privately owned land, such as a land servitude agreement to construct a gas pipeline across privately owned land, must be registered under the newly implemented land use registration system operated by state authorities.

However, in order for such land use agreements to be registered with the new Ukraine land use registration system, the land plots subject to the land use agreement must also be registered with the

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

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

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

1.1.10. Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

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

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

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

As at the date of the Prospectus there are no specific, material obligations binding on the companies from the Issuer's group arising from the conclusion of specific investments agreements or letters of intent related to the future acquisition which may occur. Letters of intent which are concluded by the companies from the Issuer's group, as a rule, are non-binding, except from less significant issues like confidentiality, due diligence or exclusivity.

The Serinus Group's exploration and development activities have principally been based in Ukraine, Brunei, Syria, Tunisia and Romania. The Serinus' Group's limited presence in other regions may limit its ability to identify and complete acquisitions in other geographic areas.

See also Section 1 of this Prospectus "*Risk Factors*" in Subsection 1.1.28. "*KUB-Gas May Fail to Fully Realize its Anticipated Benefits*" and Subsection 1.1.27. "*Winstar Acquisition May Fail to Fully Realize its Anticipated Benefits*".

1.1.11. Reserve and Resource Estimates

The resource and reserve data in respect of the Serinus Group's assets set forth in this Prospectus, especially in Section 6 "*Business Overview*" in Subsection 6.6 "*Principal Oil and Gas Assets*" are in general based on the RPS Ukraine Report and the RPS Tunisia Report and therefore represent RPS's best professional judgment as to such resources and reserves. Estimations of resources and reserves are inherently inexact and the accuracy of any estimate is a function of the quality of available data, engineering and geological interpretation, judgment, production projections, maintenance and development capital, and other uncertainties inherent in estimating quantities of recoverable oil and gas. Thus, there can be no guarantee that estimates of quantities and quality of oil and gas disclosed in this Prospectus, as well as in the Summarized RPS Reports will be produced.

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

Although the Company is unable to predict whether its exploration and assessment activities will result in newly discovered reserves, if such activities are successful, the Company, through its subsidiaries, may be able to begin producing gas and oil from these reserves. If the eventual commencement of production activities does occur, the Company's (through its subsidiaries) actual production of quantities of oil and gas, revenues and development and operating expenditures with respect to its reserves and resources estimates, may vary from such estimates. In addition, any estimates of future net revenues contained within this Prospectus, the Summarized RPS Reports are dependent on estimates of future oil prices, capital and operating costs. Variances to actual costs may be significant. As such, these estimates are subject to variations due to changes in the economic environment at the time and variances in future budgets and operating plans.

1.1.12. Decommissioning Liabilities

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

The decommission liabilities are obligations of the particular companies of the Issuer's Group that it must incur to reclaim and abandon well sites. During the stages where the company pays for 100% of the costs and to earn a right to future production under a production sharing agreement, the company is also obligated to pay for the costs to decommission the sites in the future. The Company records the present value of these obligations. At December 31, 2013, the total expected amounts for the Serinus Group was recorded at \$28.9 million (December 31, 2012- \$0.8 million). At June 30, 2014, the total expected amounts for the Serinus Group was recorded at \$26.086 milion (June 30, 2013 \$25.780 million). Respective provisions have been created as presented in the Table 2 - Consolidated Statement of Financial Position in Section 4 "*Selected financial information*" of this Prospectus.

1.1.13. Foreign Exchange Risks and Commodity Hedging

The nature of the Group's activities results in exposure to fluctuations in foreign currency exchange rates. World oil and natural gas prices are quoted in US dollars and the price received by the Group may be affected in a positive or negative manner by fluctuations in the exchange rate of the US dollar against other currencies in which business of the Group is transacted. Variations in exchange rates have the effect of impacting the stated value of oil and natural gas reserves and/or production revenue.

The Group is exposed to risks arising from fluctuations in currency exchange rates between the Canadian dollar, Polish zloty, Ukraine hryvnia, Tunisian dinar, euro and U.S. dollar. As of June 30, 2014 the main currency exchange risk exposure consisted of Canadian dollar ("CAD") relating to the Canadian office of Serinus Energy Inc., Australian dollar relating to the Brunei subsidiaries, Polish zloty relating to the Polish office of Serinus Energy Inc. , Ukraine hryvnia ("UAH") relating to the Ukrainian operations, Syrian pound relating to the subsidiary holding the Syrian Assets, Brunei dollar relating to the Brunei subsidiaries of Serinus, Tunisian dinar ("TD") relating to the subsidiary holding the Tunisia Assets, Romanian new leu ("LEU") relating to the subsidiary holding the Romanian Assets, Euro relating to the subsidiaries holding the Romanian Assets and the U.S. dollar.

The following table summarizes the Group's foreign currency exchange risk for each of the currencies indicated:

(Thousands)	June 30, 2014				December 31, 2013			
	CAD	UAH	TD	LEU	CAD	UAH	TD	LEU
Cash and cash equivalents	273	33,383	1,034	65	112	22,027	446	947
Accounts receivable	141	57,050	7,924	1,391	103	22,640	16,793	120
Prepaid expenses	432	25,453	447	7	318	46,479	97	-
Accounts payable and accrued liabilities	(705)	(68,764)	(3,625)	(2,208)	(879)	(66,266)	(17,261)	(498)

	June 30, 2014				December 31, 2013			
Net foreign exchange exposure	141	47,122	5,780	(745)	(346)	24,880	75	569
U.S.\$ equivalent at period end exchange rate	\$ 132	\$ 3,987	\$ 3,673	\$ (233)	\$ (325)	\$ 3,001	\$ 46	\$ 177

For the six months ended June 30, 2014, 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 \$13,000 (2013 - \$28,000). If the Tunisian dinar 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 \$0.4 m

Earnings are not impacted by fluctuations in the hryvnia as translation gains and losses are included in accumulated other comprehensive income (loss) as it relates to the balances in UAH. Due to the deterioration of the hryvnia versus the US dollar a loss of \$6.7 million was recorded. An appreciation in the exchange would have the opposite effect.

Earnings are impacted by fluctuations in the hryvnia for US dollar balances outstanding within the Ukraine subsidiaries that have the hryvnia as their functional currency.

The following table summarizes the Group's foreign currency exchange risk relating the Ukraine balances weighted in U.S. dollar:

<i>(Thousands USD)</i>	June 30, 2014	December 31, 2013
Cash and cash equivalents	67	66
Loan from parent	(1,306)	(4 870)
Loan from third parties	(5,915)	(7 666)
Accounts payable and accrued liabilities	(3,961)	2 616)
Net foreign exchange exposure	(11,115)	(15 086)

A 10% weakening of the hryvnia compared to the US dollar and all the other variables were held constant, would result in a decrease in the after tax earnings by approximately \$0.1 million.

The Group is exposed to risks due to fluctuations in the price of natural gas in the Ukraine which is impacted by, among other things, the availability of imported natural gas from Russia and the price set by exporters in Russia. In Tunisia, the Group is exposed to risks due to fluctuations in the price of oil which is impacted by, among other things, popular unrest and anti-government sentiment which has been observed in the Middle East and North Africa region, including Tunisia, aimed at altering political and economic conditions.

From time to time the Company may enter into agreements to receive fixed prices on oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity

prices increase beyond the levels set in such agreements, the Company would not benefit from such increases.

The Group is exposed to fluctuations in the price of crude oil in Tunisia. The Group produces 41° API, Zarzaitine grade crude in Tunisia. Zarzaitine crude is generally sold at a premium to Brent 38.5° API oil. The price paid for oil in Tunisia is based on the average price for Brent oil sold in Italy during the three days after loading onto tankers. The Group 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. Benchmark prices are determined by international supply and demand among other factors outside the control of the Company. Realized natural gas prices in Tunisia, by legislation, are tied to the nine month trailing average of low sulphur heating oil as quoted in Italy.

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

See also in this Section 1 “*Risk factors*” of this Prospectus in Subsection 1.1.16. “*Political instability in Ukraine*”.

1.1.14. Credit Risk

Credit risk is the risk that a customer or counter party will fail to perform an obligation or fail to pay amounts due causing a financial loss. The Company or the companies from the Issuer’s Group are exposed to credit risk mainly in areas related to: (i) cash and cash equivalents and bank deposits and (ii) trade receivables.

The Company’s or the companies’ from the Issuer’s Group 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.

Accounts receivable as at June 30, 2014 include receivables from joint venture partners that are anticipated to be applied against future capital expenditures, sales revenue receivable for production in the Ukraine and Tunisia and 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 all customers. Clients are chosen based on the management’s assessment of both credit and political risks. Adherence to payment schedules specified in individual sales contracts is being monitored closely and delays in payments are addressed immediately. . Neither the Company nor KUB-Gas require collateral in respect of financial assets. Management believes that the KUB-Gas’ exposure to the Ukrainian credit risk is not significant. Natural gas sales are regulated by the government and are subject to monthly nominations. KUB-Gas sells over 99% of its production to traders and less than 1% to consumers. The government system provides additional recourse against delinquent traders by forcing payment through imposing restrictions on non-payers. The Company’s credit risk arising from possible defaults on gas sales contracts will, at worst, be limited to one month’s sales.

In Tunisia, the Company acting through Winstar Tunisia, assesses each counterparty’s creditworthiness. Neither the Company nor Winstar Tunisia require collateral in respect of its financial assets. The Company and its subsidiaries historically have not experienced any collection issues with its oil and natural gas customers, which are large public oil and gas companies and state owned enterprises. The majority of oil sales are marketed by way of large single party tanker sales or through

Tunisian state-owned companies, for which the Company acting through Winstar Tunisia considers the counterparty credit risk and will request letters of credit where it is deemed necessary. Natural gas is sold to STEG, the Tunisian National Utilities Company. Winstar Tunisia's joint venture partner is ETAP. However, risk exists with the joint partnership as disagreements occasionally arise that increase the potential for non-collection. Other receivables are expected to be received within pre-existing terms and are primarily related to various entities of the Tunisian state: being ETAP, STEG and the Tunisian taxation authorities.

As at June 30, 2014 an allowance of \$0.2 million was recorded in respect of account balances pertaining to Winstar's Canadian operations.

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

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

1.1.15. Title to Properties

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

1.1.16. Political instability in Ukraine

Ukraine has faced increasing political instability since November 2013 when the country's president negotiated a \$15 billion loan and a discount on imported natural gas with Russia and refused an association agreement that was supposed to deepen ties with European Union. Pro-Europe protests started as a reaction against this deal and later grew into mass demonstrations against perceived corruption and mismanagement under the government of president Victor Yanukovich that were seen as one of the causes of the country's poor economic condition. The protests later erupted into violent clashes and lead to the resignation of the prime minister and his cabinet, the ousting of the president and the formation of a new interim government lead by prime minister Arseniy Yatsenyuk and acting president Olexandr Turchynov. The acting president was later replaced by Petro Poroshenko, who was elected in presidential elections held on May 25 and sworn into office on June 7. The crisis further unfolded in late February 2014 when pro-Russian and pro-Ukraine protesters clashed in Crimea. Following a referendum in March, the Crimean parliament declared Crimea's independence from Ukraine and Crimea was annexed to Russian Federation. More referendums were organized by pro-Russian separatist groups in the Donetsk and Lugansk regions of eastern Ukraine on May 11. Its organizers announced that the results were pro-separatist and implied that the next step would be for eastern Ukraine to join Russia. Russia's president Vladimir Putin called for implementing the results of the referendum and Russia's army has been at the ready in close proximity of Ukrainian eastern border since then. Ukraine, USA and EU consider the referendums illegal.

Unrests, started in April by militant pro-Russian separatist groups have escalated into a continuing armed conflict after the separatists seized government buildings in several places in eastern Ukraine

and the government launched military anti-terrorist action against them. Ukrainian government is accusing Russia of orchestrating, financing and participating in the conflict to destabilize Ukraine and potentially create a pretext to invade the country and annex its eastern Russian speaking parts. Vladimir Putin was given the authority to use Russian forces in Ukraine by the Russian parliament. The authorization was later rescinded but Mr. Putin still maintained that Russia would respond if its interests were attacked in Ukraine. Ukrainian armed forces were put on combat alert in April to counteract any potential military action by Russia and later mobilization was declared to ensure the country's defense.

In June and July separatists seized control of most of the Donetsk and Lugansk regions. In late August rebels, aided by the Russian military as claimed by Ukraine, opened a new front along the Ukrainian southern coast in the direction of the key strategic port of Mariupol and the Ukrainian army, after initial success of their counter-offensive in July and August, started losing their positions. The fighting resulted in heavy casualties. According to 'United Nations' estimates, at least 3,000 people have been killed in Ukraine between mid-April and September 8 and over 260 thousand have fled the areas of fighting as of September 1, 2014. Ukrainian government claims that Russia still has about 25,000 troops along its long border with Ukraine and more than 3,000 soldiers inside the country in mid-September.

USA and European Union declared sanctions against selected Russian individuals and companies at various stages of the conflict. Faced by military pressure from Russia, Arseniy Yatsenyuk said he would submit a bill to the parliament proposing that Ukraine seek NATO membership. The formal basis for NATO-Ukraine relations is the 1997 Charter on a Distinctive Partnership and the Declaration to Complement the Charter, signed in 2009. Since Russia's military intervention in Crimea, NATO and Ukraine have been intensifying their cooperation. At the summit meeting on September 4, 2014 NATO leaders pledged to provide support to help Ukraine improve its security. The focus of the support will be on rehabilitation for injured troops, cyber defence, logistics, and command and control and communications. NATO's assistance to Ukraine to boost cooperation will amount to around 15 million euros.

On September 1, NATO Secretary General announced plans for a new rapid-deployment force to better protect alliance members in Eastern Europe that feel threatened by Russia. The following day, a senior Russian military official announced Moscow would be revising its own strategy to account for "changing military dangers and military threats." Russia also announced it will conduct major exercises in September of the strategic missile forces responsible for its long-range nuclear arsenal.

A protocol on ceasefire was signed on September 5 at a meeting in Minsk between representatives of Ukraine and those of the pro-Russian separatists and with the participation of the Organization for Security and Co-operation in Europe. Both US and EU officials have promised to scale back or cancel their latest sanctions if Russia maintains the ceasefire. According to the Minsk protocol, Ukraine is to adopt a law 'On the temporary order of local self-government in certain districts of the Donetsk and Lugansk provinces' and 'ensure the holding of pre-term local elections'. The vaguely defined and seemingly negotiable demand for "special status" is widely seen as Russia's starting position in negotiations to legalize territorial secessions in "frozen conflicts." Russia increased tensions and raised doubts about its intentions by sending a truck convoy into rebel-held territory without the permission of the Ukrainian government September 13. The ceasefire, which, despite accusations of violations on both sides, seems to have largely held so far, has resulted in frontlines that effectively partition Ukraine's Donetsk and Lugansk provinces. Approximately one third of these provinces' combined area and one half of their population has fallen under the separatists' control.

The United States and other NATO countries started military exercises in western Ukraine on September 15. Russia responded by threatening to send more troops to Crimea. NATO maintains that Russia still has around 1,000 soldiers and hundreds of combat vehicles and artillery inside Ukraine, despite some cuts in troop numbers since the ceasefire began.

On September 16, the Ukrainian parliament passed several controversial bills giving self-rule and an amnesty to pro-Russian separatists in eastern Ukraine. One bill would grant self-rule to separatist-controlled regions for a three-year period and allow them to "strengthen and deepen" relations with neighboring Russian regions. It would allow the heavily-armed rebels to set up their own police forces and hold their own local elections in December. A separate bill offers freedom from prosecution to separatists, who have been fighting government forces. The bills, proposed by Poroshenko and pushed through in a closed session, are sharply criticized by some Ukrainian politicians and pro-Western activists as well as denounced by the separatists.

On June 27, Petro Poroshenko signed the Association Agreement with EU. Russia has retaliated by imposing restrictions on Ukrainian imports, which had represented about 24% of Ukrainian before the conflict started and are especially important for eastern parts of Ukraine.

The Association Agreement was ratified by both the Ukrainian and European parliaments on September 16. The EU and Ukraine made an attempt to pacify Russia by delaying the implementation a part of the agreement until the end of next year. In the long term, the agreement is expected to bring a boost to Ukrainian economy and improve Ukraine's business climate. However, it commits Ukraine to an ambitious programme of political and economic reform and the country will be required to introduce wide-ranging changes that will initially cause disruption as Ukrainian businesses struggles to make the change.

Ukraine's economy went into recession in the second half of 2012 and there was no growth in 2013. Recent events lead to the deepening of the ongoing economic crisis, widening of the state budget deficit and depleting sources of financing. Ukrainian currency, the hryvnia (UAH), has lost about 60 percent of its value since December 2013. To curb the currency's slide the NBU introduced partial restrictions on movement of foreign currency.

Despite the crisis, according to the report released by State Statistics, Ukraine is stepping up exports of their products: the volume of exports increased in July by 8.7% as compared to June, resulting in positive trade balance 6.5 times more than in June. There was a sharp increase in Ukrainian exports to some EU countries while export to Russia and Kazakhstan - countries of the Customs Union - continues to decline.

On April 30, 2014 the International Monetary Fund committed to a \$17 billion two-year aid programme to help the country's economic recovery of which \$4.6 billion has been disbursed. However, economic decline has accelerated as fighting has been taking a heavy toll on the economy. To increase revenues the government approved a law on amendments to the Tax Code and other legislative acts. Among other measures, the law temporarily (till January 1, 2015) increases natural gas royalties to 55% from current 28% and increases the royalty base. For new wells a "lowering factor" of 0.55 is to be applied to the royalty rate for two years resulting in royalty rate of 30.25% for the period between the effective date and January 1, 2015 and 15.4% for the rest of the two year period assuming that after January 1, 2015 the rates revert to current level.

Russia has disbursed only \$3 billion of the \$15bln loan and Russia's further assistance is highly unlikely under the current situation. The IMF's aid programme, is subject to conditions, including the requirement that the country adopts economic reforms and austerity measures to help bring its

economy on a sustainable path. The government started implementing some of the measures by removing and reducing government subsidies for natural gas sold to internal consumers and imposing additional taxes. Further implementation of austerity measures and resulting worsening of living conditions of the population may lead to more civil unrest.

Until recently Ukraine relied on Russian natural gas to support its energy-inefficient heavy industries. Effective April 1, 2014, Russia's Gazprom eliminated the previously negotiated discount on imported gas and demanded the payment of outstanding debt and advance payments for future deliveries. Unsuccessful negotiations were held between Gazprom and Ukrainian Naftogaz following which, on June 16, Gazprom cut off all gas supplies to Ukraine. Both Gazprom and Naftogaz filed lawsuits against each other. The European Commission proposed a new round of talks on the Russia-Ukraine gas pricing dispute, which according to the provisional findings in the second part of September. Ukraine negotiated contracts for reverse gas flow supplies with Poland and Slovakia. In the week of September 12, Gazprom lowered supplies to both Poland and Slovakia, effectively removing or reducing the possibility of reverse gas flow.

On July 24 two government parties decided to quit the ruling coalition and prime minister Arseniy Yatsenyuk announced his resignation. On July 31 Mr. Yatseniuk's resignation was rejected by the parliament. The president dissolved the parliament on August 25 and announced that parliamentary elections would take place on October 26. The law allows the current parliament to continue working till it is replaced by the newly elected one.

The final resolution and the full effect of the current crisis are difficult to predict but will most likely have further severe impact on Ukrainian economy. Current political and economic instability, uncertain further political development and its impact on the economic course of the country may affect the profitability of the Company's commercial operations in Ukraine and potentially lead to other issues that may seriously impact the Company's operations in the country, such as imposition of sanctions by other countries, political violence that may lead to disruptions or forced suspension of operations, regulatory changes, further changes in tax laws and policies, further devaluation of the Ukrainian currency, further foreign exchange restrictions and currency controls, government-imposed restrictions on gas sales, changes in government-controlled prices, restrictions on obtaining licenses, etc. To mitigate some of such potential risks the company has political violence insurance in place and has taken steps to safeguard the safety of its employees and assets until such time as conditions in the immediate area of its operations stabilize.

1.1.17. Political Instability in Syria and Syria Sanctions

Recent developments in the Middle East and North Africa (particularly instability in Syria, Libya and Bahrain) have impacted and may have longer term significant impact on the Company's (through Loon Latakia) commercial operations in Syria. Given the ongoing difficult operating environment in Syria, Loon Latakia's exploration activities in relation to Syria Block 9 are currently suspended and have been on hold since October 2011, and a force majeure was formally declared under the Syria Block 9 PSC in July 2012. Pursuant to the terms of the Syria Block 9 PSC, because the force majeure event continued for a period of more than one year, the contracting parties are entitled to terminate their obligations under the Syria Block 9 PSC on 90 days' notice without further liability. As of the date of this Prospectus, Serinus, through Loon Latakia, has not terminated its obligations under the Syria Block 9 PSC. The Issuer will continue to monitor operating conditions in Syria to assess when, and if, a recommencement of its Syrian operations is possible. However, there is no certainty as to if and when operations will be able to be recommenced. As of the date of the Prospectus the exploration

assets in Syria have been fully impaired. The total value of this impairment (losses) amounts to 10,889,000 USD. As the Company has fully written off the value of losses, no further loss is expected with respect to the Syria Assets.

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

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

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

The United States implemented economic sanctions against Syria in May 2004 in accordance with the Syria Accountability Act. These sanctions include the prohibition of the export to Syria of products of the United States other than food or medicine. Accordingly, many products and equipment that are commonly used in the international oil and gas industry that are manufactured in the United States may not be available within Syria. Similarly, services commonly provided in the oil and gas industry by firms or companies based in, or with significant activities in the United States may not be available in Syria.

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

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

1.1.18. Political Instability in Tunisia

During 2011, Tunisia experienced a period of political unrest and demonstrations that lead to the departure of the former president after 23 years of power. This led to the elections of a Constituent Assembly, which is charged with the responsibility of drafting a new constitution and has appointed a new government, which is intended to govern until a new constitution is ratified and further democratic elections can be held. However a number of politically disruptive events occurred in 2013, including the resignation of the former Prime Minister of the recently elected government following

the assassination of an opposition politician, and at this point the timeline of ratification of a new constitution is unclear.

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

1.1.19. Crime and Governmental or Business Corruption

The Serinus Group conducts business in countries or regions which have experienced high levels of governmental and business corruption and other criminal activity. The Company is required to comply with applicable anti-bribery laws, including the *Canadian Corruption of Foreign Public Officials Act*, the *U.S. Foreign Corrupt Practices Act*, as well as local laws in all countries in which the Serinus Group conducts business.

Ukraine, in particular, has a number of pieces of anti-money laundering and anti-corruption legislation. These, among other things, include laws in respect of the monitoring of financial transactions and provide a framework for the prevention and prosecution of corruption offences, including various restrictions and safeguards.

Tunisia is not considered an important regional financial center, and has strict currency exchange controls which authorities believe mitigate the risk of international money laundering and corruption. In addition, since 2003 Tunisia has taken important steps to create a legal framework for the monitoring, investigation and prosecution of money laundering and financial crimes, including the creation of the interagency Financial Analysis Commission headed by the Central Bank Governor. However, there can be no guarantee that these laws will be effective in establishing sufficient oversight and coordination to identify and prevent money laundering and corruption in these regions.

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

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

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

1.1.20. Management of Growth

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

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

If the Company makes mistakes with respect to the assessment of its future growth and has failures in the field of management of growth, this could result in the Company failing to fully realize the benefits otherwise expected from such growth and could have a material adverse impact on the Serinus Group's business, operations and potential for future growth.

1.1.21. Project Completion

The Issuer's Group's current operations are, and future operations will be, subject to approvals of governmental authorities and, as a result, the Issuer's Group has limited control over the nature and

timing of the grant of such approvals for the exploration, development and operation of oil and natural gas concessions.

The Issuer's Group's interests in oil and natural production sharing agreements, concession agreements and other contracts with governments and government bodies to explore and develop its properties are subject to specific requirements and obligations. If the Issuer's Group fails to satisfy such requirements and obligations and there is a material breach of such contracts, such contracts could, under certain circumstances, be terminated. The termination of any of the contracts executed by any of the companies of the Issuer's Group, granting rights in respect of the properties would have a material adverse effect on the Company, including the Company's financial condition.

1.1.22. Relinquishment Obligations under Applicable Legislation and Key Agreements

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

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

In Tunisia, the state oil company, ETAP, has already exercised its right to back in to the Sabria concession and no other relinquishments, surrenders back-ins are anticipated until the concession term expiry in the year 2028. ETAP also has the right to back-in for 50% of the Chouech Es Saida concession once the operator has sold 6.5 mmbbls of crude oil net of royalty. To December 31, 2013, the Company estimates that there has been approximately 4.7 mmbbls of net oil sales. As at June 30, 2014 cumulative liquid hydrocarbon sales net of royalties and shrinkage was 4.8 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.

In Romania, the regulatory regime contemplates relinquishment of areas granted pursuant to exploration licences or concession agreements, and accordingly, there is a risk that certain areas under the Satu Mare Concession Agreement may be subject to relinquishment.

More specific information concerning relinquishment obligations in particular locations are provided in Section 6 "*Business Overview*", in Subsection 6.2.2.2. "*Licensing and Regulatory Regime in Tunisia*", Subsection 6.6.4.7. "*Current Activity*", Subsection 6.6.6.6. "*Material Agreements*" of this Prospectus.

1.1.23. Reliance on Key Management Personnel

The success of the Company depends in large measure on certain key personnel, which include the President and Chief Executive Officer, Vice Chairman of the Board of Directors, Executive Vice

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

1.1.24. Reliance on Third Party Operators

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

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

Generally, Serinus Group's activity is a licensed activity and as such is dependent on cooperation with governmental entities controlling oil and gas resources in particular locations (although not strictly dependent, as the nature of oil and gas activity in particular locations is complex and in practice depends on various factors) and, consequently, cooperation with companies controlled by the State, as a rule, is required, which is typical for oil and gas industry. For more details concerning the nature of Serinus Group relations with governmental authorities in particular locations please refer to respective descriptions in Section 6 "*Business Overview*" of the Prospectus, in particular in Subsection 6.2.1.2.

“Licensing and Regulatory Regime in Ukraine” with reference to Ukraine, in Subsection 6.2.2.2. *“Licensing and Regulatory Regime in Tunisia”* with reference to Tunisia, in Subsection 6.2.3.2. *“Production Sharing Agreements and Regulatory Regime in Brunei”* with reference to Brunei, in Subsection 6.2.4.2. *“Licensing and Regulatory Regime in Romania”* with reference to Romania and in Subsection 6.2.5.2. *“Production Sharing Contracts and Regulatory Regime in Syria”* with reference to Syria.

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

The Phase 2 exploration period under the Block L PSA has been extended by one year and was to expire in August 2013 but was extended from its original extended expiration date in August 2013 to November 27, 2013 and automatically extended to allow for the completion of the drilling of the Luba-1 well and in the event the Company decides to appraise a discovery the term of the exploration period is further extended to allow for the implementation of the appraisal program. The Company, through its subsidiaries, has also made an application to PetroleumBRUNEI to re-acquire certain areas that were relinquished upon the completion of Phase 1, in accordance with the terms of the Brunei Block L PSA.

1.1.25. Shared Trademark and Trade Name

The Company shares the “Kulczyk” trademark and trade name with KI and many of KI’s affiliates. KI, the largest shareholder of the Company, is an international holding company of Polish origin which takes its name from Dr. Jan Kulczyk, a Polish entrepreneur and international businessman with core holdings in infrastructure and in the automotive and brewing industries. On November 6, 2008, Company and KI entered into a trade name and trade mark licence agreement (the “**Licence Agreement**”). Pursuant to the Licence Agreement, KI granted the Company limited, non-exclusive, revocable and non-transferable licence to use the trade name and trade mark “Kulczyk” in connection with the Company’s business and for domain names used in connection with the business of the Company. Pursuant to the Licence Agreement, the Company currently identifies itself using names and logos that indicate a relationship with KI. From 24 June, 2013, the Company uses trade name: “Serinus Energy Inc.”, which simultaneously is its statutory name, and sometimes to exclude concerns, if it deems appropriate, adds explanation: “formerly: Kulczyk Oil Ventures Inc.”. Given that the Company shares a trademark and trade name with KI and many of its affiliates, any adverse development affecting the trademark, trade name or reputation of any of those companies could have a material adverse effect on the business, goodwill or reputation of the Company.

For further information concerning the License Agreement, please see Section 11 “*Research and development, patents and licences*” of this Prospectus.

1.1.26. Uncertainty Regarding Interpretation and Application of Foreign Laws and Regulations

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

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

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

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

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

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

Detailed description of particular legal systems concerning particular locations have been provided in Section 6 “*Business Overview*” in Subsection 6.6.2 “*Ukraine*” with respect to Ukraine, in Subsection 6.6.4. “*Brunei*” with respect to Brunei, in Subsection 6.6.6. “*Syria (under force majeure)*” with respect to Syria, in Subsection 6.6.3. “*Tunisia*” with respect to Tunisia and in Subsection 6.6.5. “*Romania*” with respect to Romania.

1.1.27. Winstar Acquisition May Fail to Fully Realize its Anticipated Benefits

In completing the Winstar Acquisition, the Company acquired a junior oil and gas exploration and production company with material oil and gas assets in Tunisia and Romania. Taking into account the nature of the business activity of the assets acquired by the Company through the Winstar Acquisition, and that the Tunisia Assets and the Romania Assets are located in emerging markets, the Company’s investment in acquiring Winstar may not meet its economic or financial expectations or the Company may not be able to fully realize the anticipated benefits in connection with this acquisition. This may be caused by:

- (i) risks and uncertainties concerning Winstar specifically, such as: (a) potential actions against legal titles and rights to its lands and leases, including arising out of or in connection with compliance with its environmental and hazardous waste obligations, (b) failure to obtain, maintain or renew necessary licences and special permits or failure to comply with the terms of its licences and permits or relevant legislation, and (c) potential actions against legal titles, assets and rights to land or leases;
- (ii) resource-industry specific risks, such as: (a) regulations concerning price controls at which oil and gas and other production is sold, (b) the competitive nature of the oil and natural gas industry in the Middle East and North Africa, and (c) inadequate infrastructure that may affect the transportation of produced natural gas;
- (iii) country-related risks or uncertainties relating to Tunisia or Romania and arising because they are emerging markets, such as: (a) potential political or economic instability or uncertainty, including the potential for political unrest and political protests, (b) potential instability or uncertainty in the legal, judicial and tax systems in Tunisia or Romania, (c) strikes and labour disputes or other disturbances which could impede the companies of the Issuer’s Group’s operations and production and their ability to execute its capital programs, and (d) the available capacity of state owned utility companies to purchase the Company’s subsidiaries’ natural gas production; or
- (iv) the commencement of any regulatory or administrative actions, instigating any dispute or litigation, lodging a claim, issuing an order or undertaking any measure to (a) suspend, revoke, cancel or terminate of any of the Tunisia Concessions or the Romania Concession, (b) expropriate any special permit, licence or concession, (c) taking of measures tantamount to the expropriation of the Tunisia Concessions.

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

1.1.28. KUB-Gas May Fail to Fully Realize its Anticipated Benefits

Taking into account the nature of the business activity of KUB-Gas as a natural gas production company, and Ukraine, an emerging market in which KUB-Gas operates, the Company’s investment

in KUB-Gas may not meet its economic or financial expectations or the Company may not be able to fully realize the anticipated benefits in connection with this acquisition. Among potential situations that might lead to the above, in particular, following factors should be mentioned:

- (i) risks and uncertainties concerning KUB-Gas specifically, such as: (a) possible sanctions connected with the lack of filing with Ukraine's Anti-Monopoly Commission in connection with the 2005 KUB-Gas acquisition by Gastek, (b) potential actions against the KUB-Gas legal titles and its rights to its lands and leases, (c) potential actions against the KUB-Gas legal titles to certain real estate objects and natural gas wells, (d) potential litigation procedures over the KUB-Gas special permits, (e) failure to obtain, maintain or renew necessary licences and special permits or failure to comply with the terms of its licences and permits or relevant legislation, (f) short-term nature of natural gas sales contracts with customers, and (g) potential actions against KUB-Gas legal titles, assets and its rights to land or leases arising out of or in connection with compliance with its environmental and hazardous waste obligations;
- (ii) resource-industry specific risks, such as: (a) Ukraine's regulations concerning price controls at which natural gas and other production is sold, (b) competitive nature of the oil and natural gas industry in Ukraine, and (c) inadequate infrastructure that may affect the transportation of produced natural gas;
- (iii) country-related risks or uncertainties relating to Ukraine and arising because it is an emerging market and concerning its potential political or economic instability or uncertainty, as well as the Ukrainian legal, judicial and tax system and its potential instability or uncertainty (more details were included in the description of the risk factor in the Section 1 "*Risk factors*" in Subsection 1.1.16. "*Political instability in Ukraine*"); or
- (iv) commencing any regulatory or administrative actions, instigating any dispute or litigation, lodging a claim, issuing an order or undertaking any measure to:

the suspension, revocation, cancellation or termination of any Ukrainian Licences; the expropriation of any special permit, licence or any KUB-Gas shares; the taking of measures tantamount to the expropriation of any Ukrainian Licences or any KUB-Gas shares; the requirement or demand of a change in control of KUB-Gas or any party; or the termination, restriction, invalidation or challenge of certain of KUB-Gas's real property rights, including challenging the titles to hold the land and to carry out exploration work.

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

On 27 June 2014, due to a deteriorating security situation in Ukraine, the Company has decided to put developmental field operations in this country on hold. Production is continuing, but drilling, workover, stimulation and construction activities have ceased. For more information see Subsection 6.6.2.1 "*Overview*" and Subsection 6.6.2.2.3. "*Exploration/Development Activity*" of Section 6 "*Business Overview*".

1.1.29. Risk of Annulling Concessions Owned by the companies of the Issuer's Group

Pursuant to Ukrainian and Tunisian law, geological exploration of mineral resources and the production of mineral resources located in these countries is conducted on the basis of licences or permits issued separately for each kind of these activities. Additionally, Ukrainian law mandates that

the utilization of any kind of subsoil natural resources requires a licence. Each subsoil licence granted is accompanied by a licence agreement specifying the terms of utilization of the subsoil natural resources. The subsoil licence agreement sets out the key terms for the geological survey, exploration, drilling and production of mineral resources from the relevant subsoil resources area. The subsoil licence agreement may additionally impose certain social or environmental commitments on the user of the resources.

KUB-Gas holds licences for conducting geological survey and further pilot production of natural gas, condensate and oil in the licenced areas. According to these licences, KUB-Gas must satisfy certain detailed requirements which include, among other things, an obligation to satisfy requirements of the state environmental inspection authorities. One of the requirements is obtaining title certificates to the land plots required for geological survey and pilot production in the licenced areas.

The Company, through Winstar Tunisia, is a party to concession agreements with the Tunisian state relating to the Tunisia Concessions to explore and produce oil and natural gas in Tunisia in the areas subject to such concession agreements. The Company, through Winstar Tunisia, is required to comply with the specific terms and conditions set out in such concession agreements governing the relationship between the Tunisian state and the Winstar Tunisia.

The Company, through its subsidiaries, is also a party to the following concession agreements: Block L in Brunei, Block 9 Syria, Satu Mare Concession Romania.

For further information concerning the above mentioned concessions, please see Section 6 “*Business Overview*”, Subsection 6.6.2. “*Ukraine*”, subsection 6.6.3. “*Tunisia*”, Subsection 6.6.4 “*Brunei*”, Subsection 6.6.5. “*Romania*”, and Subsection “*Syria (Force Majeure)*” of this Prospectus.

A default under any of the requirements set forth in the licences held by any of the companies from the Issuer’s Group or the concession agreements to which the Company is a party may result in voiding such licences or concession agreements. Such an occurrence could have a material adverse effect on activities of the Company and on the business and financial condition of the Company.

1.1.30. Risk of Default by Gastek Relating to KUB-Gas

KUB-Gas, the entity that owns the Ukraine Assets, is indirectly co-owned by KOV Cyprus, one of the Issuer’s subsidiaries and Gastek being third party to the Issuers Group. Gastek owns 30% of shareholding in KUBGAS Holdings and KOV Cyprus owns remaining 70 %. KUBGAS Holding in turn owns 100% of KUB-Gas.

Relationship between KOV Cyprus, Gastek and KUBGAS Holding is governed by the Shareholders Agreement described in details in Subsection 6.6.2.2.5 “*Material Agreements*” hereof. Basically, each party is responsible for their proportionate share of the expenditures for the operations held in Ukraine. Therefore theoretically, if one party, Gastek, stops funding the operations held in Ukraine, then the other party, KOV Cyprus being Serinus’ subsidiary, which owns 70% of the business, will have to fund 100% of the expenditures.

Should Gastek fail to meet its obligations, the Company acting though it’s subsidiary, KOV Cyprus, may be required to fund Gastek’s share of obligations which could adversely affect the business and financial condition of the Company.

The Ukrainian operations had total assets of \$120.862 million at December 31, 2013 and had earnings before taxes of \$46.22 million for the financial year ended December 31, 2013. As at June 30, 2014 Ukrainian operations had total assets of \$103.9 milion and had earnings before taxes of \$13.9 milion

for the financial period ended June 30, 2014. KUB-Gas's current operations are self-funded and, as of the date of this Prospectus, there are no amounts owing directly from Gastek to Serinus. The potential for a future loss would be in a situation where KUB-Gas was no longer self-funded

1.1.31. Risk factors related to Natural Environment

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

In addition, no assurance can be given that the interpretation or enforcement of environmental laws in the various jurisdictions in which the Issuer's Group is active will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Issuer's Group financial condition, results of operations or potential for future asset growth.

Given the evolving nature of climate change action and regulation, it is not possible to predict the nature of future legislation with respect to climate change or the impact on the Issuer, its operations and financial condition at this time.

For more details please see Section 8 "*Property, plants and equipment*" in Subsection 8.2 "*A description of any environmental issues that may affect the issuer's utilisation of the tangible fixed assets*" of this Prospectus.

1.1.32. Weather factors

Adverse weather conditions can cause delays and cost increases related to the capital spending programs of the Company such as drilling of exploration and development wells, completion of wells, construction of production facilities and pipelines and the acquisition of seismic data. In Ukraine and Romania, cold temperatures, heavy snows or extremely muddy conditions may cause delays to planned activities. The rainy season, from September to January, is the principal weather factor in

Brunei. In the Serinus Group's area of activity in Syria and Tunisia, sandstorms and both high and low temperatures can make operations more difficult and costly.

1.2. Risks Relating to the Issuer's Market Environment

1.2.1. Competition

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

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

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

1.2.2. Industry Trends

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

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

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

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

Any substantial decline in crude oil and/or natural gas prices may also require the Company to write down the capitalized costs of certain oil and natural gas properties. Under IFRS, the net capitalized cost of oil and natural gas properties are aggregated into cash generating units, each unit subject to an impairment test whereby the carrying amounts are compared to their recoverable amount, which is based upon estimated future net cash flows from reserves. If the net capitalized costs exceed this recoverable amount, the Company must charge the amount of the excess against earnings. As oil and natural gas prices decline, the Company's capitalized costs may approach or exceed this recoverable amount, resulting in a charge against earnings. While a write-down would not directly affect cash flow, the charge to earnings could be viewed unfavourably in the market and thus cause an adverse impact on the trading price of the Serinus Shares or could limit the Company's ability to borrow funds or comply with covenants contained in future credit agreements or other debt instruments.

During the year ended December 31, 2012, the Company recorded an impairment to reflect the expiration of the Brunei Block M PSA in August 2012. The Company fully impaired the value of the exploration asset in Syria as well as the financial investment in Ninox in 2011. Effective July 16, 2012, the Company, in its capacity as operator of Block 9 in Syria (through Loon Latakia), declared a *force majeure* event due to difficult operating conditions and restrictions on the movement of funds both into and within the country, which together resulted in circumstances under which it was impossible for the Company to meet its obligations under the Syria Block 9 PSC. The Company, through Loon Latakia, continues to monitor operating conditions in Syria to assess when a recommencement of Syrian operations is possible. For more information please see description of the risk factor in Section 1 "Risk factors" in Subsection 1.1.9. "Compliance with Foreign Regulatory Regimes".

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

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

In addition, the Issuer's Group may be required to incur additional expenditure or could be required to hire or purchase additional equipment to comply with any new operational, environmental and/or health and safety regulations. The impact of any such regulations or requirements could be to impose a constraint on long-term oil and gas production of the Issuer's Group and restrict the Company's control over the nature and timing of exploration, appraisal, development, production and other activities or its ability to undertake these activities at all may be materially and adversely affected,

including by substantial delays or material increases in costs. Such additional costs, interruptions or delays could have an adverse impact on the Issuer's Group's business, prospects, financial condition and results of operations.

Failure by the Issuer's Group to comply with the applicable legal requirements or recognized international standards may give rise to significant liabilities. For more information please see description of the risk factor in Section 1 "Risk factors" in Subsection 1.1.9. "*Compliance with Foreign Regulatory Regimes*".

1.2.3. International Economic Risk

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

1.2.4. Prices, Markets and Marketing

The marketability and price of oil and natural gas that is or may be acquired or discovered by the Issuer's Group is affected by numerous factors beyond its control. in Section 1 "*Risk factors*" in Subsection 1.1.9. "*Compliance with Foreign Regulatory Regimes*" with respect to recent developments relating to the land use registration system in Ukraine which may result in delays and may increase the costs for the Company's plans to construct gas pipelines from its producing wells on the Ukraine Licences to gas transportation infrastructure. In Brunei, Syria and Romania, where the Issuer's Group does not currently produce oil or gas, the Issuer's Group's future ability to market any oil or gas it produces will depend upon its ability to acquire space on pipelines that deliver oil and natural gas to commercial markets. Availability of pipeline capacity to new customers is determined primarily by volume commitments and the duration of those commitments made by the pipeline operator to existing customers. The Issuer's Group may also be affected by:

- (i) deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities (which may be of particular importance for following locations: Ukraine, Tunisia);
- (ii) economic or other sanctions that prohibit, amongst other things, the export of crude oil or petroleum products that originate in countries in which the Issuer's Group operates (which may be of particular importance for following locations: Ukraine, Syria, Tunesja);

- (iii) operational problems with such pipelines and facilities (which may be of particular importance for following locations: Ukraine, Tunisia); and
- (iv) extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. Commodity prices may also be impacted by the development of alternative fuel or energy sources (which may be of particular importance for following locations: Ukraine, Tunisia).

The Issuer's Group's profitability and future growth and the carrying value of its oil and gas properties are substantially dependent on prevailing prices of oil and gas. The Issuer's Group's ability to obtain additional capital on attractive terms is also substantially dependent upon oil and gas prices. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors beyond the control of the Company. These factors include global economic conditions, the actions of the OPEC, governmental regulation, political circumstances in the Middle East and elsewhere, the foreign supply of oil and natural gas, the price of foreign imports and the availability of alternative fuel sources, including unconventional oil and natural gas accumulations. In many cases, the Company's subsidiaries' natural gas is marketed directly through local markets via state-owned utility companies. Natural gas sales are dependent on the local market demand and the available capacity of state-owned utility companies to purchase the Issuer's Group's natural gas production. From time to time, changes in market demand or constraints at state-owned utility companies may limit the Issuer's Group's ability to sell its produced natural gas.

In Ukraine in particular, the Company, through its subsidiary KUB-Gas is exposed to risks due to fluctuations in the price of natural gas influenced by the economic conditions in Ukraine, the recommendations of the International Monetary Fund and the availability of imported natural gas from Russia and the price set by exporters in Russia. In Tunisia, the Company, through the activity of Winstar Tunisia, is exposed to risks due to fluctuations in the price of oil which is impacted by, among other things, popular unrest and anti-government sentiment which has been observed in the Middle East and North Africa region, including Tunisia, aimed at altering political and economic conditions. Conflicts, or conversely peaceful developments, arising in areas of the world which produce significant volumes of oil or natural gas, may have a significant impact on the price of oil and natural gas and any individual negative event could result in a material decline in prices and result in a reduction of the Company's net production revenue.

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

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

1.2.5. Risks Related to Tax/Royalty Regime of Ukraine

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

Ukraine's tax code has been revised several times since its introduction and continues changing. Most importantly, new, more detailed and stricter transfer pricing legislation has been included in September 2013. Effective January 1, 2013 a new international tax treaty between Cyprus and Ukraine has been in force.

With Ukraine's worsening economic situation the tax authorities are increasingly aggressive in interpreting existing tax legislation with the goal of collecting more taxes and penalties. There is a risk that further changes that could negatively affect the Issuer's Group's Ukrainian operations will be introduced in the tax legislation as the government seeks to fund the country's budget.

1.2.6. Risks Related to Tax Regime of Tunisia

The taxation of the Winstar Tunisia's oil and natural gas activities in Tunisia has been long established in the title documents for each individual concession. Although there have been no changes to the taxation laws in each concession since inception, nor to the Tunisian *Hydrocarbons Code of 1999*, there can be no assurance, in particular due to political changes in Tunisia (see Section 1 "*Risk Factors*" in Subsection 1.1.18. "*Political Instability in Tunisia*"), that the income tax legislation in Tunisia will not be amended so as to have a material effect on the advisability of investing in the Serinus Shares.

1.2.7. Availability of Equipment and Services

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

equipment and services to the Issuer's Group and may delay exploration and development activities or increase the costs of the Issuer's Group's exploration, development and production activities.

Limited availability and increased prices may, in particular, result from any significant increase in regional exploration and development activities which in turn may be the consequence of increased or continued high prices for oil or gas. In the areas in which the Company operates, there can be a significant demand for drilling rigs and other equipment and services with such demand increasing and decreasing over time according to general levels of activity in the industry.

Failure by the companies of the Issuer's Group to secure necessary equipment and services in a timely manner could delay, restrict or lower the profitability and viability of the Issuer's Group's activities and adversely affect the Company's business, results of operations or financial condition.

In Ukraine, KUB-Gas owns a drilling rig, a service rig and a snubbing unit and has the personnel and ancillary equipment necessary to operate them. However, to drill and complete wells they need additional equipment (ie. logging, testing, perforating) which are supplied by third parties and there is no guarantee that third party services will be available at the time required.

In each of Tunisia, Romania, and Brunei the Group does not own any drilling or servicing equipment so it is completely reliant on third parties for supply of these services and there is no guarantee that such services will be available at the time required.

1.2.8. New Technology

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

1.2.9. Insurance

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

The Company, through indirectly wholly-owned subsidiaries, operates its assets in Brunei, Syria, Tunisia and Romania, and places insurance as required for the activity which is to be undertaken. Under Ukrainian law, companies in the upstream oil and gas industry are required to insure against certain risks, and the Company has confirmed that KUB-Gas does have insurance coverage in place. KUB-Gas has also secured insurance on its property and operations for risks that are commonly insured by the companies of the Issuer's Group in other countries within which it conducts operations. There may however be circumstances where such insurance will not cover or be adequate to cover the consequences of an event or where KUB-Gas may become liable for pollution or other operational hazards against which it either cannot insure or may have elected not to have insured. The companies of the Issuer's Group obtain insurance in accordance with industry standards and upon consideration of advice provided by professional insurance brokers to address these risks. However, such insurance may have limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. For example, the companies of the Issuer's Group do not maintain insurance against political violence, governmental expropriation or confiscation of assets, governmental frustration or repudiation of contracts, wrongful calling of guarantees or letters of credit, business interruption, inconvertibility of foreign currency or the inability to repatriate funds or other similar political risks in the locations in which the Issuer's Group operates. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the companies of the Issuer's Group is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the financial position of the Company, results of operations or prospects.

The Brunei Block L PSA requires the contracting parties to obtain and maintain insurance coverage in such amounts and for such risks as required by applicable law and that are customarily or prudently insured in the international petroleum industry. The Company, through indirectly wholly-owned subsidiaries, operates Brunei Block L and places insurance as required for the activity which is to be undertaken. Serinus has put in place Operators Extra Expense policy, for \$50 million, in respect of well control costs, re-drill and pollution liability, and public liability re-insurance to the value of US\$20 million in respect of product liability, pollution liability and completed operations liability with respect to Brunei.

As regards Syria, the Block 9 PSC requires Loon Latakia, as the operator, to maintain an insurance programme over risks common in the international oil and gas industry. Given the current political unrest in the country and the sanctions imposed, the availability of insurance has been curtailed. Therefore, there is a risk that Loon Latakia may be in breach of the Block 9 PSC if it cannot acquire the necessary insurance coverage for its Syrian operations if and when the parties resume their obligations under the Block 9 PSC. Force majeure was formally declared by Loon Latakia under the Block 9 PSC on 11 July 2012. For more details please see the description of the risk factor in the Section 1 "*Risk factors*" in Subsection 1.1.17. "*Political instability in Syria*".

The Tunisian Hydrocarbons Code requires that holders of Tunisian concessions subscribe for liability insurance covering damages incurred by third parties as a result of the concession holder's activities. In Tunisia, the Company, through its indirectly wholly-owned subsidiary, Winstart Tunisia, is the operator of all five Tunisian Concessions. In its capacity as operator, the Company has put in place a cost of control of wells policy for US \$10 million, a property insurance policy for US \$16 million, a

third party liability/comprehensive general liability policy for US \$10 million, and a transportation of goods policy for US \$1.5 million.

The Issuer, through its subsidiary Winstar Satu Mare, is the operator of its Romanian operations and does not currently have any insurance in place with respect to such operations but is working to secure relevant coverage.

Issuer's Group also maintains other insurance outside of its duties as an oil and gas operator, such as medical care, car park and travelling abroad insurance.

Finally, in the event the particular company of the Issuer's Group made a claim under an Insurance policy, there is a risk that the outcome of such claim may be not be resolved expeditiously, in which event the Company would bear the costs at such loss during the period of adjudication. Further, there is a risk that a claim by the Issuer's Group under an insurance policy for a bona fide loss insured by such policy would nevertheless not be decided in its favor, in which event the Issuer's Group would be at the costs for such loss.

1.2.10. Global Capital Markets

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

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

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

1.2.11. Work Stoppages or Labour Disputes

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

The failure to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labour and social unrest. Labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralized authority, increased nationalism including calls for restrictions on foreign ownership of local businesses, and violence. Any of these events could restrict Issuer's Group's operations and lead to the loss of revenue, thereby materially adversely affecting its ability to conduct its business effectively. In the second quarter of 2012 and the first quarter of 2013, the Company, through Winstar Tunisia, experienced labour disputes and production disruptions involving its Tunisian properties. For further information, please see Section 1 of this Prospectus "*Risk Factors*" in Subsection 1.1.18. "*Political Instability in Tunisia*".

1.2.12. Unexpected Shutdowns

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

Mechanical problems, accidents, leaks or other events at the Issuer's Group's pipelines or infrastructure may cause an unexpected production shutdown at its facilities. The Issuer is not aware of the occurrence of any of such events as of the date of this Prospectus, except for the oil sales line from the Chouech Essiada and Sabria field has had leaks in the past, of a minor nature that were repaired quickly without a loss in production. Due to the minor nature of the leaks this risk is of a hypothetical nature.

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

Any unplanned production shutdown of the Issuer's Group's facilities or environmental damage caused by pollution from the Issuer's Group's facilities could have a material adverse effect on the Issuer's Group's business, production, financial condition and results of operations.

1.2.13. Litigation

The petroleum industry, as with all industries, may be subject to legal claims, both with and without merit, from time to time. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's financial position, results or operations. The Company's business may be materially adversely affected if the Company and/or its employees or agents are found not to have met the appropriate standard of care or not exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards. In addition, the adverse publicity surrounding such claims may have a material adverse effect on the Company's business.

1.3. Risks Relating to Ownership of the Admission Shares

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

As of the date hereof, 39,909,606 Serinus Shares, representing approximately 50.8 % of the issued and outstanding Serinus Shares, are held by KI. Dr. Jan Kulczyk, formerly the Chairman of the Board of Directors, is the President of the Supervisory Board of KI. Dr. Jan Kulczyk owns 100% of Luglio Limited, a private investment company established under the law of Cyprus registered in Limassol in Cyprus, which holds 68.33% of KI and is the only person who controls KI. Two current directors of the Company, being Manoj Madnani and Sebastian Kulczyk, are members of the Management Board of KI.

Accordingly, dr Jan Kulczyk and Luglio Limited indirectly and KI directly are the dominant entities of the Issuer.

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

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

1.3.2. Sale of Serinus Shares by Controlling and Significant Shareholder(s) Could Have an Adverse Effect on the Price of the Serinus Shares

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

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

There are no agreements currently in effect between Serinus and any of its major shareholders which restrict such major shareholders from selling or transferring their shares

1.3.3. Differences in applicable Polish and Canadian laws

Serinus is a Canadian corporation formed under the ABCA and its organization, structure, rules of operation and shareholder relations are governed by the ABCA and the federal laws of Canada, including Canadian securities laws. In many aspects, those regulations differ from the principles underlying the Polish Commercial Companies Code. Consequently, the rights of Shareholders are different from typical rights vested in shareholders of Polish companies. The above especially refers to pre-emptive rights, and declaration and payment of dividends (for further information please see Section 27 of this Prospectus "*Information Concerning the Securities to be Admitted to Trading*" in Subsection 27.2.1. "*Description of Alberta Corporate and Securities Law*").

The corporate governance, powers of corporate bodies as well as decision making and controlling procedures of the Issuer are significantly different than the corresponding rules, competencies and procedures relating to Polish companies, including with respect to the procedures employed in connection with attendance and voting by the Shareholders at the Issuer's shareholder meetings. In Canada, the Issuer mails notice of its shareholder meetings to all of its Registered Shareholders and they are given the opportunity to vote at the meetings either in person or by proxy using proxy materials that are mailed to them. In contrast, shareholder meetings in Poland are convened by a public company issuing an announcement on its website and publishing a current report; no notices are sent to shareholders. Each person holding the company's shares as of the record date is entitled to attend and vote at the shareholders' meeting. Upon the deposit of the Serinus Shares with CDS, Shareholders who deposited such shares will no longer be the registered owners of these Serinus Shares, but have the status of being the beneficial owners of such Serinus Shares. This concept of beneficial ownership does not exist under Polish law and may be confusing for Polish investors.

In addition, the satisfaction of the obligations between the participants and the beneficial shareholder, in a book-based system where beneficial shareholders rely on registered shareholders and depositories and participants following procedures under NI 54-101, may cause delays in receiving materials and information, dividends, proceeds of liquidation, or implementing instructions received from beneficial shareholders.

Differences between the Canadian and Polish legal systems may impede the Shareholder's performance of their rights.

There is a risk that Polish shareholders and other non-Canadian shareholders may encounter greater difficulties or incur higher costs in exercising some of their shareholders' rights, than such shareholder

would to exercise similar rights in a Polish company. Further, the exercise of corporate rights by the Shareholders may differ from the exercise of such rights in Polish law companies.

In view of the foregoing, potential shareholders should seek advice from their relevant professional advisors and evaluate the risks related to investment in the Admission Shares. The descriptions provided in this Prospectus should not be deemed to constitute a detailed legal comparative analysis of the Polish and Canadian laws. In particular, there is a risk that conclusions drawn by a shareholder based on the descriptions provided in Section 27 of the Prospectus "*Information Concerning the Securities to be Admitted to Trading*" in Subsection 27.2.1. "*Description of Alberta Corporate and Securities Laws*" will not be the same as conclusions drawn by courts and/or regulatory bodies in the Issuer's jurisdiction (in Canada).

Moreover, Beneficial Shareholders who acquire their Shares in secondary trading on the WSE will not be able to enforce their shareholder rights directly against the Issuer

A Beneficial Shareholder's legal relationship is with the Beneficial Shareholder's broker, not with the Issuer. The Issuer is not a party to the relationship between any Beneficial Shareholder and such Beneficial Shareholder's broker or other intermediary. If the Beneficial Shareholder wishes to pursue its shareholder rights, such Beneficial Shareholder must instigate a claim or other action against its broker or become a Registered Shareholder itself, which requires transferring its Serinus Shares out of the book-based system. The obligations of a broker to a Beneficial Shareholder arise from the relationship between such broker and the Beneficial Shareholder and, as such, will be governed by applicable local rules and regulations, if any, applicable to regulating the relationship between a broker or other intermediary and its clients. It is also possible that some provisions of Polish law, in particular administrative regulations, will not be recognized by relevant Canadian courts.

The Issuer's legal obligation is only in respect of the Registered Shareholders. As a result, Beneficial Shareholders seeking to enforce their shareholder rights will not be able to pursue such claims directly against the Issuer. Beneficial Shareholders seeking to enforce their shareholder rights will have to engage in the legal procedures and remedies available to them based upon their contractual relationship with their broker, with whom the Beneficial Shareholder has a legal relationship. For further information please see Section 27 of this Prospectus "*Information Concerning the Securities to be Admitted to Trading*" in Subsection 27.2.1. "*Description of Alberta Corporate and Securities Law*".

The Issuer is incorporated under the laws of the Province of Alberta, Canada and is, therefore, subject to the provisions of the ABCA. As a result of the Serinus Shares being listed for trading on the WSE and the TSX, Shareholders will be required to comply with both Canadian and Polish laws and regulations. The application of Polish and Canadian laws and regulations in respect of the rights and obligations of shareholders is ambiguous in certain respects and in many instances will require to be analyzed on an individual basis. The interaction of Canadian and Polish legal considerations relating to the Issuer and the Shareholders can be complex, therefore, prior to making any investment decision regarding the Admission Shares, potential Shareholders should seek legal advice in order to determine the scope of the obligations applicable to Shareholders of the Issuer, and consider any possible divergence between the regulations under the relevant legal systems. If Shareholders fail to comply with applicable obligations arising under relevant Polish and Canadian laws, Shareholders may be subject to sanctions, some of which may be severe, resulting from either or both of these legal regimes.

Finally, the obligation to perform duties pertaining to the relationship between the depository systems, participants, and Beneficial Shareholders in the book-based system of securities trading, under which

the Beneficial Shareholders depend upon Registered Shareholders, depository systems and their participants pursuant to the requirements of NI 54-101, may result in delays in delivering of materials or carrying out instructions received from the Beneficial Shareholders.

Because of differences in applicable Polish and Canadian laws and in the procedures employed in Poland and Canada regarding notice of and voting at shareholders' meetings, prior to purchasing the Admission Shares, potential investors should thoroughly review a description of the rights vested in the Shareholders included in Section 27 of this Prospectus "*Information Concerning the Securities to be Admitted to Trading*" in Subsection 27.2.1. "*Description of Alberta Corporate and Securities Law*" and in Subsection 27.2.3. "*Proposed Voting Procedures for WSE Beneficial Shareholders that own Shares through Securities Accounts Maintained by Participants in the NDS*".

1.3.4. Dilution May be Experienced Due to Future Financing or Acquisition Activities

The Issuer's Articles allow it to issue an unlimited number of Serinus Shares and an unlimited number of Preferred Shares, issuable in series, for such consideration and on such terms and conditions as shall be established by the Board of Directors, in many cases, without the approval of the Shareholders. In addition, as at August 31, 2014, the most recent date from which the data is available, there were 4,915,400 Serinus Shares issuable upon the exercise of outstanding exercisable Stock Options of the Issuer at prices ranging from \$2.85 per share to \$6.00 per share for USD Plan from \$2.80 per share to \$3.22 per share for CAD Plan. For more information relating to the Stock Option Plan see Section 17 "*Employees*" in Subsection 17.2. "*Shareholdings and stock options*" of this Prospectus. The Issuer may issue additional Serinus Shares or Preferred Shares in subsequent offerings (including through the sale of securities convertible into or exchangeable for Serinus Shares or Preferred Shares, as applicable) and on the exercise of Stock Options or other securities exercisable for Serinus Shares or Preferred Shares. The Issuer may also issue Serinus Shares or Preferred Shares to finance future acquisitions and other projects. For example, a total of 27,252,500 Serinus Shares were issued in connection with the Winstar Arrangement. Further, the Issuer has granted the EBRD the right to convert certain amounts of debt which is or may be outstanding under the Tunisian Loan Facility, as the case may be from time to time. For additional information on the EBRD's conversion right please see Section 22 of this Prospectus "*Material Contracts*" in Subsection 22.8.1. "*Tunisia Loan Facility*". The Issuer cannot predict the size of future issuances of Serinus Shares or Preferred Shares or the effect that future issuances and sales of Serinus Shares or Preferred Shares will have on the market price of the Serinus Shares. Issuances of a substantial number of additional Serinus Shares or Preferred Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Serinus Shares. If the share capital of the Company is increased and new Serinus Shares or Preferred Shares are issued for cash, existing holders of Serinus Shares are not, under the Company's constitutional documents and applicable Canadian law, entitled to pre-emptive or similar rights in respect of those Serinus Shares or Preferred Shares to preserve their *pro rata* shareholdings in the Company. With any additional issuance of Serinus Shares, investors will suffer dilution to their voting power and may experience dilution in earnings per Serinus Share. For further information please see Section 1 of this Prospectus "*Risk Factors*" in Subsection 1.1.6. "*Additional Funding Requirements*".

1.3.5. Certain Delays May Occur with Respect to the Transfer of Admission Shares and Establishing and Performing the Rights under the Admission Shares

As at the date of this Prospectus, the issued Admission Shares are either registered with the CDS or held by the Shareholders in a paper form. In order to be traded on the regulated market of the WSE,

Serinus Shares need to be deposited in the CDS and then transferred (in dematerialized form) from the CDS system to the NDS system. Since the NDS is not a direct participant in CDS, a link between the NDS and the CDS is established through several intermediaries (for example, Clearstream and RBC Dexia, as described in more detail in Section 27 of this Prospectus "*Information Concerning Securities to be Admitted to Trading*" in Subsection 27.5.2. "*Depository Issues*". It is expected that a transfer of the Serinus Shares from the CDS system to the NDS system will take approximately three days from the moment of filing the transfer order by the investor. However, given in particular the number of intermediaries involved in the transfer, there is a risk that the transferred Serinus Shares will not be recorded on the investors' securities accounts kept by NDS participants later until more than three days has passed. Additionally, given the possible delays in the transfer, there is a risk that, depending on when the Shareholder purchased his or her Serinus Shares, the transferred shares may not yet be recorded on accounts kept by NDS participants (i.e. will be recorded on the accounts of intermediaries involved in the transfer). In consequence, the investors may not receive the relevant information for the general meeting or even be prevented from participating in the general meeting.

1.3.6. Costs Related to Maintaining Brokerage Accounts for the Admission Shares May be Higher Than Expected

Since the NDS is not a primary depository and the Admission Shares need to be transferred from CDS to NDS through several intermediaries in order to be traded on the WSE, costs related to registering Admission Shares in a brokerage account and any steps required by participants in the NDS may be higher than similar costs charged for keeping accounts for shares for which the NDS is a primary depository.

According to the binding rules of the NDS in effect as of the date of this Prospectus, the monthly fee to be assessed by the NDS, for NDS and Clearstream Banking SA Luxembourg to maintain the securities deposit, amounts to 0.00429% of the market value of the securities registered on the participant's evidence accounts. The fees for CDS and RBC Dexia to maintain the securities will likely be added to the above fee. Each potential WSE Beneficial Shareholder should contact its broker prior to investing in the Serinus Shares to confirm the amount of fees that will be assessed for maintaining the Serinus Shares on such potential WSE Beneficial Shareholder's account.

1.3.7. Foreign Currency Risk for non-Polish Shareholders Executing Trades on the WSE

The Serinus Shares are listed for trading on the WSE and the TSX. Shareholders not resident in Poland may find that the effective completion of trades may take more time than may be the case for domestic investors and with this possible increased time, such investors may face increased currency risk. This concerns in particular the time needed for effecting the transfer, if any, of the Serinus Shares or funds to or from Canada.

1.3.8. Foreign Currency Risk for Shareholders Keeping Shares on Brokerage Accounts with NDS Participants

Payments under the Admission Shares, if any, such as payment of dividends, might be denominated in currencies other than PLN. If the Board of Directors resolves to pay a dividend, the disbursement of the dividend to Beneficial Shareholders whose shares are recorded on an account kept by an NDS participant will take place via NDS. The amount of dividend payable to such Beneficial Shareholders holding the Admission Shares registered will be paid to the NDS. NDS will then distribute the amounts pro rata between participants keeping the accounts on which such Beneficial Shareholders' shares are recorded, with these participants subsequently transferring these amounts to such Beneficial

Shareholders. In a majority of cases, NDS participants hold currency accounts with a clearing bank or, if they do not have such account, they have signed an agreement on the handling of payments in currencies other than PLN and EUR with another NDS participant who have entered into an agreement with a clearing bank. Some participants may not have such an account or may not have executed an agreement with another NDS participant. In such a case there is a risk that a Beneficial Shareholder that has the Serinus Shares in a securities account kept by such participant may not receive the amount of dividends payable to it. Furthermore, if a given participant has executed an agreement with a clearing bank, there is a risk that, according to that agreement and any possible further arrangements, any dividends payable to it in a currency other than PLN or EUR may be converted by a clearing bank and paid out in PLN. In such an event, the exchange rate applied by the NDS participant or by clearing bank may have a negative impact to the Shareholder as the conversion of the payments due to the Shareholder under the Admission Shares from US dollars or Canadian dollars to PLN applied by such entity may in fact differ from the exchange rate such Shareholder would have applied or would have expected to be applied when converting its payment entitlements into PLN. In addition, not all of the NDS participants keep cash accounts for investors in foreign currencies. In the event a given Beneficial Shareholder holds its Admission Shares on a brokerage account with an NDS participant which does not provide for foreign currency accounts, there exists a risk that the Beneficial Shareholders may not receive the payment of the due dividend being paid by the Issuer in a currency other than the PLN or EUR.

1.3.9. Risk Related to the Application of Regulations from Different Tax Systems and the Legal Implications That May Arise for Potential Investors

In relation to holding and transferring the Admission Shares, investors may be subject to tax obligations based on complex and volatile regulations of different tax law systems in different jurisdictions. Potential investors should consider this factor in making investment decisions concerning the Admission Shares and analyze the consequences which may arise under Polish and Canadian tax laws and regulations. Such analyses should be performed not only before the decision to acquire the Admission Shares but also in the future, and in particular in relation to the possible sale or transfer of the Admission Shares.

1.4. Risks relating to the Listing of the Admission Shares on the WSE

1.4.1. An Active Trading Market for the Admission Shares May Not Continue to Develop on the WSE

Prior to the offering of up to 325,000,000 pre-Consolidation registered Serinus Shares in the share capital of the Issuer, that were subject to the initial public offer carried out in accordance with the 2010 Prospectus, there has been no public market for the Serinus Shares in Poland.

The Issuer cannot predict how the existing trading market for Serinus Shares on the WSE will respond to the admission and introduction to trading of the Admission Shares or what will be the liquidity of that market thereafter. In general, trading in securities in Poland is characterized by significantly lower liquidity than on more active foreign markets, such as the TSX in Canada, the New York Stock Exchange in the United States or London Stock Exchange in Great Britain. In addition, the liquidity of the trading market in the Serinus Shares on the WSE may be materially adversely affected by other factors, including general economic conditions and the Issuer's financial condition, results of operations and prospects, changes in market valuations of companies in the same industry as the Issuer and the recommendations of securities analysts. The Serinus Shares were listed for trading on the TSX

on June 27, 2013. The development of an active trading market for Serinus Shares on the TSX may also adversely affect the trading market for Serinus Shares on the WSE. If an active trading market for the Serinus Shares on the WSE ceases to exist, investors may not be able to resell their shares on the WSE at their fair market value, if at all.

In addition, the liquidity of the trading market for Serinus Shares is affected by the fact that even if all existing Serinus Shares of the Issuer, including the Admission Shares, are admitted to trading on the WSE, the actual trading on the WSE may involve a lower number of Serinus Shares than the sum of the existing Serinus Shares. This is the case because pursuant to Canadian law, which is different from Polish law in this respect, even if a company is listed on the stock exchange, a shareholder still reserves the right to withdraw from deposit the shares that were previously deposited with a CDS participant (which, in turn, decreases the number of shares traded on the stock exchange, respectively). The opposite situation is also possible, i.e. a situation where a shareholder decides to deposit the share certificates held by such shareholder with a CDS participant for their dematerialization and introduction to WSE trading. As an example as of September 16, 2014, from among of 78,629,941 Serinus Shares admitted to trading on the WSE, 74,598,672 have been deposited with CDS and 4,031,269 Serinus Shares are not registered with CDS. Provided that Admission Shares are admitted to trading on the WSE, thus there will be also 78,629,941 Serinus Shares admitted to the trading on the WSE (currently 40,150,333 Serinus Shares is traded on the WSE), of which 4,031,269 Serinus Shares will not be registered with CDS (as in the case as of September 16, 2014), these not registered with CDS Shares would constitute approximately 5.13 % thereof. In addition, as far as dematerialized Serinus Shares are concerned, it is possible that some Serinus Shares will be recorded on accounts kept by brokers who are CDS participants and some shares will be recorded on accounts kept by brokers who are NDS participants (transferred shares). Each time, trading on the WSE will involve only these shares from among all Serinus Shares dematerialized by CDS which as a result of their transfer from the CDS system to the NDS system will be recorded on investors' accounts maintained by NDS participants. Hence, only the Serinus Shares transferred to Poland and recorded on accounts of NDS participants will be eligible for trading on the WSE (see Section 29 of this Prospectus: *“Admission to Trading and Dealing Arrangements”* in Subsection 29.1. *“An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question. This circumstance must be mentioned, without creating the impression that the admission to trading will necessarily be approved. If known, the earliest dates on which the securities will be admitted to trading”*). The liquidity of the trading market for the Serinus Shares may also be affected by a development of an active trading market for the Serinus Shares on the TSX.

1.4.2. Risk of violation by the Issuer of legal provisions, which may result in the Admission being delayed or aborted

Pursuant to Article 17 of the Polish Offering Act, in the event that the issuer of securities, or other entities acting on behalf or upon instructions from the issuer of securities are in breach, or there is a reasonable suspicion of their being in breach of the law in connection with applying for admission of securities to trading or admission to trading of securities on the regulated market in the territory of the Republic of Poland, or there is a reasonable suspicion that such breach may occur, FSA may, subject to Article 19 of the Polish Offering Act:

- (i) order that the application for the admission or introduction of the securities to trading on the regulated market be suspended for up to 10 (ten) business days;

- (ii) prohibit the application for admission or introduction of the securities to trading on the regulated market;
- (iii) publish, at the issuer's expense, information on acting in breach of the law when seeking to have the securities admitted or introduced to trading on the regulated market.

In connection with the given attempts to obtain the admission or introduction of securities to trading on the regulated market, FSA may apply the measures enumerated in items (ii) and (iii) above more than once.

Pursuant to Article 19a of the Polish Offering Act, if the grounds for the decision provided in (i) and (ii) above cease to exist, FSA may, upon the request of the issuer of securities, selling shareholder, or *ex officio*, repeal such decision.

Pursuant to Article 18 of the Polish Offering Act, FSA may apply measures specified in Article 17 of the Polish Offering Act if:

- (i) the admission of securities to trading on the regulated market is materially against investors' interests;
- (ii) there are premises proving that under the law the issuer of securities may cease to exist as a legal person;
- (iii) the issuer's activity has been or is conducted in flagrant breach of law and such breach may have a material influence on the valuation of the issuer's securities or may, under the provisions of law, cause the issuer to go bankrupt or cease to exist as a legal person; or
- (iv) the legal status of securities is in breach of the provisions of law or under the provisions of law there is a risk that such securities will be considered nonexistent or burdened with legal defect that has a material influence on their price.

Pursuant to Article 19a of the Polish Offering Act, if the grounds for the decision provided in (i) and (ii) above cease to exist, FSA may, upon the request of the issuer of securities, selling shareholder, or *ex officio*, repeal such decision.

Pursuant to Article 20 Section 1 of the Polish Trading Act, if the security of trading on a regulated market so requires or if the interests of investors are prejudiced, the company operating a regulated market shall suspend, at the request of FSA, the admission to trading on that market or the commencement of listing of securities or other financial instruments designated by FSA for a period not exceeding 10 (ten) days.

The Issuer cannot rule out the possibility that the admission or commencement of listing of the Admission Shares will be delayed or aborted.

The Admission Shares have already been distributed to the original Shareholders of such Admission Shares and the Admission Shares have already been admitted to trading on the TSX in Canada. As such, the Issuer is not aware of any similar risks (that is, risks related to the admission of the Admission Shares to a stock exchange) under Canadian securities law.

1.4.3. Risk that the Admission Shares will not be admitted or introduced into trading on the regulated market

The admission of the Admission Shares to stock exchange trading on the WSE requires the satisfaction of the conditions set out in § 2 Section 1 and § 3 of the Ordinance of the Minister of Finance of May 12, 2010 regarding detailed conditions of the market of official stock exchange listing and issuers of securities admitted to trading on such market ("**Market Ordinance**") and § 19 of the WSE Rules and does not require a separate decision of the WSE Management Board (the decision on the introduction of the Admission Shares to stock exchange trading on the WSE covers also the admission of the Admission Shares thereto). However the WSE Management Board may explicitly refuse to admit the Admission Shares to trading on the main market if the conditions set out in § 2 Section 1 and § 3 of the Market Ordinance are not met.

The requirements for the admission of shares to stock exchange trading as stipulated in the Market Ordinance include, in particular, following conditions:

- (i) tradability of the issuer's shares should not be restricted,
- (ii) all of the issued shares should be included in the application to WSE for the admission of shares,
- (iii) the product of all the shares covered by the application and the forecasted market price of such shares, and if determination of such price is not possible – issuers's equity, is the PLN equivalent of at least EUR 1,000,000, and
- (iv) as at the date of the application there exists a dispersion of shares covered by the application so that the liquidity of trading of such shares is ensured. The liquidity is ensured if the shareholders, each possessing not more than 5% of voting rights on the shareholders meeting, are in the possession of: at least 25% of shares covered by the application, or at least 500,000 shares of the issuer with a total value of at least equivalent in PLN of EUR 17,000,000 (calculating on the basis of last issue price or sale price).

If the latter requirement is not met, then it is deemed that it is met if: at least 25% of shares both covered by the application and already traded on WSE is in the possession of shareholders of whom each possesses not more than 5% of voting rights on the shareholders meeting, or the number of shares covered by the application and shares traded on WSE and the way of their subscription or sale enables to ascertain that the trading of these shares will achieve a value that ensures liquidity.

There is a risk that the Issuer might fail to meet the criteria set out in the Market Ordinance and WSE Rules and fail to obtain the consent of the WSE Management Board to the admission of the Admission Shares to stock exchange trading.

The Board of Directors of the Issuer intends to apply for the introduction of the Admission Shares to trading on the main WSE market, i.e. Option Shares, TIG Debenture Shares, KI/Radwan Debentures Shares, KI Loan Shares as well as Winstar Acquisition Shares (which according to WSE Rules is equal to applying for the admission of the Admission Shares to trading on the main WSE market, i.e. Option Shares, TIG Debenture Shares, KI/Radwan Debentures Shares, KI Loan Shares as well as Winstar Acquisition Shares).

The Issuer and CDS entered into an agreement pursuant to which CDS provides for the Issuer services connected with securities deposit and their servicing in the dematerialized form, however, some of the existing shares of the Issuer are still held by the Issuer's shareholders in a non-dematerialized form. The Issuer shall apply for admission and introduction of all Admission Shares into trading on the WSE, however, as only dematerialized shares may be traded on the WSE, the actual introduction into trading

of shares which are currently held by shareholders in paper form shall be possible only upon their prior dematerialization.

Each existing Shareholder who intends to trade Admission Shares on the WSE will have to deposit his Serinus Shares at a brokerage house which is (directly or indirectly) a participant in CDS. As a result of depositing the Serinus Shares, the global positions of CDS & Co. (as an entity nominated by CDS) in the register of Issuer's Shareholders will be increased to reflect these additional Serinus Shares now held by CDS & Co. and these will also be reflected in the book-based system. CDS & Co. shall hold those Serinus Shares on behalf of the Shareholder as the registered holder in the Issuer's register of Shareholders, however, the beneficial owner of the Serinus Shares will be that Shareholder who will retain the beneficial ownership to those Serinus Shares after they are deposited with a participant of CDS. Additionally, if a Shareholder intends to trade Admission Shares on the WSE, these Serinus Shares will need to be transferred from the account of a CDS participant to the account of a NDS participant. Upon such transfer, it will be possible to trade such Serinus Shares on WSE.

As at the date of this Prospectus, the Issuer fulfils the requirements for the admission of shares to stock exchange trading as stipulated in the Market Ordinance and the Issuer is not aware of any factors that might lead to a negative decision of the WSE Management Board regarding the admission and/or of the Admission Shares to trading on the basic market of the WSE.

1.4.4. Risk of violation by the Issuer of legal Polish provisions, which may result in trading in the Serinus Shares on the WSE being suspended

Pursuant to Article 20 Section 2 of the Polish Trading Act, if the trading in securities or other financial instruments pose a possible threat to the proper operation of the regulated market or the security of trading on such market, or possible compromise of investors' interests, the WSE, upon the FSA's demand, may delist the securities or financial instruments indicated by FSA for a period not exceeding one month.

Pursuant to Article 20 Section 4a of the Polish Trading Act, upon a motion of the issuer, a company operating a regulated market may suspend trading in given securities to ensure general and equal access to information for investors.

Pursuant to Article 20 Section 4b of the Polish Trading Act, a company operating a regulated market may decide to suspend or exclude securities from trading if such instruments cease to fulfill the conditions applicable on that market, under the condition, however, that this does not result in a serious breach of investors' interests or a threat to the proper operation of the market.

Under § 30 of the Rules of the WSE, the Management Board of the WSE may suspend trading in Serinus Shares listed on the WSE, including the Admission Shares, for period of up to three months:

- (i) upon Issuer's request, or
- (ii) if it considers that it is required by interest and security of the trading participants,
- (iii) if the Issuer is in breach of WSE Rules.

The Issuer cannot guarantee that trading in the Admission Shares will not be suspended.

1.4.5. Risk of violation by the Issuer of legal Polish provisions, which may result in the Serinus Shares being excluded from trading on the regulated market

Pursuant to Article 96 of the Polish Offering Act, if a public company fails to comply with certain of its legal obligations provided therein, FSA could issue a decision to exclude its securities from trading on the regulated market, for a specified term or indefinitely. Following such decision of FSA, pursuant to § 31 Section 1 item 4 of the WSE Rules, the Management Board of the WSE must delist such securities from the WSE. There can be no assurance that Serinus Shares, that means also the Admission Shares, will not be excluded from trading on the WSE. FSA could also impose, taking into consideration the financial condition of an entity, a cash penalty up to PLN 1 million. Information about imposing cash penalties are published, which may have negative impact on image of the entity on which the penalty was imposed.

The Management Board of the WSE may delist financial instruments in the event of circumstances provided for in the WSE Rules. Pursuant to § 31 Section 1 of the WSE Rules, the Management Board of the WSE shall delist a financial instrument:

- (i) if its transferability has become restricted,
- (ii) upon request of the FSA in accordance with the provisions of the Polish Offering Act,
- (iii) if they are no longer dematerialized,
- (iv) if they are delisted from traded on the regulated market by a relevant supervisory authority.

The Management Board of the WSE may delist financial instruments from trading on the stock exchange:

- (i) if financial instruments no longer meet the requirements for admission to exchange trading on a given market other than the requirements provided in § 31 Section 1 item 1 of the WSE Rules, i.e. the requirement of unrestricted transferability,
- (ii) if the issuer is persistently in breach of the regulations governing the WSE,
- (iii) if so requested by the issuer,
- (iv) if the issuer's bankruptcy is declared or the petition in bankruptcy is dismissed by the court because the issuer's assets are insufficient to cover the costs of the proceedings,
- (v) if it considers that this is necessary to protect the interests and safety of trading participants,
- (vi) following a decision on merger, split or transformation of the issuer,
- (vii) if within the last three months no exchange transactions were effected with respect to the financial instrument,
- (viii) if the issuer starts a business that is illegal under applicable laws,
- (ix) if the issuer is placed in liquidation.

Pursuant to Article 176 of the Polish Trading Act, if the issuer does not fulfill or inadequately fulfills the obligations provided for in Articles 157, 158 or 160 of the Polish Trading Act, in particular resulting from the regulations issued on the basis of authorization of Article 160 Section 5 of the Polish Trading Act, FSA may:

- (i) issue a decision on the exclusion of the securities from trading on the regulated market, or
- (ii) impose on such company a pecuniary penalty in the amount of PLN 1 million; or

- (iii) issue a decision on delisting, for a specified period of time or indefinitely, the securities from trading on the regulated market, while at the same time imposing the pecuniary penalty referred to in item (ii) above.

If the grounds for issuing the decision referred to in Article 176 of the Polish Trading Act ceases to exist, FSA may, at the request of the Issuer or *ex officio*, repeal such decision.

Additionally, pursuant to Article 20 Section 3 of the Polish Trading Act, the WSE, upon the FSA's demand, may delist the securities indicated by FSA, if the trading in securities poses a possible threat to the proper operation of the regulated market or the security of trading on such market, or a possible compromise of investors' interests.

The Issuer cannot guarantee that the Admission Shares may not be delisted from the regulated market operated by WSE.

1.4.6. Risk related to violation by the Issuer of Polish legal provisions on carrying out promotional activity, which may result in imposing sanctions against the Issuer

The Polish Offering Act also regulates promotional activities carried on by the Issuer in connection with admission of the Admission Shares to trading on the WSE. Pursuant to Article 53 Section 1 of the Polish Offering Act, making information available to the public, in any form and in any way, in order to directly or indirectly promote the purchase of or the subscription for securities or to directly or indirectly encourage to purchase or subscribe for securities is prohibited, unless information is made available to less than 150 persons or is not made available to unspecified addressees. The promotional activities may be however conducted in accordance with Regulation 809/2004. Pursuant to Article 53, Sections 3 and 4 of the Polish Offering Act, all promotional materials must clearly state: (a) that such materials are of a purely promotional or advertising nature; (b) that the Prospectus has been, or will be, published, unless publishing of such document is not required under the Polish Offering Act; and (c) the places at which the Prospectus is, or will be, available, unless making such document available to the public is not required under the Polish Offering Act. Information presented as part of the promotional activities carried on by the Issuer in connection with admission of the Admission Shares to trading should be consistent with the information contained in the Prospectus that has been made publicly available and, if the Prospectus has not been made publicly available, with the information that must be included in the Prospectus pursuant to relevant provisions of law. Such information may not mislead investors as to the situation of the Issuer and the assessment of its securities.

Pursuant to Article 53 Section 5 of the Polish Offering Act, the promotional activity may not be commenced before an application for the approval of the Prospectus has been filed with the FSA.

In the event of violating or justified suspicion of violating or justified suspicion that such violation may occur in the territory of the Republic of Poland of the prohibition to conduct promotional activities as stipulated in the abovementioned Section 1, the FSA may:

- (i) proscribe making available to public of certain information or its further making available to public; or
- (ii) publish, at the expense of the Issuer, information concerning illegality of making available to public of certain information.

In connection with making certain information publicly available the FSA may impose the measures mentioned in items (i) and (ii) above multiple times.

If a violation of the obligations under the abovementioned Sections 3, 4 and 5 is found to have occurred, the FSA may:

- (i) order that the commencement of the promotional activities be withheld or that the promotional activities already underway be discontinued, in each case for a period not exceeding 10 (ten) business days for the purpose of rectifying the identified irregularities; or
- (ii) proscribe the promotional activities, in particular in the event that the Issuer evades rectifying the irregularities identified by the FSA within the deadline set out above, or the contents of the promotional or advertising materials violate statutory provisions, or
- (iii) publish, at the expense of the Issuer information concerning illegality of the promotional activities, specifying the identified violations.

In connection with making certain information publicly available the FSA may many times impose the measures mentioned in items (ii) and (iii) above.

The risk pertaining to a failure by the Issuer to fulfill the obligations arising under Article 96, Section 1 of the Polish Offering Act has been described above in Section 1 "Risk Factors" in Subsection 1.4.5. *"Risk of the Serinus Shares being excluded from trading on the regulated market"*.

1.4.7. Risks concerning uncertainty about convergence of the mispricing impeding arbitrage strategies

Once the Admission Shares are to be listed in the same time on TSX and WSE (dual listing) certain investors might consider using arbitrage strategies with respect to Admission Shares. It needs to be noted that there can be no assurances that arbitrage strategies that will be used towards Admission Shares will be successful. It is being recognized that potential arbitrageurs might face uncertainty about the horizon at which prices will converge and deviations from parity might be volatile. Dual listed companies arbitrage is characterized by return volatility and a high incidence of large negative returns, which are likely to impede arbitrage. Although abnormal returns on simple dual listed companies arbitrage strategies seem economically large, dual listing companies arbitrage is characterized by uncertainty about convergence of the mispricing which might lead to negative arbitrage returns in the short run even though expected returns are positive over the full horizon. It needs to be indicated that although arbitrage strategies in dual listed companies have negligible fundamental risk and low systematic risk, they are characterized by high idiosyncratic risk (including a high frequency of extreme returns) and uncertainty about the horizon at which convergence takes place.

1.4.8. Risk of violation by the Issuer of Canadian legal provisions, which may result in trading in the Serinus Shares on the WSE being suspended

As noted in Section 27 of this Prospectus *"Information Concerning the Securities to be Admitted to Trading"* in Subsection 27.2. *"Legislation under which the securities have been created"*, the Issuer is a reporting issuer in the Canadian provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and, as such, the Issuer is subject to securities legislation in each of those provinces. The following risk disclosure is based on the ASA, as Alberta is the province of the Issuer's incorporation and the Alberta Securities Commission (the "Commission") may be considered to be the Issuer's principal regulator in certain situations under the "passport system" adopted by most Canadian provincial securities regulators.

As such, the following risk disclosure is intended to be disclosure of the general types of risks that may result from the Issuer violating applicable Canadian securities law and which may result in trading of the Serinus Shares on the WSE being suspended (whether temporarily or permanently). The following risk disclosure is not intended to be an exhaustive description of the specific risks under securities legislation in each of the aforementioned Canadian provinces.

Under most Canadian securities law, securities administrators are given the power to make a wide range of orders to encourage compliance with securities acts or regulations. The most important of these sanctions with respect to the risk that trading in the Serinus Shares on the WSE could be suspended is likely the power of Canadian provincial securities administrators to make a cease trade order. For example, under the ASA, where the Commission considers that it is in the public interest to do so, the Commission may order that all trading or purchasing of the specified security cease. Given the limited number of examples of Canadian public companies which are currently or have previously been listed on the WSE, it is unclear how such an order by the Commission would impact trading on the WSE. The Commission does not have any authority over the WSE, however as the Commission has authority over Serinus, upon the issuance of a cease trade order Serinus may be required to take steps to cease the trading of the Serinus Shares on the WSE.

The Issuer cannot guarantee that trading in the Admission Shares will not be suspended, either temporarily or permanently.

1.4.9. Risk to WSE Beneficial Shareholders of criminal and/or administrative sanctions under Canadian legal provisions

As noted in Section 27 of this Prospectus “*Information Concerning the Securities to be Admitted to Trading*” in Subsection 27.2.2. “*Certain Rights and Obligations of Acquirers of Shares of a Reporting Issuers under Canadian Securities Law*”, entities taking control over the Issuer may be subject to certain disclosure obligations related to the acquisition of the shares, including the obtaining of the status of an entity having access to confidential information. Depending on the structure of the transaction through which they take over control of the Issuer by such entities, various provisions of Canadian federal and provincial legislation may apply to them. The Issuer encourages entities taking control over the Issuer, or entities which currently own or expect to own a non-trivial percentage interest in the Issuer, to review Section 27 of this Prospectus “*Information Concerning the Securities to be Admitted to Trading*” and to consult with their own Canadian legal counsel.

As noted above, there are a limited number of examples of Canadian public companies which are currently or have previously been listed on the WSE. As such, the extent to which WSE Beneficial Shareholders who have a nominal percentage ownership interest in the Company will be impacted with criminal and administrative sanctions under Canadian securities laws is unclear (other than WSE Beneficial Shareholders who fall within those categories of persons who are subject to insider trading restrictions, as outlined in Section 27 of this Prospectus “*Information Concerning the Securities to be Admitted to Trading*” in Subsection 27.2.2. “*Certain Rights and Obligations of Acquirers of Shares of a Reporting Issuers under Canadian Securities Law*”). For this reason the Issuer considers it advisable to inform current and potential WSE Beneficial Shareholders, in general, of the criminal and administrative sanctions which are possible under applicable Canadian provincial securities laws, so as to facilitate their own consideration of these risks. The Issuer is a reporting issuer in the Canadian provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and, as such, the Issuer is subject to securities legislation in each of those provinces. The following risk disclosure is based on the ASA, as Alberta is

the province of the Issuer's incorporation and the Alberta Securities Commission (the "Commission") may be considered to be the Issuer's principal regulator in certain situations under the "passport system" adopted by most Canadian provincial securities regulators. As such, the following risk disclosure is disclosure of the general types of criminal and administrative sanctions under applicable Canadian securities law, and is not intended to be an exhaustive description of the specific risks under securities laws in each of the aforementioned Canadian provinces.

Penal Sanctions

The penal sanctions under Alberta securities laws are established by a general provision in the ASA that a person or company that contravenes Alberta securities laws is guilty of an offence and is liable for a fine of up to CDN\$5 million or imprisonment for a term of up to five years or both. Alberta securities law includes the ASA, the Securities Regulation made under the ASA and any securities law rules made by the Commission.

This 'umbrella' provision captures the following acts:

- (i) if a person makes a false statement in evidence or information required to be given to the Commission under Alberta securities law;
- (ii) if a person fails to file or send a record required to be filed or sent (whether at all or within the specified time period);
- (iii) if a person makes a statement in any record required to be filed or sent which is a misrepresentation in light of the circumstances in which it is made and at the time it is made;
- (iv) if a person fails to comply with a decision made under the ASA;
- (v) insider trading (for additional information on insider trading, please see Section 27 of this Prospectus (*"Information Concerning the Securities to be Admitted to Trading"*) in Subsection 27.2.2. *"Certain Rights and Obligations of Acquirers of Shares of a Reporting Issuer under Canadian Securities Law"* in a part titled *"Insider trading"*).

Administrative Sanctions

The Commission has the power to make a wide range of orders to encourages compliance with the ASA, the Securities Regulation made under the ASA and any securities law rules made by the ASA. The powers granted to the Commission under the ASA include:

- (i) the Commission may, where it considers it to be in the public interest to do so, apply to the Alberta Court of Queen's Bench for a declaration that a person or company has not complied with or is not complying with any provision of Alberta securities laws. If the court makes such a declaration, the court may make any order outlined in the applicable section of the ASA (such as an order that the person or company comply with the provision of Alberta securities laws or the applicable decision) that the court considers appropriate with respect to the person or company; and
- (ii) where the Commission considers that it is in the public interest to do so, the Commission may order that a person or company cease trading in or purchasing securities (such as the Serinus Shares), as specified in such order. The Commission may apply such an order for up to 15 days as a temporary order, but must conduct a hearing for an order lasting longer

than 15 days. If the Commission, after a hearing, determines that a person or company has failed to comply with any provision of Alberta securities law and considers it to be in the public interest to make the order, the Commission may order the person or company to pay an administrative penalty of not more than CDN\$1 million for each contravention or failure to comply.

1.4.10. Risk to Related to Compliance with TSX Rules

The Serinus Shares are listed on both the WSE and the TSX, which benefits the Company by increasing its access to capital. However the dual-listing of the Serinus Shares also means that Serinus is subject to the rules of both the WSE and the TSX. There is a risk that if the Company is non-compliant with the rules of the TSX that there will be an adverse effect on the reputation of the Company which could, in turn, have a negative effect on the price of the Serinus Shares on the WSE.

The TSX has the power to (a) temporarily halt trading in any securities listed on the TSX (such as the Serinus Shares); or (b) suspend from trading on the TSX and delist from the TSX a listed issuer's securities (such as the Serinus Shares) if the TSX is satisfied that (i) the listed issuer has failed to comply with any of the provisions of its listing agreement with the TSX or with any other TSX requirement; or (ii) such action is necessary in the public interest. Trading on the TSX may be halted due to failure by the listed issuer to comply with requirements of TSX. The TSX has adopted quantitative and qualitative criteria (the "delisting criteria") under which it will normally consider the suspension from trading on the TSX and delisting from the TSX of securities. However, according to the TSX, no set of criteria can effectively anticipate the unique circumstances which may arise in any given situation. Accordingly, the TSX considers each situation individually on the basis of relevant facts and circumstances. As such, whether or not any of the delisting criteria has become applicable to a listed issuer or security, the TSX may, at any time, suspend from trading and delist securities if (i) in the opinion of the TSX, such action is consistent with the TSX's objective of facilitating the maintenance of an orderly and effective auction market for securities of a wide variety of listed issuers that are actively engaged in an ongoing business, in which there is a substantial public interest, and that comply with the requirements of TSX, or (ii) further dealings in the securities on TSX may be prejudicial to the public interest.

If the TSX halts trading of the Serinus Shares due to a failure by Serinus to comply with requirements of the TSX, or suspends the Serinus Shares from trading or delists the Serinus Shares, this may have an adverse effect on the Company's reputation, even if the WSE does not take any similar actions.

The TSX is a company, not a governmental regulatory authority, and as such does not have any regulatory authority over Shareholders, including WSE Beneficial Shareholders.

2. PERSONS RESPONSIBLE

- 2.1. All persons responsible for the information given in the Registration Document and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.**

Legal Advisors

T. Studnicki, K. Pleszka, Z. Ćwiakalski J.Górski Sp.k. with its registered office in Kraków, Jabłonowskich 8, 31-114 Kraków, Poland (SPCG) acts as a legal advisor for the Issuer regarding the Polish law in relation to the admission and introduction of Admission Shares to trading on the regulated market of the WSE. The scope of the work includes preparation of the information, i.e. description of Polish law contained in the following sub-sections of the Prospectus: point 27.9.1 – 27.9.2 and 27.11.2.

Osler, Hoskin & Harcourt LLP, with a registered office at 2500, 450–1st, Street SW, Calgary, Alberta, Canada, T2P 5H1 acts as a legal advisor for the Issuer, including regarding Canadian law in relation to the Prospectus. The scope of Osler, Hoskin & Harcourt LLP's work with respect to the Prospectus includes preparation of the information which solely describes Canadian law contained in the following sub-sections of the Prospectus: point 27.1, 27.2 – *Overview*, 27.2.1 – 27.2.2, 27.2.4.1, 27.2.4.3, 27.3, 27.5.1.1 – 27.5.1.3, 27.5.2.1, 27.5.3 – 27.5.5, 27.5.6 – *Overview*, 27.5.6.1 – 27.5.6.2, 27.5.7 – 27.5.8, 27.6, 27.8, 27.9.3, 27.11.1, and point 29.2.

Financial Advisor

Dom Inwestycyjny Investors S.A., with a registered office in Warsaw, Mokotowska 1, 00-640 Warsaw, Poland (“DI Investors S.A.”) acts as an investment firm that files the application for Prospectus approval

in relation to the admission and introduction of Admission Shares to trading on the regulated market of the WSE.

Auditor

KPMG LLP, with a registered office in Calgary, Alberta, Canada, 2700, 205 5th Avenue, S.W., Calgary, has a relationship to the Issuer to the extent that it acts as an independent auditor of consolidated financial statements of the Issuer.

- 2.2. A declaration by those responsible for the registration document that, having taken all reasonable care to ensure that such is the case, the information contained in the registration document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, a declaration by those responsible for certain parts of the registration document that, having taken all reasonable care to ensure that such is the case, the information contained in the part of the registration document for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.**

**OŚWIADCZENIA OSÓB ODPOWIEDZIALNYCH ZA INFORMACJE
ZAWARTE W PROSPEKCIE WYMAGANE PRZEZ ROZPORZĄDZENIE
809/2004**

**Oświadczenie Serinus Energy Inc. (Emitent)
Statement of Serinus Energy Inc. (Issuer)**

Serinus Energy Inc., a company incorporated under the laws of Province of Alberta, Canada, with its registered seat in Calgary (Canada) is represented by Norman W. Holton, Vice-Chairman of the Board of Directors of Serinus Energy Inc.

W imieniu Serinus Energy Inc., spółki inkorporowanej na prawie prowincji Alberta w Kanadzie, z siedzibą w Calgary (Kanada), działa Norman W. Holton, Wiceprzewodniczący Rady Dyrektorów Serinus Energy Inc.

Serinus Energy Inc., with its registered seat in Calgary (Canada), Suite 1170, 700 - 4th Avenue S. W., Calgary, Alberta, Canada, T2P 3J4, as the entity responsible for the information contained in this Prospectus, hereby represents that having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus, is, to its best knowledge, true, fair and in accordance with the facts and contains no omission likely to affect its importance.

Serinus Energy Inc. z siedzibą w Calgary (Kanada), Suite 1170, 700 - 4th Avenue S. W., Calgary, Alberta, Kanada, T2P 3J4 jako podmiot odpowiedzialny za informacje zawarte w niniejszym Prospekcie, oświadcza, że zgodnie z jej najlepszą wiedzą i przy dołożeniu należytej staranności, by zapewnić taki stan, informacje zawarte w Prospekcie są prawdziwe, rzetelne i zgodne ze stanem faktycznym i że w Prospekcie nie pominięto niczego, co by mogło wpływać na jego znaczenie.

On behalf of Serinus Energy Inc., as the Issuer: /W imieniu Serinus Energy Inc., jako Emitenta:



Norman W. Holton

Vice-Chairman of the Board of Directors /

Wiceprzewodniczący Rady Dyrektorów

Serinus Energy Inc.

ZA ZGODNOŚĆ
Z ORYGINAŁEM
RADCA PRAWNY
WA-4882

Warszawa,  Andrzej Zapala

29. WRZ 2014

OSLER (Legal Advisor – Canadian Law/Doradca Prawny – prawo kanadyjskie)

Osler, Hoskin & Harcourt LLP, with a registered office in Calgary, Alberta, Canada is represented by Noralee Bradley, Partner and Maureen Killoran, Partner.

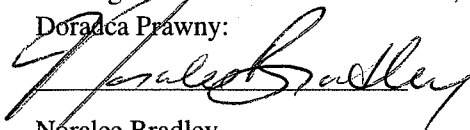
Acting on behalf of Osler, Hoskin & Harcourt LLP, with a registered office in Calgary, Alberta, Canada, Suite 2500, TransCanada Tower, 450 - 1st St. S.W., Calgary AB T2P 5H1, hereby represents that having taken all reasonable care to ensure that such is the case, the information which solely describes Canadian law contained in the following sub-sections of the Prospectus:

- point 27.1, 27.2 – *Overview*, 27.2.1 – 27.2.2, 27.2.4.1, 27.2.4.3, 27.3, 27.5.1.1 – 27.5.1.3, 27.5.2.1, 27.5.3 – 27.5.5, 27.5.6 – *Overview*, 27.5.6.1 – 27.5.6.2, 27.5.7 – 27.5.8, 27.6, 27.8, 27.9.3, 27.11.1, and
- point 29.2

for which Osler, Hoskin & Harcourt LLP with a registered office in Calgary, Alberta, Canada is responsible,

is, to its best knowledge, true, fair and in accordance with the facts and contains no omission likely to affect their importance.

On behalf of Osler, Hoskin & Harcourt LLP with a registered office in Calgary, Alberta, Canada, as the Legal Advisor: /W imieniu Osler, Hoskin & Harcourt LLP, z siedzibą w Calgary, Kanada, jako Doradca Prawny:



Noralee Bradley
(Partner)



Maureen Killoran
Partner

W imieniu Osler, Hoskin & Harcourt LLP, z siedzibą w Calgary, Alberta, Kanada, działa Noralee Bradley, Partner i Maureen Killoran, Partner.

Działając w imieniu Spółki Osler, Hoskin & Harcourt LLP, z siedzibą w Calgary, Kanada, Suite 2500, TransCanada Tower, 450 - 1st St. S.W., Calgary AB T2P 5H1, niniejszym oświadczam, że zgodnie z jej najlepszą wiedzą i przy dołożeniu należytej staranności, by upewnić się, że tak jest, informacje, które opisują wyłącznie prawo kanadyjskie zawarte w następujących podrozdziałach Prospektu:

- podrozdziały 27.1, 27.2 – *Informacje ogólne*, 27.2.1 – 27.2.2, 27.2.4.1, 27.2.4.3, 27.3, 27.5.1.1 – 27.5.1.3, 27.5.2.1, 27.5.3 – 27.5.5, 27.5.6 – *Informacje ogólne*, 27.5.6.1 – 27.5.6.2, 27.5.7 – 27.5.8, 27.6, 27.8, 27.9.3, 27.11.1, oraz
- podrozdział 29.2

za które Osler, Hoskin & Harcourt LLP, z siedzibą w Calgary, Kanada, jest odpowiedzialna

są, prawdziwe, rzetelne i zgodne ze stanem faktycznym, i że w w/w podrozdziałach Prospektu nie pominięto niczego, co mogłoby wpływać na ich znaczenie.

ZA ZGODNOŚĆ
Z ORYGINAŁEM
DORADCA PRAWNY
WA-4882

Warczawa, dnia Artur Zapala

29. WRZ. 2014

T. Studnicki, K. Pleszka, Z. Ćwiąkalski, J. Górski Sp.k. - SPCG
(Legal Advisor/Doradca Prawny)

T. Studnicki, K. Pleszka, Z. Ćwiąkalski, J. Górski Sp.k. with its registered seat in Kraków, Poland ("SPCG") is represented by prof. Tomasz Gizbert Studnicki, Senior Partner.

W imieniu spółki T. Studnicki, K. Pleszka, Z. Ćwiąkalski, J. Górski Sp.k. z siedzibą w Krakowie, Polska ("SPCG") działa prof. Tomasz Gizbert-Studnicki, Starszy Partner.

T. Studnicki, K. Pleszka, Z. Ćwiąkalski, J. Górski Sp.k. with its registered office in Kraków, Jabłonowskich 8, 31-114 Kraków, Poland hereby represents that having taken all reasonable care to ensure that such is the case, the information, i.e. description of Polish law contained in the following sub-sections of the Prospectus:

- point 27.9.1 – 27.9.2; and
- point 27.11.2;

for which SPCG is responsible,

is, to its best knowledge, true, fair and in accordance with the facts and contains no omission likely to affect their importance.


T. Studnicki, K. Pleszka, Z. Ćwiąkalski, J. Górski Sp.k. z siedzibą w Krakowie, ul. Jabłonowskich 8, 31-114 Kraków niniejszym oświadcza, że zgodnie z jej najlepszą wiedzą i przy dołożeniu należytej staranności, by zapewnić taki stan, informacje, tj. opisy prawa polskiego zawarte w następujących podrozdziałach Prospektu:

- podrozdział 27.9.1 – 27.9.2; oraz
- podrozdział 27.11.2;

za które SPCG jest odpowiedzialna

są prawdziwe, rzetelne i zgodne ze stanem faktycznym i że w w/w podrozdziałach Prospektu nie pominięto niczego, co mogłyby wpływać na ich znaczenie.

On behalf of T. Studnicki, K. Pleszka, Z. Ćwiąkalski, J. Górski Sp.k., as the Legal Advisor: /W imieniu T. Studnicki, K. Pleszka, Z. Ćwiąkalski, J. Górski Sp.k. jako Doradca Prawny:



Prof. Tomasz Gizbert-Studnicki

Starszy Partner

3. STATUTORY AUDITORS

- 3.1. Names and addresses of the issuer's auditors for the period covered by the historical financial information (together with their membership in a professional body).**
- 3.2. If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, indicate details if material.**

The consolidated financial statements, as listed below, included in this Prospectus have been prepared in accordance with International Financial Reporting Standards, which were adopted in Canada, and have been audited or reviewed, as applicable by KPMG LLP, an independent registered public accounting firm:

- (a) Audited Consolidated Financial Statements for the years ended December 31, 2013 and 2012,
- (b) Audited Consolidated Financial Statements for the years ended December 31, 2012 and 2011,
- (c) Audited Consolidated Financial Statements for the years ended December 31, 2011 and 2010,
- (d) Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2014 (covering the comparison data for the corresponding period of the previous financial year, ie the three and six months ended June 30, 2013)

KPMG LLP, Chartered Accountants, has been the sole auditor of the Issuer since December 31, 2003.

Mr. Shane Doig, CA is the audit partner for and acted on behalf of KPMG LLP, Chartered Accountants. Mr. Doig is a member in good standing of the Institute of Chartered Accountants of Alberta (membership number 24487).

In the period covered by historical financial information, no statutory auditor has resigned, been dismissed, or has a situation occurred in which a statutory auditor was not appointed for the successive year.

The address of KPMG LLP is 2700, 205 5th Avenue, S.W., Calgary, Alberta, Canada, T2P 4B9.

KPMG LLP is a member of the Canadian Institute of Chartered Accountants.

4. SELECTED FINANCIAL INFORMATION

The tables below set forth selected historical consolidated financial data of the Company for the periods presented. The selected financial data presented below as at and for the years ended December 31, 2013, 2012, and 2011 have been derived from the Company's audited consolidated financial statements and the selected financial information presented below as at June 30, 2014 and 2013 and for the six month periods ended June 30, 2014 and 2013 have been prepared on the same basis as the Company's consolidated financial statements, and are derived from the Company's condensed consolidated financial statements. Historical results are not necessarily indicative of the results of operations to be expected for future periods. Potential investors should read the selected historical consolidated financial data presented below in conjunction with the Company's consolidated financial statements and the related notes and discussion within the "Operating and Financial Review" section 9 of this Prospectus.

Table 1 Consolidated results of Operations (US\$ in '000's)

	IH2014 (unaudited)	IH2013 (unaudited)	2013	2012	2011
Oil and gas revenue	77 498	57 638	146 732	99 588	35 227
Royalty expense	(16 008)	(14 974)	(34 496)	(19 468)	(6 890)
Oil and gas revenue, net of royalties	61 490	42 664	112 236	80 120	28 337
Operating expenses	(37 243)	(29 230)	(151 242)	(141 656)	(36 228)
Production expenses	(13 239)	(10 809)	(20 926)	(12 223)	(7 228)
General and administrative	(4 406)	(5 377)	(12 067)	(9 498)	(9 021)
Transaction costs	(1 500)	(2 455)	(4 487)	(4 193)	(1 047)
Stock based compensation	(1 717)	(438)	(2 927)	(1 968)	(2 672)
Loss on disposition of assets	107	0	0	-205	0
Depletion and depreciation	(16 151)	(10 151)	(27 782)	(25 830)	(7 596)
Impairment of exploration and evaluation assets	(337)	0	(83 053)	(87 739)	(8 664)
Finance income/(expenses)	(7 135)	(2 321)	(5 138)	(5 791)	(4 287)
Interest and other income	348	445	590	2 559	-6
Unrealized gain (loss) on investments	69	(100)	(145)	-82	-66
Interest expense and accretion	(3 035)	(2 384)	(4 409)	(8 087)	(3 861)
Mark to market on derivative liability	0	0	0	0	0
Gain on sale of assets	0	0	0	0	0
Foreign exchange gain (loss)	(4 517)	(282)	(1 174)	-181	-354
Earnings/loss of associates	0	0	0	0	(1 516)
Earnings/loss before tax	17 112	11 113	(44 144)	(67 327)	(13 694)

Current tax expense	(4 501)	(3 785)	(16 025)	(9 681)	(2 554)
Deferred tax recovery / (expense)	(1 144)	87	2643	(1 974)	-668
Net earnings/loss	11 467	7 415	(57 526)	(78 982)	(16 916)
Foreign currency translation gain/(loss) of foreign operations	(20 886)	0	(1 445)	(37)	927
Total comprehensive loss	(9 419)	7 415	(58 971)	(79 019)	(15 989)
Earnings (loss) attributable to:					
Common shareholders	7 001	2 911	(68 682)	(86 769)	(20 875)
Non-controlling interest	4 466	4 504	11 156	7 787	3 959
Earnings/loss for the period	11 467	7 415	(57 526)	(78 982)	(16 916)
Net earnings/loss per share attributable to common shareholders	0,09	0,06	(1,07)	(1,95)	(0.51)
- basic and diluted					
Total comprehensive earnings (loss) attributed to:					
Common shareholders	(7 620)	2 911	(69 694)	(86 762)	(20 226)
Non-controlling interest	(1 799)	4 504	10 723	7 743	4 237
Total comprehensive earnings/loss for the period	(9 419)	7 415	(58 971)	(79 019)	(15 989)

Source: Consolidated Financial Statements

Table 2 Consolidated Statement of Financial Position (US\$ in '000's)

	IH2014 (unaudited)	31.12.2013	31.12.2012	31.12.2011
ASSETS				
Current				
Cash and cash equivalents	15 719	19 916	35 553	12 962
Accounts receivable	14 611	6 806	2 226	4 840
Prepays and other/Inventory and other	4 428	7 605	2 526	1 482
Crude oil inventory	918	1 296	0	0
Restricted cash	1 619	1 416		
Total current assets	37 295	37 039	40 305	19 284
Restricted cash and investments	224	155	469	4 158
Property and equipment	247 314	263 445	99 577	92 265
Exploration and evaluation	12 508	11 834	47 358	104 568

Total assets	297 341	312 473	187 709	220 275
LIABILITIES				
Current				
Accounts payable and accrued liabilities	29 787	33 111	22 822	4 874
Income taxes payable	2 932	4 825	938	1 189
Convertible debentures	0	0	0	10 955
Convertible note payable	8 000	15 000	10 586	0
Current portion of long-term debt	5 094	4 026	4 333	1 733
Decommissioning provision/Asset retirement obligation	3 209	3 209	409	0
Total current liabilities	49 022	60 171	39 088	18 751
Decommissioning provision/Asset retirement obligation	26 068	25 780	822	935
Other provisions	1 148	1 148		
Deferred tax liability	46 893	46 800	7 237	5 262
Long-term debt	15 413	8 030	17 112	20 800
Total liabilities	138 544	141 929	64 259	45 748
Shareholders' equity				
Share capital	344 479	344 403	231 516	205 445
Contributed surplus	19 753	18 062	15 135	13 264
Accumulated other comprehensive income	(14 890)	(269)	742	735
Non-controlling interest	26 475	32 369	31 396	23 653
Deficit	(217 020)	(224 021)	(155 339)	(68 570)
Total shareholders' equity	158 797	170 544	123 450	174 527
TOTAL LIABILITIES and SHAREHOLDERS' EQUITY	297 341	312 473	187 709	220 275

Source: Consolidated Financial Statements

Table 3 Summarized Cash Flows (US\$ in '000's)

	IH2014 (unaudited)	IH2013 (unaudited)	2013	2012	2011
Total operating cash generated	33 527	19 224	53 911	38 747	1 155
Total investing cash used	(35 456)	(20 354)	(67 409)	(37 154)	(30 721)
Total financing cash generated	(2 913)	(15 170)	(1 940)	21 410	32 259
Change in cash	(4 197)	(16 300)	(15 637)	22 591	3 872
Cash and cash equivalents, end of period	15 719	19 253	19 916	35 553	12 962

Source: Consolidated Financial Statements

5. INFORMATION ABOUT THE ISSUER

5.1. History and Development of the Issuer

5.1.1. The legal and commercial name of the issuer;

From 24 June, 2013, the Company uses trade name: “Serinus Energy Inc.”, which simultaneously is its statutory name, and sometimes to exclude concerns, if it deems appropriate, adds explanation: “formerly: Kulczyk Oil Ventures Inc.” indicating the trade name used before 24 June, 2013.

5.1.2. The place of registration of the issuer and its registration number;

The Issuer is registered with the Alberta Corporate Registry under number 203581186.

5.1.3. The date of incorporation and the length of life of the issuer, except where indefinite;

The Issuer was incorporated on March 16, 1987 for unlimited life.

5.1.4. The domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office);

The Issuer is a corporation incorporated under the provisions of the laws of the province of Alberta in Canada (including without limitation the ABCA).

The registered office of the Issuer is in the city of Calgary in the province of Alberta, Canada, at Suite 1500, 700 – 4th Avenue S.W., Calgary, Alberta, T2P 3J4.

The Issuer maintains other management offices in Dubai, United Arab Emirates, at Suite 123, Al Shaffar Investment Building, 3rd Interchange, Sheikh Zayed Road, P.O. Box 37174, Al Quoz and in Warsaw, Poland, at Nowogrodzka 18/29, 00-511 Warsaw.

The telephone number of the registered office of the Issuer in Calgary (Canada) is +1-403-264-8877.

The telephone number of the office of the Issuer in Dubai, United Arab Emirates is +971 (4) 339 5212.

Contact data to the office of the Issuer in Warsaw (Poland):

- telephone number: +48 22 414 21 00
- fax number: +48 22 412 48 60
- mail: info@serinusenergy.com

The Issuer is a Canadian company engaged (through the companies of the Issuer’s Group) in oil and gas exploration and production with operating assets in five countries. The Issuer conducts its activities through its subsidiaries:

- In Ukraine, the Issuer conducts exploration and production activities through its subsidiary Kub-Gas holding 100% interest in five Ukrainian Licences. More information – please see Section 7 “Organizational Structure” Subsection 7.2. “A list of the issuer's significant subsidiaries, including name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held.”, Section 25

“Information on Holdings” and Section 6 “Business overview”, Subsection 6.1.1. “A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information”, Subsection 6.2.1. “Ukraine” and Subsection 6.6.2. “Ukraine”;

- In Tunisia, the Issuer conducts exploration and production activities through its subsidiary Winstar Tunisia holding 100% working interest in the Chouech Es Saida, Ech Couchech, Zinnia and Sanhar concessions and a 45% working interest in the Sabria concession. More information – please see Section 7 “Organizational Structure” Subsection 7.2. “A list of the issuer's significant subsidiaries, including name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held.”, Section 25 “Information on Holdings” and Section 6 “Business overview” Subsection 6.1.1. “A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information”, Subsection 6.2.2. “Tunisia” and Subsection 6.6.3. “Tunisia”;
- In Brunei, the Issuer conducts exploration activities through its subsidiaries Kulczyk Oil Brunei and AED SEA, which together hold 90% working interest in the Brunei Pblock L PSA. More information – please see Section 7 “Organizational Structure”, Subsection 7.2. “A list of the issuer's significant subsidiaries, including name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held.”, Section 25 “Information on Holdings” and Section 6 “Business overview”, Subsection 6.1.1. “A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information”, Subsection 6.2.3. “Brunei” and Subsection 6.6.4. “Brunei”;
- In Romania, the Issuer operates its assets through Winstar Satu Mare holding a 60% interest in onshore Satu Mare exploration concession. More information – please see Section 7 “Organizational Structure” Subsection 7.2. “A list of the issuer's significant subsidiaries, including name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held.”, Section 25 “Information on Holdings” and Section 6 “Business overview”, Subsection 6.1.1. “A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information”, Subsection 6.2.3. “Romania” and Subsection 6.6.5. “Romania”.
- In Syria, the Company through its subsidiary Loon Latakia, holds a 50% participating interest in the contract for exploration, development and production of petroleum from Block 9 in Syria (“**Syria Block 9 PSC**”). Since July 2012 the licence is under the force majeure. Therefore as of the date hereof the Syrian assets are not considered to be material. More information – please see section Section 7 “Organizational Structure” Subsection 7.2. “A list of the issuer's significant subsidiaries, including name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held.”, Section 25 “Information on Holdings” and Section 6 “Business overview” Subsection 6.6.1. “A description of, and key factors relating to, the nature of the issuer's

operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information”, Subsection 6.2.5. “Syria” and Subsection 6.6.6. “Syria (under force majeure)”.

5.1.5. The important events in the development of the issuer's business.

Serinus is an international holding company focusing its operations, conducted through its subsidiaries, on oil and gas exploration and production, with assets which produce natural gas and condensate in Ukraine, assets which produce oil and natural gas in Tunisia, active exploration assets in Brunei, Romania, and interests in Syria. The Company has management offices in Calgary (Canada), Dubai (United Arab Emirates) and in Warsaw (Poland).

The Company was incorporated on 16 March 1987 as Titan Diversified Holdings Ltd., a public investment company listed in Canada on the Alberta Stock Exchange, a predecessor to the TSX Venture Exchange. In 1993 the Company changed its name to Trident Systems Inc., in 1997 to Loon Energy Inc., in 2008 to Kulczyk Oil Ventures Inc., and since 2013 the Company operates under the business name Serinus Energy Inc.

Prior to 2001, the Company invested in Canadian oil and gas assets. In 2001, the Company changed its focus to international oil and gas assets.

- In 2006 the companies of the Group entered into the Brunei Block L PSA and in 2007 the Company entered into the Syria Block 9 PSC.
- In October 2009, Serinus acquired all of the shares in Triton Hydrocarbons Pty Ltd., a private Australian company (“**Triton**”). Triton’s principal asset was an indirect 36% working interest in the Brunei Block M PSA.
- In May 2010, Serinus completed an initial public offering on the WSE (the “**WSE IPO**”), raising gross proceeds of PLN 314,484,660 (approximately US\$93 million), and all of the Serinus Shares (as of May 2010) were admitted to trading on the WSE.
- In June 2010, Serinus acquired, via its subsidiary KUBGAS Holdings, a private Cypriot company, an indirect 70% shareholding in KUB-Gas, a Ukrainian private company possessing four of the Ukrainian Licences (and which subsequently acquired the fifth Ukrainian License). Acquisition was funded by using a portion of the proceeds of the WSE IPO (US\$45 million).
- In May 2011, the EBRD agreed to advance to KUB-Gas a US\$40 million loan in tranches to fund ongoing development of the Licence areas.
- In August 2011, Serinus issued convertible debentures to KI and Radwan, both related parties of the Group, to enable the Group to meet its ongoing funding requirements. A convertible debenture is an interest bearing, debt obligation which the debenture holder may, pursuant to the terms of the debenture, exchange for common stock (shares) in the company issuing the debenture. The number of shares which the debenture holder is entitled to is based on an exchange ratio. The full amount of US\$23,500,000 was drawn down. On 11 August 2012, the KI/Radwan Debentures matured and the entire principal value of such debentures, the accrued interest thereon and the additional “kicker shares” (i.e. additional shares) issued under the KI/Radwan Debentures, in an aggregate amount of approximately

US\$26.2 million, was converted to Serinus common shares at a price of approximately US\$0.43 per Serinus Share and 54,564,321 and 5,934,708 pre-Consolidation Serinus Shares were issued to KI and Radwan respectively on 14 August 2012. Pursuant to the terms of the KI/Radwan Debentures, within five business days from the earlier of: the date of an IPO of the Company on the London Alternative Investment Market (which did not occur) or the maturity date of the KI/Radwan Debentures (being August 11, 2012), Serinus agreed to issue additional shares to KI and Radwan (the “**Kicker Shares**”). The amount of the Kicker Shares was calculated under a formula based on the Conversion Price and the amount of debt incurred by Serinus under the KI/Radwan Debentures.

- In December 2011, KOV Cyprus, a direct wholly-owned subsidiary of Serinus, acquired all the shares of AED SEA from AED Oil Investments, a wholly-owned subsidiary of AED Oil Limited (at the time of the purchase, receivers and administrators appointed), an Australian public company, which was in voluntary receivership. The price of the shares was \$200,000 plus the assumption of AED SEA’s unpaid obligations to the joint venture. AED SEA’s sole asset was a 50% operated interest in the Brunei Block L PSA. As a result of the acquisition, the Group increased its working interest in Brunei Block L from 40% to 90% and assumed operatorship of the asset (as AED SEA was already the operator).
- In January 2012, the Brunei Block L contracting parties were successful in achieving a one year extension of the exploration period under the Block L PSA to August 27, 2013. Subsequently, the exploration period was extended to November 27, 2013 and then automatically extended to allow for the completion of the drilling of the Luba-1 well and in the event the Company decides to appraise a discovery the term of the exploration period is further extended to allow for the implementation of the appraisal program.
- In June 2012, KI agreed to advance a loan of up to US\$12 million to Serinus. The loan was due to mature on 31 December 2012. On 24 June 2013, at the time of closing of the Winstar Arrangement (see below) the outstanding, fully drawn KI Loan was converted to Serinus Shares and KI was issued 3,183,268 post-Consolidation Serinus Shares relating to the aggregate principal and interest in the amount of \$13.4 million.
- In August 2012, a 36% working interest in a second asset in Brunei, Brunei Block M, a 1,505 square kilometre area in southern Brunei expired. This asset belonged to KOV Borneo Limited, a subsidiary of Issuer. As a result of the expiration of the Brunei Block M PSA, the Company recorded an impairment in respect of the Brunei Block M exploration and evaluation assets of \$85.5 million, which included a \$6.0 million penalty potentially payable relating to work commitments not met.
- In January 2013, KUB-Gas made a prepayment of \$10 million under the terms of the EBRD Loan Facility in addition to the second scheduled repayment of \$1.8 million. In the fourth quarter of 2012, KUB-Gas paid its first dividend to its parent company, KUB-GAS Holdings. In March 2013, KUB-GAS Holdings declared a dividend to its shareholders (Serinus received \$7.0 million).
- In June 2013, the M-16 well (KUB-Gas’s deepest well in the Ukraine) was tied-in for production contributing to record production of 28.5 MMcf/d gross (19.9 MMcf/d net to Serinus).

- In June 2013, Serinus, through its subsidiary operation in Brunei, commenced drilling the Lukut Updip-1 exploration well on Brunei Block L.
- On 24 June 2013, Serinus acquired Winstar pursuant to the Winstar Arrangement (“**Winstar Acquisition**”). Under the terms of the Winstar Arrangement, Winstar shareholders, for each share held, received 7.555 pre-Consolidation Serinus Shares or C\$2.50 in cash, subject to a maximum of C\$35 million in cash, with such cash provided by 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 at the rate of one Winstar share for 7.555 pre-Consolidation Serinus Shares, in accordance with the terms of the Arrangement. As such, 10,577,000 post-Consolidation Serinus Shares were issued to KI. A total of 16,675,500 post-Consolidation Serinus Shares were issued to shareholders of Winstar (other than KI) who elected to receive common shares, or who elected to receive cash consideration but were instead issued Serinus Shares as a result of the maximum cash consideration being exhausted, for 22,072,113 Winstar common shares. In total, 27,252,500 post-Consolidation Serinus Shares issued as consideration for the acquisition of Winstar (with 14,000,000 post-consolidation Serinus Shares being issued to KI and 16,675,500 being issued to other shareholders of Winstar). The closing price of the common shares on the Warsaw Stock Exchange at time of closing was equivalent to \$3.65 per share. As a result of the Winstar Arrangement, Serinus acquired all 36,072,113 common shares without nominal or par value, representing 100% of the share capital of Winstar and indirectly acquired Winstar’s assets in Tunisia, Romania, as well as minor assets in Canada, described in details in Section 6 of this Prospectus “*Business Overview*” in Subsection 6.1.1.: “*A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information*”. Find the description of the Winstar Acquisition (Winstar Arrangement) in Section 22 “*Material Contracts*” of the Prospectus in subsection 22.6.: “*Winstar Acquisition (Winstar Arrangement)*”.
- On June 20, 2013, at the annual general and special meeting of holders of common shares of the Company, the Shareholders approved the following amendments to the Articles of the Company, such approval being conditions precedent to the Winstar Acquisition:
 - (i) the provisions concerning the authorized share capital of the Company be amended such that all of the issued and outstanding common shares of the Company be consolidated on the basis of one (1) post-Consolidation common share for every ten (10) pre-Consolidation common shares; and
 - (ii) the name of the Company be changed from KULCZYK OIL VENTURES INC. to SERINUS ENERGY INC (written: "Serinus Energy Inc.").

Under Canadian law, the aforementioned amendments to the Articles took effect upon their filing with the competent corporate regulator. As a result, effective June 24, 2013 (Mountain standard time zone), the Issuer's common shares were consolidated on the basis of one (1) post-Consolidation common share for every ten (10) pre-Consolidation common shares, and, as at the date of this Prospectus, the share capital of the Issuer is comprised of 78,629,941 issued and outstanding common shares and the Issuer’s legal entity name is Serinus Energy Inc. After the Winstar acquisition and TSX listing Serinus decided to change

the name and re-brand the Company. The “Kulczyk” name is not known at all in Canada therefore there are no benefit to maintaining that name subsequent to the listing. The Company do not pay any licence fee to KI for the Kulczyk name.

- On June 27, 2013, the Serinus Shares, including the Admission Shares, were listed and posted for trading on the TSX. The common shares of Winstar Resources Ltd. were delisted at the close of the TSX on June 26, 2013.
- In July 2013, the Company and Kulczyk Oil Brunei formalized a strategic relationship with Dutco Energy Ltd. (a company registered in the British Virgin Islands with registered number 1736233, “**Dutco**”), a wholly owned subsidiary of Dubai Transport Company LLC (a Middle Eastern conglomerate with operations in construction and engineering, trading, manufacturing, hospitality and oil and gas). Dutco and the Dutco group of companies are at arm’s length to Serinus. The Company and Dutco entered into the Dutco Option Deed which gives Dutco the right to acquire an interest in Brunei Block L in consideration for Dutco providing the Company with a US\$15 million secured Dutco Credit Facility. As part of the transaction both companies have also agreed to jointly pursue new oil and gas opportunities in Tunisia for the duration of the Dutco Credit Facility (see more: Section 22 of this Prospectus “*Material Contracts*” Subsection 22.7.1. “*Dutco Option Deed*”, Subsection 22.7.2. “*Dutco Credit Facility*” and Subsection 22.7.3. “*Dutco Share Pledge*”).
- In August 2013, the term of the Brunei Block L PSA was extended by three months, until November 27, 2013 to allow time to complete the drilling of the Lukut Updip-1 exploration well and the drilling of the second well under the second exploration phase under the Brunei Block L PSA. In November 2013, Serinus’s subsidiaries operating in Brunei, Kulczyk Oil Brunei and AED SEA, commenced drilling of the Luba-1 well and the term of the Brunei Block L PSA was automatically extended to allow for the completion of the drilling of the Luba-1 well and in the event the Company decides to appraise a discovery the term of the exploration period is further extended to allow for the implementation of the appraisal program. At present, work on drilling has been suspended.
- On 20 November 2013 Serinus signed two loan agreements, collectively called **Tunisia Loan Facility**, with EBRD providing up to \$60 million in long-term financing to Serinus for purposes of the program being planned for Issuer’s recently acquired oil and gas fields in Tunisia. It is an affirmative covenant of the Issuer under the Tunisia Loan Facility that the Issuer shall cause any funds borrowed under the Tunisia Loan Facility to be used for the financing (through subsequent lending of the borrowed funds to Winstar Tunisia) of development of conventional hydrocarbon deposits at the Sabria, Chouech Es Saida, Ech Chouech and Sanrhar concessions. As such, any movement of funds available under the Tunisia Loan Facility amongst the Serinus Group must comply with this purpose. 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. For more detailed description of the Tunisia Loan Facility please see Section 22 of the Prospectus “*Material Contracts*”, Subsection 22.8. – “*Tunisia Loan Facility*”.

5.2. Investments

Principal investments of the Issuer's Group (historical, in progress and future) consist of capital 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. Expenditures incurred on assets for which technical feasibility and commercial viability have been determined are classified as property, plant and equipment ("PP&E").

5.2.1. A description, (including the amount) of the issuer's principal investments for each financial year for the period covered by the historical financial information up to the date of the registration document;

Investment since the end of the last financial year to the date of this Prospectus

During the seven months ended July 31, 2014, the Issuer's Group incurred capital expenditures in the amount of 33,6 million, of which \$ 28,8 million related to capital expenditures on property and equipment, and \$ 4.5 million related to the capital expenditures on exploration and evaluation assets.

Capital expenditures of the Issuer's Group for the six months ended June 30, 2014 and 2013 3 are presented below:

<i>(Thousands of US dollars)</i>	H1 2014	H1 2013
Capital expenditures on property and equipment	21 892	6 801
Capital expenditures on exploration and evaluation assets	4 418	111 338
Total capital expenditures	26 310	18 139

<i>(Thousands of US dollars)</i>	H1 2014	H1 2013
Capital expenditures by location		
Ukraine	12 528	8 985
Tunisia	10 486	-
Brunei	337	9 149
Romania	2 641	-
Others	318	5

Total capital expenditures	26 310	18 139
-----------------------------------	---------------	---------------

In Ukraine, the Issuer's Group incurred \$12.5 million of capital expenditures for the six month period ended June 30, 2014, which included work on the M-17 well, drilling on the O-11 and NM-4 wells and completion work on the Makeevskoye facility.

Prior to cessation of developmental field operations, the KUB-Gas, the Issuer's subsidiary completed and tested the M-17 well, this well was drilled in the first quarter of 2014 to a total depth of 3,445 metres. During the second quarter, the well was cased and the service rig began completion operations. Logs indicated pay in the S5 and S6 zones, and resource potential in the R30c and S7 sections, the S7 tested 900 Mcf/d without stimulation. The S6 was tested at multiple rates, the highest of which was 6.6 MMcf/d. The S6 zone was placed on production on June 26, and averaged 6.4 MMcf/d (4.4 MMcf/d net to Serinus) as at June 30, 2014.

The O-11 well was spud on April 4, 2014 after the drilling rig moved on from M-17. It reached its planned depth of 3,230 metres in late May, and was cased and the rig released. In June, the well was perforated, and experienced a strong air blow, followed by gas to surface. The well was shut in for a pressure build up. No further testing will be undertaken at this time.

The NM-4 well was spud on June 16, and drilled to a depth of 102 metres. Surface casing was run and cemented in place prior to suspending drilling operations.

Work was completed on the Makeevskoye gas processing facility. Gas began flowing through the facility on March 6, 2014, and the M-16 well was re-routed to that new facility at the end of April.

In Tunisia, capital expenditure of \$8.8 million and \$10.5 million were incurred for the three and six month periods. Spending in the first quarter had been on well site preparation and minor work over initiatives. In the second quarter the workover campaign for the CS- Sil-1 well using a coiled tubing unit was completed and was successful in restoring the well to production at a rate of approximately 400 - 500 Mcf/d and 40 - 50 bbl/d of oil. The coiled tubing unit also attempted to recomplete CS Sil-10 from the Triassic TAGI sandstone to the Silurian Tannezuft, but was unsuccessful. Both wells are being reviewed to determine additional measures to increase or restore production.

Capital expenditures of the Issuer's Group during years 2011, 2012 and 2013 are presented below:

<i>(Thousands of US dollars)</i>	2013	2012	2011
Capital expenditures on property and equipment	29 505	27 780	4 708
Capital expenditures on exploration and evaluation assets	46 055	29 581	35 045
Total capital expenditures	75 560	57 361	39 753

Capital expenditures in 2013

During 2013, the Issuer's Group 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 O-24 well was drilled 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.

KUB-Gas, the Issuer's subsidiary 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 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. During the second quarter the NM-3 well was drilled 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 2013 the Issuer's Group spent \$2.6 million on the Winstar properties primarily on work overs of producing wells in an effort to stimulate higher production rates.

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. Serinus, acting through its subsidiaries 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.

In November 2013, Serinus, acting through its subsidiaries drilled the Luba-1 well in Brunei Block L, 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 Issuer's Group 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 Issuer's Group 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.

Capital expenditures in 2012

During 2012, the Issuer's Group incurred \$29.6 million and \$27.4 million, respectively, of capital expenditures on exploration and evaluation assets and property, plant and equipment, including costs incurred on the following projects:

- in Ukraine the drilling of the NM-2, M-20, K-7, M-16, NM-1, M-21 wells, tie-in of the O-6, O-8 and O-18 wells and costs incurred in moving the drilling rig to the North Makeevskoye license area;
- the acquisition and processing of 3D seismic at Block L in Brunei
- the development of the Brunei Block L drilling program

Capital expenditures in 2011

During the year ended December 31, 2011, the Company incurred \$39.8 million of capital expenditures on exploration and evaluation assets and on property, plant and equipment, including costs incurred on the following projects:

- the drilling of the O-9, O-12, O-14, O-8 and O-18 wells, the workover program, completion of the expanded pipeline at M-19 and various other wells on the Olgovskoye and Makeevskoye licenses, the two well frac program as well as the seismic programs conducted;
- the drilling (until suspension) of Itheria-1 in Syria;
- the testing of Lempuyang-1, including the cost overruns arising from the problems encountered during testing at Block L in Brunei;
- the processing of the data acquired from the 2010 seismic program at Block M in Brunei.

Capital expenditures incurred in 2014 are described in chapter 5 "*Information about the Issuer*" in section 5.2.2 *A description of the issuer's principal investments that are in progress, including the geographic distribution of these investments (home and abroad) and the method of financing (internal or external)* of this Prospectus.

Jura Investments

Jura Energy Corporation ("Jura")

The shares of Jura, a public company traded on the Toronto Stock Exchange were received by the Company effective June 2, 2006 upon the satisfaction of the conditions precedent to the close of the sale of Loon's 50% interest in Frontier Holdings Limited to Jura. Jura and Loon announced on April 18, 2006 that Jura had acquired all of the issued and outstanding shares of Frontier from Loon and from Nemmoco Petroleum Limited. Prior to the acquisition of such shares, each of Loon and Nemmoco owned 50% of Frontier. As consideration for the shares of Frontier, Jura has issued an aggregate of 14,958,838 common shares of Jura, 7,479,419 (8.3% of outstanding Jura shares) to each of Loon and Nemmoco.

The purpose of the investment in Jura was to further the Company's exploration activities. This was done indirectly through the investment in Jura which has exploration properties in Pakistan. Changes in the ownership are due share issuance performed by Jura which diluted the Company's shareholding.

In 2011 The Company owned approximately 7.5 million common shares of Jura, representing 5.7% of the shares outstanding. As at December 31, 2011, the quoted market value of the investment was \$305,158 (December 31, 2010 - \$371,113) and for the year ended December 31, 2011 an unrealized loss of \$66,000 (December 31, 2010 gain of \$157,618) has been recorded in the statement of operations.

In the third quarter of 2012, Jura completed a share acquisition, which reduced the Company's interest in Jura from 5.7% to a 1.1% shareholding.

At June 30, 2014, the market value of the investment in Jura was \$224.2 thousands.

Investments in Associates

On October 23, 2009, the Company announced that it had acquired all of the issued and outstanding shares of Triton Hydrocarbons, a private Australian company, in exchange for newly issued common shares. The Triton Hydrocarbons acquisition was deemed to be effective September 15, 2009 for accounting purposes. The principal asset of Triton Hydrocarbons was its 36% interest in Brunei Block M, an onshore area of Brunei approximately 3,011 square kilometres (744,000 acres) in area. Block M lies immediately to the south of the Kulczyk Oil's existing Block L and the acquisition expanded the interests of the Company to cover most of onshore Brunei. By acquiring Triton Hydrocarbons, the Company also acquired approximately 35% of the issued shares of MIPI, which holds a 100% interest in four contiguous exploration blocks located offshore Mauritania.

In addition, the Company indirectly holds an approximate 30% of the issued shares of Triton Petroleum. A principal asset of Triton Petroleum is a 20% beneficial interest in the production sharing agreement covering Block 9 in Syria to be assigned to Triton Petroleum by the Company subject to obtaining the consent of the Syrian government. Triton Petroleum is led by the former management of Triton Hydrocarbons, who are pursuing international exploration and development opportunities in the oil and gas industry.

As consideration for the transaction, the former shareholders of Triton Hydrocarbons received an aggregate of 75,065,944 common shares of Kulczyk Oil (being 5.491 Kulczyk Oil shares for each ordinary share of Triton Hydrocarbons) and 50% of the then outstanding shares of Triton Petroleum. Upon the closing of the transaction, the Company issued a \$10,010,000 convertible debenture to TGEM Asia LP, Tiedemann Global Emerging Markets LP and Tiedemann Global Emerging Markets QP LP (collectively, "TIG") in exchange for the \$10,010,000 in convertible notes which TIG previously held in Triton Hydrocarbons.

Consideration

Transactions completed at September 15, 2009

Shares	\$ 52,000,000
Convertible debenture - liability component	7,010,000
Convertible debenture - equity component	<u>3,000,000</u>
	<u>\$ 62,010,000</u>

In 2011, Ninox acquired 100% of Triton Petroleum in a share exchange transaction and the Company therefore now owns an approximate 30% interest in Ninox. The principal asset of Ninox is a 20% beneficial interest in the Block 9 PSA in Syria. Concurrent with the Company's decision to fully impair the exploration asset in Syria, the Company has also written off the carrying value of Ninox at December 31, 2011.

Table 3 Investments in associates (US\$ in '000's)

	30.06.2014 (unaudited)	31.12.2013	31.12.2012	31.12.2011
Investment in Mauritania International Petroleum Inc.	-	-	100	100
Investment in Ninox Energy Pty Ltd.	-	-	-	-
Total investments in associates	-	-	100	100

Source: Consolidated Financial Statements

5.2.2. A description of the issuer's principal investments that are in progress, including the geographic distribution of these investments (home and abroad) and the method of financing (internal or external);

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.

In Ukraine, The NM-4 well was spud on June 16, and drilled to a depth of 102 metres. Surface casing was run and cemented in place prior to suspending drilling operations. Once the security situation improves enough to resume development activities, drilling will resume on NM-4, after which the rig will move to M-22. NM-4 is testing a Moscovian stratigraphic trap and if successful, will establish a new play type within the Company's Ukrainian licences. The M-22 well is targeting a new Serpukhovian accumulation to the southwest of the pool containing the M-16 and M-17 wells. A fracture stimulation campaign had also been planned in later in the year for O-11 and O-15, NM-3 and M-17.

In Tunisia, in Ech Chouech and Chouech Es Saida, a full workover rig commenced operations on May 29. Operations so far have been to clean out debris left in the well by previous operators. Once the

wellbore is remediated and pending regulatory approval, the well will be perforated, and prepared for stimulation later this summer currently targeted for September.

The balance of the workover campaign includes various operations on ECS-1, CS-11, and CS-8bis. This program is expected to increase or restore production, and to improve overall uptime rates. A 203.5 km² 3D seismic program over the Sanrhar field commenced in early June, and is approximately 90% complete. Legacy sparse 2D data indicates a number of four-way structural closures which this program will investigate more thoroughly.

In July the Issuer commenced drilling of WIN-12bis well - is the first of a 2 well drilling program by the Company in the Sabria Field. The planned total depth is 3,900 metres and the well is expected to take 63 days to drill. The rig will move to the second location in the Sabria Field, Winstar-13, immediately after finishing WIN-12bis. The workover campaign includes the CS-10 and CS- Sil-1 wells using a coiled tubing unit along with EC-4, ECS-1, CS-11 and CS- 8bis using a full work over rig.

In Romania, amounts were spent on planning for the seismic and drilling campaign including the preparation of an access road to the first location. The two well drilling program is expected to begin in November with both wells being drilled back to back. Shooting of new 3D seismic program will commence in September, and is expected to take 6 - 8 weeks. The survey area covers 180 km² located approximately 35 km southwest of the Moftinu field against the western boundary of the Satu Mare concession. This area is in a well established hydrocarbon fairway on the edge of the Carei graben, and overlies the Santau oil pool.

5.2.3. Information concerning the issuer's principal future investments on which its management bodies have already made firm commitments.

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 and Romania. In Tunisia the management bodies have not made any firm commitments.

- **Brunei Block L**

The Brunei 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. The detailed information on the above legal challenge and the agreement are covered by section 6.6.4.8. *Material Agreements* in Chapter 6.

- **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. 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, however these commitments may be modified based on results of exploration work. 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 commenced drilling one well in 2014 with follow up wells based on test results.

- **Romania**

With the Winstar acquisition, the Company acquired a 60% interest in the 2,949 square kilometer onshore Satu Mare exploration concession in north western Romania under the terms of Satu Mare Concession Agreement. In accordance with the terms of a farm-in agreement with Rompetrol (**Satu Mare Concession Agreement**), 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 the second half of 2014 and continue into early 2015.

6. BUSINESS OVERVIEW

6.1. Principal Activities

6.1.1. A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information;

Overview

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

The minor assets of the Serinus Group in Hungary and Canada are not material and are not described in this part of the Prospectus. The phrase “minor assets” means that the Serinus Group’s oil and gas operations in Hungary and Canada have been substantially wound down, but the Company is still in the process of disposing of certain assets which do not have material financial value and/or which do not impose a material financial risk.

As a result of the Winstar Acquisition, the Company acquired indirect (through Winstar) interests in a minor property at Sturgeon Lake in Alberta, Canada. The mineral rights expired in 2013, but Winstar still owns surface access rights, and minor facilities. This asset is not currently producing and has a future abandonment liability associated with it of \$1.4 million. The new owner of the mineral rights has expressed an interest in those rights and facilities. The Company has agreed to convey those rights and facilities to the new mineral rights owner, who would post a similar bond with the government. That would result in the release of Winstar’s bond. That transaction is expected to close in June 2014, after which Serinus will have no further assets or liabilities in Sturgeon Lake. Winstar also owned two properties in Hungary through its wholly owned subsidiary El Paso Hungary Oil and Gas Limited Liability Company (now Winstar Magyarország Kft.). The first property, Törökkoppány, is a depleted gas field and has been abandoned and the Serinus Group has no further interest or liabilities connected with it. The Igal II Exploration Permit was sold to a Hungarian company in 2010 for a 4% net profits interest. Those mineral rights subsequently expired and the lands reverted to the state, therefore the net profits interest has also expired.

Moreover, 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.

Current stage of liquidation of operations in Hungary, in Alberta:

Hungary

In Hungary, Winstar Hungary the subsidiary conducting business in Hungary, which is wholly owned by Winstar B.V., a subsidiary of the Issuer, has begun the liquidation process officially in June 2014 and will be completed in December 2014. The Company, acting through its subsidiary, has made all of the required filings and the application is being processed by the authorities.

Canada

In Canada, the Company, acting through its subsidiary, is in the process of disposing of the Alberta assets located in Sturgeon Lake, Alberta. A letter of intent with another oil and gas company has been circulated to all parties and subsequently on June 24, 2014 the date to sign the letter was extended to July 30, 2014. Negotiations are ongoing. The Company acting through its subsidiary is moving forward with the quitclaims with respect to the remaining working interests. These would not be executed and delivered until closing. The purchaser is still pursuing financing. If the purchaser secures financing, the transaction is expected to close in the fourth quarter of 2014.

Oil and Natural Gas Exploration and Production

The Company acting through the companies of the Issuer's Group is focused on enhancing gas production and production revenues in Ukraine and Tunisia, exploring for oil and natural gas in Brunei and Romania, and expanding its portfolio through the evaluation of new opportunities for investment. The Issuer's Group's exploration activities in Syria are currently suspended due to the prevailing political crisis in that country. The Issuer's Group has ceased active operations in Hungary and Canada.

Ukraine Assets

The Ukraine Assets provide the Company with ongoing revenues from gas and condensate production and the Company's expertise has contributed to a steady increase in production volumes during 2011, 2012 and 2013 as a result of both surface and sub-surface optimisation and discovery of new reserves.

On 27 June 2014, due to a deteriorating security situation, the Company has decided to put developmental field operations in Ukraine on hold. Production is continuing, but drilling, workover, stimulation and construction activities have ceased. While the Company continues to produce, sell and be paid for the gas sold, it is no longer prudent to continue these active operations in a situation where the security changes daily. In particular, the area immediately in and around Lugansk where the Vergunskoye and Krutogorovskoye fields (producing 0.4 MMcf/d and 0.6 MMcf/d respectively) are located is no longer controlled by the government and as a result production at the Vergunskoye field has been shut in. For more information please see Subsection 6.6.2.1 "Overview" and Subsection 6.6.2.2.3. "Exploration / Development Activity" of this Section 6.

The Ukraine Assets are operated by KUB-Gas, a wholly-owned subsidiary of KUBGAS Holdings, which is an indirect 70% owned subsidiary of the Company.

In 2010 the Company's interest in KUB-Gas' production, net to its 70% interest, was 1.4 MMcf of natural gas and approximately 8,000 barrels of condensate resulting in gross revenues of \$6.3 million. In 2011 the Company's interest in KUB-Gas' production, net to its 70% interest, was 2.2 MMcf of natural gas and approximately 20,000 barrels of condensate resulting in gross revenues of \$24.7 million. In 2012 the Company's interest in KUB-Gas' production, net to its 70% interest, was 5.5 MMcf of natural gas and 50,989 barrels of condensate resulting in gross revenues of \$69.7 million. In

2013 the Company's interest in KUB-Gas' production, net to its 70% interest, was 7.0 MMcf of natural gas and 43800 barrels of condensate resulting in gross revenues of \$117.7 million.

The Company began to generate revenues with its acquisition of its interest in the licenses in June 2010, and since that time has generated \$254 million of revenue, net of royalties, in aggregate from these assets, of which \$177.8 million is net to the 70% interest held by Serinus.

In Ukraine, production volumes increased by 24% in the fourth quarter of 2013 to average 3,626 barrels of oil equivalent per day ("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.

Production volumes increased by 11% in first quarter of 2014 to average 3,504 boe/d, compared to 3,151 boe/d in the comparable period of 2013. The increase is a result of the successful drilling campaign in 2013 including the M-16 well. During the second quarter gas and condensate production in Ukraine were 21.3 MMcf/d and 101 bbl/d respectively (for Serinus' 70% share). These volumes are 4% and 3% higher than in the first quarter.

In 2013 the Company's net production from Ukraine had increased to 19.2 MMcf/d with gross production of 27.4 MMcf/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. In the second quarter of 2014 production from Ukraine had increased to 21.3 MMcf/d with gross production of 30.4 MMcf/d from the four producing fields.

The M-16 well commenced production in late May and produced an average of 2.1 MMcf/d (1.4 MMcf/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. The production from the M-17 well, which until recently was under construction, started on June 26. On 31 of July 2014, M-17 has production of 13.8 MMcf/d.

Production from the Olgovskoye and Makeevskoye fields is currently at maximum capacity given constraints of the gas processing facilities. Construction of the new Makeevskoye processing facility began in September 2013 and was completed in December 2013. The new plant supplements existing infrastructure, and increases KUB-Gas' overall processing capacity from 30 million cubic feet per day ("MMcf/d") to 68 MMcf/d. Gas began flowing through the facility on March 6, 2014.

Tunisia Assets

The Tunisia Assets are operated by Winstar Tunisia, a wholly-owned subsidiary of Winstar Netherlands, which is an indirect wholly owned subsidiary of the Company.

The Tunisia Assets were acquired in June 2013 through the Winstar Acquisition. The Company expects to further develop its existing gas and oil properties in Tunisia. Drilling of the new wells commenced in July 2014. Funding for development of the Tunisia Assets is provided by net cash generated by sales of oil and gas in Tunisia and by the long-term financing provided by the EBRD upon the terms and conditions of the Tunisia Loan Facility.

In Tunisia, Company share average daily production for the three months ended December 31, 2013 was 1047 bbls/d oil and 2486 mcf/d/gas and 982 bbl/d (1,003 bbl/d) and 1,975mcf/d (1,952 mcf/d) for the three (six) months ended June 30, 2014. Production is predominantly from the Chouech Es Saida and Sabria fields, which account for 90% 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. Works on new wells on

Tunisian Assets started in July 2014 with commencement of the drilling of WIN 12bis well. The drilling rig will move to the second location, WIN-13, immediately after finishing WIN-12bis.. One well, CS SIL 1, was restored to production. Also, a coiled tubing unit was unsuccessfully to recompleat CS Sil-10 from the Triassic TAGI sandstone to the Silurian Tannezuft. The well is currently being reviewed to determine additional measures to increase or restore production. Pumping equipment upgrades are in the process of being completed in five Chouech Essaida wells.

The Company does not account for production of Winstar prior to the Winstar Acquisition on June 24, 2013. Subsequent to Winstar Acquisition the Company's Tunisian production to year-end December 2013 - was 203,305 barrels of oil and 0.4 bcf, resulting in gross revenues of \$28.9 million.

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. Production in Tunisia averaged 1,311 boe/d and 1,328 boe/d for the three and six months ended June 30, 2014.

Brunei Assets

The Company, through its indirect wholly-owned subsidiaries, Kulczyk Oil Brunei and AED SEA, holds a 90% working interest in the Brunei Block L PSA which gives them the right to explore for and, if certain conditions are satisfied, produce oil and natural gas from Brunei Block L. The Issuer's indirect interest in Brunei Block L is held 40% by Kulczyk Oil Brunei and 50% by AED SEA. AED SEA is the operator of Brunei Block L. The other participant in the Brunei Block L PSA is QAF Brunei Sendirian Berhad, which holds a 10% interest. The relationship between the Company and Brunei Sendirian Berhad in Brunei Block L is governed by the Block L Operating Agreement dated August 28, 2006 between Brunei National Petroleum Company Sendirian Berhad, Kulczyk Oil Brunei, QAF Brunei Sendirian Berhad and AED SEA. Additional details regarding the Block L Operating Agreement can be found in this Section 6 of the Prospectus in the Subsection 6.6.4.7. "Material Agreements" in part (b) thereof "Block L Operating Agreement". of this prospectus. Brunei Block L is an area of approximately 1,123 km² covering onshore and offshore areas in northern Brunei. The offshore portion of Brunei Block L lies in relatively shallow waters, and includes a seven kilometre wide strip along the northwest coast and essentially all of Brunei Bay to the east.

The Company's subsidiaries drilled two wells in Brunei, to meet its minimum work commitments. The Lukut Updip-1 well was drilled in the third quarter of 2013 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 is 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.

Romania Assets

In Romania, Serinus, through its indirectly wholly-owned subsidiary, Winstar Satu Mare, holds a 60% operated participating interest in the Satu Mare Concession, which is currently in the second exploration phase. Winstar Satu Mare and the other holder of an interest in the Satu Mare Concession, Rompetrol S.A. (which holds the other 40% participating interest in the Satu Mare Concession), hold the right to explore for hydrocarbons within the perimeter of the EIV 5-Satu Mare block pursuant to the Satu Mare Concession Agreement. The relationship between Winstar Satu Mare and Rompetrol S.A. is governed by the Satu Mare JOA. The Satu Mare Concession area is located in north-western Romania, on the border with Hungary and Ukraine, and is approximately 2,949 km² in size. The Satu Mare Concession Agreement has a term of thirty years, expiring September 2034. The second phase of the exploration period ends May 2015. Serinus (acting through Winstar Satu Mare) 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 farm-in agreement, Serinus is required to fund 100%. The Company expects to complete phase 2 in 2014/2015. The 2014 program includes works on two exploration wells and 180 km² of 3D seismic. The two wells, Moftinu-1001 and 1002bis, will be drilled back to back, with the spud of the first well expected in November of 2014. Shooting of the new 3D seismic program will also commence in September, and is expected to take 6 - 8 weeks. Under the terms of the Satu Mare Farmout Agreement, Winstar Satu Mare pays 100% of phase 1 and phase 2 exploration costs. Phase 1 obligations under the concession agreement, which were completed in 2013, included drilling of two wells and shooting 80 km² of 3D seismic. Winstar Satu Mare is committed to complete the second phase by May 2015 which includes drilling of two additional exploration wells and the acquisition of 180 km² of 3D seismic at a total expected cost of of \$14.8 million (\$8.8 million for drilling and \$6 million for seismic) including Value Added Tax at 24%.

For further details concerning the Satu Mare Concession please refer to Subsection 6.6.5. “*Romania*”, Satu Mare Concession Agreement – Subsection 6.6.5.1. “*Romanian Assets*”, Satu Mare JOA – Subsection 6.6.5.6. “*Material Agreements*”, part (b) “*Joint Operating Agreement*”, Satu Mare Farmout Agreement – Subsection 6.6.5.6. “*Material Agreements*” part (a) Farmout Agreement in this Section 6 of the Prospectus..

Syria Assets

Exploration work in Syria, which has been conducted by the Company’s subsidiary, Loon Latakia, remains suspended as at the date of this Prospectus. The first exploration well was spud on Syria Block 9 in July 2011 and was suspended without reaching total depth in October 2011. Effective July 16, 2012, the Loon Latakia, in its capacity as operator of Syria Block 9, declared a *force majeure* event due to difficult operating conditions and restrictions on the movement of funds both into and within the country, which together resulted in circumstances under which it was impossible for the Loon Latakia to meet its obligations under the Syria Block 9 PSC. The Company continues to monitor operating conditions in Syria to assess when a recommencement of its Syrian operations may become possible.

As at June 30, 2014, 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.

6.1.2. An indication of any significant new products and/or services that have been introduced and, to the extent the development of new products or services has been publicly disclosed, give the status of development.

None new products and/or services have been introduced.

6.2. Principal Markets

A description of the principal markets in which the issuer competes, including a breakdown of total revenues by category of activity and geographic market for each financial year for the period covered by the historical financial information.

As of the date of this Prospectus, the principal markets in which the Company, through the companies of the Issuer's Group, is actively involved are: 1) Ukraine, where the Company carries on business through an indirect partially-owned subsidiary, 2) Tunisia, where the Company carries on business through an indirect wholly-owned subsidiary, 3) Brunei, where the Company carries on business through two indirect wholly-owned subsidiaries, and 4) Romania, where the Company carries on business through an indirect wholly-owned subsidiary. Due to a declaration of a *force majeure* event, the Company's activity in Syria as at the date of this Prospectus is suspended.

The Company's subsidiaries activities in Brunei and Romania are in the exploration and appraisal stage and Loon Latakia's (Company's subsidiary) activities in Syria are suspended due to *force majeure*, and as such, have not resulted in the production of any oil or natural gas and have generated no revenues in any of the last three financial years or since the Winstar Acquisition.

Detailed revenue, expense, net loss, capital expenditure and asset information broken down by geographic segment for each financial year for the period covered by the historical financial information:

- **For the period of three and six months ended June 30, 2014 (Tunisia and Romania included)**

13. Segmented information

The Company's reportable segments are organized by geographical areas and consist of Romania, Tunisia, Brunei, Ukraine and corporate. For the period ending June 30, 2014, the Company has four customers with sales representing 25%, 21%, 17% and 16% of total sales.

(Thousands of US dollars)

As at June 30, 2014

	Romania	Tunisia	Brunei	Ukraine	Corporate	Total
Total Assets	\$ 3,975	\$ 180,663	\$ -	\$ 103,921	\$ 8,782	\$ 297,341

For the three months period ended June 30, 2014

Oil and gas revenue, net of royalties	\$ -	\$ 10,647	\$ -	\$ 22,929	\$ -	\$ 33,576
Operating expenses:						
Production expense	-	(4,105)	-	(3,092)	-	(7,197)
General and administrative	-	59	-	16	(2,496)	(2,421)
Transaction costs	-	-	-	-	(517)	(517)
Stock based compensation	-	-	-	-	(687)	(687)
Gain (loss) on disposition of assets	-	-	107	-	-	107
Depletion/depreciation	(1)	(3,003)	-	(4,815)	(35)	(7,854)
Finance income/(expense)						
Interest and other income	-	5	-	39	100	144
Unrealized loss on investment	-	-	-	-	27	27
Interest expense and accretion	-	(302)	-	(570)	(849)	(1,721)
Foreign exchange gain/(loss)	(11)	(99)	-	(591)	(172)	(873)
Earnings (loss) before tax	\$ (12)	\$ 3,202	\$ 107	\$ 13,916	\$ (4,629)	\$ 12,584
Current tax expense	\$ -	\$ 1,002	\$ -	\$ (2,569)	\$ -	\$ (1,567)
Deferred tax recovery/(expense)	\$ -	\$ (2,233)	\$ -	\$ (51)	\$ -	\$ (2,284)
Net Earnings (loss)	\$ (12)	\$ 1,971	\$ 107	\$ 11,296	\$ (4,629)	\$ 8,733
Capital expenditures	\$ 1,618	\$ 8,815	\$ -	\$ 5,367	\$ 259	\$ 16,059

(Thousands of US dollars)

For the six months period ended June 30, 2014

	Romania	Tunisia	Brunei	Ukraine	Corporate	Total
Oil and gas revenue, net of royalties	\$ -	\$ 21,409	\$ -	\$ 40,081	\$ -	\$ 61,490
Operating expenses:						
Production expense	-	(6,894)	-	(6,345)	-	(13,239)
General and administrative	-	-	-	-	(4,406)	(4,406)
Transaction costs	-	-	-	-	(1,500)	(1,500)
Stock based compensation	-	-	-	-	(1,717)	(1,717)
Gain (loss) on disposition of assets	-	-	107	-	-	107
Depletion/depreciation	(3)	(6,016)	-	(10,068)	(64)	(16,151)
Impairment on exploration and evaluation assets	-	-	(337)	-	-	(337)
Finance income/(expense)						
Interest and other income	-	5	-	243	100	348
Unrealized loss on investment	-	-	-	-	69	69
Interest expense and accretion	-	(504)	-	(1,030)	(1,501)	(3,035)
Foreign exchange gain/(loss)	(23)	(193)	-	(4,192)	(109)	(4,517)
Earnings (loss) before tax	\$ (26)	\$ 7,807	\$ (230)	\$ 18,689	\$ (9,128)	\$ 17,112
Current tax expense	\$ -	\$ (243)	\$ -	\$ (4,258)	\$ -	\$ (4,501)
Deferred tax recovery/(expense)	\$ -	\$ (1,599)	\$ -	\$ 455	\$ -	\$ (1,144)
Net Earnings (loss)	\$ (26)	\$ 5,965	\$ (230)	\$ 14,886	\$ (9,128)	\$ 11,467
Capital expenditures	\$ 2,641	\$ 10,486	\$ 337	\$ 12,528	\$ 318	\$ 26,310

(Thousands of US dollars)

At December 31, 2013	Romania	Tunisia	Brunei	Ukraine	Corporate	Total
Total Assets	\$ 1,357	\$ 183,988	\$ 1,062	\$ 120,862	\$ 5,204	\$ 312,473
For the three months ended June 30, 2013						
Oil and gas revenue, net of royalties	\$ -	\$ -	\$ -	\$ 21,502	\$ -	\$ 21,502
Operating expenses:						
Operating expense	-	-	-	(5,890)	-	(5,890)
General and administrative	-	-	-	-	(2,138)	(2,138)
Transaction costs	-	-	-	-	(1,955)	(1,955)
Stock based compensation expense	-	-	-	-	(211)	(211)
Depletion/Depreciation	-	-	-	(5,029)	(35)	(5,064)
Finance income/(expense)						
Interest and other income	-	-	-	202	(1)	201
Interest expense and accretion	-	-	-	(575)	(427)	(1,002)
Foreign exchange gain (loss)	-	-	-	(42)	20	(22)
Earnings (loss) before tax	\$ -	\$ -	\$ -	\$ 10,168	\$ (4,747)	\$ 5,421
Capital expenditures	\$ -	\$ -	\$ 5,430	\$ 3,770	\$ 4	\$ 9,204

(Thousands of US dollars)

	Romania	Tunisia	Brunei	Ukraine	Corporate	Total
For the six months ended June 30, 2013						
Oil and gas revenue, net of royalties	\$ -	\$ -	\$ -	\$ 42,664	\$ -	\$ 42,664
Operating expenses:						
Production expense	-	-	-	(10,809)	-	(10,809)
General and administrative	-	-	-	-	(5,377)	(5,377)
Transaction costs	-	-	-	-	(2,455)	(2,455)
Stock based compensation	-	-	-	-	(438)	(438)
Depletion/depreciation	-	-	-	(10,076)	(75)	(10,151)
Finance income/(expense)						
Interest and other income	-	-	-	445	-	445
Unrealized loss on investment	-	-	-	-	(100)	(100)
Interest expense and accretion	-	-	-	(1,515)	(869)	(2,384)
Foreign exchange loss	-	-	-	(266)	(16)	(282)
Earnings (loss) before tax	\$ -	\$ -	\$ -	\$ 20,443	\$ (9,330)	\$ 11,113
Capital expenditures	\$ -	\$ -	\$ 9,149	\$ 8,931	\$ 5	\$ 18,085

Source: Note 13 (Segmented Information) to the Issuer's Condensed Consolidated Quarterly Financial Statements for the three and six months ended June 30, 2014 and 2013, published on the Company's website www.serinusenergy.com

- **For the financial year ended December 31, 2013 (Tunisia and Romania included starting from the date of Winstar Acquisition was effective, i.e. June 24, 2013)**

The Company's reportable segments are organized by geographical areas and consist of Romania, Tunisia, Brunei, Syria, Ukraine and corporate.

(Thousands of US dollars)

As at December 31, 2013	Romania	Tunisia	Brunei	Ukraine	Corporate	Total
Total Assets	\$ 1,357	\$ 183,988	\$ 1,062	\$ 120,862	\$ 5,204	\$ 312,473
For the year ended December 31, 2013						
Oil and gas revenue, net of royalties	\$ -	\$ 24,850	\$ -	\$ 87,386	\$ -	\$ 112,236
Operating expenses:						
Production expense	-	(5,750)	-	(15,176)	-	(20,926)
General and administrative	-	(319)	-	(1,746)	(10,002)	(12,067)
Transaction costs	-	-	-	-	(4,487)	(4,487)
Stock based compensation	-	-	-	-	(2,927)	(2,927)
Loss on disposition of assets	-	-	-	-	-	-
Depletion/depreciation	(2)	(6,552)	-	(21,077)	(151)	(27,782)
Impairment on exploration and evaluation assets	-	-	(83,053)	-	-	(83,053)
Finance income/(expense)						
Interest and other income	-	20	-	564	6	590
Unrealized loss on investment	-	-	-	-	(145)	(145)
Interest expense and accretion	-	(647)	-	(2,415)	(1,347)	(4,409)
Foreign exchange gain/(loss)	9	39	-	(1,311)	89	(1,174)
Earnings (loss) before tax	\$ 7	\$ 11,641	\$ (83,053)	\$ 46,225	\$ (18,964)	\$ (44,144)
Current tax expense	\$ -	\$ (5,543)	\$ -	\$ (10,482)	\$ -	\$ (16,025)
Deferred tax recovery/(expense)	\$ -	\$ 1,200	\$ -	\$ 1,443	\$ -	\$ 2,643
Net Earnings (loss)	\$ 7	\$ 7,298	\$ (83,053)	\$ 37,186	\$ (18,964)	\$ (57,526)
Capital expenditures	\$ 788	\$ 2,681	\$ 42,146	\$ 30,034	\$ (89)	\$ 75,560

(Thousands of US dollars)

As at December 31, 2012	Brunei	Syria	Ukraine	Corporate	Total
Total Assets	\$ 41,987	\$ 620	\$ 139,904	\$ 5,198	\$ 187,709
For the year ended December 31, 2012					
Oil and gas revenue, net of royalties	\$ -	\$ -	\$ 80,120	\$ -	\$ 80,120
Operating expenses:					
Production expense	-	-	(12,223)	-	(12,223)
General and administrative	-	-	-	(9,498)	(9,498)
Transaction costs	-	-	-	(4,193)	(4,193)
Stock based compensation	-	-	-	(1,968)	(1,968)
Loss on disposition of assets	(205)	-	-	-	(205)
Depletion/depreciation	-	-	(25,824)	(6)	(25,830)
Impairment on exploration and evaluation assets	(85,491)	(2,248)	-	-	(87,739)
Finance income/(expense)					
Interest and other income	-	-	806	1,753	2,559
Unrealized loss on investment	-	-	-	(82)	(82)
Interest expense and accretion	-	-	(5,578)	(2,509)	(8,087)
Foreign exchange gain/(loss)	-	-	310	(491)	(181)
Earnings (loss) before tax	\$ (85,696)	\$ (2,248)	\$ 37,611	\$ (16,994)	\$ (67,327)
Current tax expense	\$ -	\$ -	\$ (9,681)	\$ -	\$ (9,681)
Deferred tax recovery (expense)	\$ -	\$ -	\$ (1,974)	\$ -	\$ (1,974)
Net Earnings (loss)	\$ (85,696)	\$ (2,248)	\$ 25,956	\$ (16,994)	\$ (78,982)
Capital expenditures	\$ 20,687	\$ 154	\$ 35,947	\$ 144	\$ 56,932

Source: note 22 (Segmented Information) to the Issuer's Consolidated Financial Statements for the years ended December 31, 2013 and 2012, published on the Company's website www.serinusenergy.com

- **For the financial year ended December 31, 2012 (before Winstar Acquisition – Tunisia and Romania not included)**

The Company's reportable segments are organized by geographical areas and consist of Brunei, Syria, Ukraine and corporate.

(Thousands of US dollars)

As at December 31, 2012	Brunei	Syria	Ukraine	Corporate	Total
Total Assets	\$ 41,987	\$ 620	\$ 139,904	\$ 5,198	\$ 187,709
For the year ended December 31, 2012					
Oil and gas revenue, net of royalties	\$ -	\$ -	\$ 80,120	\$ -	\$ 80,120
Operating expenses:					
Production expense	-	-	(12,223)	-	(12,223)
General and administrative	-	-	-	(9,498)	(9,498)
Transaction costs	-	-	-	(4,193)	(4,193)
Stock based compensation	-	-	-	(1,968)	(1,968)
Loss on disposition of assets	(205)	-	-	-	(205)
Depletion/depreciation	-	-	(25,824)	(6)	(25,830)
Impairment on exploration and evaluation assets	(85,491)	(2,248)	-	-	(87,739)
Finance income/(expense)					
Interest and other income	-	-	1,580	979	2,559
Unrealized loss on investment	-	-	-	(82)	(82)
Interest expense and accretion	-	-	(5,578)	(2,509)	(8,087)
Foreign exchange gain/(loss)	-	-	310	(491)	(181)
Earnings (loss) before tax	\$ (85,696)	\$ (2,248)	\$ 38,385	\$ (17,768)	\$ (67,327)
Capital expenditures	\$ 20,687	\$ 154	\$ 35,947	\$ 144	\$ 56,932

(Thousands of US dollars)

As at December 31, 2011	Brunei	Syria	Ukraine	Corporate	Total
Total Assets	\$ 99,059	\$ 3,649	\$ 119,131	\$ (1,564)	\$ 220,275
For the year ended December 31, 2011					
Oil and gas revenue, net of royalties	\$ -	\$ -	\$ 28,337	\$ -	\$ 28,337
Operating expenses:					
Production expense	-	-	(7,228)	-	(7,228)
General and administrative	-	-	-	(9,021)	(9,021)
Transaction costs	-	-	-	(1,047)	(1,047)
Stock based compensation expense	-	-	-	(2,672)	(2,672)
Impairment on exploration and evaluation assets	-	(8,664)	-	-	(8,664)
Depletion/depreciation	-	-	(7,520)	(76)	(7,596)
Finance income/(expense)					
Interest and other income	-	-	(10)	4	(6)
Unrealized gain on investment	-	-	-	(66)	(66)
Interest expense and accretion	-	-	(1,999)	(1,862)	(3,861)
Foreign exchange gain	-	-	-	(354)	(354)
Equity loss of associates	-	-	-	(1,516)	(1,516)
Gain/(Loss) before tax	\$ -	\$ (8,664)	\$ 11,580	\$ (16,610)	\$ (13,694)
Capital expenditures	\$ 6,252	\$ 3,586	\$ 29,816	\$ 99	\$ 39,753

Source: note 23 (Segmented Information) to the Issuer's Consolidated Financial Statements for the years ended December 31, 2012 and 2011, published on the Company's website www.serinusenergy.com

- **For the financial year ended December 31, 2011 (before Winstar Acquisition – Tunisia and Romania not included)**

The Company's reportable segments are organized by geographical areas and consist of Brunei, Syria, Ukraine and corporate.

(Thousands of US dollars)

As at December 31, 2011	Brunei	Syria	Ukraine	Corporate	Total
Total Assets	\$ 99,059	\$ 3,649	\$ 119,131	\$ (1,564)	\$ 220,275
For the year ended December 31, 2011					
Oil and gas revenue, net of royalties	\$ -	\$ -	\$ 28,337	\$ -	\$ 28,337
Operating expenses:					
Production expense	\$ -	\$ -	\$ (7,228)	\$ -	\$ (7,228)
General and administrative	-	-	-	(9,021)	(9,021)
Acquisition costs	-	-	-	(1,047)	(1,047)
Stock based compensation	-	-	-	(2,672)	(2,672)
Depletion/depreciation	-	-	(7,520)	(76)	(7,596)
Impairment on of exploration and evaluatic	-	(8,664)	-	-	(8,664)
Finance income/(expense)					
Interest and other income	-	-	(10)	4	(6)
Unrealized loss on investment	-	-	-	(66)	(66)
Interest expense and accretion	-	-	(1,999)	(1,862)	(3,861)
Gain on sale of assets	-	-	-	-	-
Foreign exchange loss	-	-	-	(354)	(354)
Equity loss of associates	\$ -	\$ -	\$ -	\$ (1,516)	\$ (1,516)
Earnings (loss) before tax	\$ -	\$ (8,664)	\$ 11,580	\$ (16,610)	\$ (13,694)
Capital expenditures	\$ 6,252	\$ 3,586	\$ 30,148	\$ 99	\$ 40,085

(Thousands of US dollars)

As at December 31, 2010	Brunei	Syria	Ukraine	Corporate	Total
Total Assets	\$ 91,705	\$ 15,782	\$ 76,725	\$ 13,113	\$ 197,325
For the year ended December 31, 2010					
Oil and gas revenue, net of royalties	\$ -	\$ -	\$ 7,469	\$ -	\$ 7,469
Operating expenses:					
Production expense	\$ -	\$ -	\$ (4,127)	\$ -	\$ (4,127)
General and administrative	-	-	-	(9,376)	(9,376)
Acquisition costs	-	-	-	(1,570)	(1,570)
Stock based compensation expense	-	-	-	(3,673)	(3,673)
Depletion/depreciation	-	-	(2,565)	(177)	(2,742)
Finance income/(expense)					
Interest and other income	-	-	(334)	516	182
Unrealized gain on investment	-	-	-	158	158
Interest expense and accretion	-	-	(55)	(4,404)	(4,459)
Gain on sale of assets	-	-	-	315	315
Foreign exchange gain	-	-	(37)	(621)	(659)
Mark to market on derivative liability	-	-	-	193	193
Equity loss of associates	-	-	-	(226)	(226)
Gain/(Loss) before tax	\$ -	\$ -	\$ 351	\$ (18,865)	\$ (18,514)
Capital expenditures	\$ 22,130	\$ 1,904	\$ 7,649	\$ 309	\$ 31,992

Source: note 23 (Segmented Information) to the Issuer's Consolidated Financial Statements for the years ended December 31, 2011 and 2010, published on the Company's website www.serinusenergy.com

Overview of Ukraine, Tunisia, Brunei, Romania and Syria as well as the terms of granting the right to engage in prospecting for and production of oil and gas in their territory

6.2.1. Ukraine

6.2.1.1. Overview

Ukraine is situated in eastern Europe, north of the Black Sea and the Sea of Azov and bordered by Poland, Slovakia and Hungary to the west, Romania and Moldova to the south and southwest, Belarus and Russia to the north and Russia to the east.

6.2.1.2. Licensing and Regulatory Regime in Ukraine

The general discussion in this section is intended to provide a broad overview of the regulatory regime for all oil and gas exploration and production activities conducted within Ukraine. The specific gas producing assets owned by the Company through KUB-Gas are described in Section 6 *"Business overview"*, Subsection 6.6.2.2. *"KUB-Gas Assets"*.

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

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

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

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

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

The issuance of a special permit for exploration (including pilot production) or production of oil and gas is also conditional on: (i) the local authorities consenting to allocate the land plot(s) necessary for

the subsoil activities; and (ii) the approval of the regional departments of the Ministry of Ecology and Natural Resources of Ukraine. The commencement of oil and gas commercial production is also subject to: (i) the State Committee of Ukraine in Industrial Safety, Labour Safety and Mining Control granting a mining allotment to the subsoil user; (ii) approval of the respective subsoil plot for commercial production by the Ministry of Energy and Coal Industry of Ukraine; and (iii) putting the subsoil plot into production.

If a special permit holder fails to meet its obligations under the special permit, special permitting agreement or the respective work programme, then it is considered to be in default and must either cure the default or risk losing the special permit. There is no set cure period, although the special permit holder has the option of appealing in court. Ukrainian legislation further provides for the suspension, annulment or registration of a special permit.

A subsoil user that wishes to commence commercial production at the subsoil plot must proceed as follows in order to transfer the subsoil plot from the exploration and pilot production stage to the commercial production stage and to become eligible for a commercial production special permit. The subsoil user must: (i) complete the geological survey and the pilot production of the subsoil plot in compliance with the work programmes and the agreements on subsoil use (e.g., to prepare a draft estimation of the reserves based on the exploration results, to receive approval of the State Commission on Reserves of Mineral Resources, and to register the deposit's reserves); (ii) receive approval of the Ministry of Energy and Coal Industry of Ukraine for further commercial production of the deposit; and (iii) commence commercial production at the deposit.

In order to construct gas pipelines from its producing wells on the Ukraine Licences to the Ukraine gas transportation infrastructure, KUB-Gas must comply with the land use registration system in Ukraine. Recent developments relating to the land use registration system in Ukraine may result in delays or may increase the costs for the Company's plans to connect additional producing wells to the Ukraine gas transportation infrastructure, or may result in KUB-Gas having to suspend production of gas from certain of its producing wells on the Ukraine Licences until certain pipelines are constructed. For further information please see Section 1 of this Prospectus "*Risk Factors*" in Subsection 1.1.9. *Compliance with Foreign Regulatory Regimes*".

The long-term success of the Issuer's Group in Ukraine will be dependent on its ability to deal effectively with the legal and regulatory issues which affect the oil and gas business in Ukraine and to maximize production capability of its assets. See Section 1 of this Prospectus "*Risk Factors*" in Subsection 1.1.9. *"Compliance with Foreign Regulatory Regimes"*.

6.2.1.3. Pricing of Natural Gas Sales

The domestic gas price within Ukraine is set by reference to the Russian imported gas price. Natural gas prices in Ukraine have increased significantly in the past several years as a result of changes in prices charged by Russia at the Russia/Ukraine border. As Ukraine relies to a significant extent on supplies of energy resources from Russia, the domestic industrial gas price in Ukraine exhibits a strong correlation with the Russian gas import price. This import price, and consequently the prices which may be charged by producers in Ukraine to their industrial customers, is determined based on annual negotiations between the governments of Ukraine and Russia. Royalty rates are set each month by the government of Ukraine based primarily on prevailing market prices. See Section 1 of this Prospectus "*Risk Factors*" in Subsection 1.1.13. *"Foreign Exchange Risks and Commodity Hedging"*.

Ukrainian gas pricing regulation differentiates between gas prices which may be charged to residential customers and prices which may be charged to industrial customers. Industrial customer gas prices in Ukraine are based on the price set by the Ukrainian government for its gas sales to industrial users. All of the natural gas production of KUB-Gas is sold to industrial users. 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. The average realized price for natural gas and condensate produced and sold by KUB-Gas during 2012 was \$11.71 per Mcf for natural gas and \$98.91 per barrel for condensate. 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 and \$98.04 per barrel for condensate. Ukraine natural gas commodity prices were lower in the first quarter of 2014 compared to the same period in 2013, with a realized natural gas price of \$8.55 per Mcf, compared to \$11.61 per Mcf for the first quarter of 2013. The estimated prices received in Ukraine during the second quarter were \$10.23/Mcf and \$79.86/bbl. The gas price was significantly higher than the \$8.67/Mcf realized in the first quarter of 2014, as the discounts on imported Russian gas during the prior quarter expired on April 1, 2014, and Ukrainian Hryvnia (“UAH”) reached a more stable level vs. the U.S. dollar (“USD”).

The domestic gas price within Ukraine is set by the National Electricity Regulatory Commission of Ukraine by reference to the Russian imported gas price. Natural gas sales for a particular month are traditionally prepaid on the 10th day of that month, which is also the date that any adjustments to actual for the previous month are settled. Since February 2013, natural gas sales receipts have been received throughout the month, and it would appear that this is reflective of a more competitive gas sales market and will continue into the future. In Ukraine, all of KUB-Gas’s production is marketed and sold to brokers, 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.

Realized price for the first quarter of 2014 was of \$8.55 per Mcf. This price reflects both the discounts on the Russian gas, and the ongoing deterioration of the Ukrainian Hryvnia versus in particular the US Dollar. Effective April 1 2014, the discounts on Russian gas expired with the announced gas price for April being 4,020 UAH per Mcm or \$9.13per Mcf using an average exchange rate of 11.89 UAH/USD. The actual price received by Kub-Gas is approximately 9-10% less for the profit margin of the brokers. The estimated prices received in Ukraine during the second quarter of 2014 were \$10.23/Mcf and \$77.79/bbl. The gas price was significantly higher than the \$8.67/Mcf realized in the first quarter of 2014, as the discounts on imported Russian gas during the prior quarter expired on April 1, 2014, and Ukrainian Hryvnia (“UAH”) reached a more stable level vs. the U.S. dollar (“USD”). Gas sold in Ukraine by KUB-Gas is based on the import price of Russian gas, which in turn is linked to the price of oil. KUB-Gas is paid in UAH, making its realized price in USD also subject to exchange rate risk. That exchange rate was substantially less volatile during the second quarter of 2014 than in the first quarter which contributed to the higher realized gas prices. 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 KUB-Gas will receive on its Ukraine production.

See also description of risk factors set out in Subsection 1.1.13. *“Foreign Exchange Risks and Commodity Hedging”* in Section 1 *“Risk Factors”* of this Prospectus.

Further information on current activity in Ukraine are set out in Section 6 “*Business Overview*” of this Prospectus, in Subsection 6.6.2. “*Ukraine*”.

6.2.2. *Tunisia*

6.2.2.1. Overview

Tunisia is located in the northernmost part of Africa, bordering the Mediterranean Sea, between Algeria to the west and Libya to the southeast. The major industries include petroleum, mining (particularly phosphate and iron ore), tourism, textiles, footwear, agribusiness and beverages. Natural resources include petroleum, phosphates, iron ore, lead, zinc and salt.

In 2011, a revolution resulted in the overthrow of former President Zine El Abidine Ben Ali and the first free elections in the country were held. Since then, Tunisia has been consolidating its young democracy. As the economy recovers, Tunisia’s government faces challenges reassuring businesses and investors, bringing budget and current account deficits under control, shoring up the country’s financial system, bringing down high unemployment, and reducing economic disparities between the more developed coastal region and the impoverished interior.

Intensive exploration has been carried out in Tunisia since the discovery of oil in neighbouring Algeria and in May 1964, Tunisia’s first oil field, El Borma, was discovered in the southern region near its frontier with Algeria. Areas of hydrocarbon importance include the Gulf of Gabes and the Ghadames Basin in the southern part of the country.

Tunisia’s upstream oil industry is modest. Current proven oil reserves are approximately 425 MMbbl and current proven gas reserves are approximately 65 bcm. Approximately two-thirds of Tunisia’s proven gas reserves are located offshore. Tunisia produced an average of 77.6 thousand barrels of crude oil per day in 2011, representing 0.09% of world production and a change of -2.5 % compared to 2010. This decrease in oil production is thought to be predominately due to disruptions caused by the 2011 revolution. Approximately 76 per cent of Tunisia’s oil production comes from the following concessions in the southern and eastern parts of the country: El Borma, Ashtart, Sidi el Kilani, Ouedna, Adam and Didon; the remaining oil is produced from 29 other smaller concessions.

The L’Entreprise Tunisienne d’Activités Pétrolières (“**ETAP**”) is the state-owned industrial and commercial company created in 1972. ETAP is responsible for the management of oil and gas exploration and production activities on behalf of the Tunisian State.

As at 1 January 2012, Tunisia was the 11th largest producer of natural gas in Africa. In 2010, commercial gas production in Tunisia was approximately 2.0 bcm – the majority of which originated from the Miskar (offshore) and Franig fields, being the country’s two major gas fields.

Foreign companies which have engaged in hydrocarbon operations in Tunisia include Agip, Anadarko, EHT, British Gas, Centurion Oil, CMS Oil and Gas, Samedan Oil, Marathon Oil, Kuwait Foreign Petroleum Exploration Company (Kufpec), Total, Fina, Neste Oy, Nuevo Energy, Oranje Nassau, Union Texas Petroleum, Petro-Canada, Phillips Petroleum, Pluspetrol, EGEP and Walter Enserch.

A network of oil and gas pipelines covers the country, linking fields with ports and urban centers. Crude oil from the Saharan oil fields of Tunisia, including El Borma, Chouech Es Saida Skhira, Adam, and Makhrouga / Larich / Debech, is delivered to the La Skhira terminal, in the Gulf of Gabes, through a 24-inch pipeline. Since 1972, gas has also been delivered from the El Borma field to the Gulf of Gabes via a 10.75 inch pipeline. Additionally, two 48-inch Trans-Mediterranean pipelines transect the country and transport gas from Algeria to Italy via Tunisia.

The Ministry of Industry and Technology is the authority in Tunisia responsible for supervising the hydrocarbons sector and granting prospecting authorisations, exploration permits and exploitation concessions. Its powers are set out in the Hydrocarbons Code. The Ministry of Industry and Technology also supervises the General Department of Energy, which manages requests for permits/concessions granted by the Ministry of Industry and Technology, such as extensions to sub-periods, and relinquishments of contract areas.

6.2.2.2. Licensing and Regulatory Regime in Tunisia

The exploration and production of oil and gas in Tunisia is essentially a two-step process. The government of Tunisia (the “**Tunisian State**”) grants an oil and gas company an exploration permit to explore for hydrocarbons in a given area for a given period of time. This exploration permit is governed by a convention agreement. If the oil and gas company makes a commercial discovery within the area of the exploration permit then it may make an application to the Tunisian State for a production concession. The exploitation of oil and gas is not allowed without obtaining such a concession. The perimeter of a concession encompasses one hydrocarbon structure and must be continuous, contain the discovery location and be located entirely within an exploration permit at the time of discovery, among other technical criteria with respect to its size. The granting of a concession leads to the complete cancellation of the exploration permit for that portion of the permit comprising the concession. The concession is granted by order of the relevant Tunisian State Ministry, and is effective upon the publication of such order in the *Journal Officiel de la République Tunisienne* (the “**JORT**”).

The terms of a concession are outlined in the original convention agreement that governed the exploration permit. So while an exploration permit may have expired, or the holder of a concession may not be the holder of the originating exploration permit, the terms of such exploration permit nevertheless outline the terms of the concession. All of the conventions governing the Tunisia Concession Agreements contain a series of standard terms (the “**Concession Standard Terms**”).

The Concession Standard Terms are as follows:

A. Obtaining a Concession

The holder of a concession (a “**Holder**”) is obligated to exploit the concession in accordance with oil and gas industry standards and with the purpose of serving, to the extent possible, fundamental Tunisian economic interests. If the Holder demonstrates that no method of production would produce substances at a beneficial price, the Holder may be relieved from the obligation to produce. If the Tunisian state wishes to ensure supplies of hydrocarbons to the country and decides such discovery should be exploited, the Holder must undertake such production on the condition that the Tunisian state guarantees the purchase of all produced hydrocarbons at a fair price that covers the Holder’s direct and general exploration expenses, taxes, other expenses as well as a profit margin equal to 10% of such expenses. Under certain circumstances, the Tunisian state may even be required to provide financing to the Holder or otherwise guarantee the Holder’s financing with respect to the increased investment required by the Tunisian state’s request. The Holder can forego the above obligations by renouncing the part of the concession to which the Tunisian state’s request applies.

B. Royalty Payments

Under a concession, the Holder undertakes to pay or deliver to the Tunisian state a royalty proportionate to its share of production. The royalty rates and royalty structures differ by concession.

The production for which such royalties apply is measured at the outlets of the storage tanks situated in the production fields using a mutually agreed upon methodology. The value or quantities of hydrocarbons shall not take into account hydrocarbons used by the Holder in its own facilities, non-marketable product, and escaped, flared or re-injected gas.

In return for the royalty payments, the Tunisian state exonerates the Holder from certain duties, taxes and tariffs, direct or indirect, that the Holder would otherwise be required to pay to the Tunisian State or other public authority. The Holder is not, however, exempted from taxes, fees and dues prescribed by the Tunisian Licence Code.

C. State Priority Rights and Pricing

Other than the up to 20% of oil produced from the Sabria Concession which the Winstar Tunisia is required to sell into the local market, which is sold at an approximate 10% discount to the price obtained on its other crude sales, the Holder will be held to a sale price for raw liquid hydrocarbons that will not be less than the Regular Price. The “Regular Price” is the price that is received in markets that are considered to be a normal outlet for Tunisian production based on comparable hydrocarbon quality and taking into account factors such as insurance and freight. According to the permits, the current price will therefore be the current world price used in normal commercial transactions while eliminating those prices of accidental sales and unrepresentative transactions.

Further information on current activity in Tunisia are set out in Section 6 “*Business oVerview*” of this Prospectus, in Subsection 6.6.3. “*Tunisia*”.

6.2.3. *Brunei*

6.2.3.1. Overview

Brunei, located in southeast Asia on the northwest coast of the island of Borneo, has a long history of oil production dating back to the early part of the twentieth century.

The oil and gas industry has been the major factor impacting the economy of Brunei for many years and Brunei Shell Petroleum Company („**BSP**“), jointly owned by Shell and the Government of Brunei is the dominant producer in the country.

In 2002, the Government of Brunei established the country's first national oil company, PetroleumBRUNEI. The long term success of the Issuer’s Group in Brunei will depend upon its ability to effectively manage its relationships with PetroleumBRUNEI, BSP and its direct joint venture partners.

6.2.3.2. Production Sharing Agreements and Regulatory Regime in Brunei

In Brunei, the exploration and production rights granted to oil and gas exploration companies are as set forth in the production sharing agreements entered into between such companies and the country's national oil company, PetroleumBRUNEI.

If the company conducting the exploration work and PetroleumBRUNEI establishes that the oil and gas deposits are good for commercial exploitation and can be developed, and PetroleumBRUNEI approves the development plan presented by the company, the company conducting exploration may enter the next phase contemplated under the production sharing agreement, that is commence the production, without the need to satisfy any additional conditions. In the event of a dispute over a development plan, if the company engaged in conducting the exploration work and

PetroleumBRUNEI fail to agree in an amicable manner that the discovered reserves are commercially viable, the issue may be resolved by way of arbitration.

The portfolio of the Minister of Energy in the Prime Minister's Office was created in 2005, placing it directly under the purview of the Sultan of Brunei, who is also the Prime Minister of Brunei. The Energy Division of the Prime Minister's Office is the government department responsible for the regulation of the oil and gas industry in Brunei and consequently the concession areas operated by BSP, , the main oil and gas production company in Brunei as of the date of this Prospectus.

The exploration and production rights of the Company's subsidiaries in Brunei are governed by the Brunei Block L PSA, which is summarized in Section 6 of this Prospectus "*Business overview*" in Subsection 6.6.4. "*Brunei*".

6.2.4. Romania

6.2.4.1. Overview

Romania is located in eastern Europe, bordering the Black Sea, and is bordered by Bulgaria, Hungary, Moldova, Serbia and the Ukraine. The country gained independence from the Ottoman Empire in 1878 and began its transition away from Communism in 1989. In early 2007 Romania became a member of the European Union.

Romania's principal natural resources include petroleum (although its reserves have been declining in recent years), timber, natural gas, coal, iron ore, and salt. With only 38% of its land being arable land, industry is a substantial component of Romania's economy (60% in 2011). As a result of the global financial crisis, in 2008 Romania signed on to a \$26 billion emergency assistance package from the International Monetary Fund (IMF), the European Union, and other international lenders. In 2012, following a reduction in export demand and an extended drought, Romania's growth slowed to less than 1%.

Oil and gas exploration has a long history in Romania. It was the first country in the world to have officially registered petroleum production and was home to the world's first refinery. Today, Romania holds a number of onshore and offshore petroleum basins, which some consider to be under-explored. In particular, the industry is targeting significant potential in the offshore Black Sea area and deeper untested plays onshore.

Romania has the fourth largest crude oil reserves in Europe with 600 million barrels of proved reserves as of January 1, 2013, and a total production capacity of 467,642 barrels per day. During the first four months of 2012, Romania exported €13.4 million worth of oil to the European Union. Despite its reserves, Romania's production of oil and dry natural gas has declined steadily over the past three decades. At the end of 2012, a government moratorium on shale gas exploration expired without being replaced. Currently, it is estimated that the country holds 51 Tcf of technically recoverable shale gas resources.

As a net petroleum importer, Romania offers competitive fiscal concessions terms to attract foreign capital for petroleum exploration and field development. Petroleum can be sold at world prices and domestic gas prices are beginning to move higher as part of the country's alignment of its energy policies to the rest of the European Union.

It is estimated that by 2015 Romanian natural gas consumption will reach 15 billion cubic metres/year. The main natural gas companies on the domestic market include Romgaz, a state-owned company with 26.5% of the market share, followed by WIEE, GDF Suez, OMV Petrom Gas and Interagro.

In February 2013, OMV Petrom, ExxonMobil Exploration and Production Romania Limited, announced that the first exploration well drilled at depth in the Black Sea, the Dominio-1 exploration well, encountered 70.7 metres of net gas pay resulting in a preliminary estimate for the accumulation ranging from 42 to 84 bcm. Supplementary evaluation of the results from Dominio-1 provided a preliminary estimation of the potential has production of approximately 630 million cubic feet per day (6.5 bcm annually). This figure is significant considering current Romanian consumption is approximately 13.5 bcm.

Gas transportation represents a service of national public interest and is considered a strategic activity for Russia. The entire transportation network is controlled by a single state-operated company, Transgaz. The oil transportation system is managed by Conpet, whose majority shareholder is the Ministry of Economy, and includes approximately 2,650 km of pipeline with a total transportation capacity of 28 million tonnes per year.

6.2.4.2. Licensing and Regulatory Regime in Romania

Petroleum reserves located underground or in the Romanian continental sea are public property of the Romanian state. Consequently, the right to exploit such reserves must be granted by the state, acting through NAMR.

Under Romanian law, petroleum operations are concessioned by NAMR, which enters into concession agreements with companies (Romanian-owned or foreign) wanting access to petroleum resources in the country. The concession agreements enter into force when approved by the Government and, in principle, are classified information. A concession agreement gives a company the right to perform the operations specifically provided therein (which usually consist of exploration, development and production of oil and gas in a particular area) in exchange for payment of royalties to the Romanian government. The royalties are scaled, varying proportionally with the gross production in a given quarter. The royalty for oil ranges from 3.5 to 13.5 percent, while for gas the royalty ranges from 3.5 to 13 percent. When Petrom SA was sold to OMV in 2004, the Romanian government made an undertaking not to increase royalties again until 2014. NAMR uses a bidding process to decide which company will be awarded a concession agreement in a particular area. The process can be initiated by NAMR or by any interested company and it follows the standard procedure of a public procurement bid. The successful bidder is selected by comparison of the financial and technical capabilities of the applicants. The typical term of a concession agreement is 30 years, with the possibility to extend for a further 15 years. Under Romanian petroleum law, the terms of the concession agreement remain in effect for the duration thereof, save for the enactment of regulations that are more favorable to the concession holder. The transfer of any of the rights awarded pursuant to the concession agreement and the formation of joint ventures are possible only with the prior written approval of NAMR.

In addition to concession agreements, the Romanian government also grants exploration licences which give a company a limited right to explore an area for petroleum for a term of three years. The term cannot be extended. An exploration licence is limited in comparison to a concession agreement as it does not give any right to develop or produce discoveries of oil and gas. Any discovery will be subject to a public bidding process and a subsequent concession agreement with NAMR.

The rights granted pursuant to the concession agreement refer exclusively to the petroleum reserves underground. Consequently, rights over the surface are a different matter and can take any of the legal forms allowed under Romanian law. Romanian petroleum law grants a legal easement in favour of a concession holder over private property lands where petroleum operations are carried out. The legal easement must affect the smallest area possible, and lasts for the duration of the relevant concession

agreement. The concession holders must pay the owners an annual rent, which is, in principle, freely negotiated. If the parties fail to agree in 60 days, the dispute can be referred to the courts.

Further information on current activity in Romania are set out in Section 6 of this Prospectus, in Subsection 6.6.5. "*Romania*".

6.2.5. Syria

6.2.5.1. Overview

Syria is located in the Middle East, bordering the Mediterranean Sea between Lebanon and Turkey. The first modern oil well in Syria was drilled in 1956 and the first significant gas well was drilled in 1982. Syria produced about 334,000bbls/d of crude oil and other petroleum liquids in 2011.

6.2.5.2. Production Sharing Contracts and Regulatory Regime in Syria

The oil and gas industry in Syria is governed by the Syrian Ministry of Oil and Gas. Under the terms of *National Law No. 7 (1953)*, petroleum resources found in the subsoil of Syria and off the Syrian continental shelf belong to the Syrian state. This legislation was supplemented by *Decree 133/22 (1964)*, which stipulates that all petroleum activities shall be controlled by the state. Petroleum operations by oil and gas companies occur under the terms of contracts with the Syrian Petroleum Company ("**SPC**") which is owned by the government of Syria.

The right to conduct petroleum operations within Syrian territory is granted in the form of a production sharing contract granted by the Syrian state to the contractor and SPC. SPC is entitled by Syrian law to explore, develop and invest in oil and gas projects on behalf of the Syrian government (as owner of all natural resources in Syria).

Individual production sharing contracts are passed into law and consequently their terms prevail over the provisions of the *Syrian Petroleum Law of 1953*. Any production sharing contract becomes binding only when a legislative text is published in the official Gazette, giving it the full force of law. The term of a production sharing contract is divided into the following two periods:

- an exploration period of 42 months which may be extended twice (first for a further 42 months and then for a further 36 months); and
- a commercial development period of 25 years (which may commence if commercial quantities of oil and gas are discovered).

If the company engaged in the exploration, the SPC and the Syrian government decide that there is a commercial quantity of oil and gas to develop, and SPC approves the development plan presented by the company engaged in the exploration, the company can enter the next phase contemplated in the production sharing agreement and commence the production, without the need to satisfy any additional conditions. In such event SPC and the company engaged in the exploration will form an operating company to operate the project on their behalf. 50% of the capital of the operating company is contributed by SPC and 50% by the contractor. All of the decisions that need to be made by the operating company's board are required to be unanimous. In the event of a dispute over a development plan, if the company engaged in exploration and SPC fail to agree in an amicable manner that the discovered reserves are commercially viable, the issue may be resolved by way of arbitration.

The exploration and production rights of the Issuer's subsidiaries in Syria are governed by the Syria Block 9 PSC summarized in Section 6 of this Prospectus "*Business overview*" in Subsection 6.6.6.6. "*Material Agreements*" in the part (a) Syria Block 9 PSC.

6.2.5.3. Force Majeure

The Syria Block 9 PSC which granted the Issuer's subsidiary – Loon Latakia the rights to explore for and, upon fulfillment of certain conditions, produce oil and natural gas from Syria Block 9, was signed on September 20, 2007.

Political unrest in Syria began in March 2011 and in July 2012, the Company, in its capacity as operator of Syria Block 9 (through Loon Latakia), declared *force majeure* under the terms of the Syria Block 9 PSC, due to difficult local operating conditions and the inability due to sanctions to fund local operations, which rendered the performance of its obligations under the Syria Block 9 PSC impossible. As at the date of this Prospectus, the Issuer's Group's operations on the Syria Assets remained suspended and subject to force majeure.

As at December 31, 2013 and June 30, 2014, 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.

For further details, see Section 1 of this Prospectus "*Risk Factors*", Subsection 1.1.9. "*Compliance with Foreign Regulatory Regimes*", Subsection 1.1.15. "*Title to Properties*" and Subsection 1.1.17. "*Political Instability in Syria and Syria Sanctions*".

Further information on current activity in Syria are set out in Section 6 of this Prospectus, in Subsection 6.6.6. "*Syria (Force Majeure)*".

6.3. Where the information given pursuant to items 6.1. and 6.2. has been influenced by exceptional factors, mention that fact.

Cycles

Prices for crude oil and natural gas are subject to periods of volatility. Prolonged increases or decreases in the price of oil and gas could significantly impact the Company. There is a strong relationship between energy commodity prices and access to both equipment and personnel. High commodity prices also affect the cost structure of services which may impact the Serinus Group's ability to accomplish drilling, completion and equipping goals. In addition, weather patterns are unpredictable and can cause delays in implementing and completing field projects.

The oil and gas business is cyclical by nature, due to the volatility of oil and gas commodity pricing as described above. Additionally, seasonal interruptions in drilling and construction operations can occur but are expected and accounted for in the budgeting and forecasting process. In Ukraine and Romania, access to drill sites and the ability to conduct seismic operations can be negatively impacted by cold weather and snow during the winter months and by heavy rains and muddy conditions in March and April. In Brunei, wet weather makes certain parts of the Company's subsidiaries lands inaccessible for drilling or seismic operations during certain parts of the year. In Syria and Tunisia, sandstorms can cause disruption in field operations as can cold weather in the winter months.

6.4. If material to the issuer's business or profitability, a summary information regarding the extent to which the issuer is dependent, on patents or licences, industrial, commercial or financial contracts or new manufacturing processes.

The Group's only product is natural gas and oil, which is extracted (not manufactured) and then distributed to customers.

For the period ending June 30, 2014, the Serinus Group has four customers with sales representing 25%, 21%, 17% and 16% of total sales. The table below presents relevant information concerning particular customers representing more than 10 % of sales.

Customer	Sales volume	Sales percentage
LLC Trans Gas Bureau with a head office located in Kiev, Ukraine	19,163,912	25%
LLC Yug-Gas with a head office in Odessa, Ukraine	16,047,338	21%
LLC YUMVA ¹ with head office in Lugansk, Ukraine	12,520,237	16%
ENI S.p.A with a head office in Rome, Italy	12,966,542	17%

Notwithstanding the above, considering that there is a ready market for oil and gas and consequently that demand out ways supply, Serinus Group would be able to easily substitute these customers for other thereby reducing the risk of dependency.

Therefore, in the Issuer's opinion, with respect to its core business, Serinus Group is not materially dependent on any patents or licences, industrial, commercial or financial contracts or new manufacturing processes.

6.5. The basis for any statements made by the issuer regarding its competitive position.

6.5.1. Competitive Conditions

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

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

¹ As of June 1, 2014 the Serinus Group no longer sells natural gas and oil to LLC YUMVA.

Company believes that the following factors maximize the success and revenues of the Company in the future.

Diversified Asset Base

The management of Serinus believes that Group's diversified asset base, balanced between high-risk exploration and lower risk appraisal opportunities, will maximize the future revenues of the Company and help mitigate the risks inherent in oil and gas exploration and development.

In particular, Serinus's reserves, production and operating cash flow platform in Ukraine balance its development, appraisal and exploration opportunities. Since acquiring the Ukraine Assets in June 2010, gross production has increased from less than 5.0 MMcfd to an average of 27.9 MMcfd in December 2013 and 21.3 MMcfd as at June 30, 2014. The Company, acting through its subsidiaries, continues to develop its Ukraine production base with additional development drilling and well stimulations, as well as planning the drilling of higher potential impact exploratory wells in Ukraine, Brunei, Tunisia and Romania, which offer significant potential upsides. The Company's long-term success is not dependent on any particular country, development concept or prospect type.

High Quality Deal Flow

The management of Serinus based in Dubai and Calgary are able to access new exploration and production opportunities from these key energy hubs by utilising their extensive personal contacts in the industry. In addition, the extensive business networks of KI in emerging markets and in central and eastern Europe are another likely source of new investment opportunities for the Company. The management of Serinus believes that the deal flow available to its management and its directors through Canada, Dubai and in Europe will lead to continued access to attractive investment opportunities.

Partnering with Local Companies

The management of Serinus believes that forming alliances with local and industry partners is an essential part of the sourcing and securing of new opportunities, through benefiting from such partners' local market knowledge and relationships, and helps mitigate the inherent operational risks associated with the exploration and development of gas and oil assets. Retention by local partners of equity in assets adds further comfort and mutual alignment in business development. In turn, local companies benefit from the technical expertise and business experience of the Serinus team. Serinus has a strong track record of partnering with local companies in each of the countries in which Serinus Group operates, and management believes that continuing to partner with local companies will help ensure continued success in bidding for and winning new assets.

Flexible Financing Structure

The management of Serinus seek to ensure an optimal mix of financing to fund the operations being conducted by the Company, through its subsidiaries, particularly its capital commitment obligations. The Company's principal sources of funding have been, and will likely continue to be, equity, debt, and farm-out arrangements. At June 30, 2014 Serinus Group had \$28.5 million (December 31, 2013: \$32.0 million) of borrowings from EBRD and Dutco.

Leverage Expertise

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

Portfolio Diversification

Serinus will continue to evaluate both onshore and offshore oil and gas opportunities and focus on maintaining a well-balanced portfolio of exploration and development projects. The management of Serinus believes that the foregoing competitive strengths will enable the Company to take advantage of future opportunities and achieve its strategic objectives. The information presented above with respect to the competitive strengths of Serinus is presented by the management of Serinus and there are no third-party reports or other sources that constitute the basis for statements made by the Company regarding its competitive position.

6.5.2. Competitors and Market Share

Market share is not a material indicator in the oil and gas industry, and is not normally calculated. Hydrocarbons, such as natural gas and oil, are commodities. Some of the primary factors in the price for natural gas and oil include its grade, its location and any legislation in a given country specifying a floor, ceiling or any other adjustments to the price.

As natural gas and oil can be transported across borders using pipelines, or, in the case of oil, transported using trucks or oil tankers, the size of the market may not be fixed by consumption in the country of production and incremental production by one producer is unlikely to have a material impact on the price or the operations of any other producer. For example, in 2008 the Financial Times reported that the four traditional “supermajors” (being ExxonMobil, Chevron, Royal Dutch Shell and BP) collectively only produced “about 10 per cent of the world’s oil and gas and [held] just 3 per cent of reserves.”

According to Invest Ukraine, a division of the Ukrainian government, the Ukrainian state oil company, Naftogaz, produces over 90% of the oil and gas in Ukraine. Private companies operating in the Ukraine include Poltava Petroleum Company, Royal Dutch Shell, Chevron, ExxonMobil, OMV Petrom and Nadra. Likewise, some of the private oil and gas companies operating in Tunisia include BG Group, Eni SpA and PA Resources AB. Serinus is in the exploration phase in Romania and Brunei, and, as such, does not currently have any production in those countries; as such, the volume of production of other oil and gas companies operating in those Romania and/or Brunei does not have a material impact on the Group’s operations in Romania and Brunei.

6.6. Principal Oil and Gas Assets.

This section of the Prospectus provides more detailed information with respect to the material oil and gas properties of the Company.

6.6.1. Competent Persons Report on mineral resources and reserves

Under paragraph 133 (ii) of European Securities and Markets Authority (“ESMA”) Recommendations, as revised on 20 March 2013, ESMA/2013/319 (“ESMA Recommendations”), no competent persons report is attached to this Prospectus as Serinus is exempt from including the competent persons report required by paragraph 133 (i) of ESMA Recommendations.

As a result of the WSE IPO, 166,394,000 pre-Consolidation Serinus Shares were admitted to trading on regulated market on WSE in Poland in May 2010 and since then have been traded on WSE. Moreover in June 2013 Serinus Shares were admitted to trading on TSX, Canadian regulated market.

Serinus has reported and published annually details of its mineral resources and reserves and exploration results/prospects in accordance with Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers and the Canadian Institute of Mining, Metallurgy & Petroleum ("**COGE Handbook**") and resources and reserves definitions contained in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (reporting standards set out in Appendix I of ESMA Recommendations) for at least three years.

Furthermore, as a result of Winstar Arrangement, in September 2013, Serinus published Winstar's reserves data and other oil and gas information contained in a document "Reserves data and other oil and gas information", filed in March 2013 with SEDAR system by Winstar. The content of the document is taken directly from Winstar's Form NI 51-101F1, which is based on the "Report on reserves data by corporations independent qualified reserves evaluator", prepared by RPS Energy Canada Ltd, with an effective date of December 31, 2012, referred to in the "Form 51-101F2, Report on Reserves Data" attached to the current report no. 69/2013 published on September 6, 2013.

The entire Section 6 – "*Business overview*" provides:

- (a) information concerning the results of exploration activities (in particular in the Subsection 6.6.2.2.3. "*Exploration / Development Activity*" – in relation to Ukraine, in the Subsection 6.6.3.4. "*Exploration / Development Activity*"- in relation to Tunisia, in the Subsection 6.6.4.2. "*Drilling and Other Exploration Activities*" - - in relation to Brunei, in the Subsection 6.6.5.4. "*Exploration / Development Activity*" – in relation to Romania and in the Subsection 6.6.6.3. "*Oil and Gas Potential*"- in relation to Syria) and production activities (in particular in the Subsection 6.1.1. "*A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information*" in a scope of description Ukrainian Assets and Tunisia Assets, and also in the Subsection 6.6.2.1. "*Overview*" and in the Subsection 6.6.2.2. "*KUB-Gas Assets*"- in relation to Ukraine and in the Subsection 6.6.3.1. "*Overview*" – in relation to Tunisia;
- (b) information concerning licenses, concessions, legal, economic and environmental conditions of operations in the particular countries where Serinus, through its subsidiaries, has its assets; for more information concerning environmental issues please see also the Section 8 "*Property, plants and equipment*" in the Subsection 8.2 of this Prospectus "*A description of any environmental issues that may affect the issuer's utilisation of the tangible fixed assets*";
- (c) description of the exceptional situations which have an influence on above (in particular description of force majeure in Syria in the Subsection 6.2.5.3. "*Force Majeure*", description of the policy concerning gas prices on Ukraine in the Subsection 6.2.1.3. "*Pricing of Natural Gas Sales*" and in Tunisia in the Subsection 6.2.2.2. "*Licensing and Regulatory Regime in Tunisia*");
- (d) details of mineral resources (reserves) Serinus presented in the current reports no. 10/2014 and 11/2014. Pursuant to Article 28 of the Regulation 809/2004 the information concerning the Company's oil and gas activities including report on reserves in Ukraine and Tunisia is

hereby incorporated by reference as disclosed in the current report no. 10/2014 – Serinus Year-End 2P Reserves Increase 119%, dated March 20, 2014 (the entire text of report together with attachments) and current report no. 11/2014 – Evaluation of the Tunisian and Ukrainian reserves by independent reserve engineers, dated March 21, 2014 (the entire text of report together with attachments) published on Issuer’s website www.serinusenergy.pl.

6.6.2. *Ukraine*

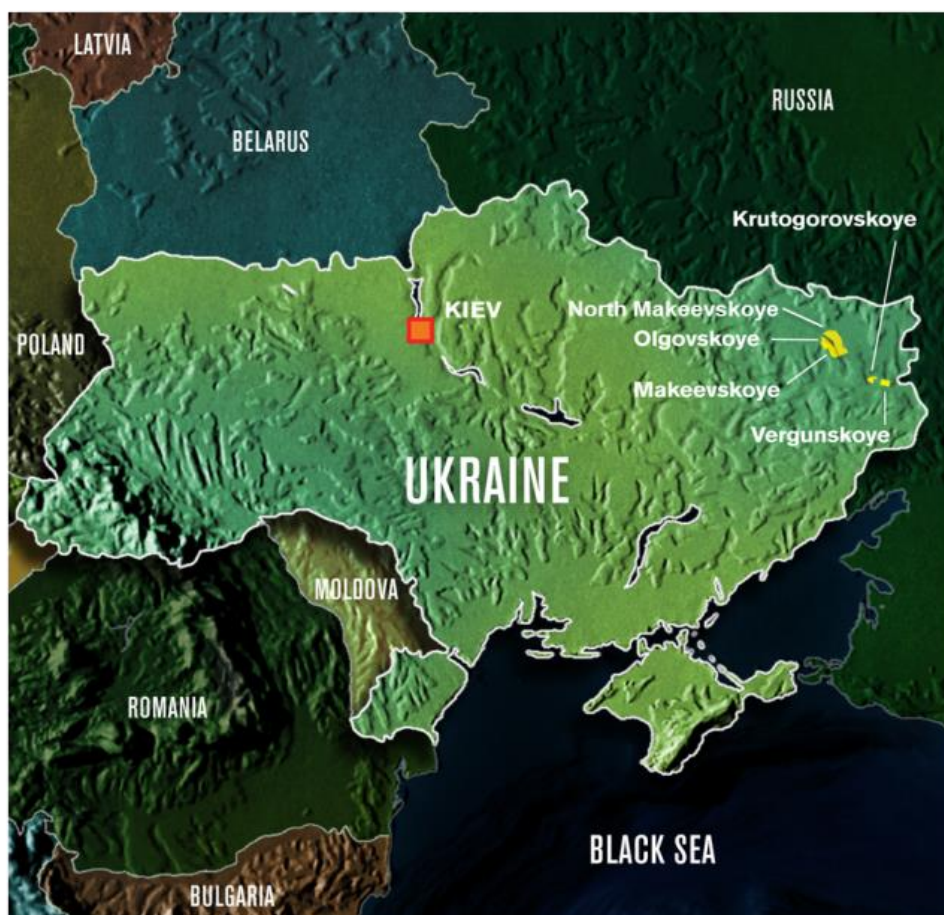
6.6.2.1. Overview

In Ukraine, the Company has an indirect 70% shareholding in KUBGAS Holdings, a private Cypriot company, which owns 100% of the share capital of KUB-Gas, one of the largest private gas producers in Ukraine, selling gas domestically to both gas traders and industrial consumers. KUB-Gas holds a 100% interest in the Ukraine Licences and owns a drilling rig, a specialized workover rig, other well servicing assets and, as well as over 20 kilometres of main gas pipelines connected to the Ukrainian gas transportation infrastructure. The remaining 30% shareholding in KUBGAS Holdings is held by Cub Energy. The relationship between Serinus (through KOV Cyprus) and Cub Energy is governed by the SHA, the material terms of which are described below in Section 6 *"Business overview"* in Subsection 6.6.2.2.5. *"Shareholders' Agreement"*.

Due to a deteriorating security situation in Ukraine (for details please see Section 1 *"Risk factors"* in Subsection 1.1.16. *"Political instability in Ukraine"* of this Prospectus), the Company has decided to put developmental field operations in Ukraine on hold. Production is continuing, but drilling, workover, stimulation and construction activities have ceased. While the Company continues to produce, sell and be paid for the gas sold, it is no longer prudent to continue these active operations in a situation where the security in the operation’s region changes daily. In particular, the area immediately in and around Lugansk where the Vergunskoye and Krutogorovskoye fields (producing 0.4 MMcf/d and 0.6 MMcf/d respectively) are located is no longer controlled by the government of Ukraine and as a result production at the Vergunskoye field has been shut in. For more information please see Subsection 6.6.2.2.3. *"Ukraine"* in this Section 6 of this Prospectus.

All five of the Ukraine Licences held by KUB-Gas (Vergunskoye, Olgovskoye, Krutogorovskoye, Makeevskoye and North Makeevskoye) are located in the Lugansk, Donetsk and Kharkov oblasts in the northeast part of Ukraine and relate to areas situated in the Dnieper-Donetsk basin, an elongated basin of northwest to southeast orientation that is comparable in size and geology to the North Sea central rift. KUB-Gas must hold these licences in order to conduct its current natural gas and condensate producing operations in Ukraine.

The location of the Ukrainian licence areas is illustrated in the map below.



Serinus acquired its indirect 70% shareholding in KUB-Gas in June 2010 and in July 2010, the first full production month following the acquisition, KUB-Gas' production from its four producing licence areas amounted to 4.877 MMcfd of natural gas (3.414 MMcfd net to Serinus). Production during the month of July 2014, the most recent month for which data is available as at the date of this Prospectus, from the four producing licence areas was 35.9 million cubic feet per day ("MMcf/d") of natural gas (25.1 MMcf/d net to Serinus) and 122.0 barrels per day ("bbl/d") condensate (85 bbl/d net to Serinus).

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 the second quarter of 2014 production volumes increased by 15% to 3,654 boe/d, compared to 3,179 boe/d in the comparable period of 2013.

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. In the second quarter of 2014 production from Ukraine had increased to 21.3 MMcfe/d with gross production of 30.4 MMcfe/d from the four producing fields.

At the time of the KUB-Gas Acquisition, KUB-Gas held one 20-year production licence (Vergunskoye) and three exploration licences (Olgovskoye, Makeevskoye and Krutogorovskoye). The Vergunskoye exploration licence, which had been on production since the 1970's, had been converted to a 20-year production special permit in 2009. Since the time of acquisition, the Olgovskoye exploration licence was converted to a 20-year production special permit in February 2012, the

Makeevskoye special permit was converted to a 20-year production special permit in April 2012 and the Krutogorovskoye special permit was converted to a 20-year production special permit in September 2013. KUB-Gas was awarded its fifth licence, at North Makeevskoye, in December 2010. The North Makeevskoye licence area is 19,000 hectares (47,000 acres) in size and is adjacent to the Makeevskoye and Olgovskoye licences. The North Makeevskoye licence was believed to be prospective for gas production from multiple zones within the Moscovian, Bashkirian and Serpukhovian sedimentary sections. A 71 km² 3D seismic programme over this licence area was completed in the second quarter of 2011. The North Makeevskoye-1 ("NM-1") exploration well was spud in May 2012 and cased to total depth in June 2012 as a potential gas well. In June 2012 a second seismic survey was completed over this licence area under which 225 km² of new 3D seismic data was acquired. Interpretation of the North Makeevskoye 3D seismic survey identified five additional structural prospects, the first of which was evaluated by the drilling of a well at North Makeevskoye 2 ("NM-2"). The NM-2 well was drilled to a total depth of 3,150 metres and was then abandoned in February 2013 after wireline logs and other information obtained during the drilling operation did not indicate any prospective zones. In June 2013 the North Makeevskoye-3 ("NM-3") exploration well commenced drilling and at the end of July 2013 it was cased to total depth after a test recovered 37° API oil and minor amounts of gas were flared from a 30 metre thick zone of Visean age (older than the Serpukhovian). This was the first indication that Visean sediments may have potential for the commercial production of hydrocarbons within KUB-Gas's licences. On 16 June 2014 the North Makeevskoye-4 ("NM-4") exploration well commenced drilling. However due to the deteriorating security situation in Ukraine the Company decided to put its operations in Ukraine on hold. For this reason a surface casing has been set in the NM-4 well at a depth of 100.2 meters, and the rig has moved off from that location (for more information on situation in Ukraine please see Section 1 "*Risk factors*" Subsection 1.1.16. "*Political instability in Ukraine*" of this Prospectus.

Each of the four producing licence areas (Vergunskoye, Olgovskoye, Krutogorovskoye, and Makeevskoye) are connected by pipelines, which are owned by KUB-Gas, to a central processing facility within each licence area where the gas is separated from the water and condensate and other impurities and treated. From the central processing facility, the gas is transported by pipeline and delivered to the national pipeline infrastructure. The majority of the gas is sold to brokers (gas traders) within the price cap set by the National Electricity Regulatory Commission of Ukraine ("NERCU") by reference to the Russian import gas price. The actual prices agreed between KUB-Gas and its customers are reviewed monthly by NERCU to ensure compliance with the price cap and prices vary from month to month based on market conditions.

6.6.2.2. KUB-Gas Assets

The KUB-Gas Assets consist of 100% working interests in the Ukraine Licences, being five licence areas, Vergunskoye, Olgovskoye, Makeevskoye, North Makeevskoye and Krutogorovskoye, all of which are located in the Lugansk region of eastern Ukraine, and certain other related assets described in further detail below. The Ukraine Licences are situated in the north-eastern part of Ukraine in the Dnieper-Donets Basin, an area that accounts for 90% of the natural gas production of Ukraine and is well served by transport infrastructure. Information relating to each of the five Ukraine Licences held by KUB-Gas is summarized below.

Licence	Licence Type	Licence Number	Oblast	Approx. Area (km ²)	Restrictions	Date of	
						Grant	Expiry
Olgovskoye	Production Special Permit	5480	Luganska Kharkivska	79.72	None	6 February 2012	6 February 2032
Makeevskoye	Production Special Permit	5506	Luganska Donetsk	72.44	None	9 April 2012	9 April 2032
Vergunskoye	Production Special Permit	4037	Luganska	17.00	note 1	27 September 2006	27 September 2026
Krutogorovskoye	Production Special Permit	5835	Luganska	10.93	None	30 August 2013	30 August 2033
North Makeevskoye	Exploration Special Permit	3915	Luganska	190.2	None	29 December 2010	29 December 2015

Note:

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

Four of the five licence areas (Makeevskoye, Olgovskoye, Krutogorovskoye and Vergunskoye) are producing natural gas and were productive for natural gas during the 2012 and 2013 fiscal year. The Vergunskoye and Krutogorovskoye fields have been shut in due to the security situation in Ukraine in June 2014. Makeevskoye and Olgovskoye licences are still producing natural gas at the date of the Prospectus. The Vergunskoye special permit, which has been on production since the 1970's, was converted to a 20-year production special permit in 2009. The Olgovskoye special permit was converted to a 20-year production special permit in February 2012, the Makeevskoye special permit was converted to a 20-year production special permit in April 2012 and the Krutogorovskoye special permit was converted to a 20-year production special permit in August 2013.

The total area included in the five KUB-Gas Licences is 36,315 hectares (89,736 acres).

KUB-Gas owns 100% of the gas processing facilities, which handle production from the four producing licences. Approximately 97% of current production comes from wells in the Olgovskoye and Makeevskoye licence areas. The previous gas processing facility was operating as its full capacity and it was impossible to accommodate any material volumes of incremental production. Construction of the new Makeevskoye processing facility began in September 2013 and was completed in December 2013. Following completion of the facility, there was a testing and commissioning period after which final operating approvals were received. The facilities were constructed and delivered on time and on budget at a cost of approximately USD7.8 million (Serinus net USD5.5 million).

Gas began flowing through the new treatment facility at Makeevskoye on March 6, 2014. This new facility increased that the throughput capacity, from approximately 30 MMcf/d to 68 MMcf/d, for the Olgovskoye and Makeevskoye fields. While this work was completed by the end of the first quarter,

full production gains are pending the re-routing of gas production from the M16 well to the new Makeevskoye gas plant. The M16 well is producing through the Olgovskoye gas plant, and as the M16 produces from the Serpukhovian reservoir at a significantly higher pressure than the wells from the Olgovskoye field, the resulting back pressure is restricting production. The re-routing was completed and permitted by May 2014.

The Company began to generate revenues with its acquisition of its interest in the licences in June 2010, and since that time has generated \$210.9 million of revenue, net of royalties, in aggregate from these assets, of which \$147.6 million is net to the 70% interest held by Serinus. 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.

Production volumes increased by 11% in the first quarter of 2014 to average 3,504 boe/d, compared to 3,151 boe/d in the comparable period of 2013 and by 15% in the second quarter of 2014, to 3,654 boe/d, compared to 3,179 boe/d in the comparable period of 2013.

The increase is a result of the successful drilling campaign in 2013 and the first half of 2014 including the M-16 and M-17 wells. During the second quarter gas and condensate production in Ukraine were 21.3 MMcf/d and 101 bbl/d respectively (for Serinus' 70% share). These volumes are 4% and 3% higher than the first quarter.

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. In the second quarter of 2014 production from Ukraine had increased to 21.3 MMcfe/d with gross production of 30.4 MMcfe/d from the four producing fields.

Additionally, KUB-Gas owns 100% of a Canadian-built drilling rig, a new snubbing unit(also built in Canada), plus two service rigs, an inventory of spare parts, support vehicles, land and buildings (all of the assets described in this paragraph constituting the "**KUB-Gas Assets**").

The Company indirectly owns 70% of KUBGAS Holdings (which owns 100% of KUB-Gas) and therefore a net 70% indirect interest in the KUB-Gas Assets.

6.6.2.2.1. General Geology of the KUB-Gas Assets

The majority of Ukrainian hydrocarbon reserves occur in the Dnieper-Donets Basin, an area of approximately 31,000 km² that accounts for 90% of the natural gas production of Ukraine. The northwest part of the basin is oil productive and the southeast part, where the KUB-Gas Assets are located, is predominantly natural gas productive. The KUB-Gas fields are located in the northern flank of the southeast sector of the Dnieper-Donets Basin, where source rocks are more deeply buried and have generated gas and condensate. The reservoirs are mainly in sandstones of Early to Middle Carboniferous age, but there are also pools in subordinate limestones.

The overall depositional setting of these reservoirs is typical of the flank terraces of the Dnieper-Donets Basin, where sands were deposited in onshore fluvial to nearshore marine conditions. The Carboniferous section comprises a sequence of alternating sandstones, siltstones and shales, with occasional limestone members that may represent 'hard-grounds' or calcretes formed during periods of emergence. Log analysis indicates that the sand reservoirs are likely shallow marine offshore sand bars, fluvial channels and fluvial point-bars.

6.6.2.2.2. Natural Gas and Condensate Potential

The Carboniferous-aged reservoirs in the area of the Ukraine Assets are both clastic sandstones and carbonate limestones deposited in a marine to non-marine environment. The entire reservoir section is approximately 1,000 metres thick and is comprised of stacked reservoirs with individual thicknesses of between one and 18 metres which are subsequently encased in sealing shales. The resulting arrangement of multi-stacked reservoir and seals pairs results in natural gas and condensate being accumulated in numerous zones. The traps in the Vergunskoye, Olgovskoye, Makeevskoye and Krutogorovskoye fields are well defined and up to 35 zones (individual reservoir units) have been identified within the field areas. Each of these zones represents a potential gas pool, stacked one on top of another, for exploitation by KUB-Gas. Modern processes such as dual completions, co-mingling and hydraulic fracturing have been and will be employed by KUB-Gas, with the technical input of the Company, to expedite and increase natural gas and condensate production.

Modern seismic technology and interpretation is another method being used by KUB-Gas to better define, explore and develop the Ukraine Assets. A 120 km² 3D seismic survey was shot by KUB-Gas during the first half of 2011 over the Olgovskoye and Makeevskoye licences to better identify the Carboniferous reservoirs and structure and to define additional drilling locations. Seismic processing and interpretation undertaken by KUB-Gas in 2010 led to the identification of a classic "bright spot" in potential channel sands and the drilling of a gas discovery well at Makeevskoye 19 ("**M-19**") in late 2010. The M-19 well was subsequently put on production in July 2011 at a rate of more than 5 MMcfd (3.5 MMcfd net to Serinus). The interpretation of the 3D survey helped define the anomaly penetrated by the M-19 well and led to the drilling of the successful Makeevskoye-21 ("**M-21**") gas well on the Makeevskoye licence in the first quarter of 2012.

A further 225 km² 3D seismic survey was completed in June 2012 on the North Makeevskoye licence, which identified five additional structural gas prospects. The first of the additional structural prospects was evaluated by the drilling of the NM-2 well, which is located in the southern part of the North Makeevskoye licence area, four kilometres north of the Makeevskoye gas production facility. The NM-2 well was abandoned in February 2013 after being drilled to depth of 3,150 metres after wireline logs and other information obtained during the drilling operation did not indicate any prospective zones. The North Makeevskoye-3 ("**NM-3**") well was drilled in mid-2013 discovering a potential oil pool in Visean aged sediments. The Olgovskoye-12 ("**O-12**") exploration well, drilled in the second half of 2011 on a "bright spot" interpreted from the available seismic data, tested gas at 8.1 MMcf/d.

6.6.2.2.3. Exploration / Development Activity

Since acquisition of the Ukraine Assets in June 2010, fifteen wells have been drilled, including four wells in 2011, six in 2012, three in the 2013 and so far two in 2014 . The focus of KUB-Gas' drilling programme has been on the Olgovskoye and Makeevskoye licence areas which accounted for an aggregate of 97.0% of total Ukrainian production and 76.5% of total production (including Tunisian production) as of June 30, 2014.

To aid in the exploitation of the Olgovskoye and Makeevskoye licence areas, KUB-Gas conducted a 3D seismic survey of the Olgovskoye and Makeevskoye licence areas in the first half of 2011. The subsequent processing and interpretation of data, which was completed during the third quarter of 2011, identified a number of potential locations for further development in both licence areas. Most notably, it identified a potential area of approximately six km² for the new gas zone discovered by the drilling of the M-19 well and defined two locations for drilling of new wells, namely at Makeevskoye

21 ("**M-21**"), to further develop the gas zone discovered by the M-19 well, and the M-16 well to further develop gas production from elsewhere within the Makeevskoye licence area.

In October 2011, KUB-Gas initiated a reservoir stimulation programme using hydraulic fracturing technology. The first two fracture stimulations, on the O-6 and O-8 wells, proved positive. The O-6 well was tied in for commercial production in February 2012 and natural gas production from the O-6 well during that month averaged 1.5 MMcfd (1.1 MMcfd net to Serinus). The O-8 well was tied in for commercial production in March 2012 and natural gas production from the O-8 well during that month averaged 1.0 MMcfd (0.7 MMcfd net to Serinus). As of September 31, 2013 the O-6 well was producing natural gas at 1,112 MMcf/d and the O-8 was producing natural gas at 949 MMcf/d. As of December 31, 2013 the O-6 well was producing natural gas at 1.13 MMcf/d and the O-8 was producing natural gas at 0.57 MMcf/d. As at August 31, 2014 the O-6 well was producing natural gas at 1.06 MMcf/d and the O-8 was producing natural gas at 0.561 MMcf/d.

2012 Wells

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

The M-21 well spud in February 2012 and was cased to a total depth of 2,210 metres in March 2012. The well was production tested for production from the R8 formation in June 2012 for a duration of one hour at an average rate of 3 MMcf/d with a flowing tubing head pressure ("**FTHP**") of 9,185 kPa. Based on the testing program, the stabilized sandface and wellhead absolute open flow ("**AOF**") rates are calculated to be 8.91 MMcf/d and 7.56 MMcf/d respectively. The foregoing test results are not necessarily indicative of long-term performance or of the ultimate recovery from the M-21 well. The M-21 well began commercial production in August 2012 and as of 31 December 31, 2012, the M-21 well was producing approximately 400 Mcf/d with its production being restricted by the flow from M-19 and M-20, each of which were producing in excess of 6 MMcf/d. As of December 31, 2013 production from M-21 well was 1.03 Mcf/d and from M-19 well 5.4 MMcf/d. As of August 31, 2014 the M-21 well was producing 0.014 MMcf/d and the M-19 well was producing 5.058 MMcf/d.

The NM-1 well was spud in May 2012 and cased to its total depth of 2,500 metres in mid-June in anticipation of further testing. The well is currently suspended and has not yet been tested. A second well on the North Makeevskoye Licence, the NM-2 well, was spud in December 2012 and abandoned in mid-February 2013 after being drilled to a total depth of 3,150 metres.

The M-20 well was spud in July 2012 and cased to its total depth of 2,000 metres in August. The M-20 well was completed and tied-in for commercial production during the fourth quarter of that year and as of December 31, 2013 was producing in excess of 5.4 MMcf/d. As of August 31, 2014 the production from M-20 well was 5.7 MMcf/d.

A third party rig was contracted for the drilling of M-16 to accelerate the 2012 drilling program and to enable the drilling of the deepest well drilled to date by KUB-Gas in Ukraine. The well was spud in August 2012 and was cased to its total depth of 4,300 metres in December after encountering seven potential gas zones. Three of the prospective zones were in sediments of Serpukhovian age and one of

these, the S5, tested gas at a maximum stabilized rate of 4.3 MMcf/d in March/April of 2013 and was tied-in for commercial production in June 2013. As of December 31, 2013 the M-16 well was producing at 3.4 MMcf/d. As of August 31, 2013 the M-16 well was producing at 3.656 MMcf/d.

The K-7 well, the last well drilled by KUB-Gas in 2012, was spud in September and cased to its total depth of 3,206 metres in November. Evaluation of wireline logs and drilling information indicated up to five potential gas well in this well.

2013 Wells

The K-7 well was production tested in the Bashkirian B12 zone in January 2013. The well was flow tested for a total of 14 hours using various choke sizes and achieving an average production rate, through the 9 mm choke, of 5.896 MMcf/d at an average flowing pressure of 14,435 kPa.

As noted above the NM-2 well was abandoned in the early part of 2013.

The Olgovskoye-15 ("**O-15**") commenced drilling in March 2013 and reached a total depth of 3,246 metres in May before being cased to total depth as a potential gas well. In July the well tested 1.5 MMcf/d of natural gas from the Serpukhovian S5 zone. The O-15 well was tied-in and commenced commercial production in early August and as of December 31, 2013, the last day it was producing in that month, it was producing at a rate of 1.36 MMcf/d. As of August 31, 2014 it was producing 1.171 MMcf/d

The NM-3 well was spud in late May and reached a total measured depth of 2,426 metres in late July. The test recovered 0.5 m³ of 37° API oil and minor amounts of produced gas were flared. Fluid samples have been collected for laboratory analysis. The well has been cased to TD to allow for further testing.

In October 2013, the Olgovskoye-24 ("**O-24**") exploration well was cased to a total depth of 3,300 metres as a potential gas producer. The O-24 well was drilled as a directional well with the primary objective of further developing the Bashkirian age B6 pool discovered by the O-12 well in the third quarter of 2011. During the course of drilling KUB-Gas decided to deepen the well to penetrate the Serpukhovian. Evaluation of logs indicated up to 15 metres of potential pay in four different zones within the Bashkirian and Serpukhovian, including the B6 zone.

In November 2013, the Makeevskoye-17 ("**M-17**") exploration well commenced drilling. The M-17 well is operated by KUB-Gas. The M-17 well has been completed and tied in for production starting on June 26, 2014. For more information please see this Subsection in part *2014 Wells*.

2014 Wells

In March 2014, the Makeevskoye-17 ("**M-17**") exploration well has been cased to total depth ("**TD**") of 3,445 meters. The Olgovskoye-24 ("**O 24**") well has also produced gas during a test, and will be added to the inventory of wells to be stimulated in 2014. The operator, KUB-Gas is preparing now to complete, test and tie in M 17.

The M-17 well was drilled to appraise the gas discovery made in the S6 sandstone in Makeevskoye-16 ("**M-16**"). It is located about 1 kilometre to the northwest of M-16 within the same structural closure. Drilling commenced at the end of November 2013 and reached a total depth ("**TD**") of 3,445 metres in early March 2014. Wireline logs indicate 9 metres of net gas pay in the S6 sandstone, with average porosity of 15%, with sections as high as 22%, with no gas-water contact encountered. The logs also indicated 2.5 metres of net pay in the S5 carbonates. There also appears to be resource potential in the

R30c and S7 sands. Both zones will require additional analysis and study to verify this potential. Serinus' 2014 drilling program includes two more wells in Makeevskoye to develop the new S6 pool established by the M-16 and M-17 wells.

In June 2014, the production testing has been completed on the S6 sandstone in the M-17 well, and the maximum flow rate achieved was 6.6 MMcf/d through an 8 mm choke at a flowing wellhead pressure of 2,970 psi. The well has been shut in for a pressure build up, after which the recorders will be retrieved and the well will be tied in for production. M-17 has been tied in to the new gas plant. The S6 zone was placed on production on June 26, 2014 and has averaged 13.87 MMcf/d (9.7 MMcf/d of Serinus share) as of August 31, 2014

Production in Ukraine as of August 31, 2014 is approximately 39.98 MMcf/d. Due to the worsening situation in Ukraine all further tie-ins' will be deferred until such time as it is deemed safe to resume active field operations (for more details about situation in Ukraine please see Section 1 "*Risk factors*" Subsection 1.1.16. "*Political instability in Ukraine*" of this Prospectus.

Drilling works on O-24 were finished in October 2013 when logs indicated three potential hydrocarbon bearing zones. The third test indicated gas flow, which needed fracturing. This zone (R 30c) has been successfully stimulated in the O-4, O-5 and O-6 wells.

In June 2014 the Olgovskoye-11 ("O-11") development well has been drilled to its total depth of 3,230 meters. Logging is complete and has identified net pay in four zones of Bashkirian or Serpukhovian age, three of which have been established as productive within the Group's licenses in Ukraine.

The S6 zone in the O-11 well has been perforated and testing completed. Upon perforation the well had a strong air blow then flowed gas to surface. Shortly after that, due to the worsening situation in Ukraine and decision of the Company to put Group's operations in Ukraine on hold, the well was shut in for a pressure build up. The pressure test has been completed and the pressure stabilized. The well is standing and pending workover rig availability to pull uphole to test the R30c formation. More information about situation in Ukraine please see Section 1 "*Risk factors*" Subsection 1.1.16. "*Political instability in Ukraine*" of this Prospectus.

Once the security situation improves enough to resume development activities, drilling will resume on NM-4, after which the rig will move to M-22. NM-4 is testing a Moscovian stratigraphic trap, and if successful, will establish a new play type within Serinus' Ukrainian licences. The M-22 well is targeting a new Serpukhovian accumulation to the southwest of the pool containing the M-16 and M-17 wells. A fracture stimulation campaign had also been planned in October for O-11 and O-15 (both R30c and S6 zones), NM-3 (Visean oil potential).

6.6.2.2.4. Infrastructure, Transportation and Marketing

Each of the four producing licence areas (Vergunskoye, Olgovskoye, Krutogorovskoye, and Makeevskoye) are connected by pipelines, which are owned by KUB-Gas, to a central processing facility within each licence area where the gas is separated from the water and condensate and other impurities and treated. Gas is then transported from each central gas processing facility by pipeline and delivered to the national Ukraine pipeline infrastructure. Recent developments relating to the land use registration system in Ukraine may result in delays and may increase the costs for KUB-Gas' plans to construct gas pipelines from its producing wells on the Ukraine Licences to gas transportation infrastructure, or may force KUB-Gas to suspend production of gas from certain producing wells on

the Ukraine Licences until pipelines are constructed. See Section 1 of this Prospectus *"Risk Factors"* in Subsection 1.1.9. *"Compliance with Foreign Regulatory Regimes"*.

KUB-Gas is a party to various gas and condensate supply agreements with industrial users and utilities in Ukraine. Prior to this year consumers paid for gas supplies in advance (not later than the 10th day of the month in which gas is supplied) with a final settlement made after the transfer-acceptance act for the gas supplied is signed (in any event not later than the 10th day of month following the month in which the gas is supplied). Starting with the month of February 2013, the natural gas market has become more competitive, and sales receipts are now received throughout the month. Two major brokers purchase approximately 100% of the KUB-Gas's natural gas under the terms of natural gas supply agreements. The two brokers include Trans-Gas Buro which purchases 65% of the natural gas which has a head office located in Kiev, Ukraine and Yug-Gas which purchases 35% of the natural gas with a head office in Odessa, Ukraine. Since January 2013, for each sales month, an average of approximately one-quarter of gas revenues are paid for by the 17th day of the month, approximately 50% is paid for by the 25th day of the month, and the remainder is paid for shortly before the month-end.

6.6.2.2.5. Material Agreements

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

In this Subsection the Company has determined materiality based on which contracts are material to the fundamental structure of the operations of the Group in Ukraine on a day-to-day basis. If these contracts are terminated then the structure of the Group's operations in Ukraine may have to be changed.

On November 10, 2009, KOV Cyprus, Gastek and KUBGAS Holdings entered into the SHA governing KOV Cyprus' and Gastek's relationship as shareholders in KUBGAS Holdings (formerly Loon Ukraine). KOV Cyprus and KUBGAS Holdings are both incorporated in Cyprus with the registered office address of 12 Esperidon, 4th Floor, 1087 Nicosia, Cyprus. Gastek is incorporated in California, USA, with the registered office address of 5120 Woodway, Suite 10010, Houston, TX 77056. The SHA came into effect upon completion of the KUB-Gas Acquisition. KUB-Gas is incorporated in Ukraine with the registered office address of 8 Karl Marx Street, Lugansk, Ukraine, 91055.

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

The SHA contains customary non-compete restrictions on the parties to the agreement. Under the Letter Agreement certain business activities are excluded from the application of this requirement.

KUBGAS Holdings' activities are to be funded through a combination of cash flow generated through KUB-Gas' ongoing petroleum operations and from additional funds contributed by KOV Cyprus and Gastek pro-rata to their shareholdings in KUBGAS Holdings with such shareholder loans bearing interest (at LIBOR plus 2%) in accordance with the SHA.

The board of directors of KUBGAS Holdings consists of five members. So long as KOV Cyprus holds 51% or more of the issued equity in KUBGAS Holdings, it is entitled to appoint three of its nominees to the KUBGAS Holdings board (with one of the KOV Cyprus nominees being the Chairman). Otherwise, KOV Cyprus is entitled to appoint two directors and Gastek is entitled to appoint three directors to the KUBGAS Holdings board (with one of Gastek's nominees being the Chairman). As of the date of this Prospectus, KOV Cyprus holds more than 51% of the issued equity in KUBGAS Holdings and as a result has appointed three of its nominees to the KUBGAS Holdings board (with one of the KOV Cyprus nominees being the Chairman).

The SHA also establishes a Management Committee. Its function is to provide day-to-day operational recommendations to KUBGAS Holdings and the General Director and Technical Director of KUB-Gas in respect of petroleum operations conducted by KUB-Gas (including decisions relating to field abandonment). It is also responsible for developing and recommending annual work programs and budgets to the KUBGAS Holdings board.

Resolution of any deadlock occurring at either the board or Management Committee level is in the first instance by way of consultation and agreement between the chief executives of Gastek and KOV Cyprus for resolution by them.

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

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

- (i) must fund, and indemnify KUBGAS Holdings against, all costs and liabilities associated with conducting the Exclusive Operations; and
- (ii) receives a beneficial interest in 90% of all net proceeds derived from the Exclusive Operations until it has received an amount of proceeds from such Exclusive Operation which is equal to 200% of the amount spent by it under (i).

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

(b) Technical Services Agreements

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

The first TSA operates as between the Company and KUBGAS Holdings (the "**Head TSA**"). It is dated January 13, 2011, and stated to be effective from January 1, 2010. It provides for the Technical

Services to be provided to KUBGAS Holdings for the benefit of KUB-Gas. KUBGAS Holdings pays for the Technical Services on a time and costs basis.

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

The TSA's are governed by English law.

(c) Ukrainian Licences

KUB-Gas holds the following licences obtained in the course of its business activity:

- Licence for exploration of mineral resources Series AB No. 521309, issued by the State Geological Service on 16 June 2010. This licence is no longer required under Ukrainian law although it has not been revoked or repealed;
- Licence for production of mineral resources Series AB No. 429086, issued by the State Geological Service on 4 August 2008 (exploration licence), and which is valid until 8 October 2012. This licence is no longer required under Ukrainian law although it has not been revoked or repealed;
- Licence for supply of natural gas, gas (methane) of coal deposits under non-regulated tariff Series АГ No. 507484, issued by the National Electricity Regulation Commission on 18 August 2011, and which is valid until 17 August 2016;
- Licence for conducting of business activity related to creation of architecture objects Series AB No. 591467, issued by the State Architectural and Construction Inspection of Ukraine on 25 August 2011, and which is valid until 25 August 2016; and
- Licence for providing services in relation to the transportation of passengers and hazardous cargos by automobile transport Series АГ No. 590396, issued by the Main State Automobile Transport Inspection of the Ministry of Transport and Communication of Ukraine on 28 June 2011. The validity term of the licence is not set out in the licence.

(d) Contract with Donbas Transgas for the transportation of gas from Olgovskoye and Makeevskoye

On April 30, 2013 KUB-Gas concluded a contract with Donbass Transgas for the transportation of gas from the Olgovskoye and Makeevskoye facilities. The contract is a one year duration and renewed at the first of each year. For 2014 contract is for 1 000 000 m³/d at a delivery pressure of 12 atm (1200 kPa) up to 45 atm (4500 kPa). The rate is a contract target value. There are no penalties for delivering less and there is no problem with delivering more. It is considered a declaration of expected peak volume.

Effective special permits for geological survey and pilot production

As at the date of this document, KUB-Gas holds the following special permits for geological survey and pilot production (field exploration licences):

Name of Deposit	Oblast	Special Permit	Total Area	Expiration Date
North Makeevskoye Area	Luganska	No. 3915 dated 29 December 2010	190.05 km ²	29 December 2015

KUB-Gas also entered into agreements with the Ministry of the Environmental Protection (currently known as the Ministry of Ecology and Natural Resources of Ukraine), on the terms of subsoil use and work programmes, for the North Makeevskoye special permit, and those terms are integral parts of the special permit. The licensing body has since been replaced by the State Geological Service.

Agreements on the terms of subsoil use require KUB-Gas to comply with the time limits and working stages set forth in the work programmes. Work programmes may only be amended in writing pursuant to the mutual consent of the parties. The agreements also contain general requirements related to environmental safety, geological information, decommissioning and conservation of the wells, yearly reporting and force-majeure.

The agreements on the terms of subsoil use are valid until the respective special permits expire.

KUB-Gas must comply with the requirements listed in the special permits, namely: (i) compliance with the requirements of the state environmental control bodies; (ii) transfer of the geological information obtained by KUB-Gas to the State Scientific-Production Enterprise “State Geological Information Fund of Ukraine” (“**Geoinform**”) within three months of the approval of the report; (iii) payment of the mandatory taxes and fees in full and in a timely manner; (iv) performance of the work programmes at the licensed areas in full and on a timely basis; (v) registration of the exploration works to be conducted at the licensed areas; and (vi) reporting to Geoinform on the balance of the mineral resources and the works conducted at the licensed areas on a yearly basis (in accordance with a standard form 6-gr).

The main requirements of the state environmental control bodies are as follows: (i) compliance with Ukrainian environmental legislation; (ii) before commencement of the works at the licensed areas: (a) obtaining the approval of the state environmental expertise for KUB-Gas’ plan for the geological survey and pilot development at the licensed areas; and (b) preparing the environmental impact assessment; (iii) obtaining the title certificates to the land plots required for geological survey and pilot production in the licensed areas; (iv) compliance with the regime of sanitary protection zones; (v) compliance with the State Sector Technical Standards for the construction and arrangement of the wells; and (vi) obtaining the approval of the State Department of Environmental Protection for performing isolating-liquidation works of spent wells and submitting the respective information indicating locations of such wells to the State Department of Environmental Protection within a month after any act of plugging is executed.

KUB-Gas’ compliance with the mentioned requirements is crucial, as failure to perform any of the aforementioned obligations may be a basis for annulment of KUB-Gas’s special permits.

As confirmed by a number of periodic inspections of the state regulatory and supervisory authorities for oil and gas sector, KUB-Gas has been compliant with the obligations under the special permits so far. Should any instances of noncompliance be discovered by an inspection of the state regulatory and supervisory authorities for the oil and gas sector, KUB-Gas will have to correct it within the prescribed period. The question of annulment of the special permit will be raised and considered by

the Ministry of Ecology and Natural Resources of Ukraine or the State Geological Service only if KUB-Gas fails to cure such noncompliance or if it is once again found in breach of the subsoil legislation by the state authorities.

Special permits for commercial production

As at the date of this document, KUB-Gas holds the following special permits for production of mineral resources:

Name of Deposit	Oblast	Special Permit	Mineral resources	Total Area	Expiration Date
Olgovskoye Field	Luganska, Kharkivska	No. 5480 dated 6 February 2012	natural gas, condensate and associated gases (ethane, propane, butane, shale gas, gas of the central basin)	79.72 km ²	6 February 2032
Makeevskoye Field	Luganska, Donetsk	No. 5506 dated 9 April 2012	Natural gas, condensate and associated gases (ethane, propane, butane, shale gas, gas of the central basin)	72.44 km ²	9 April 2032
Vergunskoye Field (not deeper than 1000 metres)	Luganska	No. 4037 dated 27 September 2006	natural gas and associated gas (helium)	17 km ²	27 September 2026
Krutogorovskoye Field	Luganska	No 5835 dated 30 August 2013	natural gas, condensate and associated gases (ethane, propane, butane, helium; shale gas, gas of the central basin)	10.93 km ²	30 August 2033

In August 2013 KUB-Gas received Special Permit No. 5835 from the State Geological Service of Ukraine authorising full industrial production from the Krutogorovskoye Licence for a 20-year term. The new production licence (special permit) replaces the previously issued 5-year Special Permit for exploration under which production was limited to no more than 10% of the in-place hydrocarbon volumes. With the conversion to a production licence, production from Krutogorovskoye is no longer limited. The Krutogorovskoye licence is operated by KUB-Gas.

The special permit for Vergunskoye licence area was approved by Decision No 2/12-755 of the Lugansk Oblast Council, dated 14 June 2006. An Act on Mining Allotment No. 1329 for commercial development of the Vergunskoye licence area was issued by the State Committee for Industrial Safety, Labour Protection and Mountain Supervision on March 1, 2007.

The project of commercial production of the Vergunskoye licence area was approved by the Protocol No. 27 of the session of the Central Commission for Oil, Gas and Gas Condensate Deposits Production and Exploitation of the Ministry of Fuel and Energy of Ukraine, dated 16 March 2005.

On 3 March 2007 the geological survey of the Vergunskoye licence area was completed and the deposit was commissioned by KUB-Gas for commercial use based on the Certificate of Acceptance of the Vergunskoye Field for Commercial Use, signed by representatives of KUB-Gas, Lugansk State Inspectorate on Labour Protection and Subsoil Use Supervision, Geological and Survey Works and Minerals Processing, the state environmental body and the Donetsk Territorial Inspectorate of the State Geological Control for Geological Survey Works and Subsoil Use.

The special permit for the Olgovskoye licence area was converted to a 20-year production special permit on 6 February 2012. An Act on Mining Allotment No. 2089 for commercial development of the Olgovskoye licence area was issued by the State Committee for Industrial Safety, Labour Protection and Mountain Supervision on 15 May 2012.

The project of commercial production of the Olgovskoye licence area was approved by the Protocol No. 70 of the session of the Central Commission for Oil, Gas and Gas Condensate Deposits Production and Exploitation of the Ministry of Fuel and Energy of Ukraine, dated 21 December 2011.

On 9 April 2012 KUB-Gas received the production special permit No. 5506 from the State Geological Service authorising full industrial production for a 20-year term on the Makeevskoye licence area, replacing the previous five-year exploration special permit. An Act on Mining Allotment No. 2160 for commercial production of the Makeevskoye licence area was issued by the State Committee for Industrial Safety, Labour Protection and Mountain Supervision on 3 July 2012.

The project of commercial production of the Makeevskoye licence area was approved by the Protocol No. 70 of the session of the Central Commission for Oil, Gas and Gas Condensate Deposits Production and Exploitation of the Ministry of Fuel and Energy of Ukraine, dated 21 December 2011.

A production special permit by law no longer limits production to 10% of state-approved reserves and, in fact, contains no such limits. Based on the Makeevskoye production special permit and the Olgovskoye special permit, KUB-Gas is authorised to commence conversion of the Makeevskoye licence area and the Olgovskoye licence area to full industrial production.

Obtaining a production special permit is only the first step in realising the conversion of a special permit to a production special permit. Under Ukrainian law, the full industrial conversion of the Makeevskoye licence area and the Olgovskoye licence area will occur when the Ministry of Energy and Coal Industry of Ukraine issues the respective orders on conversion.

The full industrial conversion of the Olgovskoye licence area was approved by order No. 398 of the Ministry of Energy and Coal Industry of Ukraine, dated 7 June 2012. The full conversion of the Makeevskoye licence area was approved by order No. 516 of the Ministry of Energy and Coal Industry of Ukraine, dated 13 July 2012.

KUB-Gas also has entered into an agreement with the Ministry of the Environmental Protection (currently known as the Ministry of Ecology and Natural Resources of Ukraine), for the Vergunskoye licence area and with the State Geological Service for the Olgovskoye licence area and Makeevskoye licence area, on the terms of subsoil use and the work programmes that are integral parts of the abovementioned special permits. The agreements comply with Ukrainian legislation and establish the general obligations of KUB-Gas with respect to environmental safety, geological information,

decommissioning and conservation of the wells, yearly reporting, force-majeure and other general obligations. They will be valid until the respective special permits expire.

The abovementioned two agreements lay down certain clauses concerning the termination or submission of notice of termination and possible penalties for non-compliance.

The agreement on conditions of subsoil use concluded between the Ministry of Environmental Protection of Ukraine and KUB-Gas for the Vergunskye Licence area provides that: (i) prolongation, suspension or cancellation of the Special Permit shall be realized in accordance with legislation of Ukraine; (ii) cancellation of the Special Permit is realized in case of failure to comply with special conditions, as well as upon its expiry. Cancellation of the Special Permit entails termination of the Agreement; (iii) in case of cancellation of the Special Permit, Subsoil User's losses are not subject to compensation.

The Agreement on conditions for subsoil use for the purposes of hydrocarbons extraction concluded between the State Service for Geology and Subsoil of Ukraine and KUB-Gas for the Olgovskoye Licence area provides that (i) Derzhgeonadra (Ukrainian authority) has the right to call the Subsoil User to account in accordance with current legislation and provisions of Agreement, including the right to suspend the Permit and terminate the right of subsoil use by adoption of order on cancellation of the Permit. (ii) In case of violation by the Subsoil User of the conditions of subsoil use, Derzhgeonadra directly or on the proposal of the bodies of state mining and sanitary-epidemiological supervision, state geological and environmental control, bodies of local self-government, bodies of state tax service has the right to:

- suspend the Permit in cases envisaged by Point 22 of the applicable Ukrainian Regulation;
- terminate the right of subsoil use by adoption of order on cancellation of the Permit in cases envisaged by Point 23 of the applicable Ukrainian Regulation;
- suspend and terminate the right of subsoil use by adoption of order on cancellation of the Permit in other cases envisaged by legislation.

(iii) Derzhgeonadra revalidates the Permit subject to the following conditions:

- the Subsoil User has eliminated the reasons that caused suspension of the Permit;
- the Subsoil User has provided positive opinion of the specialized state geological enterprise, institution or organization, which belongs to the sphere of Derzhgeonadra's management, based on results of the state expert examination of reports concerning geological materials;
- payment of financial sanctions applied in connection with suspension of the Permit (the agreement does not specify the amount of the financial sanctions).

The Subsoil User has the right to appeal judicially against the orders of Derzhgeonadra on suspension and termination of the right to use subsoil by means of cancellation of the Permit. The Agreement terminates at the moment of termination of the right of subsoil use by means of cancellation of the Permit or expiry of the Permit. Validity of Agreement is automatically suspended or revalidated in case of suspension or revalidation of the Permit. Derzhgeonadra has a right to terminate Agreement unilaterally in case of termination of the right of subsoil use by cancellation of the Permit.

The Agreement on conditions of subsoil use for the purposes of hydrocarbons extraction between the State Service for Geology and Subsoil of Ukraine for the Makeyevskoye Licence area provides that Derzhgeonadra has the right to (i) call the Subsoil User to account in accordance with current

legislation and provisions of present Agreement, including the right to suspend the Permit and terminate the right of subsoil use by adoption of order on cancellation of the Permit; (ii) take measures on the state geological control over the compliance with the conditions of subsoil use and provision of present Agreement within its competence and in accordance with current legislation.

In case of violation by the Subsoil User of the conditions of subsoil use, Derzhgeonadra directly or on the proposal of the bodies of state mining and sanitary-epidemiological supervision, state geological and environmental control, bodies of local self-government, bodies of state tax service has the right to:

- suspend the Permit in cases envisaged by Point 22 of the applicable Ukrainian Regulation;
- terminate the right of subsoil use by adoption of order on cancellation of the Permit in cases envisaged by Point 23 of the applicable Ukrainian Regulation;
- suspend and terminate the right of subsoil use by adoption of order on cancellation of the Permit in other cases envisaged by legislation.

Derzhgeonadra revalidates the Permit subject to the following conditions:

- the Subsoil User has eliminated the reasons that caused suspension of the Permit;
- the Subsoil User has provided positive opinion of the specialized state geological enterprise, institution or organization, which belongs to the sphere of Derzhgeonadra's management, based on results of the state expert examination of reports concerning geological materials;
- payment of financial sanctions applied in connection with suspension of the Permit (the agreement does not specify the amount of the financial sanctions).

The Subsoil User has the right to appeal judicially against the orders of Derzhgeonadra on suspension and termination of the right to use subsoil by means of cancellation of the Permit.

Derzhgeonadra extends the period of validity of the Permit subject to provision by the Subsoil User of positive opinion of the specialized state geological enterprise, institution or organization, which belongs to the sphere of Derzhgeonadra's management, based on results of the state expert examination of reports concerning geological materials.

KUB-Gas is obliged to comply with the terms and conditions provided in the special permits and the agreements on the terms of use of subsoil, namely: (i) compliance with the requirements of the State Commission on Mineral Reserves Ukraine; (ii) compliance with the requirements of the state environmental control bodies; (iii) payment of the mandatory taxes and fees in full and in a timely manner; (iv) monitoring of the development process of the Vergunke licence area, Makeevskoye licence area and Olgovskoye licence area; and (v) reporting to Geoinform on the balance of the mineral resources (form 6-rp) and the works conducted at the Vergunskoye Makeevskoye and Olgovskoye licence areas on a yearly basis.

KUB-Gas is also obliged to comply with environmental cards issued by the local environmental protection bodies regarding the production at the Vergunskoye, Makeevskoye and Olgovskoye licence areas.

The main requirements of the state environmental protection bodies, set forth in the environmental cards are as follows: (i) compliance with the Ukrainian environmental legislation; (ii) before commencement of the works: (a) obtaining the "positive conclusions" of the state environmental expertise of the projects of wells construction at the Vergunskoye and Olgovskoye licence areas; and

(b) preparing the environmental impact assessments with respect to the mentioned works; (iii) compliance with the State Sector Technical Standards for the construction and infrastructure development of the wells; (iv) obtaining the approval of the local authorities and environmental protection bodies for the commencement of drilling works at wells; and (v) obtaining the approval of the State Department of Environmental Protection for performing isolating-liquidation works of spent wells and submitting the respective information indicating locations of such wells to the State Department of Environmental Protection within a month after any act of plugging is executed.

KUB-Gas' compliance with the mentioned requirements is crucial, as failure to perform any of the aforementioned obligations may be a basis for the annulment of KUB-Gas' special permits.

6.6.2.3. General Overview of Ukrainian Legal System

Since independence, the Ukrainian legal system has been developing to support a market-based economy. The legal system is, however, in transition and is therefore subject to greater risks and uncertainties than a more mature legal system. In particular, risks include, but are not limited to, provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted; inconsistencies between and among Ukraine's Constitution, laws, presidential decrees and Ukrainian governmental, ministerial and local orders, decisions, resolutions; and other acts. Also, there is a lack of judicial and administrative guidance on the interpretation of Ukrainian legislation, including the complicated mechanism of exercising constitutional jurisdiction by the Constitutional Court of Ukraine. This is further complicated by the relative inexperience of judges and courts in interpreting Ukrainian legislation in the same or similar cases, corruption within the judiciary and a high degree of discretion on the part of governmental authorities, which could result in arbitrary actions.

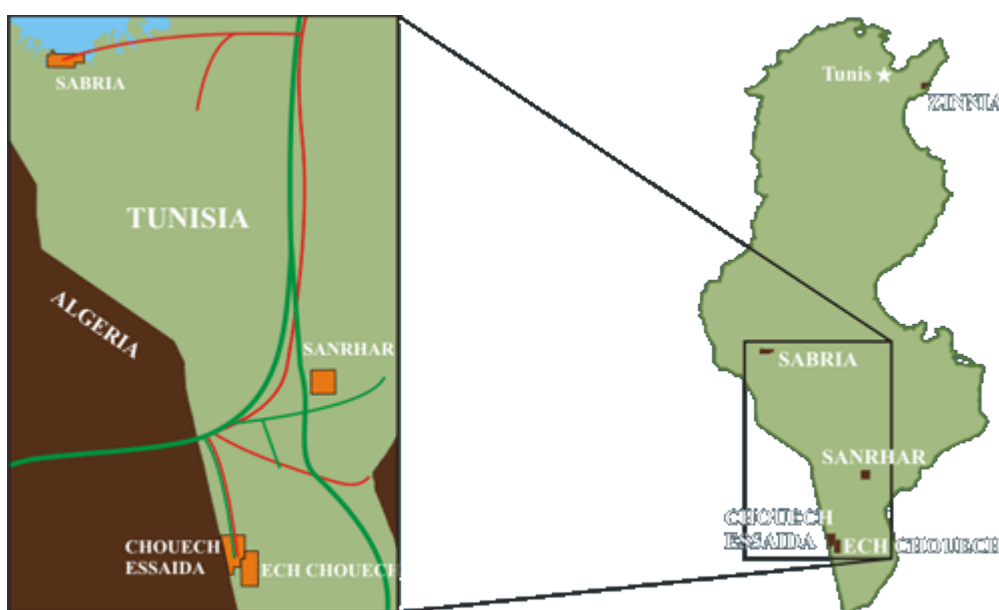
Furthermore, several fundamental Ukrainian laws either have only relatively recently become effective or are still pending hearing or adoption by the Ukrainian Parliament. For example, in 2004 and 2005, Ukraine adopted a new civil code, a new commercial code, new civil and administrative procedural codes, a new law on state registration of proprietary rights to immovable property, and a new law on international private law. In 2011, Ukraine adopted a new tax code and in 2013, a new land use registration system. Developments that have occurred with respect to the land use registration system in Ukraine may result in delays and may increase the costs for KUB-Gas' plans, or may force the Company to suspend production of gas from certain producing wells on the Ukraine Licences until pipelines are constructed. For further information on such developments, please see Section 1 of this Prospectus "Risk Factors" in Subsection 1.1.9. "*Compliance with Foreign Regulatory Regimes*".

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

6.6.3. Tunisia

6.6.3.1. Overview

In Tunisia, Serinus, through its indirectly wholly-owned subsidiary, Winstar Tunisia, holds a 100% operated interest in the Chouech Es Saida, Ech Chouech, Zinnia and Sanrhar concessions and a 45% operated interest in the Sabria concession (collectively, the “**Tunisian Concessions**”). All of the Tunisian Concessions are located onshore and, with the exception of Zinnia, all are currently producing hydrocarbons. The Tunisian Concessions are located across the country: Chouech Es Saida, Ech Chouech and Sanrhar concessions are located in the southern portion of the country in the Sahara Desert; the Sabria concession is located in the central western portion of Tunisia, next to the salt lake Chott el Jerid in a rocky desert contiguous to the sandy Sahara desert; and the Zinnia concession is located in northern Tunisia near the capital of Tunis. The locations of the Tunisian Concessions are illustrated on the map below.



Tunisian Assets

Serinus acquired its indirect interests in the Tunisian Concessions in June 2013 as part of the Winstar Acquisition. Information relating to each of the five Tunisian Concessions held by Winstar Tunisia is summarized below.

Concession	Approximate Area (km ²)	Date of Order Granting Concession	Last Day of Term	Other Participating Interest Owners	Number of Producing Wells as of December 31, 2012	Type of Production
Sabria	104	November 17, 1998	November 16, 2028	L'Entreprise Tunisienne d'Activites Petrolieres (“ETAP”) – 55%	3	Oil and Gas

Concession	Approximate Area (km ²)	Date of Order Granting Concession	Last Day of Term	Other Participating Interest Owners	Number of Producing Wells as of December 31, 2012	Type of Production
Choueich Es Saida	212	January 15, 1977	December 31, 2027	None ¹	7	Oil and Gas
Ech Choueich	136	May 22, 1992	December 9 June, 2022	None	1	Oil
Sanrhar	144	May 27, 1991	December 31, 2021	None	1	Oil
Zinnia	72	November 17, 1990	December 31, 2020	None	0	Not Applicable

Note:

- (1) The Tunisian state has an option to acquire up to a 50% participating interest in the Choueich 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 June 30, 2014 cumulative liquid hydrocarbon sales net of royalties and shrinkage was 4.8 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.

Winstar Tunisia acquired each of the Tunisian Concessions between 2000 and 2002. Many of the material terms of the conventions which govern the Tunisian Concessions are similar between the conventions and these standard terms are outlined in the Section 6 of this Prospectus “*Business overview*” in the Subsection 6.2.2.2. “*Licensing and Regulatory Regime in Tunisia*”. The royalty rates and the income taxes owed by Serinus (or, in the case of the Sabria concession, Serinus (through Winstar Tunisia) and ETAP jointly based on their respective participating interests) do, however, vary by concession as follows:

	Sabria	Choueich Es Saida and Ech Choueich	Sanrha	Zinnia
Royalty Rate	Divided into seven tiers for oil and nine tiers for gas, which range from 2% to 15% based on the “R” value (net accumulated income to total accumulated expenses).	15%	12.5%	Ranges from 2% to 15% based on the “R” value (net accumulated income to total accumulated expenses).
Income Tax Rate	Divided into six tiers if the concession is primarily oil production based on	35%	Divided into seven tiers based on the “R” value (after tax income to capital	Ranges from 50% to 75% based on the “R” value (net accumulated income

	<p>the “R” value (net accumulated income to total accumulated expenses), which range from 50% (R is less than or equal to 1.5) to 75% (R is greater than 3.5).</p> <p>Divided into four tiers if the concession is primarily gas production based on the “R” value, which range from 50% (R is less than or equal to 2.5) to 65% (R is greater than 3.5).</p>		<p>investments and operational costs), which range from 55% (R is less than to 1.25) to 80% (R is greater than or equal to 7).</p>	<p>to total accumulated expenses).</p>
--	---	--	--	--

In Tunisia, production averaged 1,462 boe/d for the three months ended December 31, 2013 and 1,311 boe/d and 1,328 boe/d for the three and six months ended June 30, 2014. Production is predominantly from the Chouech Es Saida and Sabria fields, which account for 90% 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. Works on new wells commenced in July 2014 in Sabria location. The first of two planned for this year wells – WIN 12bis is located in the eastern portion of the Sabria Field in central Tunisia. The planned total depth is 3,900 metres and the well is expected to take 63 days to drill. The rig will move to the second location, Winstar 13 immediately after finishing WIN-12bis.

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 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. In the second quarter of 2014 there were two tank lifts of oil.

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. Winstar Tunisia 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).

6.6.3.2. General Geology of the Tunisian Assets

The Zinnia concession is within the Pelagian Geological Province while the Sabria, Sanrhar, Chouech Es Saida and Ech Chouech concessions are in the Trias/Ghadames Geological Province.

The Ghadames Basin is a large intra-cratonic basin, covering portions of Algeria, Tunisia and Libya. The three countries are independently conducting petroleum exploration in their portions of the basin, using different play concepts and consequently obtaining different exploration results. Some 700 exploratory wells have been drilled in the basin, resulting in the discovery of at least 150 oil pools with 9,500 million barrels of oil-in-place. Most wells were located in the structurally higher parts of the basin, with deeper portions being less explored because of shifting dune conditions and an expectation of reservoir thinning into the basin centre. Silurian and Devonian source rocks occur across large parts of the basin and have generated volumes of hydrocarbon orders of magnitude above those discovered. The numerous structural phases (Taconic, Caledonian, Hercynian and Austrian) that have affected the basin have had important implications for depocentre migration, structural style, and for patterns of trap formation, alteration and destruction. The erosion pattern and topography developed on the Hercynian unconformity is a key control on petroleum systems within the basin, controlling the preservation of Palaeozoic hydrocarbons, communication between source and higher reservoirs and patterns of long-distance migration in the Triassic reservoir. It is believed that a substantial volume of hydrocarbons still remains undiscovered in a range of trap and play types. (Source: *Geology and hydrocarbon occurrences in the Ghadames Basin, Algeria, Tunisia, Libya* by K. Echikh).

The Pelagian Basin is located in Libya and Tunisia and is 20% onshore and 80% offshore. The basin is a meso-Cenozoic superimposed basin. The Eocene series is the main petroleum-bearing combination in Pelagian basin. Its main reservoir is nummulitic limestone and the oil source rock is the Eocene mudstone. A large set of mudstone in upper Eocene, Oligocene, and Miocene is the main cap rock. Based on structural petroleum exploration as a guiding principle with structures of salt diapirs and revealed the large-scale structural hydrocarbon reservoirs, such as the Bouri oilfield, on the area of the nummulitic limestone. The drilling success ratio increasingly gets lower as deeper exploration wells are drilled.

The Eocene reservoirs are controlled by the distribution of nummulitic limestone and the slope of the Jarrafa uplift is favourable to the lithologic hydrocarbon reservoirs of the nummulitic banks. The reservoirs are widely distributed and may form the large-scale reserves. The key factors of reservoir formation, the distribution of nummulitic limestone reservoirs is chiefly controlled by paleodepth, paleotopography, and paleowind direction. The nummulitic reservoir develops well in the peripheral area of the paleoslope or the paleostructures. It easily forms lenticular reservoirs or updip pinchout lithologic hydrocarbon reservoirs. The water is shallow in the high position of the paleostructures while the water is deep in the lower position. These circumstances are unfavourable for nummulitic growth, the reservoirs in them cannot develop, and the success ratio aiming at such structures becomes increasingly low. The oil/gas enrichment conditions are met only in the structural traps in the dolomite developed area and structural traps caused by the late period salt diapir in nummulitic limestone developed area (Source: *Hydrocarbon Enrichment Regularity of Nummulitic Limestone in Mediterranean Pelagian Basin* by Tianqi, Wang *1; Yajun, Zhang 1; Fang, Naizhen 1; Li, Juan 1; Yang, Rongjun 1)

6.6.3.3. Oil and Gas Potential

Ghadames Basin

Most of the accumulations discovered prior to 1996 are within anticlines, faulted anticlines, or fault blocks (Echikh, 1998; Boote and others, 1998; Petroconsultants, 1996, van deWeerd and Ware, 1994). A few accumulations within combination traps are present (Echikh, 1998). The typical trapping style is structures directly overlain by or capped with Triassic to Jurassic evaporate sequence. Other proven or potential traps include combination traps in association with intraformational mudstone or volcanic rocks, if present, and incised valley fills associated with the Hercynian Unconformity. The discovered petroleum accumulations in the Ghadames Basin exist in low-relief structures in the central and northeast portions.

Until recently, only structural traps had been explored for oil and gas. Continued exploration of structural and combination traps is expected for the next 30 years, and many more fields, both oil and gas, could be discovered, especially in deeper sections within the center of the Ghadames (Berkine) Basin (Macgregor, 1998). New exploration concepts could include the search for both structural and stratigraphic traps. Additionally, pinchouts within the Silurian Acacus sandstone have some potential, but seals are lacking in much of the total petroleum system due to erosional truncation (Echikh, 1998). Potential for discoveries exists in stratigraphic traps, due to the abundance of clastic reservoirs and unconformities (Macgregor, 1998) and in possible tilted fault block traps along the Talemzane-Gefara Arch.

It is estimated that about one-half of the total number of fields (discovered and undiscovered) of at least the minimum size have been discovered. The estimated median size of undiscovered oil fields is 16 million barrels of oil and it is estimated that 73 fields have not yet been discovered. The estimated median size of undiscovered gas fields is 70 BCF and it is estimated that 38 fields have not yet been discovered. The estimated mean volume of undiscovered conventional hydrocarbons are 4,461 million barrels of oil, 12,035 BCF of natural gas, and 908 million barrels of natural gas liquids. In addition, the mean size of the largest anticipated undiscovered oil and gas fields are 817 million barrels of oil and 1,014 BCF of natural gas, respectively. (Source: *US Geological Survey Bulletin* 2202-c)

Pelagian Basin

The Pelagian Province is primarily an offshore region of the Mediterranean, located off eastern Tunisia and northern Libya (northwest of the Sirte Basin), and extending slightly into Italian and Maltese territorial waters. The Pelagian Province was estimated to contain about 1 billion barrels of recoverable oil reserves and approximately 17 trillion cubic feet of known natural gas. It is speculated that tertiary carbonates might contain indigenous hydrocarbon sources, particularly in Eocene rocks (Gir Formation), that could have contributed to the large reserves in Djefarra-Pelagian. (Source: T. Ahlbrandt (2002) p.17; and Petroconsultants (1996))

6.6.3.4. Exploration / Development Activity

Sabria

The Sabria concession is located near the southern margin of Chott el Jerid close to the Sahara Desert of Tunisia. The Sabria concession, named after the nearby village of Sabriyah, was carved out of the Kebili exploration permit.

In 2002, the Sabria North 3 well, which was first drilled prior to Winstar acquiring its interest in the Sabria concession, was re-entered, drilled and completed as a horizontal producer (“**SAB-N3H**”). Between 2002 and 2007 operations on the Sabria concession were comprised of three producing wells, Sabria West 1 Horizontal, Sabria Northwest 1 Horizontal and SAB-N3H, all producing under natural

flow. The wells have open hole completions with dual tubing strings and production packers. Salt deposits are flushed from the producing wells by intermittent circulation of fresh water across the bottom of the wellbore to dissolve the native salt and produce it with the oil. Associated gas is recovered at the field, compressed to 100 bar pressure and delivered into a third party gas pipeline from where it is transported and sold to Société Tunisienne de l'Electricité et du Gaz (“**STEG**”), the Tunisian state electricity and gas company. Condensate is recovered from the associated gas via a chilling unit and slip-streamed back into the crude oil stream for sales.

Winstar Tunisia finished drilling the Sabria 11 well in the first quarter of 2007 and completed the well in the second quarter of 2007. The Sabria 11 well was shut in for a period of time due to mechanical difficulties, but is currently producing 150 barrels of oil per day plus associated gas.

In 2009, Winstar Tunisia completed the re-entry and drilling of SAB-N3H, which consisted of drilling two new horizontal laterals from the existing wellbore. Prior to the re-entry, this well had been a marginal, single horizontal leg producer (average 10 boepd net to Winstar Tunisia). Re-interpretation of the existing 3D seismic data indicated that there was very prospective fractured reservoir nearby that the initial wellbore had failed to intersect. Although numerous operational problems were encountered in the drilling and completion operations, the well has been successful in encountering abundant areas of highly fractured and productive reservoir. The well was brought on stream at a gross rate of 250 boepd and is currently producing approximately 130 boepd (60 boepd net to the Company). In July 2014 Winstar Tunisia commenced drilling of the WIN 12bis well. WIN-12bis is the first of a 2 well drilling program by the Company in the Sabria Field. It is located in the eastern portion of the Sabria Field. The planned total depth is 3,900 metres and the well is expected to take 63 days to drill. The rig will move to the second location, Winstar 13 immediately after finishing WIN-12bis.

Chouech Es Saida

The Chouech Es Saida concession is located on the southwest border of the southern tip of Tunisia. Winstar Tunisia acquired the concession, together with the neighbouring Ech Chouech concession, from AGIP in 2002. The field was shut in from 1999 until late 2003, at which time Winstar Tunisia brought the previously drilled Chouech Es Saida #7 (“**CS-7**”) well back on production. Production is from one or more of seven identified units of the Trias Argilo-Greseux Inferieur (“**TAGI**”) zone. The production completion records are questionable and inconsistent and it, therefore, is unclear which of the units have contributed to production.

The Chouech Es Saida #8 well (“**CS-8**”) was drilled, completed and placed on production in 2008, however Winstar Tunisia attempted a dual completion in the well in the fourth quarter of 2008 and encountered a serious problem during routine cementing and recompletion operations, and the well was lost. The re-entry and sidetrack of CS-8 commenced at the end of December, 2009 and was successful in reaching the target reservoir and achieved combined test rates in excess of 1625 boepd. However, communication with the reservoir was lost after the testing and was suspended. Drilling of Chouech Es Saida #8Bis (“**CS-8Bis**”) was completed on September 25, 2011 in an attempt to access the reservoir tested at CS-8. Initial production was unstable and a subsequent work-over operation was required to install an electronic submersible pump, following which production stabilized at 300 bopd in December 2011.

The Chouech Es Saida #9 well (“**CS-9**”) was drilled in the third quarter of 2008, tested over 900 bopd from four zones and was placed on production in the fourth quarter of 2008 at approximately 500 bopd. Following a period of shut-in during the first seven months of 2011, Winstar Tunisia performed

a remedial cementing operation at CS-9, which produced approximately 200 bopd for the remainder of the year.

The Choueich Es Saida #11 (“**CS-11**”) well was drilled, completed and put on production in 2010 at a rate of approximately 500 bopd. The Choueich Es Saida #13 (“**CS-13**”) well was drilled, completed and tested in 2010. Although zones came in on prognosis the reservoirs themselves contained no hydrocarbons so the well was suspended.

In November of 2010, Winstar Tunisia commenced the drilling of its first Silurian exploration well, Choueich Es Saida Silurian #1 (“**CS Sil #1**”), which tested at combined production test rates of approximately 3379 boepd. From February 2011 to September 2011 the primarily crude oil bearing zones (zones 2 and 3) were placed on long term production tests producing between 80-120 bopd. Following the installation of Winstar’s gas compression and treatment facility transported from Hungary, production from zone 1 commenced at between 900 and 1,000 boepd. In 2014 a coiled tubing unit was successful in restoring the CS Sil-1 well to production at a rate of approximately 400 - 500 Mcf/d and 40 - 50 bbl/d of oil, after running a velocity string during April. The well is being reviewed to determine additional measures to increase or restore production.

Winstar Tunisia completed drilling of Choueich Es Saida #12 (“**CS-12**”) on September 23, 2011 and following testing it was determined that a pump would be required to stabilize production. Following the installation of a beam pump, the well has been producing approximately 30 bopd plus associated gas.

In December 2011, Winstar Tunisia completed its drilling program at Choueich Es Saida Silurian #10 (“**CS Sil #10**”) targeting both the Silurian zones identified and tested at CS Sil #1 as well as a new Triassic discovery that was logged but not tested at CS Sil#1. Initial test rates from all five targeted zones were inconclusive and following investigation into the well completion it was determined that the inconclusive testing resulted from potential downhole blockages in the lower Silurian zones and potential water invasion due to poor cementing and isolation of the targeted Triassic zones. During the fourth quarter of 2012 a workover was performed to remove the completion in the lower Silurian zones and re-cement the upper Triassic zones. Winstar Tunisia completed installation of a surface pump at CS Sil #10 in early April 2013. Surface pumping during April 2013 removed approximately 10% of the estimated water that invaded the CS Sil #10 Triassic oil zone and the well began to generate hydrocarbon shows in the form of flareable solution gas and trace oil. CS Sil#10 started to flow naturally from the Triassic in May 2013 so the beam pump was detached. The well produced primarily formation water with minor quantities of gas and oil throughout the second and third quarters of 2013. Winstar Tunisia recently worked over the well to remove the pumping mechanism in the well bore to allow further subsurface work on the well. Winstar Tunisia plans to isolate specific Triassic zone perforations to find the source of the hydrocarbons which are flowing to the surface. A coiled tubing unit unsuccessfully recompleted CS Sil-10 from the Triassic TAGI sandstone to the Silurian Tannezuft. The well is currently being reviewed to determine additional measures to increase or restore production.

In addition, the Choueich Es Saida #1, Choueich Es Saida #3 (“**CS-3BIS**”), and Choueich Es Saida #5 wells, which were first drilled prior to Winstar Tunisia acquiring the Choueich Es Saida concession, are currently in production status, subject to intermittent maintenance.

Serinus continues to benefit from the 2008 Choueich Es Saida/Ech Choueich 3D seismic program acquisition and processing, and the construction of the gas sales pipeline and compression facilities for transportation of the natural gas from the concession to El Borma. The 3D seismic program has

identified the Silurian exploration potential and refocused the Triassic development via a potential new Triassic field to the north of Winstar Tunisia's producing field, which was observed on logs at both the CS Sil #1 and CS Sil #10 locations. The seismic data along with extensive petrophysical analysis has enabled Winstar Tunisia to embark on a project to identify and monitor production from each individual producing interval in the TAGI in each wellbore within the Choueich Es Saida field. Serinus, through Winstar Tunisia, is currently re-processing the entire Choueich Es Saida/Ech Choueich 3D seismic dataset in hopes of extracting additional value from data.

Finally, following the repopulation of the Choueich Es Saida concession after the Winter 2013 Strike (see the Subsection 6.6.3.7. "*Labour Disruptions at the Southern Tunisian Concessions*"), workover operations were carried out on the CS-3BIS, CS-8BIS, CS-1, CS-12 and CS-11 wells over the first three quarters of 2013.

Ech Choueich

The Ech Choueich Concession is adjacent to the Choueich Es Saida concession in the south-western tip of Tunisia. In 2008, Winstar Tunisia conducted a successful workover of the Ech Choueich #1 well ("EC-1"), which has been first drilled prior to Winstar Tunisia acquiring the Ech Choueich concession, and the well was put back on production from the Devonian formation averaging almost 100 bopd. A workover was conducted on EC-1 in 2010 to address some production impediments and the well came back on production at a rate of 140 bopd and produced an average of 100 bopd in 2011. Winstar Tunisia conducted a workover on the previously drilled Ech Choueich #4 well in 2007 but the workover did not result in commercial quantities of hydrocarbons and further analysis is required. A full workover rig commenced operations on EC-4 on May 29. The wellbore has been remediated, the well was perforated in the Devonian Ouan Kasa zone. It is ready for a stimulation later on summer 2014. The workover on EC-4 is expected to be completed within a week, after which the rig will move to ECS-1. The balance of the workover campaign includes various operations on ECS-1, CS-11, and CS-8bis. This program is expected to add production, exploit new reserves and develop a new hydrocarbon play type. Both EC-4 and ECS-1 are scheduled to be stimulated later during the summer 2014.

Sanrhar

The Sanrhar field is located 60 kilometres northeast of the El Borma oil field in the Sahara desert of southern Tunisia. In 2002, Winstar Tunisia drilled the Sanrhar West-1 well, 6 kilometres to the west down dip on the west flank of the Sanrhar domal structure of the Triassic TAGI Sandstone formation. This well was wet and was plugged and abandoned. The Sanrhar North-1 well ("SNN-1"), which first drilled prior to Winstar Tunisia acquiring the Sanrhar concession and is located near the top of this structure, is the sole oil producer in the field and has been on-stream since 1991. In 2008, Winstar Tunisia installed a new pump system in the SNN-1 well which had a positive impact on production. As of December 31, 2013, production for the Sanrhar concession was approximately 80 boepd net to the Company. A 203.5 km² 3D seismic program over the Sanrhar field commenced in early June, and is approximately 90% complete. Legacy sparse 2D data indicates a number of four-way structural closures which this program will investigate more thoroughly. Current production from Sanrhar is 50 – 60 bbl/d of oil from a single well, which has produced 423 Mbbl of oil to July 2014.

Zinnia

The Zinnia Concession is located on the Cap Bon peninsula of Tunisia, 60 kilometres southeast of Tunis, 10 kilometres from the town of Nabeul, approximately 3 kilometres from the Mediterranean

shore. In 2000, when Winstar Tunisia completed its acquisition of the Zinnia Concession, one previously drilled well, Zinnia 2 (“ZNN-2D”), was producing oil and gas from the concession. In 2008 Winstar Tunisia shut-in ZNN-2D due to a pump failure and never resumed production as the combination of high operating costs and low productivity for the well made it uneconomic. Winstar Tunisia has not drilled any new wells since acquiring the concession. As the date of the Prospectus, there is no production from the Zinnia concession. Serinus, through Winstar Tunisia, continues to evaluate options to restore production from this field and plans to re-process the Zinnia 2D seismic dataset in 2014.

6.6.3.5. Infrastructure, Transportation and Marketing

Oil production from the Sabria and Sanrhar concessions is trucked to a third party facility and then pipelined to a storage terminal located at the Port of La Skhirra owned by TRAPSA. The oil production from the Chouech Es Saida and Ech Chouech concessions is transported on a six inch, 80 kilometre pipeline which is owned by Winstar Tunisia to a third party facility at El Borma and then pipelined to a storage terminal in the Tunisian coastal town of Skhira. The pipeline and storage terminal are owned and operated by the Comp des Transports par Pipe-Lines au Sahara (TRAPSA). TRAPSA is a state public company with an industrial and commercial nature. Except for 20% of the Sabria oil production which is sold into the local market, the oil is loaded from the terminal onto oil tankers arranged by third parties and sold on the world market every one to three months, depending on production levels and tanker availability. The price paid for oil is directly tied to the price quoted for Zarzaitine crude. The oil tanker price is based on the average price for the three days after loading. The Winstar Tunisia 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.

Winstar Tunisia sells natural gas produced from Sabria and Chouech Es Saida concessions to STEG. STEG, the Tunisian Company of Electricity and Gas, is a state public company with an industrial and commercial nature. Founded in 1962, its mission is the generation, transmission and distribution of electricity and gas in Tunisia. Winstar Tunisia is dependent on STEG to purchase gas as STEG is the only purchaser in Tunisia because gas sales are state controlled. The August 12, 2009 Chouech Essaida Gas Purchase and Sale Agreement entered into by Winstar Tunisia as vendor and STEG as purchaser formalizes this relationship between STEG and Winstar Tunisia. The price of gas sold from the Sabria and Chouech Es Saida concessions is based on a percentage of the international export FOB price in the Mediterranean ports of high sulphur crude of combustible quality, with the percentage set at 77% for Sabria and 63% for Chouech Es Saida.

Winstar Tunisia delivers gas associated with the Sabria concession’s oil production to STEG using a third party gas pipeline which connects to the sales point, a STEG pipeline at Oum-Chiah. Likewise, Winstar Tunisia delivers gas extracted from the Chouech Es Saida concession to STEG at the metering station installed close to the STEG’s Ajax station at El Borma using a six-inch diameter (capacity of 15MMcf per day), 78 kilometre pipeline which is owned by Serinus. The Chouech Es Saida gas delivery system also includes two field compressors owned by Serinus, each with a capacity of 3MMcf/d.

Gas sales from the Chouech Es Saida concession are based on STEG gas takes, which are limited by capacity and maintenance issues at STEG’s El Borma facility. In connection with the recent expiration of the Chouech Es Saida gas purchase and sale agreement, Winstar Tunisia and STEG have entered into a memorandum of understanding pursuant to which Winstar Tunisia agreed to support the

financing of the repair work of one of STEG's compressor's at El Borma at an estimated cost of US\$3 million and STEG agreed to enter into an amendment to the expired gas purchase and sale agreement. The economic benefit to Serinus and Winstar Tunisia is derived from the lack of downtime at STEG's El Borma facility, which is expected to significantly increase STEG gas takes from the Choueich Es Saida concession.

6.6.3.6. Material Agreements

(a) Sabria Joint Venture Agreement

Petroleum operations in the Sabria concession are governed by a joint venture agreement (the "**Sabria JVA**"). The Sabria JVA was originally entered into in 1991 by a previous owner of Winstar Tunisia's interest in the Sabria concession and ETAP, and was assigned by that previous owner to Winstar Tunisia when Winstar Tunisia purchased its interest in the Sabria concession in 2000. Winstar Tunisia and ETAP hold, respectively, 45% and 55% participating interests in the Sabria concession. Winstar Tunisia is the operator of the Sabria concession.

The Sabria JVA is governed by an operating committee (the "**Sabria Operating Committee**"). The Sabria Operating Committee is comprised of an equal number of representatives from Winstar Tunisia and ETAP and is chaired by the operator. All decisions of the Sabria Operating Committee must be unanimous. If unanimity cannot be obtained, then for joint operations the proposal will be approved upon obtaining approval of at least two parties representing more than 70% of the financing for such operations.

Except in the case of the gross negligence of the other party, each party contributes pro-rata to their participating interests to the costs of (a) jointly funded operations; (b) direct and indirect damages and losses in respect of the assets used for joint operations and not covered by jointly subscribed insurance; and (c) direct or indirect damages suffered by third parties that are incurred by joint operations and not covered by jointly subscribed insurance.

Any technical or commercial disagreement between the parties, which cannot be resolved by the parties within a reasonable period, shall be submitted to an expert for determination. All other disputes under the Sabria JVA that cannot be resolved by the parties shall be resolved pursuant to the Conciliation and Arbitration Rules of the International Chamber of Commerce. Arbitration will take place in Switzerland and is in accordance with Tunisian law.

6.6.3.7. Labour Disruptions at the Southern Tunisian Concessions

Prior to Serinus' acquisition of Winstar, Winstar Tunisia faced certain labour disruptions at the Choueich Es Saida, Ech Choueich and Sanrhar concessions (the "**Southern Concessions**") since spring 2012, which disrupted production at those concessions. These labour disruptions first occurred on April 29, 2012, when the Union Générale Tunisienne du Travail – Tataouine (the "**Tunisian Union**"), issued a strike communiqué which resulted in a three day strike and the complete shut-in of the producing facilities at the Southern Concessions. Additional strikes occurred between May 13 and May 17, 2012 and between June 11 and June 13, 2012 (for a total of 11 days) (the "**Spring 2012 Strikes**").

The Spring 2012 Strikes occurred when individuals enrolled as trainees at the Southern Concessions demanded permanent employment. Tunisia faces high unemployment, with an estimated unemployment rate of 17% in 2012. Winstar Tunisia and the Tunisian Union agreed to a negotiated

resolution in summer 2012, including agreement on wages, certain employment benefits and the extension of some work terms.

The Spring 2012 Strikes caused Winstar Tunisia to abruptly shut-in some wells. Abrupt shut-ins of oil wells with electrical submersible pumps cause both mechanical problems and temporary reservoir issues and it can take additional time and cost to return to optimal production conditions. Several wells at the Chouech Es Saida concession suffered mechanical failures to the wells' electric submersible pumps as a result of abrupt production shut-down during the Spring 2012 Strikes, which required workover activities.

On January 16, 2013, members of the Tunisian Union commenced a three day strike at the Southern Concessions (the “**Winter 2013 Strike**”). The Winter 2013 Strike was persistent which necessitated a total evacuation of Winstar Tunisia's field staff from the Southern Concessions. During the Winter 2013, the Tunisian Union demanded, once again, that workers receive permanent employment with Winstar Tunisia. Striking workers left a few days later under pressure from the relevant authorities and under supervision of the Tunisian National Guard. On February 12, 2013 Winstar Tunisia re-opened the Chouech Es Saida and Ech Chouech concessions and the Sanhrar concession was re-opened in May of 2013.

Since the strikes that occurred during first quarter of 2013, the Company, through Winstar Tunisia, has established a new dialogue with its two unions at the Southern Concessions and has since experienced few labour relations problems.

6.6.3.8. Environmental Status in Tunisia

Disposal of produced water from the Sabria concession in manner which is both cost-effective and in compliance with Tunisian environmental legislation has remained a challenge since Winstar Tunisia purchased the concession, and Serinus continues investigate solutions to the problem. Oil produced at the Sabria concession is washed with clean water to reduce the high salt content of the oil, however the resulting produced water contains significant concentrations of salt, heavy metals and oil, which requires treatment. Winstar Tunisia currently uses evaporation lagoons as the final discharge point of the wastewater, however the current process of wastewater disposal is not in compliance with Tunisian environmental legislation.

Likewise, Winstar Tunisia currently disposes of water produced from the Chouech Es Saida and Sanhrar concessions on the nearby ground. This water is salty but has been freed of hydrocarbons through decantation. Accordingly, the water is both evaporating and going into the ground. This procedure, also applied by other operators in the desert, is not in line with Tunisian environmental regulations.

6.6.3.9. Current Activity

In November 2013, Serinus and EBRD signed the Tunisia Loan Facility providing up to USD \$60 million to Serinus with the specific use of the proceeds from such loan to be used for the development of the Company's Tunisian oil and gas fields operated by Winstar Tunisia.

The Tunisia Loan Facility project comprises financing the development of the Sabria, Chouech Es Saida, Ech Chouech and Sanhrar concessions between 2013 and 2017. It will finance a multi-year continuous drilling programme, including the stimulation of existing wells (for example, through hydraulic fracturing) and the drilling of new production wells, securing dedicated drilling and service rigs.

The Company acting through Winstar Tunisia commenced drilling of the first of two planned wells at the Sabria concession in July 2014. The second well will be drilled after the first well and is expected to commence drilling by October 2014. Future exploration and development activities at the Sabria concession will be contingent on the results of this drilling program.

For more information please see: Section 22 “*Material contracts*”, in Subsection 22.8.1. “*Tunisia Loan Facility*”.

6.6.3.10. General Overview of Tunisian Legal System

The Tunisian legal system is based on the constitution of 2014 which replaced the constitution of 1959. The Tunisian Constitution of 2014 was adopted January 26, 2014 by the Constituent Assembly elected 23 October 2011 following the revolution that overthrew President Zine el-Abidine Ben Ali. On 10 February 2014 the new Constitution superseded the constitutive law of 16 December 2011 which organized temporary government after the suspension of the 1959 Constitution. It is the third Constitution of the country's modern history after the Constitution of 1861 and the 1959.

The Tunisian legal system is based upon the French Napoleonic code. The judiciary is comprised of two judicial orders: the legal judicial order and the administrative judicial order. The legal judicial order is comprised of regional jurisdictions and courts of first instance which are linked, according to their geographical location, to ten Courts of Appeal rendering decisions under the censure of the High Court. The administrative judicial order depends on the state council. The state council is made up of two bodies: the Administrative Court and the Audit Office. The Administrative Court controls the legality of local, regional and central administrative acts and renders decisions on administrative responsibilities. The Audit Office controls the finances of the Tunisian state, the regions, the communes and all public services. The Financial Discipline Court is responsible for judging the management faults committed by those entitled to pass accounts of the state, the administrative public establishments and the communes. Although the Tunisian constitution guarantees the independence of the judiciary, some local legal experts assert that courts are susceptible in some measure to political pressure, although courts generally handle commercial cases objectively.

A Tunisian judge will order the enforcement in Tunisia of foreign judgments without re-examining the merits of a claim, except that enforcement of foreign judgments is denied if (i) the underlying claim is subject to the exclusive jurisdiction of Tunisian courts, (ii) a prior Tunisian judgment has already been rendered with regard to the relevant claim, (iii) the foreign judgment is contrary to principles of Tunisian public policy, (iv) the foreign judgment to be enforced has been cancelled in the jurisdiction where it has been rendered, or (v) the jurisdiction where the judgment has been rendered does not apply reciprocity rules in its relationship with Tunisia.

As a signing party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, Tunisia also recognizes the enforceability of arbitral awards rendered outside Tunisia, except where (i) the relevant arbitration provision is invalid under the law of the jurisdiction where the arbitral award was pronounced, (ii) the defendant was denied an opportunity to defend itself, (iii) the arbitral award deals with an issue not covered by the relevant arbitration provision, (iv) the appointment of the arbitrators violated the arbitration provision or the arbitration rules or the law applicable to the arbitration, (v) the arbitral award has been cancelled or suspended by a court of the jurisdiction where the arbitral award was rendered or under the law based on which the arbitral award was rendered, or (vi) if the enforcement of the arbitral award is contrary to principles and rules of Tunisian public order.

The Constitution adopted in 2014 is the third Constitution of the country's modern history. The articles of the Constitution were discussed one by one in plenary in December 2013 and January 2014 as part of heated debate, which delayed the review. The final text was adopted on 26 January 2014 by the Constituent Assembly with 200 votes in favor, 12 against and 4 abstentions. The next day the text was signed by the President of the Republic Moncef Marzouki, the President of the Constituent Assembly, Mustapha Ben Jaafar, and the head of the outgoing government, Ali Larayedh, during a ceremony at the headquarters of the Assembly.

This Constitution is the result of a compromise between the Islamist party Ennahdha (head of government) and the opposition forces. It spends a dual executive, gives reduced place to Islam and for the first time in the legal history of the Arab world establish equality and parity between men and women. As the highest legal standard of the country, the constitution is above the legislative and even international treaties. In case of conflict between existing legislation and the new constitution, the latter shall prevail. Existing Tunisian laws which affect the Serinus Group's operations in Tunisia are still in force as long as they do not contravene the terms of the new constitution.

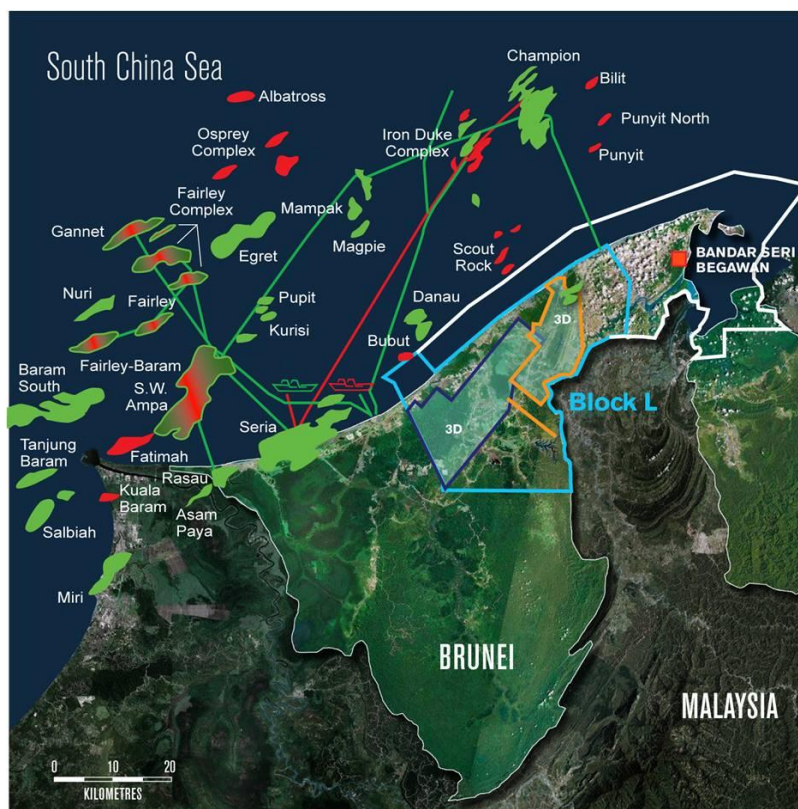
6.6.4. Brunei

The Company, through two indirect wholly-owned subsidiaries, Kulczyk Oil Brunei and AED SEA, holds a 90% working interest in the Brunei Block L PSA, as summarized below. As at December 31, 2011, the Company, through the companies of the Issuer's Group, held a 36% interest in the other Brunei onshore exploration block, Brunei Block M. The Brunei Block M PSA expired in late August 2012 after the operator of Brunei Block M failed to drill the wells required under the Block M PSA in the time allotted. See Section 1 of this Prospectus "*Risk Factors*" in Subsection 1.1.24. „*Reliance on Third Party Operators*".

6.6.4.1. Block L Overview

Brunei Block L is an area of approximately 1,123 km² covering onshore and offshore areas in northern Brunei. Brunei Block L was originally 2,200 km² in size, and was reduced by approximately 50% to its current size in 2011 as part of the mandatory Phase 1 relinquishment process under the terms of the Block L PSA.

The location of Brunei Block L is illustrated in the map below.



The Company, through its indirect wholly-owned subsidiaries, Kulczyk Oil Brunei and AED SEA, holds a 90% working interest in the Brunei Block L PSA which gives them the right to explore for and, if certain conditions are satisfied, produce oil and natural gas from Brunei Block L. The Issuer's Group's interest in Brunei Block L is held 40% by Kulczyk Oil Brunei and 50% by AED SEA. AED SEA was acquired by the Company in December 2011 from AED Oil Investments, the former parent company of AED SEA, which was in voluntary receivership. AED SEA is the operator of Brunei Block L.

The relationship between AED SEA and KOV Brunei and the other participant in Brunei Block L is governed by the Block L Operating Agreement. The other participant in the Brunei Block L PSA is QAF Brunei Sendirian Berhad ("**QAF**") (10%).

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

In 2010, AED Oil Investments acquired a 50% operating interest in Brunei Block L by purchasing all the shares in AED SEA, which had previously farmed in for an interest in Brunei Block L from Kulczyk Oil Brunei. As part of the farm-out arrangements, AED SEA paid for 100% of the first \$21.7 million of cash calls under the Block L Operating Agreement.

The Brunei Block L exploration period was originally six years from the date of the Block L PSA, August 28, 2006, and is divided into Phase 1 and Phase 2 which can run concurrently. In 2010, as a part of the Phase 1 work commitments, the Brunei Block L contracting parties drilled two wells in Brunei Block L at Lukut-1 and Lempuyang-1. Both wells encountered hydrocarbons but the

contracting parties elected not to test the wells at that time. In August 2010, the Brunei Block L contracting parties elected to proceed with the Phase 2 exploration period.

The Brunei Block L contracting parties were successful in obtaining an extension of the Phase 2 exploration period to August 27, 2013 as well as a revision of the work commitments to correspond with the current work plan. The amended minimum work obligations for Phase 2 are to: (i) acquire and process 13 kilometres of onshore 2D seismic data; (ii) acquire and process not less than 130 km² of 3D seismic data; (iii) acquire and process 13.5 km² of onshore 3D swath data; (iv) acquire and process not less than 34.5 km² of onshore 3D seismic; and (v) drill at least two onshore exploration wells, each to a minimum depth of 2,000 metres. The Brunei Block L contracting parties were required to spend a minimum of \$16.0 million during Phase 2 and the work commitments are required to be completed during the Phase 2 period. The contracting parties have satisfied their minimum expenditure obligation for Phase 2 and AED SEA commenced drilling of the first Phase 2 commitment well, Lukut Updip-1 ("**LKU-1**"), in June 2013. On August 26, 2013 the Phase 2 exploration period was extended to November 27, 2013, and again was extended automatically in November 2013 to allow time for both the the balance of drilling on the LKU-1 well and the spud of the second Phase 2 well. As of the date of this Prospectus the LKU-1, the third commitment well in the Brunei Block PSA has been drilled to a total measured depth of 2,137 metres and 1,798 meters true vertical depth. The well was spud June 18th, 2013 and reached a final depth on August 29, 2013 and was tested two times. The well was directionally drilled to target several Miocene turbiditic sand bodies all of which were thought to be hydrocarbon bearing. Due to the significantly higher than expected formation pressures and equipment limitations, the Company determined that it was no longer safe to continue drilling the LKU-1 well and, consequently, drilling was suspended prior to penetrating the main target, a cement plug was put in place from 2,120 to the total MD of 2,137 metres and 4.5" casing was set to a depth of 2,120 metres. Logs were recorded during drilling using logging while drilling (LWD) tools, due to their placement within the bottom hole assembly. The lower most section on the hole was not able to be recorded as the tools are located at various distances behind the drill bit. Due to the placement of the LWD tools and the tool limitations, the lowest portion of the wellbore could not be evaluated. The initial planned depth for the LKU-1 well was 2,959 metres MD and 2,410 metres TVD. The first zone to be tested was the bottom 6 metres of the well from 2,131 to 2,137 metres MD over which the cement plug had been placed. Gas flowed continuously at a low rate during the test. The second test was conducted over the combined intervals 1,980 - 1,990 meters MD, 2,050 - 2,070 meters MD, 2,080 – 2,095 meters MD and 2,105 – 2,120 meters MD which results in a gas flow at non commercial rates. Subsequently the well was suspended and is awaiting abandonment.

The formation is believed to have been damaged by heavy drilling fluid, mud system additives and cement during the drilling process as the drilling team worked to control the high pressures encountered. Attempts to clean up the perforated interval by utilizing an acid treatment were not successful. During second test a total of 60 metres was selectively perforated between the depths of 1,980 metres and 2,120 metres. Gas was flared at surface throughout the test but the well did not produce at commercial rates. The entire section tested in the second test, which was open during the well control efforts, is believed to have also been damaged by drilling fluid and mud additives. The section of the LKU-1 well below approximately 1,100 metres MD has not previously been penetrated by any wells in onshore Brunei. The drilling break at 2,131 metres MD is interpreted to correspond to the top of a zone defined by seismic (the "Green Zone") that was a secondary target of the well. The deeper primary target of the well (the "Red Zone"), which the Company expected to encounter at 2,402 metres MD, has not been penetrated. The Green Zone, the transition zone above the Green Zone (Test 2) and the Red Zone are all interpreted to be facies associated with turbiditic sandstone

deposition which are likely to extend over a large area. The Company believes that the tested formations may be capable of producing at commercial rates, and that further analysis, evaluation and appraisal will be required to fully assess the prospectivity and productivity of this new play.

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

6.6.4.2. Drilling and Other Exploration Activities

Seismic Programs

A 350 km² 3D seismic acquisition program was completed in the Tutong area of Block L on May 8, 2009 as part of the commitments under the Phase 1 exploration period of the Brunei Block L PSA. A further acquisition program involving 191.8 km² of 3D seismic, a 16.2 km² 3D swath and 14 kilometres of 2D seismic was completed in June 2012 as part of the commitments under the Phase 2 exploration period. The new seismic was processed and interpreted and tied in to the 2009 3D seismic survey providing broad insight into the subsurface complexities of Block L and contributing to the identification of targets for the Phase 2 drilling program. The primary purpose of the 2011 and 2012 seismic programs was to fully evaluate the hydrocarbon potential within the structurally complex Jerudong prospect area, to de-risk the Lukut Updip prospect and to identify other potential prospects.

Drilling & Testing

Two wells were drilled in 2010 on locations defined by the Tutong seismic program. The Lukut-1 well, which was spud May 2, 2010, was drilled to a total depth of 2,366 metres. Gas logs which evaluated the hydrocarbon content of the drilling fluid during the drilling operation showed a continual increase in gas content with indications of C1 to C5 over the interval from 1,745 metres to 2,230 metres. An interpretation of wireline logs indicated ten zones of potential and the well was cased to total depth in June 2010 and suspended pending future testing.

The Lempuyang-1 commenced drilling in mid-July 2010 and reached a total measured depth of 3,220 metres (true vertical depth of 2,817 metres). Significant drilling challenges related to managing over-pressured zones encountered during the drilling of the well contributed to the number of days between spud and the reaching of total depth and to the cessation of drilling above the 3,500 metre level which had originally been projected for this well. Overpressure was expected and was accounted for in the original well design. However, several significant gas kicks encountered while drilling meant that the design needed to be modified to suit the conditions in the wellbore. Three of the four target horizons were fully penetrated by the wellbore. Interpretation of wireline logs indicated possible gas-charged reservoirs at each of three lowest target horizons and the well was cased to total depth and suspended pending future testing.

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

The Lukut Updip-1 well commenced drilling in early May 2010 and was cased to a total depth of 2,150 metres after encountering ten zones of interest with an aggregate possible net pay of between 19 and 47 metres. The well was suspended in June 2010 pending potential testing. As at the date of this Prospectus, the Lukut Updip 1 (LKU-1) well has been tested over two interval within the Miocene section of the wellbore. The first zone to be tested was the bottom 6 metres of the well from 2,131 to 2,137 metres MD over which the cement plug had been placed. Gas flowed continuously at a low rate during the test. The second test was conducted over the combined intervals 1,980 -1,990 meters MD, 2,050-2,070 meters MD, 2,080 – 2,095 meters MD and 2,105 – 2,120 meters MD which results in a gas flow at non commercial rates. Subsequently the well was suspended and is awaiting abandonment.

The LKU-1 well commenced drilling in June 2013 and drilling was suspended at a final measured depth of 2,137 metres in early September after it was determined that the significant formation pressures encountered during drilling could no longer be safely controlled. LKU-1 was unable to penetrate the intended primary objective formation in the well. As of the date of this prospectus the well has been tested two times within shallower secondary target formations. While the rates from these tests were estimated to be less than 50 thousand cubic feet per day (Mcf/d), the discovery of hydrocarbons within these secondary zones indicates that further analysis and appraisal will be required to evaluate the resource potential of these zones.

In November 2013, the Luba-1 exploratory well on Brunei Block L commenced drilling. Luba-1 is the second of two commitment wells to be drilled during the 2013 Brunei Block L Phase 2 drilling campaign. The well is planned to evaluate the hydrocarbon potential of the Triple Junction structure, within the Luba Fault Block south-west of the LKU-1 gas well drilled in 2013. Luba-1 well is operated by AED SEA.

The Luba prospect was interpreted using the 2009 Tutong 3D seismic volume, and is planned to be drilled as a directional well to test a Direct Hydrocarbon Indicator (“**DHI**”) or “Flat Spot” observed in the B horizon in the Luba Fault Block. Luba prospect will target shoreface to near shore deltaic sandstones of Pliocene to Late Miocene age, which are the traditional exploration targets in Brunei. In addition to evaluating the primary target (B Horizon), the Luba-1 well will also evaluate the shallower R Horizon. Both horizons are located in interpreted trap position created by two extensional normal faults which form the Luba fault block. The primary B Horizon target, is expected to be encountered at a depth of approximately 2,802 metres measured depth (2,360 metres true vertical depth), and the well is expected to take approximately 35 days to drill. Formations are anticipated to be normally pressured.

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.

A further impairment of \$0.3 million was recorded for the six months ended June 30, 2014. The Company, acting through AED SEA and KOV Brunei, together with Petroleum Brunei, are in the process of evaluating the drilling campaign with a view to determining a way forward.

As at June 30, 2014, the Brunei Block L assets are fully impaired.

6.6.4.3. Geographical and Geological Setting

Brunei Block L comprises both onshore and offshore areas. The offshore portion of Brunei Block L lies in relatively shallow waters, and includes a seven kilometre wide strip along the northwest coast and essentially all of Brunei Bay to the east. The Seria oil field lies approximately 12 kilometres to the southwest of Brunei Block L and a natural gas discovery at Bubut, announced by Brunei Shell Petroleum Company Sendirian Berhad ("**BSP**") on November 9, 2007, lies less than one kilometre from the edge of Brunei Block L in the shallow offshore region. According to a technical paper produced by BSP in 2008, the Bubut-2 well, 400 to 500 metres from the Brunei Block L boundary, logged more than 190 metres of hydrocarbon pay in Miocene reservoir sands. Recent interpretations of seismic information by the Company suggest that between three to six km² (700 to 1,400 acres) of the Bubut structure may extend into Brunei Block L. It has been reported by BSP that Bubut, along with the 1970 Danau oil and gas discovery, lying less than three kilometres from the Brunei Block L boundary, will be developed contemporaneously by 2012 to supply natural gas which would be converted to LNG for export.

6.6.4.4. Potential Re-Acquisition of Relinquished Areas

On April 29, 2012 AED SEA has also made an application to PetroleumBRUNEI (which administers the Brunei Block L PSA on behalf of the Bruneian government) to re-acquire certain areas, i.e. retain the relinquished area that were relinquished upon the completion of Phase 1, in accordance with the terms of the Brunei Block L PSA. which required AED SAE to relinquish 50% of the original Agreement Area and enter into Phase 2 of the exploration period. In accordance with Article 4 of the Block L PSA, the Block L joint venture partners consisting of AED SEA, Kulczyk Oil Brunei and QAF Brunei Sendirian Berhad (together, for the purpose of this section "**Joint Venture Partners**") relinquished 50 percent of the Block L Contract Area in February 2011, an area subsequently referred to as the "Retention Area". At that time the Joint Venture Partners advised PetroleumBRUNEI its intention to negotiate a new Production Sharing Contract in respect of the Joint Venture Partners's obligations and activities in the Retention Area. This was further reiterated to PetroleumBRUNEI in a letter of April 29, 2012 when formal application was submitted together with a Work Program. Article 4.2 of the Block L PSA states that the Block L Consortium i.e. Joint Venture Partners) may seek to retain the Proposed Retention Area if, among other things, retention of the Proposed Retention Area does not in any way restrict or diminish the ability of the Block L Consortium to fully perform its obligations in relation to Phase 2 of the Exploration Period.

Serinus Share in Brunei Block M expired on 27 August 2012.

6.6.4.5. Oil and Gas Potential

Brunei, which is underlain by a geologic feature known as the Baram Delta, is well known for the significant reserves of petroleum and gas which have fuelled the nation's economy for more than 75 years. The BP Statistical Review of World Energy 2013 indicates that Brunei has proved reserves of 1.1 billion barrels of oil and 10.6 Tcf of natural gas. Production from Brunei in 2012 was 158,000 barrels of oil and 1.2 Bcf of natural gas per day.

Value creation potential in Block L exists for:

- (i) medium to high risk exploration for oil and/or natural gas in the structural features underlying the Tutong 3D survey area to the east of the giant Seria field directly on trend with the under-explored Belait Anticline;
- (ii) medium to high risk exploration for oil and/or natural gas in the structural features updip from the Lukut-1 well where they may be trapped by a mobile shale unit;
- (iii) medium risk exploration and exploitation of accumulations of natural gas along the coastal strip in close proximity to the recently announced discovery at Bubut and earlier discoveries at Danau and Scout Rock; and
- (iv) medium risk development or exploitation opportunities for both oil and natural gas in the commercially productive onshore Jerudong field.

The south western part of Block L and, in particular, the area where the initial 3D seismic survey was shot, is underlain by a substantial thickness (up to 4,000 metres) of sediments. The deepest zones comprise a sequence of deformed clastics and subordinate carbonates ranging in age from Late Cretaceous to Early Miocene. These rocks are overlain by a younger, less-deformed series of progradational deltaic systems of Middle Miocene to Quaternary age. Trapping may be stratigraphic or structural and in most cases would be both. Primary targets underlying Block L are the Belait and Miri Formations of Miocene age.

It is generally recognized that a combination of significant clusters of oil and gas seeps, rudimentary geologic mapping and gravity interpretations led early explorers to success in finding the Miri, Seria, Jerudong and Belait fields. Within the area of the recent 3D seismic acquisition survey on Block L, along the trend of the Belait Anticline, there are more than fifty oil and gas seeps clustered in the Simatang area. BSP drilled eight shallow exploration wells within the cluster between 1914 and 1918. All of these wells intersected good quality reservoir sands with gas and oil shows which at that time were deemed non-commercial.

6.6.4.6. Current Activity

Future Potential Transportation Arrangements and Markets

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

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

6.6.4.7. Material Agreements

(a) Brunei Block L PSA

Kulczyk Oil Brunei and QAF entered into the Brunei Block L PSA dated August 28, 2006 with PetroleumBRUNEI, which granted to Kulczyk Oil Brunei and QAF the right to explore for and, if the parties decide that the discovered resources are sufficient for commercial exploitation and PetroleumBRUNEI approves the development plan, produce oil and natural gas from Block L. As of the date of the Brunei Block L PSA, Kulczyk Oil Brunei held a 90% working interest and QAF held a 10% working interest in the Brunei Block L PSA. The Company subsequently assigned a 50% interest in the Brunei Block L PSA to AED SEA, which it re-acquired in December 2011 when it purchased AED SEA from its then parent company, leaving the Company with an aggregate 90% working interest in Block L. The Brunei Block L PSA was entered into for a period of 30 years. In August 2010, the Company, via Kulczyk Oil Brunei, and its joint venture partners in Block L elected to proceed with the Phase 2 exploration program under the Brunei Block L PSA.

In December 2011, when KOV Cyprus acquired 100% of the share capital of AED SEA upon the closing of the AED SEA Acquisition, the Company, through its indirectly wholly-owned subsidiary AED SEA, assumed operatorship of Block L.

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

In January 2012, the terms of the Brunei Block L PSA were extended, delaying the requirement to complete the existing minimum work obligations from August 27, 2012 to August 27, 2013. Phase 2 was extended again in August 2013 to November 27, 2013 and again in November 2013 to allow for the completion of the drilling of the Luba-1 well and in the event the Company decides to appraise a discovery the term of the exploration period is further extended to allow for the implementation of the appraisal program. The Company, acting through AED SEA and KOV Brunei, drilled two wells on Block L in 2013: the LKU-1 well was spud in June 2013 at a location updip from the Lukut-1 well and in November 2013 Luba—1 well commenced drilling. The key terms of the Block L PSA are summarised below.

Current parties and working interests

PetroleumBRUNEI
Kulczyk Oil Brunei (40%)
AED SEA (an indirect wholly-owned subsidiary of Serinus) (50%)
QAF (10%).

PetroleumBRUNEI back-in right

PetroleumBRUNEI (or its nominee) has a right to acquire up to a 15% working interest in Brunei Block L at any time. This back-in right will be taken *pro rata* from the existing contractor parties' respective working interests. If PetroleumBRUNEI exercises the back-in right during the exploration period, its

working interest would be carried by the other Brunei Block L contractor parties pro rata to their respective participating interests until expiry of the exploration period (after which it must bear its pro rata share of expenses). If PetroleumBRUNEI exercises the back-in right after expiry of the exploration period, it must pay its pro rata share of expenses.

Assistance payment

The Brunei Block L contractor parties are required to pay PetroleumBRUNEI US\$300,000 per year during the exploration period and US\$200,000 per year thereafter.

Exploration period

Exploration period of six years, commencing on 28 August 2006, comprised of two phases of three years each. Phase 1 was subsequently extended by one year to expire on 27 August 2010 and Phase 2 was reduced accordingly.

Minimum work obligations for Phase 1 are: (i) processing at least 1,500kilometres of seismic data provided that such data is made available to the Brunei Block L contracting parties; (ii) acquiring and processing not less than 350 square kilometres of 3D offshore seismic data; and (iii) drilling at least two onshore exploration wells, each to a minimum depth of 2,000 metres.

Minimum expenditure for Phase 1 is US\$25 million.

Phase 1 is now complete and Serinus believes that the contracting parties have satisfied all of their minimum work and expenditure obligations. On 13 August 2010, the Brunei Block L contractor parties elected to proceed with the Phase 2 exploration programme. In 2011, the Phase 2 exploration period was extended by one year to terminate on 27 August 2013 and in August 2013 the Phase 2 was extended again up to November 27, 2013 and afterwards was automatically extended to allow for the completion of the drilling of the Luba-1 well and in the event the Company decides to appraise a discovery the term of the exploration period is further extended to allow for the implementation of the appraisal program.

Minimum work obligations for Phase 2 are: (i) acquiring and processing not less than 13kilometres of onshore 2D seismic data; (ii) acquiring and processing not less than 130square kilometres of onshore 3D seismic data and 13.5 square kilometres of onshore 3D swath date; and (iii) drilling at least two onshore exploration wells, each to a minimum depth of 2,000 metres.

Minimum expenditure for Phase 2 is US\$16 million. This has been satisfied in full.

Failure to meet obligations

If the Brunei Block L contractor parties fail to satisfy the Phase 2 minimum work and expenditure obligations, they must pay to PetroleumBRUNEI, at Petroleum Brunei's election, within 30 days of the expiry of Phase 2: (i) the unspent minimum expenditure of Phase 2; or (ii) US\$3,000 multiplied by the aggregate number of metres the Brunei Block L contractor parties are required to drill but have not drilled by the end of Phase 2.

Relinquishment

On 4 August 2010, PetroleumBRUNEI agreed to defer the Brunei Block L contractor parties' obligation to relinquish either: (i) 50% of the lands covered by the Block L PSA; or (ii) all of the lands covered by the Block L PSA, to 27 February 2011.

In 2011, the Brunei Block L contractor parties elected to relinquish 50% of the lands covered by the Block L PSA.

On the last day of Phase 2, the Brunei Block L contractor parties must relinquish all of the lands covered by the Block L PSA not involved in or connected to the development of oil and natural gas. Further relinquishment obligations may also apply in certain circumstances.

The Brunei Block L contracting parties are applying to PetroleumBRUNEI to re-acquire certain areas of the relinquished areas.

Termination

PetroleumBRUNEI has a right to terminate the Block L PSA with respect to all Brunei Block L contractor parties if, amongst other things, the Brunei Block L contractor parties fail to appoint a successor operator within 30 working days of the resignation or removal of an operator. PetroleumBRUNEI may also terminate the Block L PSA with respect to any individual Brunei Block L contractor party on the occurrence of an insolvency event affecting that Brunei Block L contractor party or where that Brunei Block L contractor party has committed a material breach of the Block L PSA. In addition, where PetroleumBRUNEI has notified a defaulting party of a breach and informs the other Brunei Block L contractor parties of the defaulting contractor party's breach, and such breach is not remedied within 30 days, PetroleumBRUNEI can terminate the Block L PSA with respect to all Brunei Block L contractor parties.

Guarantees

The Brunei Block L contractor parties must deliver to PetroleumBRUNEI an irrevocable bank guarantee from a bank incorporated or licensed in Brunei Darussalam within 45 working days from: (i) the commencement date (i.e. 28 August 2006); or (ii) if the contracting parties notify PetroleumBRUNEI of their intention to enter Phase 2, no later than 30 days prior to the end of phase 1. The contractor parties may deliver to PetroleumBRUNEI a single bank guarantee in respect of their obligations in this regard.

Force majeure

If, as a result of force majeure, any Brunei Block L contractor party is rendered unable (wholly or in part), to carry out its obligations under the Block L PSA (other than the obligation to pay any amounts due) then, those obligations can be suspended, on notice, for the period of force majeure.

Change of control

If a third party acquires control of the ultimate parent company of a Brunei Block L contractor party, that contractor party must immediately notify PetroleumBRUNEI, identifying the relevant third party and providing details of any petroleum interests held by that third party or its affiliates in Brunei Darussalam or in any neighbouring states. If PetroleumBRUNEI, in its absolute discretion, determines that the change of control of the contractor party renders it unacceptable to PetroleumBRUNEI, it may, by notice in writing, itself or together with the other contractor parties, purchase all of the contractor party's percentage interest in the Block L PSA at arm's length market value, as agreed by the parties or, failing such agreement, determined by an expert pursuant to the provisions of the Block L PSA. "Control" is defined as the power, directly or indirectly, to direct or cause the direction of the management and policies of a contractor party, whether through ownership of such contractor party's voting securities, by contract or otherwise.

Economic terms

Development and production period commences on the date PetroleumBRUNEI approves a development plan with respect to a discovery and lasts for 24 years,

subject to early termination or relinquishment.

Crude Oil

Up to 60% of net crude oil, after deduction of the PSA oil royalty, will be available to the Brunei Block L contractor parties for reimbursement of expenditures.

Total volume of profit oil is allocated to the Brunei Block L parties quarterly as follows:

First 10,000 bopd: 70% Brunei Block L contractor parties; 30% PetroleumBRUNEI

Between 10,001 to 25,000 bopd: 60% Brunei Block L contractor parties; 40% PetroleumBRUNEI

Over 25,001 bopd: 40% Brunei Block L contractor parties; 60% PetroleumBRUNEI.

Kulczyk Oil Brunei being entitled to its 40% share from the Brunei Block L contractor parties' total share.

Once the cumulative total production of crude oil exceeds 50 Mmbbl in any quarter, all profit oil obtained thereafter will be split 60% for PetroleumBRUNEI and 40% for the Brunei Block L contractor parties.

An excess revenue payment of 50% of the amount by which the market value of crude oil exceeds US\$58 per bbl applies in any quarter in which the Brunei Block L contractor parties recover from the net crude oil production all of their exploration and appraisal costs and the market value of crude oil exceeds US\$58 per barrel.

The economic terms in respect of crude oil under the Block L PSA are illustrated in the first diagram below.

Natural Gas

Up to 60% of net natural gas produced, after deduction of the PSA NG royalty, will be available to the Brunei Block L contractor parties for reimbursement of their expenditures.

Total volume of profit gas is allocated to the Brunei Block L contractor parties quarterly as follows:

2 Tcf or less: 50% Brunei Block L contractor parties; 50% PetroleumBRUNEI

Over 2 Tcf: 40% Brunei Block L contractor parties; 60% PetroleumBRUNEI

Kulczyk Oil Brunei being entitled to its 40% share from the Brunei Block L contractor parties' total share.

An excess revenue payment applies in similar circumstances to that in respect of crude oil.

The economic terms in respect of natural gas under the Block L PSA are illustrated in the second diagram below.

Additional Costs

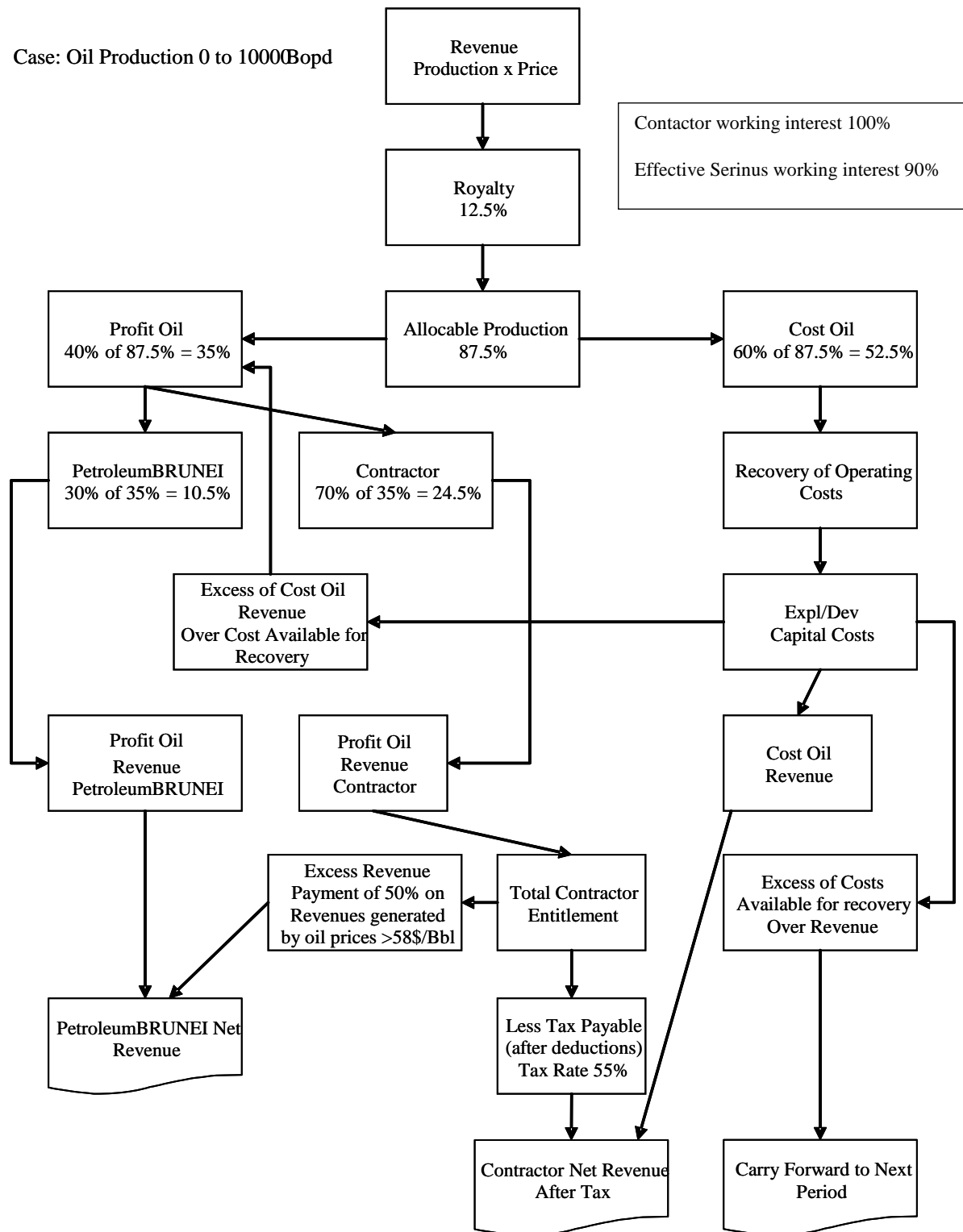
The following additional costs apply to both crude oil and natural gas: (i) 12.5% government royalty, payable in kind to PetroleumBRUNEI; (ii) income tax of 55% of each contractor party's share of chargeable profits in accordance with the Block L PSA (effective tax rate is dependent on production volumes and ranges from 10.31% to 13.06% on natural gas and from 6.05% to 10.59% on the production of oil); (iii) a research and development contribution of 2% of the market value of the PSA oil royalty and NG royalty and the Brunei Block L contractor parties' share of the PSA profit oil and PSA profit gas.

Governing law	Laws of Brunei Darussalam.
Arbitration	Arbitration held in Singapore in accordance with the Arbitration Rules of the Singapore International Arbitration Centre
Ownership	All project assets located in Brunei Darussalam are owned by PetroleumBRUNEI.
Indemnification	The Brunei Block L contractor parties shall indemnify the Government and PetroleumBRUNEI from and against all loss, damages or liability arising out of the performance of its duties (except in the case of gross negligence or wilful misconduct on the part of the PetroleumBRUNEI and/or any of its affiliates and/or subcontractors and/or any of their officers, employees, agents or servants).
Site restoration and abandonment fund	<p>On expiry of the Block L PSA and/or relinquishment of any part of Brunei Block L, the Brunei Block L contractor parties will be obliged to undertake certain site restoration activities of those areas of Brunei Block L affected by petroleum operations.</p> <p>Prior to commercial production, the Brunei Block L contractor parties and PetroleumBRUNEI must agree on an abandonment plan for the site restoration activities of each area in which the parties propose to carry out petroleum operations. The Brunei Block L contractor parties and PetroleumBRUNEI are also required to establish an abandonment fund to fund the site restoration costs, following which Brunei Block L contractor parties will be obliged to make monthly payments to such fund in accordance with the provisions of the Block L PSA.</p> <p>The Brunei Block L contracting parties are entitled to draw down the abandonment fund for the purpose of funding their site restoration activities.</p>
Confidential information	<p>The Brunei Block L contractor parties shall keep all confidential information strictly confidential and shall not disclose it without the prior written consent of the other parties.</p> <p>The Brunei Block L contractor parties may disclose the confidential information to third parties without PetroleumBRUNEI's prior written consent only to the extent such confidential information: (i) is provided to the contractor's employees for use for the purposes of petroleum operations and subject to their execution of suitable confidential agreements;</p> <p>(ii) is provided to an affiliate of the contractor for the use purposes of petroleum operations and subject to suitable confidential agreements</p>

having been entered into by such affiliate;

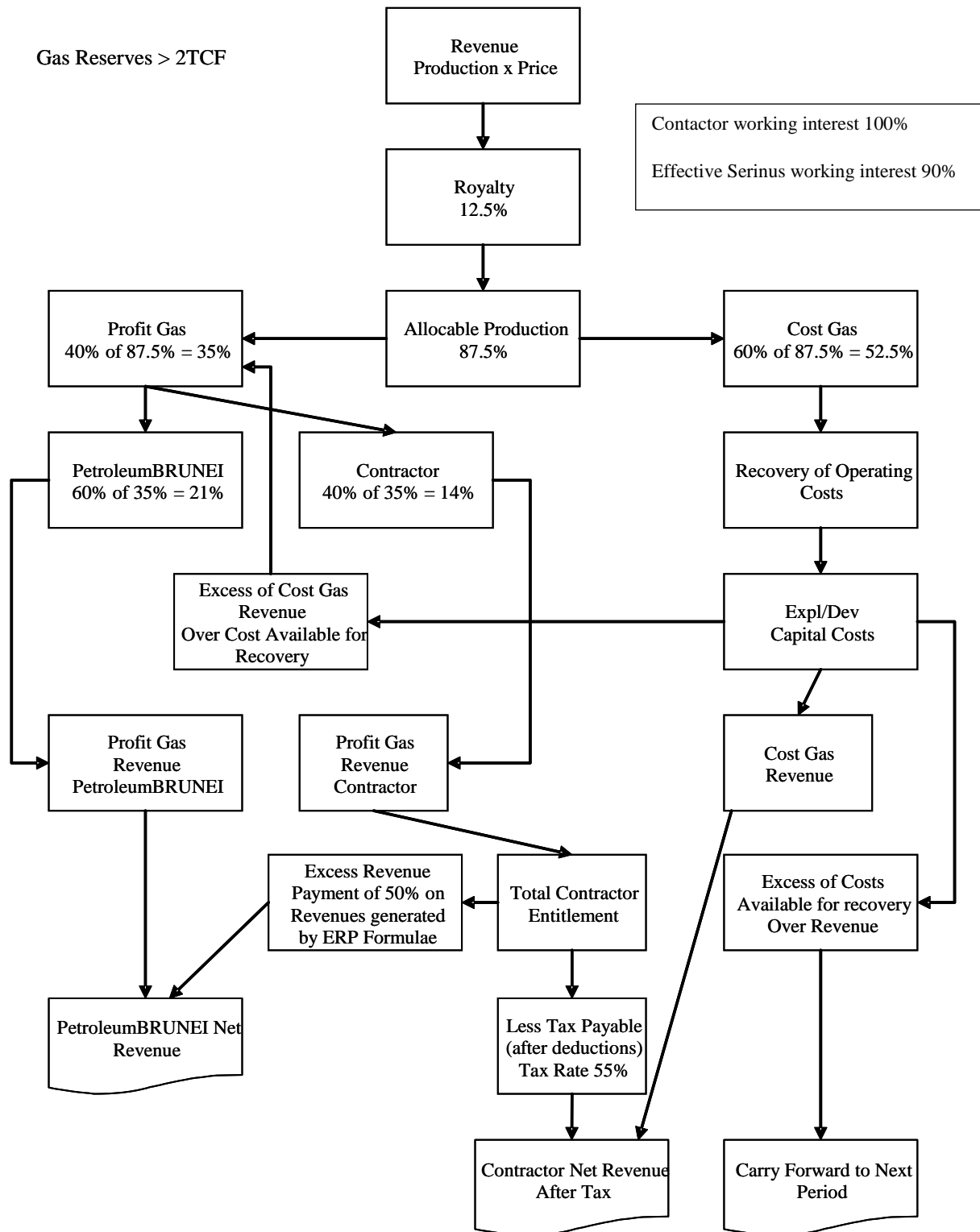
- (iii) is required to be disclosed by any contractor party in accordance with any applicable law, regulation or rule (including any regulation or rule of any regulatory agency, securities commission or securities exchange on which the securities of such contractor party or its affiliates are listed);
- (iv) is required to be disclosed by the contractor to a panel of arbitration or to an expert;
- (v) is required to be disclosed by any contractor to a court of competent jurisdiction; or
- (vi) is already in the public domain other than through an act or omission of the contractor or any of its affiliates.

Case: Oil Production 0 to 1000Bopd



Block L PSA oil provisions

Gas Reserves > 2TCF



Block L PSA gas provisions

(b) Brunei Block L Operating Agreement

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

As a party to the Block L Operating Agreement, Kulczyk Oil Brunei must pay its participating interest share of Joint Account Expenses (as defined in the Block L Operating Agreement), including cash advances and interest accrued pursuant to the Block L Operating Agreement, when such contributions are due. Kulczyk Oil Brunei is also obliged to obtain and maintain any security required of it under the Block L Operating Agreement or the Brunei Block L PSA.

Pursuant to the agreement of assignment, assumption and amendment to the Block L Operating agreement dated May 12, 2008 (the "**Amending Agreement**"), Kulczyk Oil Brunei assigned to AED SEA an undivided 50% of its undivided 90% participating interest in the Block L Operating Agreement (which it then re-acquired in December 2011). In addition, under the terms of the Amending Agreement, Kulczyk Oil Brunei resigned as operator and AED SEA was appointed as operator, becoming effective May 23, 2008. With the Company's re-acquisition of AED SEA in December 2011, it is now, through its indirectly wholly-owned subsidiary AED SEA, operator for Block L. The Company is not aware of any breach of the Block L Operating Agreement by any party. The Block L Operating Agreement has the same term as the Brunei Block L PSA. The key terms of the Block L JOA are summarised below.

Parties and participating interests AED SEA (indirectly owned by Serinus) (50%)

Kulczyk Oil Brunei (40%)

QAF (10%)

Purpose To establish the respective rights and obligations of the Brunei Block L contractor parties with regard to operations under the Block L PSA.

Operator AED SEA

Ownership, obligations and liabilities All rights and interests in the Block L PSA and in property held for use in connection with those operations carried out by the operator under the Block L JOA, and any crude oil and natural gas produced from Brunei Block L, is owned by the Brunei Block L contractor parties pro rata to their respective participating interests.

All obligations, liabilities and expenses of the Brunei Block L contractor parties under the Block L PSA and the Block L JOA shall be charged to the accounts maintained by operator and shared by the Brunei Block L contractor parties pro rata to their respective participating interests.

Government The Brunei Block L contractor parties shall contribute, in proportion to their

participation	participating interests, to any interest re-acquired by PetroleumBRUNEI pursuant to its back-in right under the Block L PSA.
Rights and duties of operator	The operator has exclusive charge of and is responsible for the conduct of all activities carried out under the Block L JOA.
Settlement of claims and lawsuits	The operator may settle any claim or related series of claims for an amount not exceeding US\$100,000 (exclusive of legal fees).
Operator liability	<p>The operator shall not bear any liability in connection with the performance of (or failure to perform) its duties as operator.</p> <p>The other Brunei Block L contractor parties shall indemnify the operator against any damages arising out of the performance of its duties as operator (except in the case of gross negligence or wilful misconduct on the part of the operator's senior supervisory personnel).</p>
Removal of operator	<p>The operator shall be removed, on notice from any non-operator, if the operator becomes insolvent or is wound up or otherwise terminates its existence.</p> <p>The operator may also be removed by the decision of two or more non-operators (holding collectively at least 60% of the participating interest) if it has committed a material breach of the Block L JOA and has either failed to commence to cure that breach within 30 days of notice from the non-operators or failing to diligently pursue the cure to completion.</p>
Operating committee	The operating committee is composed of representatives of each Brunei Block L contractor party holding a participating interest and authorises and supervises the obligations of the Brunei Block L contractor parties under the Block L PSA and all liabilities and expenses incurred by the operator in connection with its operations under the Block L JOA.
Expenditures	<p>On or before 1 October each year the operator will deliver to the operating committee a proposed production work programme and budget detailing the obligations of the Brunei Block L contractor parties under the Block L PSA and the liabilities and expenses incurred by the operator in connection with the operations to be performed in the following year. If the operating committee cannot agree on the work programme and budget within 30 days, then the proposal which satisfies the minimum work obligations for the following year that receives the largest participating interest vote is adopted instead.</p> <p>A separate work programme and budget is also prepared by the operator specific to any part of Brunei Block L which is established for development of a commercial discovery.</p> <p>The operator shall obtain the approval of the operating committee prior to incurring any commitment or expenditure estimated to be greater than US\$250,000.</p>
Operations by less than all contractor parties	Operations can be undertaken by less than all Brunei Block L contractor parties provided: (i) the operations do not interfere with the obligations under the Block L PSA and the Block L JOA; and (ii) the operations do not relate to geological and geophysical work. The contractor parties participating in such operations shall indemnify the non-participating contractor parties for any damages incurred by

them as a result of such operations.

Default and security

Any Brunei Block L contractor party that fails to: (i) pay when due its share of expenses; or (ii) obtain and maintain any security required under the Block L PSA and the Block L JOA, is in default. The defaulting party remains liable for all obligations incurred in respect of abandonment.

During such times as any defaulting party is in default its rights under the Block L JOA are restricted, e.g. it cannot attend or vote at operator committee meetings, access data, consent or reject to any transfers of interest in Brunei Block L or receive its entitlement to crude oil or natural gas.

Where the defaulting party fails to remedy its default within 30 days (or 15 days where it is a repeated default) the other Brunei Block L contractor parties can require the defaulting party to withdraw from the Block L JOA and Block L PSA.

Each Brunei Block L contractor party grants to each of the other Brunei Block L contractor parties, pro rata to their relative participating interests, security over its participating interest as collateral for: (i) the payment of all amounts owing by such Brunei Block L contractor party (including interest and costs of collection) under the Block L JOA; and (ii) any security which such Brunei Block L contractor party is required to provide under the Block L PSA.

Should a defaulting party fail to remedy its default within 30 days of notice, then, each non-defaulting party may, at any time during the period of default enforce the security against its pro rata share of the collateral.

Disposition of production Each Brunei Block L contractor party has the right and obligation to own and separately dispose of its entitlement to crude oil and natural gas.

If crude oil is to be produced, the Brunei Block L contractor parties shall negotiate a lifting agreement to cover the offtake of crude oil produced under the Block L PSA, not less than three months prior to the anticipated first delivery of crude oil.

Natural gas shall be taken and disposed of by the Brunei Block L contractor parties acting jointly. The Brunei Block L contractor parties shall negotiate a balancing agreement to address any overproduction and underproduction that arises from the individual disposition of natural gas prior to the first delivery of natural gas.

Abandonment security If the Brunei Block L contractor parties are or become obliged to contribute to abandonment cost, they shall negotiate a security agreement in respect of such abandonment.

Withdrawal A Brunei Block L contractor party may withdraw from all or a portion of Brunei Block L, but retains certain liability in respect of Brunei Block L (or the relevant portion of it).

Relationship of the parties The rights, duties, obligations and liabilities of the Brunei Block L contractor parties are individual, not joint or collective.

Force majeure If, as a result of force majeure, any Brunei Block L contractor party is rendered unable (wholly or in part), to carry out its obligations under the Block L JOA (other than the obligation to pay any amounts due or to furnish security) then, those

obligations can be suspended, on notice, for the period of force majeure.

Transfers

Transfers are not permitted except where: (i) the transferee will hold at least a 5% participating interest following the transfer; (ii) where the transferor is the operator, the transferor remains as operator following the transfer (unless the full participating interest is transferred whereby the operator will be deemed to have resigned); (iii) both the transferee and the transferor are liable to the other Brunei Block L contractor parties for the transferor's participating interest share of any obligations accrued prior to the transfer; and (iv) the transferee undertakes to perform the obligations of the transferor and each other Brunei Block L contractor party consents in writing to the transfer.

Once the final terms and conditions of a transfer have been fully negotiated, the transferor shall disclose all such final terms and conditions as are relevant to the Merger of the participating interest in a notice to the other Brunei Block L contractor parties. The non-transferring Brunei Block L contractor parties have a pre-emption right in respect of the participating interest which must be executed on substantially the same terms and conditions as those agreed with the proposed third-party transferee.

Change of control

None

Applicable law

Law of Brunei Darussalam

Dispute resolution

Arbitration to be held in Singapore in accordance with the Arbitration Rules of the Singapore International Arbitration Centre.

(c) Settlement Agreement

During 2007, the companies of the Issuer's Group concluded a settlement agreement (the "**Settlement Agreement**") with Bumico Sendirian Berhad and Integra Mining (B) Sendirian Berhad, both private Brunei companies, and their shareholders relating to a legal challenge to their title to the Brunei Block L PSA pursuant to which the companies of the Issuer's Group made a one-time \$1.2 million payment and agreed to pay a total of \$800,000 in quarterly instalments over the succeeding 18 months and a maximum of \$3.5 million out of 10% of the Company's share of PSA Profit Oil (as defined in the Block L PSA). Pursuant to the Settlement Agreement, all disputes were resolved and there can be no further claims or assertions brought forth in connection with this challenge to the the Issuer's Group's title to the Brunei Block L PSA. The final quarterly payment was paid on May 7, 2009. **As at the date of this Prospectus, all amounts owing under the Settlement Agreement have been paid, excluding the amounts, if any, that may be payable in the future based on the** companies of the Issuer's Group **'s share of PSA Profit Oil.**

6.6.4.8. Future Plans

The companies of the Issuer's Group are under drilling two onshore wells, at the Lukut Updip-1 and Luba prospects, in order to satisfy the minimum work commitments under Phase 2.

The Company, acting through its subsidiaries, has applied to PetroleumBRUNEI to re-acquire certain areas relinquished upon the completion of Phase 1, in accordance with the terms of the Block L PSA.

In July 2013, the Company and KOV Brunei formalized a strategic relationship with Dutco, a division of the Dutco Group, a leading conglomerate in the Middle East. The Company and Dutco entered into

an option agreement which gave Dutco the right to acquire an interest in Brunei Block L in consideration for Dutco providing the Company with a US\$15 million secured credit facility. As part of the transaction both companies had also agreed to jointly pursue new oil and gas opportunities in Tunisia for the duration of the secured credit facility.

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.

A further impairment of \$0.3 million was recorded for the six months ended June 30, 2014. The Company, together with Petroleum Brunei, are in the process of evaluating the drilling campaign with a view to determining a way forward.

As at June 30, 2014, the Brunei Block L assets are fully impaired.

6.6.4.9. General Legal Overview

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

The Arbitration Act of 1944 gives effect to the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards. The Arbitration Association Brunei Darussalam ("AABD") is the arbitral institution in Brunei. Part of its objective is to assist in developing and providing advisory and assistance support in the field of arbitration. To ensure that the membership and the panel of international arbitrators are kept to the highest possible standard, there is a wide range of leading international arbitrators, most of whom are non-Brunei nationals. The AABD assists domestic and international investors and parties in resolving commercial disputes and making arrangements for arbitration hearings.

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

6.6.5. Romania

In Romania, Serinus, through its indirectly wholly-owned subsidiary, Winstar Satu Mare SRL ("**Winstar Satu Mare**"), holds up to a 60% operated participating interest in the Satu Mare Concession ("**Satu Mare Concession**"), which is currently in the second exploration phase. Winstar Satu Mare and the other holder of an interest in the Satu Mare Concession, Rompetrol S.A. ("**Rompetrol**"), hold the right to explore for hydrocarbons within the perimeter of the EIV 5-Satu Mare block pursuant to the Satu Mare Concession Agreement. The Satu Mare Concession area is located in north-western Romania, on the border with Hungary and Ukraine.

The location of the Satu Mare Concession, which is approximately 2,949 km² in size, is illustrated on the map below.



6.6.5.1. Romanian Assets

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

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

In April 2008, Winstar finalized a joint venture transaction with the Rompetrol Group whereby, by fulfilling certain conditions, Winstar could earn up to a 60% interest in the Satu Mare Concession. Winstar subsequently assigned its interest in the Satu Mare Farmout Agreement to its wholly-owned subsidiary, Winstar Satu Mare. In March 2009, after receiving approval from the NAMR, Rompetrol assigned an initial 25% participating interest in the Satu Mare Concession to Winstar Satu Mare. In third quarter of 2013, after Winstar Satu Mare had satisfied the conditions precedent to the second transfer and the NAMR had granted its approval of such transfer, Rompetrol assigned a subsequent 35% participating interest in the Satu Mare Concession to Winstar Satu Mare. Winstar Satu Mare and Rompetrol currently hold 60% and 40% participating interests in the Satu Mare Concession, respectively.

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

Winstar Satu Mare, encouraged by the success of the first stage, elected to enter the second stage of exploration in November 2012 (thereby placing the Satu Mare Concession holders in both the first stage and second stage of exploration for a time). In fall 2012 the Satu Mare Concession stake holders were successful in obtaining an extension of the end of the stage 2 exploration period from September 2013 to May 2015 and agreed to certain amendments to the stage 2 work commitments. The amended

minimum work obligations for stage 2 are: (i) analysis of data acquired during stage 1, integrated reinterpretation of the geological and geophysical data and drillings, and a seismic 3D project; (ii) acquisition of 180 square kilometres of 3D seismic, processing and integrated reinterpretation of data, and the drilling of two exploration wells. Pursuant to the terms of the Satu Mare Farmout Agreement, the Winstar Satu Mare is responsible for 100% of the costs of satisfying the stage 2 minimum work commitments. The Company expects to complete phase 2 in 2014.

The royalty payable for hydrocarbons extracted from the Satu Mare Concession is governed by Romanian law, and is based on the type of hydrocarbon and the volume extracted per quarter, as follows:

Volume of Liquid Hydrocarbons (Oil) Extracted Per Quarter (10 ³ tons)	Royalty (%)
< 10	3.5
10 - 20	5
20 - 100	7
> 100	13.5

Natural Gas Extracted Per Quarter (10 ⁶ m ³)	Royalty (%)
< 10	3.5
10 - 50	7.5
50 - 200	9
> 200	13

Under Romanian law, the royalty is calculated based on the reference price established by the NAMR rather than on the market price. The company's income tax rate in Romania is fixed at 16%.

6.6.5.2. General Geology of the Romanian Assets

The Satu Mare block is located in the north-eastern portion of the Pannonian Basin and contains a series of Neogene rifts located dominantly in the northern half of the block. The Satu Mare block sits within a proven Neogene petroleum system and sits on trend with producing fields in both Romania and Hungary.

Six proven resources have been penetrated to date with the most promising being the Neogene syn-rift Badenian, and post-rift Sarmatian, Pannonian and Pliocene sands. Source rock and migration have also been proven by virtue of 7 wells within the block with shows/accumulations. Three wells have been tested in 5 different zones (1 basement, 4 Neogene) with oil rates between 43 bopd and 210 bopd

and gas rates between 425 Mcf/d and 1,341 Mcf/d. Several trap types are possible including fault anticlines, positive flower structures, folds associated with faulting, rollover or compressional anticlines and stratigraphic traps. Both top seal and fault sealing appears to be working in this system, as many of the current shows/accumulations appear to rely on fault sealing as a trapping mechanism

6.6.5.3. Oil and Gas Potential

Romania has an established history of oil and gas production and well developed infrastructure system. Existing and available data is sufficient to identify the Satu Mare block as being highly prospective for hydrocarbon accumulations. The quality of hydrocarbon shows and oil and gas accumulations to the immediate west of the block, together with positive well test results from wells within the block, are indicative of the potential for the block to hold commercial accumulations of hydrocarbons.

Current plans, which include the drilling of two exploration wells and the acquisition of 180 km² of 3D seismic, will satisfy the phase 2 commitments under the Satu Mare Concession Agreement. The two exploration wells are expected to be drilled in the first part of 2014 in an area covered by 80 km² of 3D seismic acquired in 2012 and near to the successful Moftinu-1000 gas well drilled in 2012. The phase 2 acquisition of 3D seismic in 2014 is expected to identify additional exploration targets, while the drilling of the two new phase 2 wells is expected to identify a development play with several follow-up locations.

6.6.5.4. Exploration / Development Activity

Winstar Satu Mare's 1,600 metre deep Madaras 109 well was drilled and cased in late 2011. A dolomitic oil zone (2 gross metres) in the Lower Miocene and a Middle-Miocene sandstone (15 gross metres) which appeared from open-hole logs to be contain oil were evaluated. However testing did not yield any hydrocarbons, so the well was abandoned in the second quarter of 2012.

The Winstar Satu Mare drilled the Moftinu 1000 well to a total depth of 1,600 metres and cased the well to total depth in, late January 2012, encountering 10 gross metres of Pliocene sands charged with natural gas, and 2 gross metres of gasbearing Miocene sand. These zones tested at a combined rate of 1,795 Mcf/d (1,077 Mcf/d net to Winstar Satu Mare). The Moftinu 1000 well is 1.5 kilometres away from a regional low pressure natural gas transmission line. Further to positive test results and a review with its partner Rompetrol and the Romanian government, Winstar Satu Mare hopes to complete a more extensive production test in the next few months and, dependent upon the results of the production test, apply for a Production Licence at Moftinu. This year's program includes two exploration wells and 180 km² of 3D seismic. The two wells, Moftinu-1001 and 1002bis, will be drilled back to back, with the spud of the first well expected in November this year. Both are targeting Pliocene aged channel sands at a depth of approximately 2,000 metres, which have been identified on 3D seismic. A previous well, Moftinu-1000, drilled in 2012 without the benefit of the 3D data, encountered gas but was subsequently found to be at the edge of the structural closure.

Shooting of the new 3D seismic program will also commence in September, and is expected to take 6 - 8 weeks. The survey area covers 180 km² southwest of the Moftinu field against the western boundary of the Satu Mare concession. This area is in a well-established hydrocarbon fairway on the edge of the Carei graben, and overlies the Santau oil pool.

6.6.5.5. Future Potential Transportation Agreements and Markets

If the Satu Mare Concession holders make a commercial discovery on the Concession they may choose to perform experimental exploration in order to properly assess the dynamic factors of the reservoir or apply directly for a Production Licence. After performing experimental exploration or generating a Production Licence Application, the Satu Mare Concession holders must present a report to the NAMR and, if the NAMR declares that the discovery is commercial, the Satu Mare Concession holders must prepare a development plan and a feasibility study. Under Romanian law, production operations cannot commence before the NAMR declares that a discovery is commercial.

As previously noted, the Moftinu 1000 well is 1.5 kilometres away from a regional low pressure natural gas transmission line. Prior to commencing oil and gas sales the Satu Mare Concession holders would need to apply for a long term production test, at which time they could tie into a well on the Satu Mare Concession into a pipeline and sell to the local market at Romanian pricing. Romania currently has regulated gas prices, but the government has pledged to deregulate gas prices for industrial users by 2015 and for household consumers by 2019. Oil may be sold either by trucking crude to rail spurs with off loading facilities or directly to local refineries. Romania does not regulate petroleum prices and crude oil in Romania is sold at prices linked to Brent or Ural oil posted prices.

6.6.5.6. Material Agreements

(a) Farmout Agreement

In April 2008, Winstar entered into the Satu Mare Farmout Agreement with Rompetrol to acquire an undivided 60% participating interest in the Satu Mare Concession upon Winstar fulfilling certain obligations. In November 2008 Winstar transferred all of its interest in the Satu Mare Farmout Agreement to Winstar Satu Mare.

Both assignments under the Satu Mare Farmout Agreement have now been completed. Winstar Satu Mare and Rompetrol now hold 60% and 40% participating interests in the Satu Mare Concession, respectively. The Winstar Satu Mare's outstanding obligations under the Satu Mare Farmout Agreement include satisfying 100% of the stage 2 minimum exploration program, which includes the drilling of two exploration wells and the acquisition of 180 square kilometres of 3D seismic.

(b) Joint Operating Agreement

In September 2008, Winstar Satu Mare and Rompetrol entered into the Satu Mare JOA to govern operations in the Satu Mare Concession. The form of the Satu Mare JOA is largely consistent with the 2002 version of the Association of International Petroleum Negotiators model form of joint operating agreement. Winstar Satu Mare is the operator under the Satu Mare JOA. The Association of International Petroleum Negotiators ("AIPIN") has published a 2002 version of its international Model Form Joint Operating Agreement ("**2002 Version**") which is a move, at an international level, towards a greater harmonization of joint venture agreements. This move has been driven in part by a desire of the international oil and gas industry to streamline the process of negotiating these types of arrangements and minimise its very high transaction costs by providing a model that is broadly accepted by the international oil and gas industry as a reasonable, practical and tested document. The Satu Mare JOA largely follows the AIPN 2002 JOA Model.

The Satu Mare JOA is governed by an operating committee (the "**Satu Mare Operating Committee**"). Each party to the Satu Mare JOA may appoint one representative to serve on the Satu Mare Operating Committee and each representative shall have a vote equal to the participating interest of the party he or she represents. All decisions of the operating committee require the affirmative vote

of two or more parties collectively having at least 51% of the participating interests. This percentage may be reduced if a work program and budget cannot be approved within the specified time frame. Further, pursuant to the Satu Mare Farmout Agreement, Winstar Satu Mare may exercise Rompetrol's vote with respect to Winstar Satu Mare's obligation to satisfy 100% of the minimum exploration obligations outlined in the Satu Mare Concession Agreement. Winstar Satu Mare may appoint the chairman of the Satu Mare Operating Committee and all subcommittees.

The term of the Satu Mare JOA continues indefinitely until all of the following occur: (a) the Satu Mare Concession terminates; (b) all materials and equipment used for joint operations or exclusive operations have been disposed of; and (c) final (financial) settlement has been made. The Satu Mare JOA is governed by a combination of Romanian law and international law. The Satu Mare JOA has an escalating dispute resolution procedure involving negotiation among senior representatives and arbitration under the Rules of Arbitration of the International Chamber of Commerce.

6.6.5.7. Current Activity

Winstar Satu Mare will present to its partner Rompetrol and the Romanian government Authorities (NAMR) a plan to fulfill all of its Phase 2 exploration work commitment in 2014. Further to this approval it plans to drill two exploration wells and acquire 180 km² of 3D seismic. This year's program includes two exploration wells and 180 km² of 3D seismic. The two wells, Moftinu-1001 and 1002bis, will be drilled back to back, with the spud of the first well expected in November this year. Both are targeting Pliocene aged channel sands at a depth of approximately 2,000 metres, which have been identified on 3D seismic. A previous well, Moftinu-1000, drilled in 2012 without the benefit of the 3D data, encountered gas but was subsequently found to be at the edge of the structural closure.

Shooting of the new 3D seismic program will also commence in September, and is expected to take 6 - 8 weeks. The survey area covers 180 km² southwest of the Moftinu field against the western boundary of the Satu Mare concession. This area is in a well-established hydrocarbon fairway on the edge of the Carei graben, and overlies the Santau oil pool.

6.6.5.8. General Legal Overview

The Romanian legal system is based on the Napoleonic Code. The justice is independent and the principles, the structure and the manner of organization of the Romanian judiciary are established by the Romanian Constitution and Law no. 304/2004 regarding the judicial organization. Justice is made in the name of law and it is accomplished through the following courts: High Court of Cassation and Justice, Courts of Appeal, tribunals, specialized tribunals, military courts and first instance courts. The judicial power belongs to a hierarchical system of courts culminating with the High Court of Justice and Cassation.

The High Court of Cassation and Justice is the only supreme court that functions in Romania being the highest judicial authority and judges appointed by the President of Romania are independent, subject to law only and they must be impartial. They are removable (they are immovable) but only with their agreement. The President of Romania is elected for a 5 years mandate by universal, equal, direct, secret and freely expressed vote and he/she is elected for maximum two mandates.

Judges of the High Court of Cassation and Justice are appointed after they passed the exam organized by the Superior Council of Magistrates and they fulfill certain conditions and they are dismissed by President's decree. President, vice presidents and presidents of departments of the High Court of Cassation and Justice are appointed by the President of Romania at the suggestion of the Superior Council of Magistrates from the judges of the High Court of Cassation and Justice who functioned in

this court for at least 2 years. The appointment of these above mentioned presidents and vice-presidents is for a 3 years mandate with maximum one more re-appointment in the same functions. Judicial proceedings are open to the public, except in special circumstances provided for by law. The Romanian judicial system is a system with a strong French influence. All its judges are appointed by the president on the recommendation of the Superior Council of Magistrates. The Ministry of Justice represents the “general interests of society” and defends the rule of law as well as citizens' rights and freedoms. The ministry is to discharge its powers through independent, impartial public prosecutors, who are hierarchically organized under General Prosecutor.

Constitutional Court of Romania is the warrant of the Constitution supremacy. The Constitutional Court of Romania is the sole judicial constitutional authority in Romania and it is independent by any other public authority. It is subject to Constitution and Law no. 47/1992 regarding the organization and functioning of the Constitutional Court only. It includes 9 judges for a 9 years mandate that cannot be prolonged or renewed.

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

6.6.6. Syria (*under force majeure*)

6.6.6.1 Overview

Serinus, through its indirect wholly-owned subsidiary, Loon Latakia, holds a 50% participating interest in the Syria Block 9 PSC, which gives it, and the other Syria Block 9 participants, the right to explore for and, if certain conditions are satisfied, produce oil and natural gas from Syria Block 9, an area of approximately 10,039 km², located south of the City of Aleppo and immediately to the east of the City of Latakia in Syria.

The Loon Latakia commenced its first exploration well on Syria Block 9 at Itheria-1 in July 2011 and suspended the well at a depth of 2,072 metres in October 2011. In July 2012, the Loon Latakia, in its capacity as operator of Syria Block 9, declared *force majeure* under the terms of the Syria Block 9 PSC, due to difficult local operating conditions and the inability due to sanctions to fund local operations, which have rendered the performance of its obligations under the Syria Block 9 PSC impossible. As at the date of this Prospectus, the Company's operations, conducted through Loon Latakia, on the Syria Assets remained suspended. Serinus is continuing to monitor operating conditions in Syria to assess if, and when, a recommencement of its Syrian operations is possible. If the *force majeure* event continues for a period of more than one year, the contracting parties are entitled to terminate their obligations under the Syria Block 9 PSC on 90 days' notice without further liability.

The location of Syria Block 9 is illustrated in the map below.



On September 20, 2007, the Government of the Syrian Arab Republic, the SPC and the Company entered into the Syria Block 9 PSC, pursuant to which the Government of the Syrian Arab Republic granted the Company the right to explore for and produce oil and natural gas from Syria Block 9. The Syria Block 9 PSC became effective on November 29, 2007. On April 28, 2008, the Company assigned its entire interest in the Syria Block 9 PSC to its wholly-owned subsidiary, Loon Latakia. By a farm-out agreement (the "**MENA Agreement**") dated September 1, 2010, and approved by the Syrian authorities in March 2011, Loon Latakia then assigned a 30% ownership in Syria Block 9 to MENA Syria, which became effective on June 17, 2010. As consideration for such assignment, MENA Syria agreed to pay: (i) 30% of historical costs incurred by Loon Latakia to the date of the agreement with MENA, being \$3.1 million; (ii) 30% of the value of the bank guarantee outstanding at June 17, 2010, being \$2.0 million; and (iii) 60% of the authorized drilling costs of the first exploratory well. All amounts due by MENA Syria in respect of the MENA Agreement have now been paid. On March 17, 2011, the Company was informed that the Syrian authorities had approved the assignment of a 30% participating interest in Syria Block 9 to MENA Syria. Consequently, MENA Syria now holds a direct 30% participating interest in Syria Block 9. In July 2011, the Syrian authorities gave formal approval to the assignment by Loon Latakia of a further 20% participating interest in the Syria Block 9 PSC to Ninnox.

AnSCO, an unrelated third party, has a right to acquire a 5% interest in Syria Block 9 from Loon Latakia subject to the consent of the Ministry of Petroleum and Mineral Resources and the GPC. As such, Loon Latakia has an economic interest of 45% in Syria Block 9. Loon Latakia initially posted a guarantee in the amount of \$7.5 million, an amount which represents the minimum exploration expenditure level for Phase 1 specified in the Syria Block 9 PSC. As at June 30, 2012, approximately \$3.5 million was outstanding under the guarantee. The full amount remaining on this guarantee was returned to the Company on July 6, 2012.

Syria Block 9 is operated as an unincorporated joint venture between Loon Latakia, MENA (30%) and Ninnox (20%) under the Block 9 JOA. Loon Latakia is the operator of Syria Block 9.

The Syria Block 9 PSC provides for an exploration period of nine years, commencing on November 29, 2007 comprised of three phases of four, three and two years respectively. The initial four-year exploration period of the Syria Block 9 PSC was extended in November 2011 by eleven months to terminate on October 27, 2012. The exploration period may be further extended in the event of *force majeure*. The extension was expressed to be subject to the renewal of the bank guarantee provided in respect of the contractor parties' obligations under the Syria Block 9 PSC. Loon Latakia has not renewed the guarantee and is unable to do so as a result of strict sanctions imposed by certain governments against Syria. Therefore, there is a risk that this extension may not be enforceable notwithstanding the declaration of *force majeure* by Loon Latakia under the terms of the Syria Block 9 PSC. See Section 1 of this Prospectus "*Risk Factors*" in Subsection 1.1.17. "*Political Instability in Syria and Syria Sanctions*".

There are a number of key sources of information that were used for the Company's geological and geophysical interpretations in Syria. A collection of unpublished, proprietary well reports, corporate presentations, geochemical studies and graphic well logs for approximately 35 wells drilled in and around Block 9 in Syria have been combined with proprietary 3D seismic data recently acquired by Loon Latakia, 2D seismic data and gravity data to construct the exploration model being used by the Company's technical team at the present time. A regional perspective on Syrian geology and geophysics has been provided by two key PhD dissertations, the first by Graham Brew (Cornell University Syria Project) and the second by Mathew Hardenberg (The University of Edinburgh). The information in these comprehensive studies has been augmented with numerous published articles from the "*Leading Edge*", a publication of the SEG (Society of Exploration Geophysicists) and the AAPG (American Association of Petroleum Geologists) *Bulletin*. All such sources of information used are independent of the Company.

6.6.6.2 Syria Block 9 Overview

Syria Block 9 is located in northwest Syria south of the City of Aleppo and immediately to the east of the City of Latakia, on the north western flank of the hydrocarbon-producing Palmyrides Basin and is prospective for crude oil, natural gas and condensate. Major gas and oil pipelines lie in close proximity to the initial exploration focus area in the southeast part of Syria Block 9.

Prior to the drilling of the Itheria-1 well by Loon Latakia in 2011, Block 9 had minimal exploration with only four wells drilled. Two of these are located on the western edge of the block near the City of Latakia. The other two, Al Ghab-1, drilled in 1995 in the centre of the block, and Khanasser-1, drilled in 1975 to the north of the Itheria-1 location, are the only other early wells.

6.6.6.3 Oil and Gas Potential

The Palmyrides Basin has 65 fields which have an estimated cumulative total recoverable proved and probable resource of 1.4 billion boe. The U.S. Geological Survey ("**USGS**"), which is an independent source of information from the Company, estimates that as of the year 2000 the remaining potential of onshore Syria is in excess of 1.2 billion barrels of oil, 4.8 Tcf of gas and 313 million barrels of NGL. Block 9 is located approximately 20 kilometres north of a recent light oil and gas discovery at Mudawara. INA Industrija Nafta, d.d. ("**INA**") reported in their 2011 annual report that testing of the Beer As Sib-1 well, drilled in the Mudawara area, approximately 25 kilometres south of Block 9, indicated a commercial oil saturated reservoir. To the southeast, east and northeast of Block 9, hydrocarbons have been discovered in the Harbaja, Habari, Tel Alied and Safayeh-Wahab complexes

respectively. The Company has not confirmed that the USGS is a qualified reserves evaluator or auditor in accordance with the COGE Handbook.

Oil from seeps along the Mediterranean coast are believed to have been collected and used in historic times but the first modern oil well drilled in Syria was in 1956 and the first significant natural gas well was drilled in 1982. Several years ago, a few kilometres to the west of Block 9, a Syrian construction project in the coastal city of Latakia, which lies on the flank of the El-Kabir Graben, discovered oil at a depth of 16 metres while excavating for a new building. Daily volumes of up to 140 boe/d of 26° to 30° API oil were produced for several months from this building excavation site. The produced oil was fresh and not biodegraded and initial geochemical work on the oil matches it to a Silurian source virtually identical to oil produced in southern Turkey. This may indicate potential for an extensive new Palaeozoic play in the western area of the block. Within the area of Block 9, in the El-Kabir Graben, the Fido-1 and Latakia-1 wells, which were drilled in the early 1980's on older vintage 2D seismic, had numerous hydrocarbon shows even though they were not drilled on any obvious seismically defined structure. In 2010, a study was undertaken by Loon Latakia to collect seep material, conduct geochemical analysis of the material and geologically correlate the material to hydrocarbon source rocks in the basin.

The Palmyrides sedimentary basin, with an estimated sediment thickness of up to 9,000 metres, is one of the primary source areas for the hydrocarbons resources of Syria. Significant discoveries such as the Cherrife, Ash Shaer, and Abu Rabah fields have been made in the central portion of the Palmyrides Basin in the Triassic dolomite fold and thrust play. Along the south eastern flank of the basin, major discoveries were made at Arak, Al Heil, Doubayat and Soukhneh in Permo-Carboniferous sandstones. To the northeast of Block 9 heavy oil (15° to 16° API) is predominant and production over the last decade has increased substantially as secondary and tertiary oil recovery techniques have been effectively used to increase productivity.

The initial exploration efforts of Loon Latakia have focused on the south-eastern corner of Block 9 where a large gravity feature, which coincides with a large structural feature defined by 2D seismic, was identified on the north-western flank of the Palmyrides Basin. Khanasser-1, the only well drilled on the block in this eastern region, is located approximately 15 kilometres north of the main gravity feature. The Khanasser well had hydrocarbon shows in several reservoir sections and was drilled completely off-structure according to a 1976 third party engineering evaluation. The relationship of this well to the subsurface geology was confirmed by results of the recent reprocessing of 2D data and subsequent mapping of the area undertaken by Loon Latakia in the last half of 2008.

Surrounding and downdip from the apex of the gravity anomaly are numerous oil discoveries including the Mudawara oil and gas field approximately 20 kilometres to the south of the Block 9 focus area. According to INA, in a well history report dated 1992, a source of information independent from the Company, the discovery well at Mudawara tested 136 boe/d of 28° to 31° API oil from Triassic/Jurassic carbonates and 8 MMcfd of natural gas. The operator of the Mudawara area has subsequently acquired a 3D seismic survey over the field to aid in development. Approximately 20 kilometres to the southeast of Block 9 and approximately 20 kilometres to the east of Mudawara is the 2004 Harbaja discovery. According to an SPC well history report dated 2004, which is a source of information independent from the Company, the discovery well and the appraisal well at Harbaja tested 44 boe/d from the Permo-Carboniferous Amanous Sandstones and 113 boe/d of 31.5° API medium oil from the Triassic Kurrachine dolomites respectively. To the east, downstructure at the Harbari structural complex, approximately 20 kilometres to the east of the southeast corner of Block 9. According to SPC in a well history report dated 1976, which is a source of information independent

from the Company Habari-2 tested 25 boe/d of 20° API oil from sandstone reservoirs of Cretaceous age. The Company has not confirmed that any of the sources of such information are qualified reserves evaluators or auditors in accordance with the COGE Handbook.

The primary targets for the first drilling campaign were potential hydrocarbon accumulations in the Ordovician and Permo-Carboniferous sandstones and in the deeper Cambrian carbonates. The sandstones are found throughout the Palmyride Basin and have generally good quality reservoir properties. The Cambrian Burj carbonates have not been penetrated in this part of Syria. The Homs Depression lies just southwest of Block 9 and contains 6 to 9 kilometres of sedimentary section. The large structural feature identified in Block 9 lies on a direct hydrocarbon migration pathway from this depression where both the prolific Silurian Tanuf source rock, the major source of light hydrocarbons in the Middle East/North Africa area, and the Permo-Triassic Amanous shales, the source of the heavy oils in Safayeh-Wahab complex, are interpreted to be within the oil generating window. This primary target is the key play type in the geologically similar southeast flank of the Palmyrides Basin (Akkas, Arak, Al Heil, Doubayat and Soukhneh oil fields) and is confirmed on the northwest flank of the basin by Permo-Carboniferous hydrocarbon discoveries such as Harbaja, Tel Abyad and Al Hussein.

Serinus expects that secondary targets for oil exploration in the area of Block 9 will be the Cretaceous Hayane limestones and dolomites, the zones from which a number of the wells near to Block 9 tested hydrocarbons.

Value creation potential in Block 9 exists for the development of hydrocarbons in: (i) large structural features associated the large gravity anomaly in the southeast part of the block; (ii) subcrop stratigraphic and structural plays associated with the flanks of the prolific Palmyrides basin; and (iii) accumulations of oil and/or natural gas in the under-explored El Kabir Graben which has a proven working petroleum system.

6.6.6.4 Activity and Future Plans

Operations in Syria were suspended in October 2011 and effective July 16, 2012, the Loon Latakia, in its capacity as operator of Syria Block 9, declared a *force majeure* event under the Syria Block 9 PSC due to difficult local operating conditions, and the inability due to sanctions to fund local operations which have rendered the performance of its obligations under the Syria Block 9 PSC impossible. As at the date of this Prospectus, the Company's operations on the Syria Assets, run by Loon Latakia, remain suspended. The Company is continuing to monitor operating conditions in Syria to assess if, and when, a recommencement of its Syrian operations is possible. If the *force majeure* event continues for a period of more than one year, the contracting parties are entitled to terminate their obligations under the Syria Block 9 PSC on 90 days' notice without further liability.

In 2010, Loon Latakia completed the acquisition of 420 km² of 3D seismic data in the southeast corner of Block 9. The primary purpose of the new 3D survey was to better outline the size of the prospects already defined by Loon Latakia using 2D seismic data in the southeast focus area and to provide information that will help to accurately define the optimum drilling locations. Geophysical interpretation of the processed data has been integrated with the Company's understanding of the geology of the area and two prospects have been defined.

Drilling of the first exploratory well, at Itheria-1, commenced on July 22, 2011. The well was planned to be drilled to 3,256 metres and was designed to test a large structure with four-way closure defined by 3D seismic in an area approximately 200 kilometres due east of the City of Latakia. Primary targets are sandstones of Ordovician age and the deeper Cambrian carbonates. The Loon Latakia 's share of

the costs of Itheria-1, after giving effect to the farm-out to MENA Syria, is 20%. The Company announced on October 17, 2011 that the drilling program was suspended at a depth of 2,072 metres. The Affendi Sandstone of Ordovician age, the first objective encountered, was penetrated at a depth of approximately 1,470 metres and did not have sufficient porosity or permeability to be a potential reservoir. Two other potential reservoirs, the Ordovician Khanasser Sandstone and the Middle Cambrian Burj Carbonate are expected to occur below the suspended depth. The difficult operating environment and the restrictions placed on the movement of currency made continuing operations untenable and resulted in an indefinite suspension of exploration activity. The initial four-year exploration period of the Syria Block 9 PSC was extended in November 2011 by eleven months to terminate on October 27, 2012. The exploration period may be further extended in the event of *force majeure*. The extension was expressed to be subject to the renewal of the bank guarantee provided in respect of the contractor parties' obligations under the Syria Block 9 PSC. Loon Latakia has not renewed the guarantee and is unable to do so as a result of strict sanctions imposed by certain governments against Syria. Therefore, there is a risk that this extension may not be enforceable notwithstanding the declaration of *force majeure* by Loon Latakia under the terms of the Syria Block 9 PSC. See Section 1 of this Prospectus "Risk Factors" in Subsection 1.1.17. "*Political Instability in Syria and Syria Sanctions*".

Pursuant to the terms of the Syria Block 9 PSC, the period of any non-performance or delay which is caused by the *force majeure*, together with such period as may be necessary for the restoration of any damage done during such delay, will be added to the term of the Syria Block 9 PSC.

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

As at December 31, 2013 and June 30, 2014, the Syria 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.

6.6.6.5 Future Potential Transportation Arrangements and Markets

Major gas and oil pipelines lie in close proximity to the southeast part of Syria Block 9, which is the focus of Loon Latakia's initial exploration activities. If the Company determines that an oil or gas discovery in Syria Block 9 can be commercially produced, additional development wells will be drilled which will be connected by pipelines within the area of the producing field to a central processing facility where the oil, gas, water and other impurities will be separated and treated. If there is a gas field development, a pipeline will be constructed from the central processing facility to an existing gas pipeline which is within 10 kilometres from the area where the Loon Latakia has drilled the first exploration well. If there is an oil field development, oil will be transported by truck either to a refinery or to a nearby oil gathering facility.

6.6.6.6 Material Agreements

(a) Syria Block 9 PSC

The Company entered into the Syria Block 9 PSC with the Government of the Syrian Arab Republic, represented by the Ministry of Petroleum and Mineral Resources and the SPC on September 20, 2007 with an effective date of November 29, 2007. The Syria Block 9 PSC gives the Company the right to explore for and, provided that, in opinion of the parties to the agreement, discovered volumes of oil and gas are commercial and the SPC approves the Block 9 development plan, produce oil and gas from Block 9, comprising 10,032 km² (2,478,876 acres) in northwest Syria. Following the execution of the Syria Block 9 PSC, the Company's interests were assigned to Loon Latakia. The first exploration phase of the Syria Block 9 PSC was extended by eleven months to October 28, 2012 as confirmed by a letter from the Minister of Petroleum and Mineral Resources of the Syrian Arab Republic received by Loon Latakia in November 2011. See Section 6 of this Prospectus "*Business Overview*" in Subsection 6.6.6.4. "*Activity and Future Plans*". The key terms of the Syria Block 9 PSC are summarised below.

Current parties and working interests GPC (the successor to SPC)

Loon Latakia (50%)

MENA (30%)

Ninox (20%)

Exploration period

Exploration period of nine years, commencing on 29 November 2007 comprised of three phases of four years, three years and two years each. On 22 November 2012, the term of the initial exploration period was extended by 11 months from 28 November 2011 to 27 October 2012.

Phase 1

Minimum work obligations for Phase 1 include: (i) acquiring a minimum of 600 kilometres of 2D seismic data or the US\$ equivalent of 3D seismic data; and (ii) drilling two exploration wells.

On 6 May 2009, Loon Latakia converted the 600 kilometre 2D seismic Acquisition obligation into a US\$ equivalent 3D seismic Acquisition programme. Based on Loon Latakia's best estimates of Merger, mobilization and processing costs, the US\$ equivalent amount of 3D seismic Acquisition will be approximately 370 squared kilometres.

Minimum expenditure for Phase 1 is US\$7.5 million.

Phase 2

Minimum work obligations for Phase 2 include: (i) acquiring a minimum of 200 kilometres of 2D seismic data or the US\$ equivalent of 3D seismic data; and (ii) drilling two exploration wells.

Minimum expenditure for Phase 2 is US\$7 million.

Phase 3

Minimum work obligations for Phase 3 include: (i) acquiring a minimum of 100 kilometres of 2D seismic data or the US\$ equivalent of 3D seismic data; and (ii) drilling one exploration well.

Minimum expenditure for Phase 3 is US\$2.5 million.

Failure to meet obligations

If the Syria Block 9 contractor parties fail to satisfy their minimum work and expenditure obligation for any of the three Phases then the Syria Block 9 contractor parties must pay to the GPC the unspent minimum expenditure obligation for that Phase.

Relinquishment

On the first day of Phase 2, the Syria Block 9 contractor parties must relinquish to the Government of the Syrian Arab Republic 25% of the lands covered by the Syria Block 9 PSC less the land converted to a development area.

On the first day of Phase 3, the Syria Block 9 contractor parties must relinquish to the Government of the Syrian Arab Republic 25% of the lands covered by the Syria Block 9 PSC less the land converted to a development area.

At the end of the Syria Block 9 exploration period, the Syria Block 9 contractor parties must relinquish to the Government of the Syrian Arab Republic the remainder of the lands covered by the Syria Block 9 PSC not converted to a development area.

Termination

Where the Syria Block 9 contractor parties determine that no discovery of oil or gas is worthy of commercial development and no notice of commercial discovery is provided to the Government of the Syrian Arab Republic by the Syria Block 9 contractor parties by the end of 108 months from 29 November 2007, the Syria Block 9 PSC will be terminated. The Government of the Syrian Arab Republic also has the ability to terminate the Syria Block 9 PSC on several grounds, including where any of the Syria Block 9 contractor parties is adjudicated bankrupt by a court of competent jurisdiction or commits a material breach of the Syria Block 9 PSC or the provisions of Law No. 7 of 1953. Where cause for termination of the Syria Block 9 PSC by the Government of the Syrian Arab Republic exists, the Syria Block 9 contractor parties will have 90 days from receipt by them of written notice to remedy any such cause, failing which will give the Government of the Syrian Arab Republic the right to immediately terminate the Syria Block 9 PSC by presidential decree. In the event that the cause of termination ensues from carrying out work or withholding from carrying out any work by a particular contractor, the Syria Block 9 PSC will only be abrogated with respect to the particular contractor party in default of the Syria Block 9 PSC and not with respect to the other contractor parties (if any) to the Syria Block 9 PSC.

Change of control

None

Force majeure

If, as a result of force majeure, any Syria Block 9 contractor party is rendered unable (wholly or in part), to carry out its obligations under

the Syria Block 9 PSA (other than the obligation to pay any amounts due) then, those obligations can be suspended, on notice, for the period of force majeure.

If a force majeure event occurs during the initial exploration period and continues in effect for a period of one year, the contracting parties have the option, on 90 days' notice to GPC to terminate its obligations under the PSA without further liability and, if the guarantee is still in force, it shall automatically be cancelled from the date of receipt of notice by GPC from the contracting parties.

Force majeure was declared on 11 July 2012.

Economic terms

Following a commercial discovery, the Syria Block 9 parties will be obligated to form, in Syria, an operating company which will conduct all production activities in Syria Block 9. The development period of any development area will commence on the date of initial commercial production and will last for 20 years, subject to earlier termination or relinquishment pursuant to the Syria Block 9 PSC. The development period may be extended an additional five years with the approval of the GPC. If the development of natural gas does not commence within seven years of a commercial natural gas discovery then the Syria Block 9 contractor parties will be obligated to relinquish the respective development area.

Crude Oil

Up to 40% of net crude oil produced, after the deduction of the PSC oil royalty, will be available to the Syria Block 9 contractor parties for reimbursement of certain expenditures.

The amount by which the value of the net crude oil production exceeds the reimbursement of expenditure will be converted into a volume in barrels. 50% of the converted volume in barrels will be given to the GPC and the remaining 50% of the converted volume in barrels will be split between the Syria Block 9 parties in accordance with the production sharing below.

Total volume of PSC profit oil is allocated to the Syria Block 9 parties as follows:

First 15,000 bopd: 29% the Syria Block 9 contractor parties, 71% GPC (includes taxes)

Between 15,001 to 25,000 bopd: 28% the Syria Block 9 contractor parties, 72% GPC (includes taxes)

Between 25,001 to 50,000 bopd: 26% the Syria Block 9 contractor parties, 74% GPC (includes taxes)

Between 50,001 to 100,000 bopd: 24% the Syria Block 9 contractor parties, 76% GPC(includes taxes)

Over 100,000 bopd: 20% the Syria Block 9 contractor parties, 80%

GPC (includes taxes)

The economic terms under the Block 9 PSC in respect of crude oil are illustrated in the first diagram below.

Natural Gas

Up to 40% of net natural gas produced, after the deduction of the PSC NG royalty, will be available to the Syria Block 9 contractor parties for reimbursement of certain expenditure

An excess revenue payment applies in similar circumstances to that in respect of crude oil.

Total volume of PSC profit NG is allocated to the Syria Block 9 parties as follows:

0-25 MMboe: 32% Syria Block 9 contractor parties, 68% GPC (includes taxes)

25-50 MMboe: 32% Syria Block 9 contractor parties, 68% GPC (includes taxes)

50-100 MMboe: 31% Syria Block 9 contractor parties, 69% GPC (includes taxes)

Over 100 MMboe: 28% Syria Block 9 contractor parties, 72% GPC (includes taxes)

The natural gas price shall be limited to a maximum of US\$2.50/MMBtu and a minimum of US\$1.25/MMBtu.

The economic terms under the Block 9 PSC in respect of natural gas are illustrated in the second diagram below.

Additional Costs

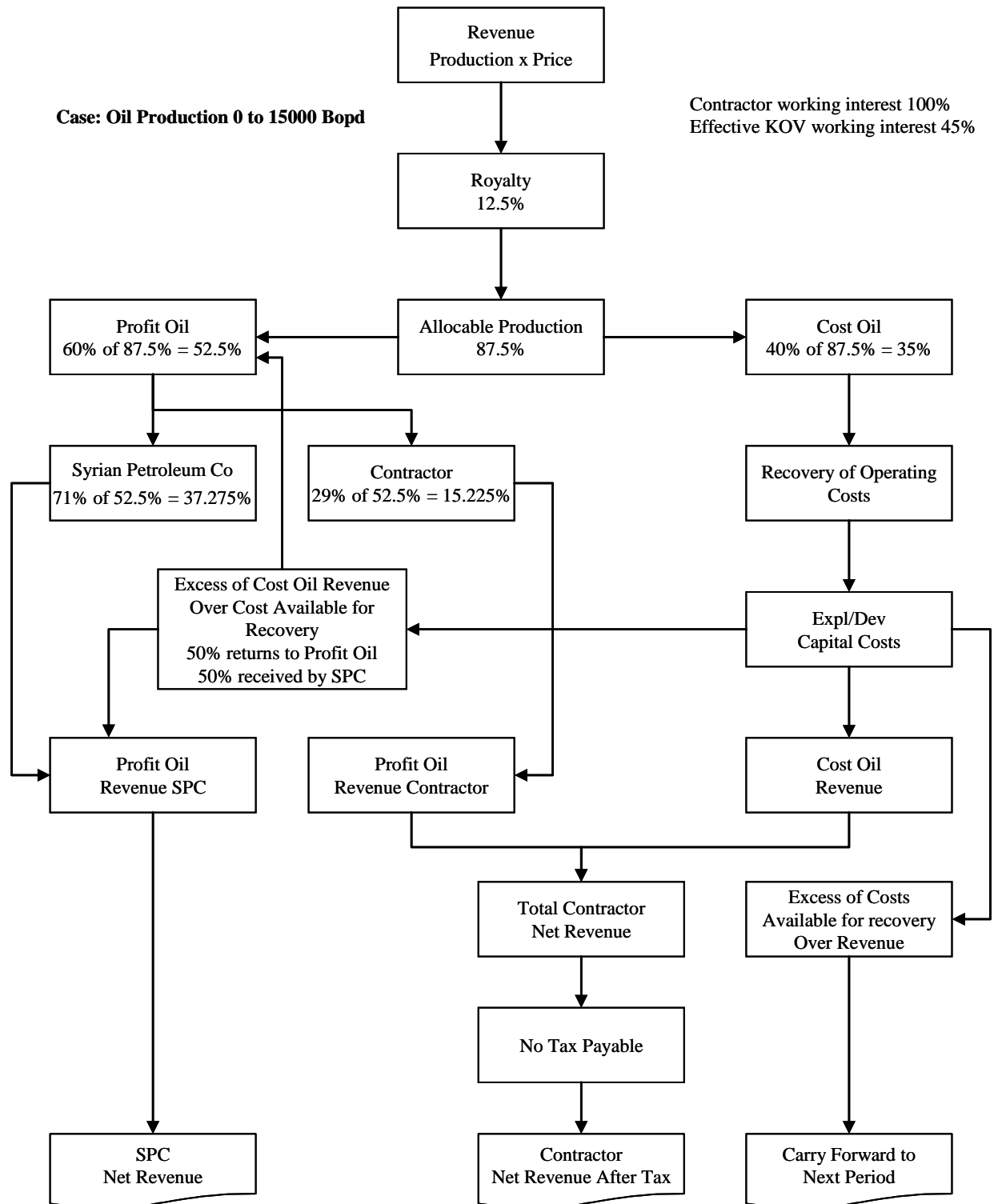
The following additional costs apply in relation to both crude oil and natural gas: (i) 12.5% Government royalty, payable in cash or in kind to the Government of the Syrian Arab Republic; and (ii) income tax, however, under the terms of the Syria Block 9 PSC, the GPC has agreed to pay such taxes, on behalf of the Syria Block 9 contractor parties, from the GPC's share of PSC profit oil and PSC profit gas.

Arbitration

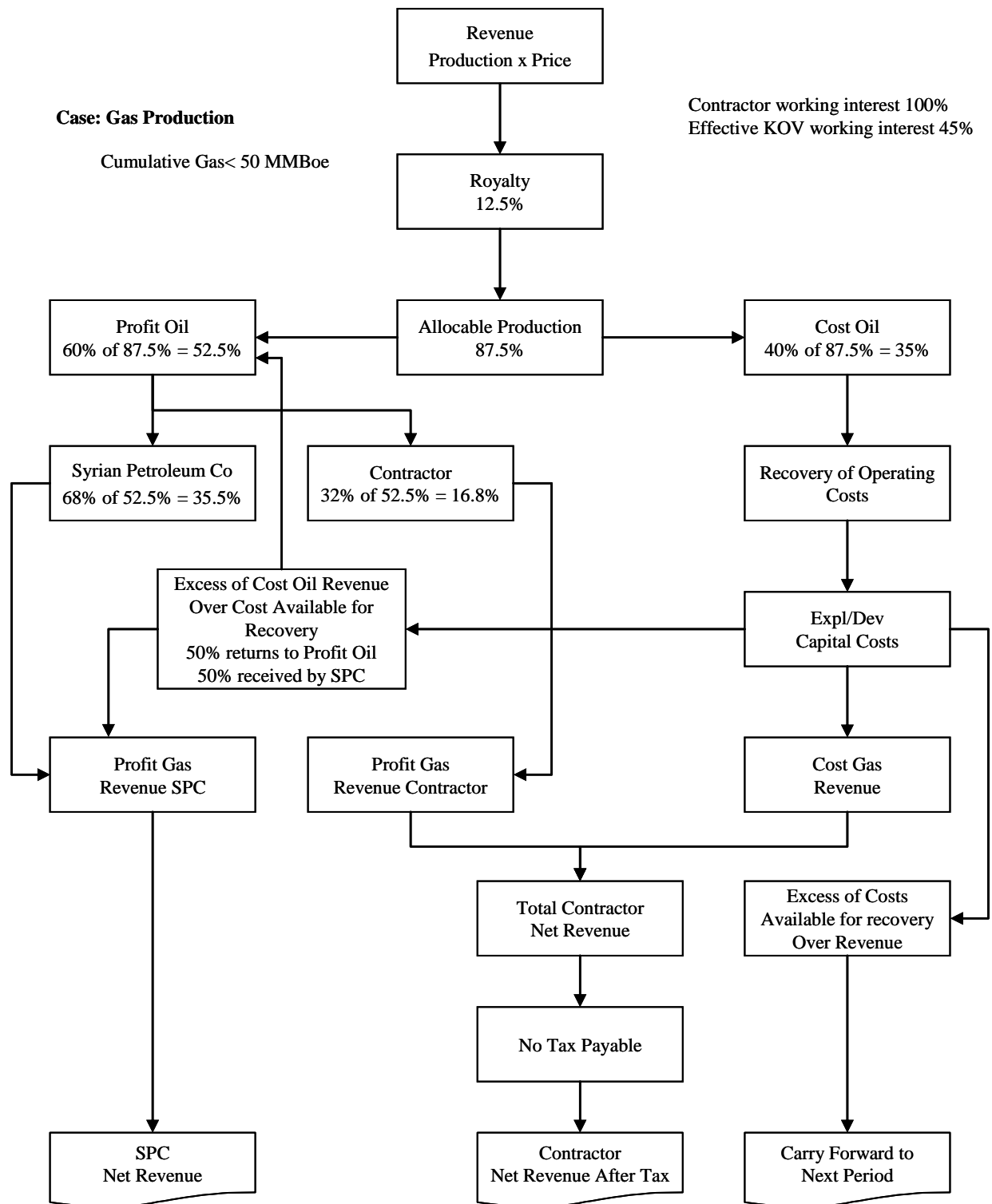
Any dispute, controversy or claim arising between the Government of the Syrian Arab Republic and the Syria Block 9 parties with respect to the interpretation or application of or performance under the Syria Block 9 PSC, if not resolved amicably, shall be settled by the Syrian court system. Any dispute, controversy or claim arising between the Syria Block 9 contractor parties and the GPC in connection with the Syria Block 9 PSC, if not resolved amicably, shall be settled by arbitration held in Geneva, Switzerland in accordance with the United Nations Commission on International Trade Law Arbitration Rules.

Governing law

Laws and regulations of local application in force in the Syrian Arab Republic.



Block 9 PSC oil provisions



Block 9 PSC gas provisions

(b) Consulting Agreement

On April 20, 2006, the Company entered into a consulting agreement with Uniconsult Middle East ("UME"), a private Syrian company, under which it agreed to retain the services of UME in the event that it acquired the right to explore for and produce oil and gas from Block 9 and agreed to grant to UME the right to acquire a 5% interest in Block 9 (the "**UME Right**"), subject to the approval of the Ministry of Petroleum and Mineral Resources and SPC. On June 2, 2007, with the consent of the Company, UME assigned the UME Right to Ansco Inc. ("**Ansco**"), a private company incorporated under the laws of the State of California, USA.

(c) Block 9 JOA

On September 1, 2010, Loon Latakia, MENA Syria and Triton Singapore, now Ninox, entered into a Joint Operating Agreement in respect of their joint exploration for, and development and production of, hydrocarbons in Syria Block 9 (the "**Block 9 JOA**"). Loon Latakia is designated as 'Operator' under the Block 9 JOA. The Block 9 JOA sets out the terms and conditions that govern the conduct and relationship of the parties amongst themselves in respect of Syria Block 9. The Block 9 JOA is effective as regards Ninox's and MENA Syria's respective beneficial interests in the Syria Block 9 PSC.

As a party to the Block 9 JOA, Loon Latakia must pay its participating interest share of Joint Account Expenses (as defined in the Block 9 JOA), including cash advances and interest accrued pursuant to the Block 9 JOA, when such contributions are due. Loon Latakia is also obliged to obtain and maintain any security required of it under the Block 9 JOA or the Syria Block 9 PSC. The key terms of the Syria Block 9 JOA are summarised below.

Parties and participating interests	Loon Latakia (50%)
	MENA (30%)
	Ninox (20%)
Purpose	To establish the respective rights and obligations of the Syria Block 9 contractor parties with regard to operations under the Syria Block 9 PSA.
Operator	Loon Latakia
Ownership, obligations and liabilities	All rights and interests in the Syria Block 9 PSA and in property held for use in connection with those operations carried out by the operator under the Syria Block 9 JOA, and any crude oil and natural gas produced from Syria Block 9 is owned by the Syria Block 9 contractor parties pro rata to their respective participating interests.
	All obligations, liabilities and expenses of the Syria Block 9 contractor parties under the Syria Block 9 PSA and the Syria Block 9 JOA shall be charged to the accounts maintained by operator and shared by the Syria Block 9 contractor parties, pro rata to their respective participating interests.
Rights and duties of operator	The operator has exclusive charge of and is responsible for the conduct of

all activities carried out under the Syria Block 9 JOA.

Settlement of claims and lawsuits	The operator may settle any claim or any related series of claims for an amount not exceeding US\$500,000 (exclusive of legal fees).
Operator liability	<p>The operator shall not bear any liability in connection with the performance of (or failure to perform) its duties as operator.</p> <p>The other Syria Block 9 contractor parties shall indemnify the operator against any damages arising out of the performance of its duties as operator (except in the case of gross negligence or wilful misconduct on the part of the operator's senior supervisory personnel).</p>
Removal of operator	<p>The operator shall be removed on notice from any non-operator, if operator becomes insolvent or is wound up or otherwise terminates its existence.</p> <p>The operator may also be removed by the majority decision of the non-operators if it has committed a material breach of the Syria Block 9 JOA and has either failed to commence to cure that breach within 30 days of notice from the non-operators or failing to diligently pursue the cure to completion.</p>
Operating committee	The operating committee is composed of representatives of each Syria Block 9 contractor party holding a participating interest and authorises and supervises the obligations of the Syria Block 9 contractor parties under the Syria Block 9 PSA and all liabilities and expenses incurred by the operator in connection with its operations under the Syria Block 9 JOA.
Expenditures	<p>On or before 1 October each year the operator will deliver to the operating committee a proposed production work programme and budget detailing the obligations of the Syria Block 9 contractor parties under the Syria Block 9 PSA and the liabilities and expenses incurred by the operator in connection with those operations to be performed in the following year. If the operating committee cannot agree on the work programme and budget within 30 days, then the proposal which satisfies the minimum work obligations for the following year that receives the largest participating interest vote is adopted instead.</p> <p>A separate work programme and budget is also prepared by the operator specific to any part of Syria Block 9 which is established for development of a commercial discovery.</p> <p>The operator shall obtain the approval of the operating committee prior to incurring any commitment or expenditure estimated to be greater than US\$1,000,000 for exploration or appraisal work, US\$2,000,000 for a development programme or US\$1,000,000 for a production programme.</p>
Operations by less than all contractor parties	Operations can be undertaken by less than all Syria Block 9 contractor parties provided where they do not interfere with the obligations under the Syria Block 9 PSA and the Syria Block 9 JOA and the contractor parties participating in such operations indemnify the non-participating contractor parties for any damages incurred by them as a result of such operations.

Default and security	<p>Any Syria Block 9 contractor party that fails to: (i) pay when due its share of expenses; or (ii) obtain and maintain any security required under the Syria Block 9 PSA is in default. The defaulting party remains liable for all obligations incurred in respect of abandonment.</p> <p>During such time any defaulting party is in default, its rights under the Syria Block 9 JOA are restricted, e.g. it cannot attend or vote at operator committee meetings, access data, consent to or reject any transfers of interest in Syria Block 9 or receive its entitlement to crude oil or natural gas.</p> <p>Where the defaulting party fails to remedy its default within 30 days (or 15 days where it is a repeated default) the other Syria Block 9 contractor parties can enforce the security interest on the defaulting party's participating interest.</p>
Interparty security	<p>Each Syria Block 9 contractor party grants to each of the other Syria Block 9 contractor parties pro rata to their relative participating interests, security over its participating interest as collateral for: (i) the payment of all amounts owing by such Syria Block 9 contractor party (including interest and costs of collection) under the Syria Block 9 JOA; and (ii) any security which such Syria Block 9 contractor party is required to provide under the Syria Block 9 PSA.</p> <p>Should a defaulting party fail to remedy its default within 30 days of notice, then, each non-defaulting party may at any time during the period of default enforce the security against its pro rata share of the collateral.</p>
Disposition of production	<p>Each Syria Block 9 contractor party has the right and obligation to own and separately dispose of its entitlement to crude oil and natural gas.</p> <p>If crude oil is to be produced, the Syria Block 9 contractor parties shall negotiate a lifting agreement to cover the offtake of crude oil produced under the Syria Block 9 PSA, not less than three months prior to the anticipated first delivery of crude oil.</p> <p>Natural gas shall be taken and disposed of in accordance with the rules and procedures set forth in the Syria Block 9 PSA.</p>
Abandonment security	<p>If the Syria Block 9 contractor parties are or become obliged to contribute to abandonment cost, they shall negotiate a security agreement in respect of such abandonment.</p>
Withdrawal	<p>A Syria Block 9 contractor party may withdraw from all or a portion of Syria Block 9, but retains certain liability in respect of Syria Block 9 (or the relevant portion of it).</p>
Relationship of the parties	<p>The rights, duties, obligations and liabilities of the Syria Block 9 contractor parties are individual, not joint or collective.</p>
Force majeure	<p>If, as a result of force majeure, any Syria Block 9 contractor party is rendered unable (wholly or in part), to carry out its obligations under the Syria Block 9 JOA, (other than the obligation to pay any amounts due or to</p>

furnish security), then, those obligations can be suspended, on notice, for the period of force majeure.

Force majeure was declared under the Block 9 PSC on 11 July 2012.

Transfers

Transfers are not permitted except where: (i) the transferee will hold at least a 5% participating interest following the transfer; (ii) where the transferor is the operator, the transferor remains as operator following the transfer (unless the full participating interest is transferred whereby the operator will be deemed to have resigned); (iii) both the transferee and the transferor are liable to the other Syria Block 9 contractor parties for the transferor's participating interest share of any obligations accrued prior to such transfer; and (iv) the transferee undertakes to perform the obligations of the transferor and each other Syria Block 9 contractor party consents in writing to the transfer.

Once the final terms and conditions of a transfer have been fully negotiated, the transferor shall disclose all such final terms and conditions as are relevant to the Merger of the participating interest in a notice to the other Syria Block 9 contractor parties. The non-transferring Syria Block 9 contractor parties have a pre-emption right in respect of the participating interest subject which must be executed on substantially the same terms and conditions as those agreed with the proposed third-party transferee.

Change of control

A Syria Block 9 contractor party must obtain any necessary approvals from the Syrian Government and SPC/GPC with respect to any change of and furnish any replacement security required by the Syrian Government or under the Block 9 PSC before the applicable deadlines. A "change of control" in respect of a contractor party is defined as any direct or indirect change in the power to secure how the affairs of such contractor are conducted (whether through merger, sale of shares or other equity interests or otherwise) through a single or series of related transactions, from one or more transferors to one or more transferees. A participant subject to a change of control must also provide evidence reasonably satisfactory to the other participants that, following the change of control, it will continue to have the financial capability to satisfy its payment obligations under the Block 9 PSC and the Block 9 JOA. If the contractor party subject to the change of control fails to provide such evidence, any other party may, by notice in writing, require such participant to provide security satisfactory to the other participants with respect to its participating interest share of any obligations or liabilities which the participants may reasonably be expected to incur under the Block 9 PSC and Block 9 JOA during the current exploration or exploitation phase.

Applicable law

Laws of England and Wales.

Dispute resolution

Arbitration to be held in London in accordance with the Rules of Arbitration of the International Chamber of Commerce (ICC).

(d) Syria Block 9 Guarantee

In accordance with the terms of the Syria Block 9 PSC, the Company posted a bank guarantee in respect of its work commitment in the initial amount of \$7.5 million. The guarantee amount was reduced to \$3.6 million at December 31, 2011, due to the completion of work commitments and a farm-out agreement with MENA Syria pursuant to which MENA Syria agreed to fund 30% of the bank guarantee. As at December 31, 2012 and December 31, 2013, the guarantee amount has effectively been reduced to zero since all of the cash posted by the Company as security for the guarantee was returned to the Company when it was determined that the guarantee could not be renewed because of various sanctions.

6.6.6.7 Syria Block 9 Partners

The Company, through Loon Latakia, currently holds a participating interest of 45% in the Syria Block 9 PSC.

The joint venture partners in Syria Block 9 are: the Company (operator through its indirectly wholly-owned subsidiary Loon Latakia), 45%; MENA Syria, 30%; Ninnox, 20%; and Ansco (if the assignment is approved), 5%.

6.6.6.8 General Legal Overview

The judicial system in Syria is an amalgam of Ottoman, French, and Islamic laws, with three levels of courts: (a) courts of first instance; (b) courts of appeals; and (c) the constitutional court, which is the highest tribunal. In addition, religious courts handle questions of personal and family law. Foreign judgments can only be executed in Syria if they relate to civil or to commercial disputes upon the approval of the courts of first instance in the governorate where the judgment is to be executed. If there is no bilateral treaty on mutual recognition with the country concerned, the Syrian court will re-examine the case and scrutinize the foreign court's opinion. If a bilateral treaty exists, the Syrian court will limit its scrutiny to violations of Syrian public policy. In Syria, neither public nor government institutions can agree to submit to arbitration unless provided for by statute. The state may only agree to arbitrate if it is bound by treaty. International arbitration held in Syria is subject to Syrian law and is generally covered by the same rules governing domestic arbitration. The enforcement of international arbitration awards generally follows the same rules as the enforcement of foreign court decisions.

7. ORGANIZATIONAL STRUCTURE

7.1. If the issuer is part of a group, a brief description of the group and the issuer's position within the group.

The major shareholder of the Issuer is KI which, as at the date of this Prospectus, owns approximately 50.8% of the issued and outstanding Serinus Shares.

Dr. Jan Kulczyk, formerly Chairman of the Issuer's Board of Directors, is the President of the Supervisory Board of KI and beneficially owns or controls, directly or indirectly, 68.33% of the outstanding shares of KI.

Two of the directors of the Issuer, Manoj Narender Madnani and Sebastian Kulczyk, are members of the Management Board of KI.

KI is an international investment company, focused on investment opportunities in global emerging markets. The company's chosen strategic industries are mineral resources, energy, infrastructure and real estate. KI is the parent of Kulczyk Holding, a group of fast-growing businesses, which, since 1991, have played an active role in the transformation of the Polish economy. KI is headquartered in Luxembourg with offices in London, Kyiv, Warsaw and Dubai.

Moreover, Radwan Investments GmbH directly owns 0.73% of issued and outstanding Serinus Shares and Pala Assets Holdings owns 7.5% of issued and outstanding Serinus Shares.

As a result of an agreement in place between Radwan and KI dated September 15, 2010, which provides that Radwan will vote any securities it purchases pursuant to such agreement in accordance with the directions of KI, KI may also be considered to direct 593,217 Serinus Shares owned by Radwan, representing approximately 0.73% of the issued and outstanding Serinus Shares. Pursuant to Canadian regulations, KI and Radwan may be considered to be acting jointly.

For further information concerning Issuer's Shareholders please see Section 18 of this Prospectus "*Major Shareholders*".

7.2. A list of the issuer's significant subsidiaries, including name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held.

The Issuer's Significant Subsidiaries

Serinus has:

- (i) two direct wholly-owned subsidiaries (100% interest): Kulczyk Oil Ventures Limited (Nicosia, Cyprus) ("**KOV Cyprus**"), and Winstar Resources Ltd. (Calgary, Alberta, Canada) ("**Winstar**"),
- (ii) six material indirect wholly-owned subsidiaries (100% interest):
 - AED South East Asia Limited (Nicosia, Cyprus) ("**AED SEA**"),
 - Kulczyk Oil Brunei Limited (Nicosia, Cyprus) ("**Kulczyk Oil Brunei**"),
 - Loon Latakia Limited (Nicosia, Cyprus) ("**Loon Latakia**"),
 - Winstar B.V. (Breda, the Netherlands) ("**Winstar Netherlands**"),

- Winstar Tunisia B.V. (Breda, the Netherlands) (“**Winstar Tunisia**”),
 - Winstar Satu Mare SRL (Bucharest, Romania) (“**Winstar Satu Mare**”) and
- (iii) one indirect partly-owned subsidiary (70% interest): KUBGAS Holdings Limited (Nicosia, Cyprus) (“**KUBGAS Holdings**”).

KUBGAS Holdings holds a 100% interest in KUB-GAS LLC (Lugańsk, Ukraine) (“**KUB-GAS**”).

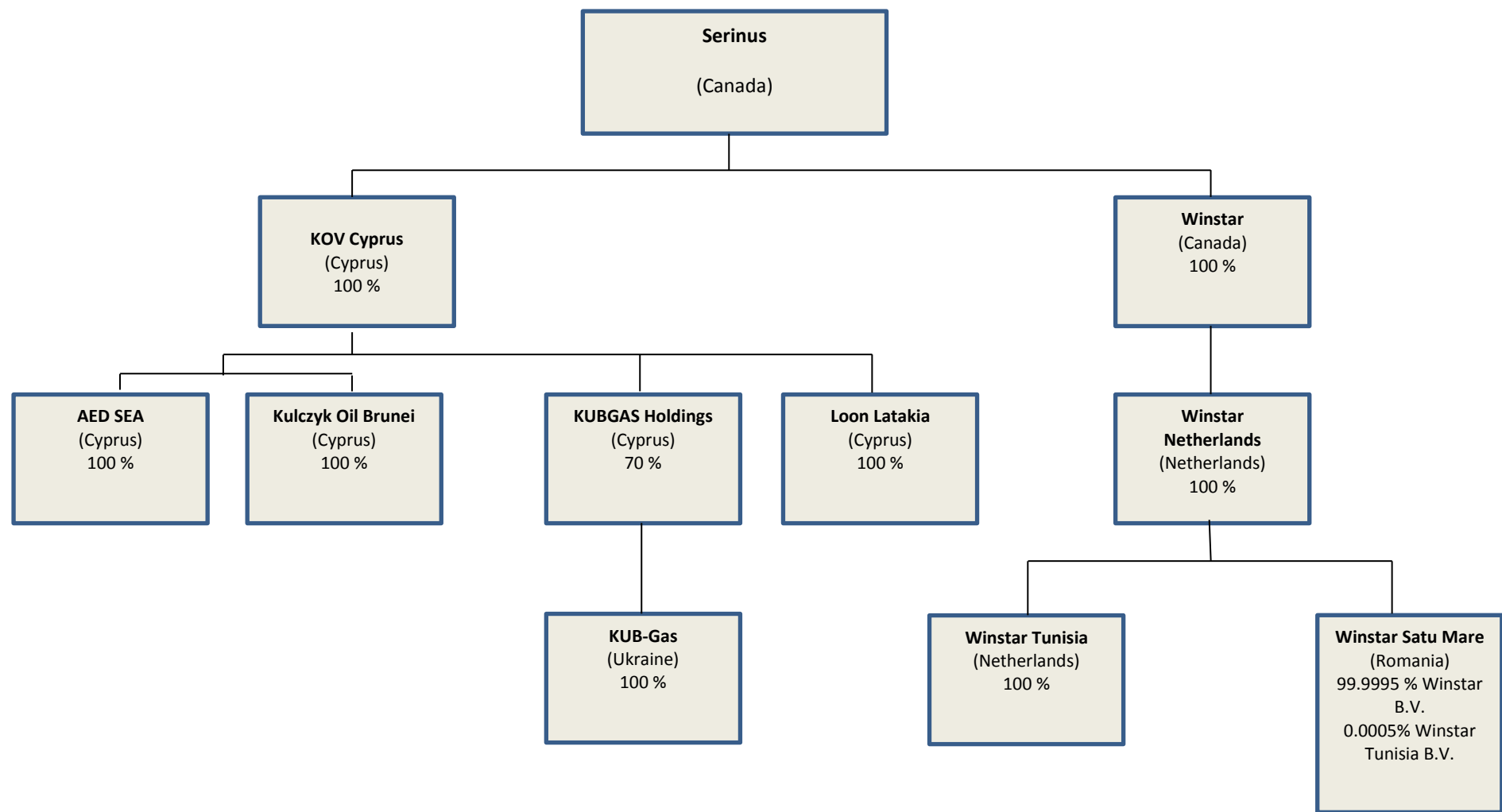
Registered office addresses are listed in the table as follows:

<u>Entity</u>	<u>Registered Office Address</u>
Kulczyk Oil Ventures Limited	12 Esperidon Street 4th Floor 1087 Nicosia Cyprus
Winstar Resources Ltd.	1500, 700 – 4th Avenue SW Calgary, AB T2P 3J4
AED South East Asia Limited	12 Esperidon Street 4th Floor 1087 Nicosia Cyprus
Kulczyk Oil Brunei Limited	12 Esperidon Street 4th Floor 1087 Nicosia Cyprus
Loon Latakia Limited	12 Esperidon Street 4th Floor 1087 Nicosia Cyprus
Winstar B.V.	Burgemeester de Manlaan 2 4837 BN Breda, the Netherlands
Winstar Tunisia B.V.	Burgemeester de Manlaan 2 4837 BN Breda, the Netherlands
Winstar Satu Mare SRL	15-17 Navodari Street, Ground Floor Ap. 01

	1st district
	Bucharest, Romania
KUBGAS Holdings Limited	12 Esperidon Street
	4th Floor
	1087 Nicosia
	Cyprus
KUB-Gas LLC	8 Karl Marx Street
	Lugansk, Ukraine
	91055

For more information please see also section 25 – *Information on Holdings*.

The organizational structure of companies owned by the Issuer is shown below:



8. PROPERTY, PLANTS AND EQUIPMENT

8.1. Information regarding any existing or planned material tangible fixed assets, including leased properties, and any major encumbrances thereon.

The Issuer together with its subsidiaries has total assets reported on its consolidated balance sheet in the amount of \$ 297,3 million at June 30, 2014, and this amount has not changed materially as at the date of this Prospectus as there have been no acquisitions or disposals of assets which may have changed this value significantly.

Of this total, \$247,3 million is represented by “Property and Equipment” which itself consists of oil and natural gas interests (\$232,2 million), plant and equipment (\$14,9 million) and other (\$ 0,1 million).

In line with the accounting policy adopted by the Group the expenditures incurred on assets for which technical feasibility and commercial viability have been determined are classified as property, plant and equipment (“PP&E”). The technical feasibility and commercial viability of extracting a resource is considered to be determinable based on several factors including the assignment of proved or probable reserves. A review of each exploration license or field is carried out, at least annually, to ascertain whether the project is technically feasible and commercially viable. Upon determination of technical feasibility and commercial viability, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within property, plant and equipment referred to as oil and natural gas interests.

Property, plant and equipment include also drilling and well servicing assets, office equipment and other corporate assets.

The most significant asset consists of oil and natural gas interests, which represent Company’s proportionate interests in following properties:

- **In Ukraine**, 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 \$ 240,3 million of revenue, net of royalties, in aggregate from these assets, of which \$168,2 million is net to the 70% interest held by Serinus.

As at June 30, 2014 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

- **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 and is currently in phase 2 of the exploration period. The minimum expenditure commitments of \$16 million under this phase were met as at December 31, 2012 and the remaining work commitments are 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 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. The Company, together with Petroleum Brunei, are in the process of evaluating the drilling campaign with a view to determining a way forward.

As at June 30, 2014, the Brunei Block L assets are fully impaired.

- **In Syria**, the 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 June 30, 2014, 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. The Company still presents Syrian assets as a component of property, plant and equipment, fully impaired, as there is the possibility of reversal, in case of improvement of situation in Syria which will allow the resumption of exploration work in Block 9.

- **In Tunisia**, pursuant to the Winstar Acquisition, 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.

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

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 June 30, 2014, cumulatively 4.8 million barrels, net of royalties and shrinkage have been sold from the concession.

- **In Romania**, pursuant to the Winstar Acquisition, 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 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 Satu Mare concession is on the border with Hungary and Ukraine within the Pannonian Basin and the term of the concession expires September 2033.
- **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 or abandon the asset during 2013. This asset is not currently producing and has a future abandonment liability

associated with it of \$1,61 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.

Description of significant assets used for drilling and well servicing:

- In January 2012, a new snubbing unit, a specialized service rig that allows for the workover of wells while under pressure without stopping production from an existing producing zone, manufactured in Canada, was delivered to KUB-Gas in Ukraine. The snubbing unit provides KUB-Gas with the ability to perform dual completions on certain of its wells. Dual completion of a well allows for natural gas production concurrently from two separate zones.
- In September 2013, KUB-Gas embarked on an expansion of the Makeevskoye gas facilities. The expansion consists of a second plant with gas, condensate and water separation equipment, and is designed to increase the total throughput capacity in Makeevskoye from 30 MMcf/d to 68 MMcf/d. This still leaves significant spare capacity to accommodate potential production increases from the Group's ongoing exploration and development program. The new facility started up on March 6, 2014.

Description of encumbrances on items of property, plant and equipment

As at 31 June 30, 2014 and 31 December 2013, the following Ukraine assets stated at net book values are pledged as collateral for the loan agreement between the Company's subsidiary Kub Gas LLC and the EBRD:

	June 30, 2014	December 31, 2013
(in thousands of USD)		
Oil and gas assets	29,852	40,412
Plant and equipment	9,502	7,467
Buildings and gas pipelines	4,347	4,485
Fixtures and fittings	528	711
Intangible assets	2,858	3,143
Construction in progress	5,186	10,680
Exploration and evaluation assets	8,980	10,949
	<hr/>	<hr/>
	61,253	77,847
	<hr/>	<hr/>

- In relation to the EBRD loan for the Tunisia assets the share pledge for all the issued and outstanding shares of Winstar B.V and Winstar Tunisia B.V. valued at \$72 and \$32 dollars respectively.
- In relation to the Dutco facility, Serinus has pledge its shares in Kulczyk Oil Ventures Limited (“KOVL”) incorporated in Cyprus. The share pledge allows Dutco to take ownership of KOVL at anytime while there is an event of default continuing under the agreement.

Planned material tangible fixed assets

The Company now expects to exit 2014 at a production rate of 6,000 boe/d, which is an increase of 20% in comparison to the 2013 exit rate of 4,986 boe/d. 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. However, due to temporary suspension of drilling in Ukraine, the total 2014 drilling program will be at least one well short of its original goal. 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.

8.2. A description of any environmental issues that may affect the issuer’s utilisation of the tangible fixed assets.

The operations of the companies belonging to the Serinus Group are subject to environmental regulations in the jurisdictions in which they operate. Rules, regulations and legal principles may differ both relating to matters of substantive law and in respect of such matters as court procedure and enforcement. For further information please see Section 1 of this Prospectus, “*Risks factors*” in the Subsection 1.1.31. “*Risk factors related to Natural Environment*”.

The Serinus Group's practice with respect to environmental practices and responsibilities is to conduct its operations in accordance with practices generally accepted and used throughout the international oil and gas industry. Environmental impact assessments are conducted at all sites prior to the commencement of operations and moreover assessments are conducted post operation. Compliance during operation is the responsibility of senior personnel based on-site.

The Directors believe that Serinus Group meets all applicable environmental standards and regulations in the Ukraine, Brunei, Romania and Syria, in all material respects, and has included appropriate amounts in its capital expenditure budget to continue to meet its environmental obligations. The Serinus Group’s operations to date in those countries have not been negatively affected by any environmental laws or regulations.

In Tunisia, Winstar Tunisia has, at times, not been in compliance with Tunisian environmental legislation with respect to disposal of produced water. The Issuer continues to investigate solutions to this problem.

Winstar Tunisia has struggled with disposal of produced water from the Sabria Concession in a manner which is both cost-effective and in compliance with Tunisian environmental legislation since

it purchased the concession in 2000 (under its previous name, Athanor Tunisia B.V.). Oil produced at the Sabria Concession is washed with clean water to reduce the high salt content of the oil, however the resulting produced water contains significant concentrations of salt, heavy metals and oil, which requires treatment. Winstar Tunisia currently uses evaporation lagoons as the final discharge point of the wastewater, however the current process of wastewater disposal is not in compliance with Tunisian environmental legislation.

Likewise, Winstar Tunisia currently disposes of water produced from the Chouech Es Saida and Sanrhar fields on the nearby ground. This water is salty but has been freed of hydrocarbons through decantation. Accordingly, the water is both evaporating and going into the ground. This procedure, also applied by other operators in the desert, is not in line with Tunisian environmental regulations.

Serinus has not received any environmental infraction notices from Tunisia regulatory authorities with respect to the issues outlined above since it acquired the Tunisia Assets as part of the Winstar Acquisition in June 2013. While the Issuer is not aware of any regulatory or policy changes in Tunisia which would materially increase the likelihood of Tunisian regulatory authorities issuing environmental infraction notices to Winstar Tunisia, no assurance can be given that the Tunisian regulatory authorities' current enforcement approach will continue.

Likewise, no assurance can be given that the interpretation or enforcement of environmental laws in the various jurisdictions in which the Issuer (or its subsidiaries) is active will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Serinus Group's financial condition, results of operations or potential for future asset growth. Moreover, environmental legislation is evolving globally in a manner expected to result in stricter standards and enforcement, larger fines and liability, and potentially increased capital expenditures and operating costs. The Issuer and its subsidiaries may become subject to further extensive laws, regulations and scrutiny or become subject to more stringent application of existing regulations on drilling, particularly in areas that are environmentally sensitive and/or have not yet been open to drilling.

Compliance with environmental legislation can require significant expenditures, and a breach may result in the imposition of fines and penalties, some of which may be material. Failure by the Issuer or its subsidiaries to comply with applicable legal requirements or recognised international industry standards may give rise to significant liabilities.

8.2.1. Ukraine

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

The framework for environmental protection activities in Ukraine is set out in the following Codes and Laws of Ukraine:

- Code of Ukraine on Administrative Violations, dated 7 December 1984 No. 8073;
- Criminal Code of Ukraine, dated 5 April 2001 No. 2341;
- Civil Code of Ukraine, dated 16 January 2003 No. 435;

- Labour Code of Ukraine, dated 10 December 1971;
- On Environmental Protection, dated 25 June 1991, No. 1264;
- On Air Protection, dated 16 October 1992, No. 2707;
- On Wastes, dated 5 March 1998, No. 187/98; and
- On Environmental Audit, dated 24 June 2004, No. 1862.

The Environmental Legislative Acts establish general principles of environmental protection, rights and responsibilities and liability of the market players in the environmental sphere.

The Ministry of Environment and Natural Resources of Ukraine (*Ministerstvo Ecologii ta Pripodnykh Resursiv Ukrainy* in Ukrainian) is a governmental authority responsible for environmental protection.

There are two principal governmental bodies responsible for monitoring compliance with the environmental legislation, namely:

- The State Ecology Inspection of the Ministry of Environment of Ukraine (*Derzhavna Ecologichna Inspekciya Ukrainy* in Ukrainian); and
- The State Inspection on Agriculture of Ukraine (*Derzhavna Inspekciya Silskogo Gospodarstva Ukrainy* in Ukrainian).

The principal legislation relating to health and safety in Ukraine is the Labour Code of Ukraine which establishes the main responsibilities and rights of employees with respect to occupational health and safety.

The State Service of Ukraine for Mining Supervision and Industrial Security (*Derzhavna Sluzhba Girnychogo Naglyadu ta Promislovoyi Bezpeky Ukrainy* in Ukrainian) is the governmental authority which monitors occupational health and safety and mineral resources use.

The Environmental Legislative Acts provide for mandatory requirements as to the use and preservation of natural resources and environmental standards control for the environment and prevention of pollution.

Ukrainian legislation requires various permits for activities that may impact the environment. Depending upon the nature of the activity, such requirements could encompass, inter alia, permits for: (i) pollutant emissions; (ii) water use; (iii) waste storage and disposal; (iv) use of hazardous substances; (v) transportation of wastes; (vi) standards of land use; (vii) land use reclamation requirements; and (viii) special permits for mineral resources exploration and extractions.

The permit conditions set forth specific requirements in areas including personnel, equipment, control systems, technology, insurance, quotas, reporting obligations. Certain categories of activity, which are viewed by law as having a higher level of ecological danger, require additional state ecological expertise (examination) the purpose of which is to review project documents to determine whether applicable environmental requirements and standards will be met.

KUB-Gas has an Environmental Department dedicated to ensuring compliance with local regulations and the requirements under the EBRD Loan Facility (detailed description of EBRD Loan Facility in Section 22 “*Material Contracts*” in Subsection 22.4. “*EBRD Loan Facility*”).

8.2.2. *Brunei*

In Brunei, environmental matters are governed by the following laws and regulations:

- Prevention of Pollution of the Sea, Order 2005;
- Prevention of Pollution of the Sea (Oil) Regulations, 2008;
- Prevention of Pollution of the Sea (Noxious Liquid Substances in Bulk) Regulations, 2008;
- Prevention of Pollution of the Sea (Garbage) Regulations, 2008;
- Merchant Shipping (Civil Liability and Compensation for Oil Pollution), 2008;
- Penal Code, Cap. 22;
- Minor Offences Act, Cap. 30;
- Mining Act, Cap. 42;
- Forest Act, Cap. 46;
- Municipal Boards Act, Cap. 57;
- Water Supply Act, Cap. 121;
- Town and Country Planning (Development Control) Act, Cap. 143; and
- Ports Act, Cap. 144.

Under Bruneian laws, petroleum operations must comply with certain obligations relating to the discharge of oil, noxious liquids and other pollutants. Certain ships (including floating or fixed platforms) must be surveyed and certified by local authorities.

Other relevant provisions are found in the Road Traffic Act (Chapter 68) of the laws of Brunei, which controls the smoke emission of licenced motor vehicles in Brunei, and the Open Burning Order, which prohibits the open burning of materials and hazardous substances.

Under the Block L PSA, the contractor parties are required to carry out environmental impact studies to be conducted in accordance with the work commitments to be undertaken and to submit these studies for consideration by PetroleumBRUNEI.

On expiry of the Block L PSA and the Block M PSA and/or relinquishment of any part of Brunei Block L or M, the Brunei Block L and Brunei Block M contractor parties, respectively, are obliged to undertake site restoration activities of those parts of Brunei Block L and Brunei Block M affected by petroleum operations. This obligation currently applies in respect of the whole of the contract area under the Block M PSA, which expired in August 2012, and the relinquished parts of the contract area under the Block L PSA.

Prior to commercial production, the Brunei Block L contracting parties and PetroleumBRUNEI must agree an abandonment plan for the site restoration activities of each area in which the Brunei Block L contracting parties propose to carry out petroleum operations. On or before commercial production, the Brunei Block L contracting parties and PetroleumBRUNEI are also required to establish an abandonment fund to fund the costs of the site restoration activities, following which the contracting parties will be obliged to make monthly payments to such fund in accordance with the provisions of

the Block L PSA. The Brunei Block L contracting parties are entitled to draw down the abandonment fund for the purpose of funding their site restoration activities.

AED SEA and its partners, parties to the production sharing agreements, have been granted permission by the Forestry Department under the Forest Act (Chapter 46) of the laws of Brunei to cut down trees in the gazetted forest reserve for the purpose of bridging during the 3D onshore seismic survey. AED SEA and its partners are required to pay a small compensatory amount to the Brunei government for the trees. The site clearance and restoration after the completion of the 3D seismic survey was approved and accepted by the Brunei government.

8.2.3. *Syria*

In Syria, Law No. 50 establishes the fundamental basis for the protection of the environment in Syria and the relevant legal processes to be followed by every industry that may cause damage to the Syrian environment.

Under the Block 9 PSC, Loon Latakia, as operator of Syria Block 9, is subject to the environmental laws and regulations of Syria in the performance of its petroleum operations and is solely responsible to third parties for any damage caused by its exploration activities. Loon Latakia is further obligated to attempt to reduce its impact on the environment over time.

Canadian environmental standards are imposed on the Loon Latakia's drilling operations in Syria through the application of the Company's HSE policies and procedures and through the use of third party consultants with oversight provided by the Company's engineering consultants in the Damascus office.

8.2.4. *Tunisia*

Prior to 1988, the Tunisian government did not have a specific environmental policy. The government subsequently created a ministry responsible for the environment, the *Ministre de l'Environnement et du Développement Durable*, as well as environmental enforcement agencies, the *Agence Nationale pour la Protection de l'Environnement*, the *Centre International des Technologies de l'Environnement* and the *Agence Nationale de Maîtrise de l'Energie*. The administration has already made progress in developing new environmental standards and a framework for the prevention of pollution that combines economic and ecological regulations, market-based incentives, stepped-up monitoring, and the execution of agreements negotiated between industries and the authorities. The administration's strategy has two main goals: the clean-up of historically heavily polluted areas corresponding roughly to major population and industrial centres and the promotion of "clean" industrial growth with acceptable environmental impact.

The government has also embarked on an environmental policy aimed at the conservation of energy and non-renewable resources. To that end, the Tunisian government is developing the use of bio-gas in rural zones to decrease dependence on firewood and promoting the distribution and use of solar energy panels and water heaters.

Tunisia now has a legal and institutional framework which compares favorably with European standards. This framework will be further enhanced to take into account the integration of the environment dimension in different economic sectors.

Tunisia adheres to the Kyoto Accord under Law No. 2002-55 of 19 June 2002.

8.2.5. *Romania*

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

Romanian legal environmental aspects are regulated by the following main legal acts: Government Emergency Ordinance No. 195/2005 on environmental protection, as amended up to date (GEO 195/2005); Government Emergency Ordinance No. 152/2005 on integrated pollution prevention and control, as amended up to date (GEO 152/2005); Government Emergency Ordinance No. 68/2007 on the environmental responsibility related to the prevention and repairing of environmental damage (GEO 68/2007); Government Emergency Ordinance No. 196/2005 on the Environmental Fund (GEO 196/2005); Law No. 211/2011 on waste regime (Law 211/2011); Governmental Decision No. 878/2005 concerning public access to information on the environment (GD 878/2005); Governmental Decision No. 445/2009 on the assessment of the environmental impact for certain public or private projects (GD 445/2009); Governmental Decision No. 1076/2004 on the procedure to carry out environmental assessments for plans and programs (GD 1076/2004); and Governmental Decision No. 780/2006 on establishment of trading scheme for greenhouse gas emission certificates (GD 780/2006).

In areas where the Issuer, through its subsidiaries, conducts operations, including without limitation Romania and Tunisia, there are statutory laws and regulations governing the activities of oil and gas companies. These laws and regulations allow administrative agencies to govern the activities of oil companies in the exploration, development, production and sale of both oil and gas. Changes in these laws and regulations may substantially increase or decrease the costs of conducting any exploration or development project. The Issuer believes that its subsidiary's operations comply with all applicable legislation and regulations in Romania and that the existence of such regulations has no more restrictive effect on the Company's method of operations than on similar companies in the industry.

8.2.6. *Canada*

Oil and natural gas operations in Canada are subject to various Canadian federal, provincial and local governmental regulations. Matters subject to regulation include permits for drilling operations, reports concerning operations, the spacing of wells, abandonment and reclamation and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and natural gas wells below actual production capacity in order to conserve supplies of oil and natural gas. The production, handling, storage, transportation and disposal of oil and natural gas, by-products thereof and other substances and materials produced or used in connection with oil and natural gas operations are also subject to regulation under federal, state, provincial and local laws and regulations primarily relating to the protection of human health and the environment. To date, expenditures related to complying with these laws and for remediation of existing environmental contamination have not been significant in relation to the results of operations of the Company. Although the Issuer believes it is in substantial compliance with all applicable laws and regulations, the requirements imposed by such laws and regulations are frequently changed and subject to interpretation, and the Company is unable to predict the ultimate cost of compliance with these requirements or their effect on its operations.

9. OPERATING AND FINANCIAL REVIEW

This operating and financial review is based on:

- consolidated financial statements,
- the Management's Discussion and Analysis of the Issuer for the years ended December 31, 2013, 2012 and 2011,
- "Condensed consolidated interim financial statements for the three and six month periods ended on June 30, 2014 and 2013".

The information contained in this section should be read in conjunction with:

- the consolidated financial statements as at, and for for each of the three years ended December 31, 2013, 2012 and 2011,
- Condensed consolidated interim financial statement for the three and six month periods ended June 30, 2014 and 2013, and
- together with financial information presented elsewhere throughout this Prospectus.

A description of significant accounting policies used by the Issuer in the preparation of its consolidated financial statements is presented in note 3 to the Consolidated Financial Statements.

In accordance with National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards, Section 3.2 (1) the Issuer prepares only consolidated financial statements. In accordance with the provisions of Canadian law, the Issuer is not required to prepare stand-alone financial statements and, therefore, has decided to resign from the preparation and publication of stand-alone financial statements. The consolidated financial statements of the Issuer's Group are prepared based on internal accounts of the Issuer and its subsidiaries.

9.1. Financial Condition

Table 1 Consolidated results of Operations (US\$ in '000's)

	H1 2014 (unaudited)	H1 2014 (unaudited)	2013	2012	2011
Oil and gas revenue	77 498	57 638	146 732	99 588	35 227
Royalty expense	(16 008)	(14 974)	(34 496)	(19 468)	(6 890)
Oil and gas revenue, net of royalties	61 490	42 664	112 236	80 120	28 337
Operating expenses	(37 243)	(29 230)	(151 242)	(141 656)	(36 228)
Production expenses	(13 239)	(10 809)	(20 926)	(12 223)	(7 228)
General and administrative	(4 406)	(5 377)	(12 067)	(9 498)	(9 021)
Transaction costs	(1 500)	(2 455)	(4 487)	(4 193)	(1 047)

Stock based compensation	(1 717)	(438)	(2 927)	(1 968)	(2 672)
Loss on disposition of assets	107	-	-	(205)	-
Depletion and depreciation	(16 151)	(10 151)	(27 782)	(25 830)	(7 596)
Impairment of exploration and evaluation assets	(337)	-	(83 053)	(87 739)	(8 664)
Earnings before interest and taxes	24 247	13 434	(39 006)	(61 536)	(7 891)
Finance income/(expenses)	(7 135)	(2 321)	(5 138)	(5 791)	(4 287)
Interest and other income	348	445	590	2 559	(6)
Unrealized gain (loss) on investments	69	(100)	(145)	(82)	(66)
Interest expense and accretion	(3 035)	(2 384)	(4 409)	(8 087)	(3 861)
Foreign exchange gain (loss)	(4 517)	(282)	(1 174)	(181)	(354)
Earnings/loss of associates	-	-	-	-	(1 516)
Earnings/loss before tax	17 112	11 113	(44 144)	(67 327)	(13 694)
Current tax expense	(4 501)	(3 785)	(16 025)	(9 681)	(2 554)
Deferred tax recovery / (expense)	(1 144)	87	2 643	(1 974)	(668)
Net earnings/loss	11 467	7 415	(57 526)	(78 982)	(16 916)
Foreign currency translation gain/(loss) of foreign operations	(20 886)	-	(1 445)	(37)	927
Total comprehensive loss	(9 419)	7 415	(58 971)	(79 019)	(15 989)
Earnings (loss) attributable to:					
Common shareholders	7 001	2 911	(68 682)	(86 769)	(20 875)
Non-controlling interest	4 466	4 504	11 156	7 787	3 959
Earnings/loss for the period	11 467	7 415	(57 526)	(78 982)	(16 916)
Net earnings/loss per share attributable to common shareholders					
- basic and diluted	0,09	0,06	(1,07)	(1,95)	(0,51)
Total comprehensive earnings (loss) attributed to:					
Common shareholders	(7 620)	2 911	(69 694)	(86 762)	(20 226)
Non-controlling interest	(1 799)	4 504	10 723	7 743	4 237
Total comprehensive earnings/loss for the period	(9 419)	7 415	(58 971)	(79 019)	(15 989)

H1 2014 compared to H1 2013

Oil and gas revenue

Oil and gas revenue increased by 34% in H1 2014 as compared to H1 2013, reflecting revenues attributable to Winstar (Tunisia) since July 1, 2013 and increased production in Ukraine..

In Ukraine, revenues net of royalties totalled \$40.1 million for H1 2014, as compared to \$42.7 million in H1 2013. The decrease of 6% is attributable to a decrease in the average commodity price of 19% partially offset by increased volumes of 13%.

Effective January 1, 2014 natural gas prices decreased due to incentives granted by Russia to Ukraine on their imported gas prices and deterioration in the hryvnia as compared to the US dollar. This resulted in a realised price for Q1 2014 of \$8.55 per Mcf. Effective April 1, 2014 the discounts on Russian gas expired increasing the realised price to \$10.23 per Mcf for Q2 2014. Exchange rates stabilized during the second quarter with the average effective exchange rate for the hryvnia for the six months ended June 30, 2014 being 10.55 UAH/USD, as compared to 8.13 UAH/USD in the comparable periods of 2013. The actual price received by Kub-Gas is approximately 9-10% less for the profit margin of the brokers.

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 H1 2014, the Company had four tanker liftings in February, March, April and June. As at June 30, 2014 the Company is in an underlift position, with approximately 8,264bbls on hand and recorded in inventory. Inventory is recorded at net realisable value, with an amount recognised in revenue relating to inventory of approximately \$0.9 million at June 30.

Tunisian revenues of \$24.7 million (\$21.4 million net of royalties) reflect an average crude oil price of \$108.09 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).

Production expenses

On an absolute basis, production expenses have increased 22% to \$13.2 million in H1 2014 from \$10.8 million in H1 2013, reflecting increased production. The increase in absolute dollars during H1 2014 is due to the inclusion of production costs related to Tunisia of \$6.9 million offset by a reduction of \$4.5 million in Ukraine driven by the impact of the weakening of Ukrainian Hryvnia as the Ukraine business is reported in US dollars.

On a per boe basis production expenses have decreased to \$11.36 per boe from \$13.22 per boe in the prior year, due to the inclusion of Tunisia at \$28.68 per boe.

Economic factors affecting cash flow required for operations and for investments include fluctuations in foreign currency exchange rates. For the six month period a 44% weakening of the hryvnia against the US dollar since the beginning of the year resulted in a \$4.5 million loss compared to \$0.3 million in 2013.

General and Administrative

For the six month period G&A costs have decreased by \$0.9 million due to non-routine charges in 2013 of \$1.6 million, for consulting services provided in Ukraine, partially offset by higher employee costs in 2014. On a per boe basis, G&A costs have decreased by 42,5% to \$3.78 per boe for the H1 2014 compared to \$6.58 per boe in the comparable period in 2013 due to increased production.

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

Transaction Costs

Transaction costs are project related expenditures. The H1 2014 expense amounts to 1.5 million USD and comprises of costs associated with listing of shares issued on the Winstar acquisition on the Warsaw stock exchange and other corporate related projects. In the corresponding period in 2013 the expense amounted to 2.5 million USD.

Stock based compensation

The Company has in place a stock option plan (the “Stock Option Plan”) providing for the granting of stock options to directors, officers, employees and consultants of the Company and its affiliates. The purpose of the Stock Option Plan is to afford persons who provide services to the Company, whether as directors, officers, management, employees or otherwise, an opportunity to obtain a proprietary interest in the Company. The Company has granted common share purchase options to officers, directors, employees and certain consultants with exercise prices equal to or greater than the market value of the common shares on the grant date. Upon exercise, the options are settled in common shares issued from treasury.

Stock based compensation was \$1.7 million for H1 2014 (H1 2013 - \$0.4 million). The increase in H1 2014 reflects the number of options granted and immediately vested, whereas fewer options were granted during the comparable period of 2013. 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

Depletion and depreciation 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 net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers annually. Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable.

Plant and equipment are recorded at cost and are depreciated over the estimated useful lives of the asset using the declining balance basis at rates ranging from 10% to 30%. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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 for the six months ended June 30, 2014 increased to \$16.1 million from \$10.1 million in the comparative period of 2013. The increase is attributable to the Tunisian assets.

Impairment of \$0.3 million in H1 2014 reflects adjustments to the impairment of Brunei Block L. 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 cash generating unit was impaired by the full amount spent to date. The Company together with Petroleum Brunei are in the process of evaluating the drilling campaign with a view to determining a way forward.

Interest expense and accretion

Interest and accretion expense in H1 2014 was \$3.03 million (H1 2013 - \$2.38 million). Interest and accretion expense increased by \$0.7 million for the six months ended June 30, 2014. The increase is attributable to higher debt levels, resulting from the EBRD Tunisia loan, and by inclusion of accretion expense associated with the Winstar properties.

2013 compared to 2012

Oil and gas revenue

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 Group's production is marketed and sold to brokers, 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 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).

Production expenses

For the year ended December 31, 2013, production expenses have increased to \$20.9 million from \$12.2 million in 2012, reflecting increased production (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). 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.

General and administrative costs

General and administrative (G&A) costs for 2013, have increased to \$12.1 million, an increase of \$2.6 million, which reflects additional administrative costs associated with Winstar, including an increase in Calgary head office employees (increase from 18 employees as at December 31, 2012 to 25 employees as at December 31, 2013). On a per boe basis, G&A costs have decreased by 12% to \$66.00 per boe. G&A costs are expensed, with certain costs directly related to exploration and development assets being capitalized.

Transaction costs

Transaction costs are project related expenditures. The 2013 expense comprises the costs associated with the acquisition of Winstar and other miscellaneous projects. Transaction costs for year ended December 31, 2013, amounted to \$4.5 million, which was a similar level as in 2012 (\$4.2 million).

Stock based compensation

Stock based compensation was \$2.1 million in the fourth quarter 2013 (2012 - \$0.4 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

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.

Interest and accretion expense

Interest and accretion expense has decreased from \$8.1 million in 2012 to \$4.4 million in 2013. 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.

2012 compared to 2011

Oil and gas revenue

For the full year 2012, oil and gas revenues increased to \$99.6 million compared to \$35.2 million in 2011, reflecting increased production and an increase in the average realized price of 12%. Production volumes increased by 97% in the fourth quarter of 2012 to 17,621 Mcfe/d, net to the Issuer, compared to 8,967 Mcfe/d in the comparable period of 2011. The increase in 2012 reflects six new wells that were tied-in and brought onto production during 2012 and numerous wells that have been worked over. Similar trends are noted on a full year basis, with production more than doubling in 2012 to 15,934 Mcfe/d, net to the Issuer, as compared to 6,338 Mcfe/d in 2011. Commodity prices were stronger in 2012 compared to 2011, with a realized natural gas price of \$11.71 per Mcf and condensate of \$98.91 per bbl, compared to \$10.25 and \$95.88, respectively, for 2011. The domestic gas price within Ukraine is set by the National Electricity Regulatory Commission of Ukraine by reference to the Russian imported gas price. Natural gas prices in Ukraine have increased in 2012 compared to 2011 as a result of changes in prices charged by Russia at the border. Royalty rates were set each month by the government of Ukraine based primarily on prevailing market prices and averaged 19.5% in 2012 and 2011. Commencing January 2013, royalty rates have been set at rates of 25% for natural gas and 39% for condensate.

Production expenses

Production expenses, on an absolute basis, have increased 69% to \$12.2 million in 2012 from \$7.2 million in 2011, due to increased chemical, workover and repair and maintenance costs and higher utility expense. However, the increase in the costs was substantially less than the increase in production, resulting in lower costs per unit in 2012 compared to 2011.

General and administrative costs

G&A costs for the year ended December 31, 2012 were \$9.5 million (2011 - \$9.0 million) an increase of 5% from 2011 as more costs were incurred to support the growth of the Group. (G&A costs are expensed, with some costs directly related to exploration and development assets being capitalized.)

Transaction costs

Transaction costs are project related expenditures and for 2012 include costs associated with the potential AIM listing, costs for potential acquisitions and a recovery from KI of \$1.0 million for the previously expensed Neconde acquisition costs. Transaction costs for the year ended December 31, 2012 was \$4.2 million (2011 - \$1.0 million).

Stock based compensation

Stock based compensation was \$2.0 million (2011 - \$2.7 million) for the year ended December 31, 2012. The decrease in this expense reflects the larger number of options granted and immediately vested in prior years, partially offset by the cost of revaluing certain options (fair value of the stock options is estimated at each balance sheet date using the Black-Sholes method, thus valuation may vary from time to time, resulting in cost or profit).

Depletion and depreciation

Depletion and depreciation expense for the year ended December 31, 2012 was \$25.8 million (2011 - \$7.6 million). The overall annual depletion rate per Mcfe (annual depletion and depreciation expense divided per annual production measured in Mcfe – equivalent of a thousand cubic feet of natural gas) increased in 2012 to \$3.10 from \$2.30 in 2011. The increase year over year is attributable to the change in the reserves occurring as at December 31, 2011, which adjusted the fourth quarter 2011 depletion calculation and the first three quarters of 2012. The first three quarters' depletion in 2011 were based on the 2010 reserve report. The significant majority of the net book value was attributed to the Olgovskoye field, based on the estimated reserves at the date of the KUB-Gas Acquisition in 2010. All new wells drilled in 2011 were logged with modern logging tools, and when the wireline logs from these new wells were integrated into the Company's data base and analysed, it was determined that the old logs overestimated hydrocarbon pay by as much as 30%. This difference between modern logs and old logs had a material impact on the calculation of reserves particularly for the Olgovskoye field, for which more than half the reserves previously attributed were removed at December 31, 2011. While the removal of reserves from Olgovskoye was partially offset by the increase in reserves in the Makeevskoye field, the net book value of Olgovskoye was unchanged, which, when applied against a smaller reserve base significantly increased the D&D rate for both the Olgovskoye field and the Company in total for the fourth quarter of 2011 and the first three quarters of 2012.

Impairment of exploration and evaluation assets

In 2012, the Brunei Block M PSA with PetroleumBRUNEI expired after efforts by the joint venture partners to obtain an extension to the terms of the Brunei Block M PSA were unsuccessful. As a result of the expiration of the Brunei Block M PSA, the Company recorded an impairment in respect of the Brunei Block M exploration and evaluation assets of \$85.5 million, which included a \$6.0 million penalty potentially payable relating to work commitments not met. In 2011, the Company concluded there were significant indicators of impairment in regards to the exploration assets in Syria and accordingly the carrying value should be written off. An impairment expense of \$8.7 million was recorded in 2011 and a further \$2.2 million recorded in 2012.

Interest and accretion expense

Interest and accretion expense was \$8.1 million (2011 - \$3.9 million) for the year ended December 31, 2012. The increase in the current year was mainly a result of higher debt levels in 2012. The EBRD loan was finalized in the second quarter 2011 and was drawn to \$23.0 million by the end of 2011, with the first repayment of \$1.8 million occurring in July 2012. This increase in debt, plus an increase in the fees due based on incremental revenues, resulted in a significant increase in interest on long-term debt during 2012. The interest on the note payable and debentures increased in 2012 due to higher debt levels being outstanding for a greater period of time. The KI/Radwan Debentures were first drawn down in the third quarter of 2011 and were outstanding for approximately eight months of 2012, with conversion occurring in August 2012. A new KI loan was issued in June of 2012, of which \$10 million had been drawn by December 31, 2012. Refer to section 10.3 of this Prospectus for further details on these loans.

Table 2 The Analysis of the Assets (US\$ in '000's)

	30.06.2014 (unaudited)			
ASSETS		31.12.2013	31.12.2012	31.12.2011
CURRENT				
Cash and cash equivalents	15 719	19 916	35 553	12 962
Accounts receivable	14 611	6 806	2 226	4 840
Prepays and other/Inventory and other	4 428	7 605	2 526	1 482
Crude oil inventory	918	1 296	0	0
Restricted cash	1 619	1 416		
Total current assets	37 295	37 039	40 305	19 284
Restricted cash and investments	224	155	469	4 158
Property and equipment	247 314	263 445	99 577	92 265
Exploration and evaluation	12 508	11 834	47 358	104 568
TOTAL ASSETS	297 341	312 473	187 709	220 275
The composition of the assets	30.06.2014 (unaudited)	31.12.2013	31.12.2012	31.12.2011
Current assets to Total Assets	12,54%	11.85%	21.47%	8.75%
Cash and cash equivalents to Total Assets	5,29%	6.37%	18.94%	5.88%
Property and Equipment to Total Assets	83,18%	84.31%	53.05%	41.89%
Exploration and evaluation to Total Assets	4,21%	3.79%	25.23%	47.47%

Source: Consolidated Financial Statements

Total assets

Total assets as at June 30, 2014 were \$297.3 million compared to \$312.5 million as at December 31, 2013. The decrease is due to the continued decline in the exchange rate between the Ukraine hryvnia and the US Dollar. This resulted in an unrealised loss of \$28.1 million, offset by an increase in accounts receivable from the June lifting in Tunisia.

Cash and Cash Equivalents

The share of cash and cash equivalents decreased to 5.3% as of June 30, 2014 from 6.4% as at the end of 2013, 18.9% as at end of 2012 and 5.9% as at end of 2011. The main reason for this increased share of cash and cash equivalents as at end of 2012 was the increase of cash flow from operating activities mainly due to impairment of exploration and evaluation assets

Accounts receivable

Accounts receivable at June 30, 2014 was \$14.6 million compared to \$6.8 million at December 31, 2013. The increase was primarily a result of oil liftings in Tunisia in June 2014 where payment was not received until the end of Q2 2014.

Prepays and other/Inventory and other

Prepays and other at June 30, 2014 was \$4.4 million compared to \$7.6 million at December 31, 2013. Decrease resulted from lower prepayments for repair and maintenance in Ukraine.

Restricted Cash

At June 30, 2014, the Group had \$1.6 million of restricted cash, an increase of 14% from \$1.4 million as of December 31, 2013. This restricted cash is a result of the Winstar Acquisition and is related to the asset retirement obligation for its Canadian assets.

Property and Equipment

Property and equipment accounted for 83.2% of total assets as at June 30, 2014 (compared to 84.3% as at the end of 2013, 53.0% as at the end of 2012, 41.9% as at the end of 2011) and consisted in 93.9% of oil and natural gas interests. Such increase was due to the Winstar Acquisition. The rest were mainly plant and equipment. . The table below presents the structure of this group of assets.

Table 3 Property and Equipment (US\$ in '000's)

	30.06.2014 (unaudited)	31.12.2013	31.12.2012	31.12.2011
Property and equipment:	247 314	263 445	99 577	92 265
- Oil and natural gas interests	232 220	243 747	84 298	79 746
- Plant and equipment	14 920	16 896	12 146	9 496
- Other	174	2 802	3 133	3 024

Source: Consolidated Financial Statements

Exploration and evaluation assets

The share of E&E assets decreased from 47.5% as at the end of 2011 to 25.2% as at the end of 2012 and then to 3,8% at the end of 2013 and increased to 4.2% as at the end of H1 2014. The main reason for this was impairment on Brunei Block M. On August 27, 2012 the Brunei Block M PSA with PetroleumBRUNEI expired after efforts by the joint venture partners to obtain an extension to the terms of the agreement were unsuccessful. Accordingly, the Company recognized an impairment of \$85.5 million, including \$79.5 million for the balance of costs capitalized in respect of Brunei Block M and a \$6.0 million provision for the nonperformance penalty under the Brunei Block M PSA.

In 2011 the Company reported an impairment in the amount of \$8.7 million related to its Syria Block 9 E&E assets and related miscellaneous property and equipment assets. The Company recognized indicators the impairment principally due to the cessation of operations, continued civil unrest, and ongoing international sanctions imposed by various countries.

E&E assets consist of the Group's intangible exploration projects which are pending the determination of proved or probable reserves. Additions represent the Group's share of costs incurred on E&E assets during the period. The following is a breakdown of the carrying value of the E&E assets:

Table 4 Exploration and evaluation assets (US\$ in '000's)

Exploration and evaluation	30.06.2014 (unaudited)	31.12.2013	31.12.2012	31.12.2011
Brunei	0	0	40 820	99 625
Block L	0	0	40 820	21 876
Block M	0	0	0	77 749
Ukraine	8 980	10 947	6 538	4 943
Romania	3 528	887	0	0
Syria Block 9	-	0	0	0
Total	12 508	11 834	47 358	104 568

Source: Consolidated Financial Statements

9.2. Operating Results

Table 1 Operating results (in '000 USD)

	H1 2014 (unaudited)	H1 2014 (unaudited)	2013	2012	2011
Earnings before interest and taxes	24 247	13 434	(39 006)	(61 536)	(7 891)

Source: Consolidated Financial Statements

In H1 2014, the Group reported an operating profit of \$ 24.2 million, an increase of \$ 10.8 million (ie 80.5%) as compared to the same period of the previous year. The improvement in results was primarily due to an increase in revenues from oil and natural gas in the first half of 2014 (an increase of 34.5% compared to the first half of 2013), reflecting the revenue Winstar (Tunisia) since 1 July 2013.

In 2013, the Group incurred an operating loss of \$ 39 million (compared to 61.5 million loss in 2012). The improvement in performance relative to the previous year was caused by the growing revenues from sales of oil and natural gas due to the acquisition Winstar (Tunisia) from 1 July 2013 and an increase in sales in Ukraine. The operating loss was negatively affected by further impairment on exploration and evaluation assets in Brunei (Block L: \$83.0 million) and depletion and amortization of oil and gas interest in Ukraine.

In 2012, the Group reported an operating loss of 61.5 million (compared to 7.9 million loss in 2011), mainly due to impairment on exploration and evaluation assets in Brunei (Block M: \$85.5 million) and Syria (\$2.2 million). The operating loss was also negatively affected by depletion and amortization of oil and gas interest in Ukraine.

9.2.1. Information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations, indicating the extent to which income was so affected.

The Group's activities to date have focused on the acquisition and evaluation of various exploration projects, which are in the pre-production phase, the further development of KUB-Gas' producing assets and the acquisition of producing assets in Tunisia.

In June 2010, the Company acquired an effective 70% interest in KUB-Gas which generates production revenue and expense in Ukraine. Prior to that date, none of the Company's oil and natural gas projects had any production.

KUB-Gas generates positive operating cash flow, which, combined with the European Bank for Reconstruction and Development ("EBRD") financing is sufficient to support the significant capital investment program in Ukraine.

Throughout 2012 and 2013, the Group enhanced production in Ukraine, oversaw the processing and interpretation of the seismic acquisition in Brunei Block L and commenced drilling in Brunei Block L.

With the expiry of the PSA in Brunei Block M PSA, the Company impaired \$85.5 million in exploration and evaluation assets, including a \$6.0 million penalty amount potentially payable for not meeting the minimum work commitments at the time the agreement expired.

More information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations, as well as detailed analyses of revenues and particular cost items, its values and percentages of changes are discussed in chapter 9 *Operating and financial review* in section 9.1. *Financial Condition*.

9.2.2. Where the financial statements disclose material changes in net sales or revenues, provide a narrative discussion of the reasons for such changes.

Table 2 Revenues of the Serinus Group (US\$ in '000's)

	H1 2014 (unaudited)	H1 2013 (unaudited)	2013	2012	2011
Oil and gas revenue	77 498	57 638	146 732	99 588	35 227
Royalty expense	(16 008)	(14 974)	(34 496)	(19 468)	(6 890)
Oil and gas revenue, net of royalties	61 490	42 664	112 236	80 120	28 337

Source: Consolidated Financial Statements

Oil and gas revenue increased by 34.5% in H1 2014 as compared to H1 2013, reflecting revenues attributable to Winstar (Tunisia) since July 1, 2013. In Ukraine, revenues net of royalties totalled \$40.1 million for H1 2014, as compared to \$42.7 million in H1 2013. The decrease of 6% is attributable to a decrease in the average commodity price of 19% partially offset by increased volumes of 13%. In Tunisia, revenues net of royalties amounted to \$21.4 million in H1 2014.

Oil and gas revenue increased by 47% in 2013 as compared to 2012. Net revenues (Oil and gas revenues net royalties) increased by 40% in the same period. Revenue increase in 2013 reflects 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 6% decline in the average realized price.

For the full year 2012, oil and gas revenue (both gross and net revenue) increased by 183% compared to 2011, reflecting increased production and an increase in the average realized price of 12%.

For the full year 2011, oil and gas revenue increased by 294% compared to 2010, and net revenue increased by 279% in the same period. Until 2010 the activities of the Group had focused on the evaluation of various exploration projects including the acquisition of the prospects in Brunei and Syria, all of which are in the pre-production phase and thus, have yet to generate any production revenues or incur any operating expenses. The Company also expended considerable effort in evaluating and then completing the acquisitions of Triton and KUB-Gas, as well as completing the WSE IPO in May 2010. The KUB-Gas Acquisition in June 2010 resulted in production revenues and operating expenses being generated. The Winstar Acquisition results in production revenues and operating expenses being generated since July 1, 2013.

For more details please refer to chapter 9 *Operating and financial review* section 9.1. *Financial Condition* of this Prospectus.

9.2.3. Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.

For the foreseeable future, the Group will be conducting exploration and development activities such as seismic acquisition programs, exploratory and development drilling and well workover programs that will require third party services. The market for the provision of such services in Ukraine, Romania, Tunisia and Brunei is relatively limited, with the consequence that these services may be secured at a cost that does not reflect a market where such services are more broadly available, and therefore more competitively priced. In Ukraine, the selling price of natural gas is driven partly by political issues between Ukraine and Russia.

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, resulted in the removal of the president and change of the government and heads of key governing bodies. The crisis further unfolded in late February 2014 when pro-Russian and pro-Ukraine protesters clashed in Crimea. Following a referendum in March, the Crimean parliament declared Crimea's independence from Ukraine and Crimea was annexed to Russian Federation. Unrests, stirred by pro-Russian groups that the Ukrainian government claims to be sponsored by Russia to create a pretext for invading the country, continue in eastern Ukraine. Another referendum was organized by pro-Russian separatist groups in the Donetsk and Lugansk regions of eastern Ukraine on May 11. Its organizers announced that the results were overwhelmingly pro-separatist and implied that the next logical step would be joining Russia. There are indications that the referendum's results were distorted due to poor organization and control that enabled multiple voting and that the participation in the referendum was significantly lower than announced as a large part of the population opposing separation stayed away, partially due to the intimidating presence of armed pro-separatists. On May 12, 2014, the BBC reported that Moscow has so far not commented on the call for Donetsk to become part of Russia but has appealed for dialogue between the militants and Kiev, with the participation of the Organization for Security and Co-operation in Europe. The United States, European Union and Ukrainian government consider both

referendums to be illegal. The United States and European Union have declared sanctions against selected Russian individuals and companies.

Recent events 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 significant devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions.

Ukrainian interim government has approached international lenders with the request to provide financing in order to stabilize the country's macroeconomic situation. On April 30, 2014 the International Monetary Fund committed to a \$17 billion two-year aid program to help the country's economic recovery. 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.

In June 2014, due to a deteriorating security situation, the Company has decided to put developmental field operations on hold. Production will continue, but current drilling, workover, stimulation and construction activities has ceased. While the Company continues to produce, sell and be paid for the gas sold, it is no longer prudent to continue these active operations in a situation where the security changes daily. In particular, the area immediately in and around Lugansk where the Vergunskoye and Krutogorovskoye fields are located is no longer controlled by the government and as a result production at the Vergunskoye field has been shut in. This delay has now lasted long enough that even if re-mobilization were to begin today, the total 2014 drilling program will be one well short of its original goal. There has been some improvement in the security situation in the vicinity of the Company's main producing fields, and KUB-Gas is in discussions with service providers regarding the potential of resuming drilling and completion operations, but it is not yet possible to predict when and if that may occur.

On July 31, 2014, the Ukrainian parliament considered and passed Draft Law No. 4309A that would increase royalties on natural gas and condensate production to 55% and 45% respectively, from their current levels of 28% and 42%, effective August 1, 2014 and lasting until January 1, 2015. Unless subsequently renewed or extended, gas royalties would then revert back to current levels (i.e., 28% and 42%).

The new law also contains provisions for a "lowering coefficient" on new wells drilled after August 1, 2014. This reduces the royalties paid on production from those new wells to 55% of the nominal rates (i.e., the effective rate for new wells would be 30.25% for gas, and 24.75% for condensate) for a period of two years.

The new law is still being studied by the Issuer, but based on the best information and interpretation currently available, management estimates that this new royalty regime would result in an approximate 45% decline in its Ukraine after-tax cash flow over the five month period proposed, and a reduction in its Ukrainian netback from \$5.78/Mcf to approximately \$3.15 Mcf, assuming a \$10.00/Mcf gas price. Serinus will re-evaluate its planned capital program in light of the reduced cash flow available pursuant to this new royalty regime.

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 Group's results and financial position in a manner not currently determinable.

In Syria, the current political unrest, resulting in continued sanctions by the United States, the European Union, the Arab League and Canada, has reduced the availability of services and equipment and the project remains suspended. As at December 31, 2013 the Group's Syrian assets were 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.

Apart from the above factors, the Issuer has not identified other factors that have materially affected, or could materially affect the Company's operations, including Romania, Brunei and the locations of Company's offices, ie in Calgary (Canada), Dubai (United Arab Emirates) and Warsaw (Poland).

10. CAPITAL RESOURCES

10.1. Information concerning the issuer's capital resources (both short and long term)

Table 1 The structure of liabilities (US\$ in '000's)

LIABILITIES	30.06. 2014 (unaudited)	31.12.2013	31.12.2012	31.12.2011
Current				
Accounts payable and accrued liabilities	29 787	33 111	22 822	4 874
Income taxes payable	2 932	4 825	938	1 189
Convertible debentures	0	0	0	10 955
Convertible note payable	8 000	15 000	10 586	0
Current portion of long-term debt	5 094	4 026	4 333	1 733
Decommissioning provision/Asset retirement obligation	3 209	3 209	409	0
Total current liabilities	49 022	60 171	39 088	18 751
Decommissioning provision/Asset retirement	26 068	25 780	822	935
Other provisions	1 148	1 148		
Deferred tax liability	46 893	46 800	7 237	5 262
Long-term debt	15 413	8 030	17 112	20 800
Total liabilities	138 544	141 929	64 259	45 748
Shareholders' equity				
Share capital	344 479	344 403	231 516	205 445
Contributed surplus	19 753	18 062	15 135	13 264
Accumulated other comprehensive income	(14 890)	(269)	742	735
Non-controlling interest	26 475	32 369	31 396	23 653
Deficit	(217 020)	(224 021)	(155 339)	(68 570)
Total shareholders' equity	158 797	170 544	123 450	174 527
TOTAL LIABILITIES and SHAREHOLDERS' EQUITY	297 341	312 473	187 709	220 275

Source: Consolidated Financial Statements

Total liabilities as at June 30, 2014 were \$138.5 million compared to \$141.9 million as at December 31, 2013, a decrease of \$3.4 million. The decrease is due to decline in the exchange rate between the Ukraine hryvnia and the US Dollar of \$6.6 million, a repayment of \$7 million on Dutco loan facility, offset by a draw of \$10.0 million on the EBRD-Tunisia loan.

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 June 30, 2014. Subsequent to June 30, 2014, the Company made further repayments of \$8 million in final settlement of Dutco facility and a scheduled repayment of \$1.8 million on the EBRD-Ukraine.

Subsequent to quarter end, the Company drew the final \$5 million under tranche 1 of the Senior Loan of Tunisia Loan facility.

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.

Total liabilities as at December 31, 2012 were \$64.3 million compared to \$45.7 million as at December 31, 2011 primarily due to the increased accounts payable of \$18.0 million, which includes a \$6.0 million potentially payable for the Brunei Block M penalty and the timing of payments to vendors, plus the advancement of \$10.0 million under the KI loan, and is partially offset by the conversion of convertible debentures principal and accrued interest of \$11.0 million.

Total liabilities as at December 31, 2011 were \$45.7 million compared to \$19.1 million as at December 31, 2010 due to the advancement of \$23.0 million of funds under the EBRD loan facility and the advancement of \$10.5 million of funds under the KI/Radwan Debentures, offset by the settlement of the TIG Debenture (\$9.0 million) which was included in the current liabilities at December 31, 2010. The TIG Debenture was converted into common shares at the cost of \$0.5767 per share on August 12, 2011. As a result, the liability was not settled for cash.

For more information on financial liabilities current, as of the Prospectus Date, and their specification please refer to chapter 26 *Key Information* section 26.2 *Capitalization and indebtedness* of this Prospectus.

10.2. An explanation of the sources and amounts of and a narrative description of the issuer's cash flows;

Table 2 Consolidated Statement of Cash Flows (US\$ in '000's)

	IH2014 (unaudited)	IH2013 (unaudited)	2013	2012	2011
Net loss/earnings	11 467	7 415	(57 526)	(78 982)	(16 916)
Items not involving cash:					
Equity loss of associates	-	-	0	0	1 516
Depletion and depreciation	16 151	10 151	27 782	25 830	7 596
Interest on debt settled in shares	-	783	783	0	0
Impairment	337	-	83 053	81 739	8 664
Accretion on asset retirement obligation	427	23	462	153	1 423
Stock based compensation	1 717	438	2 927	1 968	2 672
Unrealized loss on investments	(69)	100	145	82	66
Unrealized foreign exchange gain	4 532	66	387	495	-67
Deferred income tax expense/(recovery)	1 144	(87)	(2 643)	1 974	668

Expenditures on decommissioning liabilities	-	-	(296)	0	0
Funds from operations	35 706	18 889	55 074	33 259	5 622
Changes in non-cash working capital	(2 179)	335	(1 163)	5 488	(4 467)
Total operating cash generated (used)	33 527	19 224	53 911	38 747	1 155
Financing					
Proceeds from exercise of share purchase options	0	0	0	180	34
Issuance of convertible note	0	-	0	0	0
Issuance of common shares	50	-	0	0	0
Issuance of long-term debt, net of issuance cost	10 000	-	4 390	0	21 974
Repayment of long-term debt	(8 868)	(11 770)	(13 580)	(1 770)	0
Issuance of note payable	-	2 000	17 000	10 000	0
Issuance of convertible debentures	-	-	0	13 000	10 500
Changes in non-cash working capital related to financing activities	-	-	0	0	(249)
Dividends paid to non-controlling interest	(4 095)	(5 400)	(9 750)	0	0
Total financing cash generated (used)	(2 913)	(15 170)	(1 940)	21 410	32 259
Investing					
Property and equipment expenditures	(21 892)	(6 747)	(29 505)	(27 351)	(4 708)
Restricted cash recovered	-	143	163	3 506	1 392
Exploration and evaluation expenditures	(4 418)	(11 338)	(46 055)	(29 581)	(35 045)
Business acquisition cash acquired	-	2 330	2 330	0	0
Changes in non-cash working capital related to investing	(9 146)	(4 742)	5 658	16 272	7 640
Total investing cash used	(35 456)	(20 354)	(67 409)	(37 154)	(30 721)
Effect of exchange rate changes	645	-	(199)	(412)	1 179
Change in cash	(4 197)	(16 300)	(15 637)	22 591	3 872
Cash and cash equivalents, beginning of year	19 916	35 553	35 553	12 962	9 090
Cash and cash equivalents, end of year	15 719	19 253	19 916	35 553	12 962
Supplemental cash flow information					
Interest paid	(2 112)	(794)	(5 215)	(2 520)	0
Interest received	85	397	578	1 513	6
Cash taxes paid	(6 794)	(7 584)	(15 469)	(10 132)	(1 628)

Source: Consolidated Financial Statements

Operating Activities

The Group uses funds from operations as a key performance indicator to measure the ability of the Group to generate cash from operations to fund future exploration activities, 2D seismic, 3D seismic and exploration drills. Positive funds from operations are generated in Ukraine and Tunisia, where the

Group's producing assets are located. Funds from operations generated in Q1 2014 were sufficient to cover the operating cash outflows for the rest of the Group.

Funds generated from operations were \$35.7 million in first half of 2014 as compared to \$18.9 million for first half of 2013. The increase is attributable mainly to the Winstar acquisition and the increased production in Ukraine.

For the year ended December 31, 2013, funds from operations increased \$21.8 million as compared to 2012 to \$55.5 million. Increased production revenue (\$47.14 million) was partially offset by increased royalties (\$15 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).

Funds from operations increased by \$27.6 million to \$33.3 million for full year 2012 (2011 - \$5.6 million). The increase in funds from operations for the full year is attributable to increased production and commodity prices (\$64.4 million), partially offset by increased royalties (\$12.6 million), production costs (\$5.0 million), general and administrative costs (\$0.5 million), transaction costs (\$3.1 million), tax (\$7.1 million), interest and other (\$3.2 million) and an accrued penalty relating to Brunei Block M work commitments (\$6.0 million).

Operating activities generated \$1.2 million of cash flow in 2011 compared to cash used of \$9.4 million in 2010. Operating cash flow was generated in the Ukraine for a full year in 2011 compared to six months in the comparative period and was sufficient to cover the operating cash outflows for the rest of the Group.

Financing Activities

In the first half of 2014, the Group's financing cash flow related mainly to the repayment of a loan from the EBRD Loan for Ukraine (\$1.8 million), the repayment of a loan from Dutco (\$7 million) and drew of \$ 10 million as part of the EBRD loan for Tunisia. Dividends paid to non-controlling interest in the first half of 2014 amounted to \$4.1 million.

During 2013, the Company made an early repayment of \$10 million on the EBRD loan from cash generated by operations in Ukraine, in addition to the regular scheduled repayments, leaving a balance of \$7.66 million outstanding as at December 31, 2013.

On the inflows side, the Company took additional financing – the Dutco loan was drawn in the amount of \$15.0 million (issuance of convertible note).

Under a loan agreement with KI, signed on June 22, 2012, the Company issued additional \$2.0 million loan, to the maximum amount of \$12.0 million. On June 24, 2013 the convertible note payable was converted into Serinus Shares pursuant to the terms of the loan agreement. The principle and accrued interest of \$13.4 million was converted into 3,183,268 post-Consolidation Serinus Shares.

On November 20, 2013 the Company finalized two loan agreements aggregating \$60 million with ERBD. On December 30, 2013 the Company drew \$5.0 million from Tranche 1 and \$0.6 million of transaction costs was paid (net inflow of \$4.39 million).

Dividends paid to non-controlling interest during 2013 amounted to \$9.75 million. 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, namely a current ratio test. During 2013, the Ukrainian subsidiary successfully declared and paid dividends to its parent Company. Subsequent to December 31, 2013, certain restrictions were waived allowing for a higher portion of the Ukraine earnings to be paid to the Company as a dividend or as a repayment of existing loans.

Net cash from financing activities decreased in 2012 compared to 2011. In 2012, the financing activities represented draws on the KI/Radwan Debentures (\$13.0 million) and the KI Loan (\$10.0 million), partially offset by the first repayment on the EBRD loan (\$1.8 million). During 2011, cash from financing included the EBRD loan (\$23 million) and the KI convertible debentures (\$10.5 million).

Net cash from financing activities decreased in 2011 compared to 2010. In 2011, cash from financing included the EBRD loan (\$23.0 million) and the KI convertible debentures (\$10.5 million), whereas in 2010 cash from financing included the net receipt of funds from the WSE IPO (\$87.4 million) and the issuance of convertible debentures (\$12.0 million) in 2010.

Investing Activities

During the first half of 2014, the Group incurred \$26,3 million of capital expenditures, including \$21.9 million on property, plant and equipment and \$4,4 million on exploration and evaluation. In Ukraine, the Company incurred \$12.5 million of capital expenditures for the six month period ended June 30, 2014, which included work on the M-17 well, drilling on the O-11 and NM-4 wells and completion work on the Makeevskoye facility. In Tunisia, capital expenditure of \$10.5 million were incurred for the six month period ended June 30, 2014. Spending in the first quarter had been on well site preparation and minor work over initiatives. In the second quarter the workover campaign for the CS-Sil-1 well using a coiled tubing unit was completed and was successful in restoring the well to production at a rate of approximately 400 - 500 Mcf/d and 40 - 50 bbl/d of oil.

In 2013 the Group spent \$46.1 million on E&E assets and incurred \$29.5 million of capital expenditures on property, plant and equipment, including in Ukraine the drilling of the O-15 well and O-24 well, testing and tie-in of the M-16 well, NM-2 well costs and certain tie-in costs.

Net cash used in investing activities increased in 2012 compared to 2011. The current year reflects the development activity in Ukraine (\$35.9 million) and the exploration activity in Brunei (\$20.7 million). In 2011 the Group's development activity consisted in exploration activities in the Ukraine (\$30.2 million), Brunei (\$6.3 million) and Syria (\$3.6 million).

Net cash used in investing activities decreased in 2011 compared to 2010 as the prior year included the initial acquisitions of KUB-Gas (\$42.8 million) and Triton (\$3.0 million) plus exploration and development expenditures aggregating to \$22.2 million. The current year reflects the development activity in Ukraine (\$30.2 million) and the exploration activity in Brunei (\$6.3 million) and Syria (\$3.6 million).

10.3. Information on the borrowing requirements and funding structure of the issuer;

Table 3 Existing loans and credit facilities as of Date of Prospectus

Credit facility	EBRD- Tunisia Loan Facility	EBRD – Ukraine Loan Facility
Effective from	November 2013	2Q2011

Amount	\$40 million Senior Debt (two tranches of \$20 million each)	\$20 million (Convertible loan)	up to \$40.0 million
Term	7 years	7 years	7 years
Interest	semi-annually, LIBOR 6M + 6%	annually, LIBOR + % of incremental net revenues earned from the Tunisian assets, with a floor of 8% per annum and a ceiling of 17% per annum.	semi-annually, LIBOR + 6% + fee based on incremental revenues with the total rate not to exceed 19%.
Amount outstanding as of the Date of the Prospectus	\$20.0 million from Tranche 1		\$4,3 million of principal and interest was outstanding
Acceleration of repayment and stipulated damages	none		none
Covenants	1) debt service coverage ratio of not less than 1.5:1 (for the Company and the Tunisia subsidiary) 2) ratio of financial debt to EBITDA of no more than 2.75 times (for the Company and the Tunisia subsidiary)		1) debt service coverage ratio of not less than 1.3 times (for Kub-Gas) 2) a financial debt to EBITDA of no more than 3 times (for Kub-Gas) 3) a current ratio of not less than 1.0 times (for Kub-Gas)
Secured by	1) pledge on Tunisian fixed assets 2) pledges of certain bank accounts which holds cash flows from operating activities in Tunisia 3) shares of the Company's subsidiaries through which the concessions are owned 4) the benefits arising from the Company's interests in insurance policies and on-lending arrangements within the Serinus group of companies		1) the pledge on certain property, plant and equipment in Ukraine 2) future revenues generated in Ukraine (off-take contract) 3) the pledge of a bank account, which hold cash flow from operating activities in Ukraine 4) the pledge over the shares of the operating subsidiary KUB-Gas LLC owned by Kubgas Holdings Serinus, as the indirect majority owner of KUB-Gas, provided a guarantee for the entire amount of the loan outstanding from time to time

Source: Consolidated Financial Statements

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 Toronto Stock Exchange (“TSX”) approval. The loan is convertible into common shares based on the trading price of the Company on the 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 nonoperating items. The Company is in compliance with the covenant. At June 30, 2014, the ratio was 1.59:1 which includes exclusions of net liabilities of \$ 25 million relating to net tax payables, the Dutco loan balance, current portion of the EBRD loan and other liabilities not relating to the current operations as allowed in the Dutco Credit Facility agreement. The company was in compliance with the covenant.

During the period ended June 30, 2014 the Company made two early repayments totalling \$7 million. As at June 30, 2014, \$8 million is outstanding under the Dutco loan. Subsequent to June 30, 2014, the Company made further repayments of \$8 million in final settlement of the facility.

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. In July a scheduled repayment of total indebtedness related to Dutco Credit Facility was made.

EBRD –Ukraine Loan Facility

<i>(US\$ in '000's)</i>	30.06. 2014 (unaudited)	31.12.2013	31.12.2012	31.12.2011
Current portion of long-term debt	3 707	4 026	4 333	1 733
Long-term debt	2 389	3 640	17 112	20 800
Total long-term debt	6 096	7 666	21 445	22 533

Source: Consolidated Financial Statements

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 licences 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 15%. 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 July 2012. Serinus, as the indirect majority owner of KUB-Gas, provided a guarantee for the entire amount of the loan outstanding from time to time. At June 30, 2014, \$6.1 million of principal and interest was outstanding (December 31, 2013: \$7.6 million). In January 2014, a scheduled payment of \$1.8 million was made. Subsequent to the period ended June 30, 2014, a further scheduled repayment of \$1.8 million was made, leaving \$4.3 million outstanding.

Financial Covenants relating to the Tunisia assets

On November 20, 2013 Serinus 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 fixed assets,
- pledges of certain bank accounts which holds cash flows from operating activities in Tunisia,
- the shares of the Company's subsidiaries through which the concessions are owned,
- the benefits arising from the Company's interests in insurance policies and on-lending arrangements within the Serinus group of companies.

As at June 30, 2014 the Company has drawn \$15.0 million from Tranche 1, and is presented net of transaction costs of \$0.9 million. Subsequent to quarter end, the Company drew the final \$5 million under tranche 1 of the Senior Loan facility.

EBRD –Tunisia Loan Facility

(US\$ in '000's)	30.06. 2014 (unaudited)	31.12.2013	31.12.2012	31.12.2011
Current portion of long-term debt	1 387	0	0	0
Long-term debt	13 024	4 390	0	0
Total long-term debt	14 411	4 390	0	0

Source: Consolidated Financial Statements

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.

Although as at June 30, 2014 the Company was in compliance with the covenants in the EBRD Facility, or has received waivers in those instances where the covenants have been, or will be breached, including the financial covenant, there can be no assurance that circumstances will not change, and any such changes could cause Serinus to breach such covenants in the future, which may result in the acceleration of its debt. Serinus may not have sufficient cash or assets to fulfil its payment obligations upon any acceleration of its debt and, even if it were able to refinance indebtedness upon a default, the terms of any new debt agreements may be less favourable to Serinus. Moreover, a default could cause the Company to lose key assets and/or shares that are pledged as security for such indebtedness.

For more detailed information on credit facilities of the Issuer, including conversion provisions and collaterals please refer to section 22 *Material Contracts* of this Prospectus.

10.4. Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.

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, namely a current ratio test. The Company is also subject to a current ratio test in the form of a financial covenant under the Dutco Credit Facility. Description of the Group's loan agreements and any restrictions in this respect, are presented in Chapter 22 *Material Contracts* of this Prospectus.

10.5. Information regarding the anticipated sources of funds needed to fulfill commitments referred to in items 5.2.3. and 8.1.

On November 20, 2013 r. the Company has signed two loan agreements in the aggregate amount of \$60 million with EBRD, for financing in funding the capital program being planned for its recently acquired oil and gas fields in Tunisia. The Financing consists of two loans, one Senior Loan in the amount of \$40 million and the second Convertible Loan in the amount of \$20 million.

As of the Prospectus Date, operating cash flow from Ukraine and Tunisia together with the EBRD debt facilities being 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.

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

Where material, provide a description of the issuer's research and development policies for each financial year for the period covered by the historical financial information, including the amount spent on issuer-sponsored research and development activities.

Research and Development

In the ordinary course of business, the Issuer would not normally engage in any research and development activities.

Exploration Licences and Production Sharing Arrangements

Following acquisition of Winstar the Issuer owns, directly or indirectly, thirteen (13) production or exploitation licences as operator. For further information please see Section 6 – “*Business overview*”, Subsection 6.6.3. “*Tunisia*”, Subsection 6.6.4. “*Brunei*”, subsection 6.6.5. “*Romania*”, Subsection 6.6.6. “*Syria (Force majeure)*” and Section 25 of this Prospectus, “*Information on holdings*”, Subsection 25.1. “*Information relating to the undertakings in which the issuer holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.*”.

Licences and Trademarks

Trade Name and Trade-Mark Licence Agreement

On November 6, 2008, Serinus and KI entered into a trade name and trade mark licence agreement (the “**Licence Agreement**”). Under the terms of the Licence Agreement, KI granted the Issuer a limited, non-exclusive, revocable and non-transferable licence to use the trade name and trade-mark “Kulczyk” (the “**Marks**”) in connection with the Issuer’s business and for domain names used in connection with the business of the Issuer.

After the Winstar acquisition and TSX listing Serinus decided to change the name and re-brand the Company. The “Kulczyk” name is not known at all in Canada therefor there are no benefit to maintaining that name subsequent to the listing. Thus, from 24 June, 2013, the Company uses trade name: “Serinus Energy Inc.”, which simultaneously is its statutory name, and sometimes to exclude concerns, if it deems appropriate, adds explanation: “formerly: Kulczyk Oil Ventures Inc.” indicating the trade name used before 24 June, 2013.

The licence to use the Marks is at no cost to the Issuer, and will expire upon the termination of the Licence Agreement.

The Licence Agreement does not grant the Issuer any proprietary or other right, title or interest in or to the Marks and all goodwill associated with the Marks belongs to and shall serve to the benefit of KI. KI may require that Serinus put on all business material containing or using the Marks notice that Serinus is a user of the Marks under licence from KI. KI may require Serinus at its own cost to take the necessary steps to protect the Marks against any infringement, imitation, dilution or challenge. The Issuer will indemnify KI for all claims arising out of the Issuer’s use of the Marks or any breach of the Licence Agreement by the Issuer. Serinus may grant a sublicense to use the Marks to a subsidiary in limited circumstances.

12. TREND INFORMATION

12.1. The most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the registration document.

Production

During the first six months ended June 30, 2014, production levels continued their upward trend. Production volumes increased by 55% in Q1 2014 to 4,907boe/d, net to Serinus, compared to 3,163 boe/d in the comparable period of 2013. The increase in 2014 reflects Tunisian production of 1,328 boe/d and an increase of 13% in production volumes from Ukraine.

In Ukraine, production volumes increased by 13% in the first half of 2014 to average 3,579 boe/d, compared to 3,163 boe/d in the comparable period of 2013. The increase is a result of the successful drilling campaign in 2013 including the M-16 well.

The trends described above concerning average daily production in Ukraine continued up to the date of this Prospectus.

The Group acquired its Tunisian assets on June 24, 2013 as part of the Winstar Acquisition. In Tunisia, production averaged 1,328 boe/d for the six months ended June 30, 2014 which is a decrease of 9% from 1,462 boe/d compared to the three months ended December 2013.

The trends described above concerning average daily production in Tunisia continued up to the date of this Prospectus. There is no production in Romania and Brunei.

Oil and natural gas sales

Oil and gas revenue increased by 34,5% in first half of 2014 as compared to first half of 2013, reflecting revenues attributable to Winstar (Tunisia) since July 1, 2013.

In Ukraine, revenues net of royalties totalled \$40,1 million for first half of 2014, as compared to \$42,7 million in the first half 2013. The decrease of 6% is attributable to a decrease in the average commodity price of 19% partially offset by increased volumes of 13%.

Ukraine natural gas commodity prices were lower in Q1 2014 compared to the same period in 2013, with a realized natural gas price of \$8.55 per Mcf, compared to \$11.61 per Mcf for Q1 2013. Ukraine natural gas commodity prices were lower in Q2 2014 compared to the same period in 2013, with a realized natural gas price of \$10.23 per Mcf, compared to \$11.55 per Mcf for Q2 2013. 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, the majority of the Group's production is marketed and sold to brokers, 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. Effective January 1, 2014 natural gas prices decreased in Ukraine due to incentives granted by Russia to Ukraine on their imported gas prices and the deterioration of the Ukraine hryvnia versus in particular the US dollar. This resulted in a realised price for Q1 2014 of \$8.55 per Mcf. Effective April 1, 2014 the discounts on Russian gas expired increasing the realised price to \$10.23 per Mcf for Q2 2014. Exchange rates stabilized during the second quarter with the average effective exchange rate for the hryvnia for the three and six months ended June 30, 2014 being 11.85

UAH/USD and 10.55 UAH/USD, respectively, as compared to 8.15 UAH/USD and 8.13 UAH/USD in the comparable periods of 2013.

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 first half of 2014, the Company had four tanker liftings in February, March, April and June. As at June 30, 2014 the Company is in an underlift position, with approximately 8,264 bbls on hand and recorded in inventory. Inventory is recorded at net realisable value, with an amount recognised in revenue relating to inventory of approximately \$0.9 million at June 30.

Tunisian revenues of \$24.7 million reflect an average crude oil price of \$108.09 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).

The trend described above continued up to the date of this Prospectus.

Royalties

The average royalty rate for the six month period ended June 30, 2014 was 20.7%, as compared to 26% in the prior year. The decrease in royalty rates is attributable to lower royalty rates in Tunisia and a decrease in rates in Ukraine. Commencing January 2013, royalty rates in Ukraine were set at rates of 25% for natural gas and 39% for condensate. Effective April 1, 2014, the government of Ukraine announced an increase in royalty rates to 28% for natural gas and 42% for condensate.

Subsequent to quarter end the Ukrainian Parliament and President approved to increase natural gas and condensate royalties to 55% and 45% respectively, from their current levels of 28% and 42%, effective August 1, 2014 and lasting until January 1, 2015. Unless subsequently renewed or extended, royalties would then revert back to current levels (i.e. 28% and 42%). The new law also contains provisions for a “lowering coefficient” on new gas wells drilled after August 1, 2014. This reduces the royalties paid on production from those new wells to 55% of the nominal rate for a period of two years (i.e. the effective gas royalty rate for new wells would be 30.25%). In addition, the tax base used to calculate royalties will not be the average customs value of imported gas, as it is now, but the price level for natural gas sold to industrial consumers which is set by the NERCU.

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%.

For Q2 2014, the Tunisia royalty rate is 13.2%. This is comparable to Q1 2014 but lower than the Q4, 2013 rate of 15.3%. The decrease is due to lower royalty rates in Sabria for 2014. The royalty rate in Sabria is based on an Rfactor calculation, which is estimated based on the 2014 budgeted information, and resulted in a lower royalty rate in 2014 when compared to 2013 due to the capital program planned for 2014.

There is no production, therefore no royalties in Romania and Brunei.

The trend described above continued up to the date of this Prospectus.

Inventory

All of the Company's production is marketed and sold to brokers, who then sell to industrial users. Because of the above As all production is sold, there is no material oil and natural gas inventory.

The trend described above continued up to the date of this Prospectus.

Production expenses

On an absolute basis, production expenses have increased 22% to \$13.2 million in the first half of 2014 from \$10.8 million in first half of 2013, though have decreased on a per boe basis to \$11.36 per boe from \$13.22 per boe, due to the inclusion of Tunisia at \$28.68 per boe.

Production costs in Ukraine have decreased in the first half of 2014 to \$6.86 per boe from \$13.22 per boe in the comparable period in 2013 due to the weakening of Ukrainian hryvnia as the Ukraine business is reported in US dollars.

Tunisia production has higher average production expenses as compared to Ukraine. Tunisia's production is weighted to oil which has a higher cost to produce than the Ukraine natural gas properties due to the desert terrain and drilling depth. Operating results from Tunisia are included from June 24, 2013, the date of acquisition, onwards; therefore there are no Q2 2013 comparative figures for Tunisia.

The trend described above continued up to the date of this Prospectus.

Oil and gas netback

For the six months ended June 30, 2014 the netback decreased to \$36.45 compared to \$38.95 in 2013, primarily due to a lower realized price as a result of the incentives agreement in 2014 and 44% deterioration in the Ukrainian hryvnia to the US dollar since the beginning of the year.

In Tunisia, the netback was \$54.83 per boe for Q2 2014 compared to \$65.86 in Q1 2014. The decrease in Q2 2014 compared to Q1 2014 is due to higher operating expenses. Operating expenses are higher in Q2 2014 due to an increase in staff related costs. Operating results from Tunisia are included from June 24, 2013, the date of acquisition, onwards; therefore there are no Q2 2013 comparative figures for Tunisia.

The trend described above continued up to the date of this Prospectus.

Suspension of activities in Syria and Brunei

Given the ongoing difficult operating environment in Syria, the Issuer's exploration activities in relation to Syria Block 9 are currently suspended and have been on hold since October 2011, and a force majeure was formally declared under the Syria Block 9 PSC in July 2012. The Issuer will continue to monitor operating conditions in Syria to assess when, and if, a recommencement of its Syrian operations is possible.

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

12.2. Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.

The events in Ukraine this year have presented an unusual set of challenges for Serinus and its partners this year. These issues have resulted in the delay or deferral of a number of projects, and the Company now expects to exit 2014 at a production rate of 6,000 boe/d. Previous guidance was for growth of 30% - 35% over the 2013 exit rate of 4,986 boe/d, or approximately 6,500 – 6,750 boe/d.

The first major issue that affected operations was the reduction in realized gas prices during Q1 due to the discount on imported Russian gas, and the deterioration of the UAH/USD exchange rate, reducing cash flow from operations for the quarter. The Company adjusted by delaying certain operations such as the Tunisian and Romanian drilling programs and seismic acquisition to later in the year. These delays were implemented to impose the greatest delays on operations that would not have contributed to 2014 production (i.e, the seismic and Romanian drilling programs).

The Group 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 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.

Two additional developments have since occurred which now make it unlikely that the originally planned 2014 work program can be completed by year end. First was the decision to suspend drilling and development operations in Ukraine due to security concerns, and the second was the imposition of a new royalty regime in Ukraine which will significantly affect the amount of cash flow available for this year's development program.

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, resulted in the removal of the president and change of the government and heads of key governing bodies. The crisis further unfolded in late February 2014 when pro-Russian and pro-Ukraine protesters clashed in Crimea. Following a referendum in March, the Crimean parliament declared Crimea's independence from Ukraine and Crimea was annexed to Russian Federation. Unrests, stirred by pro-Russian groups that the Ukrainian government claims to be sponsored by Russia to create a pretext for invading the country, continue in eastern Ukraine. Russia's army is at the ready in close proximity of Ukrainian eastern border, which prompted the Ukrainian government to put its military forces on high alert to counteract any potential military action by Russia.

Recent events 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 significant devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions.

Ukrainian interim government has approached international lenders with the request to provide financing in order to stabilize the country's macroeconomic situation. On April 30, 2014 the International Monetary Fund committed to a \$17 billion two-year aid program to help the country's economic recovery. 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.

In June 2014, due to a deteriorating security situation in Ukraine, the Company has decided to put developmental field operations on hold. Production will continue, but current drilling, workover, stimulation and construction activities have ceased. While the Company continues to produce, sell and be paid for the gas sold, it is no longer prudent to continue these active operations in a situation where the security changes daily. In particular, the area immediately in and around Lugansk where the Vergunskoye and Krutogorovskoye fields are located is no longer controlled by the government and as a result production at the Vergunskoye field has been shut in. This delay has now lasted long enough that even if re-mobilization were to begin today, the total 2014 drilling program will be one well short of its original goal. There has been some improvement in the security situation in the vicinity of the Company's main producing fields, and KUB-Gas is in discussions with service providers regarding the potential of resuming drilling and completion operations, but it is not yet possible to predict when and if that may occur.

On July 31, 2014, the Ukrainian parliament considered and passed Draft Law No. 4309A that would increase royalties on natural gas and condensate production to 55% and 45% respectively, from their current levels of 28% and 42%, effective August 1, 2014 and lasting until January 1, 2015. Unless subsequently renewed or extended, gas royalties would then revert back to current levels (i.e., 28% and 42%).

The new law also contains provisions for a "lowering coefficient" on new wells drilled after August 1, 2014. This reduces the royalties paid on production from those new wells to 55% of the nominal rates (i.e., the effective rate for new wells would be 30.25% for gas, and 24.75% for condensate) for a period of two years.

The new law is still being studied by the Issuer, but based on the best information and interpretation currently available, management estimates that this new royalty regime would result in an approximate 45% decline in its Ukraine after-tax cash flow over the five month period proposed, and a reduction in its Ukrainian netback from \$5.78/Mcf to approximately \$3.15 Mcf, assuming a \$10.00/Mcf gas price. Serinus will re-evaluate its planned capital program in light of the reduced cash flow available pursuant to this new royalty regime.

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 Group's results and financial position in a manner not currently determinable.

13. PROFIT FORECASTS OR ESTIMATES

Not applicable. The Issuer does not present profit forecasts or estimates.

14. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

14.1. Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside that issuer where these are significant with respect to that issuer:

1. Directors and Executive Officers

The Board, comprised of both outside (i.e., independent or non-executive) and inside (i.e., executive) directors, acts as the supervisory and control authority of the Issuer. The overall supervision of the management of the Company's business is vested in the Board and the President & Chief Executive Officer ("CEO") to whom the Board has delegated the day-to-day management of the Company other than in relation to certain matters specifically reserved to the competence of the Board by the ABCA. Executive Directors are: Timothy Elliot and Norman Holton, and Non-executive Directors are Sebastian Kulczyk, Stephen C. Akerfeldt, Evgenij Jorich, Gary King, Helmut Langanger, Manoj Narender Madnani and Michael A. McVea.

The President & CEO is supported by the Executive Officers, forming internal executive body of the Company, in the performance of the day-to-day management of the Company.

President & CEO, Timothy Elliott and its Executive Vice President & Chief Operating Officer, Jock M. Graham, manage the Company from Dubai, United Arab Emirates, and the Vice Chairman of the Board, Norman W. Holton, manages it from Calgary, Alberta, Canada.

Currently, the Board of Directors and Board of Executive Officers is comprised of 15 individuals: Board of Directors is comprised of 9 individuals and Board of Executive Officers is comprised of 8 individuals, where 2 persons (Timothy Elliot and Norman Holton) sit on a Board of Directors and Board of Executive Officers at the same time.

The team has extensive experience in managing and growing publicly listed oil and gas companies, has demonstrated transaction structuring capability that enhances shareholder value and has extensive technical and international oil and gas experience. The Executive Officers and key technical personnel have in-depth expertise on the mechanics of evaluating potential opportunities with respect to both commercial and technical risks and have a record of success in the international oil and gas business in the Middle East, Asia, Europe, Americas and Africa. The team has overall expertise in all professional disciplines impacting international oil and gas projects.

On 16 April 2012, Dr. Jan Kulczyk, the former Chairman of the Board, advised the Board that he would not seek re-election as Chairman of the Board at the Company's annual general meeting. Dariusz Mioduski, as of the date of its appointment a member of the Board, was appointed Chairman of the Board with effect from 16 May 2012. On 14 May 2014 Dariusz Mioduski retired from Board of Directors. On the same date Helmut Langanger was appointed Chairman of the Board with effect from 14 May 2014.

As of the day of this Prospectus and since 14 May 2014 composition of the Board of Directors of Serinus Energy Inc. is as follows:

<i>Name</i>	<i>Position</i>	<i>Business Address</i>
-------------	-----------------	-------------------------

<i>Name</i>	<i>Position</i>	<i>Business Address</i>
Directors		
Helmut Langanger	Chairman of the Board ⁽¹⁾	Brahmsgasse 1, Strasshof Austria 2231
Norman W. Holton	Vice Chairman of the Board	Suite 1500, 700 – 4 th Avenue SW Calgary, Alberta T2P 3J4 Canada
Timothy M. Elliott	President and CEO; Director	123, Al Shaffar Investment Building 3 rd Interchange, Sheikh Zayed Road Dubai, United Arab Emirates
Stephen C. Akerfeldt	Director	65 Lytton Blvd. Toronto, Ontario M4R 1L2 Canada
Evgenij Iorich	Director	Rothusmatt 10, Zug, Switzerland, 6300
Gary R. King	Director	Emirates 1605 Prospect Street Houston, Texas, 77004, US
Sebastian Kulczyk	Director	ul. Krucza 24/26 00-526 Warsaw Poland
Manoj N. Madnani	Director	Level 22 D Emirates Towers Sheikh Zayed Road, PO Box 31303 Dubai, United Arab Emirates
Michael A. McVea	Director	3680 Cadbaro Bay Road Victoria, BC, V8R 3K8 Canada

Notes:

(1) Mr Helmut Langanger is a Chairman of the Board since 14 May 2014.

Helmut Langanger (*Director, Strasshof, Austria*), age 64

From 1974 to 2010, he was employed by Austrian company, OMV, one of the largest integrated oil and gas groups in Central Europe. At OMV, he was a reservoir engineer until 1980 and an evaluation engineer for the technical and economic assessment of international E&P ventures until 1985 before being appointed Vice-President, Planning & Economics for E&P and natural gas projects. In 1989, Mr. Langanger was appointed as Senior Vice-President International E&P, and in 1992 became Senior Vice-President E&P for OMV's global operations. From 2002 until his retirement from OMV in 2010, Mr. Langanger was Group Executive Vice-President E&P, a member of the Executive Board and Managing Director Upstream. During his time in E&P operations, OMV built a significant, international E&P portfolio in 17 countries and increased 2P reserves from 300 million boe (1989) to 1.9 billion boe (2009).

Mr Langanger is a member of the supervisory board of a public oilfield equipment company listed on the Vienna Stock Exchange, a non-executive member of the board of a public company listed on the LSE and a member of the board of a private Czech exploration and production company based in Prague.

Mr Langanger, was awarded a Master of Science Degree in petroleum engineering from Mining University Leoben, Austria in 1973 and a Master of Arts Degree in Economics from the University of Vienna in 1980.

Norman W. Holton (*Vice Chairman, Calgary, Alberta, Canada*), age 63

Mr. Holton has been Vice Chairman of the Board of Directors since 10 December 2008. Prior thereto, he was Executive Chairman of the Company (since May 2007) and Chairman and CEO of the Company (from 1995 to February 2006).

Mr. Holton has more than 35 years of experience in oil and gas exploration and development and 28 years of experience in creating shareholder value through the effective management of public oil and gas companies. Prior to committing his full-time attention to Serinus in 2006, Mr. Holton built the TUSK group of companies in Canada, leading a management team that was responsible for an 8-fold increase in value per share from 2000 to 2005.

Mr. Holton has been Vice Chairman of the Board of Directors of Serinus since the closing of the Plan of Arrangement in December 2008. Prior to that time, he was Executive Chairman of Serinus since May 2007, Chairman and Chief Executive Officer of Serinus from 1995 to February 2006 and Chairman since July 1993. Mr. Holton was the founder and Chairman of TUSK Energy Corporation, a public Canadian oil and gas company, from November 2004 to December 2006 and was its Chief Executive Officer from November 2005 to December 2006. Prior thereto Mr. Holton was founder and Chairman and Chief Executive Officer of TKE Energy Trust, a public Canadian oil and gas trust, from November 2004 to November 2005 and prior thereto he was the founder, President and Chief Executive Officer of TUSK Energy Inc., also a public Canadian oil and gas company for more than ten years.

Mr. Holton is Chairman of The Fig Tree Foundation, a charitable foundation focused on international assistance and sustainable development.

Mr. Holton has been a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA), a Canadian professional organization, for more than 30 years and is a designated Professional Geologist.

Mr. Holton graduated from the University of Saskatchewan, Saskatoon, Saskatchewan, Canada in 1972 with an Advanced Bachelor of Sciences degree.

Timothy M. Elliott (*President & CEO, Dubai, United Arab Emirates*), age 53

Mr. Elliott, a lawyer by profession, has been President and CEO of the Company since February 2006 and a Director since April 2001. Mr. Elliott has more than 23 years of experience in the international oil and gas industry and has worked and been involved in the management of public companies through exploration, appraisal, development and production operations in different parts of the world. He has negotiated concession/production sharing and other similar agreements in more than 15 countries throughout Asia, Africa, the Middle East, Europe, the former Soviet Union and South America, as well as joint venture agreements, acquisition agreements, oil and gas sales agreements and

other agreements required in the industry. Mr. Elliott also has extensive hands-on experience in managing relations with host countries and with joint venture and industry partners.

Mr. Elliott started his international oil and gas career working with Adolf Lundin and companies of the Lundin Group from 1987 to 1999 where he was a director and Vice President of International Petroleum Corporation and also provided services to other Lundin Group companies.

Mr. Elliott received his Bachelor of Arts degree from St. Francis Xavier University, Antigonish, Nova Scotia, Canada in 1982 and graduated with a Bachelor of Laws degree from the University of Ottawa, Ottawa, Ontario, Canada in 1985.

Stephen C. Akerfeldt (*Director, Toronto, Ontario, Canada*), age 70

Mr. Stephen C. Akerfeldt has been president and a director of Ritz Plastics Inc., a private company in the automotive industry in Canada, since 1999. Mr. Akerfeldt has been a director of Jura Energy Corporation, a public company engaged in oil and gas exploration activity in Pakistan which is not in competition with the Issuer since 2003.

From June 2007 until February 2011, he was Chairman of the Board and a director of Firstgold Corp, a gold exploration company and he was the Chief Executive Officer of Firstgold Corp. from January 2008 to July 2009.

In 1990, Mr. Akerfeldt founded Grayker Corporation, a private company which owned a large chain of dry cleaning stores, and he operated it with a partner until 2003 when it was sold.

Prior thereto he served as Vice Chairman and Chief Financial Officer of Magna International Inc. from 1987 to 1990. Mr. Akerfeldt joined Coopers & Lybrand (now Price Waterhouse Coopers) in 1965 and worked with them until 1987. He was designated as a Chartered Accountant in 1969 and was made a partner in 1974. Mr. Akerfeldt graduated with a Bachelor of Arts from the University of Waterloo, Waterloo, Ontario, Canada in 1966.

Evgenij Iorich (*Director, Zug, Switzerland*), age 32

Since 2006, Mr. Iorich has been with Pala Investments, a multi-strategy investment company dedicated to investing in, and creating value across the mining sector in both developed and emerging markets. Mr. Iorich's investment experience at Pala includes oil and gas, base metal and bulk commodity investments, and his commodity experience extends across a broad range of bulk commodities, precious and base metals. Prior to joining Pala, Mr. Iorich was a financial manager at Mechel, the Russian metals and mining company, where his responsibilities included all aspects of budgeting, forecasting and financial modeling. Mr. Iorich is currently a Director of Melior Resources Inc. Mr. Iorich graduated from the University of Zurich with a Masters of Arts degree.

Gary R. King (*Director, Houston, Texas, USA*), age 55

Mr. King has been an independent consultant since March 5, 2009.

Prior thereto, he was the Chief Executive Officer of Dubai Natural Resources World, a private investment fund owned by the Government of Dubai exploring new long-term investment venues across the entire natural resources value chain including oil and gas, power, alternative energy, mining and agriculture, primarily in the developing world since September 1, 2008.

Prior thereto, he was Chief Executive Officer of the Dubai Mercantile Exchange from December 2005 to August 2008, a Senior Vice President of Macquarie Bank from July 2005 to December 2005 and

Managing Director of Matrix Commodities, a private trading company, from November 2004 to July 2005.

Mr. King was Regional Head of Standard Bank London based in Dubai, United Arab Emirates from March 2001 to August 2004.

Prior thereto he was employed by Emirates National Oil Company, lastly as Advisor, Group CEO Office from July 2002 to August 2004 and firstly as General Manager, Risk Management from January 1999 to March 2001.

Prior thereto, Mr. King's experience included employment with Dragon Oil PLC, an international oil and gas exploration and production company, TransCanada International Petroleum (Asia Pacific PTE LTD), an international oil and gas exploration and production company, Morgan Stanley and Neste Oy, the national oil and energy company of Finland.

In addition to serving on the board of directors of the Issuer, Mr. King is a director of Parker Drilling Company, a public corporation which trades on the New York Stock Exchange. Also since May 1, 2014 Mr. King has been the Chief Executive Officer of Regalis Petroleum Ltd., a private company with oil and gas exploration assets in Chad.

Mr. King graduated from Imperial College, Royal School of Mines, London University, London, United Kingdom with a Masters Degree in Petroleum Exploration Geology in 1983.

Sebastian Kulczyk (Director, Warsaw, Poland), age 34

In January 2014 Sebastian Kulczyk took the function of the President of Management Board of Kulczyk Investments S.A. He has been working for Kulczyk Investments S.A. since 2010, supervising the natural resources section of the group. In December 2011 he was appointed for the position of the member of Management Board responsible for business development. Between 2008 and 2010 he worked in London for the independent company engaged in consulting and managing assets of Lazard. Between 2006 and 2008 he was a President of Management Board in the investment fund Phenomind Ventures, supporting Polish new technologies companies.

His expertise lies in running companies dealing with electronic business. From 2000 to 2011, he was member of the management board and owner of Goldensubmarine, an interactive agency.

He graduated from the Adam Mickiewicz University in Poznań in 2005, majoring in management and marketing and in 2002 he studied project management and HR at the London School of Economics.

Manoj N. Madnani (Director, Dubai, United Arab Emirates), age 43

Mr Madnani is managing director (Dubai) and a member of the board of KI and related companies since June 2007. His background is in corporate finance, deal sourcing, international transactions and corporate strategy. His areas of expertise are the energy and infrastructure sectors including real estate sectors, as well as in emerging and frontier markets such as Central and South America, Central and Eastern Europe, West Africa and the Middle East and India.

Prior to joining KI, he worked for several years in Central and Eastern Europe and the Middle East, recently focusing on sovereign energy security and global investments in the energy and infrastructure sector.

He is currently a Member of the Board of both Polenergia S.A., a private company dealing with energy and gas distribution and trading, and of Loon Corp.

Prior to joining the Management Board of KI he was a Managing Director of The Marab Group, an oil and gas consultancy and investment banking firm based in Kuwait focusing on sovereign energy security and global investments in the energy sector, from July 2005 to May 2007; Chief Executive Officer of Cartoon Planet, a licensed character merchandise distributor and retailer in Poland from July 2003 to May 2005.

He currently serves as a Director on The Babson Alumni Association Board and is a Member of the Emirates Chapter of the Young Presidents Organization. Mr. Madnani graduated from Babson College, Massachusetts, USA in 1991 with a Bachelor of Science degree in international finance and marketing.

Michael A. McVea (*Director, Victoria, British Columbia, Canada*), age 66

Mr. McVea has been a retired barrister and solicitor since 2004. Prior to that, he was senior partner of McVea, Shook, Wickham & Bishop, a general practice law firm from September 1981 to December 2002 and associate counsel with that firm from January 2003 to June 2004. Mr. McVea practised mainly in the areas of business and corporate commercial law. Mr. McVea was a director of TKE Energy Trust from November 2004 to November 2005. Mr. McVea is also currently a director of Loon Corp. He graduated from University of British Columbia, Canada, with a Bachelor of Laws degree in 1974.

Executive Officers

The Company has eight Executive Officers based in Dubai, Calgary and Warsaw. All of the Executive Officers are active in the business of the Company on a day-to-day basis. The employment of any Executive Officer, subject to the terms and conditions of any employment agreements, may be terminated by the Board at any time.

Brief biographical details of the two Executive Officers who are also Directors (Mr. Elliott and Mr. Holton) are set out above and with respect to the other six Executive Officers are set out below.

As of the day of this Prospectus the list of Executive Officers is as follows:

<i>Executive Officers</i>		
Norman W. Holton	Vice Chairman of the Board	Suite 1500, 700 – 4 th Avenue SW Calgary, Alberta T2P 3J4 Canada
Timothy M. Elliott	President and CEO; Director	123, Al Shaffar Investment Building 3 rd Interchange, Sheikh Zayed Road Dubai, United Arab Emirates
Jock M. Graham	Executive Vice President & Chief Operating Officer	123, Al Shaffar Investment Building 3 rd Interchange, Sheikh Zayed Road Dubai, United Arab Emirates
Tracy Heck⁽¹⁾	Chief Financial Officer	Suite 1500, 700 – 4 th Avenue SW Calgary, Alberta T2P 3J4 Canada
Edwin A. Beaman	Vice President,	Suite 1500, 700 – 4 th Avenue SW Calgary, Alberta T2P 3J4

	Operations & Engineering	Canada
Aaron LeBlanc⁽²⁾	Vice President Exploration	Suite 1500, 700 – 4 th Avenue SW Calgary, Alberta T2P 3J4 Canada
Jakub J. Korczak	Vice President, Investor Relation & Managing Director CEE	Nowogrodzka 18/29 00-5211 Warsaw Poland
Alec Silenzi	General Counsel, Vice President Legal & Corporate Secretary	Suite 1500, 700 – 4 th Avenue SW Calgary, Alberta T2P 3J4 Canada

⁽¹⁾ **Tracy Heck** was appointed the Company's Executive Officer and Chief Financial Officer ("CFO") effective as of January 1, 2014.

⁽²⁾ **Aaron LeBlanc** was appointed the Company's Vice President Exploration effective as of March 26, 2014

Jock M. Graham (*Executive Vice President & Chief Operating Officer, Dubai, United Arab Emirates*), age 54

Mr. Graham, a professional geologist and a member of the Alberta Association of Professional Engineers, Geologists and Geophysicists, has been Executive Vice President of the Issuer since February 2006 and was appointed Chief Operating Officer in May 2013. Prior to that was a consultant to the Issuer from March 2005.

Mr. Graham began his career in the oil and gas business with Chevron Canada in 1982 where he worked throughout the Western Canadian Sedimentary Basin. In 1988, he moved to Dubai, United Arab Emirates becoming one of the founding members of Arabex Petroleum Limited with projects in Senegal, Oman, Yemen and Colombia. In Colombia, he was directly responsible for the discovery of large oil reserves in the Rubiales Field in the Llanos Basin.

Mr. Graham then assisted with the foundation of Coplex Resources Ltd. with projects in the Philippines, Colombia and Yemen and later moved to Bogota, Colombia where he was Vice President and Country Manager for Coplex Colombia and was responsible for exploration and development efforts in and around the Rubiales Field. He later returned to Dubai as an international oil and gas consultant and assisted with the foundation of Coplex Resources Ltd. with projects in the Philippines, Colombia and Yemen. Mr. Graham also lived and worked with Coplex in Australia where he was Vice President of Exploration of the group until 1996.

Mr. Graham then became the Vice President of Cabre Exploration Cyprus Limited and directed the acquisition of projects in North Africa including Egypt, Tunisia and Morocco and in 1997 moved to Morocco as Vice President and Country Manager of Cabre Maroc Limited where he ran the first successful foreign exploration and production operation in that country. Subsequently, Mr. Graham joined the Lundin Group and was Technical Director for Vostok Oil where he oversaw a large exploration and development operation near Tomsk in western Siberia and later became Operations Manager for that group's significant En Naga North and El Naga West development project in Libya.

Mr. Graham is a director of Loon Corp and a shareholder of TJ Capital Inc., a private investment company. Mr. Graham graduated with a Bachelor of Science (honours) in geology from St. Francis Xavier University, Canada in 1982.

Tracy Heck (*Chief Financial Officer, Calgary, Alberta, Canada*), age 43

Ms Heck is a financial professional with many years of experience in the international and Canadian oil and gas industry. Her professional career started in the United Kingdom with KPMG, and continued in Canada where she eventually held the position of Associate Partner in KPMG Calgary's audit practice. From October 2005 until joining Serinus as Director of Finance in June 2012, Ms Heck was the Controller for a domestic upstream oil and gas company with combined production of approximately 47,000 barrels of oil equivalent per day ("boe/d"). Since January 1, 2014 Ms Tracy Heck is the Executive Officer and Chief Financial Officer ("CFO") in Serinus Energy. She is also a member of the Institute of Chartered Accountants of England and Wales as of 1995 as well as a member of the Canadian Institute of Chartered Accounts as of 2001.

Ms. Heck graduated with a Bachelor of Science, Honours, in Business Studies from the University of Bradford, England in 1992.

Edwin A. Beaman (*Vice President Operations & Engineering, Calgary, Alberta, Canada*), age 62

Mr. Beaman, a professional engineer and member of the Alberta Association of Engineers, Geologists and Geophysicists, has been Vice President, Operations and Engineering for the Issuer since October 2007. Before that he was a consultant to the Issuer since April 2007 and prior to that, he was vice president, production of TUSK Energy Corporation since November, 2004. Prior to that, Mr. Beaman was vice president, production and engineering of TUSK Energy Inc. from January 1998 to November 2004, vice president and director of Bonavista Petroleum Ltd., a public oil and gas company with operations in Canada from February 1997 to November 1997, and president and chief executive officer of Ascentex Energy Inc., a public oil and gas company with operations in Canada from January 1989 to February 1997. Mr. Beaman graduated with a Bachelor of Science in Engineering (Geological) from the University of Manitoba, Canada in 1974.

Aaron LeBlanc (*Vice President Exploration, Calgary, Alberta, Canada*), age 37

Mr. LeBlanc has been Manager of Geosciences and Senior Geologist at Serinus Energy since March 2011. Prior thereto, he was a Geologist at Devon Energy (from 2002 to 2011), a public oil & energy industry company in Canada. Mr. LeBlanc graduated from the University of Calgary in Calgary, Alberta, Canada in December 2001 with a Bachelor of Science Degree in Geology. Mr. LeBlanc is a Professional Geologist (P. Geol.) member of the Association of Professional Engineers & Geoscientists of Alberta, The American Association of Petroleum Geologists and the Canadian Society of Petroleum Geologists.

Jakub J. Korczak (*Vice President Investor Relations & Managing Director CEE, Warsaw, Poland*), age 40

He has over 15 years experience in finance, investment banking and investor relations. Prior to joining the Issuer as Proxy & Investor Relations Manager in 2009, Mr. Korczak has been, among others, CFO and board member at Bank Pocztowy (2009-2010), head of strategy and IR officer at BRE Bank (2005-2009) and co-head of EMEA banks research at Unicredit CA-IB (2000-2005). Mr. Korczak graduated from accounting and financial management at University of Lodz (1997) and from the advanced management programme of the IESE Business School, Barcelona (2008).

Alec Silenzi (*General Counsel, Vice President Legal & Corporate Secretary*), age 45

Mr. Silenzi has been the General Counsel and Vice President Legal of the Group since January 2012 and was appointed Corporate Secretary in March 20, 2013. Prior to joining the Company in January 2012, Mr. Silenzi was a partner and associate in the law firm Gowlings Lafleur Henderson LLP from September 2007. Prior to that he was an associate at the law firm Heenan Blaikie LLP from 2002. He has over 18 years of Canadian and international legal experience, the majority of which was gained at large multi national law firms. His experience includes corporate, corporate finance, securities, M&A, corporate governance, corporate secretarial, business ethics, and commercial law. During his tenure at Gowlings Mr. Silenzi was seconded as the Acting General Counsel at Sanjel Corporation, a large private multi national oilfield services company, and prior to that was the acting General Counsel and the Compliance Officer at Artumas Group Inc., a public international oil and gas company. He was also a board member and Chair of the Audit Committee of Cygam Energy Inc., a small public international oil and gas company. Mr. Silenzi has an LLB from the University of Alberta from 1994, and an Undergrad (BA, Political Science, English) from the University of Calgary from 1990. Mr. Silenzi is admitted as a barrister and solicitor in Canada.

Additional Disclosure Relating to Directors

The Directors (in addition to their directorships of the Company) and Executive Officers are or have been a member of the administrative, management or supervisory bodies, or directors or partners of the following companies or partnerships within the five years prior to the date of this Prospectus:

Name	Current Directorships/Partnerships	Previous Directorships/Partnerships
Norman W. Holton	Loon Energy Corporation – Director Suite 1500, 700-4th Ave SW Calgary, AB	TUSK Energy Corporation - Chairman 1950, 700 - 4th Avenue S.W. Calgary, Alberta T2P 3J4 (no longer exists) Jura Energy Corporation – Director 3000, 150 - 6th Avenue SW Calgary Alberta T2P 3Y7
Timothy M. Elliott	Loon Energy Corporation – Director Suite 1500, 700-4th Ave SW Calgary, AB Jura Energy Corporation – Director 3000, 150 - 6th Avenue SW Calgary Alberta T2P 3Y7	Nemmoco Petroleum Corporation – Director PO Box: 37174, Dubai UAE
Stephen C. Akerfeldt	Ritz Plastics Inc. - President and Director 435 Pido Rd	Firstgold Corp. - Chairman of the Board and a Director and CEO from January 2008 to July 2009

Name	Current Directorships/Partnerships	Previous Directorships/Partnerships
	<p>Peterborough, Ontario, Canada K9J 6X7</p> <p>Jura Energy Corporation – Director 3000, 150 - 6th Avenue SW Calgary Alberta T2P 3Y7</p>	<p>1055 Cornell Avenue PO Box 6 Lovelock, NV 89419</p>
Edwin A. Beaman	<p>Kaizen Environmental Services Inc. – Director 333 50 Ave SE, Calgary, AB T2G 2B3</p> <p>Kaizen International Inc. - Director 333 50 Ave SE, Calgary, AB T2G 2B3</p>	<p>Kaizen Environmental Services Inc. – Shareholder</p> <p>Kaizen International Inc. – Shareholder</p>
Jock M. Graham	<p>Loon Energy Corporation – Director Suite 1500, 700-4th Ave SW Calgary, AB</p> <p>TJ Capital Inc. – Shareholder 2019 - 20 Avenue S.W., Calgary, Alberta, T2T 0M1</p>	None ⁽¹⁾
Eygenij Iorich	<p>Pala Investments - Manager Gotthardstrasse 26, CH-6300 Zug, Switzerland</p> <p>Melior Resources Inc. (TSXV:MLR). – Director 120 Adelaide Street West, Suite 2500 Toronto, Ontario M5H 1T1</p>	None ⁽¹⁾
Gary R. King	<p>Parker Drilling Company – Director 5 Greenway Plaza, Suite 100 Houston, Texas 77046</p> <p>Matrix Commodities Inc. – Managing Director 82 Carboy Rd, Middletown, New York 10940-7500, United States</p> <p>Regalis Petroleum Ltd. - Chief Executive Officer 5th Floor, Barkley Warf, Le Caudau</p>	<p>Dubai Mercantile Exchange – Chief Executive Officer Office 0, Level 3, Gate Precinct 2, Sheikh Zayed Road, PO Box 66500, Dubai</p> <p>Dubai Natural Resources World - Chief Executive Officer Office No. 604, Jafza 15 Jebel Ali Free Zone, Dubai, United Arab Emirates</p> <p>Dutco Natural Resources Investments Ltd - Chief Executive</p>

Name	Current Directorships/Partnerships	Previous Directorships/Partnerships
	Waterfront, Port Luis, Mauritius	Officer P.O.Box No: 233, Dutco House Deira, Dubai , U.A.E.
Jakub J. Korczak	None ⁽¹⁾	Bank Pocztowy – CFO and Board Member ul. Puławska 111 B, 02-707 Warsaw BRE Bank - Head of Strategy and IR Officer ul. 18 Senatorska 00-950 Warsaw, P.O. Box 728
Helmut Langanger	Schoeller-Bleckmann Oilfield Equipment AG (Vienna Stock Exchange) - Independent Member of the Supervisory Board Hauptstraße 2 A-2630 Ternitz EnQuest plc (LSE) – Director 5th Floor, Cunard House 15 Regent Street London, SW1Y 4LR MND a.s. - Deputy Chairman of the Board Úprkova 807/6, 695 01 Hodonín Czech Republic	OMV Aktiengesellschaft - Group Executive Vice President EP, member of the Executive Board and Managing Director Upstream. Trabrennstraße 6-8 1020 Vienna, Austria.
Manoj N. Madnani	Kulczyk Investments S.A. - Managing Director and Board Member 65, boulevard Grande Duchesse Charlotte, L-1331 Luxembourg Loon Energy Corporation - Director Suite 1500, 700-4th Ave SW Calgary, AB KREH S.a.r.l – Director ul. Krucza 24/26	Fareast sp. z o.o. - President 05-090 Wypędy 9 (Raszyn) Polenergia S.A. –Director ul. Krucza 24/26 Warsaw, 00-526 Poland Grifex sp. z o.o. w likwidacji - Shareholder ul. Marii Curie-Skłodowskiej 1, 50-

Name	Current Directorships/Partnerships	Previous Directorships/Partnerships
	<p>Warsaw, 00-526</p> <p>Poland</p> <p>Polenergia S.a.r.l. - Director</p> <p>ul. Krucza 24/26, 00-526</p> <p>Warsaw, Poland</p> <p>Ibanq S.A. w likwidacji – Member of the Supervisory Board</p> <p>Pl. Piłsudskiego 2, 00-073 Warsaw</p> <p>Cartoon Planet S.A. in liquidation - shareholder</p> <p>ul Grzybowska 37a, 00-855 Warsaw</p>	<p>381 Wrocław</p>
Michael A. McVea	<p>Loon Energy Corporation – Director</p> <p>Suite 1500, 700-4th Ave SW Calgary, AB</p>	<p>Loon Energy Inc. (now called Serinus Energy Inc.) – Director</p> <p>Suite 1500, 700-4th Ave SW Calgary, AB</p>
Tracy Heck	None ⁽¹⁾	None ⁽¹⁾
Alec Silenzi	None ⁽¹⁾	<p>CYGAM Energy Inc. - Director</p> <p>340 12 Ave SW #760, Calgary, AB T2R 1L5</p> <p>Gowlings LLP – Partner</p> <p>1600, 421 7th Avenue SW</p> <p>Calgary, Alberta</p> <p>T2P 4K9</p>
Sebastian Kulczyk	<p>Kulczyk Investements S.A. – President of the Management Board</p> <p>65, boulevard Grande Duchesse Charlotte, L-1331 Luxembourg</p> <p>Stanusch Technologies S.A – Supervisory Board Member</p> <p>ul. K. Goduli 36, 41-712 Ruda Śląska</p> <p>Shiraz Sp. z o.o. - Shareholder, President of the Board</p> <p>ul. Dziadoszańska 10, 61-248 Poznań</p> <p>Phenomind Ventures S.A. - President of the Board</p>	<p>Sumapa Plus Sp. z o.o. w likwidacji – shareholder, proxy</p> <p>ul. Walczaka 25, 66-407 Gorzów Wielkopolski</p> <p>Stanusch Technologies Sp. z o.o. – Supervisory Board member</p> <p>ul. Karola Goduli 36, 41-712 Ruda Śląska</p>

Name	Current Directorships/Partnerships	Previous Directorships/Partnerships
	<p>ul. Palacza 113, 60-273 Poznań</p> <p>Nenya Capital Sp. z o.o. – Shareholder, President of the Board</p> <p>ul. Palacza 113, 60-273 Poznań</p> <p>Kulczyk Agentur Sp. z o.o. w likwidacji - Shareholder, Liquidator</p> <p>ul. Dziadoszańska 10, 61-248 Poznań</p> <p>KTD.RS Sp. z o.o. - Proxy</p> <p>Koszykowa 24, 00-553 Warszawa</p> <p>IKM Sp. z o.o. – President of the Board</p> <p>ul. Palacza 113, 60-273 Poznań</p> <p>Goldensubmarine Sp. z o.o. - Proxy</p> <p>ul. Palacza 113, 60-133 Poznań</p> <p>Fotigo.pl Sp. z o.o. – Shareholder, President of the Board</p> <p>ul. Palacza 113, 60-273 Poznań</p> <p>Endu Sport Sp. z o.o. – Shareholder</p> <p>ul. Lutego 4/6, 61-741 Poznań</p> <p>E24cloud.com Sp. z o.o. – Proxy</p> <p>ul. Palacza 113, 60-133 Poznań</p> <p>Destineo Sp. z o.o. – Supervisory Board Member</p> <p>Pl. Wolności 7/508, 50-071 Wrocław</p> <p>Beyond.pl Sp. z o.o. - Proxy</p> <p>ul. Palacza 113, 60-273 Poznań</p> <p>Beyond Warszawa Sp. z o.o. – Shareholder, President of the Board</p> <p>ul. Krucza 24/26, 00-526 Warszawa</p> <p>Andromeda Film Sp. z o.o. – Shareholder, ul. Jaworzyńska 6/13, 00-634 Warszawa</p> <p>„Strada KP” Sp. z o.o. - Vice-President of the Board</p> <p>Shareholder, ul. Palacza 113, 60-133 Poznań</p> <p>„Myplace Development” Sp. z o.o. – Shareholder, President of the Board</p>	

Name	Current Directorships/Partnerships	Previous Directorships/Partnerships
	<ul style="list-style-type: none"> ul. Palacza 113, 60-273 Poznań „E24” Sp. z o.o. – Shareholder President of the Board ul. Półwiejska 42, 61-888 Poznań Fortis Centrum „50/50 Project” Sp. z o.o. sp. k. - shareholder ul. Półwiejska 32, 61-888 Poznań KI Africa (Holdings) S.a.r.l. – Director 65, Boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg Neconde Energy Ltd. – Director Plot 1679, Karimu Kotun Street, Victoria Island, Lagos, Nigeria QKR Corporation Limited – Director Trafalgar Court, 2nd Floor, East Wing, Admiral Park, St Peter Port, Guernsey, Channel Islands GY1 3EL CENTAR Limited – Director Trafalgar Court, 2nd Floor, East Wing, Admiral Park, St Peter Port, Guernsey, Channel Islands GY1 3EL Polenergia Holding S.à r.l. – member of the Supervisory Board 65, boulevard Grande-Duchesse Charlotte, L - 1331 Luxembourg 	
Aaron LeBlanc	None ⁽¹⁾	None ⁽¹⁾

Note:

- (1) “None” means that particular person is not a member of the administrative, management or supervisory bodies, or director or partner of any companies (other than Serinus) or partner within the five years prior to the date of this Prospectus or at the date hereof.

Representations of Directors and Executive Officers

According to the representations made, subject to the information provided in the table concerning “Additional Disclosure Relating to Directors” above and except for activity pursued within the framework of the Serinus Group, none of the Directors or Executive Officers pursues any competitive activity towards the Issuer, in particular he/she is neither a shareholder in a competitive partnership nor a member of the body of a company or any other competitive legal person.

According to the representations made, none of the Directors or Executive Officers has been entered into the register of insolvent debtors (*Rejestr Dłużników Niewypłacalnych*) held pursuant to the provisions of the Act on National Court Register.

According to representation made, there is no relationship of family nature between Directors and Executive Officers.

According to representations made, none of the Directors or Executive Officers was convicted in relation to fraudulent offences for at least the previous five (5) years.

According to the representations made, with the exception of cases described below, none of the Directors or Executive Officers has been a member of an administrative, management or supervisory body or has held a senior management position at entities which within the last five (5) years have been: (i) subject to insolvency proceedings (or a petition for insolvency of such entity has been dismissed due to lack of funds to cover the costs of insolvency proceedings); (ii) placed in liquidation; (iii) subject to recovery proceedings; or (iv) placed under administration.

In the last five years, the following entity was subject to insolvency proceedings when Stephen C. Akerfeldt held position in its administrative, management and/or supervisory bodies, or held senior management positions at this entity:

- In January 2010, Firstgold Corp. filed for protection under Chapter 11 in the United States. Chapter 11 is a chapter of Title 11 of the United States Bankruptcy Code, which permits reorganization under the bankruptcy laws of the United States. Chapter 11 is a filing available to companies in the US which have liquidity problems. Chapter 11 permits reorganization of the entity under the bankruptcy law of the United States. It potentially allows the troubled company to reorganize its financial affairs and come out the other end with some financial flexibility. It usually results in reorganization of the debtor's business or assets and debts in order to make it able to perform its obligations toward its creditors. However, it does require the cooperation of the various classes of creditors (basically secured and unsecured) individually. Mr. Akerfeldt was at the time of the filing a director of Firstgold Corp. In the case of Firstgold, the secured lender did not cooperate and instead seized and liquidated all the assets under its security document. To the best of the Issuer's knowledge, there was nothing left for the unsecured creditors. To the best of the Issuer's knowledge, the Issuer may not foresee further development regarding said proceeding under Chapter 11.

In addition, in the previous 5 years:

- a) the following entity was placed in liquidation when Manoj N. Madnani held positions in its administrative, management and supervisory bodies, or when he held senior management positions at this entity:
- On 28th June 2013 Ibanq Spółka Akcyjna has been terminated and placed in liquidation through resolution of the Annual General Meeting of the Ibanq Spółka Akcyjna, when Manoj N. Madnani was member of the Board of Directors of Ibanq Spółka Akcyjna. On 24th July 2013 the liquidation status was entered into Ibanq Spółka Akcyjna register in the National Court Register. The liquidation process of the Ibanq Spółka Akcyjna w likwidacji on the day of the Prospectus is still pending.

- b) the following entities were placed in liquidation when Sebastian Kulczyk held positions in its administrative, management and supervisory bodies, or when he held senior management positions at these entities:
- 9 July 2010 the Shareholders Meeting of Stanusch Technologies spółka z ograniczoną odpowiedzialnością adopted a resolution on transformation of the company into Stanusch Technologies spółka akcyjna – the joint stock company. On 5 August 2010 the transformation status was entered into company's register in the National Court Register. The company has been removed from the register of companies held by National Court Register on 24 September 2014.
 - On 19 April 2013 Extraordinary Shareholders Meeting of Kulczyk Agentur Sp. z o.o. w likwidacji adopted resolution on dissolution of the company.
 - 23 December 2009 Extraordinary Shareholders Meeting of Sumapa Plus sp. z o.o. adopted resolution on dissolution of the company and starting the liquidation process. On 24 April 2012 Extraordinary General Meeting of the company adopted the resolution on accepting report from the company's liquidation procedure. On 25 May 2012 Sumapa Plus sp. z o.o. w likwidacji was removed from the of companies held by National Court Register.

According to the representations made, there was no official public incrimination and/or sanctions of Director or Executive Officer by statutory or regulatory authorities (including designated professional bodies) and no director or executive officer has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

According to the representations made, unless otherwise disclosed herein, no Directors or Executive Officers:

- (a) is, or has been within 5 years before the date of this Prospectus, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity:
- (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer; or
 - (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was issued after such Director or Executive Officer director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while he was acting in the capacity of a director, chief executive officer or chief financial officer except:
 - On July 22, 2009 a cease trade order was issued by the Ontario Securities Commission against the insiders, management, officers and directors of Firstgold Corp., including Stephen C. Akerfeldt, for failure to file various continuous disclosure materials within the prescribed time frame as required by Ontario securities law. All outstanding continuous disclosure materials were subsequently filed and the cease trade order expired on October 10, 2009.

or

- (b) has, within 5 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the such Director or Executive Officer.

According to the representations made, no Director or Executive Officer has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for such Director or Executive Officer except:
 - On April 16, 2013, Parker Drilling Corporation announced that it had entered into a settlement agreement with the U.S. Department of Justice and Securities and Exchange Commission with respect to possible violations of the U.S. *Foreign Corrupt Practices Act* in Nigeria. Pursuant to the settlement agreement, Parker Drilling Corporation agreed to pay \$15.85 million, comprising \$11.76 million in penalties, \$3.05 million in the disgorgement of profits and \$1.04 million in interest. Mr. King was a director of Parker Drilling Corporation at the time of the settlement agreement.

For details of the Directors' and Executive Officers' interests in the Serinus Shares, see point 15 of this Prospectus, "*Remuneration and Benefits*".

14.2. Administrative, Management, and Supervisory bodies and Senior Management conflicts of interests

Certain of the Issuer's director, officers, and key personnel are directors and officers of one or more of the Issuer's subsidiaries, and as a result of such positions, such directors, officers, and key personnel may become subject to conflicts of interest in the future.

Certain of the directors and officers of Serinus also have on-going relationships with other entities in respect of which the Issuer has entered into material agreements or has a business relationship. These relationships may create a real or perceived conflict of interest and include the following:

- Serinus subsidiaries shares the "Kulczyk" trademark and trade name with KI and many of KI's affiliates pursuant to the terms and conditions of the Licence Agreement described in Section 11 – "*Research and development, patents and Licences*" of this Prospectus. For example, the interests of KI and Serinus regarding the use of the "Kulczyk" trademark and trade name might be in conflict with interests of Mr. Sebastian Kulczyk, who is both the President of the Management Board of KI and the Director of Serinus, and Mr. Madnani, who is both a Managing Director and Board Member of KI and a director of Serinus. The Company is not aware of the existence of any such conflict of interest at this time.
- The Issuer owns approximately 1.1% of the issued and outstanding shares in the capital of Jura. Timothy Elliott, President and CEO and a Director of the Issuer, and Stephen C. Akerfeldt, a Director of the Issuer, are directors of Jura. By way of example, in the event that

the interests of Serinus and Jura diverged (for example, if Serinus and Jura were competing to acquire the same oil and gas property), then Messrs. Elliott and Akerfeldt would have a conflict of interest. The Company is not aware of the existence of any such conflict of interest at this time.

- Timothy Elliott, Norman Holton and two other directors of the Issuer, Manoj Madnani and Michael McVea, are also directors of Loon Energy and, as of the date of this Prospectus KI owns 33.9% of the issued and outstanding shares of Loon Energy. By way of example, in the event that the interests of Serinus and Loon Energy. diverged (for example, if Serinus and Loon Energy. were competing to acquire the same oil and gas property), then Messrs. Elliott, Holton, Madnani and McVea would have a conflict of interest. The Company is not aware of the existence of any such conflict of interest at this time.
- Jock Graham, Executive Vice President & Chief Operating Officer of the Issuer, is also a director of Loon Energy, Alec Silenzi is an Officer at Loon Energy and the Corporation Secretary and General Counsel of the Issuer and Edwin Beaman is the VP Operations and Engineering for the Issuer and Loon Energy. By way of example, in the event that the interests of Serinus and Loon Energy diverged (for example, if Serinus and Loon Energy were competing to acquire the same oil and gas property), then Messrs. Graham, Silenzi and Beaman would have a conflict of interest. The Company is not aware of the existence of any such conflict of interest at this time.

The ABCA requires that any director or officer of the Issuer disclose the nature and extent of his or her interest in a material contract or transaction, whether made or proposed, if the director or officer: (a) is a party to the contract or transaction; (b) is a director or an officer of a party to the contract or transaction; or (c) has a material interest in a party to the contract or transaction; and shall refrain from voting on any matter in respect of such contract or transaction unless otherwise provided for under the ABCA. Directors of the Issuer are further required by applicable corporate law to act honestly and in good faith with a view to the Issuer's best interests.

To the best knowledge of the Issuer as at the date of the Prospectus no potential conflict of interests exists between the obligations of persons described in the Subsection 14.1. "*Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside that issuer where these are significant with respect to that issuer*" above in relation to the Issuer or companies from Issuer's group and private interests of this persons. In particular, the Issuer does not have any knowledge of existence of any other than those being the ground of the circumstances referred to above, contracts or agreements between major shareholders, clients, suppliers or other persons, under which persons indicated in the preceding sentence would be designated for members of administrative, management or supervisory bodies or held senior management positions at this entity.

15. REMUNERATION AND BENEFITS

In relation to the last full financial year for those persons referred to in points (a) and (d) of the first subparagraph of item 14.1.:

15.1. The amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to such persons by the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person.

15.2. The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the total compensation paid by the Serinus Group to the executives for the Company's three most recently completed financial years, ending on December 31, 2013, 2012 and 2011, respectively. There are no contingent or deferred benefits.

Name and principal position	Year	Salary	Share-based awards	Stock Option-based awards ⁽¹⁾	Non-equity incentive plan compensation		Pension value	All other compensation ⁽²⁾	Total compensation
		(\$)	(\$)	(\$)	Annual incentive plans ⁽³⁾ (\$)	Long-term incentive plans (\$)	(\$)	(\$)	(\$)
Timothy M. Elliott President and Chief Executive Officer ⁽⁶⁾	2013	468,000	N/A	566,415	468,000	N/A	N/A	203,245	1,705,660
	2012	468,000	N/A	278,411	-	N/A	N/A	202,567	948,978
	2011	468,000	N/A	909,144	-	N/A	N/A	210,246	1,587,390
Paul H. Rose Chief Financial Officer ⁽⁴⁾	2013	257,303	N/A	42,175	64,326	N/A	N/A	-	363,804
	2012	235,000	N/A	72,362	100,000	N/A	N/A	-	407,362
	2011	222,508	N/A	162,812	-	N/A	N/A	-	385,320
Trent Rehill President Winstar Tunisia B.V. ⁽⁵⁾	2013	255,543	N/A	15,600	116,514	N/A	N/A	84,329	471,986
	2012	213,333	N/A	62,252	100,000	N/A	N/A	-	375,585
	2011	192,500	N/A	93,019	-	N/A	N/A	-	285,519
Jock M. Graham Executive Vice	2013	360,000	N/A	497,159	360,000	N/A	N/A	114,845	1,332,004
	2012	360,000	N/A	267,846	-	N/A	N/A	127,920	755,766
	2011	360,000	N/A	470,619	-	N/A	N/A	154,725	985,344

Name and principal position	Year	Salary	Share-based awards	Stock Option-based awards ⁽¹⁾	Non-equity incentive plan compensation	Pension value	All other compensation ⁽²⁾	Total compensation	
President									
Norman W. Holton	2013	279,635	N/A	451,978	279,635	N/A	N/A	-	1,011,248
	2012	288,121	N/A	224,830	-	N/A	N/A	-	512,951
Vice Chairman ⁽⁶⁾	2011	291,283	N/A	487,686	-	N/A	N/A	-	778,969

Notes:

- (1) Comprised of Stock Options issued pursuant to the Company's Stock Option Plan. All Stock Options vest 1/3 upon grant and 1/3 annually for each of the two subsequent years following the grant. The value of the Stock Options is based on the grant date fair value of the options using the Black-Scholes method, calculated in accordance with IFRS 2 Share-based payments, as follows:

	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Weighted average fair value per Stock Option	\$1.99	\$2.70	\$4.09
Exercise Price	\$3.89	\$4.39	\$4.58
Volatility	65.9%	90.5%	65.8%
Interest rate	1.49%	1.23%	2.53%
Expected life (years)	4	4	4
Forfeiture rate	3.33%	3.33%	3.33%
Dividends	Nil	Nil	Nil

In November 2011, the Company's board of directors authorized the re-pricing of certain Stock Options held by employees and certain officers of the Company. This re-pricing allows the holders of such Stock Options to exercise their Stock Options at a lower price than the exercise price specified in the original grant. The re-pricing affects Stock Options held by each of Mr. Rose and Dr. Rehill; however, the Stock Option re-pricing excluded Stock Options held by the Company's three most senior officers – Messrs. Elliott, Holton and Graham – and the board of directors. The re-pricing was authorized by the board of directors to ensure that the past Stock Option grants remained an effective mechanism for compensating and retaining employees, in the context of market events that had a negative impact on the Company's share price.

On June 24, 2013, the Company consolidated its Shares on the basis of one post-Consolidation Serinus Share for every ten pre-Consolidation Serinus Shares. The weighted average fair value per Stock Option and exercise price outlined in the table above are on a post-consolidation basis. Pursuant to the terms of the Stock Option Plan, appropriate adjustments in the number of Serinus Shares optioned and in the option price per Serinus Share regarding Stock Options granted or to be granted may be made by the Compensation & Corporate Governance Committee in its discretion to give effect to adjustments in the number of Serinus Shares of the Company resulting subsequent to the approval of the Stock Option Plan from consolidations of Serinus Shares.

- (2) "All other compensation" for the above referenced executives includes amounts paid in accordance with their respective employment agreements and may include amounts for housing costs, school fees for the executives' children, return airfare to Canada for the executives' family members, medical coverage for the executives' family members and life and disability insurance.
- (3) Amounts in 2013 reflect bonuses approved by the board of directors in March 2013 based upon the recommendation of the Compensation & Corporate Governance Committee to compensate for performance for the periods 2010 to 2012 for Mr Elliott, Mr Holton and Mr Graham. No cash bonuses were paid to NEOs in 2011. In 2012 bonuses were paid to Mr Rose and Mr Rehill reflecting performance for 2011.
- (4) Mr. Paul H. Rose retired as Chief Financial Officer effective December 31, 2013. Mr. Rose will continue his relationship with Serinus in a consulting role to assist as required. Ms. Tracy Heck was appointed Chief Financial Officer effective January 1, 2014.

- (5) Dr. Trent Rehill was Vice President, Geosciences during the first part of 2013 prior to being appointed as President of Winstar Tunisia B.V. on October 31, 2013.
- (6) Mr Timothy M. Elliot and Mr Norman W. Holton are Directors and Executive Officers at the same time.

Incentive Plan Awards

The Company has in place the Stock Option Plan providing for the granting of Stock Options to directors, officers, employees and consultants of the Company and its affiliates. For more information relating to the Stock Option Plan see Section 17 of this Prospectus “*Employees*” in Subsection 17.2. “*Shareholdings and stock options*”.

COMPENSATION OF DIRECTORS

The non-management directors of the Company are paid a retainer of CAD\$1,000 per month and CAD\$1,000 per board or committee meeting. The chairman of the Audit Committee receives an additional CAD\$3,000 per annum. Non-management directors do not receive any other direct compensation for their role as directors of the Company other than Stock Option grants from time to time. All reasonable expenses incurred by directors in their capacity as directors are paid by the Company. Management directors (Mr. Holton and Mr. Elliott) do not receive any compensation for acting as directors of the Company or for attending committee meetings. The Company maintains a director and officer liability insurance policy pursuant to which directors and officers are insured for liabilities which may arise from the conduct of their activities on behalf of the Company. The amount of the insurance is, in aggregate, CAD\$10,000,000 per year.

Director Compensation Table

The following table summarizes the compensation paid, payable, awarded or granted by Serinus Group to each of the non-executive directors of the Company for the year ended December 31, 2013. There are no contingent or deferred benefits.

Name and principal position	Fees Earned	Share-based awards	Stock Option-based awards⁽¹⁾	Non-equity incentive plan compensation	Pension value	All other compensation	Total compensation
	(\$) ⁽²⁾	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Gary R. King	27,187	N/A	79,058	N/A	N/A	-	106,245
Manoj N. Madnani	22,332	N/A	79,058	N/A	N/A	-	101,390
Michael A. McVea	30,100	N/A	109,881	N/A	N/A	-	139,981
Dariusz Mioduski	20,390	N/A	79,058	N/A	N/A	-	99,448
Stephen C. Akerfeldt	22,332	N/A	83,611	N/A	N/A	-	105,943
Helmut J. Langanger	20,390	N/A	88,815	N/A	N/A	-	109,205

Name and principal position	Fees Earned	Share-based awards	Stock Option-based awards ⁽¹⁾	Non-equity incentive plan compensation	Pension value	All other compensation	Total compensation
	(\$) ⁽²⁾	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Bruce Libin ⁽³⁾	12,622	N/A	72,562	N/A	N/A	-	85,184
Evgenij Iorich ⁽³⁾	10,680	N/A	72,562	N/A	N/A	-	83,242
Sebastian Kulczyk ⁽⁴⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Comprised of Stock Options issued pursuant to the Company's Stock Option Plan. All Stock Options vest 1/3 upon grant and 1/3 annually for each of the two subsequent years following the grant. The value of the Stock Options is based on the grant date fair value of the Stock Options using the Black-Scholes method, calculated in accordance with IFRS 2 Share-based payments, as follows:

	Year ended December 31, 2013
Weighted average fair value per Stock Option	\$1.99
Exercise Price	\$3.89
Volatility	65.9%
Interest rate	1.49%
Expected life (years)	4
Forfeiture rate	3.33%
Dividends	Nil

On June 24, 2013, the Company consolidated its Serinus Shares on the basis of one post-Consolidation Serinus Share for every ten pre-Consolidation Serinus Shares. The weighted average fair value per Stock Option and exercise price outlined in the table above are on a post-Consolidation basis. Pursuant to the terms of the Stock Option Plan, appropriate adjustments in the number of Serinus Shares optioned and in the option price per Serinus Share regarding Stock Options granted or to be granted may be made by the Compensation & Corporate Governance Committee in its discretion to give effect to adjustments in the number of Serinus Shares of the Company resulting subsequent to the approval of the Stock Option Plan from consolidations of Serinus Shares.

- (2) Consistent with the presentation used elsewhere in this Prospectus, fees are reported in U.S. dollars. However fees are earned by and paid to directors in Canadian dollars. The currency exchange rate used to translate the compensation from Canadian dollars into U.S. dollars is 0.9710 being the average rate for 2013 per the Bank of Canada
- (3) Mr. Libin and Mr. Iorich joined the board of directors on June 24, 2013.
- (4) Mr Sebastian Kulczyk joined board of directors on May 14, 2014.

The following table summarizes the compensation paid, payable, awarded or granted to each of the non-executive directors of the Corporation for the year ended December 31, 2012.

Name and principal position	Fees Earned	Share-based awards	Stock Option-based awards ⁽¹⁾	Non-equity incentive plan compensation		Pension value	All other compensation	Total compensation
	(\$)	(\$)	(\$)	Annual incentive plans (\$)	Long term incentive plans (\$)	(\$)		(\$)
Gary R. King	33,000	N/A	19,457	N/A	N/A	N/A	-	52,457
Jan J. Kulczyk ⁽²⁾	5,000	N/A	27,235	N/A	N/A	N/A	-	32,235
Manoj N. Madnani	21,000	N/A	27,235	N/A	N/A	N/A	-	48,235
Michael A. McVea	38,000	N/A	62,872	N/A	N/A	N/A	-	100,872
Dariusz Mioduski	20,000	N/A	27,235	N/A	N/A	N/A	-	47,235
Stephen C. Akerfeldt	29,000	N/A	49,551	N/A	N/A	N/A	-	78,551
Helmut J. Langanger	25,000	N/A	48,643	N/A	N/A	N/A	-	73,643
Bruce Libin ⁽³⁾	N/A	N/A	N/A	N/A	N/A	N/A		N/A
Evgenij Iorich ⁽³⁾	N/A	N/A	N/A	N/A	N/A	N/A		N/A
Sebastian	N/A	N/A	N/A	N/A	N/A	N/A	-	N/A

Kulczyk⁽⁴⁾

Notes:

- (1) The weighted average fair value of the options granted and the assumptions used in the Black-Scholes option pricing, calculated in accordance with IFRS 2 Share-based payments, are as follows:

	Year ended
	December 31, 2012
Weighted average fair value per Stock Option	\$0.27
Exercise Price	\$0.44
Volatility	90.5%
Interest rate	1.23%
Expected life (years)	4
Forfeiture rate	3.33%
Dividends	Nil

- (2) Dr. Kulczyk retired from the board of directors effective May 12, 2012.
- (3) Messrs. Libin and Iorich joined the Board of Directors effective June 24, 2013 with the close of the Winstar Acquisition.
- (4) Sebastian Kulczyk joined board of directors on May 14, 2014.

The following table summarizes the compensation paid, payable, awarded or granted to each of the non-executive directors of the Corporation for the year ended December 31, 2011.

Name and principal position	Fees Earned	Share-based awards	Stock Option-based awards⁽¹⁾	Non-equity incentive plan compensation	Pension value	All other compensation	Total compensation
	(\$)	(\$)	(\$)		(\$)		(\$)
Gary R. King	27.307	N/A	31.744	N/A	N/A	-	59.051
Jan J. Kulczyk	12.136	N/A	165.273	N/A	N/A	-	177.409
Manoj N. Madnani	22.250	N/A	88.155	N/A	N/A	-	110.405
Michael A. McVea	30.342	N/A	26.688	N/A	N/A	-	57.030
Dariusz Mioduski	18.205	N/A	102.061	N/A	N/A	-	120.266
Stephen C. Akerfeldt	18.205	N/A	135.283	N/A	N/A	-	153.488
Helmut J. Langanger ⁽²⁾	2.022	N/A	35.113	N/A	N/A	-	37.135

Stuart B. Smith ⁽³⁾	5.060	N/A	Nie dotyczy	N/A	N/A	-	5.060
--------------------------------	-------	-----	-------------	-----	-----	---	-------

- (1) The weighted average fair value of the options granted and the assumptions used in the Black-Scholes option pricing, calculated in accordance with IFRS 2 Share-based payments, are as follows:

	Year ended December 31, 2011
Weighted average fair value per Stock Option	\$0.41
Exercise Price	\$0.46
Volatility	65.80%
Interest rate	2.53%
Expected life (years)	4
Forfeiture rate	3.33%
Dividends	Nil

- (2) Helmut J. Langanger joined Board of Directors on 9 November 2011.
- (3) Stuart B. Smith retired from the Board of Directors effective 15 March 2011.

Incentive Plan Awards

The Company has in place the Stock Option Plan providing for the granting of Stock Options to directors, officers, employees and consultants of the Company and its affiliates. For more information relating to the Stock Option Plan see Section 17 of this Prospectus “*Employees*” in Subsection 17.2. “*Shareholdings and stock options*”.

Termination of Employment and Change of Control Arrangements

Employment Agreements

Six of the Executive Officers (Timothy Elliott, Norman Holton, Jock Graham, Tracy Heck, Alec Silenzi and Jakub Korczak) have entered executive employment agreements with the Company or its wholly-owned Subsidiaries. One other Executive Officer (Edwin Beaman) has not entered into an executive employment agreement with the Company and his employment with the Company is governed by Alberta statutory and common law.

Timothy Elliott, President and Chief Executive Officer and Jock Graham, Executive Vice President and Chief Operating Officer of the Company, both of whom are based in Dubai, United Arab Emirates, have executive employment agreements with Kulczyk Oil Ventures Limited, a wholly-owned subsidiary of the Company, which provide for compensation in the event of termination of employment from the Company without lawful cause. Tracy Heck, Chief Financial Officer of the Company, Norm Holton, the Vice Chairman of the Board of Directors, Alec Silenzi, General Counsel, Vice President Legal and Corporate Secretary, and Jakub Korczak, the Vice President Investor Relations and Managing Director CEE each have an executive employment agreement directly with the Company.

Under the termination provisions of the contracts of Mr. Elliott, Mr. Holton and Mr. Graham, each would, if terminated without cause or constructively dismissed, be entitled to receive a settlement payment equal to the sum of 18 months of base salary plus 150% of the bonus received by the executive in the previous year; and the pro-rata portion of the current year’s bonus calculated to the termination date (based on the previous year’s bonus payment). Furthermore, the executive will be

entitled to continue in the benefit plans of the Company for 18 months from the termination date. If the benefit plans cannot be extended, the Company will pay to the executive the cost of the Company's premiums for 18 months in lieu of participation in the Company's benefit plans.

Under the termination provisions of the contract of Mr. Silenzi would, if terminated without cause or constructively dismissed, be entitled to receive a settlement payment equal to the sum of 12 months of base salary, plus accrued but unused vacation to the date of termination and to continue in the benefit program of the Company for 12 months from the termination date. If the benefit plans cannot be extended, the Company will pay to Mr. Silenzi the cost of the Company's premiums for 12 months in lieu of participation in the Company's benefit plans. Under the termination provisions of the contract of Mr. Korczak, his contract can be terminated in accordance with the Polish Labour Code with the notice period being extended by 6 months.

The employment contracts for the executives referred to above do not provide any termination benefits arising from a change in control of the Company.

Except as disclosed above, as at the date of this Prospectus, the Company and its subsidiaries have not entered into any agreements with executives providing for benefits upon a termination of such agreement.

Stock Options

Stock Options granted to the executives terminate immediately upon termination for cause. Unexercised Stock Options remaining in the event of termination other than as stated above may be exercised within the lesser of 90 days (six months in the case of the death of the optionee) following termination of employment or prior to expiry of the Stock Option exercise period.

Estimated Termination Payment and Benefits

The following table sets out the estimated incremental payments and benefits payable to each of the executives at the time of, following, or in connection with, an involuntary or constructive termination. The table below assumes that the triggering event giving rise to the incremental payment took place on the last business day of the Company's most recently completed financial year ended on December 31, 2013.

Name and Principal Position	Months of Base Salary	Accrued but Unused Vacation	Plus		Months of Benefits Paid	Total Compensation
			Multiple of Bonus ⁽¹⁾	Pro-Rata Portion of Current Year Bonus to Termination Date		
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Timothy M. Elliott <i>President and Chief Executive Officer</i>	702,000	-	702,000	-	38,882	1,442,882
Paul H. Rose <i>Chief Financial Officer⁽²⁾</i>	N/A	N/A	N/A	N/A	N/A	N/A

Trent Rehill <i>President Winstar Tunisia B.V.⁽³⁾</i>	320,415	-	-	-	16,013	336,428
Jock M. Graham <i>Executive Vice President</i>	540,000	-	540,000	-	39,390	1,119,390
Norman W. Holton <i>Vice Chairman</i>	419,452	-	419,452	-	8,403	847,307

Notes:

- (1) In the case of Mr. Elliott, Mr. Graham and Mr Holton, the multiple of bonus is as defined in their employment contracts.
- (2) Mr. Rose retired as Chief Financial Officer effective December 31, 2013. Mr. Rose will continue his relationship with Serinus in a consulting role to assist as required. Ms. Tracy Heck was appointed Chief Financial Officer effective January 1, 2014.
- (3) Dr. Rehill was Vice President, Geosciences during the first part of 2013 prior to being appointed as President of Winstar Tunisia B.V. on October 31, 2013.

The Executive Officers' employment contracts do not provide for payments or benefits in connection with a voluntary termination, resignation or retirement.

Retirement Plans

The Company has no formal pension, retirement or other long-term incentive compensation plan in place for directors, officers or employees.

16. BOARD PRACTICES

In relation to the issuer's last completed financial year, and unless otherwise specified, with respect to those persons referred to in point (a) of the first subparagraph of 14.1:

16.1. Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office.

Each of Directors was elected or appointed to perform the function until the next Annual Meeting of Shareholders or until the election or appointment of a successor, subject to the provisions of the Articles and Regulations of the Company.

Director	Director since	Date of last appointment
Timothy M. Elliott	April 10, 2001	May 14, 2014
Norman W. Holton	July 30, 1993	May 14, 2014
Gary R. King	October 25, 2007	May 14, 2014
Manoj N. Madnani	October 25, 2007	May 14, 2014
Michael A. McVea	February 10, 2006	May 14, 2014
Stephen C. Akerfeldt	March 16, 2011	May 14, 2014
Helmut J. Langanger	November 9, 2011	May 14, 2014
Bruce Libin ⁽¹⁾	June 24, 2013	May 24, 2013
Evgenij Iorich	June 24, 2013	May 14, 2014
Sebastian Kulczyk	May 14, 2014	May 14, 2014
Dariusz Mioduski ⁽²⁾	December 10, 2008	June 20, 2013

Notes:

- (1) Bruce Libin retired from Board of Directors on May 14, 2014
- (2) Dariusz Mioduski retired from Board of Directors on May 14, 2014 and was replaced by Sebastian Kulczyk (Director since May 14, 2014, date of last appointment May 14, 2014)

For further details with respect to the election of directors and the term of office of directors, see Section 27 of this Prospectus “*Information Concerning the Securities to be Admitted to Trading*” in Subsection 27.2.1. “*Description of Alberta Corporate and Securities Law*” in the part *Board of Directors - Procedure for Election, Removal and Filling of Vacancy of Directors*.

16.2. Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement.

Timothy Elliott, President and Chief Executive Officer and Jock Graham, Executive Vice President of the Company, both of whom are based in Dubai, United Arab Emirates, have executive employment agreements with Kulczyk Oil Ventures Limited, a wholly-owned subsidiary of the Company, which provide for compensation in the event of termination of employment from the Company without lawful cause. Under the termination provisions of the contracts of Mr. Elliott and Mr. Graham, each would, if terminated without cause or constructively dismissed, be entitled to receive a settlement payment equal to the sum of 18 months of base salary plus 150% of the bonus received by the

executive in the previous year; and the pro-rata portion of the current year's bonus calculated to the termination date (based on the previous year's bonus payment). Furthermore, the member of the executive will be entitled to continue in the benefit plans of the Company for 18 months from the termination date. If the benefit plans cannot be extended, the Company will pay to the executive the cost of the Company's premiums for 18 months in lieu of participation in the Company's benefit plans.

Norman Holton, Vice Chairman of the Company, based in Calgary, Alberta, Canada has an executive employment agreement with the Company which provides for compensation in the event of termination of employment from the Company without lawful cause. Under the termination provisions of the contract, Mr. Holton would, if terminated without cause or constructively dismissed, be entitled to receive a settlement payment equal to the sum of 18 months of base salary plus 150% of the bonus received by the executive in the previous year; and the pro-rata portion of the current year's bonus calculated to the termination date (based on the previous year's bonus payment). Furthermore, the executive will be entitled to continue in the benefit plans of the Company for 18 months from the termination date. If the benefit plans cannot be extended, the Company will pay to the executive the cost of the Company's premiums for 18 months in lieu of participation in the Company's benefit plans.

Until October 31, 2013, Trent Rehill, President Winstar Tunisia B.V., had an employment agreement with the Company which provided for compensation in the event of termination of employment from the Company without lawful cause. Under the termination provision of the contract, Dr. Rehill, if terminated without cause or constructively dismissed, would have been entitled to receive a settlement payment equal to the sum of 12 months of base salary. Furthermore, Mr. Rehill would have been entitled to continue in the benefit plans of the Company for 12 months from the termination date. If the benefit plans could not have been extended, the Company would have to pay to the executive the cost of the Company's premiums for 12 months in lieu of participation in the Company's benefit plans. However, since Trent Rehill retired, the provisions of his contract related to possible termination scenarios and associated payments are no longer capable of being triggered.

The employment contracts for the executives referred to above do not provide any termination benefits arising from a change in control of the Company.

Paul Rose, Chief Financial Officer of the Company until December 31, 2013 (the most recently completed financial year), had an executive employment agreement directly with the Company which terminated (other than certain continuing provisions related to confidentiality and dispute resolution) as a result of Mr. Rose's retirement on December 31, 2013. As such, provisions in Mr. Rose's contract related to possible termination scenarios and payments associated therewith are no longer capable of being triggered. Mr. Rose's employment contract did not provide for any payments or benefits in connection with his voluntary retirement.

Except as disclosed above, for the year ended 2013, the Company and its subsidiaries have not entered into any agreements with any other Executive Officer providing for benefits upon a termination of such agreement.

16.3. Information about the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates.

Audit Committee

The Audit Committee is currently comprised of the following three directors: Gary R. King, Michael A. McVea and Stephan C. Akerfeldt

Michael A. McVea is the chairman of the Audit Committee.

Each of the members is "financially literate".

Compensation and Corporate Governance Committee (C&CG)

The C&CG Committee is currently comprised of the following three directors: Michael A. McVea, Gary R. King and Manoj N. Madnani.

Mr. King is the chairman of the C&CG Committee.

Reserves Committee

The Reserves Committee is comprised of the following two directors: Gary R. King, and Helmut Langanger.

Helmut Langanger is the chairman of the Reserves Committee.

For further information concerning terms of reference under which the committee operates please see Subsection 21.2.2. *"A summary of any provisions of the issuer's articles of association, statutes, charter or bylaws with respect to the members of the administrative, management and supervisory bodies"* of Section 21 *"Additional Information"* of this Prospectus.

Independent members of the respective committees

Five of the Company's nine directors, being Mr. Akerfeldt, Mr. Iorich, Mr. King, Mr. Langanger and Mr. McVea, are "independent" in accordance with the Independence criteria referred to in the Canadian Corporate Governance Rules described in Subsection 16.4. "A statement as to whether or not the issuer complies with its country of incorporation corporate governance regime(s). In the event that the issuer does not comply with such a regime, a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime" below. Four of these Directors (Mr. Akerfeldt, Mr. King, Mr. Langanger and Mr. McVea) are members of the respective committees mentioned above.

16.4. A statement as to whether or not the issuer complies with its country's of incorporation corporate governance regime(s). In the event that the issuer does not comply with such a regime, a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime.

The Company has established corporate governance practices and procedures appropriate for a publicly listed company and complies with relevant Canadian corporate governance laws and with relevant Canadian corporate governance standards to the extent that the Directors reasonably consider appropriate for a company of Issuer's size and type.

Code of business conduct and ethics

Doing business in international developing markets brings with it inherent risks associated with fraud, bribery and corruption. The Company has due diligence procedures when entering into agreements with new agents for ensuring compliance with applicable anti-corruption legislation.

The Board has adopted a code of business conduct and ethics (“**Code**”) for its Directors, officers and employees which is designed to provide guidance on the conduct of the Company’s business in accordance with high ethical standards.

The Code provides that certain personnel of the Company may be asked to certify their review of, and compliance with, the Code from time to time.

The Board has also adopted an Anti-Corruption Compliance Policy (the “**Policy**”) that specifically addresses compliance with applicable anti-corruption legislation and contains relevant procedures to ensure compliance.

The Code and the Policy are available on the Issuer’s website www.serinusenergy.com.

In addition, the Board believes that the fiduciary duties placed on individual Directors by the Company’s governing corporate legislation, the common law and the restrictions placed by applicable corporate and securities legislation on an individual Director’s participation in decisions of the Board in which the Director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Requirements related to the admission of securities to trading on a regulated market in Poland

As the Common Shares of the Company admitted to trading on a regulated market organised by the WSE, the Company shall make efforts to comply with the Polish recommendations of corporate governance contained in the attachments to Resolution no. 19/1307/2012 dated November 21, 2012 by the WSE Council (“**Code of Best Practice**”).

The Code of Best Practice applies to companies listed on the WSE, irrespective of whether such companies are incorporated in Poland or outside of Poland. The Code of Best Practice comprises general principles and best practice provisions relating to the companies as well as their management boards, supervisory boards and shareholders. Although compliance with the Code of Best Practice itself is voluntary, the current and the annual justification of non-compliance or partial non-compliance with the provisions of the Code of Best Practice is a duty of every company listed on the WSE. Moreover it is market standard for WSE listed companies to comply with most of the provisions of the Code of Best Practice.

Current summary on application of the principles of corporate governance in the Company in scope of Good Practices was published on 20 March 2014 as an appendix to consolidated annual report 2013 titled: “Report on the application of the principles of corporate governance in the Company”. Pursuant to article 28 of Regulation 809/2004 the text of this report is hereby incorporated by reference as an annex to the consolidated annual report 2013 published on 20 March 2014.

Pursuant to the Ordinance of the Polish Minister of Finance of February 19, 2009 regarding current and periodic information to be submitted by issuers of securities (Dz. U. of 2009, No. 33, item 259) (“**Polish Disclosure Regulation**”), companies, for which Poland is a mother country and whose securities are admitted to trading on the official list, shall submit as a separate part of the annual reports on the issuers activities (submitted as part of individual annual reports) and annual reports on the activities of their capital groups (submitted within the consolidated annual reports) a statement on corporate governance compliance. It includes *inter alia* indication of the set of corporate governance rules of the issuer and to the extent to which the issuer has withdrawn from provisions of the set of corporate governance rules, indication of these provisions and explanation of reasons for the withdrawal therefrom. Simultaneously the WSE By-laws impose on the companies listed on the WSE an obligation to prepare annual reports on application of corporate governance rules by the companies,

within the scope of corporate governance rules. As an equivalent to providing the report to the WSE, shall be deemed providing by the issuer an annual report, in accordance with the provisions of the above mentioned Regulation, provided that, the issuer included in the annual report (as well as the consolidated annual report) all required information.

Furthermore, pursuant to the WSE regulations, each company listed on the WSE is required to provide (via ESPI system and on the official website of the issuer) current report, in the case of permanent or incidental breach any of the terms of part II - IV of Code of Good Practice (i.e. part governing good practice in relation to the management, supervisory boards and shareholders). Such a report should be submitted immediately after such incident occur and shall include (beside indication which principle is not observed) indication of the circumstances and reasons for non-compliance of the rules and how the issuer intends to remove the possible effects of the rules non-compliance or what steps it intends to take to reduce the risk of not-complying with such rule in the future.

Certain of the Code of Good Practice rules apply to the Company only to the extent permitted by Alberta law and to the extent resulting from the Company's corporate structure. In particular, the Company does not have two separate governing bodies (a supervisory board and a management board) which are obligatory in Polish joint stock companies. Accordingly, the Company applies Code of Good Practice rules which refer to the supervisory and management boards not directly, but generally, in seeking to comply with keynotes expressed therein. The Board, comprised of both outside (i.e., independent or non-executive) and inside (i.e., executive) directors, performs at the same time, the combined roles of a supervisory board and a management board of a Polish joint stock company, acting both, as the supervisory and control authority of the Company. Generally, officers of an Alberta corporation who are appointed by the board of directors of the corporation, may be treated as the management authority of the corporation. They, however, should not be equated with a management board within the meaning of Polish law. Officers of an Alberta corporation are individual managers of the corporation and do not make any decisions collectively. The overall supervision of the management of the Company's business is vested in the Board and the President acting at the same time as the CEO of the Company to whom the Board has delegated responsibility for the day-to-day management of the Company other than in relation to certain matters specifically reserved to the competence of the Board by the ABCA. The President & CEO is supported by the Executive Officers in the performance of the day-to-day management of the Company.

Relevant Canadian Corporate Governance Rules

Pursuant to Canadian securities laws applicable to the Company, the Company is required to include prescribed corporate governance disclosure in its information circular. The content of corporate governance disclosure is prescribed by National Instrument 58-101 Disclosure of Corporate Governance Practices and related forms and policies, and includes information about directors' independence, disclosure of the text of the board of directors' mandate, or if none, how the board delineates roles and responsibilities, position descriptions, orientation and continuing education for directors, ethical business conduct and the applicable written code, the process of nominating directors, the process of determining compensation, additional standing committees, and assessments of board committees and individual directors. Additional corporate governance disclosure related to executive compensation (both qualitative and quantitative) is required under Form 51-102F6 Statement of Executive Compensation. Detailed disclosure regarding the Company's actual corporate governance practices, pursuant to article Regulation 809/2004 is hereby incorporated by reference as disclosed as an annex in the current report no. 16/2014 dated 17 April 2014 – Notice of Meeting of

Shareholders and Information Memorandum of May 16, 2014, pp. 38-42) published on the Issuer's website www.serinusenergy.com in Polish language version.

The TSX generally does not impose its own corporate governance disclosure requirements on companies which securities are listed on the TSX. Instead, rule 472 of the TSX Company Manual reiterates the disclosure requirements contained in mentioned National Instrument 58-101 Disclosure of Corporate Governance Practices. The TSX does require companies, which securities are listed on the TSX, subject to the exception listed below, to adopt a majority voting policy, which, among other things, provide that a director must immediately tender his or her resignation to the board of directors if he or she is not elected by at least a majority of the votes cast with respect to his or her election. Companies which are majority controlled, meaning one company owns or controls, directly or indirectly, voting securities carrying 50% or more of the voting rights for the election of directors, are not required to adopt a majority voting policy. As Serinus is majority controlled it has not adopted a majority voting policy.

Finally, the Canadian Securities Administrators, which is an organization made up of securities regulators from each of the 10 provinces and 3 territories in Canada, has issued National Policy 58-201 Corporate Governance Guidelines, which contains corporate governance guidelines on the composition of the board, meetings of independent directors, the mandate of the board of directors, position descriptions for certain positions on the board of directors and the chief executive officer, director orientation and continuing education, a code of business conduct and ethics, nomination of directors, the board's compensation committee, and regular assessments of board effectiveness. National Policy 58-201 Corporate Governance Guidelines are guidelines, not rules, and as such strict compliance with the provisions of National Policy 58-201 is not required.

For further information please see Section 27 "Information Concerning Securities to be Admitted to Trading" in Subsection 27.2.4.1. "Continuous Disclosure Requirements under Applicable Canadian Securities Laws" in the part "Cases of Non-Compliance with the Code of Best Practices".

Independence criteria referred to in the Canadian Corporate Governance Rules

The definition of independence most commonly used in Canadian securities regulation is found in sections 1.4 and 1.5 of National Instrument 52-110 Audit Committees. Basically the definition refers to the criteria of the existence of material relationship with the issuer i.e. a relationship which could be reasonably expected to interfere with the exercise of a given member's independent judgement. In particular the following individuals are considered to have a material relationship with an issuer: (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer; (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer; (c) an individual who: (i) is a partner of a firm that is the issuer's internal or external auditor, (ii) is an employee of that firm, or (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time; (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual: (i) is a partner of a firm that is the issuer's internal or external auditor, (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time; (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and (f) an individual who received, or whose immediate family member who is employed as an executive officer

of the issuer received, more than C\$75,000 in direct compensation from the issuer during any 12 month period within the last three years. In addition an individual who (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or (b) is an affiliated entity of the issuer or any of its subsidiary entities, is considered to have a material relationship with the issuer.

There are no specific requirements in Canada regarding how many members of the board of directors (in total) must be independent. All of the members of the audit committee must be independent, subject to exceptions for (i) initial public offerings, (ii) controlled companies, (iii) events outside the control of audit committee members, (iv) death, disability or resignation of audit committee members, and (v) temporary exemptions for limited and exceptional circumstances. Serinus is not currently using any of the exemptions regarding independence of audit committee members.

National Policy 58-201 Corporate Governance Guidelines, referred to in the general description of “Relevant Canadian Corporate Governance Rules” above, contains corporate governance guidelines related to the independence of directors. National Policy 58-201 Corporate Governance Guidelines are guidelines, not rules, and as such strict compliance with the provisions of National Policy 58-201 is not required. In particular:

- (i) National Policy 58-201 Corporate Governance Guidelines suggests that the board of directors should have a majority of independent directors. Serinus is currently following this guideline, as five of the nine Directors are independent, within the definition outlined above.
- (ii) National Policy 58-201 also suggests that the chair of the board of directors should be an independent director. Serinus is currently following this guideline, as Helmut Langanger, one of the independent Directors, is chair of the Board of Directors.
- (iii) National Policy 58-201 suggests that the independent directors should hold regularly scheduled meetings at which the non-independent directors and members of management are not in attendance. Serinus is currently following this guideline, as (i) at the Board level, open and candid discussion of the independent Directors is facilitated through regularly scheduled in-camera sessions at which non-independent Directors and members of management are not in attendance, and (ii) for each committee on which the independent Directors sit, they hold regularly scheduled in-camera sessions at which non-independent Directors and members of management are not in attendance.
- (iv) National Policy 58-201 suggests that a corporate governance committee should have a majority of independent directors, with the remaining members being “non-management” directors. Serinus is currently following this guideline, as the Compensation and Corporate Governance Committee is composed of two independent Directors and one Director who is independent of management.
- (v) National Policy 58-201 suggests that the board of directors should appoint a nominating committee composed entirely of independent directors. Serinus is currently following the spirit of this guideline, as the Compensation and Corporate Governance Committee, which is responsible for nominating new Directors, is composed of two independent Directors and one Director who is independent of management (but is not considered independent based

on the definition above because of his employment relationship with Kulczyk Investments S.A.).

- (vi) Finally, National Policy 58-201 suggests that the board of directors should appoint a compensation committee composed entirely of independent directors. Serinus is currently following the spirit of this guideline, as the Compensation and Corporate Governance Committee, which is responsible for nominating Directors, is composed of two independent Directors and one director who is independent of management (but is not considered independent based on the definition above because of his employment relationship with Kulczyk Investments S.A.).

Insider trading policy

The Company has adopted a policy and procedures governing insider trading for the Directors, Executive Officers and employees (as well as certain other relevant persons).

This insider trading policy or share dealing code was first adopted by the Board on 12 November 2009 and amended on 10 November 2010.

Disclosure policy

The Company has adopted a disclosure policy for Directors, executives and employees to ensure that communications to Shareholders and the investing public in relation to material information and insider information relating to the Company are timely, fair and accurate and broadly disseminated in accordance with all applicable legal and regulatory requirements.

The objectives of the disclosure policy are to:

- (i) provide a single set of rules and procedures by which the employees of Issuer can assist the Issuer in providing timely, fair and accurate public disclosure of all material information in accordance with applicable legal and regulatory requirements in order to keep the shareholders of the Issuer and the investing public appropriately informed about the affairs of the Issuer and the business and affairs of those entities in which the Issuer invests;
- (ii) assist the Chief Executive Officer and the Chief Financial Officer in providing their annual and interim disclosure control certifications required under applicable Canadian securities regulation; and
- (iii) assist Issuer and its directors, officers and influential persons to establish a reasonable investigation defence against potential liability for:
 - misrepresentations contained in Issuer's public disclosure; or
 - for failure to make timely disclosure of a material change (as defined in the policy); and
- (iv) avoid improper conduct, or the appearance of improper conduct, on the part of anyone employed or associated with Issuer with respect to the foregoing matters.

The disclosure policy confirms in writing Serinus's existing disclosure policies and practices and provides guidelines concerning electronic communications. It also provides for: application of the policy; consequences for non-compliance; designated spokespeople for Issuer; principles of disclosure of material information and forward looking information; procedures for disclosure; audit committee board and other committees; and specific considerations, including news releases, rumours, trading

restrictions, blackouts and quiet periods, contacts with analysts, investors and media, analysts reports, electronic communications and confidentiality.

17. EMPLOYEES

- 17.1. Either the number of employees at the end of the period or the average for each financial year for the period covered by the historical financial information up to the date of the registration document (and changes in such numbers, if material) and, if possible and material, a breakdown of persons employed by main category of activity and geographic location. If the issuer employs a significant number of temporary employees, include disclosure of the number of temporary employees on average during the most recent financial year.**

As at the date of the Prospectus the Issuer had a total of 643 employees which includes direct employees and indirect employees employed directly by the Issuer's subsidiaries. There were 40 direct employees in its offices in Calgary (26), Dubai (4), Warsaw (4) and Brunei (6), with an additional 459 staff employed directly by KUB-Gas in Ukraine, 141 staff employed directly by Winstar in Tunisia, 2 staff employed directly by Loon Latakia and 1 staff employed by Winstar Satu Mare. Serinus operates indirectly in Ukraine through its indirect 70% owned subsidiary KUB-Gas and in Tunisia, Romania and Hungary through its indirect subsidiaries Winstar Tunisia, Winstar Satu Mare and Winstar Hungary.

As at December 31, 2013 and June 30, 2014, the Issuer's Group's operations on the Syria Assets remained suspended. However, two employees remain on Loon Latakia's payroll. Prior to the suspension of the project and the declaration of force majeure under the Syria Block 9 PSC, Serinus (through its indirectly wholly-owned subsidiary Loon Latakia) operated directly as operator of the Syria Assets. In Brunei, Serinus is the operator of Brunei Block L (through its indirectly wholly-owned subsidiary AED SEA).

The tables below set forth the number of employees of the Issuer and its subsidiaries as at the date of this Prospectus and at the end of the 2013, 2012 and 2011 financial years, as well as a breakdown of the persons employed by category. The Issuer, through its subsidiaries, acts as operator of its assets in Ukraine, Tunisia, Romania, Brunei and Syria. Further, as is typical in the upstream oil and gas industry, the Issuer's Group's exploration, appraisal and development activities on its oil and gas assets are planned by and the conduct of these activities overseen by the Issuer's Group's personnel. However activities such as seismic acquisition, and when they commence, well drilling and completion activities, will be conducted by specialized third-party service companies with equipment and specialized personnel specifically required for the activity in question. Many service companies provide these specialized services to upstream oil and gas companies, and when acting as operator, it is the responsibility of the companies of the Issuer's Group's geological and geophysical, and engineering personnel to properly evaluate and retain the services to be provided by these third-party providers.

Number of Employees as at the Date of the Prospectus

Job Function	Brunei	Calgary Canada	Dubai UAE	Hungary	Romania	Syria	Tunisia	Ukraine	Warsaw Poland	Total
Executive Officers	0	5	2	0	0	0	0	0	1	8
Management	0	0	0	0	0	0	9	24	0	33

Geological and geophysical	1	5	0	0	0	0	1	11	0	18
Engineering	0	3	0	0	0	0	4	15	0	22
In-country operations	0	0	0	0	0	0	98	306	0	404
Finance and administration	5	13	2	0	1	2	29	103	3	158
Total	6	26	4	0	1	2	141	459	4	643

Number of Employees as at December 31, 2013

Job Function	Brunei	Calgary Canada	Dubai UAE	Hungary	Romania	Syria	Tunisia	Ukraine	Warsaw Poland	Total
Executive Officers	0	4	2	0	0	0	0	0	1	7
Management	0	0	0	0	0	0	9	23	0	32
Geological and geophysical	1	5	0	0	0	0	1	10	0	17
Engineering	0	3	0	0	0	0	5	14	0	22
In-country operations	1	0	0	0	0	0	97	310	0	408
Finance and administration	7	13	2	0	1	2	23	107	3	159
Total	9	25	4	0	1	2	135	464	4	644

Number of Employees as at December 31, 2012

Job Function	Brunei	Calgary Canada	Dubai UAE	Hungary	Romania	Syria	Tunisia	Ukraine	Warsaw Poland	Total
Executive Officers	0	5	2	N/A	N/A	0	N/A	0	1	8
Management	0	0	0	N/A	N/A	0	N/A	23	0	23
Geological and geophysical	1	4	0	N/A	N/A	0	N/A	9	0	14

Engineering	0	0	0	N/A	N/A	0	N/A	13	0	13
In-country operations	1	0	0	N/A	N/A	0	N/A	291	0	292
Finance and administration	4	9	2	N/A	N/A	0	N/A	91	2	108
Total	6	18	4	N/A	N/A	0	N/A	427	3	458

Number of Employees as at December 31, 2011

Job Function	Brunei	Calgary Canada	Dubai UAE	Hungary	Romania	Syria	Tunisia	Ukraine	Warsaw Poland	Total
Executive Officers	0	4	2	N/A	N/A	0	N/A	0	1	7
Management	0	0	0	N/A	N/A	0	N/A	21	0	21
Geological and geophysical	0	3	0	N/A	N/A	0	N/A	8	0	11
Engineering	0	0	0	N/A	N/A	0	N/A	11	0	11
In-country operations	0	0	0	N/A	N/A	1	N/A	270	0	271
Finance and administration	0	8	2	N/A	N/A	0	N/A	64	2	76
Total	0	15	4	N/A	N/A	1	N/A	374	3	397

The table below presents information on the number of the Issuer's and the companies of the Issuer's Group's employees broken down by the type of employment contract upon which the employees were employed as at the date of this Prospectus and at the end of the 2013, 2012 and 2011 financial years.

Number of Employees by Type of Employment Contract as the Date of the Prospectus.

Type of Employment	Brunei	Calgary Canada	Dubai UAE	Hungary	Romania	Syria	Tunisia	Ukraine	Warsaw Poland	Total
Employment contract for a specified term	0	23	0	0	1	2	8	10	0	44

Employment contract for an unspecified term	6	3	4	0	0	0	133	449	4	599
---	---	---	---	---	---	---	-----	-----	---	------------

Number of Employees by Type of Employment Contract as at December 31, 2013

Type of Employment	Brunei	Calgary Canada	Dubai UAE	Hungary	Romania	Syria	Tunisia	Ukraine	Warsaw Poland	Total
Employment contract for a specified term	8	21	0	0	1	2	135	15	0	182
Employment contract for an unspecified term	1	4	4	0	0	0	0	449	4	462

Number of Employees by Type of Employment Contract as at December 31, 2012

Type of Employment	Brunei	Calgary Canada	Dubai UAE	Hungary	Romania	Syria	Tunisia	Ukraine	Warsaw Poland	Total
Employment contract for a specified term	5	13	0	N/A	N/A	0	N/A	14	0	32
Employment contract for an unspecified term	1	5	4	N/A	N/A	0	N/A	413	3	426

Number of Employees by Type of Employment Contract as at December 31, 2011

Type of Employment	Brunei	Calgary Canada	Dubai UAE	Hungary	Romania	Syria	Tunisia	Ukraine	Warsaw Poland	Total
Employment contract for a specified term	0	11	0	N/A	N/A	1	N/A	17	0	29
Employment contract for an unspecified term	0	4	4	N/A	N/A	0	N/A	357	3	368

The Issuer does not employ significant number of temporary employees within the meaning of the Polish Act of July 9, 2003 on Employment of temporary employees, and do not retain significant number of employees based on employment contracts for a specified term. Other than as noted for six Executive Officers (for further information please see Section 15 of this Prospectus "*Remuneration and Benefits*" in the part relating to termination of the employment contract and termination benefits arising from a change in control), and for several senior ex-patriate employees in the Company's foreign offices, the Issuer does not utilize formal written employment contracts for its employees. The terms and conditions of employment are regulated in government legislation and remuneration is agreed verbally between the Issuer and the employee.

With the exception of Tunisia, none of the employees of the companies of the Issuer's Group are members of any trade union organizations and there are no collective bargains or similar agreements between the Issuer and its employees as of the date of this Prospectus other than a collective bargaining agreement between KUB-Gas and its employees and a mechanism for dispute resolution which was established in 2013 between Winstar Tunisia and its regional staff and related unions. For more see Section 1 of this Prospectus "*Risk factors*" in Subsection 1.1.18. "*Political Instability in Tunisia*".

The collective agreement between KUB-Gas and its employees (the "**Collective Agreement**") applies to all employees of KUB-GAS and is valid until January 1, 2015. It governs the relationship between KUB-Gas and its employees and is based on the principles of social partnership, mutual responsibilities, the obligation to hold collective negotiations, and equal rights of the parties in making proposals. Under the Collective Agreement, management undertakes to ensure appropriate working conditions, minimize the possibility of downtime, provide the necessary materials and technical resources required to carry out production processes, and to take measures for labour safety as required by law. Management has the authority to bring in and employ specialists from Ukraine and abroad to work under civil contracts. The Collective Agreement, however, will not apply to the employment of such persons. Labour disputes are considered by the commission on labour disputes, which is elected at the general meeting of the work collective among the employees and the Management. The Collective Agreement requires the commission to be made up of an equal number of employees and management.

Some of the Winstar Tunisia's employees in southern Tunisia belong to the Tataouine branch of a national trade union organization in Tunisia named the Union Générale Tunisienne du Travail ("**UGTT**"). The UGTT is Tunisia's largest labour union and represents over 500,000 members across Tunisia (roughly 5% of the population), mainly in the public sector. The UGTT is affiliated with the International Trade Union Confederation and the International Confederation of Arab Trade Unions but is ostensibly independent of any national Tunisian political party or state apparatus. One method of activism available to UGTT is exercising the right to strike, which may be exercised either as a national general strike or as a focussed strike by local workers. Winstar Tunisia experienced production disruptions as a result of the Spring 2012 Strikes and the Winter 2013 Strike, but has not experienced any further strikes since Serinus acquired (through Winstar Tunisia) the Tunisia Assets in June 2013 as part of the Winstar Acquisition. In addition, some of the Winstar Tunisia's employees in southern Tunisia belong to a different union, the Union Tunisienne du Travail.

The Issuer does not retain consultants to provide services on a long-term basis, and will occasionally retain consultants on a short-term basis to provide specific services. Consulting engagements entered into by the Issuer from 2010 and until the date of this Prospectus are not material and are not included in the above tables.

17.2. Shareholdings and stock options

With respect to each person referred to in points (a) and (d) of the first subparagraph of item 14.1. provide information as to their share ownership and any options over such shares in the issuer as of the most recent practicable date.

Share ownership

The following table sets forth the number of Serinus Shares beneficially held or, over which control or direction is exercised, directly or indirectly, by each director, executives and key person of the Issuer as at the date of this Prospectus.

Name	Number of Serinus Shares Owned, Controlled or Directed	Type of Ownership	Percentage of Serinus Shares Issued and Outstanding
Evgenij Iorich ⁽¹⁾	5,883,899	Indirect	7.5%
Timothy Elliott	600,000	Direct	0.76%
Norman Holton	337,791	Direct	0.43%
Jock Graham	146,258	Direct	0.19%
Edwin Beaman	55,610	Direct	0.07%
Manoj Madnani ⁽²⁾	37,568	Direct	0.05%
Gary King	6,750	Direct	0.01%
Michael McVea	10,000	Direct	0.01%
Alec Silzenzi	10,000	Direct	0.01%
Stephen C. Akerfeldt	Nil	N/A	N/A
Jakub Korczak	Nil	N/A	N/A
Helmut Langanger	Nil	N/A	N/A
Sebastian Kulczyk ⁽³⁾	Nil	N/A	N/A
Tracy Heck	Nil	N/A	N/A
Aaron LeBlanc	Nil	N/A	N/A

Notes:

- (1) Held through Pala Assets Holdings of which Evgenij Iorich is one of the ultimate beneficial owners.
- (2) Mr. Madnani holds a senior executive position with KI. KI owns 39,909,606 Serinus Shares. By virtue of his position with KI, Mr. Madnani is deemed to have direction over such Serinus Shares in addition to those Serinus Shares that are shown above.
- (3) Mr. Kulczyk holds a senior executive position with KI. KI owns 39,909,606 Serinus Shares. By virtue of his position with KI, Mr. Kulczyk is deemed to have direction over such Serinus Shares.

None restrictions agreed by the persons referred to in the Subsection 14.1. of this Prospectus on the disposal within a certain period of time of their holdings in the Issuer's securities exist, inter alia no lock-up agreements were concluded.

Stock Option Plan

The Company has in place a stock option plan (the “**Stock Option Plan**”) providing for the granting of Stock Options to directors, officers, employees and consultants of the Company and its affiliates. The purpose of the Stock Option Plan is to afford persons who provide services to the Company, whether as directors, officers, management, employees or otherwise, an opportunity to obtain a proprietary interest in the Company. The Stock Option Plan encourages this by permitting such persons to purchase Serinus Shares of the Company and to aid in attracting as well as retaining and encouraging the continued involvement of such persons with the Company. On December 31, 2012, there were 41,294,000 Stock Options (on a pre-Consolidation basis) to acquire Serinus Share outstanding, representing approximately 7.9% of the Serinus Shares outstanding on a fully diluted basis as of December 31, 2012.

Subsequent to December 31, 2012, 145,000 pre-Consolidation Options were cancelled due to resignations, and 4,000,000 pre-Consolidated Stock Options were granted bringing the total Stock Options outstanding to 45,149,000 on a pre-Consolidation basis or 4,512,400 on a post-Consolidation basis, representing approximately 5.1% of the Serinus Shares outstanding on a fully-diluted basis as of the date of this Prospectus. As at December 31, 2013 there were 7,089,900 options outstanding. Subsequent to December 31, 2013 26,000 options expired. The Company granted 248,000 share purchase options at a weighted average price of \$3.54 per share to certain employees. In addition 18,500 options were exercised at an exercise price of \$2.85 which resulted in the Company issuing 18,500 common shares. The Company also granted a total of 67,000 Canadian denominated stock options to employees at a weighted average exercise price of CAD\$2.86 with 58,000 being granted during the 3 months ended June 30, 2014.

Under the Stock Option Plan, Stock Options may be issued to eligible participants in such numbers as the board of directors may determine. However, the aggregate number of Serinus Shares to be delivered upon the exercise of all Stock Options granted under the Stock Option Plan may not exceed 10% of the outstanding Serinus Shares in any 12-month period at the time of granting of the Stock Options (on a non-diluted basis) and the total number of participants under the Stock Option Plan may not exceed 100 in total. The exercise price of the Stock Options is fixed by the board of directors of the Company at the time of granting of the Stock Option, but shall not be less than the price permitted by any stock exchange on which the Serinus Shares may be listed or other regulatory body having jurisdiction. No financial assistance is provided by the Company to optionees to exercise Stock Options granted pursuant to the Stock Option Plan.

Each grant of Stock Options to an optionee has specific vesting terms which are satisfied by the optionee continuing employment or service to the Company over a specified period of time. Generally, an optionee can exercise 100% of the Stock Options granted after a two year vesting term. Each Stock Option agreement expires five years from the date of grant subject to an extension for the number of days between the date of the delisting of the Serinus Shares from trading on the TSX-V (December 19, 2008) and the date of the listing and admission to trading of the Serinus Shares on the WSE (May 25, 2010).

Outstanding Share-Based Awards and Stock Option-Based Awards as at the date of the Prospectus – Executives

The Serinus Shares were halted from trading on the TSX-V on December 10, 2008, and delisted at the Company’s request on December 19, 2008. The Serinus Shares began trading on the WSE on May 25, 2010. The value of the unexercised in-the-money Stock Options as at December 31, 2012 has been

determined based on the excess of the trading price over the exercise price of such Stock Options. The closing price of the Serinus Shares on the last day of trading prior to the end of the 2012 fiscal year was \$0.42 per pre-Consolidation Serinus Share (PLN 1.31 per pre-Consolidation Serinus Share).

The following table sets forth all awards outstanding as at the date of the Prospectus held by executives, including awards made before the most recently completed year. Grants under the Stock Option Plan are considered to be “option-based awards” under applicable securities laws.

Name	Stock Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised Stock Options	Stock Option exercise price	Stock Option exercise date ⁽¹⁾	Value of unexercised in-the-money Stock Options	Number of share or units of shares that have not vested	Market or payout value of share-based awards that have not vested	Market or payout value of vested share-based awards not paid out or distributed
	(#) ⁽²⁾	(\$) ⁽²⁾⁽³⁾	(D-M-Y)	(\$) ⁽⁴⁾	(#) ⁽²⁾	(\$) ⁽⁴⁾	
Timothy M. Elliott	300,000	6.20	25-May-15	-	-	-	-
<i>President and Chief Executive Officer</i>	170,000	4.00	06-Dec-16	-	-	-	-
	50,000	4.30	13-Aug-17	-	-	-	-
	633,600	4.11	18-Nov-18	-	-	-	-
Paul H. Rose	51,000	4.00	25-May-15	-	-	-	-
<i>Chief Financial Officer</i> ⁽⁵⁾	48,000	4.00	06-Dec-16	-	-	-	-
	35,000	4.11	18-Nov-18	-	-	-	-
Trent Rehill	102,000	4.00	25-May-15	-	-	-	-
<i>President Winstar Tunisia B.V.</i> ⁽⁶⁾	48,000	4.00	6-Dec-16	-	-	-	-
Jock M. Graham	285,000	6.20	25-May-15	-	-	-	-
<i>Executive Vice President</i>	120,000	4.00	06-Dec-16	-	-	-	-
	80,000	4.30	13-Aug-17	-	-	-	-
	518,100	4.11	18-Nov-18	-	-	-	-
Norman W. Holton	285,000	6.20	25-May-15	-	-	-	-
<i>Vice Chairman</i>	120,000	4.00	06-Dec-16	-	-	-	-
	50,000	4.30	13-Aug-17	-	-	-	-
	498,300	4.11	18-Nov-18	-	-	-	-

Edwin A.	48,000	4.00	25-May-15	-	-	-	-
Beaman	39,000	4.00	06-Dec-16	-	-	-	-
<i>Vice President Operations and Engineering</i>							
Tracy Heck	90,000	4.10	1-Aug-2017	-	-	-	-
Chief	9,000	2.85	2-Jul-2018	-	-	-	-
Financial Officer	51,000	3.35	23-Oct-2018	-	-	-	-
Jakub	90,000	4.00	25-May-15	-	-	-	-
Korczak	9,000	4.00	06-Dec-16	-	-	-	-
<i>Vice President Investor Relations and Managing Director CEE</i>							
Alec Silenzi	90,000	3.8	16-Jan-2017	-	-	-	-
<i>General Counsel, Vice President Legal and Corporate Secretary</i>							
Aaron	36,000	4.0	16-Mar-2016	-	-	-	-
LeBlanc	12,000	4.0	6-Dec-2016	-	-	-	-
Vice President	51,000	2.85	2-Jul-2018	-	-	-	-
<i>Exploration</i>							

Notes:

- (1) Reflects the extension of the expiry date granted for the number of days between the date of the delisting of the Shares from trading on the TSX-V (December 19, 2008) and the date of the listing and admission to trading of the Serinus Shares on the WSE (May 25, 2010).
- (2) On June 24, 2013, the Company consolidated its Serinus Shares on the basis of one post-Consolidation Serinus Share for every ten pre-Consolidation Serinus Shares. The number of securities underlying unexercised Stock Options, option exercise price, and number of units that have not vested outlined in the table above are on a post-Consolidation basis. Pursuant to the terms of the Stock Option Plan, appropriate adjustments in the number of Serinus Shares optioned and in the option price per Serinus Share regarding Stock Options granted or to be granted may be made by the Compensation & Corporate Governance Committee in its discretion to give effect to adjustments in the number of Serinus Shares of the Company resulting subsequent to the approval of the Stock Option Plan from consolidations of Serinus Shares.
- (3) In October 2009, the Company adjusted the exercise price of all Stock Options issued and outstanding as of December 10, 2008 to 82% of the previous exercise price to reflect the effect of the implementation of the plan of arrangement in December 2008 to which the Company was a party, and concurrent therewith, changed the currency of the exercise price from Canadian to United States dollars using the exchange rate in effect at September 15, 2009. The Company was not listed on any exchange during 2009.

- (4) Calculated based on the difference between the closing price of the Serinus Shares of \$3.74 on the TSX as at December 31, 2013 (based on a closing price of C\$3.98 per share and a currency exchange rate of 0.9402) and the exercise of the Stock Option multiplied by the number of Serinus Shares underlying the Stock Options.
- (5) Mr. Rose retired as Chief Financial Officer effective December 31, 2013. Mr. Rose will continue his relationship with Serinus in a consulting role to assist as required. Ms. Tracy Heck was appointed Chief Financial Officer effective January 1, 2014.
- (6) Dr. Rehill was Vice President, Geosciences during the first part of 2013 prior to being appointed as President of Winstar Tunisia B.V. on October 31, 2013.

Incentive Plan Awards - Value Vested or Earned During the Most Recently Completed Financial Year

The following table sets forth the value of the awards that vested for each executive under the Stock Option Plan in 2013, as well as non-equity incentive plan compensation earned during the financial year ended December 31, 2013.

	Stock Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year⁽¹⁾ (\$)
Timothy M. Elliott President and Chief Executive Officer	556,013	N/A	468,000
Paul H. Rose Chief Financial Officer ⁽²⁾	57,864	N/A	64,326
Trent Rehill President, Winstar Tunisia ⁽³⁾	35,263	N/A	116,514
Jock M. Graham Executive Vice President	477,153	N/A	360,000
Norman W. Holton Vice Chairman	437,172	N/A	279,635

Notes:

- (1) Represents 2013 bonuses approved by the board of directors in March 2013 based upon the recommendation of the Compensation & Corporate Governance Committee.
- (2) Mr. Rose retired as Chief Financial Officer effective December 31, 2013. Mr. Rose will continue his relationship with Serinus in a consulting role to assist as required. Ms. Tracy Heck was appointed Chief Financial Officer effective January 1, 2014.
- (3) Dr. Rehill was Vice President, Geosciences during the first part of 2013 prior to being appointed as President of Winstar Tunisia B.V. on October 31, 2013.

Outstanding Share-Based Awards and Stock Option-Based Awards as at the date of the Prospectus – Directors

The following table sets forth all awards outstanding as at the date of the Prospectus held by directors, including awards made before the most recently completed year. Awards under the Stock Option Plan are considered “option-based awards” under applicable securities laws.

Name	Stock Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised Stock Options	Stock Option exercise price	Stock Option exercise date ⁽¹⁾	Value of unexercised in-the-money Stock Options	Number of share or units of shares that have not vested	Market or payout value of share-based awards that have not vested	Market or payout value of vested share-based awards not paid out or distributed
	(#) ⁽²⁾	(\$) ⁽²⁾⁽³⁾	(D-M-Y)	(\$) ⁽⁴⁾	(#) ⁽²⁾	(\$) ⁽⁴⁾	
Gary R. King	20,000	4.00	6-Dec-16	-	-	-	-
	100,000	4.11	18-Nov-18	-	-	-	-
Manoj N. Madnani	51,000	6.20	25-May-15	-	-	-	-
	20,000	4.00	6-Dec-16	-	-	-	-
	100,000	4.11	18-Nov-18	-	-	-	-
				-	-	-	-
Michael A. McVea	20,000	4.00	6-Dec-16	-	-	-	-
	30,000	4.30	13-Aug-17	-	-	-	-
	100,000	4.11	18-Nov-18	-	-	-	-
Dariusz Mioduski ⁽⁶⁾	51,000	6.20	25-May-15	-	-	-	-
	20,000	4.00	6-Dec-16	-	-	-	-
	33,334	4.11	18-Nov-18	-	-	-	-
Stephen C. Akerfeldt	51,000	6.00	16-Mar-16	-	-	-	-
	20,000	4.00	6-Dec-16	-	-	-	-
	100,000	4.11	18-Nov-18	-	-	-	-
Helmut J. Langanger	50,000	4.00	6-Dec-16	-	-	-	-
	100,000	4.11	18-Nov-18	-	-	-	-
Bruce Libin ⁽⁵⁾	33,333	4.11	18-Nov-18	-	-	-	-
Evgenij Iorich ⁽⁵⁾	100,000	4.11	18-Nov-18	-	-	-	-
Sebastian Kulczyk ⁽⁷⁾	-	-	-	-	-	-	-

Notes:

- (1) Reflects the extension of the expiry date granted for the number of days between the date of the delisting of the Serinus Shares from trading on the TSX-V (December 19, 2008) and the date of the listing and admission to trading of the Shares on the WSE (May 25, 2010).
- (2) On June 24, 2013, the Company consolidated its Serinus Shares on the basis of one post-Consolidation Serinus Share for every ten pre-Consolidation Serinus Shares. The number of securities underlying unexercised Stock Options, option exercise price, and number of units that have not vested outlined in the table above are on a post-Consolidation basis. Pursuant to the terms of the Stock Option Plan, appropriate

adjustments in the number of Serinus Shares optioned and in the option price per Serinus Share regarding Stock Options granted or to be granted may be made by the Compensation & Corporate Governance Committee in its discretion to give effect to adjustments in the number of Serinus Shares of the Company resulting subsequent to the approval of the Stock Option Plan from Consolidations of Serinus Shares.

- (3) In October 2009, the Company adjusted the exercise price of all Stock Options issued and outstanding as of December 10, 2008 to 82% of the previous exercise price to reflect the effect of the Loon Arrangement, and concurrent therewith, changed the currency of the exercise price from Canadian to United States dollars using the exchange rate in effect at September 15, 2009. The Company was not listed on any exchange during 2009.
- (4) Calculated based on the difference between the closing price of the Serinus Shares of \$3.74 on the TSX as at December 31, 2013 (based on a closing price of C\$3.98 per share and a currency exchange rate of 0.9402) and the exercise price of the Stock Option, multiplied by the number of Serinus Shares underlying the Stock Options.
- (5) Mr. Libin and Mr. Iorich joined the Board of Directors on June 24, 2013. Mr Libin retired on May 14 2014.
- (6) Dariusz Mioduski retired on May 14, 2014.
- (7) Sebastian Kulczyk joined the Board of Directors on May 14, 2014.

Incentive Plan Awards - Value Vested or Earned During the Most Recently Completed Financial Year

During the financial year ended December 31, 2012, 1,100,000 Stock Option based awards (on a pre-Consolidation basis) vested to non-executive directors of the Company and no non-equity incentive plan compensation was paid to non-executive directors of the Corporation. The Stock Options that vested in 2012 had no value based on the share price at date of vesting.

During the financial year ended December 31, 2012 the Company granted 5,190,000 Stock Options on a pre-Consolidation basis at a weighted price of \$0.44 per share to certain directors and to certain employees of Serinus. During the first nine months of 2013, the Company granted the below Stock Options. These Stock Options have a five-year term and vested one-third immediately, and one-third on each of the first and second anniversaries of the grant date. Of the Stock Options granted, 2,100,000 Stock Options on a pre-Consolidation basis were granted to Directors and officers to replace the same number of Stock Options that had expired immediately prior to the granting. The particulars of Stock Options are set out in the following table:

Date of Grant	Number and Type of Securities⁽¹⁾	Issued Exercise Price (\$) ⁽¹⁾
January 16, 2012	930,000 Stock Options	\$0.38
January 20, 2012	250,000 Stock Options	\$0.40
March 12, 2012	120,000 Stock Options	\$0.51
May 1, 2012	530,000 Stock Options	\$0.49
May 7, 2012	180,000 Stock Options	\$0.49
August 1, 2012	900,000 Stock Options	\$0.41
August 13, 2012	2,100,000 Stock Options	\$0.43
September 17, 2012	60,000 Stock Options	\$0.42

November 8, 2012	120,000 Stock Options	\$0.40
July 2, 2013	2,280,000 Stock Options	\$0.28
September 11, 2013	200,000 Stock Options	\$0.31
September 18, 2013	1,520,000 Stock Options	\$0.33
October 23, 2013	75,000 Stock Options	\$3.35
November 18, 2013	2,587,000 Stock Options	\$4.11
Total:	11,852,000 Stock Options	

Notes:

- (1) Both the number of Stock Options granted and the issued exercise price are presented on a pre-Consolidation basis.

17.3. Description of any arrangements for involving the employees in the capital of the issuer.

Other than the Stock Option Plan and related Stock Option awards disclosed above in Subsection 17.2. "Stock Option Plan", there are no other arrangements for involving the Issuer's employees in the share capital of the Issuer.

18. MAJOR SHAREHOLDERS

18.1. *In so far as is known to the issuer, the name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest or, if there are no such persons, an appropriate negative statement.*

The following table sets forth certain information regarding the beneficial ownership of the Issuer's outstanding Serinus Shares as of the date of this Prospectus by each person or group of persons known by the Issuer to beneficially own, or control or direct, directly or indirectly, more than 5% of the issued and outstanding Serinus Shares. According to continuous disclosure obligations under securities law in Poland to which the Issuer is subject to, the disclosure of shareholdings in excess of 5 % is required.

Name	Number of Serinus Shares Owned, Controlled or Directed	Type of Ownership	Percentage of Serinus Shares Issued and Outstanding
Kulczyk Investments S.A. ⁽¹⁾	39,909,606	Direct	50.8%
Luglio Limited	39,909,606	Indirectly	50,8%
Dr Jan Kulczyk	39,909,606	Indirectly	50,8%
Pala Assets Holdings Limited	5,880,484	Direct	7.5%

Notes:

- (1) As a result of an agreement in place between Radwan and KI, KI may also be considered to direct 593,217 Serinus Shares owned by Radwan, representing approximately 0.77% of the issued and outstanding Serinus Shares. KI and Radwan collectively holds 40,503,823 Serinus Shares or approximately 51.5% of the issued and outstanding Serinus Shares. The combined shareholding of KI and Radwan in the Company allows KI to control the outcome of substantially all of the actions taken by the shareholders of the Company, including the election of directors.

To the best of the knowledge of the Issuer, the only shareholders of the Issuer which beneficially own, directly or indirectly, or exercise control or direction over, Serinus Shares carrying more than 5% of the voting rights attached to all of the issued and outstanding Serinus Shares, as of the date of this Prospectus, are those shown in the table above.

To the best knowledge of the Issuer, as at the date of Prospectus there are no agreements between KI, Luglio limited and Dr Jan Kulczyk as one party and Pala Assets Holdings Limited as the other party on exercising voting rights and also these kind of agreements cannot be presumed in the light of article 87 of Polish Offering Act.

18.2. **Whether the issuer's major shareholders have different voting rights, or an appropriate negative statement.**

Pursuant to the constituting documents of the Issuer, each Shareholder is entitled to one vote for every Serinus Share registered in its name. As a Shareholder, KI does not have any different voting rights with respect to the Serinus Shares registered in its name than those Serinus Shares held by the Issuer's other Shareholders.

18.3. To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control and describe the measures in place to ensure that such control is not abused.

As of the date of this Prospectus, 39,909,606 Serinus Shares, representing approximately 50.8% of the issued and outstanding Serinus Shares in the capital of the Company, are held by KI. Dr Jan Kulczyk, formerly the Chairman of the Company's Board of Directors, is the President of the Supervisory Board of KI. Dr. Jan Kulczyk beneficially owns or controls, directly or indirectly, 68.33% of the outstanding shares of KI. Two other directors of the Company, being Manoj Madnani and Sebastian Kulczyk are members of the Management Board of KI.

The shareholding of KI in the Company allows KI to control the outcome of substantially all of the actions taken by the shareholders of the Company, including the election of directors.

As a result of an agreement in place between Radwan and KI dated September 15, 2010, which provides that Radwan will vote any securities it purchases pursuant to such agreement in accordance with the directions of KI, KI may also be considered to direct 593,217 Serinus Shares owned by Radwan, representing approximately 0.77% of the issued and outstanding Serinus Shares. KI and Radwan collectively hold 40,503,823 Serinus Shares or approximately 51.5% of the issued and outstanding Serinus Shares. The combined shareholding of KI and Radwan in the Company allows KI to control the outcome of substantially all of the actions taken by the shareholders of the Company, including the election of directors.

To the extent that the interests of various shareholders of an Alberta corporation may conflict, particularly where one shareholder or identifiable group of shareholders has control of the corporation and others are in a minority position, relief may be available to those in the minority position under the ABCA. The oppression remedy provided for in the ABCA provides the Alberta courts with the power to intervene in the affairs of the corporation at the behest of a complainant where it is necessary to prevent or protect the complainant from, or to stop, oppressive, unfairly prejudicial or similar conduct of the corporation. Generally speaking, the oppression remedy is available against the corporation itself and its insiders.

Pursuant to the ABCA, the oppression remedy is available to minority shareholders, among others, to rectify conduct by directors or other persons having effective control over the corporation that amounts to self-dealing at the expense of the corporation or other shareholders. Under the ABCA, a shareholder of a corporation (including a beneficial shareholder) has the right to apply to the Alberta courts for an order on the grounds that: (a) an act or omission of the corporation or any of its affiliates effects a result; (b) the business or affairs of the corporation or any of its affiliates are or have been carried on or conducted in a manner; or (c) the powers of the directors of the corporation or any of its affiliates are or have been exercised in a manner that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of any shareholder, including the applicant shareholder. On such an application, the Alberta courts may make an order to rectify the matter complained of as it sees fit, including an order restraining the conduct that is the subject of the complaint. For further details with respect to shareholder rights under the ABCA, see: Section 27 of this Prospectus "*Information Concerning Securities to be Admitted to Trading*" in Subsection 27.5. "*A description of the rights attached to the securities, including any limitations of those rights, and procedure for the exercise of those rights*".

Canadian securities laws also offer minority shareholder protection under Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), which affords

such protection in circumstances where a reporting issuer is involved in an insider bid, an issuer bid, a business combination transaction or a related party transaction. Minority shareholders are protected by, among other things, the requirements for a formal valuation to be undertaken by the issuer and “majority of the minority” approval (i.e. approval by a majority of the votes cast by holders of each class of affected securities at a meeting of security holders excluding those votes cast by certain interested parties).

No specific measures have been put in place by the Issuer to ensure that control over the Issuer is not abused by its major shareholder, KI.

18.4. A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer.

As of the date of this Prospectus, there are no transactions or other arrangements involving the Issuer which are likely to result in a change of control of the Issuer to the knowledge of the Issuer’s management. The Issuer continues to evaluate business opportunities, some of which could involve the issuance of Serinus Shares. However, none of these are expected to result in a change of control of the Issuer as of the date of this Prospectus.

In the event of a very dramatic decrease in the market capitalization of the Issuer (which, in the view of management, is unlikely), it is possible that conversion of amounts which may from time to time be outstanding under the Tunisian Loan Facility could result in a change of control of the Issuer. As the number of Serinus Shares issued pursuant such conversion right are dependent both on the amounts outstanding from time to time the Tunisian Loan Facility and on the market price of the Serinus Shares, it is not possible to include in this Prospectus any information on the amount of Serinus Shares which the EBRD may hold in the future are a result of the exercise of such respective conversion rights.

19. RELATED PARTY TRANSACTIONS

Details of related party transactions (which for these purposes are those set out in the Standards adopted according to the Regulation (EC) No 1606/2002), that the issuer has entered into during the period covered by the historical financial information and up to the date of the registration document, must be disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 if applicable.

The Company has entered into related party transactions. The details of all related party transactions (including transactions with subsidiaries and other related parties) executed since January 1, 2011, including the amounts, outstanding receivable and payable balances, if applicable, are described in this chapter 19. The outstanding receivables and payables with the related parties have no fixed terms of repayment, are non-interest bearing and are not secured, except as to the loan from KI which is described further below. No amounts receivable from related parties has been expensed as a bad debt in the last three years and till the Date of the Prospectus. There are no related party transactions executed after July 31, 2014, which are beyond the current operational activity of the Company.

The following is a list of all related parties together with disclosure of the type of relationship:

Dr Jan Kulczyk	ultimate control
Kulczyk Investments S.A.	the parent entity
Pala Assets Holdings	major shareholder
Kulczyk Oil Ventures Limited	subsidiary
Winstar Resources Ltd.	subsidiary
AED South East Asia Limited	subsidiary
Kulczyk Oil Brunei Limited	subsidiary
Loon Latakia Limited	subsidiary
Winstar B.V.	subsidiary
Winstar Tunisia B.V.	subsidiary
Winstar Satu Mare SRL	subsidiary
KUBGAS Holdings Limited	partly-owned subsidiary
KUB-GAS LLC	partly-owned subsidiary
Timothy M. Elliott	Jura Energy Corporation (Toronto Stock Exchange (“TSX”)) – Director Loon Energy Corporation (TSX-V) - Director Nemmoco Petroleum Corporation - Majority owner
Norman W. Holton	Loon Energy Corporation (TSX-V) - Director

Gary R. King	Matrix Partnership - Managing Partner
	Parker Drilling Company (New York Stock Exchange) - Director
	WHL Energy Ltd. (Australian Securities Exchange) - Director
Manoj N. Madnani	Loon Energy Corporation (TSX-V) – Director
	Kulczyk Investments - Managing Director and Director
Michael A. McVea	Loon Energy Corporation (TSX-V) - Director
Stephen C. Akerfeldt	Jura Energy Corporation (TSX) - Director
	Armistice Resources Corp. (TSX) – Director
	Ritz Plastics Inc. - President and Director
Helmut J. Langanger	Schoeller-Bleckmann Oilfield Equipment AG (Vienna Stock Exchange) - Director
	EnQuest plc (London Stock Exchange) – Director
Evgenij Iorich	Pala Investments - Member of the Board
Sebastian Kulczyk	Kulczyk Investments S.A. – CEO
Nemmoco Petroleum Corporation	an entity 37.5% owned by Timothy M. Elliott, an officer and director of the Company
Loon Energy Corporation	an entity related through common directors and officers and the same principal shareholder
Jura Energy Corporation	an entity in which the Issuer owns a non-controlling interest.

The below paragraphs disclose all the related party transactions.

The Issuer's transactions with entities from the Issuer's Group involve only one consolidated entity – KOV Cyprus and refer to inter-company loans and cost charges. All these transactions and outstanding balances were eliminated on consolidation.

The detailed description of transactions with KOV Cyprus is provided further below.

There are no loans outstanding from related parties other than the Issuer's Group.

The related party transactions noted below, with exception of the EBRD Loan Facility guarantee, were entered into by the parent entity. The EBRD Loan Facility guarantee was entered into by a consolidated subsidiary.

Transactions between the Issuer and its related parties other than the Issuer's Group were described below:

- **Transactions with the Shareholder:**
 - **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.

At December 31, 2012 the liability of Issuer under KI Loan, subject to conversion into shares amounts to \$10 million.

- **KI/Radwan Debentures**

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.

- **Transactions with other related parties:**

- **Nemmoco**

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 seven months ended July 31, 2014 the fees totaled \$0.2 million (for the seven months ended July 31, 2013, the fees totaled \$0.4 million). At July 31, 2014 nil was owed to Nemmoco (December 31, 2013 - \$23 thousand).

For the year ended December 31, 2013 the fees totaled \$788,624 (for the year ended December 31, 2012, - \$712,224). At December 31, 2013, \$22,819 was owed to Nemmoco (at December 31, 2012 - \$25,538).

For the year ended December 31, 2012 remuneration totaled \$712,224 (for the year ended December 31, 2011- \$624,780). At December 31, 2012 \$25,538 was owed to Nemmoco (at December 31, 2011 - \$52,065).

For the year ended December 31, 2011 remuneration totaled \$624,780 (for the year ended December 31, 2010 – \$523,032). At December 31, 2011 \$52,065 was owed to Nemmoco (at December 31, 2010 - nil).

- **Loon Energy**

Loon Energy Corporation (“**Loon Energy**”) is a publicly traded Canadian corporation, has no employees. Management and administrative services are provided by the management and staff of Serinus. Serinus and Loon Energy are related as they have five common directors and officers and the same principal shareholder.

For the seven months ended July 31, 2014 these fees totaled \$7 thousand (for the seven months ended July 31, 2013 – \$7 thousand). At July 31, 2014 Loon Energy owed \$7 thousand (at December 31, 2013 – \$nil) to Serinus for these services. Liabilities were settled subsequent to July 31, 2014.

For the year ended December 31, 2013 these fees totaled \$11,654 (for the year ended December 31, 2012 - \$12,605). At December 31, 2013 Loon Energy owed nil (at December 31, 2012 – \$12,605) 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 – \$85,508) for these costs.

For the year ended December 31, 2012 remuneration totaled \$12,605 (for the year ended December 31, 2011- \$12,600). At December 31, 2012 Loon Energy owed to Serinus \$12,605 for provided services (at December 31, 2011 - \$8,400). Certain expenditures of Loon Energy were paid for by Serinus and Loon Energy reimburses Serinus for these expenditures. At December 31, 2012 Loon Energy owed Serinus \$85,508 for these costs.

For the year ended December 31, 2011 remuneration totaled \$12,600 (for the year ended December 31, 2010- \$11,976). At December 31, 2011 Loon Energy owed to Serinus \$8,400 for provided services (at December 31, 2010 - nil). Certain expenditures of Loon Energy were paid for by Serinus and Loon Energy reimburses Serinus for these expenditures. At December 31, 2011 Loon Energy owed Serinus \$35,388 (at December 31, 2010 – nil) for these costs.

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.

- **Jura (financial and accounting services)**

Until Mid-October 2013, the Company provided financial and accounting services to Jura, a public company in which the Company owned 1.1% of the outstanding common shares at December 31, 2013. The services provided included assistance in the preparation of annual and quarterly filings required by a public company, other support and administrative services. In 2013, the Company charged fees and associated costs to Jura totaling \$20,000 (in 2012 – \$56,000). At December 31, 2013, \$nil (at December 31, 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.

Since the second half of October 2013 the Company has not been providing any services to Jura and do not enter into any transactions with it.

In 2012 the Issuer calculated from Jura fees and other costs in the total amount of \$56,317 (in 2011 – \$116,780). At December 31, 2012 balance of outstanding payments from Jura was \$nil (at December 31, 2011 - \$10,299).

For the year ended December 31, 2011 the Issuer calculated from Jura fees and costs in the total amount of \$116,780 (for the year ended December 31, 2010 – \$109,333). At December 31, 2011 balance of outstanding payments from Jura was \$10,299 (at December 31, 2010 - \$2,000).

The above related party transactions were at exchange amounts agreed to by both parties. There were no gratuitous transactions between related parties.

- **Transactions with subsidiaries**

Serinus Energy provides interest-free and unsecured loans to KOV Cyprus financing oil and gas related activities.

During 2011 Serinus granted loans in the amount of \$12,058,376, during 2012 in the amount of \$22,750,493, during 2013 in the amount of \$12,030,120 and during the seven months ended July 31, 2014 in the amount of \$3,625,563.

During 2011 KOV Cyprus repaid loans in the total amount of \$10,634,116, during 2012 in the total amount of \$11,052,752, during 2013 in the total amount of \$7,177,462 and during the seven months ended July 31, 2014 in the total amount of \$15,714,361.

Serinus Energy charges KOV Cyprus for costs of technical experts time (geologists, geophysicists and engineers). These charges increase the KOV Cyprus inter-company loan balance due to Serinus Energy.

During 2011 Serinus Energy charged KOV Cyprus in respect of above mentioned costs in the amount of \$1,003,622, during 2012 in the amount of \$1,255,699, during 2013 in the amount of \$2,266,628 and during the seven months ended July 31, 2014 in the amount of \$2,444,732.

Outstanding balance of receivables due to inter-company loans (including loans balance increases due to technical experts time charges) at July 31, 2014 amounted to \$113,113,685, at December 31, 2013 amounted to \$122,757,751, at December 31, 2012 amounted to \$115,638,465 and at December 31, 2011 amounted to \$102,685,025.

Except for the transactions described in this paragraph, the Company did not carry out any other transactions with subsidiaries during the period covered by the historical financial information and up to the Date of the Prospectus. All of the above transactions and outstanding balances are eliminated on consolidation.

- **Compensation of key management personnel**

The following table sets forth information concerning the total compensation paid by the Serinus Group to the executives for the period from January 1, 2014 to July 31, 2014. There are no contingent or deferred benefits.

Name and principal position	Fees Earned	Non-equity incentive plan compensation	Bonus	Stock option- based awards	Total compensation
	(\$)	(\$)	(\$)	(\$)	(\$)

Norman W. Holton <i>Vice Chairman of the Board of Directors</i>	153,149	-	-	264,451	417,599
Edwin A. Beaman <i>Vice President Operations and Engineering</i>	116,989	-	-	-	116,989
Tracy Heck <i>Chief Financial Officer</i>	128,953	-	-	29,228	158,181
Aaron LeBlanc <i>Vice President Exploration</i>	111,671	-	-	20,778	132,449
Timothy M. Elliott <i>Director President and Chief Executive Officer</i>	273,000	118,560	-	391,783	783,343
Jock M. Graham <i>Executive vice President Chief Executive Officer</i>	210,000	66,993	-	331,339	608,332

The following table summarizes the compensation paid, payable, awarded or granted by Serinus Group to each of the non-executive directors of the Company for the period from January 1, 2014 to July 31, 2014. There are no contingent or deferred benefits.

	Fees Earned	Non-equity incentive plan compensation	Stock option- based awards	Total compensation
Stephen C. Akerfeldt	11,851	-	48,773	60,624
Bruce Libin	9,116	-	30,234	39,350
Michael A. McVea	16,865	-	64,097	80,962
Evgenij Iorich	10,028	-	42,328	52,355
Gary King	16,409	-	46,117	62,526
Helmut Langanger	10,939	-	51,809	62,748
Manoj N. Madnani	13,674	-	46,117	59,791
Dariusz Mioduski	7,293	-	32,941	40,234
Sebastian Kulczyk	3,646	-	-	3,646

Detailed information concerning compensation paid by Serinus Group to key management personnel for the last three financial years ended respectively at December 31, 2013, at December 31, 2012 and at December 31, 2011 is provided in Chapter 15 of this Prospectus – „Remuneration and benefits”.

20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

20.1. Historical Financial Information

Pursuant to Article 28 of the Regulation 809/2004 and due to the fact that the Company is a public company the historical financial information is hereby incorporated by reference as disclosed in:

- Consolidated Financial Statements for the years ended December 31, 2013 and 2012 and independent auditors opinion thereto
<http://investor.serinusenergy.com/file/static/4723/ac/serinus-eng-financial-statements-for-ye-2013-with-auditor-s-report-and-management-responsibility-statement.pdf>
- Consolidated Financial Statements for the years ended December 31, 2012 and 2011 and independent auditors opinion thereto
<http://investor.serinusenergy.com/file/static/2998/64/eng-kov-fs-2012.pdf>

published on the Company's website www.serinusenergy.com.²

The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). As a public company which shares are listed in Canada, the Company is required to apply IFRS issued by the IASB as of 1 January 2010 with retrospective approach, including the preparation of statement of financial position at January 1, 2009 for comparative purposes. Resolution concerning the accounting principles used and their changes is not required by Canadian regulations.

The financial statements and auditor's opinions are prepared in English and have been translated into Polish.

In accordance with National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards, Section 3.2 (1) the Issuer prepares only consolidated financial statements. In accordance with the provisions of Canadian law, the Issuer is not required to prepare stand-alone financial statements and, therefore, has decided to resign from the preparation and publication of stand-alone financial statements. The consolidated financial statements of the Issuer's Group are prepared based on internal accounts of the Issuer and its subsidiaries.

20.2. Pro forma financial information

Not applicable. The Issuer does not prepare pro forma financial information

² The opinion of the independent auditor on the 2011 financial statements included another matter with respect to a material uncertainty that existed at that time that cast doubt about the Company's ability to continue as a going concern. At the time the 2011 financial statements were issued the note payable to KI had yet to be refinanced and settled in common shares and the Company had not yet been able to demonstrate its ability to remove excess cash flow from its operations in Poland. During 2012, the note payable to KI was settled in shares, long-term debt was significantly reduced and excess funds from operations in Poland were repatriated from the country. As a result, the opinion of the independent auditor on the 2012 financial statements did not include and other matter with respect to uncertainty as to the Company's ability to continue as a going concern.

20.3. Financial statements

Pursuant to Article 28 of the Regulation 809/2004 and due to the fact that the Company is a public company the Consolidated Financial Statements are hereby incorporated by reference.

20.4. Auditing of historical annual financial information

Pursuant to Article 28 of the Regulation 809/2004 and due to the fact that the Company is a public company the Auditing Reports of historical annual financial information are hereby incorporated by reference.

20.5. Age of latest financial information

The last year of audited financial information cover the period ended on December 31, 2013. The last interim financial information cover the period of three and six months ended on June 30, 2014.

20.6. Interim and other financial information

The last interim financial information cover the period of six months ended on June 30, 2014 and was reviewed by the independent auditor.

Pursuant to Article 28 of the Regulation 809/2004 and due to the fact that the Company is a public company the interim financial information is hereby incorporated by reference as disclosed in:

- the report entitled “Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2014 and 2013 and independent auditors review report thereto,

published on the Company’s website www.serinusenergy.com at:

<http://investor.serinusenergy.com/file/static/7080/97/serinus-eng-q2-2014-fs.pdf>

20.7. Dividend policy

A description of the issuer’s policy on dividend distributions and any restrictions thereon.

- 20.7.1. The amount of the dividend per share for each financial year for the period covered by the historical financial information adjusted, where the number of shares in the issuer has changed, to make it comparable.*

The Company has not declared or paid any dividends in its three most recently completed financial years, and does not foresee the declaration or payment of any dividends on the Serinus Shares in the near future. Any decision to pay dividends will be made by the Board of Directors on the basis of the Company's earnings, financial requirements and other conditions existing at such future time. Serinus believe its situation with respect to the payment of dividends is consistent with other international oil and gas firms of similar size in a similar state of maturity.

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

For further information please see point 27 of this Prospectus “*Information Concerning Securities to be Admitted to Trading - Description of Alberta Corporate and Securities Law - Dividends*” in section 27.2.1. *Description of Alberta Corporate and Securities Law* of this Prospectus.

20.8. Legal and arbitration proceedings

Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement.

Except as described below, neither Issuer nor companies from its group, is not, as of the date of this Prospectus, involved or, for the 12 months preceding the date of this Prospectus, has been involved, in any governmental, administrative, judicial, legal or arbitration proceedings which might have had or have had significant effects on the Issuer's financial position or profitability and to the knowledge of the Issuer no such proceedings are going to occur.

- On 28 August 2012, in accordance with the Block M PSA, PetroleumBRUNEI demanded payment of a penalty of US\$16,350,000 from the Brunei Block M contracting parties for failure to meet certain minimum work obligations during the Phase 1 and Phase 2 exploration periods. New Sino Oil Company Pty Ltd (which holds 39% share in Brunei Block M PSA and has Block M operator status) is currently disputing both the demand for the penalty and PetroleumBRUNEI's decision not to extend the exploration period. The Group's share of this US\$16,350,000 penalty would be approximately US\$5,886,000. PetroleumBRUNEI has reserved all rights and remedies that may be available to it in connection with this matter and may in the future elect to bring legal proceedings against one or more of the Brunei Block M contracting parties. The claim, if any would be pursued in Brunei, however since 28 August 2012 no further formal actions has been undertaken by PetroleumBRUNEI.

20.9. Significant change in the issuer's financial or trading position

Description of any significant change in the financial or trading position of the group which has occurred since the end of the last financial period for which audited financial or interim financial information information was published, or provide an appropriate negative statement.

In July 2014, the Ukrainian parliament considered and passed Draft Law that would increase royalties on natural gas and condensate production. The new law is still being studied by the Issuer, but based on the best information and interpretation currently available, management estimates that this new royalty regime would result in a decline in its Ukraine after-tax cash flow, and a reduction in its Ukrainian netback. The Issuer will re-evaluate its planned capital program in light of the reduced cash flow available pursuant to this new royalty regime.

For further information please see point 9 *Operating and financial review* section 9.2.3. *Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations* of this Prospectus.

Subsequent to June 30, 2014, the Company made further repayments of \$8 million in final settlement of the Dutco Credit facility and scheduled repayment of \$1.8 million on EBRD Loan Facility.

Subsequent to quarter end, the Company drew the final \$5 million under tranche 1 of the Senior Loan under Tunisia Loan Facility.

Since June 30, 2014 there were no significant change in the financial or trading position of the Group other than described above.

21. ADDITIONAL INFORMATION

21.1. Share Capital

The following information as of the date of the most recent balance sheet included in the historical financial information:

21.1.1. The amount of issued capital, and for each class of share capital:

- (a) the number of shares authorized;*
- (b) the number of shares issued and fully paid and issued but not fully paid;*
- (c) the par value per share, or that the shares have no par value; and*
- (d) a reconciliation of the number of shares outstanding at the beginning and end of the year. If more than 10% of capital has been paid for with assets other than cash within the period covered by the historical financial information, state that fact.*

The Issuer is authorized to issue an unlimited number of common shares (Serinus Shares) without nominal or par value and an unlimited number of Preferred Shares without nominal or par value. As at December 31, 2014 78,611,441 Serinus Shares were issued and outstanding and as at the date of this Prospectus, 78,629,941 Serinus Shares are issued and outstanding. No Preferred Shares are issued and outstanding in the capital of the Issuer. All Serinus Shares are fully paid and there is no need for additional payments.

Common Shares (Serinus Shares)

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

Preferred Shares

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

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

Registered Shares

All of the Serinus Shares are registered shares. Existing Shareholders holding physical share certificates representing Serinus Shares registered in their names who wish to trade such Serinus Shares on the WSE will be required to deposit the physical share certificates and register the Serinus Shares represented by such physical share certificates with either a broker who is itself a participant in the CDS system or who has established a relationship with another broker who is a participant in the CDS system. Such broker will then enter the Serinus Shares into the CDS system and hold the physical share certificates on behalf of the Shareholder. CDS' global Serinus Share position will then increase on the Issuer's Shareholders' register. Once the Serinus Shares enter the CDS system through the deposit of the Serinus Shares with a participant in the CDS, the Serinus Shares have been effectively dematerialized.

Thus, upon depositing of the Serinus Shares, CDS & Co (as the entity nominated by CDS) becomes the Registered Shareholder and the trade in the Serinus Shares (among the Beneficial Shareholders) will be dematerialized. The fact that all of the Serinus Shares are registered shares means that each Serinus Share is held by a Registered Shareholder who is specified by name in the Shareholder's register kept by Computershare. Upon dematerialization of the Serinus Shares, CDS will register settlements between direct participants in the transaction, such as disposal of the deposited shares through electronic records on accounts of direct participants. In this way, the physical transfer of the Serinus Shares is eliminated.

Other than the Stock Option Plan and related Stock Option awards and the Tunisia Loan Facility there are no instruments outstanding as of the date of this Prospectus that are dilutive to the capitalization of the Issuer. For more information relating to the Stock Option Plan see Section 17 "Employment" in Subsection 17.2. "*Shareholdings and stock options*" of this Prospectus and for more information concerning Tunisia Loan Facility please see in Section 22 "Material Contracts" in Subsection 22.8.1. "*Tunisia Loan Facility*" of this Prospectus.

The following table sets forth information regarding the issuance of Serinus Shares by the Company during the financial year ended December 31, 2012, December 31, 2013 and to the date of this Prospectus:

	Number of Common Shares	Stated Value (000's)	Per Share	Date of Issuance
Balance, December 31, 2011	420,804,367	\$ 205,445		
Exercise of Stock Options	453,333	277	\$ 0.40	March 27, 2012
Issued upon conversion of the KI/Radwan Debentures	60,499,029	25,794	\$ 0.43	August 14, 2012
Balance, December 31, 2012	481,756,729	\$ 231,516		
Consolidation of shares	1 post-Consolidation share for every 10 pre- Consolidation shares			June 24, 2013
Conversion of the KI Loan	3,183,268	13,369	\$ 4.20	June 24, 2013
Issue of shares as a result of Winstar	27,252,500	99,518	\$ 3.65	June 24, 2013

Balance, December 31, 2013	78,611,441	\$ 344,403	-
Exercise of Stock Options	18,500	\$ 2.85	February 13, 2014
Balance, June 30, 2014	78,629,941	\$ 344,479	

Contributions in kind into the Issuer's share capital

Pursuant to the Winstar Arrangement, Winstar shareholders were entitled to receive as consideration for their Winstar common shares, at their election, for each Winstar share held:

- 7.555 pre-Consolidation Serinus Shares (the “**Share Consideration**”); or
- CAD\$ 2.50 in cash (the “**Cash Consideration**”) funded by KI to a maximum aggregate amount of CAD\$ 35 million.

Winstar shareholders elected in excess of the maximum the Cash Consideration, and accordingly, pursuant to the terms of the Winstar Arrangement, the Cash Consideration payable to such Winstar shareholders was pro rated as between them and the balance of the consideration owing to them was paid in Share Consideration. The Cash Consideration was funded by KI and as the shareholders of Winstar elected to receive the maximum Cash Consideration, KI acquired an aggregate of 14,000,000 Winstar shares (representing approximately 38.8% of the then issued and outstanding Winstar shares). The Winstar shares acquired by KI were immediately acquired by the Issuer in exchange for the Share Consideration pursuant to the Winstar Arrangement and, as a result, following completion of the Winstar Arrangement the Issuer owns all of the issued and outstanding Winstar shares. KI paid CAD\$ 35,000,000 in cash to acquire 14,000,000 Winstar shares which were immediately exchanged for 10,577,000 post-Consolidation Serinus Shares based on a post-Consolidation exchange ratio of 0.7555 Serinus Shares for each one Winstar share. 10,577,000 Serinus shares which were issued for the benefit of KI in exchange for 14,000,000 Winstar shares constitutes 13.45% of the issued and outstanding Serinus Shares of the Issuer and thus in such a percentage KI acquired shares in the capital of the Issuer in exchange for assets other than cash (in-kind contribution).

Except for the abovementioned acquisition of Serinus Shares by KI in exchange for in-kind contribution in the form of Winstar shares, there have been no other issuances of Serinus Shares by the Issuer in exchange for assets other than cash during the last three last financial years and up to the date of this Prospectus.

Capital reductions

There have been no capital reductions in the capital of the Issuer in last three financial years of the Issuer other than cancellation of 1,219,061 pre-Consolidation Serinus Shares on 17 August 2010. The cancelled shares were entitled to cast 1,219,061 votes at a Shareholders' Meeting of the Company. The aforementioned shares were acquired by the Company following the execution of the stabilization option. A description of the aforementioned cancellation was published on Issuer's website www.serinusenergy.pl as the current report no. 16/2010 “Summary of stabilising transactions, buy-back of KOV shares” from July 8, 2010 and the current report no. 29/2010 “Cancellation of

KULCZYK OIL VENTURES INC shares” from August 19, 2010, and pursuant to article 28 of Regulation 809/2004 is hereby incorporated to the Prospectus by reference.

21.1.2. If there are shares not representing capital, state the number and main characteristics of such shares.

All shares issued by the Issuer must be issued on a fully paid and non-assessable basis. No shares have been issued which do not represent share capital of the Issuer.

21.1.3. The number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer.

As of the date of this Prospectus, neither the Issuer nor any of its subsidiaries hold any Serinus Shares.

21.1.4. The amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription.

Other than the Stock Options granted pursuant to the Stock Option Plan and the Tunisia Loan Facility there are no other securities of the Issuer outstanding which are convertible into or which may be exchanged for Serinus Shares. For more information relating to the Stock Option Plan see Section 17 “Employees” in Subsection 17.2. “Shareholdings and stock options” of this Prospectus and for further information concerning Tunisia Loan Facility please see Section 22 “Material Contracts” in Subsection 22.8.1. “Tunisia Loan Facility”.

21.1.5. Information about and terms of any acquisition rights and or obligations over authorized but unissued capital or an undertaking to increase the capital.

Other than the Stock Option Plan and related Stock Option awards and an option granted EBRD under the Tunisia Loan Facility to convert certain amount of debt into Serinus Shares, there are no other acquisition rights or obligations over the authorized capital of the Issuer or any other undertaking to increase the issued capital of the Issuer. For more information relating to the Stock Option Plan see Section 17 “Employees” in Subsection 17.2. “Shareholdings and stock options” of this Prospectus and for more information concerning Tunisia Loan Facility please see Section 22 “Material Contracts” in Subsection 22.8.1. “Tunisia Loan Facility”.

21.1.6. Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate.

Other than an option granted to EBRD under the Tunisia Loan Facility to convert certain amounts of debt into Serinus Shares, no capital of any member of the Serinus Group is under option or agreed conditionally or unconditionally to be put under option. For more information relating to the Stock Option Plan see Section 17 “Employment” in Subsection 17.2. “Shareholdings and stock options” of this Prospectus and for more information concerning Tunisia Loan Facility please see in Section 22 “Material Contracts” in Subsection 22.8.1. “Tunisia Loan Facility” of this Prospectus.

21.1.7. A history of share capital, highlighting information about any changes, for the period covered by the historical financial information.

The Company is authorized to issue an unlimited number of Serinus Shares of which 78,611,441 post-Consolidation Serinus Shares and 4,512,400 post-Consolidation Stock Options to purchase Serinus Shares were outstanding as at December 31, 2013. Following the completion of the Winstar Acquisition and after the Consolidation of the Serinus Shares, as at the August 31, 2014 78,629,941 Serinus Shares and 6,729,400 Stock Options to purchase Serinus Shares are outstanding.

The Company is also authorized to issue an unlimited number of Preferred Shares. The Company issued 13,670,723 Series A Preferred Shares to former Triton shareholders in connection with the Triton Acquisition. All of the post-acquisition re-structuring steps were completed in the second quarter of 2010, which resulted in all of the Series A Preferred Shares being redeemed and cancelled in exchange for 50% of the shares of Triton Petroleum. As at the date of this Prospectus there are no issued and outstanding Preferred Shares.

The Issuer completed the WSE IPO on May 22, 2010 which resulted in 166,394,000 pre-Consolidation Serinus Shares being issued for gross proceeds of PLN 314,484,660 at PLN 1.89 per Serinus Share (approximately \$93 million at \$0.56 per Serinus Share). The Serinus Shares were listed for trading on the WSE on May 25, 2010. In 2010, the Company repurchased 1.2 million of its pre-Consolidation Serinus Shares for payments of \$0.6 million. The purchased pre-Consolidation Serinus Shares were returned to the Company's treasury and then were subsequently cancelled.

On May 25, 2010, the parties to the KI 2010 Debenture agreement agreed to convert approximately \$14.4 million of principal outstanding under the debenture to 25.0 million pre-Consolidation Serinus Shares. In July 2010, the remaining principal outstanding of approximately \$5.6 million was converted into 10,086,842 pre-Consolidation Serinus Shares and the interest accrued to the conversion date was paid in cash.

The Company has in place a stock option plan (the "**Stock Option Plan**") providing for the granting of stock options to Directors, executives, employees and consultants of the Company and its affiliates. The purpose of the Stock Option Plan is to afford persons who provide services to the Company, whether as directors, officers, management, employees or otherwise, an opportunity to obtain a proprietary interest in the Company. The Stock Option Plan encourages this by permitting such persons to purchase Serinus Shares of the Company and to aid in attracting as well as retaining and encouraging the continued involvement of such persons with the Company. The exercise price of the Options is fixed by the board of directors of the Company at the time of granting of the Option, but shall not be less than the price permitted by any stock exchange on which the Serinus Shares may be listed or other regulatory body having jurisdiction. No financial assistance is provided by the Company to optionees to exercise stock options granted pursuant to the Stock Option Plan. Each grant of options to an optionee has specific vesting terms which are satisfied by the optionee continuing employment or service to the Company over a specified period of time. Generally, an optionee can exercise 100% of the options granted after a two year vesting term. Each option agreement expires five years from the date of grant.

On September 30, 2010, 750,000 pre-Consolidation Stock Options were exercised at \$0.12 per share, and on November 12, 2010, 600,000 pre-Consolidation Stock Options were exercised at \$0.16 per Serinus Share.

On August 12, 2011, the parties to the TIG Debenture agreed to convert approximately \$10.7 million of principal and interest outstanding under the debenture into 18,501,037 pre-

Consolidation Serinus Shares issued at a cost of \$0.5767 per share. Upon such conversion no amounts remained outstanding under the TIG Debenture.

In 2011, 200,000 pre-Consolidation Stock Options were exercised at an average exercise price of \$0.17 per Serinus Share.

On March 27, 2012 453,333 pre-Consolidation Stock Options were exercised at \$ 0.40 per Serinus Share.

On August 11, 2012, the Company received notices of conversion relating to the KI/Radwan Debentures, which were unsecured convertible debenture agreements that the Company had entered into in August 2011 with KI and Radwan. The total amount available under the KI/Radwan Debentures was \$23.5 million, bearing interest at a rate of 8.0% per annum, payable annually. The KI/Radwan Debentures also included a provision for an implied additional 12.0% in interest to be paid in Serinus Shares upon conversion. In August 2012, the \$23.5 million principal and all accrued interest outstanding under the KI/Radwan Debentures were converted into 60,499,029 pre-Consolidation Serinus Shares, of which 54,564,321 were issued to KI and 5,934,708 were issued to Radwan. Upon such conversion no amounts remained outstanding under the KI/Radwan Debentures.

On June 22, 2012, the Company finalized an arrangement with KI for the provision of up to \$12.0 million in funding to the Company to fund the Company's ongoing working capital requirements (the "**KI Loan**"). KI agreed to provide funding by way of the KI Loan to the Company for the principal amount of up to \$12 million with a term ending December 31, 2012. Interest was payable at a rate of 15.0% per annum, and the Company could at any time prepay the loan in whole or in part.

On December 11, 2012, the Company and KI entered into an amended and restated loan agreement to, among other things, extend the term of the KI Loan by one year from December 31, 2012 to December 31, 2013 and make amounts owing under the KI Loan convertible into Serinus Shares. As at December 31, 2012, the Company had drawn \$10.0 million on the KI Loan. The Company received formal notice from KI on May 8, 2013 of its intention to convert, conditional upon the closing of the Winstar Arrangement, \$13,369,726 owing thereunder (comprised of \$12,000,000 of principal and \$1,369,726 accrued and unpaid interest up to and including June 20, 2013) into Serinus Shares. Based upon the volume weighted average trading price of Serinus Shares on the WSE during the five trading days immediately prior to but excluding May 8, 2013, the date of the conversion election notice. On June 24, 2013 the Company issued 3,183,268 post-Consolidation Serinus Shares to KI upon closing of the Winstar Arrangement.

On June 24, 2013, as part of the closing of the Winstar Acquisition, under the terms of the Winstar Arrangement, the Issuer issued 27,252,496 post-Consolidation Serinus Shares to Winstar shareholders and KI. On August 2, 2013, as an administrative matter, an additional 4 post-Consolidation Serinus Shares were issued to satisfy the rounding requirements of fractional share entitlements owing to former Winstar shareholders that were not determined until after the closing of the Winstar Acquisition. In total, the Issuer issued 27,252,500 post-Consolidation Serinus Shares to Winstar shareholders and KI.

Winstar shareholders, for each share held, received 7.555 pre-Consolidation Serinus Shares or CAD\$2.50 in cash, subject to a maximum of CAD\$35 million in cash, with such cash provided by KI. The maximum cash consideration was elected, resulting in KI acquiring 14,000,000 Winstar shares at closing, which were then exchanged for post-Consolidation Serinus Shares in accordance

with the terms of the Winstar Arrangement of which 10,577,000 post-Consolidation Serinus Shares were issued to KI. A total of 16,675,500 post-Consolidation common shares of the company were issued to Winstar shareholders (excluding KI) who elected to receive common shares. A total of 27,252,500 post-Consolidation Serinus Shares were issued by the Company as consideration for the acquisition of Winstar. The price of the common shares on the WSE at time of closing was equivalent to \$3.65 per share, based on the last day of trading prior to closing. (see also Section 5 of this Prospectus “*Information about the Issuer*” in Subsection 5.1.5. “*The important events in the development of the Issuer’s business*”).

On February 13, 2014 – 18,500 post-Consolidation Stock Options were exercised at \$2.85 per Serinus Share.

During 2012, 2,227,667 pre-Consolidation Stock Options were forfeited, 2,460,000 pre-Consolidation Stock Options expired and 453,333 pre-Consolidation Stock Options were exercised at an average exercise price of \$0.40 per pre-Consolidation Serinus Share. The Stock Options forfeited were a result of the holder of the Stock Option departing its relationship with Serinus. The Stock Options expired during the period were for those that had been granted in previous years and their term, which is generally five years, had expired during 2012. The Stock Options exercised were exchanged for a pre-Consolidation Serinus Shares in exchange for the value based on the exercise price of the granted Stock Option.

The following table sets forth information regarding current number of outstanding Stock Options together with their maturity dates, as well as the exercisable Stock Options as at the date of August 31, 2014 (the date from which the most current data is available).

USD Plan

Range	Options outstanding	Remaining contractual life (weighted average)	Outstanding strike price (weighted average)	Options exercisable	Remaining exercisable contractual life
2.85 to 3.5	526,000	4.06	\$ 3.15	232,334	4.01
3.51 to 4	1,662,900	1.48	\$ 3.99	1,662,900	1.48
4.01 to 5	2,761,000	4.04	\$ 4.14	1,167,665	3.80
5.01 to 6.9	1,712,500	0.50	\$ 6.46	1,712,500	0.50
Total	6,662,400	2.49	\$ 4.62	4,775,399	1.82

CAD Plan

Exercise price (US\$)	Grant date	Expiry date	Options outstanding	Contractual life remaining, years	Options exercisable	Contractual life remaining, years (weighted average)
-----------------------	------------	-------------	---------------------	-----------------------------------	---------------------	--

\$ 3.22	24-Mar-14	24-Mar-19	9,000	4.7	3,000	4.65
\$ 2.80	30-Jun-14	30-Jun-19	58,000	4.9	19,333	4.92
\$ 2.86			67,000		22,333	4.79

Since March 31, 2014 there have been no options exercised. In the period January - March 2014 \$18,500 options were exercised at an exercise price of \$2.85. Consideration received amounted to \$76,000.

The following table sets forth information regarding the changes in the share capital of the Issuer for the years ended December 31, 2010, December 31, 2011, December 31, 2012, December 31, 2013 and as at the date of this Prospectus.

	Number of Common Shares	Stated Value (000's)	Per Share	Date of Issuance
Balance, December 31, 2009	200,491,549	\$ 84,728		
Issued pursuant to the WSE IPO	166,394,000	\$ 86,515	PLN 1.89	May 22, 2010
Issued on conversion of the KI 2010 Debenture – tranche 1	25,000,000	\$ 20,000	PLN 1.89	May 25, 2010
Issued on conversion of the KI 2010 Debenture – tranche 2	10,086,842	\$1,388	PLN 1.89	July 9, 2010
Cancellation	(1,219,061)	\$(608)		August 17, 2010
Exercise of Stock Options	750,000	\$210	\$ 0.12	September 30, 2010
Exercise of Stock Options	600,000	\$287	\$ 0.16	November 15, 2010
Balance, December 31, 2010	402,103,330	\$ 192,520		
Exercise of Stock Options	100,000	\$46	\$ 0.16	January 18, 2011
Exercise of Stock Options	100,000	\$47	\$ 0.18	January 18, 2011
Issued upon conversion of the TIG Debenture	18,501,037	\$12,832	\$ 0.57	August 12, 2011
Balance, December 31, 2011	420,804,367	\$ 205,445		
Exercise of Stock Options	453,333	277	\$ 0.40	March 27, 2012
Issued upon conversion of the KI/Radwan Debentures	60,499,029	25,794	\$ 0.43	August 14, 2012

Balance, December 31, 2012	481,756,729	\$ 231,516	
Consolidation of shares	1 post-Consolidation common shares for every 10 pre-Consolidation common shares		June 24, 2013
Conversion of the KI Loan	3,183,268	\$13,369	\$ 4.20 June 24, 2013
Issue of shares as a result of Winstar Acquisition	27,252,500	\$99,518	\$ 3.65 June 24, 2013 August 2, 2013
Balance, December 31, 2013	78,611,441	\$ 344,403	-
Exercise of stock options	18,500	\$ 2.85	February 13, 2014
Balance, June 30, 2014	78,629,941	\$ 344,479	

21.2. Memorandum and Articles of Association

21.2.1. *A description of the issuer's objects and purposes and where they can be found in the memorandum and articles of association.*

The constitutional documents of the Issuer consist of the Articles and By-laws of the Issuer, copies of which are attached hereto, respectively, as Appendix "B" (Articles), Appendix "C" (By-laws no 1) and Appendix "D" (By-laws no 2).

The Articles and By-laws comprise the fundamental terms of the Issuer by which it may carry on business and organize its affairs, subject to the provisions of the ABCA.

The Articles of the Issuer do not place any restrictions on the business of the Issuer, nor is the business of the Issuer limited to any specific purpose. The Articles of the Issuer do not specify the scope of the business of the Issuer. Subject to and under the provisions of the ABCA, a corporation, such as the Issuer, has the capacity, rights, powers and privileges of a natural person. In addition, a corporation has the capacity to carry on its business, conduct its affairs and exercise its powers in any jurisdiction outside Alberta to the extent that the laws of that jurisdiction permit.

21.2.2. *A summary of any provisions of the issuer's articles of association, statutes, charter or bylaws with respect to the members of the administrative, management and supervisory bodies.*

Board of Directors of the Issuer

The Articles provide that the number of directors on the Board of Directors shall not be less than 3 (three) and not more than 15 (fifteen). There are currently 9 (nine) directors on the Board of Directors.

For further information concerning names, functions and conflict of interests of members of the Board of Directors please see Section 14 of this Prospectus "*Administrative, Management and Supervisory Bodies and Senior Management*".

For further details with respect to the election of directors and the term of office of directors, see Section 27 of this Prospectus, "*Information Concerning Securities to be Admitted to Trading*" in Subsection 27.2.1. "*Description of Alberta Corporate and Securities Law*".

Responsibilities of the Board of Directors

The Board of Directors has as its principal role the stewardship of the Issuer. The Board of Directors is vested with the broadest powers to perform and cause to be performed all acts of disposition and administration in the Issuer's interests. In exercising his powers and discharging his duties, each director of the Issuer has the obligation, pursuant to both the By-laws of the Issuer and the provisions of the ABCA, to: (a) act honestly and in good faith with a view to the best interests of the Issuer; and (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The following matters are the exclusive competence of the Board of Directors and cannot be delegated in any case to one or more members of the Board of Directors and to any person or any entities:

- (a) submit to the Shareholders any question or matter requiring the approval of the Shareholders;
- (b) fill a vacancy among the directors or in the office of auditor;
- (c) appoint additional directors;
- (d) issue securities except in the manner and on the terms authorized by the Board of Directors;
- (e) declare dividends;
- (f) purchase, redeem or otherwise acquire the Serinus Shares, except in the manner and on the terms authorized by the Board of Directors;
- (g) pay a reasonable commission to any person in consideration of the person's purchasing or agreeing to purchase the Serinus Shares from the Issuer or from any other person, or procuring or agreeing to procure purchasers for the Serinus Shares;
- (h) approve the Issuer's management proxy circular;
- (i) approve any financial information to be published by the Issuer; or
- (j) adopt, amend or repeal the Issuer's by-laws.

The Board of Directors can delegate part of its powers to one or more directors except for those matters specially reserved to its competence as mentioned above. The Board of Directors has delegated certain powers to the following committees as described below.

Compensation and Corporate Governance Committee

The C&CG Committee, on behalf of the Board of Directors, has oversight responsibility for the Issuer's human resources and compensation policies and the effectiveness of the Issuer's corporate governance system. The C&CG Committee has formal terms of reference which describe the objectives, duties and responsibilities, as well as the function of the C&CG Committee. In particular, the terms of reference set out:

- (a) the establishment of procedures to provide for the orderly succession of management;
- (b) the recommendation of annual salary, bonus and other benefits, direct and indirect, of the Chief Executive Officer and the development of a position description for the Chief Executive Officer;

- (c) the implementation of Board of Director-approved policies concerning executive compensation, contracts, stock option or other incentive plans, and proposed personnel changes involving officers reporting to the Chief Executive Officer;
- (d) the review of the policies and programs in relation to pension benefits;
- (e) the consideration of incentive compensation plans and equity compensation plans;
- (f) the review of the director compensation;
- (g) the review of the directors' and officers' insurance policy and administration of policies with respect to the indemnification of the directors and management;
- (h) the review of the executive compensation disclosure;
- (i) the analysis of the independence of each directors and the appropriateness of the number of independent directors;
- (j) the review, with the Board of Directors, of the role of the Board of Directors, the terms of reference of each of the committees and the methods and processes by which the Board of Directors fulfills its duties and responsibilities;
- (k) the recommendation of procedures to enable a committee or an individual director to engage separate independent counsel and advisors in the appropriate circumstances;
- (l) the overview of the evaluation of the Board of Directors and the officers of the Issuer;
and
- (m) the establishment of procedures to effectively deal with conflicts of interest.

The C&CG Committee is currently comprised of the following three directors: Michael A. McVea, Gary R. King and Manoj N. Madnani.

Mr. King is the chairman of the C&CG Committee.

Audit Committee

The Audit Committee assists the Board of Directors in its responsibility for the Issuer's financial reporting processes and the quality of its financial reporting and internal controls. The Audit Committee has formal terms of reference which describe the objectives, duties and responsibilities, as well as the function of the Audit Committee. In particular, the terms of reference set out:

- (a) the procedure to nominate the external auditor and the recommendation of its compensation;
- (b) the overview of the external auditor's work;
- (c) pre-approval of non-audit services;
- (d) the review of financial statements, MD&A and financial sections of other public reports requiring board of director approval;
- (e) the establishment of procedures to respond to complaints respecting accounting, internal accounting controls or auditing matters and the procedure for confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and

- (f) the review of the Issuer's hiring policies towards present or former employees or partners of the Issuer's present or former external auditor.

The Audit Committee is currently comprised of the following three directors: Gary R. King, Michael A. McVea, Stephan C. Akerfeldt.

Michael A. McVea is the chairman of the Audit Committee.

Each of the members is "financially literate".

Reserves Committee

The Reserves Committee has oversight responsibility for the Issuer's reserves and resource evaluation and related disclosure. The Reserves Committee has formal terms of reference, which describe the objectives, duties and responsibilities of the Reserves Committee.

The following are some of the responsibilities of the Reserves Committee:

- (a) reviewing the procedures relating to the disclosure of information with respect to oil and gas activities, including procedures for complying with applicable securities disclosure requirements and restrictions;
- (b) considering the appointment of independent and qualified reserves evaluators, as may be applicable, to report to the Board of Directors in respect of the evaluation and review of the Issuer's oil and natural gas reserves, reserves data, and related information and their related compensation;
- (c) reviewing the scope of the evaluation of the reserves by qualified reserves evaluators having regard to applicable securities legislation, regulations and related requirements;
- (d) meetings with management and the qualified reserves evaluators prior to approving the filing of reserves data and the report of the qualified reserves evaluators or auditors thereon to consider whether any restrictions affect the ability of the qualified evaluator or auditor to report on the reserves data without reservation and review the reserves data and the report thereon; and
- (e) making recommendations for the approval by the Board of information required to be filed under applicable securities legislation, regulations and related requirements.

The Reserves Committee is comprised of the following two directors: Gary R. King and Helmut Langanger.

Helmut Langanger is the chairman of the Reserves Committee.

Board Succession

The Board of Directors identifies new candidates for nomination to the Board of Directors by reviewing and choosing from the recommendations of the C&CG Committee. The C&CG Committee begins the nomination process by evaluating the existing board, assessing both current and anticipated needs relating to board composition and the board's future work. When determining board composition, the C&CG Committee seeks to achieve diversity in professional and personal backgrounds and strives to include members with leadership skills, senior executive experience (such as tenure as a chief executive, chief financial officer or chief operating officer), business and financial

expertise, legal expertise, capital market expertise and experience, community involvement, political connections, and a commitment to the mission of the Issuer. Once the C&CG Committee determines the desirable qualifications for board members, a rigorous and focused recruiting process is pursued. Recruitment efforts are accompanied by equally vigorous evaluation and diligence efforts, including reference and background checks. Diligence includes assessment of a candidate's "independence" and substantive qualifications.

All of the Directors were elected or appointed by Shareholders Meeting to perform its function till the next Annual Shareholder Meeting or till the moment of election or appointment of its successor, subject to provisions of Articles and Regulations of the Company.

Orientation and Continuing Education

The Board of Directors ensures that prospective candidates fully understand the role of the Board of Directors and its committees and the contribution that individual members are expected to make. While the Issuer does not currently have a formal continuing education program for prospective candidates and new directors, all directors are strongly encouraged to participate in educational opportunities for directors that are available through third parties.

Ethical Business Conduct

In order to encourage and promote a culture of ethical business conduct, the Board of Directors has adopted a Code of Business Conduct and Ethics for its directors, officers and employees. A copy of the Code of Business Conduct and Ethics is available for viewing under the Issuer's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and www.serinusenergy.com.

21.2.3. A description of the rights, preferences and restrictions attaching to each class of the existing shares.

The following summary of certain provisions of the Serinus Shares which are subject to the provisions of the ABCA.

Differentiation between the rights of Shareholders holding common shares (Serinus Shares) and Preferred Shares

Pursuant to the Articles, the Issuer may issue an unlimited number of Serinus Shares.

Registered Shareholders holding the Serinus Shares are entitled to:

- (a) one vote per Serinus Share at Shareholders' Meetings,
- (b) to receive dividends if, as and when declared by the Board of Directors, and
- (c) to receive pro rata the remaining property and assets of the Issuer upon its dissolution, liquidation or winding-up, subject to the rights of shares having priority over the Serinus Shares.

As of the day of this Prospectus there are no provisions in the Articles and By-laws discriminating against or favoring any existing or prospective beneficial holder of the Serinus Shares other than provisions relating to Preferred Shares that may be issued from time to time.

Under the ABCA, subject to the ability of a corporation to issue any class of shares in one or more series, the rights of the holders of the shares of any class of shares are equal in all respects. Similarly, no rights, privileges, restrictions or conditions attached to a series of shares shall confer on shares of a series (a) greater voting rights than are attached to shares of any other series in the same class that are outstanding, or (b) a priority in respect of dividends or return of capital over shares of any other series in the same class that are then outstanding.

The Preferred Shares are issuable in series with such rights, privileges, restrictions and conditions attached to each series as the Board of Directors, prior to the issuance thereof, shall determine. Pursuant to the Articles of the Issuer, the terms of any Preferred Shares issued by the Issuer from time to time in one or more series shall be determined by the Board of Directors who may by resolution fix before the issuance thereof the designation, preferences, rights privileges, restrictions and conditions attaching to the Preferred Shares of each series, including the redemption price and conditions of redemption, if any. Each series of Preferred Shares rank in priority to all other shares of the Issuer in respect of the payment of dividends and, upon a winding up or liquidation, to receive such assets and property of the Issuer as are distributable to the holders of the Preferred Shares.

In 2009 Issuer issued 13,670,723 Series A Preferred Shares to the shareholders of Triton in connection with Issuer's offer to acquire all of the issued and outstanding shares of Triton pursuant to a pre-acquisition agreement between the Issuer and Triton dated August 11, 2009. Series A Preferred Shares were canceled upon their redemption for shares of Triton Petroleum. The redemption notice was sent to shareholders of the Series A Preferred Shares specifying a redemption date of January 22, 2010.

As of the day of this Prospectus there are no Preferred Shares issued.

Differentiation between the rights of Registered Shareholders and Beneficial Shareholders.

Please note that differences between the rights of Shareholders also depend on Shareholders' status. In the Canadian legal system a concept of a "registered owner (shareholder)" and "beneficial shareholder (owner)" exists. This concept is unknown to the Polish legal system. For further discussion on rights of Registered and Beneficial Shareholder please see Section 27 "*Information concerning the securities to be admitted to trading*" in Subsection 27.5.1.1. "*Registered and Beneficial Shareholders*".

21.2.4. A description of what action is necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required by law.

Under the ABCA, any amendment to the rights of Shareholders requires an amendment to the Articles or By-laws of the Issuer. An amendment to the Articles of the Issuer concerning a change so as to add, change or remove any rights, privileges, restrictions and conditions in respect of all or any of its shares, whether issued or unissued or add, change or remove any restrictions on the transfer of shares, requires a vote of not less than two-thirds of the votes of shareholders present at voting or represent by proxy.

To the extent that the Articles and By-laws of the Issuer are silent with respect to the rights of Shareholders, the provisions of the ABCA are applicable. The provisions of the Articles and By-laws of the Issuer regarding the amendments to the rights of the shareholders do not differ from the provisions of the ABCA.

Moreover, there is also a possibility to change a status from Beneficial Shareholder to Registered Shareholder but such a change does not require an amendment to the Articles or By-laws of the Issuer - for further information concerning such change of status please see Section 27 of this Prospectus in Subsection 27.5.1.1. "*Registered and Beneficial Shareholders*".

21.2.5. A description of the conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called including the conditions of admission.

Pursuant to the Articles of the Issuer, meetings of Shareholders may be held in the Province of Alberta, Canada or outside of the Province of Alberta. Meetings may be convened at such time and place as the Board of Directors may determine. Under the ABCA, an annual meeting of shareholders is required to be held not later than 15 (fifteen) months after the holding of the preceding annual meeting, however a corporation may apply to the Alberta courts for an order extending the time in which the next annual meeting shall be held.

The most recent annual meeting of the Issuer was held on May 14, 2014.

In accordance with, and subject to the procedures prescribed by the ABCA, the registered holders or beneficial owners of not less than 5% of the issued and outstanding Serinus Shares of the Issuer that carry the right to vote at a meeting sought to be held, may request the Board of Directors to call a Shareholder meeting for the purposes stated in the request, but the beneficial owners of Serinus Shares do not thereby acquire the direct right to vote at the meeting that is the subject of the request.

At each annual meeting of the Issuer, the annual audited financial statements of the Issuer for the preceding financial year are presented, the members of the Board of Directors are elected for the ensuing year and the auditors of the Issuer are appointed. No other business is required by the ABCA to be conducted at an annual meeting of shareholders. In addition, TSX rules require that every three years after the institution of a security based compensation arrangement that does not have a fixed maximum number of securities issuable, such as the Issuer's Stock Option Plan, all unallocated Stock Options must be approved by the Issuer's Shareholders.

The ABCA provides for both ordinary and extraordinary (i.e., special) meetings of Shareholders to be held.

Each Serinus Share entitles the Registered Shareholder, as at the record date set for the meeting, to attend a meeting of the Shareholders, either in person or by proxy, to address matters that are properly brought before the meeting and to exercise voting rights. Each Serinus Share entitles the Registered Shareholder to one vote. Subject to the quorum requirements specified in the By-laws, there is no minimum shareholding required to be able to attend or vote at a meeting of the Shareholders. Pursuant to the ABCA, only the Registered Shareholders that, as the record date scheduled for the Shareholders' meeting, are holders of record on the Shareholder Register maintained by the Issuer may participate and vote at the shareholders' meeting, unless following the Record Date, the Registered Shareholder transfers such Serinus Shares and at least 10 (ten) days prior to the scheduled date of the meeting their purchaser, upon presenting the duly authenticated certificates or otherwise proving that it holds the Serinus Shares, demands that its name be recorded on the list of the Shareholders entitled to vote, which is the condition for it to be able to exercise voting rights attached to shares at the Shareholders' meeting.

Registered Shareholders, whose Serinus Share ownership is directly registered in the Shareholders' registry, will receive the notice by ordinary mail, which mail should be sent to such Registered Shareholders at least 21 days and not more than 50 days prior to any meeting. If a Registered Shareholder does not intend to be personally present at a meeting, that Registered Shareholder must submit the form of proxy sent in conjunction with the meeting materials within the time limits (not to exceed 48 hours before the time set for the meeting) imposed by the Board of Directors to receive such proxies in order for the Serinus Shares represented thereby to be voted at the meeting.

Beneficial Shareholders, whose names do not appear on the Shareholder's registry and who either wish to attend the meeting and vote such Serinus Shares or to have such Serinus Shares voted by proxy, will be required to direct the entity on whose behalf such Serinus Shares are registered, to complete the necessary documents for that to occur. Such Beneficial Shareholders should contact the Issuer's registrar and transfer agent, which is currently Computershare Trust Company of Canada, for instructions on what documentation is necessary to be completed and when such documents need to be submitted in order to be properly represented at the meeting of Shareholders.

For further information please see Section 27 *"Information Concerning Securities to be Admitted to Trading"* in Subsection 27.2.1. *"Description of Alberta Corporate and Securities Law"* and in Subsection 27.2.3. *"Proposed Voting Procedures for WSE Beneficial Shareholders that own Shares through Securities Accounts Maintained by Participants in the NDS of this Prospectus"*.

21.2.6. A brief description of any provision of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer

As of the date of this Prospectus, there are no provisions in the Issuer's Articles or By-laws, nor has the Issuer adopted any shareholder rights plans that would have an effect of delaying, deferring or preventing a change of control of the Issuer.

21.2.7. An indication of the articles of association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed.

The Issuer's Articles do not include any provisions regarding the disclosure of share ownership in the Issuer.

For further information concerning disclosure obligations with respect to share ownership in Canadian reporting issuers and Polish reporting issuers please see Section 27 of this Prospectus *"Information Concerning Securities to be Admitted to Trading"* in Subsection 27.2.2. *"Certain Rights and Obligations of Acquirers of Shares of a Reporting Issuer under Canadian Securities Law"*, Subsection 27.9.1. *"Description of Polish Capital Market Regulation"*, Subsection 27.9.2. *"Notification requirement ensuing from anti-monopoly regulations"* in Subsection 27.9.3. *"Notification Requirements under the Competition Act (Canada)"*.

21.2.8. A description of the conditions imposed by the memorandum and articles of association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law.

The Articles and By-laws of the Issuer do not deal with changes in share capital.

Changes in share capital are dealt with under various provisions of the ABCA. Section 27.1 of the ABCA permits the directors of a corporation to authorize the splitting of shares by resolution where the only issued shares of a corporation are of one class. Where a corporation has issued more than one class of shares, each class of shareholder shall vote separately on a special resolution to approve the splitting of the shares of any class. The ABCA also provides for a reduction of stated capital under certain circumstances, provided certain conditions are met, for the purpose of extinguishing or reducing liability in respect of an amount unpaid on any share, distributing to holders of the issued shares of any class or series of shares an amount not exceeding the stated capital of the class or series and declaring its stated capital to be reduced by an amount that is not represented by realizable assets.

For further information concerning redemption of shares or conversion of shares please see Section 27 of this Prospectus "*Information Concerning Securities to be Admitted to Trading*" in Subsection 27.2.1. "*Description of Alberta Corporate and Securities Law*" in the part *Redemption of Shares*, in Subsection 27.5.5.4. "*Oppression Remedy*" and in Subsection 27.5.8. "*Repurchase and Redemption of Shares*".

22. MATERIAL CONTRACTS

A summary of each material contract, other than contracts entered into in the ordinary course of business, to which the issuer or any member of the group is a party, for the two years immediately preceding publication of the registration document.

The following material contracts are those contracts which have been entered into by a member of the Issuer's Group: (i) in the two years immediately preceding the date of this Prospectus (other than in the ordinary course of business); (ii) which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus (other than those entered into in the ordinary course of business).

For the purposes of this Prospectus, the determination that a contract is a material contract included an analysis by the Company of both the financial value of the contract and the importance of the contract to the operations of the Company or the Company Group. Given differences between Polish securities laws and Canadian securities laws, the list of material contracts in this Prospectus may be longer than the list of material contracts in the Company's annual information form under Canadian securities law.

22.1. KI/Radwan Debentures

On 11 August 2011, the Company agreed with KI and Radwan Investments GmbH, private Company of Austrian law ("**Radwan**") for KI and Radwan to provide the Issuer with up to US\$23.5 million in funding to enable the Company to meet its financial commitments. These funding was formalised by the Company issuing unsecured convertible debentures, the KI/Radwan Debentures, for a principal amount of up to US\$21,150,000 to KI and of up to US\$2,350,000 to Radwan, at an interest rate of 8% per annum, compounded semi-annually.

The KI/Radwan Debentures had a 12-month term, maturing on 11 August 2012 (the maturity date). The KI/Radwan Debentures were convertible at a price of US\$0.43 per Serinus Share (equivalent to PLN1.40 per Serinus Share at the mid-exchange rate of the National Bank of Poland on 10 August 2012), being the volume weighted average price of the Serinus Shares on the WSE during the five trading days prior to, and excluding, the maturity date. The terms of the KI/Radwan Debentures obligated Serinus to issue, within five business days of the maturity date, the Serinus Shares pursuant to the conversion together with an additional 2,838,010 Serinus Shares (the '**kicker shares**' – **additional shares**) to KI and Radwan in accordance with a formula based on the applicable conversion price of the KI/Radwan Debentures and the amount of debt incurred by Serinus under the funding arrangement. Subsequent to the conversion of the KI/Radwan Debentures, all amounts owing by Serinus to KI and Radwan under the KI/Radwan Debentures would be satisfied in full.

On 11 August 2012, the KI/Radwan Debentures matured and KI and Radwan elected to convert the entire principal value of the KI/Radwan Debentures, and all accrued interest thereon, in an aggregate amount of approximately US\$26.2 million, into Serinus Shares at a price of approximately US\$0.43 per Serinus Share. In connection with the conversion of the KI/Radwan Debentures, the Issuer issued an aggregate of 60,499,029 pre-Consolidation Serinus Shares to KI and Radwan on or about 14 August 2012. This total includes the Serinus Shares issuable upon the conversion of all amounts attributable to the principal and accrued but unpaid interest payable pursuant to the terms of the KI/Radwan Debentures, as well as the additional shares - kicker shares.

22.2. Letter agreement relating to the KUB-Gas shareholders' agreement

KOV Cyprus, KUBGAS Holdings and Gastek signed a letter of agreement on 11 November 2011 in relation to the combination of Gastek with CUB Energy (formerly 3P International Energy Corp.) in respect of the reverse takeover of Gastek by CUB Energy.

Pursuant to the Agreement CUB Energy will issue ordinary shares either for the benefit of Parma Limited, the sole shareholder of Gastek or for the benefit of Gastek in order to directly or indirectly take over 30% share in KUBGAS Holdings held by Gastek. CUB Energy's shareholders (on the date of execution of the Agreement and after prior publishing of private subscription) would then hold 40% share in CUB Energy, at the day of closing of the transaction, and Parma Limited would own 60% share. The value of the exchange ratio was valued as CAD 32.8 mln for CUB Energy and CAD 49.3 mln.

The letter of agreement is governed by English law.

22.3. Licence Agreement

For further description of the agreement, see Section 11 of this Prospectus - "*Research and development, patents and licences*".

22.4. EBRD 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 Ukraine Licences ("**EBRD Loan Facility**"). 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 15%. 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 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.

Repayment of the EBRD Loan Facility is to be by way of 13 equal semi-annual installments starting July 15, 2012. Serinus deems the EBRD Loan Facility a material contract because the value of the EBRD Loan Facility exceeds 10 per cent. of the Issuer's equity. Moreover, Issuer provided EBRD, as a part of the EBRD Loan Facility's security arrangements, with an irrevocable and unconditional guarantee (the '**Guarantee**') in respect of the performance by KUB-Gas' of its obligations under the EBRD Loan Facility (including all principal and interest repayment obligations) and any costs arising out of enforcement of the same. The Guarantee remains in effect during the term of the EBRD Loan Facility (that is, until all obligations related to the EBRD Loan Facility are performed).

In return for the Company providing the Guarantee to the EBRD:

- (i) KUB-Gas will provide a counter-indemnity to the Company in respect of costs, claims, damages or losses incurred by the Company under the Guarantee; and
- (ii) Gastek LLC (which owns a 30% indirect interest in KUB-Gas) will provide a cross-indemnity to the Company in respect of an amount equal to 30% of the value of any costs, claims, damages or losses incurred by the Company under the Guarantee. Additionally, as a part of security of payment commitments due to the EBRD, KUB-Gas has signed a deed (the '**Subordination Deed**') with its

shareholder KUBGAS Holdings and EBRD providing priority repayment of the EBRD's indebtedness before repayment of all or any part of existing shareholder loans to KUB-Gas or any other debt. The Subordination Deed is on customary terms for such an arrangement.

As at August 31, 2014 the indebtedness from principal amount and interest amounts to \$4.3 mln (as at the day of 31 December 2013: \$7.6 mln). In January 2014 \$1.8 mln was repaid in accordance with a schedule.

22.5. KI Loan

Detailed information in Section 19 of this Prospectus "*Related party transactions*".

22.6. Winstar Acquisition (Winstar Arrangement)

Pursuant to Article 28 of the Regulation 809/2004 the description relating to the arrangement agreement dated April 24, 2013 between the Company, Winstar and KI, pursuant to which the Company agreed to acquire all of the issued and outstanding shares of Winstar (the "Arrangement Agreement"), is hereby incorporated by reference as disclosed in the current report no. 16/2013 dated 25 April 2013 - Decision on approval the entering into the arrangement agreement with Winstar Resources Ltd. and Kulczyk Investments S.A. by the Board of Directors of Kulczyk Oil Ventures Inc. and conclusion of the arrangement agreement (entire report), no 20/2013 dated 17 May 2013 (entire report with annexes), no. 40/2013 dated 25 June 2012 (entire report together with the attachments) and no. 64/2013 dated 9 August 2012 (entire report) available on the Issuer's website: www.serinusenergy.com.

On June 24, 2013, the Company closed the Winstar Arrangement pursuant to which the Company acquired all of the issued and outstanding shares of Winstar. Under the terms of the Winstar 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 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 10,577,000 post-Consolidation Serinus Shares in accordance with the terms of the Arrangement. A total of 16,675,500 post-Consolidation Serinus Shares were issued to Winstar shareholders (excluding KI) who elected to receive Serinus Shares, for a total of 27,252,500 post-Consolidation Serinus Shares issued as consideration for the acquisition of Winstar shares. The closing price of the Serinus Shares on the Warsaw Stock Exchange at time of closing was equivalent to \$3.65 per share.

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 Serinus Shares commenced trading on the TSX under trading symbol "SEN". The Serinus Shares continue to be listed on the WSE, now under the trading symbol "SEN". On June 24, 2013, two of the Winstar's directors were appointed to the Board of Directors of Serinus.

22.7. Dutco Agreements

Dutco, Serinus and KOV Brunei entered into the following agreements dated 17 July 2013:

22.7.1. The Option Deed

Under the terms of the Option Deed, Serinus was supposed to grant Dutco the option to acquire between 5% and 15% of Brunei Block L (“**the Brunei Option**”). The Brunei Option is \$1,000,000 per percentage point of interest to be acquired. If there were amounts outstanding from Serinus to Dutco under the Dutco Credit Facility then Dutco might have elected to set-off the price of the Brunei Option against those amounts.

In any event, the period during which Dutco could have exercised the Brunei Option would end not later than the latter of the maturity date and the discharge date under the Dutco Credit Facility.

The Option Deed required that Serinus and Dutco will jointly explore opportunities to collaborate on oil and gas investments in Tunisia the duration of the Dutco Credit Facility. The Option Deed was governed by the laws of England.

As at the date of the Prospectus the Dutco Credit Facility is no longer in force co Brunei Option is no longer exercisable.

22.7.2. Dutco Credit Facility

Dutco Credit Facility allowed a drawdown of up to \$15,000,000.

The stated purpose of the Dutco Credit Facility was to fund intra group loans for the payment of costs related to the drilling of the test wells in Block L. The drawdowns had to be for multiples of US\$5,000,000. The term of Dutco Credit Facility was 364 days from signing (which was at 17 of July 2013) all amounts due under the Dutco Credit Facility had to be repaid on that date. Interest on amounts drawn were payable on a monthly basis. The interest rate was 12 per cent per annum on amounts drawn. If a payment from Serinus was overdue, default interest would have accrued at an additional 2 per cent. per annum.

In case a representation made by Serinus proved to be incorrect or an undertaking was breached, it would have constituted an event of default. An event of default allowed Dutco to declare amounts advanced under the Dutco Credit Facility to be immediately due and payable or to exercise the larger of the conversion options (this means without the limitation to \$5 mln).

The Dutco Credit Facility was governed by the laws of England. As of the date of this Prospectus, there are no amounts outstanding under the Dutco Credit Facility.

22.7.3. Dutco Share Pledge

As additional security for amounts due under Dutco Credit Facility, Serinus entered into a deed of pledge (the “**Dutco Share Pledge**”) with Dutco. Under the Dutco Share Pledge, the Company (i) pledged to Dutco its share certificates in KOV Cyprus, a direct wholly-owned subsidiary which indirectly holds all of the Company’s Ukraine Assets, Brunei Assets and Syria Assets, and (ii) mortgaged, charged, transferred, assigned, deposited and set over to Dutco all of the Company’s shares in KOV Cyprus (in this section, the “**Shares**”) and all related rights (in this section, collectively with the pledged share certificates and the Shares, the “**Security**”), as collateral security for the due and punctual payment to Dutco of the liabilities of Serinus and KOV Oil Brunei under the Dutco Credit Facility and the performance by Serinus and KOV Oil Brunei of the other covenants, terms and conditions of the Dutco Credit Facility.

The Dutco Share Pledge was governed by the laws of Cyprus as this is the jurisdiction of incorporation of KOV Cyprus. The Security under the Dutco Share Pledge would have become enforceable if a Dutco Credit Facility event of default was continuing.

As at the date of the Prospectus the Dutco Credit Facility is no longer in force. As a result a collateral of Dutco Share Pledge is no longer exercisable.

22.8. Tunisia Loan Facility

22.8.1. Tunisia Loan Facility

In November 2013, Serinus signed two loan agreements in the aggregate amount of \$60 million (collectively, the “**Tunisia Loan Facility**”) with the EBRD. Tunisia Loan Facility will assist the Company in funding the capital program being planned for its recently acquired oil and gas fields in Tunisia.

The Tunisia Loan Facility consists of two loans, one in the amount of \$40 million (the “**Senior Loan**”) and the second in the amount of \$20 million which can be converted into Serinus Shares (the “**Convertible Loan**”). At the day of Prospectus the indebtedness from Senior Loan amounts to \$20 mln.

The Senior Loan 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 installments commencing after the first year of the loan. The second tranche of the Senior Loan is available only after the Convertible Loan is fully drawn, and is also subject to certain conditions including achieving and maintaining specified production targets for a period of three continuous months, and meeting specified financial and reserve coverage ratios.

The Convertible Loan 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 incremental net revenue provision of the interest cost of the Convertible Loan is intended to provide EBRD with a mechanism to share in the Serinus Group’s success in Tunisia in a manner similar in concept to the Ukraine financing facility from 2011 between EBRD and KUBGAS Holdings.

The Convertible Loan contains separate and distinct options for the Company and the EBRD to convert all or any portion of the Convertible Loan principal. The EBRD may 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 Serinus Shares on the TSX or WSE. The EBRD may exercise its conversion option by delivering a conversion request to the Company not more than 40 days and not less than 30 days before the conversion date specified therein.

The Company can elect to convert all or any portion of the Convertible Loan principal and accrued interest outstanding for newly issued Serinus Shares (“**Conversion Shares**”) at the then current market price of the Serinus Shares on the TSX or WSE, as required by the exchange market price calculation rules of the stock exchanges, subject to the following conditions (amongst other conditions

as outlined in the Tunisia Loan Facility). The Company may exercise its conversion option by delivering a conversion request to the EBRD and issuing a press release announcing the delivery of such conversion request not more than 70 days and not less than 60 days before the conversion date specified therein. The Company may not deliver more than one conversion request in any period of six months and the conversion amount outlined in the conversion request must not be greater than USD \$10,000,000. The Company may deliver a conversion request to the EBRD unless the EBRD has confirmed to the Company in writing before the date of such conversion request that the “Countries of Operation Condition” is not met at that time.

The “**Countries of Operation Condition**” means that EBRD is satisfied that:

- a) all operations and assets of the Company and the Company’s subsidiaries are and will be carried out and located in EBRD’s countries of operation or potential recipient countries (as determined by EBRD’s Board of Governors) from time to time; or
- b) in respect of any such operations and assets that are or will be carried out or located elsewhere,
 - a. such operations and assets are incidental to and necessary for the operations of the Company or its subsidiaries which are carried out from time to time in EBRD’s countries of operation or potential recipient countries (as determined by EBRD’s Board of Governors) from time to time; or
 - b. in relation to the Serinus Group’s assets in Syria existing at the date of the the Tunisia Loan Facility, the Company and/or its subsidiaries only retain an office in Damascus and well equipment and incur costs relating thereto, including rental, salaries and security costs; or
 - c. in relation to the Serinus Group’s assets in Brunei existing at the date of the Tunisia Loan Facility, the Serinus Group’s activities relate only to matters incidental to the decommissioning of such assets.

Currently, the TSX may, depending on the specific circumstances, treat a conversion of debt under a loan agreement into securities as a private placement. The TSX’s current rules regarding private placements generally require that the price per listed security for any private placement must not be lower than the market price less a maximum discount of 15% (for securities with a market price of at least C\$2.00; as of June 30, 2014 the Serinus Shares have a market price above C\$2.00), otherwise the listed issuer must obtain approval from its disinterested security holders. Market price is generally defined as the volume weighted average trading price on the TSX, or another stock exchange where the majority of the trading volume and value of the listed securities occurs, for the five trading days immediately preceding the relevant date. As such, notwithstanding provisions in the Tunisia Loan Facility which state that if the calculation period for the market price is less than thirty consecutive full trading days then Serinus shall contact the relevant exchanges and use reasonable effort to obtain such exchanges’ approval for increasing the calculation period for the market price to 30 consecutive full trading days or such shorter period exceeding five consecutive full trading days as each relevant exchange may agree to allow, TSX rules (when combined with the terms of the Tunisia Loan Facility) may require that the calculation period for the market price of Serinus Shares of a conversion of debt under the Tunisia Loan Facility at Serinus’s option will be only five consecutive trading days.

If the Company has delivered a conversion request to the EBRD, the relevant conversion is only permitted and shall only occur if the EBRD has confirmed to the Borrower that the following conditions have been met or waived by the EBRD:

- a) the Countries of Operation Condition;
- b) the EBRD shall have received certified copies of all authorisations and approvals of the TSX or any other stock exchange necessary for (i) the subscription of and the issuance of the Conversion Shares; and (ii) the remittance to the EBRD of all moneys payable in respect of such Conversion Shares, including without limitation, dividends, distributions in the event of liquidation and the proceeds from the sale of such Conversion Shares, including the amounts originally invested and any capital gains;
- c) the Conversion Shares, upon their issuance, shall be free of any liens and contingent liabilities;
- d) the period for which EBRD is required by applicable securities laws not to trade the Conversion Shares is not more than four months and one day;
- e) no default (as defined under the Convertible Loan) has occurred and is continuing;
- f) there has been no change in law and there is no EBRD policy which, in the opinion of the EBRD, would mean that the EBRD is unable to hold shares in the Company;
- g) the Serinus Shares have not been de-listed or listed on an exchange which EBRD considers, acting reasonably, to be insufficiently liquid;
- h) the following condition has been met:
 - a. if the Company or any of its subsidiaries has undertaken or intends to undertake or resume, or intends to acquire or has acquired any business or entity with effect of pursuing, any new operations (as such term is defined in the Convertible Loan), the Company shall procure that the following is carried out:
 - i. a corporate environmental, social, health and safety audit of such new operations to identify any potential liabilities the Company or any of its subsidiaries may incur in relation to such new operations; and
 - ii. if such new operations involve undertaking, resuming, expanding or modernising of the operations involved, an environmental and social appraisal of such initiation, resumption, expansion or modernisation (as the case may be), such audit and appraisal to be carried out by an independent expert appointed by the Company with such expert's identity, scope of work and terms of such audit and appraisal being satisfactory to the EBRD; and
 - b. the EBRD being satisfied with the results of such audit and appraisal; and
- i) the EBRD shall have received either,
 - a. evidence satisfactory to it that the Dutco Credit Facility has been terminated or that no amount is outstanding under the Dutco Credit Facility and the Commitment (as defined in the Dutco Credit Facility) is no longer in force; or

- b. evidence satisfactory to the EBRD that Dutco's consent has been obtained to the conversion and, if required by the EBRD, the terms of the Dutco Credit Facility have been amended in form and substance satisfactory to the EBRD (conditions "(b) through (i) are, collectively, the **"Conversion and Repayment Conditions"**).

The Company can also repay the Convertible Loan at maturity in cash or in kind by issuing new Serinus Shares valued at the then current market price of the Serinus Shares on the TSX or WSE. If the EBRD has, within 30 days of the Company delivering a repayment in shares notice to the EBRD, notified the Company that the Countries of Operation Condition has not been met, then the amount owing which is to be repaid in shares shall be equal to 110% of the amount owing under the Convertible Loan. In effect, this means that a failure to satisfy the Countries of Operation Condition at the time that the Company delivers a repayment in shares notice to the EBRD may increase the number of shares the Company must issue to the EBRD by 10%. If the Company has delivered a repayment in shares notice to the EBRD, the repayment in shares (through conversion of the loan) is only permitted and shall only occur if:

- (a) the following two conditions are satisfied:
 - a. the EBRD has confirmed to the Borrower that the Conversion and Repayment Conditions, outlined directly above, have been satisfied; and
 - b. if the Countries of Operation Condition is not met, the EBRD considers that the applicable TSX and WSE regulations allow for the amount repaid in shares to be equal to 110% of the amount owing under the Convertible Loan (but another way, TSX and WSE regulations allow for an increase in the number of shares the Company must issue to the EBRD of 10%); or
- (b) if the EBRD has not delivered a notice to the Company regarding the matters outlined in (a) by the applicable deadline.

Both loans are available for a period of three years, and the agreements contain certain conditions and fees considered to be normal for such financing facilities. The Convertible Loan is subject to the approval of the TSX, and on a repayment or conversion initiated by the Company, the number of shares that may be issued is limited to a maximum of 5% of the issued share capital of the Company, with any amounts remaining outstanding then paid in cash. On a conversion initiated by EBRD, no such limit applies.

The security package for the Tunisia Loan Facility includes 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, including a debt service coverage ratio, and a financial debt to EBITDA ratio.

22.8.2. Pledge securing EBRD debt on Tunisian Loan Facility

On 19 December 2013 a pledge on material value assets was established in favour of the EBRD according to the Tunisia Loan Facility. The total value of the liabilities secured by the assets amounts to USD 60 million. The pledge was established in accordance with the Dutch laws.

The security was established on all shares of Winstar Tunisia and all shares Winstar Netherlands, which is 100% parent company of Winstar Tunisia, with shares in Winstar Tunisia (shown in the Company's financial statement in assets of USD 187 million in Tunisia reportable segment) cover in fact almost all assets of Winstar Netherlands. At the same time, Winstar and thus Serinus holds a 100% share in the equity on the General Meeting of Shareholders of Winstar Netherlands as well as in votes on the General Meeting of Shareholders of Winstar Netherlands. Therefore Winstar and thereby Serinus holds indirectly all shares in Winstar Tunisia which give 100% votes on the General Meeting of Shareholders of Winstar Tunisia. The nominal value of a share which constitutes the security is EUR 0.01. Serinus considers its investment in above mentioned shares as a long-term capital investment.

The Company's investment in Winstar is recorded in the Company's financial statements at USD 99.518 million, which is the stated value ascribed to the 27,252,500 post-consolidation shares issued as consideration for the acquisition of Winstar. Underlying this investment in the shares of Winstar Tunisia are the five concessions with a fair value as assigned on the acquisition of Winstar of USD 166 million.

Winstar Tunisia has working interests in the following Tunisian concessions: Chouech Es Saida, Ech Chouech, Sanrhar, Sabria and Zinnia. Production is predominantly from the Chouech Es Saida and Sabria fields, which account for 92% of the production from Tunisia. Production from the concessions averaged 1,462 boe/d for the three months ended December 31, 2013 (1,512 boe/d for the six months since Winstar Acquisition). For more please see Section 6 *“Business overview”* in Subsection 6.1.1. *“A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information”* in the part *Tunisia Assets*, in Subsection 6.2.2. *“Tunisia”* and in Subsection 6.6.3. *“Tunisia”* of this Prospectus.

There are no relationships between the Company, members of the Company's management or the Board of Directors and EBRD and members of its managing or supervising bodies.

The creation for consider assets to be assets of material value are the value of equities presented in the Company's last periodical report.

Both loan agreements provide the Company with the right to make voluntary prepayments provided certain conditions are met and specified prepayment fees are paid. Mandatory prepayments may also be required in certain circumstances, including a change in ownership control of the Company, or the Company disposing of KUB-Gas.

22.9. KUB-Gas acquisition of K200 drilling rig

On 15 June 2011, KUBGAS Holdings and Drillcon Inc entered into a sale and purchase agreement pursuant to which KUBGAS Holdings sold a K200 mobile drilling rig, located in Ukraine, to Drillcon Inc for US\$3,000,000.

A second sale and purchase agreement was entered into on 16 June 2011 between Drillcon Inc and KUB-Gas pursuant to which KUB-Gas purchased the K200 rig from Drillcon Inc for US\$3,000,000.

The effect of these two sale and purchase agreements was to terminate the existing lease and assignment agreements, under which KUBGAS Holdings had leased the K200 rig to Drillcon Inc, who in turn sub-leased the K200 rig to KUB-Gas. KUB-Gas now holds full title over the K200 rig.

Both sale and purchase agreements are governed by English law.

22.10. Tunisian drilling contracts

On October 15, 2012 Company's indirect wholly-owned subsidiary, Winstar Tunisia, signed a drilling contract with Pergemine Tunisie S.A.R.L ("**Pergemine**") a subsidiary of Pergemine S.p.A., a drilling company based in Parma, Italy, for the use of a 2,000 horsepower IDECO-E2100 drilling rig for the Company's 2014 drilling campaign at the Sabria Field. The drilling of the first well, Winstar-12bis, commenced in July 2014. Contract is important for Winstar Tunisia drilling operation in Tunisia.

Major contracts for other services required to execute the 2014 drilling program are in various states of technical and commercial tender evaluation, with a number of service contracts having been awarded. These contracts are fundamentally important to the capital program of the Issuer.

22.11. Rig For Drilling Program in Block L (agreement between AED SEA and PT Energi)

Pursuant to Article 28 of the Regulation 809/2004 the description relating to agreement between AED SEA and PT Energi on rig for drilling program in Block L, Brunei is hereby incorporated by reference as disclosed in the current report no. 1/2013 - Brunei – KOV Acquires Rig For Drilling Program in Block L and current report no. 6/2013 - KOV Signs Contract For Brunei Drilling Campaign.

23. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

23.1. Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to the effect that such statement or report is included, in the form and context in which it is included, with the consent of the person who has authorised the contents of that part of the Registration Document.

The statement of RPS Energy Canada Ltd (admitted to practice by the Association of Professional Engineers, Geologists and Geophysicists of Alberta with the permit number P4348) submitted as Form 51-101F2, dated March 12, 2014, constituting an attachment to the current report no. 11/2014 "Evaluation of the Tunisian and Ukrainian reserves by independent reserve engineers" dated March 21, 2014 and signed on behalf of RPS Energy Canada Ltd. by Mr Brian D. Weatherill, Professional Engineer, regarding evaluation of the Issuer's Tunisian and Ukrainian reserves data as at December 31, 2013 has been included in the Prospectus by reference.

Additionally, the Prospectus includes a statement of reserves data and other oil and gas information dated March 19, 2014 prepared by Serinus ("Form 51-101F1") which summarizes information contained in the RPS Ukraine Report and the RPS Tunisia Report. The RPS corporate group produced the RPS Ukraine Report and RPS Tunisia Report at the Issuer's request. RPS Ukraine Report was produced by RPS Energy Consultants Ltd., independent engineering company evaluating reserves (address: 14 Cornhill, London EC3V 3ND, United Kingdom) and RPS Tunisia Report was produced by RPS Energy Canada Ltd., independent engineering company evaluating reserves (address: Suite 700, 555 4th Avenue SW, Calgary, Alberta T2P 3E7, Canada).

Both statements of RPS Energy Canada Ltd as well as the information on the Issuer's reserves derived from RPS Ukraine Report and RPS Tunisia Report have been presented in a form and used in the context approved by the individuals providing relevant statements and preparing the reports.

To the Issuer's knowledge, neither RPS Energy Canada Ltd., RPS Energy Consultants Ltd. nor Mr Brian D. Weatherill are in any other way associated with the Company or involved materially in the Company.

23.2. Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information.

All information contained in this Prospectus which was sourced by the Issuer from third parties has been accurately reproduced and as far as the Issuer is able to ascertain from such information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

List of sources of information used during preparation of the Prospectus:

- *AAPG Bulletin* published by American Association of Petroleum Geologists,
- BP Statistical Review of World Energy 2013 (www.bp.com),

- Dictionary of Canadian Law,
- Financial Times (2008),
- *Geology and hydrocarbon occurrences in the Ghadames Basin, Algeria, Tunisia, Libya* - K. Echikh,
- *Hydrocarbon Enrichment Regularity of Nummulitic Limestone in Mediterranean Pelagian Basin* - Tianqi, Wang; Yajun, Zhang; Fang, Naizhen; Li, Juan; Yang, Rongjun,
- *Leading Edge* published by Society of Exploration Geophysicists,
- *Tectonics and Sedimentation of Early Continental Collision in the Eastern Mediterranean (Northwest Syria)* – doctoral thesis of Mathew F. Hardenberg, University of Edinburgh, Great Britain, 2003,
- *Tectonic Evolution of Syria Interpreted from Integrated Geophysical Analysis* – doctoral thesis of Graham Edward Brew, Cornell University, United States of America, 2001,
- The World Factbook (www.cia.gov/library/publications/the-world-factbook),
- *USGS Bulletin 2201-E* published by United States Geological Survey,
- *US Geological Survey Bulletin 2202-c*.

All sources presented above are sources independent from the Company.

24. DOCUMENTS ON DISPLAY

For the life of the Prospectus the following documents (or copies thereof):

- (a) the memorandum and articles of association of the Issuer;
- (b) Current report no. 1/2013 – Brunei – KOV Acquires Rig For Drilling Program in Block L from 3 January 2013 (full report);
- (c) Current report no. 6/2013 - KOV Signs Contract For Brunei Drilling Campaign from 13 February 2013 (full report);
- (d) Current report no. 10/2014 - Serinus Year-End 2P Reserves Increase 119% from 20 March 2014 (full report together with the annexes);
- (e) Current report no. 11/2014 - Evaluation of the Tunisian and Ukrainian reserves by independent reserve engineers from 21 March 2014 (full report together with the annexes);
- (f) Report under Polish regulations concerning compliance with the Polish corporate governance rules by the Company;
- (g) Annex to the current report no. 16/2014 from 17 April 2014 Information on the General and Special Meeting of Serinus titled “Notice of Meeting and Information Circular from 21 May 2013” pages 38-42 (in Polish version);
- (h) Consolidated Annual Report for financial year 2013 for period from 1 January 2013 to 31 December 2013 published on 20 March 2014 together with the annexes;
- (i) Consolidated Annual Report for financial year 2012 for period from 1 January 2013 to 31 December 2013 published on 21 March 2013 together with the annexes;
- (j) Semi annual report for period of the three and six months ended June 30, 2014 published on August 13, 2014 together with the annexes;
- (k) Current report no. 16/2013 from 25 April 2013 - Decision on approval the entering into the arrangement agreement with Winstar Resources Ltd. and Kulczyk Investments S.A. by the Board of Directors of Kulczyk Oil Ventures Inc. and conclusion of the arrangement agreement (full report);
- (l) Current report no. 20/2013 from 17 May 2013 - Polish translation of documents concerning acquisition of Winstar Resources (full report together with annexes);
- (m) Current report no. 40/2013 from 25 June 2013 - Closing of the Acquisition of shares of Winstar Resources Ltd. constituting assets of material value to the Company (full report);
- (n) Current report no. 64/2013 from 9 August 2013 Information filed in Canada concerning closing of the Acquisition of Winstar Resources – (full report);
- (o) Current report no. 16/2010 - “Summary of stabilising transactions, buy-back of KOV shares” from July 8, 2010 (full report); and
- (p) Current report no. 29/2010 - “Cancellation of KULCZYK OIL VENTURES INC shares” from August 19, 2010 (full report).

(q)

may be inspected by physical means by appointment during regular business hours at the Issuer's Calgary, Canada head office, located at Suite 1500, 700-4th Avenue SW, Calgary, Alberta, Canada and at the Issuer's Warsaw, Poland office, located at Nowogrodzka 18/29, 00-511 Warsaw, Poland. The documents on display may be inspected electronically under the Issuer's profile on SEDAR at www.sedar.com or on Issuer's website at www.serinusenergy.com

25. INFORMATION ON HOLDINGS

25.1. Information relating to the undertakings in which the issuer holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

For organizational structure of the Issuer's Group – please see Section 7 of the Prospectus “Organizational structure” in Subsection 7.2. “A list of the issuer's significant subsidiaries, including name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held.” in the part *The Issuer's Significant Subsidiaries*.

Criteria for describing Issuer's subsidiaries in this Subsection were as follows: in general a subsidiary is deemed to be material if (i) the total assets of the subsidiary exceeds 10 per cent of the consolidated assets of the Group; or (ii) the revenue of the subsidiary exceeds 10 per cent of the consolidated revenue of the Group, which is broadly consistent with disclosure requirements for intercorporate relationships under Canada's Form 51-102F2 (which is part of *National Instrument 51-102 – Continuous Disclosure Obligations*).

Notwithstanding this criteria, in some situations the Issuer has elected to disclose subsidiaries which may not meet this financial criteria as their operations or former operations are otherwise deemed to be material to investors. For example, the Company did not specifically consider whether Winstar Satu Mare SRL meets the financial criteria outlined above, but as this subsidiary holds the Company group's exploration property in Romania, which is considered a material property, it was included on the list of subsidiaries.

Issuer has shares in the following material subsidiaries:

- (i) two direct wholly-owned subsidiary, Kulczyk Oil Ventures Limited, Nicosia, Cyprus (“**KOV Cyprus**”) and Winstar Resources Ltd., Calgary, Alberta, Kanada (“**Winstar**”),
- (ii) six material indirect wholly-owned subsidiaries (100% shares):
 - AED South East Asia Limited, Nicosia, Cyprus (“AED SEA”),
 - Kulczyk Oil Brunei Limited, Nicosia, Cyprus (“KOV Brunei”),
 - Loon Latakia Limited, Nicosia, Cyprus (“Loon Latakia”),
 - Winstar B.V., Breda, Netherlands (“Winstar Netherlands”),
 - Winstar Tunisia B.V., Breda, Netherlands (“Winstar Tunisia”),
 - Winstar Satu Mare SRL, Bucharest, Romania (“Winstar Satu Mare”) and
- (iii) one indirect partly-owned subsidiary (70%) KUBGAS Holdings Limited, Nicosia, Cyprus (“**KUBGAS Holdings**”).

KUBGAS Holdings holds 100% interest in KUB-GAS LLC, Lugansk, Ukraine (“**KUB-GAS**”).

Financial results of all subsidiaries presented above are consolidated in Issuer's annual and quarterly financial reports .

<i>Name</i>	<i>Registration Number</i>	<i>Country of Incorporation</i>	<i>Registered Address</i>	<i>Purpose</i>
Kulczyk Oil Ventures Limited	161672	Republic of Cyprus	12, Esperidon Street 4 th Floor, 1087 Nicosia, Republic of Cyprus	A wholly-owned subsidiary holding the Company's international interests.
Kulczyk Oil Brunei Limited	178310	Republic of Cyprus	12, Esperidon Street 4 th Floor, 1087 Nicosia, Republic of Cyprus	A wholly-owned subsidiary of KOV Cyprus holding a 40% working interest in Brunei Block L.
Loon Latakia Limited	195471	Republic of Cyprus	12, Esperidon Street 4 th Floor, 1087 Nicosia, Republic of Cyprus	A wholly-owned subsidiary of KOV Cyprus holding a 45% working interest in Syria Block 9.
KUBGAS Holdings Limited	238219	Republic of Cyprus	12, Esperidon Street 4 th Floor, 1087 Nicosia, Republic of Cyprus	A 70% owned subsidiary of KOV Cyprus which holds 100% of the shares of KUB-Gas.
KUB-Gas LLC	30694895	Ukraine	8 Karl Marx Street, Lugansk, Ukraine	A wholly-owned subsidiary of KUBGAS Holdings holding the Ukrainian Licences.
AED South East Asia Limited	197376	Republic of Cyprus	12, Esperidon Street 4 th Floor, 1087 Nicosia, Republic of Cyprus	A wholly-owned subsidiary of KOV Cyprus holding a 50% working interest in Brunei Block L.
Winstar Resources Ltd.	2010596298	Canada	Suite 1500, 700 – 4 th Avenue S.W., Calgary, Alberta, Canada T2P 3J4	A wholly-owned subsidiary of Serinus. Issuer, having become the sole shareholder in June 2013, indirectly acquired material Tunisian Assets and Romanian Assets.
Winstar B.V.	34155692	Netherlands	Burgemesster de Manlaan 2, 4837BN Breda, The Netherlands	A wholly-owned subsidiary of Winstar, which is the sole shareolder of Winstar Tunisia.
Winstar Tunisia B.V	33029116	Netherlands	Burgemesster de Manlaan 2, 4837BN Breda, The Netherlands	A wholly-owned subsidiary of Winstar Netherlands, holding Licences in Tunisia
Winstar Satu Mare SRL	24364432 J40/14330/2008	Romania	15-17 Navodari Street, Ground Floor, Ap. 01, 1 st district, Bucharest, Romania	A subsidiary of Winstar Netherlands, holding 60 % working interest in Satu Mate Concession.

After completion of the Winstar Acquisition the Issuer, through the companies of the Issuer's Group, has thirteen (13) licences (concessions) across five countries, i.e. Ukraine, Syria, Romania, Tunisia and Brunei. The Issuer, via its subsidiaries, is the operator of each of the licenses.

In Ukraine, the Issuer, through KUB-Gas, a wholly owned subsidiary of KUBGAS Holdings, which is an indirect 70% owned subsidiary of the Company, has an effective net interest of 70% in five licences, four gas processing facilities, a drilling rig, a specialized workover rig and other well servicing assets, plus over 20 kilometres of main gas pipelines connected to the Ukrainian gas transportation infrastructure. Four of the five licences currently produce natural gas and condensate. Four of the producing licences are production licences, with two of these having been converted from exploration licences in February 2012 and April 2012 and one in September 2013. The other licence is an exploration licence. The Issuer began to generate revenues with its acquisition of its interest in the licences in June 2010, and since that time has generated \$240.3 million of revenue, net of royalties, in aggregate from these assets, up to June 30, 2014 (\$178.5 million net to the Issuer) (compare to December 31, 2013 - \$17.8, December 31, 2012 - \$99.6)

The following table describes net interests in licences:

Licence	KUB-Gas Interest	Type	Area (acres)	Gross production (average production in August 31, 2014)
Olgovskoye	100%	Production Licence	21,900	11.46 MMcfe/d
Makeevskoye	100%	Production Licence	17,000	28.52 MMcfe/d
Vergunskoye	100%	Production Licence	4,200	0 MMcfe/d
Krutogorovskoye	100%	Production Licence	3,400	0 MMcfe/d
North Makeevskoye	100%	Exploration Permit	47,000	-

In Brunei, the Issuer, through its two indirect wholly owned subsidiaries, Kulczyk Oil Brunei and AED SEA, holds a 90% working interest in the Brunei Block L production sharing agreement ("**Block L PSA**") which gives the Issuer and the other parties thereto the right to explore for and, upon fulfillment of certain conditions, the right to produce oil and gas from Brunei Block L, a 1,123 square kilometre (281,000 acre) area covering certain onshore and offshore areas. The AED SEA is the operator of the block and is currently in phase 2 of the exploration period. The minimum expenditure commitments of \$16 million under this phase were met as at December 31, 2012 and the remaining work commitments are to drill at least two onshore exploration wells, each to a minimum of 2,000 metres. Brunei Block L was to expire on August 27, 2013, but upon prior application, Kulczyk Oil Brunei and AED SEA received formal confirmation from PetroleumBRUNEI, that the block was extended to November 27, 2013 to allow for completion of the drilling. Afterwards, the term of the Brunei Block L PSA was automatically extended to allow for the completion of the drilling of the Luba-1 well and in the event the Company decides to appraise a discovery the term of the exploration period is further extended to allow for the implementation of the appraisal program.

An application has been made to PetroleumBRUNEI to re-acquire certain areas relinquished upon the completion of Phase 1, in accordance with the terms of the Brunei Block L PSA.

Works on Lukut Updip-1 well started on 20 June 2013. The well could not have been drilled to the planned zone. The two higher located zones were tested and the results did not reveal gas flow of the

commercial amount. It was probably a result of damage in the formation made by heavy liquid used to balance the pressure of the deposit during the control of the well. After conducting the test the drilling was suspended.

Works on Luba-1 well started on 11 November 2013. The well was drilled to a measure of 1,720 meters after which the bottom hole assembly was stuck in the well. Since it was impossible to recover it, it was decided to cut off the drill string and suspend the drilling.

Joint venture partners are required to the Appraisal Plan regarding the estimated timing and costs of the works proposed to be carried out by the Contractor to delineate the discovered Petroleum Field (as those terms are defined in the Block L PSA) by 9 July 2014. AED SEA submitted the Appraisal Plan on July 3, 2014. PetroleumBRUNEI provided a response on July 23, 2014. AED SEA intends to submit a revised Appraisal Plan on or before September 30, 2014.

Serinus, together with PetroleumBRUNEI, is in the process of evaluating the drilling campaign. As it is not certain when and if the exploration works in Brunei will be resumed, the Company has fully impaired its Brunei Assets.

In Syria, the Issuer, through its indirect wholly-owned subsidiary, Loon Latakia, holds a working interest of 50% in the Syria Block 9 production sharing contract ("**Syria 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 Issuer has granted an unrelated third party a right to be assigned a 5% ownership interest, which is subject to the approval of Syrian authorities. If such an assignment occurs and is approved, the Company (through Loon Latakia) would have a remaining effective indirect interest of 45% in Block 9, but would continue to bear 50% of the costs.

As a result of Winstar Acquisition, the Issuer indirectly operates five concessions **in Tunisia**. The following table describes net interests in such concessions as of the date of Prospectus:

Concession	Gross (km ²)	Surface Working Interest	Operator	Number of Producing Wells	Type of Production
Sabria	104	45%	Winstar	4	Oil and Gas
Zinnia	72	100%	Winstar	0	---
Sanrhar	144	100%	Winstar	1	Oil
Choueich Es Saida	212	100%	Winstar	7	Oil and Gas
Ech Choueich	136	100%	Winstar	1	Oil

The Assets in Tunisia, including 100% working interest in the Choueich Es Saida, Ech Choueich, Zinnia and Sanrhar concessions and a 45% operated interest in the Sabria concession are operated by Winstar Tunisia

In Tunisia, production averaged 1,462 boe/d for the three months ended December 31, 2013 and 1,311 boe/d and 1,328 boe/d for the three and six months ended June 30, 2014. Production is predominantly from the Choueich Es Saida and Sabria fields, which account for 90% 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. Works on new

wells on Tunisian Assets started in July 2014 with commencement of the drilling of WIN 12bis well. The drilling rig will move to the second location, WIN-13, immediately after finishing WIN-12bis. 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.

Romania properties and assets

Assets in Romania are operated by Winstar Satu Mare. With the Winstar Acquisition, the Company (through Winstar Satu Mare) has become party to a joint venture transaction with 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 in north western Romania. Under the terms of the agreement, the Company 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 locations and the acquisition of 180 km of 3D seismic.

The Satu Mare Concession is on the border with Hungary and Ukraine within the Pannonian Basin. Rompetrol currently holds the rights to explore on the concession and the term of the concession expires September 2034.

For further information about assets held by Issuer's subsidiaries, in particular information on concessions, production, revenues from production please see Section 6 of the Prospectus "*Business overview*".

26. KEY INFORMATION

26.1. Working capital Statement

Statement by the issuer that, in its opinion, the working capital is sufficient for the issuer's present requirements or, if not, how it proposes to provide the additional working capital needed.

The management of the Company represents that in its opinion the working capital and available financing facilities of the Issuers Group are sufficient to cover the current needs of the Company during the 12 months from the date of this Prospectus.

26.2. Capitalization and indebtedness

A statement of capitalization and indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as of a date no earlier than 90 days prior to the date of the document. Indebtedness also includes indirect and contingent indebtedness.

Table 1 Capitalization and indebtedness of the Issuer's Group (US\$ in '000)

Item	30.06.2014 (unaudited)
Total Current debt	13 094
- Guaranteed and secured	13 094
- Unguaranteed / unsecured	-
Total Non-Current debt (excluding current portion of long –term debt)	15 413
- Guaranteed and secured	15 413
- Unguaranteed / unsecured	-
Shareholder's equity	158 797
Share capital	344 479
Contributed surplus	19 753
Accumulated other comprehensive income	(14 890)
Non-controlling interest	26 475
Deficit	(217 020)
Total	187 304

Source: the Company

Table 2 Net financial indebtedness of the Issuer's Group (US\$ in '000)

Item	30.06.2014
A. Cash, including:	17 338
- Restricted cash	1 619
B. Cash equivalent (Detail)	-
C. Trading securities	-
D. Liquidity (A)+(B)+(C)	17 338
E. Current Financial Receivable	-
F. Current bank debt	-
G. Current portion of non current debt	5 094
H. Other current financial debt	8 000
I Current Financial Debt (F)+(G)+(H)	13 094
J. Net Current Financial Indebtedness (I)-(E)-(D)	(4 244)
K Long-term bank loans	15 413
L. Bonds issued	-
M. Other non current loans	-
N. Non current Financial Indebtedness (K)+(L)+(M)	15 413
O. Net Financial Indebtedness (J)+(N)	11 169

Source: the Company

As part of the Winstar Acquisition the Company has an irrevocable standby letter of credit issued by a Canadian chartered bank for \$1.6 million as required to meet future abandonment obligations existing on certain oil and gas properties in Canada. The Company has pledged \$1.6 million of short term investments as security for the Canadian letter of credit. The obligation is expected to be settled within year 2014 and accordingly the restricted cash is shown as a current asset.

Financial indebtedness of the Group as at June 30, 2014 consisted of EBRD (long-term with current portion) and Dutco (current) credit facilities, which are described in more detail in chapter 10 *Capital resourced* section 10.3 *Information on the borrowing requirements and funding structure of the issuer* of this Prospectus.

The loan agreement with EBRD for Ukraine is secured by:

- the pledge on certain property, plant and equipment in Ukraine (pledge on rig, pledge on future movable fixed assets acquired as part of a development project in Ukraine, which are recognized by EBRD as having material value),
- future revenues generated in Ukraine (off-take contract-understood as an agreement for the sale and purchase of gas, valid over 12 months),

- the pledge of a bank account, which hold cash flow from operating activities in Ukraine, - the pledge over the shares of the operating subsidiary KUB-Gas LLC owned by Kubgas Holdings.

The debt is fully guaranteed by Serinus. Subsequent to the period ended June 30, 2014, a further scheduled repayment of \$1.8 million on EBRD Loan Facility was made.

Under Dutco Credit Facility, the Company granted a pledge over its shares in KOV Cyprus, an indirect wholly-owned subsidiary. The share pledge is governed by the laws of Cyprus as this is the jurisdiction of incorporation of KOV Cyprus. The share pledge allows Dutco to take ownership of KOV Cyprus at any time while there is an event of default continuing under the Dutco Credit Facility. In July 2014, a scheduled repayment of total indebtedness related to Dutco Credit Facility was made.

On November 20, 2013 the Company signed two loan agreements in the aggregate amount of \$60 million with EBRD, for financing in funding the capital program being planned for its recently acquired oil and gas fields in Tunisia (the Tunisia Loan Facility).

The financing consists of two loans, one Senior Loan in the amount of \$40 million and the second Convertible Loan in the amount of \$20 million.

The loans are secured by:

- the Tunisian fixed assets,
- pledges of certain bank accounts which holds cash flows form operating activities in Tunisia,
- the shares of the Company's subsidiaries through which the concessions are owned,
- 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, including a debt service coverage ratio, and a financial debt to EBITDA ratio.

Subsequent to quarter end, the Company drew the final \$5 million under tranche 1 of the Senior Loan facility.

For more information relating to loan facilities of the Issuer and respective guarantees please refer to Section 22 "Material contracts" of this Prospectus.

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, Loon Peru Limited, which guaranteed the performance of Loon Peru Limited of its obligations under the license contract. These obligations were fulfilled and Loon Peru elected not to proceed in to the second exploration period and the license contract was relinquished. While the Loon Guarantee has yet to be released, the maximum liability that could arise under the Loon Guarantee is based on the first exploration phase where the work commitment has been fulfilled. Consequently the Company does not anticipate any material exposure under the Loon Guarantee.

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.

According to the information held by the Board there are no uncertain events, resulting in a contingent indebtedness.

The Management of the Company represents that there have been no material changes in capitalization, indebtedness and liquidity of the Group since June 30, 2014 up to the date of this Prospectus other than described above.

26.3. Interest of natural and legal persons involved in the issue/offer

A description of any interest, including conflicting ones that is material to the issue/offer, detailing the persons involved and the nature of the interest.

Not applicable. This Prospectus is not prepared due to the issue/offer of shares. No interest or conflict of interest material to the procedure of admission of shares exists.

26.4. Reasons for the offer and use of proceeds

Not applicable. The Admission Shares to which this Prospectus relates are not subject to a public offer.

27. INFORMATION CONCERNING THE SECURITIES TO BE ADMITTED TO TRADING

27.1. A description of the type and the class of the securities being offered and/or admitted to trading, including the ISIN (International Security Identification Number) or other such security identification code.

On the basis of the Prospectus, the Issuer intends to admit and introduce to trading on the regulated market 38,479,608 Serinus Shares, i.e. KI Loan Shares in the amount of 3,183,268; Winstar Acquisition Shares in the amount of 27,252,500, Option Shares in the amount of 143,833, TIG Debenture Shares in the amount of 1,850,104, KI/Radwan Debentures Shares in the amount of 6,049,903 (5,456,432 Serinus Shares issued as a result of conversion of KI Debenture, 593,471 Serinus Shares issued as a result of conversion of Radwan Debenture).

The shares which the Prospectus concerns and whose admission to trading is being sought are common shares with no par value and no series designation. The Serinus Shares (including both those Serinus Shares that are deposited with CDS and those Serinus Shares that are not deposited with CDS) are registered under ISIN CA81752K1057. The Admission Shares and other Serinus Shares are of the same kind.

For details regarding the issuances of Admission Shares please refer to this Section 27 Subsection 27.7.: *“In the case of new issues, the expected issue date of the securities”* of this Prospectus.

27.2. Legislation under which the securities have been created.

Overview

The Issuer is incorporated under the laws of the Province of Alberta, Canada and is, therefore, subject to the provisions of ABCA. As a consequence, all the legal matters regarding the Issuer as a corporate entity, and in particular its valid existence as a legal entity, its legal capacity and authority to take action, its authority to issue and the validity of shares, its internal organization and operational rules are governed by the ABCA and the Business Corporations Regulation made under the ABCA. In addition, the corporate and property rights, including voting rights, attached to the Serinus Shares are governed by the ABCA, the Business Corporations Regulation made under the ABCA and the *Securities Transfer Act* (Alberta). The provisions of these statutes are interpreted by courts in Alberta using prior case law and if remedies are pursued in an Alberta court of law, those remedies are governed by the rules and laws of the Alberta courts. Matters relating to the Issuer's status as a Canadian reporting issuer and relationships with its shareholders, including matters with respect to take-over bids for the Serinus Shares and the reporting of ownership of Serinus Shares, are generally governed by the following Canadian securities laws and related policies and instruments:

- (a) *Securities Act (Alberta) (the "ASA")*;
- (b) Securities Regulation made under the ASA;
- (c) *Securities Act (British Columbia) (the "BCSA")*;
- (d) Securities Rules under the BCSA;
- (e) Rule Making Procedure Regulation under the BCSA;
- (f) Securities Regulation under the BCSA;
- (g) *The Securities Act, 1988 (Saskatchewan) (the "SSA")*;

- (h) The Securities Regulations made under the SSA;
- (i) *The Securities Act* (Manitoba) (the “**MSA**”);
- (j) Securities Regulation made under the MSA;
- (k) *Securities Act* (Ontario) (the “**OSA**”);
- (l) General Regulation made under the OSA;
- (m) *Securities Act* (New Brunswick) (the “**NBSA**”);
- (n) General Regulation, as amended, Forms Regulation and Rule-making Procedure Regulation made under the NBSA;
- (o) *Securities Act* (Nova Scotia);
- (p) *Securities Act* (Prince Edward Island) (the “**PEI SA**”);
- (q) Regulations made under the PEI SA;
- (r) *Securities Act* (Newfoundland) (the “**NFLD SA**”);
- (s) Securities Regulations made under the NFLD SA;
- (t) National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*;
- (u) National Instrument 55-102 *System for Electronic Disclosure by Insiders* (“**SEDI**”);
- (v) Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*;
- (w) National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*;
- (x) Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids*;
- (y) National Policy 62-303 *Take-Over Bids and Issuer Bids*; and
- (z) OSC (“**Ontario Securities Commission**”) Rule 62-504 *Take-Over Bids and Issuer Bids*.

British Columbia, Saskatchewan, Manitoba, Ontario Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland are provinces of Canada.

In Canada securities regulation is a provincial head of power. This means that each Canadian province has the power to enact its own securities legislation. As a company listed on the TSX, Serinus is now subject to the securities laws of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland.

Since the Serinus Shares are listed on the WSE, certain Polish laws and regulations are applicable to some of these matters. A potential WSE Beneficial Shareholder should be aware that, in connection with certain Polish law regulations, in particular those on the trading of securities admitted to trading on the organized market in Poland, and international private law regulations, controversies may arise regarding the possible application of Polish legal regulations to the Issuer and Beneficial Shareholders (including WSE Beneficial Shareholders) who have acquired their Serinus Shares in secondary trading on the WSE in respect of exercising rights and performing obligations under Polish law. For the reasons specified above, a case by case assessment will be required to determine the possible consequences of the respective regulations on the Issuer and its Shareholders. The interaction of

Canadian and Polish legal considerations relating to the Issuer and Beneficial Shareholders (including WSE Beneficial Shareholders) who have acquired their Serinus Shares in secondary trading on the WSE can be complex. Accordingly, potential WSE Beneficial Shareholders are urged to consult their own legal advisors before making an investment decision in respect of the Serinus Shares, including Admission Shares.

27.2.1. Description of Alberta Corporate and Securities Law

The summary of the provisions of the Articles, the Bylaws, the ABCA and the ASA and related policies and instruments presented below does not purport to be a complete discussion of, and is qualified in its entirety by reference to, the Articles, Bylaws, the ABCA and the ASA and related policies and instruments.

Articles of incorporation are the basic instrument filed with the Alberta Registrar of Corporations to incorporate a corporation under the ABCA. While certain contents of the Articles are prescribed by the ABCA, the Articles may contain any provision that may be necessary for the management of a business that is not contrary to the laws of the Province of Alberta. In general, under laws of the Province of Alberta, if by-laws are adopted by a corporation, as in the case of the Issuer, the by-laws are the primary rules adopted by a corporation for its internal governance and they may contain any provision:

- relating to the business of the corporation;
- relating to the conduct of the corporation's affairs; and
- relating to the corporation's rights and powers or the rights and powers of its shareholders, directors, officers or employees.

The By-laws may not contain any provision inconsistent with Alberta law or with the corporation's articles.

General Purpose

Pursuant to the Articles, the business of the Issuer is not limited to a specific purpose and therefore the description of the Issuer's objects and purposes cannot be found in the Articles and By-laws of the Issuer. Subject to and under the ABCA, a corporation, such as the Issuer, has the capacity, rights, powers and privileges of a natural person.

Board of Directors

Procedure for Election, Removal and Filling of Vacancy of Directors

(a) Election and Appointment

Under the ABCA, the initial directors of a corporation are selected by the incorporators. Such directors will hold his/her office until the first meeting of the shareholders. Thereafter, registered shareholders of a corporation, by ordinary resolution at the first meeting of shareholders and at each succeeding annual meeting at which an election of directors is required, elect directors to hold office for a term expiring not later than the close of the next annual meeting of shareholders following the election. Pursuant to the By-laws of the Issuer, all previously elected directors are deemed to retire from office at the time of the annual general meeting. If directors are not elected at a meeting of shareholders, the incumbent directors continue in office until their successors are elected.

Under the ABCA, directors are elected by the shareholders by a plurality of the votes of the shares present in person or by proxy at a shareholders' meeting and entitled to vote on the election of directors. Under the ABCA, shareholders do not have a right to cumulate their votes for directors, unless otherwise provided in the articles of incorporation. The Articles do not provide for cumulative voting. Cumulative voting is a system of voting under which each voting shareholder has a number of votes determined by reference to the number of director positions that are to be filled by election, with the voting shareholder being free to distribute those votes among such number of persons or concentrate those votes upon any one person, as the voting shareholder sees fit. Shareholders of Serinus do not vote for directors in the above-described manner; instead registered shareholders of Serinus are granted a single vote for each director position that is to be filled.

In accordance with the Articles, the directors may appoint one or more additional directors of the Issuer to serve until the next annual general meeting between annual general meetings as long as the number of additional directors do not at any time exceed one-third of the number of directors who held office at the expiration of the last annual meeting of the Issuer.

Under the ABCA, the following persons are disqualified from being a director of a ABCA corporation:

- Anyone who is less than 18 years of age;
- Anyone who (i) is a represented adult as defined in the *Adult Guardianship and Trusteeship Act* (Alberta) or is the subject of a certificate of incapacity that is in effect under the *Public Trustee Act* (Alberta), (ii) is a formal patient as defined in the *Mental Health Act* (Alberta), (iii) is the subject of an order under *The Mentally Incapacitated Persons Act* (Alberta), appointing a committee of the person or estate, or both, or (iv) has been found to be a person of unsound mind by a court elsewhere than in Alberta;
- A person who is not an individual; and
- A person who has the status of bankrupt.

At least one-quarter of the directors of an ABCA corporation must be resident Canadians.

(b) Filling of Vacancies

Under the ABCA, a quorum of directors may fill a vacancy among the directors, except a vacancy resulting from an increase in the number or minimum number of directors or from a failure to elect the number or minimum number of directors required by the articles of incorporation. If there is not a quorum of directors, or if there has been a failure to elect the number or minimum number of directors required by the articles, the directors then in office shall forthwith call a special meeting of shareholders to fill the vacancy and, if they fail to call a meeting or if there are no directors then in office, the meeting may be called by any shareholder, a registered or beneficial. A director appointed or elected to fill a vacancy holds office for the unexpired term of the director's predecessor.

(c) Removal of Directors

Pursuant to the ABCA, the registered shareholders of a corporation may by ordinary resolution at a special meeting of shareholders remove any director from office before the expiration of his term of office and may, by a majority of votes cast at such meeting, elect any person in his stead for the remainder of his term. Where the articles of a corporation provide for cumulative voting, a director

may not be removed from office if the votes cast against the director's removal would be sufficient to elect the director, and those votes could be voted cumulatively, at an election at which the same total number of votes were cast and the number of directors required by the articles of the corporation were then being elected. As noted above, however, the Articles of the Issuer do not provide for cumulative voting.

Powers and Duties

In accordance with the By-laws of the Issuer, the directors shall manage the business and affairs of the Issuer and may exercise all such powers and do all such acts and things as may be exercised or done by the Issuer and are not by the ABCA, Articles, By-laws, any special resolution, a unanimous shareholder agreement or by statute expressly directed or required to be done in some other manner. As of the date of this Prospectus, the Issuer is not party to any unanimous shareholder agreement.

Term and Vacation of Office

In accordance with the By-Laws of the Issuer, a director's term of office shall be from the date of the meeting at which he is elected or appointed until the close of the first annual meeting of shareholders following his election or appointment or until his successor is elected or appointed.

Under the By-Laws of the Issuer, a director of the Issuer ceases to hold office when he dies or resigns, he is removed from office, or he becomes disqualified. A resignation of a director becomes effective at the time a written resignation is sent to the Issuer, or at the time specified in the resignation, whichever is later.

Conflict of Interest Transactions

A director or officer of the Issuer who is a party to a material contract or proposed material contract with the Issuer, or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Issuer is required to disclose the nature and extent of his interest at the time and in the manner provided in the ABCA. Except as provided in the ABCA, no such director of the Issuer shall vote on any resolution to approve such contract. If a material contract is made between the Issuer and one or more of its directors or officers, or between the Issuer and another person of which a director or officer of the Issuer is a director or officer or in which he has a material interest, (a) the contract is neither void nor voidable by reason only of that relationship, or by reason only that a director with an interest in the contract is present at or is counted to determine the presence of a quorum at a meeting of directors or committee of directors that authorized the contract, and (b) a director or officer or former director or officer of the Issuer to whom a profit accrues as a result of the making of the contract is not liable to account to the Issuer for that profit by reason only of holding office as a director or officer, if the director or officer disclosed his interest in accordance with the provisions of the ABCA and the contract was approved by the directors or the registered shareholders and it was reasonable and fair to the Issuer at the time it was approved.

Annual Meeting of Shareholders

Under the ABCA, an annual meeting to elect directors must be held within 15 months after the date of the previous annual meeting. For further information please see this Section 27 in Subsection 27.5.6. "Shareholder Meetings". If the meeting is not held within such period, a registered shareholder entitled to vote at an annual meeting has the right to request a court order that the annual meeting be held promptly. Under the ABCA, only Registered Shareholders, whose names appear on the register

of Shareholders maintained by the Issuer as at the Record Date set for the meeting, may attend and vote at the meeting unless, after the Record Date, a holder of record transfers their Serinus Shares and the transferee upon producing properly endorsed certificates evidencing such Serinus Shares or otherwise establishing ownership of such Serinus Shares, requests, not later than ten days before the meeting, that the transferee's name be included in the list of Shareholders entitled to vote, in which case such transferee shall be entitled to vote such Serinus Shares at the meeting.

Special Shareholder Meetings

Under the ABCA, a special meeting of the Shareholders may be called by the Board of Directors or at the request in writing of registered and beneficial shareholders possessing at least 5% of the issued and outstanding Serinus Shares that carry the right to vote at the meeting sought to be held, but the beneficial shareholders do not thereby acquire the direct right to vote at a meeting that is called by such Shareholders.

Shareholder Meeting Notice

Under the ABCA, a notice of each annual and special meeting must be given not less than 21 days and no more than 50 days before the date of the shareholder meeting.

Annual and special meetings of shareholders are held at times and places designated by the Board of Directors. Pursuant to the Articles of the Issuer, meetings of Shareholders may be held inside or outside of the Province of Alberta.

Each Registered Shareholder of Serinus Shares as of the Record Date is entitled to attend all special and annual meetings of Shareholders and to cast one vote for each Serinus Share held of record by them. Pursuant to the By-laws of the Issuer, other than as set forth below, the quorum required for resolutions to be valid is two or more persons present in person at the meeting and representing in person or by proxy not less than 5% of the issued and outstanding Serinus Shares entitled to vote at the meeting. However, quorum can be achieved by two persons present and each holding or representing by proxy at least one issued share for the election of a chairman of the meeting and for the adjournment of the meeting to a fixed time and place.

Dividends

Under the ABCA, neither registered nor beneficial shareholders have any right to be paid dividends, unless the dividends are fixed by the articles of the corporation for a particular class or series of shares. If the articles of the corporation indicate that a class of shares are entitled to dividends but do not fix the amount of the dividend, the decision as to whether dividends will be paid and the amount of any such dividends is within the discretion of the corporation's board of directors. The Issuer's Articles do not fix any dividends for the Serinus Shares and therefore dividends on such Serinus Shares are at the discretion of the Board of Directors. In the case of most ABCA corporations, including the Issuer, a dividend will be declared by director resolution. The right to receive a dividend does not vest and no dividend is payable until such time as the dividend is declared at the discretion of the Board of Directors. Investors who acquire their Serinus Shares in trading on the secondary market become Beneficial Shareholders of the Issuer. As Beneficial Shareholders, such investors will have a right to participate in a dividend. Such dividend will be indirectly paid to the Beneficial Shareholders through the Registered Shareholder and brokers or other intermediaries through which the Registered Shareholders hold their Serinus Shares. Under the *Securities Transfer Act* (Alberta), securities intermediaries (which includes clearing agencies and brokers) are obligated to take action to obtain a

payment made by an issuer and to remit such payment or distribution to the investor. Until a board of directors declares a dividend out of the profits of the corporation, such amount remains an integral part of the assets of the corporation, and should the corporation enter into liquidation, such amount forms part of the capital of the corporation available for distribution among the registered shareholders of the corporation upon winding-up but are not income to the shareholders. Once a corporation goes into liquidation, the power of a board of directors to declare a dividend is gone. Where, however, a dividend has been legally declared, it constitutes a debt owing by the corporation (albeit one that can only be paid where the statutory conditions (as described below) are met) and cannot be subsequently revoked or reduced by the board of directors. The debt is due and payable as of the date specified in the resolution declaring the dividend. There are no restrictions on the payment of any dividends that have been properly declared to shareholders not resident in Canada. For a description of certain Canadian income tax considerations relating to the payment of dividends to shareholders not resident in Canada, see this Section 27 in Subsection 27.11.1. “*Certain Canadian Federal Income Tax Considerations*”.

An ABCA corporation is not permitted to declare or pay a dividend if there are reasonable grounds for believing that the corporation is or would be after the payment, unable to pay its liabilities as they come due, or the realizable value of the corporation's assets would after the payment be less than the aggregate of its liabilities and stated capital of all classes of shares. A dividend can be paid by issuing fully paid shares of the corporation and subject to the above restriction, a corporation may pay a dividend in the form of money or property.

The ABCA does not provide a specific remedy for registered shareholders who have failed to receive a dividend that has been declared by an ABCA corporation. Such registered shareholders would have to look to the courts to seek an order requiring the corporation to pay to the registered shareholder the declared dividend to which the registered shareholder is entitled. The *Limitations Act* (Alberta) (the “**Limitations Act**”), however, establishes a particular time limit within which such registered shareholder must file its claim for such an order. Generally speaking, under the Limitations Act, if a claimant does not seek a remedial order within (a) two years after the date on which the claimant first knew, or in the circumstances ought to have known that, (i) the injury for which the claimant seeks a remedial order had occurred, (ii) the injury was attributable to conduct of the defendant, and (iii) the injury, assuming liability on the part of the defendant, warrants bringing a proceeding; or (b) ten years after the claim arose, whichever period expires first, the defendant is entitled to immunity from liability in respect of the claim. Accordingly, pursuant to the Limitations Act, the aggrieved registered shareholder must have commenced its claim against the corporation for payment of the declared dividend within two years of the date on which it knew or ought to have known that: (a) it was entitled to the dividend; (b) the failure of the registered shareholder to receive payment of the dividend was attributable to the conduct of the corporation declaring such dividend; and (c) such failure, assuming liability on the part of the corporation, warranted bringing a proceeding against the corporation. In order for a claimant to be able to access the ten-year ultimate limitation period permitted under the Limitations Act, the claimant would have to satisfy the court that the injury (i.e., in the case, the failure by the corporation to pay the declared dividend) was not discoverable within the shorter two-year limitation period.

Dissent or Appraisal Rights

Section 191 of the ABCA provides that a registered shareholder of a corporation is entitled to dissent and to receive payment of the fair value of his or her shares if the corporation resolves to (a) amend its articles to add, change or remove any provisions restricting or constraining the issue or transfer of

shares of that class; (b) amend its articles to add, change or remove any restrictions on the business or businesses that the corporation may carry on; (c) amend its articles to add or remove an express statement establishing the unlimited liability of shareholders; (d) amalgamate with another corporation, other than as prescribed; (e) be continued under the laws of another jurisdiction; or (f) sell, lease or exchange all or substantially all of its property.

Dissent or Appraisal Rights of Registered Shareholders

Only registered shareholders are entitled to dissent rights. A registered holder who holds shares as nominee for one or more beneficial owners, one or more of whom wish to exercise dissent rights, must exercise such dissent rights on behalf of such holder(s). In such case, the demand for dissent should set forth the number of shares covered by it. A dissenting shareholder may only dissent with respect to all shares held on behalf of any one beneficial owner and registered in the name of the registered shareholder.

Dissent or Appraisal Rights of Beneficial Shareholders

A non-registered (beneficial) shareholder who wishes to exercise dissent rights should contact the intermediary with whom the beneficial shareholder deals in respect of its shares. The Beneficial Shareholder's legal relationship is with that Beneficial Shareholder's broker, not the Issuer. The Issuer is not a party to the relationship between any Beneficial Shareholder and such Beneficial Shareholder's broker. As described above, a registered holder who holds shares as nominee for one or more beneficial owners, one or more of whom wish to exercise dissent rights, must exercise such dissent rights on behalf of such beneficial holder(s). The Issuer's legal obligation is only in respect of the Registered Shareholder, therefore, it is the Registered Shareholder that must exercise dissent rights on behalf of Beneficial Shareholders. If the Beneficial Shareholder wishes to pursue its dissent right, such Beneficial Shareholder must initiate the claim through his broker or become a Registered Shareholder itself. Information on the procedure allowing the Beneficial Shareholder to become the Registered Shareholder may be found in this Section 27 in Subsection 27.5.1.4. "*Change of status by a Shareholder*".

Increase of the share capital

Pursuant to subsection 101(1) of the ABCA, "Subject to any unanimous shareholder agreement, the directors shall manage or supervise the management of the business and affairs of the corporation." More particularly, pursuant to subsection 27(1) of the ABCA: "Subject to the articles, the bylaws and any unanimous shareholder agreement and to section 30, shares may be issued at the times and to the persons and for the consideration that the directors determine."

Section 30 of the ABCA provides that: "(1) If the articles or a unanimous shareholder agreement so provides, no shares of a class shall be issued unless the shares have first been offered to the shareholders holding shares of that class, and those shareholders have a pre-emptive right to acquire the offered shares in proportion to their holdings of the shares of that class, at the same price and on the same terms as those shares are to be offered to others. (2) Notwithstanding that the articles provide the pre-emptive right referred to in subsection (1), shareholders have no pre-emptive right in respect of shares to be issued (a) for consideration other than money, (b) as a share dividend, or (c) pursuant to the exercise of conversion privileges, options or rights previously granted by the corporation.

Under the By-laws, subject to certain exceptions, majority shareholder approval in respect of the following types of private placements is required: (i) the issue of additional securities of the Company

listed on an exchange (including the WSE) where the aggregate number of securities issuable pursuant to the private placement is greater than 25% of the number of the listed securities outstanding, on a non-diluted basis, prior to the date of closing of the private placement if the price per security is less than the market price; and (ii) the issue of additional listed securities of the Company or the issue of options, rights or other entitlements to listed securities during any six month period to insiders where the aggregate number of such securities is greater than 10% of the number of the listed securities which are outstanding, on a non-diluted basis, prior to the date of closing of the first private placement to an insider during the six month period. These provisions in the By-laws are materially similar to those imposed by the TSX (which the Issuer is also subject to pursuant to its recent listing on the TSX).

The Articles of the Issuer do not restrict the ability of the Board of Directors of the Issuer to issue shares. The Issuer is not a party to any unanimous shareholder agreement.

Shareholders' Pre-emptive Rights

Under the ABCA, neither registered nor beneficial shareholders have pre-emptive rights, unless otherwise provided in the corporation's articles. The Issuer's Articles do not include a provision granting pre-emptive rights to the Registered or Beneficial Shareholders.

Redemption of Shares

Under the ABCA, a corporation may not ordinarily hold shares in itself. The ABCA does, however, give a general right to a corporation to purchase its own shares subject to certain general solvency restrictions described below and to any provision in the corporation's articles. The solvency and liquidity restrictions are intended to protect creditors and other stakeholders from a reduction in share capital where the corporation is likely to be unable to meet its obligations in full on a timely basis. Pursuant to section 34 of the ABCA, a corporation may purchase or otherwise acquire shares issued by it unless there are reasonable grounds to believe that the corporation is, or would after the payment for the shares be, unable to pay its liabilities as they come due, or the realizable value of the corporation's assets would after the payment be less than the aggregate of its liabilities and the stated capital of all classes of shares. Subject to the aforementioned conditions and the corporation's articles, a corporation may acquire shares issued by it to settle or compromise a debt or claim asserted by or against the corporation, eliminate fractional shares or fulfil the terms of a non-assignable agreement under which the corporation has an option or is obliged to purchase shares owned by a director, officer or an employee of the corporation, satisfy a claim of a dissenting shareholder or to comply with an order granted by the Alberta courts in an oppression remedy application. For further information please see this Section 27 in Subsection 27.5.5.4. "*Oppression Remedy*" and in Subsection 27.5.8. "*Repurchase and Redemption of Shares*".

Pursuant to section 32 of the ABCA, a corporation may hold shares in itself for a maximum of 30 days. At the expiry of the 30-day expiry period, the corporation must cancel the shares. Typically, a corporation who has purchased its own shares will promptly cancel those shares upon the completion of the purchase transaction.

Pursuant to section 33 of the ABCA, a corporation holding shares in itself may not permit those shares to be voted unless the corporation holds the shares in the capacity of a legal representative.

Amendment to Articles of Incorporation

The ABCA requires certain fundamental changes to a corporation's articles of incorporation to be approved by a resolution of its registered shareholders approved at a meeting of shareholders by a vote of not less than two-thirds of the votes cast by eligible holders of shares entitled to vote on the proposed amendment. A fundamental change is an addition, deletion or other change to the articles of a corporation; an amalgamation of the corporation with one or more other corporations; or a continuation of the corporation under another jurisdiction. In practical terms, the effect of such a fundamental change is to alter what would otherwise appear to be the vested proprietary and contractual rights of the shareholders of the corporation concerned. For further information see this Section 27 in Subsection 27.5.5.3. "*Voting Rights*".

Voting by Shareholders Generally

Approval of the Registered Shareholders is required, subject to certain exceptions, for a number of significant matters by the ABCA, including but not limited to:

- the election of directors (except that in certain circumstances the Board of Directors may appoint a director to fill a vacancy on the Board of Directors);
- amendments to the Articles;
- a business combination with another company;
- a change in the Issuer's domicile of organization; and
- the sale, lease or exchange of all or substantially all of the Issuer's property.

As discussed above, should the Registered Shareholder be required to vote on any such significant matters, the Registered Shareholder will seek voting instructions via a voting instruction form provided by or on behalf of a broker or other intermediary, whose purpose is to instruct the registered holder (the broker or other intermediary, or an agent thereof) how to vote on the Beneficial Shareholder's behalf. In accordance with these voting procedures and based on the voting instructions from the Beneficial Shareholders, the votes of each Shareholder of the Serinus Shares will be cast at the Shareholders' meeting on each such matter. For further information please see this Section 27 in Section 27.2.3. "*Proposed Voting Procedures for WSE Beneficial Shareholders that own Shares through Securities Accounts Maintained by Participants in the NDS*".

27.2.2. Certain Rights and Obligations of Acquirers of Shares of a Reporting Issuer under Canadian Securities Law

Entities taking control over the Issuer may be subject to certain disclosure obligations related to the acquisition of the shares, including the obtaining of the status of an entity having access to confidential information. Depending on the structure of the transaction through which they take over control of the Issuer by such entities, various provisions of Canadian federal and provincial legislation may apply to them, including those described below.

Insider Reporting Requirements

Under Canadian law, a person (or group of persons acting together) that beneficially owns more than 10% of the voting securities of an issuer is considered an "insider" along with certain other persons of the issuer. Canadian securities legislation requires certain "insiders" of a reporting issuer to disclose to securities commissions any direct or indirect beneficial ownership of or control or direction over securities of the reporting issuer and every transaction relating to such securities in certain

circumstances. The Canadian Securities Administrators ("**CSA**") System for Electronic Disclosure by Insiders ("**SEDI**") rules require both a reporting issuer's insiders and the reporting issuer to file "insider profiles" and "issuer profile supplements" electronically through SEDI (www.sedi.ca), respectively, and insider reports in certain circumstances. In particular, National Instrument 55-104 *Insider Reporting Requirements and Exemptions* ("**NI 55-104**") designates certain insiders as "reporting insiders" obligated to file insider reports. Such reporting insiders include among others, the CEO, CFO, COO, the directors of the issuer and shareholders with beneficial ownership of, or control or direction over more than 10% of the voting securities of the issuer. Insider reports must be filed electronically through SEDI. There is no requirement for a hard copy mailing to securities regulators.

A reporting insider must, after having set up an "insider profile", file an insider report on SEDI within ten days of becoming an insider, and thereafter within five days of any change in the beneficial ownership, control, direction or interest in the reporting issuer's securities. An insider report must contain information regarding any subsequent changes in ownership or control of the issuer's securities including the type of security, opening balance, date of the transaction, type of the transaction (buy/sell), value or number of securities involved in the transaction, the type of currency and the closing balance. Transfers in or out of the name of an agent, nominee or custodian as well as acquisitions by insiders also require that an insider file an Insider Report. There is a CAD 100 fee for filing late insider reports.

(a) Early Warning Obligations

In respect of acquisitions of securities of a reporting issuer, there is a requirement imposed upon any person or company who acquires beneficial ownership of, or control or direction over, 10% or more of either the voting or equity securities of any class of a reporting issuer, or securities convertible into voting or equity securities, to disclose such acquisition of the issued and outstanding securities of the reporting issuer. In such case, pursuant to Multilateral Instrument 62-104 - *Take-Over Bids and Issuer Bids* ("**MI 62-104**"), the person or company acquiring the securities must (i) promptly issue and file a news release with the executive director of the securities commission, and (ii) within two business days from the date of the acquisition of the securities, file with the executive director of the securities commission a report containing the same information required in the news release referred to above.

This requirement impacts not only the insiders of a reporting issuer, but also those persons who do not at present hold 10% of the voting or equity securities of the issuer, but who own a sufficient number of securities convertible within 60 days which, if converted, would result in them holding 10% or more.

(b) News Release and Report

In accordance with National Instrument 62-103 - *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*, the news release mentioned in item (a) (the "Early Warning Obligations" section) above shall outline the following in respect of the class of securities that are subject to the offer to acquire as well as any securities which are convertible into the class of securities:

- the name and address of the offeror;
- the designation and number or principal amount of securities and the offeror's security holding percentage in the class of securities of which the offeror acquired ownership or control in the transaction or occurrence giving rise to the obligations to file the news release, and whether it was ownership or control that was acquired in those circumstances;

- the designation and number or principal amount of securities and the offeror's security holding percentage in the class of securities immediately after the transaction or occurrence giving rise to the obligation to file the news release;
- the designation and number or principal amount of securities and the percentage of outstanding securities of the class of securities referred to above over which (i) the offeror either alone or together with any joint actors, has ownership and control, (ii) the offeror, either alone or together with any joint actors, has ownership but control is held by other persons or companies other than the offeror or any joint actor, and (iii) the offeror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership;
- the name of the market in which the transaction or occurrence that gave rise to the news release took place;
- the value, in Canadian dollars, of any consideration offered per security if the offeror acquired ownership of a security in the transaction or occurrence giving rise to the obligation to file a news release;
- the purpose of the offeror and any joint actors in effecting the transaction or occurrence that gave rise to the news release, including any future intention to acquire ownership of, or control over, additional securities of the reporting issuer;
- the general nature and the material terms of any agreement, other than lending arrangements, with respect to securities of the reporting issuer entered into by the offeror, or any joint actor, and the issuer of the securities or any other entity in connection with the transaction or occurrence giving rise to the news release, including agreements with respect to the acquisition, holding, disposition or voting of any of the securities;
- the names of any joint actors in connection with the disclosure required by these early warning obligations;
- in the case of a transaction or occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, the nature and value, in Canadian dollars, of the consideration paid by the offeror;
- if applicable, a description of any change in any material fact set out in a previous report by the entity under the early warning requirements in respect of the reporting issuer's securities; and
- if applicable, a description of the exemption from securities legislation being relied on by the offeror and the facts supporting that reliance.

(c) Further News Releases and Reports

Upon reaching the 10% threshold discussed above, pursuant to MI 62-104, a person or company is required to issue a further news release and file a similar report upon each acquisition of an additional 2% or more of the outstanding securities of the class in question. During the period of time in which such further report is required to be filed and terminating on one business day from the date upon which such report is actually filed, the person or company and any person acting jointly or in concert with such person or company may not acquire or offer to acquire beneficial ownership of any further securities of the particular class in respect of which the report is required to be filed or any securities

convertible into securities of that class. This requirement may not apply if a person or company is the beneficial owner of, or exercises control or direction over, securities that, along with the person or company's securities of that class, constitute 20% or more of the outstanding securities of that class. At the 20% ownership level, the take-over bid rules under MI 62-104 and OSC Rule 62-504 - *Take-Over Bids and Issuer Bids* become applicable.

Take-over Bid

A take-over bid or tender or exchange offer for equity securities registered under Canadian securities laws must comply with the tender offer provisions of MI 62-104 and OSC Rule 62-504 - *Take-Over Bids and Issuer Bids*, if, after consummation of such tender offer, the person making such tender offer would, directly or indirectly, be the beneficial owner of 20% percent or more of that class of voting or equity security unless an exemption from such compliance is available. Such provisions include:

- Bidders must make certain filings and disclosures, including filing a take-over bid circular in the form prescribed by the CSA in Form 62-104F1 *Take-Over Bid Circular*, delivering a copy to the issuer of such securities, the security holders and the Canadian securities commissions of applicable provinces;
- Tender offers must be kept open for at least 35 calendar days;
- Persons who tender may withdraw their securities at any time before the securities have been taken up by the offeror which cannot occur until the expiration of 35 days from the date of the bid;
- If the offer is for less than all of the securities of the class and a greater number of securities is deposited under the bid than the offeror is bound or willing to acquire under the bid, the offeror must take up and pay for the securities proportionately;
- The offer must be open to all holders of the same class of securities; and
- The same consideration must be paid to all holders whose securities are taken up by the offeror.

A person who intends to acquire shares in a listed company generally does not need to obtain the prior consent of any Canadian securities commissions.

The above regulations are applicable in the case of investors trading in the Serinus Shares on the WSE.

No public take-over bids by third parties in respect of the Serinus Shares have occurred during the Issuer's most recently completed financial year ending December 31, 2013 or the current 2014 financial year.

Protection of Minority Security holders

Canadian securities laws offer minority security holder protection pursuant to MI 61-101, which affords such protection in circumstances where a reporting issuer is involved in an insider bid, an issuer bid, a business combination transaction or a related party transaction. Minority security holders are protected by, among other things, the requirements in certain circumstances for a formal valuation to be undertaken by the issuer and "majority of the minority" approval by holders of each class of the affected securities at a meeting of security holders, excluding those votes cast by certain interested parties.

Squeeze-Out Rights

If a take-over bid is accepted by the holders of not less than 90% of the class or classes of securities for which a take-over bid was made, the offeror may acquire the securities of the dissenting offerees by compulsory acquisition pursuant to the ABCA by following the applicable statutory procedure and upon payment to the dissenting offerees of consideration in the same amount received by the security holders who tendered their shares to the take-over bid.

Insider Trading

In Alberta, the term "insider trading" generally refers to the purchase or sale of securities of an issuer by persons whose relationship with the issuer is such that he or she is likely to have knowledge of material information concerning the issuer not available to the general public. The rules governing insider trading are found in the ABCA and the ASA and essentially:

- require insiders to report their trades to the applicable regulatory authority; and
- prohibit a wider class of insiders from trading when they are in possession of material undisclosed information.

The ASA prohibits: (a) an individual from trading securities while in possession of an undisclosed material fact or material change; and (b) an issuer's "insiders" and others in a "special relationship" with the issuer from trading in the issuer's securities (which includes shares, options, puts, calls and other rights or obligations to purchase or sell securities of the issuer) on the basis of undisclosed material information in the issuer's business affairs. With respect to undisclosed information, materiality refers to information that would reasonably be expected to have a significant effect on the market price or value of the securities of an issuer. Under the ASA, the term "insider" includes:

- every director or officer of an issuer;
- every director or officer of an issuer that is itself an insider or subsidiary of an issuer; and
- any person or company that beneficially owns or exercises control or direction, directly or indirectly, over more than 10% of the voting securities of a reporting issuer without including any voting securities held by a person or company acting as underwriter in the course of a distribution.

Those in a "special relationship" with a reporting issuer can comprise non-senior officers, employees, suppliers, bankers, lawyers, accountants, underwriters and expert consultants as well as third parties who have received material undisclosed information from any of these or other parties either directly or indirectly.

Persons or companies in a "special relationship" with a reporting issuer also include affiliates such as parent or subsidiary companies of the reporting issuer, partners of the reporting issuer, or trusts or estates in which the reporting issuer either serves as a trustee or has a substantial beneficial interest. Further, this "special relationship" extends to persons proposing to make a take-over bid for the reporting issuer or seeking a reorganization, amalgamation, merger or arrangement with the reporting issuer.

In Alberta, the ASA is not the only statute regulating insider trading. The ABCA (which applies to both reporting and non-reporting corporate issuers) provides that an "insider" who sells to or purchases from a shareholder of a corporation or any of its affiliates a security of the corporation or any of its

affiliates and in connection with such trade makes use of any specific confidential information for the insider's own benefit or advantage that, if generally known, might reasonably be expected to affect materially the value of the security, may be liable to compensate any person who suffers a loss from such transaction and is accountable to the corporation for any direct benefit or advantage received or receivable by the insider as a result of such transaction. The definition of "insider" in the ABCA is somewhat more comprehensive than that of the ASA and includes the following persons in addition to those mentioned in the ASA:

- an "affiliate" of the corporation, which includes, a body corporate which is a subsidiary of the corporation, a body corporate of which the corporation is a subsidiary, or a body corporate if both that entity and the corporation are subsidiaries of the same body corporate or each are controlled by the same person, or a person or company is deemed to be affiliated with the corporation if both are affiliated with the same body corporate;
- the corporation itself in respect of the purchase or other acquisition by it of any securities issued by it or any of its affiliates;
- a person employed by the corporation or a person retained on a professional or consulting basis; and
- a person who receives specific confidential information from an insider or from a third person who received the information from the insider, and has knowledge that the person giving the information is an insider or that the third person received that knowledge from an insider.

27.2.3. Proposed Voting Procedures for WSE Beneficial Shareholders that own Shares through Securities Accounts Maintained by Participants in the NDS

Below description applies also to WSE Beneficial Shareholders that own Serinus Shares through omnibus accounts maintained by participants in the NDS.

In accordance with the procedures prescribed under the ABCA and the National Instrument - 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("NI 54-101"), the Issuer must notify its shareholders of any shareholders' meeting at least 21, but no more than 50, days prior to the proposed meeting. Under the procedures in Canada, registered shareholders, who are registered holders on the record date established for a shareholders' meeting receive written notice by mail of the shareholders' meeting, including an information circular and proxy statement that describes the matters to be voted on and other disclosure required by applicable laws in Canada ("**Meeting Materials**"). These registered shareholders then have the opportunity to participate in and vote at the shareholders meeting in person or by appointing a proxy to act for them.

Entities or persons that own Serinus Shares through banks and brokers are not Registered Shareholders because they are not registered as shareholders on the shareholders' register maintained according to Alberta law. For further information see Section 27 of this Prospectus "*Information Concerning Securities to be Admitted to Trading*" in Subsection 27.5.1.1. "*Registered and Beneficial Shareholders*". However, in Canada, there are procedures in place so that these beneficial shareholders receive proxy statements and are able to vote the shares that are held through banks and brokers or to instruct someone who has the authority to vote the shares. Because of different procedures that are generally accepted with respect to notification and conduct of shareholder meetings in Canada and Poland, the procedures used in Canada will not be directly applicable to Polish Beneficial Shareholders that beneficially own Serinus Shares through securities accounts and/or omnibus

accounts maintained by participants in the NDS. The Issuer will notify such WSE Beneficial Shareholders of the record date for determining those shareholders eligible to attend, as well as of the place and date of the shareholders' meeting, in the form of a current report published by the Issuer, no later than 26 days prior to the date of the shareholders' meeting. The content of the current report will include information required under the Polish Disclosure Regulation, taking into account that the Issuer is Canadian company. At the same time, in the current report, the Issuer will indicate that the WSE Beneficial Shareholder willing to vote at the Shareholders' Meeting should contact the brokerage house or depository bank, maintaining its securities account or to another entity maintaining relevant account, in which its Serinus Shares are recorded, in order to obtain additional information regarding the voting procedure. Furthermore, information on convening and the date of a shareholders' meeting will be placed on the Issuer's website at www.serinusenergy.com. In parallel, the Issuer shall inform its Registered Shareholders and provide CDS with the Meeting Materials. CDS will provide the information on the convening of the meeting to its participant, i.e. RBC Dexia, which will in turn inform Clearstream. Clearstream will then inform the NDS and the latter will inform its participants, who, in case of omnibus accounts, will pass relevant information to entities for which such accounts are being maintained.

A WSE Beneficial Shareholder owning Serinus Shares through a securities account or an omnibus account maintained by a participant in the NDS intending to vote at a Shareholders' Meeting, in order to obtain additional information regarding voting procedure, should apply to the participant maintaining its securities account (i.e. brokerage houses or depository banks) in which its Serinus Shares are recorded and in case when Serinus Shares are recorded in the omnibus account – to relevant entity for which relevant omnibus account is maintained. In accordance with Alberta law, each Registered Shareholder that is a registered holder of Serinus Shares as of the record date that is established by the Board of Directors, and which will be a fixed date prior to the date of the Shareholders' Meeting, can vote at the Shareholders' Meeting. In order to give voting instructions for a Shareholders' Meeting, a WSE Beneficial Shareholder should request a brokerage house or a custodian bank holding its securities account to which the Serinus Shares are credited – to relevant entity for which relevant omnibus account where Serinus Shares are registered is maintained, to provide it with a proxy statement and a voting ballot (which simultaneously serves as a proxy to vote at a shareholders' meeting). The participant in the NDS will need to request that the NDS provide the Meeting Materials to satisfy the requests of WSE Beneficial Shareholders beneficially owning Serinus Shares through securities account or omnibus account maintained by participants in the NDS. The institutions responsible for distributing the voting materials and receiving voting instructions from the beneficial owners of Serinus Shares will vote on behalf of these WSE Beneficial Shareholders based upon the voting instructions received. To be able to give voting instructions for a meeting, such WSE Beneficial Shareholder should request that the brokerage house or the depository bank maintaining its investment account in which Serinus Shares are recorded, provide the holder with a proxy statement and a voting ballot (which simultaneously serves as an authorization for proxies to vote at the Shareholders' Meeting). The proxy statements and voting ballots will be in English. Voting instructions will be placed on the voting ballots. Such WSE Beneficial Shareholder that intends to vote will have to fill out the voting ballot and pass it to the brokerage house or the depository bank that maintains its securities account or omnibus account in which its Serinus Shares are recorded in advance of the meeting, by the deadline specified by such broker or intermediary. Subsequently, such information will be forwarded to the NDS and the NDS will forward it to Clearstream. A WSE Beneficial Shareholder beneficially owning Serinus Shares through securities account or omnibus accounts maintained by participants in the NDS may also participate in and vote at a meeting in

person, however attendance in person at a shareholders' meetings of a Canadian public company is usually very low. In practice, in such cases, the vast majority of voting is effected by the submission of proxies to the corporation.

With respect to the entity for which the omnibus account in which Serinus Shares held by WSE Beneficial Shareholders are registered is maintained, exercising particular rights and obligations of the WSE Beneficial Shareholder emerging from its holding of Serinus Shares shall be performed through NDS participant maintaining given omnibus account.

If the Issuer implements a different voting procedure for the WSE Beneficial Shareholders or such procedure needs to be amended in view of the rules and practices of intermediaries, i.e. Clearstream and RBC Dexia, the final procedure will be described in detail and published in the form of a press release in compliance with the binding provisions of law, and in the form of a current report published by the Issuer. The Issuer will use the same form for publishing information regarding the procedure for voting in person.

27.2.4. Continuous Disclosure Obligations

27.2.4.1. Continuous Disclosure Requirements under Applicable Canadian Securities Laws

Overview

The following overview of the ongoing duties and obligations of "reporting issuers" in Canada is a summary of a general nature and does not purport to be a detailed or exhaustive analysis of all relevant provisions of applicable Canadian securities legislation. Rather, it is an overview of the main features of such legislation and rules designed to facilitate compliance with applicable Canadian securities legislation for reporting issuers who are not under any exemptions or special categories.

Documents that are to be disclosed must be filed electronically with the Canadian Securities Administrators in the SEDAR filing system. SEDAR is the computer-based system that allows for the electronic filing and public dissemination of most of the public disclosure documents that are required to be filed by reporting issuers under Canadian securities legislation. Through SEDAR, a reporting issuer is able to file most of its continuous disclosure documents simultaneously with all securities regulatory authorities across Canada. Substantially all of a reporting issuer's continuous disclosure documents (except reports filed electronically through SEDI as described below) must be filed with the provincial and territorial securities regulators using SEDAR. All SEDAR public filings are available for viewing and printing at www.sedar.com. However, some documents which are filed confidentially through SEDAR are not made publicly available on the SEDAR website.

Each reporting issuer that files its documents electronically is required to create an online filer "profile" containing certain basic corporate information before making any electronic filing. This profile must be updated as soon as possible if any of the information disclosed in the profile changes.

Upon becoming a reporting issuer in Canada, a corporation becomes a SEDI issuer and is required to file a supplement to its SEDAR profile using SEDI. This supplement provides information relating to the issuer's outstanding securities, which in turn facilitates insider reporting in SEDI as described in this Section 27 above under Subsection 27.2.2. "*Certain Rights and Obligations of Acquirers of Shares of a Reporting Issuer under Canadian Securities Law*" in the part titled *Insider Reporting Requirements*. National Instrument 55-102 *System for Electronic Disclosure by Insiders* ("NI 55-102") requires a reporting issuer to file on SEDI "issuer event reports" for certain significant corporate

events that affect all holdings of a class of its securities in the same manner. Examples of such corporate events include dividends, stock splits, stock consolidations, amalgamations, reorganizations and mergers. These issuer event reports must be filed through SEDI within one business day following the occurrence of the event.

The discussion that follows summarizes the disclosure obligations that reporting issuers are subject to in Canada pursuant to National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**"), National Instrument 58-101 *Disclosure of Corporate Governance Practices* and National Policy 58-201 *Corporate Governance Guidelines*.

NI 51-102

NI 51-102 sets out the disclosure requirements for all issuers, other than investment funds, that are "reporting issuers" in one or more jurisdictions in Canada. Since the Issuer is a reporting issuer in the each of the provinces of Canada other than Quebec as of the date of this Prospectus, the Issuer is required to comply with all the requirements of NI 51-102. Documents that are properly filed on SEDAR pursuant to NI 51-102 are considered to have been filed in the company's reporting jurisdictions and the exchange on which the company's shares are traded in Canada, if any, and generally are available to the public.

Canadian reporting issuers are generally required to report on any events soon after they occur if they constitute a "material change" (as defined and described below). Certain other events, however, regardless of whether they are price sensitive or not, must be disclosed in the reporting issuer's periodic and regular disclosures, in the prescribed forms, such as the interim and annual management's discussion and analysis, the annual information form ("**AIF**"), and the information circular all of which are described in more detail below.

(a) Material Change Report

In Canada, under NI 51-102, if a reporting issuer determines that a material change has occurred, it must immediately issue and file a news release (authorized by an executive officer of the reporting issuer in accordance with its internal policies) that discloses the nature and substance of the change. This press release must be distributed to the financial news wire services and the financial press and must be filed electronically through SEDAR. In addition to the requirement to issue and file a press release, a reporting issuer must file a report of such material change as soon as practicable after the material change occurs and, in any event, no later than 10 days after the event giving rise to the change. Material change reports must be prepared in accordance with Form 51-102F3. A "material change" means (a) a change in the business, operations or capital of the reporting issuer that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the reporting issuer; or (b) a decision to implement such a change made by the board of directors or other persons acting in a similar capacity or by senior management of the reporting issuer who believe that confirmation of the decision by the board of directors or any other persons acting in a similar capacity is probable.

A reporting issuer need not issue a press release in the event of a material change if: (a) in the reasonable opinion of the reporting issuer the disclosure would be unduly detrimental to the interests of the reporting issuer; or (b) the material change consists of a decision to implement a change made by senior management of the reporting issuer who believe that confirmation of the decision by the board of directors is probable, and senior management of the reporting issuer has no reason to believe that persons with knowledge of the material change have made use of that knowledge in purchasing or

selling securities of the reporting issuer, and the reporting issuer immediately files the material change report marked so as to indicate that it is confidential, together with written reasons for non-disclosure.

If a filed material change report is marked confidential, the reporting issuer must promptly generally disclose the material change upon the reporting issuer becoming aware, or having reasonable grounds to believe that persons or companies are purchasing or selling securities of the reporting issuer with knowledge of the material change that has not been generally disclosed. Further, if the material change report is marked confidential, the reporting issuer must advise the applicable securities regulator in writing if it believes the report should continue to remain confidential within 10 days of the filing of the initial report. This obligation to advise the regulator in writing every 10 days persists until the material change is generally disclosed.

(b) Current Reports on the Occurrence of Certain Events

The following prescribed reports and notices must be filed in accordance with NI 51-102 and other Canadian securities legislation on the occurrence of particular events:

- *Business Acquisition Report* — If a reporting issuer completes a significant acquisition, it must file a business acquisition report using the form prescribed by Form 51-102F4, including financial statements of the acquired business and pro forma financial statements, within 75 days of the significant acquisition. An acquisition will generally be considered to be significant for the purposes of NI 51-102 if: (i) the acquired business represents more than 20% of the reporting issuer's assets; (ii) the reporting issuer's investment in the acquired business exceeds 20% of the issuer's assets; or (iii) the income from continuing operations of the acquired business exceeds 20% of the issuer's income from continuing operations. In determining whether an acquisition is significant, the acquisition of related businesses must be considered on a combined basis.
- *Change of Auditor Notice* — Upon the termination, resignation, or appointment of an auditor, the issuer must prepare a reporting package of information including a change of auditor notice, and file and deliver this package within the prescribed timelines.
- *Material Documents Affecting the Rights of Securityholders* — Issuers must file their constituting documents, by-laws, shareholder agreement, shareholders' rights plans and other similar documents that materially affect the rights or obligations of their securityholders generally. These documents must be filed at the time of filing a material change report if the making of the document constitutes a material change. Otherwise, they must be filed no later than the timing of filing of the issuer's AIF.
- *Material Contracts* — Issuers must file contracts that create or materially affect the rights of shareholders, or are material to the issuer (other than contracts in the ordinary course of business) if they were entered into after January 1, 2002, no later than the date of material change report, if the contract constitutes a material change for the issuer, and no later than the date the AIF is filed, if the document is made or adopted before the date of the AIF.
- *Report on Shareholder Votes* — NI 51-102 imposes a requirement to file a report with respect to matters voted upon at a shareholders meeting. The report must describe the matter voted upon and the outcome. In addition, if a ballot vote was conducted, the report must provide the number or percentage of votes cast for, against or withheld from voting in respect of the matter.

NI 51-102 requires the filing of certain documents on a regular and periodic basis. These documents include a reporting issuer's AIF, information circular, financial statements and MD&A, each of which are described in more detail below.

(c) Periodic Financial Information

NI 51-102 requires the filing of a reporting issuer's annual and interim financial statements and the related MD&A for such financial statements. These filings must be accompanied by certifications of the Chief Executive Officer and Chief Financial Officer of the reporting issuer, wherein they certify, among other things, that the financial statements and MD&A have been reviewed and the filings do not contain any misrepresentations or omit material facts.

(i) Annual Financial Statements

Under NI 51-102, a reporting issuer must file annually, on or before the earlier of the 90th day after the end of its most recently completed financial year and the date of filing, in a foreign jurisdiction, annual financial statements for its most recently completed financial year, audited financial statements that include a statement of comprehensive income, statement of changes in equity, statement of cash flows, statement of financial position and notes to the financial statements for its most recently completed financial year, together with comparative statements for the preceding financial year (if any). Subject to certain exemptions, under National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, the annual financial statements must be prepared in accordance with IFRS.

An auditor's report, which must be prepared in accordance with Canadian generally accepted auditing standards, must accompany the annual financial statements, subject to certain exceptions.

Multilateral Instrument 52-110 *Audit Committees* requires that the annual financial statements be reviewed by the audit committee before the reporting issuer publicly discloses the information. Two duly authorized directors must sign at the foot of the statement of financial position to evidence approval of the financial statements by the board of directors. The annual financial statements must be approved by the board of directors before the statements are filed.

NI 51-102 requires a reporting issuer to send a request form to registered holders and beneficial owners of its securities to enable them to request a copy of the annual financial statements and related MD&A, interim statements and related MD&A, or both.

(ii) Interim Financial Statements

A reporting issuer must file, on or before the earlier of the 45th day after the end of the relevant interim period and the date of filing, in a foreign jurisdiction, interim financial statements for a period ending on the last day of the relevant interim period, unaudited financial statements for each of three, six and nine month-periods of its current financial year as well as comparative interim financial statements for each such period in the preceding financial year.

Interim financial statements must include:

- a statement of financial position as at the end of the interim period and a statement of financial position as at the end of the immediately preceding financial year, if any;

- a statement of comprehensive income, changes in equity and cash flows, all for the year-to-date interim period and comparative financial information for the corresponding interim period in the immediately preceding financial year, if any;
- for interim periods other than the first interim period in a reporting issuer's financial year, a statement of comprehensive income for the three month period ending on the last day of the interim period and comparative financial information for the corresponding period in the preceding financial year, if any; and
- notes to the financial statements.

NI 51-102 requires the board of directors of the reporting issuer to approve the interim financial statements.

The interim financial statements need not be audited; however, if an auditor has not reviewed them, the issuer must disclose this fact; if the auditor was unable to complete a review, the issuer must explain the reasons for non-completion; and if the auditor conducts a review that includes a reservation, the issuer must attach the auditors' review report.

(iii) Management's Discussion and Analysis of Financial Conditions and Results of Operations

MD&A in respect of the annual and interim financial statements is required to be prepared and filed in order to assist investors in understanding the annual and interim financial statements. MD&A provides an issuer's management with the opportunity to discuss its current financial results and position and its future prospects in a narrative form, and is intended to give the reader the ability to view the issuer through eyes of management by providing both a historical and prospective analysis of the business of the issuer. MD&A complements and supplements a company's annual and interim financial statements, and must be filed by the filing deadlines that apply to the corresponding financial statements.

MD&A requires that management discuss the dynamics of the business and analyze the financial statements. MD&A should not consist of a recitation, without explanation, of the amount of changes from period to period that are readily ascertainable from the financial statements.

MD&A should also discuss known trends, commitments, events, risks or uncertainties that are reasonably expected to have a material effect on the business, financial condition or results of operations of the issuer. Materiality, for the purposes of MD&A disclosure, is determined on the basis of whether a reasonable investor's decision to buy, sell or hold securities in the issuer would likely be influenced or changed if the information in question was omitted or misstated. If so, the information is likely material.

The content of MD&A is prescribed by Form 51-102F1 *Management's Discussion & Analysis*. Annual MD&A generally includes the following information:

- *Overall Performance* — analysis of the issuer's financial condition, financial performance and cash flows as well as discussion of known trends, demands, commitments, events or uncertainties that are reasonably likely to have an effect on the issuer's business; comparison of the issuer's performance in the most recently completed financial year to the prior year's performance.

- *Selected Annual Information* — certain financial data derived from the issuer's financial statements for each of the three most recently completed financial years; discussion of the factors that have caused period to period variations including discontinued operations, changes in accounting policies, significant acquisitions or dispositions and changes in the direction of the business, and any other information the issuer believes would enhance an understanding of, and would highlight trends in, the financial position and financial performance of the issuer.
- *Results of Operations* — analysis of the issuer's operations for the most recently completed financial year.
- *Summary of Quarterly Results* — certain financial information in summary form, derived from the issuer's financial statements, for each of the eight most recently completed quarters; discussion of the factors that have caused variations over the quarters necessary to understand general trends that have developed and the seasonality of the business.
- *Liquidity* — analysis of the issuer's liquidity, including the ability of the issuer to meet its contractual obligations.
- *Capital Resources* — analysis of the issuer's capital resources.
- *Off-Balance Sheet Arrangements* — discussion of any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the issuer.
- *Related Party Transactions* — discussion of all transactions involving related parties.
- *Fourth Quarter* — discussion and analysis of fourth quarter events or items that affected the issuer's financial condition, financial performance or cash flows, year-end and other adjustments, seasonal aspects of the issuer's business and dispositions of business segments.
- *Proposed Transactions* — discussion of the expected effect on the financial condition, financial performance and cash flows of any proposed asset or business acquisition or disposition.
- *Critical Accounting Estimates* — description of each estimate, methodology used, underlying assumptions, and the range of estimates from which the estimate was selected; explanation of the significance of the accounting estimate to the issuer's financial position, changes in financial position and financial performance and identification of the financial statement line items affected by the accounting estimate.
- *Changes in Accounting Policies* — disclosure of any new accounting policies that have been adopted, or that the issuer expects to adopt subsequent to its most recently completed financial year, including changes the issuer has made or expects to make voluntarily and those due to a change in an accounting standard or a new accounting standard that the issuer does not have to adopt until a future date.
- *Financial Instruments and Other Instruments* — discussion of the nature and extent of the issuer's use of, including relationships among, the instruments and the business purposes that they serve, and the risks associated with such instruments.

Interim MD&A must generally update the issuer's annual MD&A disclosure, including an analysis of current quarter and year-to-date results of financial performance and cash flows, changes in financial performance and elements of profit or loss that are not related to ongoing business operations and any seasonal aspects of the issuer's business that affect its financial position, financial performance or cash flows.

Annual and interim MD&A must be approved by the board of directors.

(iv) Notifications of Acquisitions of Shares and Transactions in the Issuer's Securities

If a person or company acquires beneficial ownership, or control or direction over the securities of a reporting issuer representing 10% of the votes attached to all of the outstanding securities of the issuer, the person or company (and any person or company acting jointly or in concert with the person or company) must also file an early warning report and related press release in accordance with National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*. For further information please see this Section 27 in Subsection 27.2.2. "*Certain Rights and Obligations of Acquirors of Shares of a Reporting Issuer under Canadian Securities Laws*" of this Prospectus in the part titled "*Insider Reporting Requirements*".

(d) Cases of Non-Compliance with the Code of Best Practices

Any cases of non-compliance with the Code of Best Practices for WSE Listed Companies must be disclosed. For Canadian issuers, similar information would be disclosed in a material change report.

Pursuant to applicable Canadian securities laws, an issuer is required to include prescribed corporate governance disclosure in its information circular (as described below). The content of corporate governance disclosure is prescribed by National Instrument 58-101 *Disclosure of Corporate Governance Practices* and related forms and policies, and includes information about directors' independence, disclosure of the text of the board of directors' mandate, or if none, how the board delineates roles and responsibilities, position descriptions, orientation and continuing education for directors, ethical business conduct and the applicable written code, the process of nominating directors, the process of determining compensation, additional standing committees, and assessments of board committees and individual directors.

According to National Policy 58-201 *Corporate Governance Guidelines*, the board of directors of an issuer is, among other things, responsible for monitoring compliance with its code of ethical business conduct. Any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should only be granted by the board or a board committee. Although issuers must exercise their own judgment in making materiality determinations, the Canadian securities regulatory authorities consider that conduct by a director or executive officer which constitutes a material departure from the code will likely constitute a material change within the meaning of NI 51-102, and therefore must be reported in a material change report.

(e) List of Shareholders

In Canada, issuers are required to disclose a list of beneficial shareholders who hold at least 10% of the votes at each shareholders' meeting of a company in its information circular (as described below). There is no analogous requirement in the Canadian regulations that requires issuers to list all of the shareholders authorized to attend each shareholders' meeting of a company.

(f) Other Disclosure Obligations

(i) Annual Information Form

The AIF is a disclosure document intended to provide material information about an issuer and its business at a point in time in the context of its historical and possible future development. The AIF is not mailed to security holders. However, it must be provided on request.

A reporting issuer that is not a "venture issuer" must file an AIF no later than 90 days from its fiscal year end. A "venture issuer" is defined in NI 51-102 as a reporting issuer that as at the end of its fiscal year end did not have any of its securities listed or quoted on any of the TSX, a U.S. marketplace, or a marketplace outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc. As a result of the admission to trading and the completion of the listing of the Serinus Shares on the WSE and the TSX, Serinus is not a venture issuer for the purposes of Canadian securities legislation and is required to prepare and file, among other things, an AIF with the Canadian securities regulators.

The content of an AIF is prescribed by Form 51-102F2 *Annual Information Form* and generally includes the following:

- *Corporate Structure* — incorporation details and a description of intercorporate relationships between the issuer and its subsidiaries.
- *General Development of the Business* — description of how the issuer's business has developed over its last three completed financial years and disclosure of any significant acquisitions completed by the issuer during its most recently completed financial year.
- *Description of the Business* — summary of the business and detailed disclosure with respect to production and services, specialized skills and knowledge, competitive conditions, new products, components, intangible properties, cycles, economic dependence, changes to contracts, environmental protection, employees, foreign operations and lending. Also includes disclosure of the nature and results of any bankruptcy, receivership or similar proceedings against the issuer or any of its subsidiaries, any material reorganization of the issuer or any of its subsidiaries, and disclosure of social or environmental policies that are fundamental to the issuer's operations.
- *Risk Factors* — risk factors relating to the issuer and its business, such as cash flow and liquidity problems, if any, experience of management, the general risks inherent in the business carried on by the issuer, environmental and health risks, reliance on key personnel, regulatory constraints, economic or political conditions and financial history and any other matter that would be most likely to influence an investor's decision to purchase securities of the issuer.
- *Issuers with Oil and Gas Activities* — issuers engaged, directly or indirectly, in oil and gas activities are required to comply with additional disclosure obligations prescribed by National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"). Pursuant to NI 51-101, an issuer must, not later than the date on which it is required to file audited financial statements for its most recent financial year (as discussed above), file a statement of reserves data (including estimated reserves) and other associated information (including net present value of future net revenue attributable to reserves) as at the last day of the issuer's most recent financial year and for the financial year then ended. Issuers must also file (i) a report by an "independent reserves evaluator" who has

evaluated or audited at least 75% of the future net revenue attributable to proved plus probable reserves and reviewed the balance of such future net revenue using the standards set out in the Canadian Oil and Gas Evaluation Handbook; and (ii) a report prepared by management and reviewed and approved by the board certifying the board's approval of the content and filing of the reserves data and other oil and gas information and the reports required under NI 51-101.

- *Dividends* — disclosure of the amount of cash dividends or distributions declared per security for each of the issuer's three most recently completed financial years, any restriction that could prevent the issuer from paying dividends and the issuer's current dividend or distribution policy and any intended changes.
- *Description of Capital Structure* — general description of the issuer's capital structure including a breakdown of all classes of shares and rights attached thereto, any constraints imposed on the ownership of securities of the issuer, information about stability ratings or any other kind of rating received by the issuer.
- *Market for Securities* — for each class of securities of the issuer that is traded or quoted on a Canadian or foreign marketplace, a description of the trading price and volume for each month of the most recently completed financial year and details about securities that are outstanding but not listed or quoted on a marketplace.
- *Escrowed Securities and Securities Subject to Contractual Restriction on Transfer* — details of securities held in escrow or that are subject to a contractual restriction on transfer for the issuer's most recently completed financial year.
- *Directors and Officers* — particulars of each director, officer and controlling shareholder, including any cease trade orders, bankruptcies and penalties and sanctions that they were or are subject to.
- *Conflicts of Interest* — particulars of existing or potential material conflicts of interest between the issuer or a subsidiary of the issuer and any director or officer of the issuer or of a subsidiary.
- *Promoters* — information about promoters including the number and percentage of each class of voting securities or equity securities beneficially owned, controlled or directed by the promoter, the nature and value of the consideration received by the promoter and the nature and amount of assets, services or other consideration received by the issuer or any of its subsidiaries.
- *Legal Proceedings* — description of any legal proceedings the issuer is or was a party to, or that any of its property is or was the subject of, during the issuer's financial year, and any such legal proceedings the issuer knows to be contemplated.
- *Regulatory Actions* — description of penalties or sanctions imposed against the issuer by a court relating to securities legislation or by a securities regulatory body, or any other penalties or sanctions imposed by a court or regulatory body against the issuer that would likely be considered important to a reasonable investor in making an investment decision, or a settlement in connection therewith.
- *Interest of Management and Others in Material Transactions* — a description of the approximate amount of any direct or indirect material interest of a director or executive officer of the issuer or a person or company that beneficially owns, or controls or directs,

more than 10% of the issuer's outstanding voting securities in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the issuer.

- *Material Contracts* — a description of the particulars of any material contract.

Pursuant to National Instrument 52-110 *Audit Committees* and Form 52-110F1 *Audit Committee Information Required in an AIF*, the AIF also requires extensive disclosure concerning the composition, responsibilities and conduct of the audit committee. Such disclosure includes:

- the text of the audit committee's charter;
- the names of the audit committee members, and whether or not each is independent and financially literate;
- the education and experience of each audit committee member that is relevant to the performance of his or her responsibilities;
- any recommendation of the audit committee to the board that was not adopted by the board, and the reasons why;
- a description of any specific policies and procedures adopted by the audit committee for non-audit services; and
- the aggregate fees billed for each of the last two fiscal years for professional services rendered by the external auditor for audit services, audit-related services, tax-related services and any other services (including a description of the services involved).

It should be noted that the AIF is subject to selective review by the Canadian securities regulators. If substantial deficiencies are noted, the issuer may be required to restate and reissue its AIF.

(ii) Proxy Solicitation and Information Circulars

Canadian securities legislation requires the filing of material sent to registered shareholders in connection with the solicitation of proxies, such as information circulars.

As noted above, the ABCA requires that a corporation hold an annual shareholders' meeting no later than 15 months after holding the last preceding annual meeting and that notice of the time and place of a shareholders' meeting must be sent not less than 21 days and not more than 50 days before the meeting to each registered shareholder entitled to vote at the meeting. Management of the corporation must, subject to certain exemptions described in NI 51-102, concurrently with giving notice of a shareholders' meeting, send a form of proxy and a management proxy circular in the prescribed form to each registered shareholder who is entitled to receive notice of the meeting, all of which must be filed on SEDAR.

The content of the information circular is prescribed in Form 51-102F5 *Information Circular* and includes the following sections:

- *Meeting particulars* — information on the revocability of the proxy, proxy instructions, the interest of certain persons or companies in matters to be acted upon, and the particulars of matters to be acted upon.

- *Voting Securities and Principal Holders of Voting Securities* — number of securities outstanding and the particulars of voting rights for each class, the record date, and particulars about beneficial shareholders who hold at least 10% of the votes at each shareholders' meeting of the issuer.
- *Election of Directors* — if directors are to be elected, particulars of those persons proposed for nomination for election as a director and each other person whose term of office as a director will continue after the meeting, including any cease trade orders, bankruptcies and penalties and sanctions that the director was or is subject to.
- *Executive Compensation* — if the issuer is sending the information circular in connection with a meeting that is an annual general meeting at which the issuer's directors are to be elected, or at which the issuer's security holders will be asked to vote on a matter relating to executive compensation, a statement on executive compensation including content prescribed by Form 51-102F6 *Statement of Executive Compensation* is required.
- *Securities Authorized for Issuance Under Equity Compensation Plans* — detailed information respecting the issuer's equity compensation plan, if applicable.
- *Indebtedness of Directors and Executive Officers* — description of the aggregate indebtedness of all executive officers, directors, employees and former executive officers, directors and employees of the issuer or any of its subsidiaries under securities purchase and other programs.
- *Interest of Informed Persons in Material Transactions* — brief description of and approximate amount of any material interest of any informed person of the issuer, any proposed director of the issuer, or any associate or affiliate of any informed person or proposed director, in any transaction occurring since the issuer's most recently completed financial year.
- *Appointment of Auditor* — name of the auditor of the issuer and the date of appointment of such auditor.
- *Management Contracts* — particulars about management contracts if management functions of the issuer or any of its subsidiaries are to any substantial degree performed other than by the directors or executive officers of the issuer or subsidiary.
- *Restricted Securities* — if an action to be taken involves a transaction that would have the effect of converting or subdividing, in whole or in part, existing securities into restricted securities, or creating new restricted securities, the information circular must include a detailed description of the attributes of the securities, including the voting rights attached to the restricted securities that are the subject of the transaction, the percentage of the aggregate voting rights attached to the issuer's securities that are represented by the class of restricted securities, as well as a description of applicable corporate and securities law provisions that may affect the restricted securities.

In regard to proxy solicitation, information circulars and interim financial statements, National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("NI 54-101") provides a mechanism whereby materials provided to registered shareholders must also be provided to beneficial shareholders. A reporting issuer's registrar and transfer agent will assist it in complying with the requirements of such policy.

27.2.4.2. Continuous Disclosure Requirements under Polish Law

Because Poland is a home state for the Issuer, it is required to comply with all disclosure obligations imposed on the public companies under the Polish Laws.

An issuer whose securities are requested to be admitted to trading on a regulated market is required to disclose simultaneously to the FSA and the WSE and to the public: (i) confidential information (i.e., information specified in a precise manner, concerning directly or indirectly one or more issuers of financial instruments, one or several such instruments, or an acquisition or sale of such instruments which have not been notified to the public and which after such a notification could significantly affect the price of those financial instruments, or the price of related derivative financial instruments); and (ii) current and periodic information. The type, scope and form of current and periodic information submitted by the issuers of securities is defined in the Polish Disclosure Regulation. The Issuer publishes and will continue to publish the current and periodic reports in Polish.

In particular, the Polish Disclosure Regulation requires issuers to publish information, in the form of current reports, on the following events pertaining to them or their subsidiaries: (i) the acquisition or disposal of high-value assets as well as establishing a mortgage, pledge or other limited right in rem with respect to high-value assets, provided that the value of the established collateral is equal to at least 100 % of the value of the high-value asset on which given collateral has been established or its value is higher than PLN equivalent of the EUR 1,000,000; (ii) a loss of high-value assets due to force majeure; (iii) the execution, termination or expiration of any significant agreement; (iv) the fulfillment of or a failure to fulfill a condition set forth in any significant agreement; (v) the acquisition or disposal of the issuer's securities; (vi) granting any warranty, loan or guarantee if the value of such warranty, loan or guarantee is equal to at least 10 % of the value of issuer's own resources; (vii) the institution of any key court, arbitration or administrative proceedings pertaining to any liabilities or receivabilities of the issuer or its subsidiary, where that value of such liability or receivability exceeds 10 % of the value of issuer's own resources; (viii) the court registration of changes in the share capital amount or structure; (ix) a change in the rights attached to the issuer's securities; (x) a bond issue by the issuer; (xi) the redemption of the issuer's shares; (xii) a merger, de-merger or restructuring involving the issuer; (xiii) the appointment by respective body of the issuer of the entity authorized to audit financial statements with whom the agreement concerning audit, review or other financial services regarding financial statements or consolidated financial statements is to be concluded; (xiv) the appointment, removal or resignation of any member of the issuer's management or supervisory bodies; (xv) any declared bankruptcy, application filed to declare bankruptcy as well as any other actions concerning bankruptcy, composition or recovery; (xvi) any execution proceedings that cease due to the lack of assets; (xvii) the prepared projection or estimates of financial results of the issuer or its capital group, if the issuer decided to announce it to the public; (xviii) the receipt or change in the rating prepared at the issuer's request.

In addition, the Polish Disclosure Regulation requires issuers to make available information, in the form of current reports, connected with the process of admitting the issuer's securities to trading on the regulated market and relevant activities, as well as decisions by the regulatory authorities, together with information such as dates, agendas and draft resolutions of the general meeting of an issuer incorporated as a joint-stock company and any claims to invalidate such resolutions. The Polish Disclosure Regulation specifies in details the contents of a current report as well as periodic reports (quarterly, semiannual and annual reports) that include, in particular, financial data and reports of the issuer's management bodies.

Pursuant to the Polish Disclosure Regulation, current reports should be generally submitted immediately by the issuer, in any event, however not later than within 24 hours of the event in question (with the exception of special reports, such as for ex. reports concerning convening of the shareholders meeting of the company).

Pursuant to the Polish Disclosure Regulation, the issuer is obliged to submit following periodic reports: (i) quarterly reports, (ii) semiannual reports and (iii) annual reports. The issuer being a parent company is additionally obliged to submit particular periodic reports on a consolidated basis, unless, based on separate provisions of law, there is no obligation to or it is not obliged to prepare consolidated financial statements. The issuer having its registered office outside of Republic of Poland, is not obliged to submit quarterly nor semiannual reports, if such issuer submits consolidated quarterly and semiannual reports and does not prepare, based on relevant provisions of law, quarterly nor semiannual financial statements, however, in such case, the issuer is obliged to submit relevant explanation in the current report submitted by the end of the first calendar month of each calendar year. Pursuant to the Polish Disclosure Regulation quarterly reports shall be submitted not later than 45 days after the end of a given quarter; semiannual reports not later than two months after the end of a first half-year; and annual reports not later than four months after the end of a given financial year.

The issuer having its registered office in country outside the European Union shall submit interim reports of the management board instead of quarterly reports and consolidated reports. Such issuer may submit quarterly reports and consolidated quarterly reports, if binding provisions of law, applicable in country of its registered office, provides for an obligation of publication by the issuer of quarterly financial reports or, respectively, quarterly consolidated financial statements.

The Act on Trading prohibits the misuse of insider information. Pursuant to the Act on Trading an insider is any person who: (i) gains insider information by virtue of membership in the governing bodies of the company, by virtue of an interest in the capital of the company, or as a result of having access to inside information in connection with employment, practices profession, or a mandate contract or any other contract of a similar nature (primary insider); or (ii) gains inside information through criminal activities, or (iii) gains inside information in any other manner if such person has known or, acting with due diligence, could have known such information to be insider information. As a general rule, insiders are prohibited from: (i) buying or selling of financial instruments for one's account or for the account of a third party on the basis of inside information held by a given person, or any other legal transaction undertaken for one's own account or for the account of a third party which leads or might lead to disposal of such financial instruments; (ii) recommending or inducing the purchase or sale of the financial information concerned to third parties; and (iii) disclosing insider information to third parties unless required by law. Violation of the prohibition on the misuse of insider information is a criminal offence.

The Issuer is required to disclose simultaneously to the FSA and the WSE and to the public confidential information pursuant to the Polish law, i.e. to its publication in form of current reports, immediately after the event or circumstances justifying its publication took place, or following the moment when the issuer became familiar with the relevant information, however not later than within 24 hours.

27.2.4.3. Compliance with reporting requirements by the Issuer, as an entity subject to disclosure requirements in Canada and in Poland

Due to the fact that the Issuer is subject to reporting requirements in Canada and, that as of the day of admission of the Issuer's shares to trading on the WSE regulated market in connection with the WSE IPO, the Issuer is additionally subject to reporting obligations under Polish law, the Issuer complies with the reporting obligations under Polish law and generally publishes all reports in Polish and in English through the ESPI system, and subsequently through the Canadian SEDAR system and places such reports on its website. Should the scope of the reporting obligations in Canada be broader than that of the corresponding requirements under Polish law, promptly after publication of the relevant information in Canada through SEDAR, the Issuer will disclose such information in Poland by publishing a current report.

The Issuer also intends keep Beneficial Shareholders owning Serinus Shares through securities accounts or omnibus accounts maintained by participants in the NDS informed on any amendments to Canadian regulations that may affect such Beneficial Shareholders and on the approaching dates of exercising their corporate rights attaching to the Serinus Shares.

The Issuer shall use every effort to ensure that the information to be provided to the shareholders whose Serinus Shares are credited to securities accounts maintained by the participants in the NDS, is furnished with sufficient time in advance, in order to enable the shareholder to exercise their corporate rights, taking into account any delays that may result from the different manner of exercising corporate rights in a Canadian corporation.

Canada (Calgary) and Poland are located in two different time zones (the difference is 8 hours) and, therefore, notifications required under Canadian law as well as any deadlines set forth in Canadian law will be counted according to time in Canada (Calgary) while notifications and actions required under Polish law (in particular, current and periodic reports and actions discussed in point this Section 27 in Subsection 27.2.4.2. of the Prospectus – “*Continuous Disclosure Requirements under Polish Law*”) will be performed according to time in Poland.

The Issuer's simultaneous listing on the TSX may influence trading halts on the WSE. The TSX's policy of immediate disclosure frequently requires that news releases be issued during trading hours, especially when an important corporate development has occurred. Depending on the significance and complexity of the announcement, an issuer may request a trading halt or the TSX's market surveillance department (currently performed by a third-party independent organization, the Investment Industry Regulatory Organization of Canada or 'IIROC') may determine that a trading halt is necessary to allow for dissemination of the information.

A TSX convention exists that trading in a security traded on more than one market shall be halted and resumed at the same time in each market. Based on the trading hours of the WSE and the TSX, the Issuer may trade simultaneously on both exchanges for a short period of time each day. As such, if a trading halt is issued for Serinus on the TSX then it is possible that a trading halt will also be issued on the WSE.

Description of the events resulting in suspension of trading of Serinus Shares on GPW is contained in Section 1 of this Prospectus “*Risk Factors*” in Subsection 1.4.4. “*Risk of Violation by the Issuer of Legal Provisions, which may result in Trading in the Serinus Shares on the WSE being Suspended*”.

27.3. An indication whether the securities are in registered form or bearer form and whether the securities are in certificated form or book-entry form. In the latter case, name and address of the entity in charge of keeping the records.

All of the Serinus Shares are registered shares and are not subject to any ownership transfer limitations or restrictions which could hinder their trading on the WSE. Pursuant to Article 26 of the ABCA, shares of an ABCA corporation are required to exist in a registered form. All of the Serinus Shares carry equal rights.

Existing Shareholders holding physical share certificates representing Serinus Shares registered in their names who wish to trade such Serinus Shares on the WSE will be required to deposit the Serinus Share certificates in a paper form with either a broker who is itself a participant in the CDS system or who has established a relationship with another broker who is a participant in the CDS system. Such broker will then enter the Serinus Shares into the CDS system and hold the physical share certificates on behalf of the Shareholder. CDS' global Serinus Share position will then increase on the Issuer's Shareholders' register maintained by Computershare on behalf of the Issuer. Once the Serinus Shares enter the CDS system through their deposit with a participant in the CDS, the Serinus Shares will be effectively dematerialized.

Thus, upon depositing the Serinus Shares, CDS & Co (as the entity designated by CDS) becomes the Registered Shareholder and the Serinus Shares will be traded (among the Beneficial Shareholders) in a dematerialized form. The fact that the Serinus Shares are registered shares refers only to the Registered Shareholders who are specified by name in the register kept by Computershare on behalf of the Issuer. Upon dematerialization of the Serinus Shares, CDS will register settlements between direct participants in the transaction, such as disposal of the deposited shares, through electronic records on accounts of direct participants. In this way, the physical transfer of the Serinus Share certificates is eliminated.

The fact that the Serinus Shares are registered shares does not mean that the provisions of Polish law are applicable to the Serinus Shares, in particular provisions governing the transfer of rights attached to shares. As a result, despite the fact that the Serinus Shares are registered shares, the persons who acquire the Serinus Shares in the secondary trading on the WSE will not be limited in their trading on the grounds of the registered form of the Serinus Shares and the procedure for disposal of all Serinus Shares traded on the WSE will be the same as the procedure for disposal of bearer shares in companies currently listed on the WSE.

CDS Clearing and Depository Services Inc., a corporation incorporated under the Canada Business Corporation Act having its registered office at 85 Richmond Street West, Toronto, Ontario, Canada M5H 2C9, is the primary depository of the Serinus Shares; shares deposited at CDS are registered in the name of CDS' nominee, CDS & Co.

Computershare Trust Company of Canada, which is the registrar and transfer agent of the Issuer, is located at: 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8, Canada.

27.4. Currency of the securities issue.

Not applicable.

27.5. A description of the rights attached to the securities, including any limitations of those rights, and procedure for the exercise of those rights.

Dividend rights:

– Fixed date(s) on which the entitlement arises,

– *Time limit after which entitlement to dividend lapses and an indication of the person in whose favour the lapse operates,*

– *Dividend restrictions and procedures for non-resident holders,*

– *Rate of dividend or method of its calculation, periodicity and cumulative or non-cumulative nature of payments.*

Voting rights.

Pre-emption rights in offers for subscription of securities of the same class.

Right to share in the issuer's profits.

Rights to share in any surplus in the event of liquidation

Redemption provisions.

Conversion provisions.

27.5.1. Summary of Share Terms

The following summary of certain provisions of the Serinus Shares and the Preferred Shares of the Issuer does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of the Articles and by the provisions of the ABCA.

27.5.1.1. Registered and Beneficial Shareholders

In the Canadian legal system a concept of a "registered owner (shareholder)" and "beneficial shareholder (owner)" exists which is unknown to the Polish legal system.

You are a registered owner of shares if the shares are registered in your name in the shareholders' register (which for the Issuer is held by Computershare). You are a beneficial owner of shares if you have an equitable right to the shares, irrespective of whether the shares are registered in your name in the shareholders' register or not.

In Canada most individual investors do not hold shares in their own name; rather, the shares are held by intermediaries who are the registered shareholders. The individuals purchasing the shares through an intermediary such as, a broker or a bank, are called "beneficial" or "non-registered" shareholders, as opposed to "registered" shareholders.

Shares that are beneficially owned by an individual are registered in the name of an intermediary, typically the individual's broker or other securities dealer, or in the name of a clearing agency of which the intermediary, the individual's broker or other securities dealer, is a participant but the individual remains the beneficial owner. An individual holding shares on his own behalf (i.e. holding a share certificate) is a "registered" shareholder.

Equitable or beneficial ownership (granted to Beneficial Shareholders) is in contrast to legal ownership (granted to Registered Shareholder). A legal owner (Registered Shareholder) has title to the shares, although legal title may carry no rights to the underlying economic rights or incidents of ownership to the property. Equitable or beneficial ownership means that while you (as Beneficial Shareholder) may not have title to the shares, you have rights which are the normal incidents of owning the shares (ex. dividend rights, voting rights, liquidation rights).

27.5.1.2. Differentiation between the rights of Registered Shareholders and Beneficial

Shareholders

Registered Shareholder

If you are a Registered Shareholder, you are able to enforce your rights directly against the Issuer. Under the ABCA, a corporation is only required to deal with registered shareholders.

Beneficial Shareholder

In order for Beneficial Shareholders to pursue the rights available to them as shareholders, such Beneficial Shareholders must engage the legal procedures and remedies available to them based upon their contractual relationship with their broker. The Beneficial Shareholder's legal relationship is with that Beneficial Shareholder's broker, not the Issuer. The fundamental rights of the Beneficial Shareholders are based upon such owner's contractual rights with the broker. Under this contract, the broker is selling, buying or holding the Serinus Shares on behalf of the Beneficial Shareholder and is acting as agent of that Beneficial Shareholder. In Alberta, the *Securities Transfer Act* (Alberta) recognizes that control over the rights to the Serinus Shares held by the broker on behalf of the Beneficial Shareholder is within the power of the Beneficial Shareholder.

However, holding your Serinus Shares as a Beneficial Shareholder does not prejudice your rights with respect to your economic interest in the Serinus Shares. As a Beneficial Shareholder, you must enforce your rights either through the Registered Shareholder, which entails certain procedural steps, or to become a Registered Shareholder yourself, which requires transferring your Serinus Shares out of the book-based system, as described below.

As indicated above, the Issuer is not a party to the relationship between any Beneficial Shareholder and such Beneficial Shareholder's broker or other intermediary. If the Beneficial Shareholder wishes to pursue its rights, such Beneficial Shareholder must instigate a claim or other action against his broker. In Alberta, the *Securities Transfer Act* (Alberta) recognizes that control over the rights to the Serinus Shares held by the broker on behalf of the Beneficial Shareholder is within the power of the Beneficial Shareholder. It is the broker, rather than the Registered Shareholder or the Issuer, who will be directly liable to the Beneficial Shareholder. The broker, in turn, may instigate a claim against the intermediary holding Serinus Shares on behalf of such broker, who may raise claims against a Registered Shareholder. It is the Registered Shareholder that has a legal relationship with the Issuer, therefore it is only the Registered Shareholder that may pursue legal remedies and procedures against the Issuer to enforce the corporate and economic rights as a Shareholder. The Issuer's legal obligation is only in respect of the Registered Shareholder. This principle applies with respect to all Shareholder rights, including voting rights, dividend rights, liquidation rights, the right to receive information, protection of minority shareholders and pre-emptive rights. For example, in the event of delays in the payment of a dividend by a corporation, the beneficial shareholder's claim would be with respect to that shareholder's broker; only a registered shareholder would have a claim directly against the corporation to enforce the payment of a declared dividend.

27.5.1.3. Admission Shares to which this Prospectus relates

Persons holding Admission Shares are beneficial owners of the Admission Shares (i.e. Beneficial Shareholders). Such persons have an equitable right to the Admission Shares.

The Issuer's current Shareholders who hold their Serinus Shares through intermediaries are Beneficial Shareholders of the Issuer. Likewise, Shareholders who acquire the Admission Shares in secondary trading on the WSE will also be Beneficial Shareholders. All Beneficial Shareholders of the Serinus

Shares, whether current Beneficial Shareholders or Beneficial Shareholders (including WSE Beneficial Shareholders) acquiring their shares on the secondary market, have the same rights. You are a Beneficial Shareholder if your Serinus Shares are held in an account and are recorded in the name of your broker.

27.5.1.4. Change of status by a Shareholder

A Beneficial Shareholder may change its status to "Registered Shareholder". A Beneficial Shareholder who wishes to become Registered Shareholders must request that their Serinus Shares be transferred out of the depository system. NDS will send a transfer request through Clearstream and RBC Dexia to CDS. CDS will then request that Computershare, as the transfer agent and registrar of the Issuer, transfer that Serinus Share position from CDS' global Serinus Share position on the Shareholders' register of the Issuer to a registered position in the name of the Beneficial Shareholder requesting the transfer out of the depository system. Such a request will require transfer of shares from the NDS participant to CDS participant. Once the Serinus Share position has been registered in the name of the Beneficial Shareholder requesting the transfer out of the depository system, such Beneficial Shareholder will become a Registered Shareholder. Having become a Registered Shareholder, holding their Serinus Shares outside the book-based system, such Shareholder will not be able to trade those Serinus Shares registered in its name on the WSE until these Serinus Shares are transferred back into the book-based system through CDS.

If such Registered Shareholder then wishes to trade their Serinus Shares on the WSE, they will be required to deposit the physical share certificates and register the Serinus Shares represented by such physical share certificates with either a broker who is itself a participant in the CDS system or who has established a relationship with another broker who is a participant in the CDS system. Such broker will then enter the Serinus Shares into the CDS system and hold the physical share certificates on behalf of the Shareholder. CDS's global Serinus Share position will then increase on the Issuer's Shareholders' register. Once the Serinus Shares enter the CDS system through the deposit of the Serinus Shares with a participant in the CDS, the Serinus Shares have been effectively dematerialized.

CDS also records the settlement among direct participants of transactions such as sales of deposited securities through electronic computerized book-entries between direct participants' accounts. This eliminates the need for physical movement of share certificates.

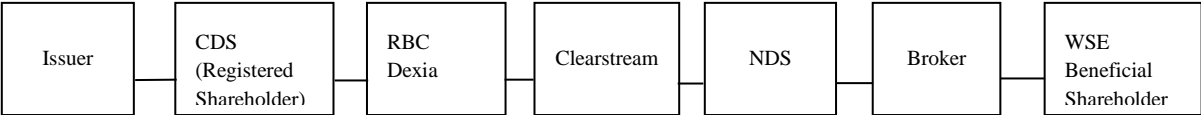
27.5.2. *Depository Issues*

27.5.2.1. Transfer Agent and Registrar

Pursuant to section 49 of the ABCA, an Alberta corporation, such as the Issuer, is required to maintain a securities register in which it records the securities issued by it in registered form, showing with respect to each class or series of securities (a) the names, alphabetically arranged, and the latest known address of each person who is or has been a security holder, (b) the number of securities held by each security holder, and (c) the date and particulars of the issue and transfer of each security. Under the ABCA, registration of the issue or transfer of a security in the central securities register of the corporation is complete and valid registration for all purposes. The ownership of shares in the Issuer is evidenced by the inscription of the name of the shareholder and the number of shares held by the shareholder in the shareholders' register of the Issuer. The shareholders' register of the Issuer is maintained by Computershare Trust Company of Canada ("**Computershare**") at their offices in Calgary, Alberta, Canada, which also acts as the transfer agent of the Issuer for the Serinus Shares.

Pursuant to subsection 49(3)(a) of the ABCA, a corporation may appoint one or more trust corporations as its agent or agents to maintain a central securities register or registers. NDS will not be Serinus’ transfer agent. The Issuer has appointed Computershare as its agent to maintain its central securities register. That is, Computershare is the Issuer's transfer agent and registrar.

27.5.2.2. Matters Relating to Depositories



27.5.2.2.1. The CDS System

The Canadian Depository for Securities ("**CDS**") acts as securities depository for the Serinus Shares in Canada. Serinus Shares that are deposited with CDS are issued as fully registered shares registered in the records of the Issuer's transfer agent and registrar in the name of CDS's nominee. As of September 16, 2014, 74,598,672 Serinus Shares have been deposited with CDS and 4,031,269 Serinus Shares are not registered with CDS. The Serinus Shares are registered in CDS under the ISIN number CA81752K1057.

CDS holds securities that its participants, which are referred to herein as Direct Participants, deposit with CDS. Direct Participants include both Canadian and foreign securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to the CDS system is also available to others such as both Canadian and foreign securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly. Such participants are referred to herein as Indirect Participants.

CDS' records reflect only the identity of the Direct Participants to whose accounts shares are credited, which may or may not be the beneficial shareholders of the shares. Direct and Indirect Participants are responsible for keeping account of their holdings on behalf of their customers.

CDS & Co. as the Sole Registered Holder of the dematerialized Shares

As indicated above, potential WSE Beneficial Shareholders who will acquire the Admission Shares in the secondary market through the WSE, will hold them in an indirect holdings system characterized by a chain of intermediaries ultimately connected to CDS, as the central securities depository. It is CDS (shares deposited at CDS are registered in the name of CDS & Co. as the CDS nominee) that is recorded on the Issuer's Shareholders’ register as the sole Registered Shareholder of the Admission Shares which are deposited at CDS. This is in contrast to a direct holding system where shareholders have a direct legal relationship with a corporation and are recorded in the corporation's register.

Potential WSE Beneficial Shareholders that acquire the Admission Shares in the secondary market through the WSE will be the owner of their respective portion of the Admission Shares, which such potential WSE Beneficial Shareholders own beneficially through securities accounts maintained by participants in the NDS. Any trading of the Admission Shares done by such WSE Beneficial Shareholders through the mechanism of the WSE will be governed by the rules of the NDS. In the indirect holding system, transactions relating to purchases, transfers and pledges of Serinus Shares are carried out electronically by a book entry system. Accordingly, the Admission Shares may be traded

on the WSE by WSE Beneficial Shareholders that acquire shares in the secondary market through the WSE. In the event of a sale of Serinus Shares on the secondary market, the entity acquiring shares will become a beneficial owner (Shareholder).

As indicated above, CDS is the sole Registered Shareholder with respect to the Admission Shares which are deposited at CDS. Beneficial Shareholders of Serinus Shares registered in the name of CDS are entitled to all of the shareholder rights attributable to Beneficial Shareholders described in the Prospectus. All Beneficial Shareholders of the Serinus Shares, including WSE Beneficial Shareholders, have the same rights.

These rules will also apply to all of the Serinus Shares that will be deposited in the brokerage houses that are (direct or indirect) participants in the CDS.

Exercising of rights through CDS

In those instances where a Shareholder's vote is required only Registered Shareholders will be entitled to vote. Neither CDS nor its nominee will consent or vote with respect to the shares unless authorized by a Direct Participant in accordance with CDS' procedures. The practice of CDS, as of the date of this Prospectus, is to pass through any consenting or voting rights to Direct Participants by using an omnibus proxy. The Direct and Indirect Participants in turn will solicit voting instructions from the beneficial owners based on customary practices as may be in effect from time to time. In accordance with these voting procedures and based on the voting instructions from the Beneficial Shareholders, the votes of each Shareholder of the Serinus Shares will be cast at the Shareholders' Meeting on each matter subject to a Shareholder vote.

More specifically, the omnibus proxy is sent by CDS to each participant on whose behalf and, to the extent that, CDS holds, as of the beneficial ownership determination date, securities that entitle the holder to vote at the Issuer's Shareholders' meeting, as CDS's proxy holder in respect of the Serinus Shares held by CDS on behalf of the participant.

CDS sends an omnibus proxy along with holders of record information to the transfer agent, Computershare. The transfer agent uses an entity called Broadridge Investor Communications, which holds all the beneficial owner information for CDS participants (including, for example, RBC Dexia), to do the mailing of all Shareholders' meeting information to beneficial holders. All of the clients listed on the books of the participants will then receive a mailing from Broadridge Investor Communications. Those clients will then have to return their voting instructions to Broadridge Investor Communications, who will tabulate the votes before sending the omnibus proxy back to the transfer agent. Broadridge Investor Communications typically does a physical mailing of shareholder meeting materials, unless it is advised by a shareholder that such shareholder consents to electronic delivery. Broadridge Investor Communications' information as to the ownership of the Serinus Shares stops with the clients that are held on the books of the CDS participant. As such, Clearstream would appear as a client of RBC Dexia, and therefore Clearstream would receive the proxy information mailing from Broadridge Investor Communications. Clearstream will then invoke its own processes to handle the further distribution of the proxy information. The response back to Broadridge Investor Communications would be expected to come from Clearstream who is seen as the client of RBC Dexia.

Pursuant to the omnibus proxy, CDS, as the Registered Shareholder, appoints its participants, with full power of substitution in each, to attend, vote and otherwise act for and on behalf of CDS to the extent of the number of Serinus Shares specified, in respect of all matters that may come before the meeting

of Shareholders and at any adjournment or continuance thereof. The omnibus proxy further provides that such appointees of CDS shall not vote, or give a proxy requiring or authorizing another person or company to vote, the securities represented by the omnibus proxy except in accordance with voting instructions received from beneficial owners whose Serinus Shares are represented by the omnibus proxy.

With respect to voting rights, only proxies deposited by Registered Shareholders, whose names appear on the records of the Issuer as the registered holders of the Serinus Shares, can be recognized and acted upon at a meeting. As such, Direct and Indirect Participants in the CDS system will seek voting instructions from Beneficial Shareholders in advance of a Shareholders' meetings so that CDS, as the Registered Shareholder whose name appears on the records of Serinus, can exercise the voting rights attached to the Serinus Shares in the CDS system. In some cases, the voting instruction form provided to a Beneficial Shareholder by or on behalf of its broker or other intermediary is very similar, even identical, to the enclosed form of proxy being solicited by the Issuer. The purpose of the voting instruction form provided by or on behalf of a broker or other intermediary, however, is limited to instructing the registered holder (the broker or other intermediary, or an agent thereof) how to vote on the Beneficial Shareholder's behalf. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote the Serinus Shares directly at the meeting, as the voting instruction form must be returned as directed by its broker in advance of the meeting in order to have the Serinus Shares voted. Although a Beneficial Shareholder may not be recognized directly at the meeting for the purposes of voting shares registered in the name of his broker (or agent of the broker), a Beneficial Shareholder may attend at the meeting as proxy holder for the Registered Shareholder and vote the shares in that capacity. Beneficial Shareholders who wish to attend at the meeting and indirectly vote their shares as proxy holders for Registered Shareholders should enter their own names in the blank spaces on the voting instruction form provided to them and return the same to their broker or other intermediary (or the agent of such broker or other intermediary) in accordance with the instructions provided by such brokers (or agents) in advance of the meeting.

Shareholders who purchase their Serinus Shares on the secondary market on the WSE will be subject to these voting procedures in order to convey their voting preferences to the participants of CDS so that CDS, as the Registered Shareholder of the Serinus Shares, can vote the Serinus Shares according to the preferences of the underlying and ultimate Shareholders (i.e. the Beneficial Shareholders).

The procedure for exercising voting rights by WSE Beneficial Shareholders is described in Section 27 of this Prospectus "*Information Concerning Securities to be Admitted to Trading*" in Subsection 27.5.3. "*Communications with Beneficial Shareholders*".

Any redemption proceeds, distributions or dividend payments paid with respect to the Serinus Shares will be paid to holders of record of the Serinus Shares. Disbursement of such payments to Direct Participants is the responsibility of CDS, and disbursement of such payments to beneficial owners is the responsibility of the Direct and Indirect Participants. Serinus is only obligated to pay dividends to the Registered Shareholders. All payments in favour of the shareholders holding an interest in the Serinus Shares entered into accounts kept by the NDS participants, including dividends, will be made via the NDS in accordance with its applicable regulations. Pursuant to these regulations, all funds set aside for such payments will be transferred on the cash accounts of the NDS' participants. Then each NDS participant will distribute such funds to the shareholders who hold interests in the Serinus Shares on the accounts maintained by the relevant NDS participant as provided for in detail in the agreements on keeping securities accounts entered into by the shareholders and the NDS participants.

Relationship between the Issuer and CDS

CDS may discontinue providing its services as securities depository with respect to the shares at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor depository is not obtained, shares certificates are required to be printed and delivered.

The arrangement between Serinus and CDS could also be terminated if Serinus fails to maintain the eligibility of its securities for the book entry only services provided by CDS (i.e., if Serinus fails to comply with the Issuer Procedures that govern the eligibility of securities for deposit at CDS).

The Issuer Procedures that Serinus must follow in order to maintain the eligibility of its securities for the book entry only services provided by CDS include, but are not limited, to the following:

- (i) **Book Entry Only Services.** When issuing securities that the Issuer desires to be eligible for the book entry only services of CDS, the Issuer will deliver a Book Entry Only Acknowledgement (a "**BEO Acknowledgement**"). The Issuer must ensure that 100% of each issue of CDS eligible securities of the Issuer deposited at CDS is registered in the name of CDS's nominee, CDS & Co., as a book entry only security, identified by an ISIN number.
- (ii) **Delivery of Securities.** The Issuer must register the securities in the name of CDS & Co. and deposit the securities in the CDS system. The Issuer will also complete and deliver to CDS a BEO Acknowledgement. The Issuer must deliver securities to CDS either in uncertificated form or in certificated form, through the use of a global certificate containing a legend specified by CDS. In the case of uncertificated securities, the Issuer also must deliver to CDS a confirmation disclosing the quantity of uncertificated securities registered in the name of CDS & Co. on the Shareholder's register.
- (iii) **Agents.** If the Issuer appoints a third party as agent, registrar, trustee, transfer agent and/or paying agent, or if there is a change in such agent, the Issuer will notify CDS of such agent's name and address. The Issuer shall ensure that such agent complies with the terms of the Issuer Procedures and Book Entry Only Securities Services Agreement.
- (iv) **Entitlements.** Subject to specified timing and notice requirements, payments of entitlements (ex. dividends) to which the registered holder of the securities is entitled shall be made by the Issuer to CDS & Co. based on the amount of securities registered in the name of CDS & Co. in the register of the Issuer on the record date. CDS shall distribute such payments to its participants. The Issuer must satisfy specific payment methods required by CDS in making such payments.
- (v) **Withdrawal of Securities.** In addition, the Issuer's securities may be withdrawn from the CDS system upon the occurrence of any of the following events:
 - (a) upon reasonable notice by CDS to the Issuer, CDS may discontinue the eligibility of the securities on deposit or cease to hold a global certificate in respect of the securities, with or without cause; or
 - (b) if CDS ceases to be a recognized clearing agency under applicable Canadian or provincial securities legislation and a successor is not appointed; or
 - (c) if the Issuer gives CDS notice that it is unable or unwilling to continue to have CDS hold the securities as book entry only or that it desires or has processed an entitlement

requiring a withdrawal of securities, and the Issuer has all right, power, capacity and authority to do so.

27.5.2.2.2. The NDS System

Under Polish law, any shares which are to be admitted to trading on the WSE must be dematerialized. That is, the shares must cease their paper form and exist in uncertificated (book-entry) form as of the date of their registration under the relevant depository agreement (dematerialization). In particular, before the commencement of a public offering or trading on a regulated market, an issuer of securities is obliged to conclude with the NDS (*Krajowy Depozyt Papierow Wartosciowych S.A.*), an agreement to register the securities offered in a public offering or to be listed trading on a regulated market in the depository of securities. In the case of shares issued outside of Poland, this requirement is considered to be met if the shares are deposited and registered with a relevant central depository entity in a foreign country or with an entity responsible for the settlement of the transactions conducted on the foreign stock exchange.

The rights attached to dematerialized securities under Polish law accrue as of the moment such securities are first registered in a securities account and inure to the benefit of the account holder. Under an agreement on the transfer of dematerialized securities, such securities shall be transferred as of the moment the relevant entry is made in the securities account of the acquirer. If the record date as at which the holders of rights to benefit from dematerialized securities are determined falls on or after the date on which the transaction should be settled at the depository of securities, and the securities continue to be registered in the transferor's account, the benefits inure to the benefit of the transferee and accrue as of the moment the securities are registered in the securities account of the transferee. If the dematerialized securities are acquired by virtue of a legal event which results in the acquisition of such securities by virtue of law or as a result of transaction performed outside the WSE, such securities shall be registered in the securities account of the acquirer at the request of the acquirer, it is required that it is preceded with the relevant motion being filed by the seller to the entity maintaining securities account of the seller (motions for the registration of the sale or acquisition of shares at the securities account should be supplemented with documents envisaging basis for the transfer of securities). The registration of securities in a securities account is effected after the registration of the transfer of the securities between the relevant deposit accounts.

Dematerialized securities might be also registered at the omnibus accounts. Omnibus accounts are also maintained within the depository system organized by NDS, by its participants. The securities that might be registered at the omnibus accounts are securities belonging to entities to whom such accounts are being maintained, but belonging to another entity or entities. Securities registered at the omnibus accounts are not registered at the securities accounts. Securities accounts might be maintained for: (i) legal persons and other entities having its registered office outside of territory of Poland, performing tasks within central depository of securities and are subject to supervision of the relevant body performing supervision over financial institutions in member state or in equivalent state, (ii) foreign investment companies not maintaining broker activity in Poland, authorized to perform activity concerning registration of securities in its country of residence, (iii) foreign investment companies performing broker activity in Poland without establishment of a division or authorized to perform activity concerning registration of securities in its country of residence, (iv) foreign legal entities with its registered office in the equivalent state authorized to perform activity concerning registration of securities in its country of residence and not performing broker activity in Poland, (v) foreign banks with its registered office in the equivalent state authorized to perform activity concerning registration of securities in its country of residence.

Entity for, for which an omnibus account is being maintained (omnibus account owner), is not recognized as an entity entitled to securities registered at this account. In order to establish entities entitled to securities registered at this account provisions of Polish law does not apply. However, person indicated to an entity maintaining an omnibus account by the owner of this account as a person entitled to securities registered in such account is deemed, at the territory of Poland, as a person entitled to securities registered in such account in the number as provided in such an indication. At the territory of Poland, for purpose of determination of the moment when rights from securities occurred, its transfer to another person, obtaining or losing entitlement to such securities, as well as in order to determine possibility of undertaking concerning its sale it is deemed that registration at the omnibus account results in legal effects, that are associated with the entry at the securities account, pursuant to the Public Offering Act. Entity maintaining omnibus account transfers or makes disposable benefits resulting from securities registered at the omnibus account, obtained directly or indirectly from the issuer only to the owner of such account. Persons entitled to securities registered at the omnibus account have no claim to such benefits towards an entity maintaining such omnibus account.

27.5.2.3. Transfer of Shares between the Depositories

In order to have the Serinus Shares traded on the regulated market of the WSE, Serinus Shares have to be recorded in a securities account kept by a participant in the NDS system. Any entity who holds Serinus Shares in a paper form and wishes to trade its Serinus Shares on the WSE will be required to deposit its Serinus Shares with the CDS. Such Serinus Shares have the same ISIN as the Serinus Shares being already deposited with the CDS as at the date of the Prospectus.

The NDS is a participant in Clearstream Banking Luxembourg (with its registered office in Luxembourg). RBC Dexia provides a link between the Clearstream system and the CDS system. In view of the above, the link between the Issuer and the WSE Beneficial Shareholders will be as follows 1) CDS will be registered in the Shareholders' register of the Issuer held by Computershare as the Registered Shareholder, 2) Serinus Shares to be traded on the WSE registered on the account of CDS will be registered on the account with RBC Dexia, 3) RBC Dexia will register the Serinus Shares to be traded on the WSE in its system under the name of Clearstream Banking Luxembourg 4) Clearstream Banking Luxembourg will reflect the Serinus Shares to be traded on the WSE in its system in the name of the NDS 5) the Serinus Shares to be traded on the WSE will be reflected on the accounts of the NDS participants (brokers) with the NDS 6) the WSE Beneficial Shareholder will hold Serinus Shares of the Issuer in the number registered in the accounts held by the NDS participants, as shown on the above diagram.

Transfers of Shares to the NDS System

In order to transfer the Serinus Shares from the CDS system to the NDS system, a Beneficial Shareholder should issue appropriate instructions to the entity keeping its securities account in the CDS system in which the Serinus Shares are recorded to transfer Serinus Shares to Poland. If the entity keeping such Shareholder's securities account does not have a link to a brokerage house in Poland that is a participant of the NDS, such Shareholder shall open a securities account in Poland and place an appropriate instruction to such entity to record Serinus Shares that are to be transferred. Transferring the Serinus Shares will be contingent on the unequivocal identification of the participant of the NDS system in whose account the Serinus Shares are to be recorded. In the event of the absence of a possibility of identifying the system participant in whose securities account the Serinus Shares are to be recorded, the transfer of the Serinus Shares may be ineffective or delayed. Based on clearance instructions obtained from the NDS participant, issued pursuant to the Beneficial Shareholder's

instructions, and the information obtained through Clearstream and RBC Dexia, the NDS shall record the Serinus Shares in the account of the direct NDS participant, and subsequently the Serinus Shares will be recorded in a Beneficial Shareholder's securities account or in collective account of a entity acting in name of Beneficial Shareholder.

Transfer of Shares to the CDS System

In order to be traded on WSE, the Serinus Shares have to be recorded in the NDS system. It is necessary to transfer the Serinus Shares from the CDS system to the NDS system if the Serinus Shares are not yet recorded in the NDS system. In the event a Beneficial Shareholder wishes to withdraw its Serinus Shares from trading on the WSE, it may demand the transfer of its Serinus Shares from the NDS system to the CDS system. In order to do so, the Beneficial Shareholder must place appropriate instructions with the entity keeping a securities account in its name or with the entity registering Serinus Shares in its name on entity's collective account in the NDS system, and appropriate instructions to the entity keeping in its name a CDS-system securities account in which the Serinus Shares are to be recorded. Transferring the Serinus Shares will be contingent on the unequivocal identification of the participant of the CDS system in whose account the Serinus Shares are to be recorded. In the event of the absence of a possibility of identifying the CDS system participant or Beneficial Shareholder in whose securities account the Serinus Shares are to be recorded, the transfer of the Serinus Shares may be ineffective or delayed.

Shares in Certificated Form

The Issuer entered with CDS into an agreement the object of which CDS provides for Serinus services connected with securities deposit and their servicing in the dematerialized form, however, some of the existing Serinus Shares of the Issuer are still held by Issuer's Shareholders in a non-dematerialized form. The Issuer shall apply for admitting and introduction of all the Admission Shares into trading on WSE. In addition, 40,150,333 Serinus Shares have already been admitted and introduced to trading on the regulated market of the WSE. However, as only dematerialized Serinus Shares may be traded on WSE, the actual introduction into trading of Serinus Shares which are currently held by Shareholders in the paper form shall be possible upon their dematerialization.

Each existing Shareholder who wants to trade Serinus Shares on WSE will have to deposit his Serinus Shares at a brokerage house which is (directly or indirectly) a participant in CDS. As a result of depositing the Serinus Shares, the global position of CDS & Co (as an entity nominated by CDS) in the register of Serinus Shareholders will be increased to reflect these additional Serinus Shares now held by CDS & Co. and a relevant reflection thereof in the book system. CDS & Co. shall hold those Serinus Shares on behalf of the Shareholder as the registered holder in the Serinus register of Shareholders, however, the ultimate owner of the Serinus Shares will be that Shareholder who will retain the beneficial ownership to those Serinus Shares after they are deposited with a participant of CDS. Additionally, these Serinus Shares will need to be transferred from the account of a CDS participant to the account of a NDS participant. Upon such transfer, it will be possible to trade in the Serinus Shares on WSE.

27.5.3. Communications with Beneficial Shareholders

Participation in Shareholders' Meetings

- Rights and obligations of the Registered Shareholders

Under the ABCA, only registered shareholders or the persons they appoint as their proxies are permitted to vote at a shareholders' meeting. That is, only proxies deposited by persons whose names appear on the records of the Issuer as the registered holders of Serinus Shares will be recognized and acted upon at a meeting. Brokers and other intermediaries will seek voting instructions from Beneficial Shareholders in advance of Shareholders' Meetings. Beneficial Shareholders receive voting instruction forms from the broker or other intermediary through which they hold their Serinus Shares. The purpose of the voting instruction form provided by or on behalf of a broker or other intermediary is limited to instructing the Registered Shareholder (the broker or other intermediary, or an agent thereof) how to vote on the Beneficial Shareholder's behalf and is not recognised by the Issuer. Beneficial Shareholders, who hold their Serinus Shares through a broker, securities dealer, financial institution, trustee, nominee or other intermediary or otherwise, may provide instructions to such intermediaries regarding the voting of their Serinus Shares.

Brokers and other intermediaries will seek voting instructions from Beneficial Shareholders in advance of Shareholder meetings. Each broker or other intermediary has its own mailing procedures and provides its own return instructions to clients. Beneficial Shareholders should carefully follow these procedures and instructions to ensure that their Serinus Shares are voted at the meeting. In some cases, the voting instruction form provided to a Beneficial Shareholder by or on behalf of its broker or other intermediary is very similar, even identical, to the form of proxy being solicited by the Issuer. The purpose of the voting instruction form provided by or on behalf of a broker or other intermediary, however, is limited to instructing the registered holder (the broker or other intermediary, or an agent thereof) how to vote on the Beneficial Shareholder's behalf and is not recognised by the Issuer.

- Rights and obligations of the Beneficial Shareholders

A Beneficial Shareholder receiving a voting instruction form from the broker or other intermediary through which it holds its Serinus Shares cannot use that voting instruction form to vote those Serinus Shares directly at a Shareholders' meeting, as the voting instruction form must be returned to the broker or other intermediary as directed by such broker or other intermediary in advance of the meeting in order to have the Serinus Shares voted. Although a Beneficial Shareholder may not be recognized directly at the Shareholders' meeting for the purposes of voting Serinus Shares registered in the name of the broker or other intermediary, a Beneficial Shareholder may attend the Shareholders' meeting as proxyholder for the Registered Shareholder and vote the Serinus Shares in that capacity. Beneficial Shareholders who wish to attend at the Shareholders' meeting and indirectly vote their Serinus Shares as proxyholders for Registered Shareholders should enter their own names in the blank spaces on the voting instruction form provided to them and return the same to their broker or other intermediary in accordance with the instructions provided by such brokers (or agents) in advance of the Shareholders' meeting immediately upon receipt of the voting instruction form to ensure that there is sufficient time for that proxy entitlement to be properly documented through the various intermediaries (NDS, Clearstream, RBC Dexia and CDS) and recorded by Computershare.

Further information on participation in the Shareholders' meeting by WSE Beneficial Shareholders who acquire Admission Shares can be found in this Section 27 of this Prospectus in Subsection 27.2.3. *"Proposed voting procedures for WSE Beneficial Shareholders that own Shares through securities accounts maintained by participants in the NDS".*

Indirect Sending of Shareholder Materials by Reporting Issuer

Under NI 54-101, no person or company other than the reporting issuer may send any materials

indirectly to beneficial owners of a reporting issuer. There are a few exceptions to this general rule: (a) materials sent indirectly to beneficial shareholders relating to an effort to influence the voting of securityholders of the reporting issuer; (b) materials sent indirectly to beneficial shareholders relating to an offer to acquire securities of the reporting issuer; or (c) materials sent indirectly to beneficial shareholders relating to any other matter relating to the affairs of the reporting issuer.

Obtaining Beneficial Owner Instructions by Intermediaries

Under NI 54-101, before an intermediary can hold Serinus Shares on behalf of a new client (i.e. a Beneficial Shareholder), they must obtain written instructions from the client as to whether the intermediary may disclose the client's name, address and Serinus Share holdings to the Issuer or other persons. Intermediaries must also determine whether the client wants to receive all shareholder materials distributed by the Issuer or prefers not to receive certain of these shareholder materials (e.g. financial statements and annual reports). They are also required to ascertain whether the client consents to receive shareholder materials sent electronically.

Shareholder materials must then be sent by intermediaries for distribution to Beneficial Shareholders where those shareholders have indicated that they wish to receive such materials.

NI 54-101 also requires brokers and other intermediaries to seek voting instructions from beneficial shareholders in advance of shareholder meetings. The purpose of the voting instruction form provided by or on behalf of a broker or other intermediary is to enable beneficial shareholders to instruct the registered holder (the broker or other intermediary, or an agent thereof) how to vote on their behalf. Under NI 54-101, an intermediary that receives proxy-related materials that solicit votes or voting instructions from shareholders is required to prepare a request for voting instructions for the matters to which the proxy-related materials relate and include this voting instruction form with the proxy-related materials that the intermediary sends on to the beneficial owners, for return to the intermediary. Each broker or other intermediary has its own mailing procedures and provides its own return instructions to clients. Beneficial Shareholders should follow these procedures and instructions to ensure that their shares are voted at the Shareholders' Meeting.

Pursuant to NI 54-101, each intermediary is required to tabulate voting instructions received from beneficial shareholders in response to the request for voting instructions sent by the intermediary; and execute these voting instructions received from each beneficial shareholder.

To the extent that a Beneficial Shareholder is able to determine that its broker or other intermediary through which it holds its Serinus Shares has not executed its voting instructions in respect of such Serinus Shares as provided, such Beneficial Shareholder should seek redress for such failure from its broker or other intermediary. The obligations that the broker or other intermediary have to follow the instructions of its client, the Beneficial Shareholder, arise from the relationship between such broker or other intermediary and the Beneficial Shareholder and will be governed by applicable local rules and regulations, if any, applicable to regulating the relationship between a broker or other intermediary and its clients.

The Issuer is not a party to the relationship between any Beneficial Shareholder and such Beneficial Shareholder's broker or other intermediary. The Issuer has no obligation to confirm what voting instructions, if any, may have been given by a Beneficial Shareholder to its broker or other intermediary or whether such voting instructions, if given, have been properly carried out by the Beneficial Shareholder's broker or other intermediary.

It should be noted that intermediaries will likely have other obligations to the beneficial owners, who

hold shares through them, that arise from the nature of the relationship between the intermediary and the beneficial owners. These obligations may include advising the beneficial owners of the commencement of take-over bids, rights offerings and other events, and advising as to how the beneficial owners can obtain the relevant materials.

Further information on instructions WSE Beneficial Shareholders who acquire Admission Shares can be found in this Section 27 of this Prospectus in Subsection 27.2.3. "*Proposed voting procedures for WSE Beneficial Shareholders that own Shares through securities accounts maintained by participants in the NDS*".

Depositories

Under NI 54-101, a depository (in this case, CDS) is required to maintain a list of intermediaries containing the following information:

- (a) the intermediary's name and address;
- (b) the name and address of each nominee of the intermediary in whose name the intermediary holds shares on behalf of beneficial owners; and
- (c) the name, address, telephone number, fax number and any electronic email address of a representative of the intermediary.

Within two business days of the beneficial ownership determination date, which will be specified in notices sent announcing a meeting, the depository is required send to the reporting issuer an omnibus proxy. This omnibus proxy appoints participant intermediaries, with respect to the reporting issuer's shares, as the depository's proxy holder in respect of the shares held by the depository on behalf of the intermediary.

CDS does not have any relationship with the Beneficial Shareholders; CDS only has a relationship with the intermediaries who are its participants.

Default of Party in Communication Chain

Under NI 54-101, if a person or company fails to send information or materials in accordance with the requirements of NI 54-101, the person or company whose required response or action under NI 54-101 is dependent upon receiving the information or materials shall use reasonable efforts to obtain the information or materials from the other person or company, and in so doing is exempt from the timing provisions of NI 54-101 in connection with the response or action to the extent that the delay arose from the failure of the other person or company.

NI 54-101 does not restrict in any way a beneficial shareholder's right to demand and to receive from an intermediary holding shares on behalf of the beneficial shareholder a proxy enabling the beneficial shareholder to vote the shares.

Common Shares (Serinus Shares)

Pursuant to the Articles, the Issuer may issue an unlimited number of common shares (Serinus Shares). Registered Shareholders are entitled to (a) one vote per Serinus Share at meetings of Shareholders of the Issuer, (b) to receive dividends if, as and when declared by the Board of Directors, and (c) to receive *pro rata* the remaining property and assets of the Issuer upon its dissolution, liquidation or winding-up, subject to the rights of shares having priority over the Serinus Shares.

Preferred Shares

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

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

27.5.4. Form of Shares

In accordance with the By-laws, a registered security holder of the Issuer is entitled at its option to a security certificate that complies with the ABCA or a non-transferable written acknowledgement of its right to obtain a security certificate from the Issuer in respect of the securities of the Issuer held by it. Security certificates shall, subject to compliance with the ABCA, be in such form as the Board of Directors may from time to time by resolution approve and such certificates shall be signed manually by at least one director or officer of the Issuer or by or on behalf of the registrar, transfer agent or branch transfer agent of the Issuer or by a trustee who certifies it in accordance with a trust indenture, and any additional signatures required on a security certificate may be printed or otherwise mechanically reproduced thereon. Security certificates are only issued in the names of Registered Shareholders, who appear on the records of the Issuer as the registered holder of the Serinus Shares. A Beneficial Shareholder that owns Serinus Shares may not appear on the records of the Issuer as the registered holder thereof. Such Serinus Shares are instead typically registered in the name of a broker or other intermediary or in the name of a depository such as CDS of which the intermediary is a participant.

In order to become a Registered Shareholder, the Beneficial Shareholder whose shares are recorded on an account kept by an NDS participant (or an intermediary holding the Serinus Shares on such account on behalf of the Beneficial Shareholder) should request the transfer of its shares from NDS (through intermediaries) to CDS and then request that the Serinus Shares be transferred out of the CDS system. CDS or the CDS participant will then request that Computershare, as the transfer agent and registrar of the Issuer, transfer that Serinus Share position from CDS' global Serinus Share position on the Shareholders' register of the Issuer to a registered position in the name of the Beneficial Shareholder requesting the transfer out of the NDS and CDS systems. The implementation of such transfer request by the Beneficial Shareholder could take several days. Once the Serinus Share position has been registered in the name of the Beneficial Shareholder requesting the transfer out of the NDS and CDS systems, such Beneficial Shareholder will become a Registered Shareholder and will no longer be in the book-based system and, as such, will not be able to trade those Serinus Shares registered in its name on the WSE until those Serinus Shares are transferred back into the book-based system through CDS.

The Issuer's registrar and transfer agent, Computershare Trust Company of Canada, maintains the securities register of the Issuer. The securities register records the securities issued by the Issuer in registered form, showing with respect to each class of shares of the Issuer, (a) the names and latest known address of each person who is or has been a Registered Shareholder; (b) the number of shares

held by each Registered Shareholder; and (c) the date and particulars of the issue and transfer of each Serinus Share. Registration of the issue or transfer of a share in the securities register is complete and valid registration for all purposes.

27.5.5. Shareholder Rights

As of the date of this Prospectus, there are no provisions in the Articles discriminating against or favouring any existing or prospective beneficial holder of the Issuer's securities as a result of such shareholder owning a substantial number of shares in the capital of the Issuer. Under the ABCA, subject to the ability of a corporation to issue any class of shares in one or more series, the rights of the holders of the shares of any class of shares are equal in all respects. Similarly, no rights, privileges, restrictions or conditions attached to a series of shares shall confer on shares of a series (a) greater voting rights than are attached to shares of any other series in the same class that are outstanding, or (b) a priority in respect of dividends or return of capital over shares of any other series in the same class that are then outstanding.

27.5.5.1. Dividend Rights

All Serinus Shares, including the Admission Shares, are entitled to participate equally in dividends if, as and when declared by the Board of Directors.

The right to receive a dividend does not vest until such time as the dividend is declared at the discretion of the Board of Directors. Once a dividend has been declared the right will not lapse. Under the ABCA and Serinus' Articles, dividends may be declared at the discretion of the Board of Directors. The ABCA permits a corporation to pay dividends unless there is a reasonable ground for believing that (i) the corporation is, or would after the payment be, unable to pay its liabilities as they become due or (ii) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes of shares. If a dividend is declared, the Board of Directors will set a record date, and persons who are Registered Shareholders as of that date will be entitled to such dividend, which would be due and payable on the payment date, after the record date, as set by the Board of Directors in the resolution declaring the dividend. Pursuant to the ABCA, the record date shall not precede by more than 50 days the dividend payment.

If the Board of Directors of Serinus decides to pay dividends, WSE Beneficial Shareholders will be paid dividends through the NDS. The amount of dividends payable to such Beneficial Shareholders holding the Serinus Shares credited to the securities accounts maintained by the NDS participants, decreased Canadian (withholding) taxes and other applicable taxes, will be transferred by the CDS (through intermediaries) to the NDS. The NDS will distribute the amount, in appropriate portions to its participants operating the securities accounts or omnibus accounts to which the shares of such Beneficial Shareholders are credited, and subsequently, the participants will transfer such amounts to such Beneficial Shareholders.

Resolution of disputes relating to the payment of dividends would be resolved by application of the ABCA and the applicable common law of the Province of Alberta, which govern the rights of registered and beneficial shareholders of a corporation incorporated under the ABCA like the Issuer.

Dividend Rights of Registered Shareholders

If a corporation's board of directors declares a dividend, the board of directors of a corporation will set a record date, and persons who are registered shareholders on the record of the corporation as of that date will be entitled to receive such dividend, which would be due and payable on the payment date,

after the record date, as set by the board of directors in the resolution declaring the dividend.

Dividend Rights of Beneficial Shareholders

If a corporation's board of directors declares a dividend, beneficial shareholders will be paid their respective portion of the dividends through the registered shareholder via the intermediaries who hold the shares on behalf of the beneficial shareholders. The amount of dividends payable to each beneficial shareholder, as credited to the securities accounts of each beneficial shareholder maintained by the intermediaries, will be transferred by the registered shareholder, through the various intermediaries. Subsequently, the intermediaries will transfer such amounts to the beneficial shareholders.

Dividend Policy

As of the date of this Prospectus, the Issuer has no intention of paying any dividends in the foreseeable future. If any dividends are paid, they will be paid only to Registered Shareholders, who appear on the register of Shareholders held by Computershare as at the record date set for the dividend by the Board of Directors. Dividends, if any, will be paid by the Issuer in US dollars. The Issuer will transfer dividends, less tax due under the laws of Canada and any other applicable jurisdiction to which it is bound, to CDS on the dividend payment date who will transfer the applicable portion of the dividend payment through RBC Dexia and Clearstream to NDS. The Issuer understands that NDS will then pay that amount to the accounts of its members who will, in turn, pay the dividends directly to the WSE Beneficial Shareholders.

Time limit after which entitlement to dividend lapses

The right to receive a dividend does not vest until such time as the dividend is declared by the Board of Directors. Once a dividend has been declared the right will not lapse. Where a dividend has been legally declared, it constitutes a debt owing by the corporation (albeit one that can only be paid where the statutory conditions are met) and cannot be subsequently revoked or reduced by the board of directors. The debt is due and payable as of the date specified in the resolution declaring the dividend. The ABCA does not provide a specific remedy for registered shareholders who have failed to receive a dividend that has been declared by an ABCA corporation. Such registered shareholders would have to look to the courts to seek an order requiring the corporation to pay to the registered shareholder the declared dividend to which the registered shareholder is entitled. (see Section 27 of this Prospectus in Subsection 27.2.1. “*Description of Alberta Corporate and Securities Law — Dividends*”)

Dividend restrictions and procedures for non-resident holders

There are no restrictions on the payment of any dividends that have been properly declared to shareholders not resident in Canada.

When a dividend is declared, NDS, at the request of the Issuer or its agent, will provide to the Issuer or its agent the shareholdings of the WSE Beneficial Shareholders entitled to receive the dividend. Generally, the Issuer, in its discretion, can rely on the name and address provided by a shareholder at the time of subscription for the shares (or as updated subsequently) or by NDS for purposes of establishing the WSE Beneficial Shareholder's country of residence. (See in this Section 27 in Subsection 27.11.1. “*Certain Canadian Tax Considerations*” in the part *Holders Not Resident in Canada - Dividends*).

Rate of dividend or method of its calculation

Under the ABCA and Serinus' Articles, dividends may be declared at the discretion of the Board of Directors. The ABCA permits a corporation to pay dividends unless there is a reasonable ground for believing that i) the corporation is, or would after the payment be, unable to pay its liabilities as they become due or ii) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

27.5.5.2. Rights to Share in Any Surplus in the Event of Liquidation

Any decision to liquidate the Issuer requires the approval of at least two-thirds of the votes of each class of shares cast at a Special Meeting of Shareholders.

Rights of Registered Shareholders to Share in Any Surplus in the Event of Liquidation

In the event of the liquidation, dissolution or winding-up of the Issuer, the assets remaining after allowing for the payment of all liabilities will be paid out to the Registered Shareholders *pro rata* to their respective registered shareholdings subject to priorities of any particular class. Registered Shareholders will then be obliged to distribute such amounts to the intermediaries who, in turn, will distribute such amounts to the Beneficial Shareholders based on their respective holdings.

Rights of Beneficial Shareholders to Share in Any Surplus in the Event of Liquidation

In the event of liquidation, dissolution or winding up of the Issuer, Beneficial Shareholders will be paid their respective portion of the assets remaining after allowing for the payment of all liabilities. Beneficial Shareholders will receive payment through the Registered Shareholder via the intermediaries who hold the Serinus Shares on behalf of the Beneficial Shareholders. The amount of such payments payable to each Beneficial Shareholder, as credited to the securities accounts of each Beneficial Shareholder maintained by the intermediaries, will be transferred by the Registered Shareholder, through the various intermediaries. Subsequently, the intermediaries will transfer such amounts to the Beneficial Shareholders. The Issuer's legal obligation is only in respect of the Registered Shareholder. The Beneficial Shareholder's legal relationship is with that Beneficial Shareholder's broker, not the Issuer. The Issuer is not a party to the relationship between any Beneficial Shareholder and such Beneficial Shareholder's broker or other intermediary. If the Beneficial Shareholder wishes to pursue its right to share in any surplus in the event of liquidation, such Beneficial Shareholder must instigate a claim or other action against its broker or become a Registered Shareholder itself, which requires transferring your Serinus Shares out of the book-based system.

27.5.5.3. Voting Rights

Each Serinus Share entitles its registered holder to one vote on each matter to be voted upon by Shareholders. No meeting of Shareholders may be convened without each registered Shareholder having been given sufficient notice of the meeting and information to make an informed decision. Only Registered Shareholders as at the close of business on the date set for Registered Shareholders to receive the notice (the "**Record Date**") are entitled to receive notice of and to attend and vote such Serinus Shares at the meeting or at any adjournment(s) thereof unless after the Record Date a holder of record transfers their Serinus Shares and the transferee upon producing properly endorsed certificates evidencing such Serinus Shares or otherwise establishing ownership of such Serinus Shares, requests, not later than ten days before the meeting, that the transferee's name be included in the list of Shareholders entitled to vote, in which case such transferee shall be entitled to vote such Serinus Shares at the meeting. Pursuant to the By-laws of the Issuer, at meetings of Shareholders, a quorum

shall consist of two or more persons present in person and representing in person or by proxy in the aggregate not less than 5% of the votes attached to all outstanding Serinus Shares.

Pursuant to section 147 of the ABCA, a "proxy" means a completed and executed form of proxy by means of which a registered shareholder appoints a proxy holder to attend and act on the shareholder's behalf at a meeting of shareholders. A "form of proxy" is defined in section 147 of the ABCA as a written or printed form that, on completion and execution by or on behalf of a shareholder, becomes a proxy. In exercising his discretion and discharging his duties as an officer of the corporation, the Chairman must, in accordance with subsection 122(1) of the ABCA, (a) act honestly and in good faith with a view to the best interests of the corporation; and (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Pursuant to subsection 148(5) of the ABCA, the directors may specify in a notice calling a meeting of shareholders a time not exceeding 48 hours, excluding Saturdays and holidays, preceding the meeting or an adjournment of the meeting before which time proxies to be used at the meeting must be deposited with the corporation or its agent. If a deadline is set by the Board of Directors, it is the responsibility of each Shareholder to meet such deadline.

Registered Shareholders may vote in person at a meeting or any adjournment(s) thereof, or may appoint another person (who need not be a Shareholder) as their proxy to attend and vote in their place. Registered Shareholders who are unable to be personally present at a meeting, in order to be represented at the meeting, will be required to fill in and sign the form of proxy which will accompany the notice of meeting and send it to the Issuer in accordance with the instructions provided in the notice of meeting. Only proxies deposited by shareholders whose names appear on the records of the Issuer as the registered holders of Serinus Shares can be recognized and acted upon at a meeting. Brokers or other intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. In most cases, the voting instruction form provided to a Beneficial Shareholder by or on behalf of its broker or other intermediary is very similar, even identical, to the enclosed form of proxy being solicited by the Issuer. The purpose of the voting instruction form provided by or on behalf of a broker or other intermediary, however, is limited to instructing the registered holder (the broker or other intermediary, or an agent thereof) how to vote on the Beneficial Shareholder's behalf. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Serinus Shares directly at the meeting, as the voting instruction form must be returned as directed by its broker in advance of the meeting in order to have the Serinus Shares voted. Although a Beneficial Shareholder may not be recognized directly at the meeting for the purposes of voting Serinus Shares registered in the name of his broker (or agent of the broker), a Beneficial Shareholder may attend at the meeting as proxy holder for the Registered Shareholder and vote the Serinus Shares in that capacity. Beneficial Shareholders who wish to attend at the meeting and indirectly vote their shares as proxy holders for Registered Shareholders should enter their own names in the blank spaces on the instruments of proxy provided to them and return the same to their brokers (or the brokers' agents) in accordance with the instructions provided by such brokers (or agents) in advance of the meeting. In order to be valid and acted upon at the said meeting, forms of proxy must be received not later than the time designated in the notice of meeting.

The Chairman may exercise his discretion not to accept telegraphic, telex, cable or written communication as to the authority of any individual claiming to vote on behalf of and to represent a Shareholder that does not properly constitute a proxy under the ABCA.

The By-laws of the Issuer provide that a Registered Shareholder or any other person entitled to attend a meeting of Shareholders may participate in the meeting by means of telephone or other

communication facilities that permit all persons participating in the meeting to hear each other and a person participating in such meeting by those means is deemed for the purposes of the ABCA to be present at the meeting. The contemplation in the Issuer's By-laws of participating in a Shareholders' Meeting by means of remote communications includes the ability to cast votes by means of remote communications. Such participation in the meeting by means of telephone or other communication facilities would include the ability of such participating Shareholder to vote at such meeting. There will also be the ability for Registered Shareholders to vote by proxy through the internet and the telephone.

Unless otherwise required by the Articles or the ABCA, all resolutions to be considered by the Shareholders at a duly convened meeting will be adopted by a simple majority of the votes of Shareholders present and voting, or represented by proxy. The following matters require a vote of not less than two-thirds of the votes of Shareholders present and voting, or represented by proxy:

- (i) an amendment to the Articles of the Issuer, including a change so as to
 - (a) change the name of the Issuer;
 - (b) add, change or remove any restriction on the business that the Issuer may carry on;
 - (c) add, change or remove any rights, privileges, restrictions and conditions in respect of all or any of its Serinus Shares, whether issued or unissued; or
 - (d) add, change or remove any restrictions on the transfer of Serinus Shares;
- (ii) the merger of the Issuer with another entity;
- (iii) the sale, lease or other disposition of all or substantially all of the assets of the Issuer;
- (iv) the dissolution, winding-up or liquidation of the Issuer; and
- (v) any other matter which the laws of Alberta require.

Voting Rights of Registered Shareholders

Registered Shareholders can vote in person or by proxy at a meeting of Shareholders. Under the ABCA, only Registered Shareholders or the persons they appoint as their proxies are permitted to vote at a shareholders' meeting. That is, only proxies deposited by persons whose names appear on the records of the Issuer as the registered holders of Serinus Shares will be recognized and acted upon at a meeting.

However, the Registered Shareholder will seek voting instructions via a voting instruction form provided by or on behalf of a broker or other intermediary, whose purpose is to instruct the registered holder (the broker or other intermediary, or an agent thereof) how to vote on the Beneficial Shareholder's behalf. In accordance with these voting procedures and based on the voting instructions from the Beneficial Shareholders, the votes of each Shareholder of the Serinus Shares will be cast at the Shareholders' meeting on each matter subject to a Shareholder vote. For further information please see in this Section 27 in Subsection 27.5.2.2.1. "*The CDS System*".

Voting Rights of Beneficial Shareholders

Beneficial Shareholders, who hold their Serinus Shares through a broker, securities dealer, financial institution, trustee, nominee or other intermediary or otherwise, may provide instructions to

intermediaries regarding the voting of their Serinus Shares.

Brokers and other intermediaries will seek voting instructions from Beneficial Shareholders in advance of meetings. Each broker or other intermediary has its own mailing procedures and provides its own return instructions to clients. Beneficial Shareholders should carefully follow these procedures and instructions to ensure that their Serinus Shares are voted at the meeting. In some cases, the voting instruction form provided to a Beneficial Shareholder by or on behalf of its broker or other intermediary is very similar, even identical, to the form of proxy being solicited by the Issuer. The purpose of the voting instruction form provided by or on behalf of a broker or other intermediary, however, is limited to instructing the registered holder (the broker or other intermediary, or an agent thereof) how to vote on the Beneficial Shareholder's behalf.

A Beneficial Shareholder receiving a voting instruction form from the broker or other intermediary through which it holds its Serinus Shares cannot use that voting instruction form to vote those Serinus Shares directly at a Shareholders' meeting, as the voting instruction form must be returned to the broker or other intermediary as directed by such broker or other intermediary in advance of the meeting, by the deadline specified by such broker or intermediary in order to have the Serinus Shares voted. Although a Beneficial Shareholder may not be recognized directly at the Shareholders' meeting for the purposes of voting Serinus Shares registered in the name of the broker or other intermediary, a Beneficial Shareholder may attend the Shareholders' meeting as proxy holder for the Registered Shareholder and vote the Serinus Shares in that capacity. Beneficial Shareholders who wish to attend at the Shareholders' meeting and indirectly vote their Serinus Shares as proxy holders for Registered Shareholders should enter their own names in the blank spaces on the voting instruction form provided to them and return the same to their broker or other intermediary in accordance with the instructions provided by such brokers (or agents) in advance of the Shareholders' meeting, by the deadline specified by such broker or intermediary immediately upon receipt of the voting instruction form to ensure that there is sufficient time for that proxy entitlement to be properly documented through the various intermediaries (NDS, Clearstream, RBC Dexia and CDS) and recorded by Computershare.

27.5.5.4. Oppression Remedy

Under section 242 of the ABCA, a shareholder of a corporation (including a beneficial shareholder) has the right to apply to the Alberta courts for an order on the grounds that (a) an act or omission of the corporation or any of its affiliates effects a result; (b) the business or affairs of the corporation or any of its affiliates are or have been carried on or conducted in a manner; or (c) the powers of the directors of the corporation or any of its affiliates are or have been exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of any shareholder. On such an application, the Alberta courts may make an order to rectify the matter complained of as it sees fit, including an order restraining the conduct that is the subject of the complaint.

27.5.5.5. Issuance of Shares and Pre-emptive Rights

Serinus Shares may be issued at the times and to the persons and for the consideration that the Board of Directors may determine from time to time. Serinus Shares issued are non-assessable and Shareholders are not liable to the Issuer or to its creditors in respect of those Serinus Shares. Serinus Shares may not be issued until the consideration for the Serinus Shares is fully paid in money or in property or past service that is not less in value than the fair equivalent of the money that the Issuer would have received if the Serinus Shares had been issued for money. For the purposes of the ABCA, "property" does not include a promissory note or promise to pay given by a person buying a Serinus

Share.

Under the ABCA a corporation's shareholders will have pre-emptive rights only if the corporation's articles of incorporation or unanimous shareholders agreement, if any, establish pre-emptive rights. Serinus does not have a unanimous shareholders agreement and Serinus' Articles of Incorporation do not establish pre-emptive rights for either the Beneficial or Registered Shareholders. Therefore, in accordance with the provisions of the ABCA, neither beneficial nor registered holders of Serinus Shares will have *pro rata* pre-emptive right to subscribe for any newly issued Serinus Shares.

As set out in the Articles of the Issuer, Serinus has authorized share capital of "Common Shares" in an unlimited number. The steps for issuing Admission Shares are as set forth below. The issuance of Admission Shares by the Issuer did not involve any Shareholder approval, except for the issuance of the Winstar Acquisition Shares which was preceded by shareholder resolutions passed at a Serinus Shareholders' Meeting on June 20, 2013 to change the name of the Issuer from Kulczyk Oil Ventures Inc. to Serinus Energy Inc. and to consolidate the common shares of the Issuer on the basis of one (1) post-Consolidation common share for every ten (10) pre-Consolidation common shares, the passing of both resolutions being conditions precedent to the Arrangement and, by extension, the issuance of the Winstar Acquisition Shares. The Issuer's Articles authorize the Issuer to issue an unlimited number of Serinus Shares. For more information relating to the Winstar Acquisition see Section 22 of this Prospectus "*Material Contracts*" in Subsection 22.6. "*Winstar Acquisition (Winstar Arrangement)*".

Under Alberta law, the issuance of shares is within the authority of the Board of Directors of the Corporation. Section 27 of the ABCA specifies that shares may be issued at the times and to the persons and for the consideration that the directors determine. Serinus Shares issued by a corporation (once the price specified by the Board of Directors is paid) are non-assessable and the holders are not liable to the corporation or to its creditors in respect of those shares. Serinus did not require or seek approval from any court or governmental authority to issue the Admission Shares from treasury.

27.5.5.6. Amendments to the Rights of Shareholders

Under the ABCA, any amendment to the rights of Shareholders requires an amendment to the Articles or By-laws of the Issuer. For further information please see Section 27 of this Prospectus "*Information Concerning Securities to be Admitted to Trading*" in Subsection 27.5.5.3. "*Voting Rights*". To the extent that the Articles and By-laws of the Issuer are silent with respect to the rights of Shareholders, the provisions of the ABCA are applicable. The provisions of the Articles and By-laws of the Issuer regarding the amendments to the rights of the shareholders do not differ from the provisions of the ABCA.

27.5.6. Shareholder Meetings

Overview

Shareholders' Meetings may be convened at such time and place as the Board of Directors may determine. Under the ABCA, an annual meeting of shareholders is required to be held not later than 15 (fifteen) months after the holding of the preceding annual meeting, however a corporation may apply to the Alberta courts for an order extending the time in which the next annual meeting shall be held. The most recent annual meeting of the Issuer was held on May 14, 2014. It is anticipated that subsequent annual meetings will be held at approximately the same time of year in subsequent years. In accordance with, and subject to the procedures prescribed by the ABCA, the registered holders or

beneficial owners of not less than 5% of the issued and outstanding Serinus Shares of the Issuer that carry the right to vote at a meeting sought to be held, may requisition the Board of Directors to call a Shareholder meeting for the purposes stated in the requisition, but the beneficial owners of Serinus Shares do not thereby acquire the direct right to vote at the meeting that is the subject of the requisition.

At each annual meeting of the Issuer, the annual audited financial statements of the Issuer for the preceding financial year are presented, the members of the Board of Directors are elected for the ensuing year and the auditors of the Issuer are appointed. No other business is required by the ABCA to be conducted at an annual meeting of shareholders.

The ABCA provides for both ordinary and extraordinary (i.e., special) meetings of Shareholders to be held. Pursuant to subsection 134(6) of the ABCA, all business transacted at a special meeting of shareholders and all business transacted at an annual meeting of shareholders, except consideration of the financial statements and auditor's report, fixing the number of directors for the following year, election of directors and reappointment of the incumbent auditor, is deemed to be special business.

Each Serinus Share entitles the Registered Shareholder, as at the Record Date set for the meeting, to attend a meeting of the Shareholders, either in person or by proxy, to address matters that are properly brought before the meeting and to exercise voting rights. Each Serinus Share entitles the Registered Shareholder to one vote. Subject to the quorum requirements specified in the By-laws, there is no minimum shareholding required to be able to attend or vote at a meeting of the Shareholders. Pursuant to the ABCA, only the Registered Shareholders that, as at the record date scheduled for the Shareholders' meeting, are holders of record on the Shareholder Register maintained by the Issuer may participate and vote at the shareholders' meeting, unless following the record date, the Registered Shareholder transfers such Serinus Shares and at least 10 (ten) days prior to the scheduled date of the meeting their purchaser, upon presenting the duly authenticated certificates or otherwise proving that it holds the Serinus Shares, demands that its name be recorded on the list of the Shareholders entitled to vote, which is the condition for it to be able to exercise voting rights attached to shares at the Shareholders' meeting.

Registered Shareholders, whose Serinus Share ownership is directly registered in the Shareholders' registry, will receive the notice by ordinary mail, which mail should be sent to such Registered Shareholders at least 21 days and not more than 50 days prior to any meeting. If a registered Shareholder does not intend to be personally present at a meeting, that Registered Shareholder must submit the form of proxy sent in conjunction with the meeting materials within the time limits (not to exceed 48 hours before the time set for the meeting) imposed by the Board of Directors to receive such proxies in order for the Serinus Shares represented thereby to be voted at the meeting. Beneficial Shareholders, whose names do not appear on the Shareholder's registry and who either wish to attend the meeting and vote such Serinus Shares or to have such Serinus Shares voted by proxy, will be required to direct the entity on whose behalf such Serinus Shares are registered, to complete the necessary documents for that to occur. Such Beneficial Shareholders should contact the Issuer's registrar and transfer agent, which is currently Computershare Trust Company of Canada, for instructions on what documentation is necessary to be completed and when such documents need to be submitted in order to be properly represented at the meeting of Shareholders.

27.5.6.1. Shareholders Proposal

Section 136 of the ABCA permits registered and beneficial shareholders to submit to the corporation notice of any matter related to the business or affairs of the corporation that the registered holder or

beneficial owner of shares proposes to raise at the meeting (a "**Shareholder Proposal**").

To be eligible to make a Shareholder Proposal, a person must:

- (i) be the registered or beneficial owner of a) at least 1% of the issued voting shares of the corporation as of the day on which the registered or beneficial owner submits the shareholder proposal or b) shares whose fair market value is at least \$2,000 as of the close of business on the day before the registered or beneficial owner submits the shareholder proposal;
- (ii) have been the registered holder or beneficial owner of such shares for at least 6 months prior to submitting the shareholder proposal;
- (iii) have support for the proposal by other registered holders or beneficial owners of at least 5% of the shares;
- (iv) provide the corporation with the name and address of the shareholder making the proposal and the registered holders and beneficial owners who support the proposal; and
- (v) continue to hold or own the required number of shares up to and including the date of the meeting at which the shareholder proposal is to be made.

Shareholder Proposals are to be addressed to the corporation. Shareholder Proposals must be submitted to the corporation at least 90 days before the anniversary date of the previous annual meeting of shareholders; if they are submitted later than this point, the corporation may exclude them.

A corporation may also exclude shareholder proposals if (i) it clearly appears that the proposal has been submitted by the registered holder or beneficial owner of shares primarily for the purpose of enforcing a personal claim or redressing a personal grievance against the corporation, its directors, officers or shareholders, or primarily for the purpose of promoting general economic, political, racial, religious, social or similar causes; (ii) the corporation, at the request of the registered holder or beneficial owner of shares, included a proposal in the management proxy circular for a meeting of shareholders held within 2 years preceding the receipt of the request, and the shareholder failed to present the proposal, in person or by proxy, at the meeting; (iii) substantially the same proposal was submitted to shareholders in a proxy circular for a meeting of shareholders held within 2 years preceding the receipt of the request and the proposal was defeated; or iv) the shareholder proposal is an abuse of section 136 to secure publicity.

If the corporation is unable to exclude the proposal based on any of the above factors, the corporation will then set out the proposal in the management proxy circular or attach the shareholder proposal to the management proxy circular for the meeting of shareholders, and the shareholders will vote on the shareholder proposal at the meeting of shareholders in the same way that they would vote on the other matters at the shareholder meeting. The ABCA does not require the acceptance of shareholder proposals that are not on the agenda.

Further, shareholder proposals or motions that are brought forth at a shareholders' meeting without complying with the shareholder proposal provisions of the ABCA, as described above, may be rejected by the chairman of the meeting if such proposal is deemed not to be proper business for consideration at the meeting. In making such determination, the chairman of the meeting must comply with the duty of care imposed by the ABCA on directors and officers, and act honestly and in good faith with a view to the best interest of the corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

27.5.6.2. Matters not covered by the agenda of the Shareholders meeting

Proxy forms and voting instruction forms to be completed by shareholder in advance of a shareholders' meeting may confer certain discretionary authority to the proxy holder to approve any other business that may properly come before the meeting. That is, if there is a motion or proposal brought forward at a meeting that is properly coming before the meeting (for example, a variation of the identified item of business on the agenda, as opposed to a whole different item of business that is ruled by the chairman as being not proper business for consideration due to the lack of notice to other shareholders) and for which there is another shareholder or proxy holder willing to second such motion, then shareholders present in person or the shareholder's proxy may exercise their voting rights with respect to such motions or proposals that do not appear on the agenda for the meeting.

27.5.6.3. Obligation to Inform of Convening the General Meeting Under Polish Law

Pursuant to the Polish Commercial Companies Code, the general shareholders' meeting of a public company is convened by an announcement published on the company's website and in the manner stipulated by the provisions of the Polish Offering Act and Polish Disclosure Regulation. Such announcement shall be placed on the company's website at least 26 days before the general meeting and it should include, among others, the date and hour, the place and the agenda of the general meeting together with the date of registration of participation in the general meeting. The company is also obligated to publish a current report, including among others, information about the date, hour and place of the shareholders' meeting, the detailed agenda of such meeting and drafts of the resolutions.

The Issuer already follows the procedure of convening the general shareholders' meeting as set forth by the ABCA as well as in the form of a current report under Polish law. As a result, in order for WSE Beneficial Shareholders to participate in the Issuer's shareholders' meeting, WSE Beneficial Shareholders need to follow the procedure described in this Section 27 of the Prospectus in Subsection 27.2.3. *"Proposed Voting Procedures for WSE Beneficial Shareholders that own Shares through Securities Accounts Maintained by Participants in the NDS"*.

The Issuer does not intend to describe the corporate rights relating to providing notice to WSE Beneficial Shareholders in a separate corporate document. Instead, the Issuer is subject to reporting requirements arising under Polish laws and, at the same time, there are corporate differences between Canadian companies and Polish companies. Therefore, the Issuer will continue to submit current reports on convening Shareholders' Meetings in compliance with § 38 of the Polish Disclosure Regulation and taking into consideration the differences under both legal regimes (in particular, such notification in the form of a current report will include the information about any record date). Additionally, the Issuer intends to continue to observe the procedure for notifying its Registered Shareholders of any planned Shareholders' meetings laid down in the Issuer's By-laws, see Section 27 of this Prospectus *"Information Concerning Securities to be Admitted to Trading"* in Subsection 27.5.6. *"Shareholder Meetings"*.

However, due to the fact that the WSE Beneficial Shareholders holding shares of the Issuer through banks and brokerage houses will not be registered owners of the Issuer because they will not be registered as Registered Shareholders in the central shares registry maintained in accordance with the laws of Alberta, they will not be able to profit from the possibility to participate in Shareholders Meetings based on the rules as provided for the Registered Shareholders. Due to the above, as well as in view of different generally accepted procedures for notification and convention of Shareholder Meetings prevailing in Canada and in Poland, potential investors should read the description included

in this Section 27 of the Prospectus in section in Subsection 27.2.3. "*Proposed Voting Procedures for WSE Beneficial Shareholders that own Shares through Securities Accounts Maintained by Participants in the NDS*".

27.5.7. Amendments to the Articles

The ABCA requires a special meeting of the Shareholders to resolve upon an amendment of the Articles including any amendments relating to changes to the authorized or issued capital. Such meeting is convened by the Board of Directors. The notice of the meeting must indicate the proposed amendments to the Articles. For further information please see this Section 27 of this Prospectus in Subsection 27.5.5.3. "*Voting Rights*".

As set forth in Serinus' Articles, the authorized capital of Serinus consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. Amendments to the Articles, including any change to any maximum number of shares that the corporation is authorized to issue, requires a special resolution passed by a majority of no less than 2/3 of votes cast by shareholders who voted in respect of that resolution or signed by the shareholders entitled to vote on that resolution.

As Serinus' authorized capital consists of an unlimited number of common shares, no such special resolution of the shareholders was required with respect to increasing the maximum number of common shares for the purposes of issuing the Admission Shares. The Admission Shares were issued within the limits of Serinus' authorized share capital. Therefore, no special procedure is required to effect such an increase.

27.5.8. Repurchase and Redemption of Shares

The Issuer's Articles and By-laws are silent with respect to the repurchase and redemption of Serinus Shares by the Issuer. The Issuer is required, however, to comply with the provisions of the ABCA with respect to any repurchases and redemptions of Serinus Shares by it as described below.

Under the ABCA, a corporation may not ordinarily hold shares in itself. The ABCA does, however, give a general right to a corporation to purchase its own shares subject to certain general solvency restrictions and to any provision in the corporation's articles. The solvency and liquidity restrictions are intended to protect creditors and other stakeholders from a reduction in share capital where the corporation is likely to be unable to meet its obligations in full on a timely basis. Pursuant to section 34 of the ABCA, a corporation may purchase or otherwise acquire shares issued by it unless there are reasonable grounds to believe that the corporation is or would after the payment for the shares be, unable to pay its liabilities as they come due, or the realizable value of the corporation's assets would after the payment be less than the aggregate of its liabilities and the stated capital of all classes of shares. Subject to the aforementioned conditions and the corporation's articles, a corporation may acquire shares issued by it to settle or compromise a debt or claim asserted by or against the corporation, eliminate fractional shares or fulfil the terms of a non-assignable agreement under which the corporation has an option or is obliged to purchase shares owned by a director, officer or an employee of the corporation, satisfy a claim of a dissenting shareholder or to comply with an order granted by the Alberta courts in an oppression remedy application. For further information please see this Section 27 in Subsection 27.5.5.4. "*Oppression Remedy*".

A corporation may, subject to its articles, purchase or redeem any redeemable shares issued by it at prices not exceeding the redemption price of those shares stated in the articles or calculated according to a formula stated in the articles, unless there are reasonable grounds to believe that the corporation

is, or would after the payment be, unable to pay its liabilities as they become due, or the realizable value of the corporation's assets would after the payment be less than the aggregate of its liabilities and the amount that would be required to pay the holders of shares that have a right to be paid, on a redemption or in a liquidation, rateably with or prior to the holders of the shares to be purchased or redeemed.

27.5.9. Canadian Bankruptcy Law

Canadian bankruptcy law is not set out in any single statute, but rather involves a complex matrix of statutory and common law rules that govern the rights and responsibilities of creditors and debtors. The Bankruptcy and Insolvency Act (“BIA”) is the primary statute regulating the insolvency of both natural persons and artificial entities, including corporations. The Companies’ Creditors Arrangement Act (“CCAA”) establishes a commercial restructuring regime that allows an insolvent company with more than C\$5 million owed to its creditors to restructure its affairs without becoming bankrupt.

Bankruptcy

When a Canadian company becomes bankrupt, it loses the legal capacity to deal with its assets, and a trustee is appointed over those assets. The trustee is mandated to liquidate the assets and distribute the proceeds to creditors.

Bankruptcy may be commenced voluntarily or involuntarily:

- 1) Involuntarily: A bankruptcy application can be filed by one or more creditors in possession of at least C\$1000 of unsecured debt, and who alleges that the debtor has committed an act of bankruptcy (as set out in the BIA) within 6 months of the filing. The most common act of bankruptcy is that the debtor company has ceased to meet its obligations as they generally become due.
- 2) Voluntarily: The debtor company may assign itself into bankruptcy as well. The debtor company must meet the requirements of an ‘insolvent person’ under the BIA, must reside, carry on business, or have property in Canada, and must have at least C\$1,000 in debt.

When a debtor company becomes bankrupt, the legal capacity to deal with its assets vests in a trustee in bankruptcy, save for property held in trust, and subject only to the rights of secured creditors. The trustee is a licensed professional, generally a chartered accountant. The trustee is an officer of the court, and must impartially represent the interests of all creditors. The trustee must give notice of the bankruptcy to all known creditors, collect the debtor company’s property, realize upon that property, and distribute the proceeds according to the priority scheme set out in the BIA.

A receiver may be appointed either by a secured creditor or the Court to take possession and control of the inventory, accounts receivable, and other assets of the debtor company. One purpose of the receiver is to preserve, manage and protect the debtor company’s assets to maximize the realization of those assets.

While secured creditors rank ahead of unsecured creditors in priority, so-called super-priority claims rank ahead of even secured creditors. Super-priority claims include costs associated with the administration of the bankruptcy (including lawyer’s fees), workers’ outstanding wages earned in the six months before the bankruptcy, and employee deductions (such as income tax withholdings, unemployment insurance premiums, and Canada Pension Plan premiums).

Restructuring

The CCAA is an alternative to a bankruptcy under the BIA and is a flexible statute that allows an insolvent company to restructure its affairs by proposing a plan of compromise or arrangement to its creditors. The plan of arrangement settles and resolves the debts owed to its creditors but allows the debtor company to remain as a going concern after the restructuring is complete. The CCAA is remedial in nature and provides a great deal of discretionary power to the Court to find effective solutions to allow the debtor company to restructure its affairs without becoming bankrupt. Proceedings under the CCAA are usually commenced by the debtor company and in all cases, the debtor company must owe its creditors at least C\$5 million.

Insolvency proceedings under the CCAA are heavily supervised by the Court. The initial CCAA order creates a stay of proceedings against the debtor company and appoints a licensed trustee as Monitor. The Monitor is an officer of the court, acts as an impartial third party that takes the interests of all creditors into account and assists in the restructuring process.

If the court grants the stay of proceedings, the debtor company formulates and proposes a plan of compromise or arrangement to its creditors. The plan is voted on by the affected creditors and if accepted by a requisite majority and sanctioned by the Court, the plan becomes binding on all and the debtor company may restructure its affairs pursuant to the terms of the plan. After the restructuring is complete, the debtor company continues as a going concern.

27.6. In the case of new issues, a statement of the resolutions, authorizations and approvals by virtue of which the securities have been or will be created and/or issued.

Under written resolutions dated December 11, 2012, November 12, 2013, and March 18, 2014 signed by all of the Directors, the Board of Directors authorized, approved, ratified and/or confirmed all past actions taken to issue the Admission Shares and authorized the Executive Officers to take:

- (a) any and all actions in respect of the NDS that are necessary in respect of the admission and introduction of all of the Admission Shares to trading on the main market of the WSE, including the execution of an agreement for the registration of all of the Admission Shares with the securities deposit maintained by the NDS in accordance with the requirements set out in the Polish Trading Act;
- (b) any and all actions in respect of the WSE, including the preparation and filing of applications for the admission and introduction of all of the Admission Shares to trading on the main market of the WSE; and
- (c) take any other actions that are necessary for the admission and introduction of all of the Admission Shares to trading on the main market of the WSE.

Sworn translations of Resolutions of the Board of Directors relating to the Admission Shares are attached as Appendix “E” (Resolution of the Board of Directors from 11 December 2012), Appendix “F” (Resolution of the Board of Directors from 12 November 2013), Appendix “G” (Resolution of the Board of Directors from 12 November 2013) and Appendix “H” (Resolution of the Board of Directors from 14 March 2014) hereto.

The ABCA specifies which corporate actions require the vote of Shareholders. The ABCA does not specify that Shareholder approval is required to authorize the admission of shares to trading on the regulated market on the WSE, including the transfer of shares to the NDS systems and the

dematerialization of the shares. The ABCA further provides that the directors shall manage or supervise the management of the business and affairs of a corporation. Given this general statutory authority and given the ABCA does not require Shareholder approval for these actions, the Board of Directors of the Issuer had the necessary authority to adopt all resolutions regarding the admission of the Admission Shares to trading on the regulated market on the WSE, including the transfer of Admission Shares to the NDS systems and the dematerialization of the Admission Shares. Per the resolutions attached to this Prospectus as Appendix “E”, Appendix “F”, Appendix “G” and Appendix “H” each member of the Board of Directors and each senior officer is authorized and directed to carry out the resolutions. Therefore any of Timothy M. Elliott, Norman W. Holton, Gary R. King, Manoj N. Madnani, Michael A. McVea, Sebastian Kulczyk, Stephen C. Ackerfeldt, Helmut Langanger, Evgenij Iorich, Jock M. Graham, Edwin A. Beaman, Tracy Heck, Aaron LeBlanc, Jakub Korczak and Alec Silenzi is authorized and directed to carry out the admission resolutions. The overall supervision of the management of the Issuer’s business is vested in the Board of Directors and the President and the Chief Executive Officer of the Issuer to whom the Board of Directors has delegated the day-to-day management of the Issuer other than in relation to certain matters specifically reserved to the competence of the Board of Directors by the ABCA. The President and Chief Executive Officer is supported by the senior officers in the performance of the day-to-day management of the Issuer. Timothy M. Elliott and Norman W. Holton serve as both directors and senior officers of Serinus, and as such, in accordance with the admission resolutions, are authorized and directed to carry out the resolutions by virtue of being senior officers and by virtue of being directors. In addition, each of the other directors, being Gary R. King, Manoj N. Madnani, Michael A. McVea, Sebastian Kulczyk, Stephen C. Ackerfeldt, Helmut Langanger and Evgenij Iorich, are authorized and directed to carry out the admission resolutions and each of the other senior officers, being Jock M. Graham, Edwin A. Beaman, Aaron LeBlanc, Tracy Heck, Jakub Korczak and Alec Silenzi, are authorized and directed to carry out the admission resolutions.

27.7. In the case of new issues, the expected issue date of the securities.

All of the Serinus Shares whose admission to trading is being sought have already been issued. The issuances of Admission Shares were effected on the following dates:

- (i) issuance of the Option Shares in the amount of 600,000 pre-Consolidation Serinus Shares (60,000 post-Consolidation Serinus Shares) as a result of exercise of Stock Options was effected on November 15, 2010;
- (ii) issuance of the Option Shares in the amount of 100,000 pre-Consolidation Serinus Shares (10,000 post-Consolidation Serinus Shares) as a result of exercise of Stock Options was effected on January 18, 2011;
- (iii) issuance of the Option Shares in the amount of 100,000 pre-Consolidation Serinus Shares (10,000 post-Consolidation Serinus Shares) as a result of exercise of Stock Options was effected on January 18, 2011;
- (iv) issuance of TIG Debenture Shares, i.e. 18,501,037 pre-Consolidation Serinus Shares (1,850,104 post-Consolidation Serinus Shares) upon conversion of the TIG Debenture was effected on August 12, 2011;
- (v) issuance of the Option Shares in the amount of 453,333 pre-Consolidation Serinus Shares (45,333 post-Consolidation Serinus Shares) as a result of exercise of Stock Options was effected on March 27, 2012;

- (vi) issuance of KI/Radwan Debenture Shares, i.e. 60,499,029 pre-Consolidation Serinus Shares (6,049,903 post-Consolidation Serinus Shares) upon conversion of KI/Radwan Debentures (54,564,321 pre-Consolidation Serinus Shares upon conversion of the KI Debenture and 5,934,708 pre-Consolidation Serinus Shares upon conversion of the Radwan Debenture) was effected on August 14, 2012;
- (vii) issuance of KI Loan Shares, i.e. 3,183,268 post-Consolidation Serinus Shares upon conversion of the KI Loan was effected on June 24, 2013;
- (viii) issuance of Winstar Acquisition Shares, i.e. 27,252,500 post-Consolidation Serinus Shares as a result of Winstar Acquisition was effected on June 24, 2013 and on August 2, 2013;
- (ix) issuance of the Option Shares in the amount of 18,500 post-Consolidation Serinus Shares as a result of exercise of Stock Options was effected February 13, 2014.

For more information see in Section 21 of this Prospectus “*Additional Information*” in Subsection 27.1.7. “*A history of share capital, highlighting information about any changes, for the period covered by the historical financial information*”.

27.8. A description of any restrictions on the free transferability of the securities.

The free transferability of the securities is limited by the following restrictions.

If Admissions Shares are acquired by a “control person” under the ASA then a subsequent trade of such Admission Shares by the control person would generally require a prospectus unless the control person could obtain an exemption from this requirement. A “control person” means (i) a person or company who holds a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, and if a person or company holds more than 20% of the voting rights attached to all outstanding voting securities of an issuer, the person or company is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer, or (ii) each person or company in a combination of persons or companies acting in concert by virtue of an agreement, arrangement, commitment or understanding, who holds in total a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, and if a combination of persons or companies holds more than 20% of the voting rights attached to all outstanding voting securities of an issuer, the combination of persons or companies is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to materially affect the control of the issuer. KI is a control person of the Issuer and, as such, the free transferability of Admission Shares owned by KI are subject to restrictions imposed on a control person under the ASA.

In addition, there are certain prohibitions against insider trading. For further information on such insider trading prohibitions please see Section 27 of this Prospectus in Subsection 27.2.2. “*Certain Rights and Obligations of Acquirers of Shares of a Reporting Issuer under Canadian Securities Law*” in the part titled *Insider Reporting Requirements*.

As of the date of this Prospectus Serinus does not own any Serinus Shares. A Shareholder may pledge or encumber the Serinus Shares that such Shareholder owns. Serinus’s Articles do not contain any restrictions on the free transferability of Serinus Shares, so Shareholders do not require Serinus’s consent to a Shareholder pledging or encumbering their Serinus Shares. As such, Serinus is not able to provide any information in this Prospectus on the extent to which Shareholders may have pledged or encumbered the Serinus Shares they own.

27.9. An indication of the existence of any mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the securities and the description of disclosure obligations and notification requirement ensuing from anti-monopoly regulations.

27.9.1. Description of Polish Capital Market Regulation

The following description of Polish law and the rights and obligations of shareholders arising thereunder is a summary of the material provisions of such law and does not purport to be a complete statement of the rights and obligations of holders of the Serinus Shares under the applicable provisions of Polish law.

The following description should be read in conjunction with the discussion included in this Section 27 of the Prospectus in Subsection 27.2.1. "*Description of Alberta Corporate and Securities Laws* above.

Before taking any decision on exercising any of the rights and obligations described below, each potential WSE Beneficial Shareholder should contact its legal advisor and seek the advice as to the possibility of such right or obligation being exercised with respect to the Issuer as a Canadian Company.

Market regulations

Trading in shares in Poland is subject to the regulations contained in the Polish Offering Act, Polish Trading Act and secondary regulations. A general overview of these regulations is presented in this section. The main obligations related to the holding and acquisition of large blocks of shares in a public company as defined in the Polish Offering Act is described below. As discussed below, the scope of application of the Polish Offering Act to the acquisition and holding of significant blocks of shares of Serinus is not entirely clear.

The Issuer urges potential investors in Serinus Shares to seek legal advice prior to acquiring any significant block of shares or entering into any agreement with any Shareholders with respect to exercising voting rights vested by a significant blocks of shares.

Disclosure obligations under the Polish Offering Act in connection with the acquisition and disposal of large blocks of shares

Pursuant to the Polish Offering Act, an entity that: (a) achieved or exceeded 5%, 10%, 15%, 20%, 25%, 33%, 33⅓%, 50%, 75% or 90% of the total vote in a public company, or (b) held at least 5%, 10%, 15%, 20%, 25%, 33%, 33⅓%, 50%, 75% or 90% of the total vote in a public company, and as a result of a reduction of its equity interest, holds now 5%, 10%, 15%, 20%, 25%, 33%, 33⅓%, 50%, 75% or 90% or less of the total vote, respectively, shall notify the FSA and the public company of such fact immediately and, in no event, not later than within four business days from the date of a change in such shareholder's share in the total votes, or from the date on which the shareholder becomes, or by exercising due care could have become, aware of such change; if such change resulted from the acquisition of shares in a public company in a transaction concluded on a regulated market, the notification shall be made not later than within six session days of the transaction date. Session days, with respect to Serinus Shares, shall mean session days specified by the WSE Rules and announced by the FSA on its website.

The notification requirement also arises in the event that (a) an entity holding over 10% of the total vote, changes its share by at least (i) 2% of the total vote (in the case of a public company whose

shares have been admitted to trading on the official stock market); or (ii) 5% of the total vote (in the case of a public company whose shares have been admitted to trading on a regulated market other than the official stock market); (b) an entity holding over 33% of the total vote changes its share by at least 1% of the total vote.

The notification requirement referred to above does not apply if upon the settlement in the depository for securities of a number of transactions executed on a regulated market on a single day, the change in the shareholder's share in the total votes at the end of the settlement day does not result in reaching or exceeding any threshold which triggers the notification requirement.

A notification addressed to the FSA and the public company affected should include information regarding: (a) the date and type of event which caused a change to which the notification refers; (b) the number of shares held prior to the change and their percentage share in the company's share capital, the number of votes attached to these shares, and the percentage share in the total vote; (c) the number of shares currently held and their percentage share in the company's share capital, the number of votes attached to these shares and their percentage share in the total vote; (d) intentions to further increase the shareholder's share in the total vote within 12 months of filing the notification, and of the purpose for such increase (in the case of a notification submitted in connection with reaching or exceeding 10% of the total vote); in the event of any change of such intention, the FSA and the public company should be notified promptly but in no event later than three business days following that change; (e) subsidiaries of the notifying shareholder holding shares in the public company; and (f) third parties with whom the shareholder concluded an agreement to transfer the right to vote.

The aforementioned notification may be drawn up in English.

If the entity subject to the notification requirement holds shares of various classes, the aforementioned notification should also include information regarding: (a) the number of shares in a public company held prior to the change of its shareholding and their percentage share in the company's share capital as well as the number of votes attached to these shares and their percentage share in the total vote; (b) the number of shares in the public company currently held and their percentage share in the company's share capital as well as the number of votes attached to these shares and their percentage share in the total vote, separately for each class of shares.

The foregoing obligations are also imposed on the entity who reached or exceeded the specified threshold of the total number of votes in connection with: (a) a legal occurrence other than a legal transaction; (b) acquisition and/or disposal of financial instruments involving an unconditional right and/or obligation to purchase already issued shares in a public company; and (c) indirect acquisition of shares in a public company (i.e. reaching the status of a dominant entity in a capital company or in a legal entity being a dominant entity towards such a company and acquisition or taking up shares of a public company by a direct or indirect subsidiary). In case of acquisition and/or disposal of financial instruments involving an unconditional right and/or obligation to purchase already issued shares in a public company, the notification should include information regarding: (i) the number of votes and their percentage share in the total vote to be acquired by the holder of a financial instrument as a result of the purchase of shares; (ii) a date and/or time limit when the shares are to be purchased; and (iii) an expiry date of the financial instrument.

The aforementioned notification requirements also arise when voting rights are attached to securities constituting a security interest. This shall not apply in a situation when the entity for the benefit of which the security interest was established is authorized to exercise voting rights and declares the will

to exercise those rights, in which case the voting rights are deemed to be vested in the entity for the benefit of which the security interest was established.

In order to perform the aforementioned obligations, a public company shall promptly forward the information obtained from its shareholder, simultaneously, to the public, the FSA, and the company operating the regulated market on which the company shares are listed. The FSA may release a public company from the obligation to provide the information referred to in the preceding sentence, if the disclosure of such information might: (a) not be in the public interest; or (b) be seriously detrimental to the company, provided that the non-disclosure of such information is not likely to mislead investors generally in evaluating the securities. Furthermore, a public company is obliged to file with the FSA, on or before the day preceding the day specified to hold the general meeting, a list of shareholders authorized to participate in such meeting, with a number of shares and votes attached thereto vested in each of them; as well as to provide the public, the FSA, and the company managing the regulated market on which shares of such company are listed, within 7 days from the day of holding the general meeting, with a list of shareholders holding at least 5% of a number of votes at such meeting, with the number of votes attached to shares each of them holds and their percentage share in the number of votes at such meeting and the general number of votes.

Tender offer for sale or exchange of Shares provided for by the Polish Offering Act

Tender offer pursuant to Article 72 of the Polish Offering Act

The Polish Offering Act provides that an acquisition of shares in a public company in a number resulting in increasing the aggregate number of votes by more than: (a) 10% of the total vote within less than 60 days by an entity whose share in the total vote was lower than 33%; (b) 5% of the total vote within less than 12 months by an entity whose share in the total vote was equal to or higher than 33%, may only be effected by announcing a tender for the sale or exchange of such shares in the number not less than 10% or 5% of the total vote, respectively.

The obligations discussed above do not arise if the shares are acquired on the primary market, as a result of being contributed to a company in-kind, or as a result of merging or demerging a company.

The obligations referred to above do not apply if the shareholder acquires shares from the State Treasury: (a) through an initial public offering; (b) within three years from the closing of the sale of the shares by the State Treasury through an initial public offering. Additional exemptions from the obligations described in this Section are indicated in Subsection “*No obligations under Articles 72-74 of the Polish Offering Act*” below.

Tender offer pursuant to Article 73 of the Polish Offering Act

Pursuant to Article 73 of the Polish Offering Act, a shareholder may exceed 33% of the total vote in a public company, subject to the case described below, only as a result of a tender offer to sell or exchange shares in such company, concerning a number of shares which confers the right to 66% of the total vote, unless the 33% threshold is to be exceeded as a result of a tender offer for the sale or exchange of all remaining shares in connection with the exceeding 66% of the total number of votes.

If a shareholder exceeds the 33% threshold as a result of an indirect acquisition of shares, subscription for shares of a new issue, acquisition of shares as part of a public offering or a non-cash contribution to the company, a merger or demerger of the company, amendments to the company's articles of association, expiry of preference rights attached to shares, or otherwise as a result of a legal occurrence other than a legal transaction, the shareholder or entity acquiring shares indirectly shall,

within three months from exceeding the 33% threshold: (a) announce a tender offer to sell or exchange the company's shares, concerning a number of shares conferring the right to 66% of the total vote; or (b) dispose of a sufficient number of shares as to hold shares conferring the right to no more than 33% of the total vote, unless within that period the share of such shareholder or entity acquiring shares indirectly in the total vote decreases to no more than 33% of the total vote, as a result of a share capital increase, amendments to the company's articles of association, or the expiry of preference rights attached to shares, as the case may be.

If a shareholder exceeds the 33% threshold as a result of inheritance, then the obligation referred to above applies only if following such an acquisition the shareholder's share in the total votes increases further. The time to perform the obligation commences on the day of the event leading to an increase in the shareholder's share in the total vote.

An entity obliged to announce a tender offer under regulations provided for in the two paragraphs above may not until its execution, directly or indirectly, acquire or take up shares of a public company if it has exceeded a given threshold of the number of shares.

The obligations referred to above do not apply if the shareholder acquires shares from the State Treasury: (a) through an initial public offering; (b) within three years from the closing of the sale of the shares by the State Treasury through an initial public offering. Additional exemptions from the obligations described in this Section are indicated in Subsection "*No obligations under Articles 72-74 of the Polish Offering Act*" below.

Public tender offer pursuant to Article 74 of the Polish Offering Act

Pursuant to the Polish Offering Act, a shareholder may exceed 66% of the total vote in a public company, subject to the case described below, only as a result of a tender offer to sell or exchange the remaining shares in the company.

If the threshold of 66% of the total number of votes is exceeded as a result of an indirect acquisition of shares, subscription for shares of a new issue, acquisition of shares as part of a public offering or non-cash contribution to the company, merger or demerger of the company, amendments to the company's articles of association, expiry of preference rights attached to shares, or otherwise as a result of a legal occurrence other than a legal transaction, the shareholder or entity acquiring shares indirectly shall, within three months from exceeding the 66% threshold, announce a tender offer for sale or exchange the remaining shares in the company, unless within that period the share of such shareholder or entity acquiring shares indirectly in the total vote decreases below 66% as a result of a share capital increase, amendments to the company's articles of association, or the expiry of preference rights attached to shares, as the case may be.

An entity obliged to announce a tender offer under regulations provided for in two above paragraphs may not until its execution, directly or indirectly, acquire or take up shares of a public company if it has exceeded a given threshold of the number of shares.

If within six months from a tender offer for sale or exchange of all remaining shares of a public company, a shareholder acquires further shares in the company at a price higher than the price set in the tender offer other than by way of a tender offer or squeeze-out of shares upon a request of a minority shareholder is obliged, within a month from such acquisition, pay the difference in the share price to all persons that sold shares by accepting that tender offer, except for those from whom the shares were acquired at a reduced price, with respect to all shares constituting at least 5% of all shares of the public company acquired from a person responding to the tender, where the entity obliged to

announce the tender and such person decided to reduce the share price. This regulation shall apply, *mutatis mutandis*, to the entity acquiring shares in a public company indirectly.

If a shareholder exceeds the 66% threshold as a result of inheritance, the obligation to announce a tender offer, as referred to above, shall apply only if following such acquisition the shareholder's share in the total vote increases further. The period allowed for complying with this obligation commences on the day on which the occurrence causing the increase of the number of votes held takes place.

An entity obliged to announce a tender offer under regulations provided for in the two paragraphs above may not until its execution, directly or indirectly, acquire or take up shares of a public company if it has exceeded a given threshold of the number of shares.

No obligations under Articles 72-74 of the Polish Offering Act

The obligations referred to in Articles 72-74 of the Polish Offering Act are not triggered by an acquisition of shares: (a) in a company whose shares have been introduced to an alternative trading system (*alternatywny system obrotu*) only or have not been traded on a regulated market; (b) from a member of the same group; (c) by way of a procedure provided for in bankruptcy and recovery regulations, or enforcement proceedings; (d) under an agreement on the creation of financial collateral between qualifying entities, concluded on the terms and conditions defined in the Polish Act on Certain Types of Financial Collateral of April 2, 2004; (e) encumbered with a pledge in order to satisfy a pledgee entitled, under statutes, to satisfy its claims by foreclosure of a pledged asset; (f) by inheritance, except for cases referred to in Article 73 and Article 74 of the Polish Offering Act.

Specific regulations regarding public tender offers announced pursuant to the Polish Offering Act

In case of tender offers referred to in Articles 72 and 73 of the Polish Offering Act, pursuant to Article 76 of the Polish Offering Act, only the following financial instruments may be acquired in exchange for shares subject to a tender offer: (a) existing in book-entry: (i) shares in another company; (ii) depository receipts; (iii) mortgage bonds or (b) treasury bonds. In case of the tender offer referred to in Article 74 of the Polish Offering Act, only shares in another company or other negotiable securities with voting rights attached thereto that exist in book-entry form may be acquired in exchange for shares subject to a tender offer. If the tender offer is made for the remaining shares in a company, the terms of the tender offer must include an option for the shareholders accepting the offer to sell the shares at a price established pursuant to detailed provisions of the Polish Offering Act, discussed below.

A tender offer may be announced after collateral is created for not less than 100% of the value of the shares covered by the tender offer. The collateral should be documented with a certificate issued by a bank or another financial institution which granted, or intermediated in the granting of, the collateral.

A tender offer shall be announced and carried out through an entity conducting brokerage activities in the Poland, which is obligated, within 14 business days before the opening of the Subscription Period, to simultaneously notify the FSA and the company operating the regulated market on which the given shares are listed, of the intention to announce the tender offer. A copy of the tender offer document should be attached to the notification.

A tender offer may not be abandoned, unless another entity announces a tender offer for the same shares after the first tender offer has been announced. A tender offer for the remaining shares in a given company may be abandoned only if another entity announces a tender offer for all remaining shares in the company at a price not lower than the price of the first tender offer.

In the period between the notification of the intention to announce a tender offer and the closing of the tender offer: (a) the entity obligated to announce the tender offer, and (b) its subsidiaries or its dominant entities; or (c) parties to an agreement concluded with the entity obligated to announce the tender offer regarding the acquisition of a public company's shares by these entities, or voting in concert at the shareholders' meeting or carrying out a consistent policy towards the company:

- (i) may acquire shares in the public company to which the tender offer refers, only as part of the tender offer and in a manner defined therein;
- (ii) may not dispose of shares in the public company to which the tender offer refers, or enter into any agreement under which they would be obligated to dispose of the shares, during the tender offer;
- (iii) may not acquire indirectly any shares in the public company to which the tender offer refers.

After the tender offer is announced, the entity obligated to announce the tender offer and the management board of the public company whose shares are covered by the tender offer, shall provide information on the tender offer, including the wording of the tender offer document, to the representatives of trade unions grouping employees of the company, and if there are no such trade unions at the company, directly to employees.

If shares subject to a tender offer are admitted to trading on a regulated market within the territory of the Republic of Poland or other Member State of the European Union, the entity announcing the tender offer shall ensure quick and easy access, within the territory of such Member State, to any information and documents made available to the public with reference to the tender offer as specified in law and regulations of such member state of the European Union.

Upon completion of the tender offer, the entity announcing the tender offer shall be obliged to notify, in the manner prescribed in Article 69 of the Polish Offering Act, of the number of shares acquired in the tender offer and the percentage share in the total number of votes resulting from the tender offer.

Upon receipt of notification of the intention to announce a tender offer, the FSA may, no later than three business days before opening the Subscription Period, request that within a specified period of no less than two days, the tender offer document be amended or supplemented as necessary or that clarifications of its wording be provided. The aforementioned request, delivered to the entity engaged in brokerage operations acting as an agent in announcing and carrying out the tender offer, shall be deemed delivered to the entity obligated to announce the tender offer. The opening of the Subscription Period under a tender offer shall be suspended until the entity obligated to announce the tender offer completes the actions specified in such request.

Regulations governing the price of tender offer shares

The share price proposed in a tender offer announced pursuant to Articles 72-74 of the Polish Offering Act: (a) if any shares in the company are traded on a regulated market may not be lower than: (i) the average market price for the six months preceding the announcement of the tender offer in which the shares were traded on the main market; or (ii) the average market price for a shorter period, if the shares were traded on the main market for less than the period specified in item (i); or (b) if the price cannot be determined in accordance with item (a) and in the case of a company in which arrangement or bankruptcy proceedings have been commenced, may not be lower than the fair value of the shares.

Furthermore, the share price proposed in the tender offer referred to in Articles 72—74 may not be lower than: (a) the highest price paid for the shares tendered in the tender offer by the entity obligated to announce the tender offer, its subsidiary or parent entity, or a party to an agreement concluded with the entity obligated to announce the tender offer regarding the acquisition of a public company's shares by these entities, or voting in concert at the shareholders' meeting or carrying out a consistent policy towards the company, for the tendered shares within 12 months preceding the announcement of the tender offer; or (b) the highest value of assets or rights, delivered in exchange for shares offered under the tender offer, within the 12 months before the tender announcement, by the entity obligated to announce the tender offer or its subsidiary or its controlling entity or by a party to an agreement concluded with such entity, regarding the acquisition of a public company's shares by these entities, or voting in concert at the shareholders' meeting or carrying out a consistent policy towards the company.

The share price proposed in the tender offer referred to in Article 74 of the Polish Offering Act may not be lower than the average market price for the three months of trading in the shares on a regulated market preceding the announcement of the tender offer.

The price proposed in the tender offers referred to in Articles 72 — 74 of the Polish Offering Act may be lower than the price determined pursuant to the principles discussed above for shares constituting at least 5% of all company shares to be acquired in the tender offer from a specific person accepting such tender offer, if the entity required to announce the tender offer and such person so decide.

If the average market price of shares determined in accordance with principles specified in the Polish Offering Act is significantly different than their fair value as a result of: (a) granting shareholders any preemptive right, right to dividend, right to acquire shares in a surviving company following the spin-off of a public company and/or other property rights connected with holding shares in a public company; (b) material deterioration of a financial standing or assets of the company in consequence of events and/or circumstances that could not have been anticipated and/or prevented by the company; (c) threatening permanent insolvency of the company, the entity announcing a tender offer may apply to the FSA for a consent to offer in a tender the price not satisfying the criteria referred to in Article 79, Section 1, item 1, and Sections 2 and 3 of the Polish Offering Act.

The FSA may give such consent provided, however, that the proposed price is not lower than the fair value of shares and the announcement of such tender offer will not be contrary to valid interests of shareholders. The FSA may determine, by way of a decision, a time limit within which the tender offer with the price specified in the decision should be announced.

The application should include, as an attachment, a valuation of the company's shares on a fair value basis as of the date not sooner than 14 days prior to its filing, prepared by an entity authorized to audit financial statements. In case of any doubts regarding the accuracy of the valuation enclosed to the application, the FSA may engage an entity authorized to audit financial statements to prepare such valuation. If the valuation prepared upon request of the FSA evidence that doubts were substantiated, the applicant shall reimburse the FSA costs of its preparation.

In case of the tender offer referred to in Article 73 Section 2 or Article 74 Section 2 of the Polish Offering Act, an application may be filed not later than within a month from the time when the obligation to announce a tender offer occurred.

The FSA publishes its decision of the application to give a consent to offer in a tender the price not satisfying the criteria referred to in Article 79, Section 1, item 1, and Sections 2 and 3 of the Polish Offering Act, including its substantiation. If the FSA gives its consent, the price offered in a tender offer may be lower than the price specified in the FSA's decision granting its consent with reference to

shares constituting at least 5% of all company shares to be acquired in the tender offer from a specific person accepting such tender offer, if the entity required to announce the tender offer and such person so decide.

The price proposed in a tender offer for an exchange of shares is the value of the dematerialized shares of the other company that will be transferred in exchange for the shares subject to the tender offer. The value of the dematerialized shares referred to in the preceding sentence is established as follows: (a) with respect to shares traded on a regulated market: (i) at the average market price for six months of trading in these shares on the regulated market preceding the date of announcement of the tender offer; or (ii) at the average price for a shorter period if the shares were traded on the regulated market for a period shorter than specified in item (i) above; (b) if the value of the share cannot be established pursuant to the principles set out in item (a) - they should be priced at their fair value.

The average market price referred to in the foregoing rules concerning the tender offer means an arithmetical mean of the average daily price weighed by trading volume.

Management Board's opinion with respect to a tender offer for a public company's shares

Pursuant to Article 80 of the Polish Offering Act, the management board of a public company whose shares are covered by a tender offer referred to in Article 73 or 74 in the Polish Offering Act should, not later than two business days prior to the opening of the subscription, provide the FSA and the public with its position on the announced tender offer, including the grounds thereto. The management board's position should be disclosed simultaneously to representatives of trade unions active in the company, and if there are no such trade unions, directly to the employees. The management board's position, based on the information that the entity required to announce the tender offer conveyed in the tender offer document, should include in particular its opinion on the effect of the tender offer on the company's interests, including its workforce, the entity's strategic plans in relation to the company and their likely effect on the company's workforce, and on the place of the company's business, as well as its opinion on whether the price proposed in the tender offer reflects the company's fair value, provided that such fair value may not be determined solely on the basis of the price at which the company shares were listed to that date. If the management board seeks the opinion of an external entity (an expert) on the share price proposed in the tender offer, and if it also obtains the opinion of trade unions existing in the company, the company should also disclose such opinions in the form of a current report, as specified in Article 56 Section 1 in the Polish Offering Act.

Special instances of applying the provisions of the Polish Offering Act concerning tender offers for the sale or exchange of shares and mandatory buyout

Pursuant to Article 87 of the Polish Offering Act, the obligations provided in this Act concern significant blocks of shares of public companies and shall respectively rest: (a) on any shareholder that reaches or exceeds a threshold of the total votes defined in the Polish Offering Act as a result of the acquisition or disposal of depository receipts issued in connection with the shares in a public company; (b) on an investment fund, in addition, if it reaches or exceeds a given threshold of the total votes defined in the Polish Offering Act, in connection with shares held jointly by: (i) other investment funds managed by the same management company and (ii) other investment funds established outside Poland, managed by the same company; (c) on a shareholder who reaches or exceeds a given threshold of the total votes defined in the Polish Offering Act, in connection with shares held: (i) by a third party on its own behalf, but upon the instruction or for the benefit of the shareholder, except shares acquired in performance of certain brokerage and other activities referred to in Article 69 Section 2 Item 2 of

the Polish Trading Act; (ii) in performance of the actions connected with management of portfolios composed of one or more financial instruments pursuant to the Polish Trading Act and the Polish Act of May 27, 2004 on Investment Funds, in relation to shares in a managed securities portfolio, under which the shareholder, as the manager, may exercise voting rights at the shareholders' meeting on behalf of the principals and (iii) by a third party with which the shareholder entered into an agreement on the transfer of rights to exercise voting rights; (d) on a proxy who, in his capacity as the representative of a shareholder is entitled to exercise the voting rights at the shareholders' meeting conferred by shares in a public company, unless the shareholders provided a binding instruction in writing on how the proxy is to vote; (e) jointly on all entities bound by a written or oral agreement on the acquisition of shares in a public company or on voting in concert at the shareholders' meeting and/or pursuing permanent policy towards such company, even if only one of the entities has taken or has intended to take actions giving rise to such obligations; (f) on entities that enter into the agreement referred to in the preceding clause, holding shares in a public company whose aggregate number confers the right to such a number of votes that results in reaching or exceeding a given threshold of the total votes defined in the Polish Offering Act.

In the instances specified in items (e) and (f), the obligations set out in the Polish Offering Act regarding a significant shareholding of public companies may be implemented by one of the parties to the agreement designated by the parties to the agreement.

An agreement concerning the acquisition of shares in a public company or voting at the shareholders' meeting, or conducting a continuous policy with respect to a public company is deemed to exist where shares of a public company are held by: (a) spouses, their ascendants, descendants, siblings and akin of the same degree, as well as persons under their care or tutelage, and adoptive children; (b) persons sharing a household (c) a principal and his proxy, other than an investment firm, authorized to place orders to acquire or sell securities on a securities account; and (d) affiliates, within the meaning of the Polish Accounting Act.

Potential investor in Serinus Shares should also consider the fact that the obligations set out in the provisions of the Polish Offering Act concerning significant blocks of shares of a public company shall also arise when voting rights concern securities deposited and/or registered with an entity which may dispose of them at its discretion.

The number of votes which triggers the obligations referred to in the Polish Offering Act with respect to significant blocks of shares in public companies includes: (a) on the part of the dominant entity — the votes held by its subsidiaries; (b) on the part of the proxy holder who has been authorized to vote shares in a public company on behalf of the shareholder represented at the meeting — the number of votes attached to the shares covered by the proxy, (c) the votes attached to all shares, even if exercising these votes is restricted or prohibited under the articles of association, contract or provisions of law.

Squeeze-out upon the request of a majority shareholder

Pursuant to Article 82 of the Offering Act, a shareholder in a public company that, on its own or together with its subsidiaries or parent companies or with companies which are parties to an agreement on the purchase of shares or voting in concert at the shareholders' meeting or carrying out consistent policy towards the company, reaches or exceeds 90% of the overall number of votes in such company, may demand, within three months from reaching or exceeding such threshold, that the remaining shareholders sell all the shares held by them to such shareholder. The squeeze-out price is determined based on indicated provisions of the Offering Act concerning the determination of a share price under

a tender offer pertaining to the subscription for the sale or conversion of shares of such company. If the 90% threshold of the overall number of votes was reached or exceeded as a result of a tender offer for the sale or conversion of the remaining shares in the company, the squeeze-out price may not be lower than the price in this tender offer. The purchase of shares in a squeeze-out takes place without the consent of the shareholder to which the demand to sell is addressed. The announcement of the demand to sell shares under a squeeze-out takes place after the establishment of a security of not less than 100% of the value of the shares that are to be squeezed out. The establishment of the security shall be evidenced by a certificate from a bank or other financial institution granting the security or engaged in its establishment. The squeeze-out shall be announced and handled by an entity engaged in brokerage activities in the Republic of Poland, which shall be obliged, not later than 14 business days before the date the squeeze-out commences, to inform simultaneously the FSA and the company operating the regulated market on which shares of a given public company are listed, of the intention to announce such squeeze-out, and if the shares of the public company are listed on a number of regulated markets, it shall inform all the operators of such markets. The entity encloses information about the squeeze-out. Rescission of a squeeze out, once announced, is not permitted.

Sell-out upon the request of a minority shareholder

Pursuant to Article 83 of the Offering Act, a shareholder in a public company may demand that another shareholder, which has reached or exceeded 90% of the total number of votes, purchase from it the shares it holds in such company. The demand is made in writing within three months from the date on which such shareholder reached or exceeded the threshold. If the information on reaching or exceeding the threshold of the total number of votes referred to above is not published in the manner specified in Article 70 item 1 of the Offering Act, the term to submit a demand shall commence on the day on which the shareholder of a public company entitled to demand the purchase of shares held by him became aware or could have become aware, while acting with due diligence, that another shareholder had reached or exceeded the threshold. The demand to sell-out of shares of the public company shall be satisfied jointly by the shareholder that reached or exceeded 90% of the overall number of shares and by its subsidiaries and parent entities within 30 days of its submission. The requirement to purchase the shares shall also rest jointly with any party to an agreement on the purchase of shares in a public company by its parties or on concerted voting at a Shareholders' Meeting or carrying out consistent policy towards a public company, provided the parties to such agreement command in aggregate, together with parent entities or subsidiaries, not less than 90% of the overall number of votes. A shareholder requesting the sell-out of shares on the basis specified above is entitled to be offered the price not lower than that determined in accordance with provisions set forth in the Offering Act pertaining to a share price in a public company in a tender offer for sale or exchange shares of such company. If the threshold of 90% of the total number of votes in a public company was attained or exceeded due to the announced tender offer for sale or exchange of the remaining company's shares, a shareholder requesting the sell-out of shares shall be authorized to obtain the price not lower than that suggested in the tender offer.

27.9.2. Notification requirement ensuing from anti-monopoly regulations

The Polish and EU regulations described in the Prospectus formulate the fundamental reporting obligations which may theoretically apply to a take-over of control by one entity over another one (also as a result of acquiring shares in a public offering). As a rule the reporting obligations under the Polish and EU laws may arise irrespective of the registered office of the issuer or the registered office

of the purchaser of its shares, provided that the conditions set out in relevant antimonopoly regulations, described in the Prospectus, have been satisfied.

The Polish Anti-Monopoly Act applies to the concentrations which cause or may cause any effects in the territory of the Republic of Poland. Therefore, the application of the Polish Anti-Monopoly Act depends on the place where the concentration may cause anti-competitive effects. Therefore, it is not significant, for example, where the actions aimed at effecting the concentration were taken or where the target entity has its registered office (place of incorporation). Theoretically, concentrations involving foreign entities (e.g. the Issuer) may therefore be subject to an examination by the President of the Polish Anti-Monopoly Office (the "**AMO President**") if the relevant statutory conditions are satisfied. Since neither the Issuer nor any of its subsidiaries earned any revenues in Poland in the last two years, the potential take-over of control of the Issuer as a result of the admission of the Admission Shares will most likely not qualify for the filing of a notification with the AMO President. However, the Issuer considered it advisable to introduce current or potential Shareholders to a general overview of the notification requirements under the Polish antimonopoly regulations, so as to facilitate their own consideration of this obligation.

As in the case of the Polish Anti-Monopoly Act, the Concentration Regulation does not render the notification obligation dependent on the registered office of the target entity. As a rule (subject to certain exceptions described in the Concentration Regulation), this Regulation applies to concentrations which have a so-called "community dimension", which means that their participants, among other things, generate turnover in the European Community. Since the turnover calculations include the turnover of subsidiaries and some of the Issuer's subsidiaries have their registered offices in EU member states (hence potentially they may generate turnover within the European Community), the existence of an obligation to file a notification pursuant to the Concentration Regulation cannot be ruled out. For this reason the Issuer considered it advisable to inform current or potential Shareholders of the notification obligations under EU regulations, so as to facilitate their own consideration of these obligations.

Provisions of the Polish Anti-Monopoly Act

Pursuant to the principal provision of Article 13 of the Polish Anti-Monopoly Act, the AMO President must be notified of a contemplated concentration of undertakings if the aggregate global turnover of the undertakings engaged in the concentration in the fiscal year preceding the year of the notification exceeded the equivalent of EUR 1 billion or if the aggregate turnover in the territory of the Republic of Poland of the undertakings engaged in the concentration in the fiscal year preceding the year of the notification exceeded the equivalent of EUR 50 million. The above turnover figures apply both to undertakings directly involved in the concentration and to the remaining undertakings from the capital groups to which the undertakings directly involved in the concentration belong. The AMO President shall consent to a concentration as a result of which competition on the market will not be materially reduced, in particular through the emergence or consolidation of a dominant position on the market.

The provisions of the Polish Anti-Monopoly Act apply not only to entrepreneurs within the meaning of the regulations dealing with business activity but also, pursuant to Article 4 Section 1 item (c) of the Polish Anti-Monopoly Act, to natural persons exercising control within the meaning of the provisions of the Polish Anti-Monopoly Act over at least one entrepreneur, even if that person did not engage in business activity within the meaning of the regulations on business activity if such person takes further actions falling within the scope of supervision over concentration ensuing from the provisions of the Polish Anti-Monopoly Act.

Pursuant to Article 13 Section 2 Point 2 of the Polish Anti-Monopoly Act, the obligation of notification of a contemplated concentration referred to above shall apply, for instance, to a plan to take over, by way of acquisition or taking up of shares or other securities or in any other manner, of direct or indirect control over one or more undertakings by one or more undertakings. Within the meaning of the Polish Anti-Monopoly Act, the taking over of control shall mean any form of direct or indirect obtaining of rights which, severally or jointly, taking into account all the legal or factual circumstances, make it possible to exert a decisive influence on a certain undertaking or undertakings.

The Polish Anti-Monopoly Act does not require a notification of contemplated concentration if the turnover of the undertaking the control over which is to be taken over through share disposal, other securities or in any other manner in the territory of the Republic of Poland did not exceed the equivalent of EUR 10 million in either of the two fiscal years preceding the notification. In that case this turnover only comprises the turnover of the undertaking over which control is to be taken over and its subsidiaries. Furthermore, pursuant to Article 14 of the Polish Anti-Monopoly Act, no notification is required of a contemplated concentration: (a) consisting in interim acquisition or taking up of shares by a financial institution for the purpose of the resale of same if the scope of business of that institution includes investing in shares of other enterprises on its own or other investors' behalf, provided that such resale takes place before the lapse of one year from the date of acquisition or taking up of the shares, and that (i) that institution does not exercise the rights attaching to the shares, except for the right to dividend, or (ii) that it only exercises such rights for the purpose of preparing the resale of the whole or part of a business, its assets or such shares, (b) consisting in an interim acquisition or taking up of shares by an undertaking for the purpose of securing receivables, provided it does not exercise the rights attaching to those shares, except the right to sell them, (c) occurring in the course of bankruptcy proceedings, except for taking over control by competing entities or entities from competing capital groups towards the undertaking taken over, (d) undertakings belonging to the same capital group. The Polish Anti-Monopoly Act sets forth in its Article 15 that the effecting of a concentration by a subsidiary is deemed to be a concentration effected by the parent undertaking.

Pursuant to Article 97 of the Polish Anti-Monopoly Act, the undertakings whose contemplated concentration requires a notification are required to refrain from effecting the concentration pending the issuance by the AMO President of a decision consenting to the effecting of the concentration or the expiry of the deadline by which such a decision should be issued. The legal action pursuant to which the concentration is to take place may be effected subject to the issuance by AMO President of consent to the concentration or the expiry of the deadlines set out by the Polish Anti-Monopoly Act for the completion of proceedings involving concentration. The implementation of a public bid to buy or exchange shares of which the AMO President was notified shall not constitute a breach of the statutory duty to refrain from effecting a concentration referred to above, if the purchaser is not exercising voting rights attaching to the acquired shares or does so solely for the purpose of preserving the full value of its equity investment or in order to prevent material damage that may occur to the undertakings involved in the concentration.

European Union regulations

A concentration of undertakings operating in Poland may also be subject to European Regulations. The Concentration Regulation applies to so-called concentrations having a Community dimension within the meaning of the provisions of that Regulation. Pursuant to Article 1 of the Regulation of the Council (EC) No. 139/2004 of January 20, 2004 on the control of concentrations between enterprises (the "**Concentration Regulation**"), a given concentration has a Community dimension where: (a) the combined aggregate worldwide turnover of all the undertakings concerned exceeds EUR 5 billion, and

(b) the aggregate Community-wide turnover of each of at least two of the undertakings concerned exceeds EUR 250 million, unless each of the undertakings concerned achieves more than two-thirds of its aggregate Community-wide turnover within one and the same Member State. A concentration that does not meet the thresholds laid down above is still of a Community dimension where (a) the combined aggregate worldwide of all the undertakings concerned is more than EUR 2.5 billion, (b) in each of at least three Member States, the combined aggregate turnover of all the undertakings concerned exceeds EUR 100 million, (c) in each of at least three Member States included for the purpose of point (b) above, the aggregate turnover of each of at least two of the undertakings concerned exceeds EUR 25 million, and (d) the aggregate Community-wide turnover of each of at least two of the undertakings concerned exceeds EUR 100 million, unless each of the undertakings concerned achieves more than two-thirds of its aggregate Community-wide turnover within one and the same Member State.

Article 3 of the Concentration Regulation ushers in the rule whereby a concentration governed by that Regulation shall arise where a change of control on a lasting basis results from (a) the merger of two or more previously independent undertakings or parts of undertakings, or (b) the acquisition, by one or more persons already controlling at least one undertaking, or by one or more undertakings, whether by purchase of securities or assets, by contract or by any other means, of direct or indirect control of the whole or parts of one or more undertakings.

Pursuant to Article 4 of the Concentration Regulation, concentrations with a Community dimension defined in that Regulation must be notified to the European Commission prior to their implementation or following the conclusion of the agreement, the announcement of a public takeover bid or the acquisition of a controlling interest, however in certain definite case, concentration may be notified at an earlier stage. If the European Commission finds that a notified concentration will not significantly affect effective competition on a common market or a significant part thereof, in particular as a result of creating or strengthening a dominant position, will deem such concentration to be consistent with the common market.

27.9.3. Notification Requirements under the Competition Act (Canada)

Notification is required under the Competition Act (the "CA") in respect of certain transactions if both party size and transaction size thresholds are exceeded. Pursuant to section 109, the party size threshold requires that the parties to the transaction, together with their affiliates: (a) have assets in Canada the aggregate book value of which exceed \$400 million; or (b) have aggregate gross revenues from sales in, from or into Canada that exceed \$400 million. Pursuant to section 110, for 2013, the transaction size threshold requires that: (a) for an acquisition of assets in Canada of an operating business, the aggregate book value of those assets, or the gross revenues from sales in or from Canada generated from those assets, exceeds \$80 million; or (b) for an acquisition of voting shares of a corporation that carries on an operating business or controls a corporation that carries on an operating business, the aggregate book value of the assets in Canada of the corporation and corporations controlled by it (other than assets that are shares of any of those corporations), or the gross revenues from sales in or from Canada generated from those assets, exceeds \$80 million. All currency is expressed in Canadian dollars and based on the audited financial statements for the most recent fiscal year.

If the transaction is an acquisition of shares, an additional threshold must be met. Section 110 of the CA requires that the person or persons acquiring the shares, together with their affiliates, would own voting shares of the corporation that in the aggregate carry more than: (a) 20%, or, if the person or

persons own 20% or more before the proposed transaction, 50% of the votes attached to all outstanding voting shares of the corporation, if any of the voting shares of the corporation are publicly traded; or (b) 35%, or, if the person or persons own 35% or more before the proposed transaction, 50% of the votes attached to all outstanding voting shares of the corporation, if none of the voting shares of the corporation are publicly traded.

If each of the applicable thresholds is exceeded, CA notification is required. Parties may comply with the notification provisions by: (a) applying for an advance ruling certificate ("**ARC**") pursuant to section 102 and obtaining an ARC or a "no action letter"; and/or (b) filing a notification pursuant to section 114 and observing the statutory waiting period under section 123.

The issuance of an ARC provides an exemption from the notification requirements of the CA and precludes the Commissioner of Competition (the "**Commissioner**") from challenging the transaction. ARCs are only issued by the Commissioner where it is clear that the merger will not substantially prevent or lessen competition in Canada (generally where there is limited or no competitive overlap between the merging parties). Where the Commissioner has declined to issue an ARC but does not intend, at that time, to make an application under section 92 in respect of the proposed transaction, it is normal practice for the Commissioner to so advise the parties in writing by way of a "no action letter", and at the same time to waive the obligation to file a notification.

Where a notification is filed, there is an initial 30-day waiting period, following which the parties can close their transaction provided that the Commissioner has not extended the waiting period by issuing a supplementary information request ("**SIR**"). Upon the issuance of a SIR, the waiting period stops until a complete response has been submitted. Once the response has been submitted, a further 30-day waiting period starts to run, following which the parties can close their transaction unless the Commissioner obtains an order from the Competition Tribunal (the "**Tribunal**") preventing them from doing so. Section 123.1 of the CA provides the Commissioner with certain remedies should parties fail to comply with the statutory waiting period.

Other than where an ARC has been issued, the Commissioner retains the right to challenge any transaction (whether or not it was subject to notification) within one year of its completion. Where the Commissioner believes that a completed merger substantially prevents or lessens competition (or in the case of a proposed merger, is likely to have that effect), he may bring an application to the Tribunal for a remedial order. In the case of a completed merger, within one year of the implementation of the merger he may seek an order to require dissolution of the merger or divestiture of assets or shares. In the case of a proposed merger, he may seek an order to prohibit completion of the merger.

27.10. An indication of public takeover bids by third parties in respect of the issuer's equity, which have occurred during the last financial year and the current financial year. The price or exchange terms attaching to such offers and the outcome thereof must be stated.

There have been no public takeover bids by third parties in respect of the Issuer's equity during last financial year, nor during the current financial year.

27.11. In respect of the country of registered office of the issuer and the country(ies) where the offer is being made or admission to trading is being sought:

- *Information on taxes on the income from the securities withheld at source,*
- *Indication as to whether the issuer assumes responsibility for the withholding of taxes at the source.*

Principles of Taxation of Income Related to Holding and Trading in Securities

The information set out below describes the principal Canadian and Polish tax consequences of the acquisition, holding and disposal of the Serinus Shares and is included for general information only. This summary does not purport to be a comprehensive description of all Canadian or Polish tax considerations that may be relevant to a decision to acquire, hold or dispose of the Serinus Shares. Each current or potential Shareholder (including WSE Beneficial Shareholders) should consult a professional tax advisor regarding tax consequences of acquiring, holding and disposing of the Serinus Shares under the laws of their country and/or state of citizenship, domicile or residence. Additionally, the following information has been prepared only on the basis of the laws binding and existing as at the date of this Prospectus.

This summary is based on tax legislation, published case law, treaties, rules, regulations and similar documentation, in force as of the date of this Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

Certain Canadian Federal Income Tax Considerations

The following summary describes the principal Canadian federal income tax considerations generally applicable to a purchaser who acquires as beneficial owner Admission Shares on the secondary market of the WSE and who, at all relevant times, for purposes of the application of the Income Tax Act (Canada) and the Income Tax Regulations (collectively, the “**Tax Act**”), (a) deals at arm’s length with the Issuer; (b) is not affiliated with the Issuer; and (c) holds the Admission Shares as capital property (a “**Holder**”). Generally, the Admission Shares will be capital property to a Holder provided the Holder does not acquire or hold those Admission Shares in the course of carrying on a business or as part of an adventure or concern in the nature of trade.

This summary is not applicable to (a) a purchaser that is a “specified financial institution”, (b) a purchaser an interest in which is a “tax shelter investment”, (c) a purchaser that is, for purposes of certain rules (referred to as the mark-to-market rules) applicable to securities held by financial institutions, a “financial institution”, (d) a purchaser that reports its “Canadian tax results” in a currency other than Canadian currency; or (e) a purchaser that is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of Admission Shares, controlled by a non-resident corporation for the purposes of the foreign affiliate dumping rules in section 212.3 of the Tax Act, each as defined in the Tax Act. Such purchasers should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act, and counsel’s understanding of the current administrative policies and assessing practices and policies of the Canada Revenue Agency (the “**CRA**”) published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”) and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, regulatory, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular current or potential Shareholder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, potential Shareholders (including potential WSE Beneficial Shareholders) should consult their own tax advisors having regard to their own particular circumstances.

Currency Conversion

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the Admission Shares must be converted into Canadian dollars based on exchange rates as determined in accordance with the Tax Act. The amount of dividends required to be included in the income of, and capital gains or capital losses realized by, a Holder may be affected by fluctuations in the C\$/PLN exchange rate.

Holders Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the application of the Tax Act, is, or is deemed to be resident in Canada (a “**Resident Holder**”). Certain Resident Holders may be entitled to make or may have already made the irrevocable election permitted by subsection 39(4) of the Tax Act, the effect of which may be to deem to be capital property any Admission Shares (and all other “**Canadian securities**”, as defined in the Tax Act) owned by such Resident Holder in the taxation year in which the election is made and in all subsequent taxation years. Resident Holders whose Admission Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election.

Dividends

A Resident Holder will be required to include in computing its income for a taxation year any dividends received (or deemed to be received) on the Admission Shares. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit applicable to any dividends designated by the Issuer as an eligible dividend in accordance with the provisions of the Tax Act. A dividend received (or deemed to be received) by a Resident Holder that is a corporation will generally be deductible in computing the corporation’s taxable income.

A Resident Holder that is a “private corporation”, as defined in the Tax Act, or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a refundable tax of 33 1/3% under Part IV of the Tax Act on dividends received (or deemed to be received) on the Admission Shares to the extent such dividends are deductible in computing the Resident Holder’s taxable income for the year.

The tax rate applicable to dividends received by Resident Holders from the Issuer will range from 0% to 36.06% for 2014 depending on (1) whether the Resident Holder is an individual, private corporation or public corporation for the purposes of the Tax Act; (2) the Resident Holder’s province of residence for tax purposes; and (3) with respect to Resident Holders who are individuals, their level of income which will determine their applicable rate of taxation.

Dividends paid to Resident Holders are not subject to withholding of tax at source. Resident Holders are required to report the dividend income in their annual income tax return. There is no requirement

under Canadian tax legislation for shareholders resident in Canada to provide documents to the payor evidencing that they are residents of Canada. Generally, the payor is entitled to rely on the address provided by a shareholder at the time of the subscription for the shares (or as updated subsequently), or the information as provided, in its sole discretion, by the NDS via Clearstream, its local intermediary and CDS, to determine the shareholder's country of residence.

Dispositions

Generally, on a disposition or deemed disposition of an Admission Share, a Resident Holder will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of the Admission Share immediately before the disposition or deemed disposition.

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a “**taxable capital gain**”) realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a taxation year from taxable capital gains realized by the Resident Holder in the year and allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of an Admission Share may be reduced by the amount of any dividends received (or deemed to be received) by the Resident Holder on such Admission Share to the extent and under the circumstances prescribed by the Tax Act.

Similar rules may apply where an Admission Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Such Resident Holders should consult their own advisors.

Holdings Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the application of the Tax Act, is not, and is not deemed to be, resident in Canada and does not use or hold, and is not deemed to use or hold, the Admission Shares in a business carried on by the Holder in Canada (a “**Non- Resident Holder**”). Special rules, which are not discussed in this summary, may apply to a non-Canadian holder that is an insurer that carries on an insurance business in Canada and elsewhere.

Dividends

Dividends paid or credited on the Admission Shares or deemed to be paid or credited on the Admission Shares to a Non-Resident Holder will be subject to Canadian withholding tax at the rate of 25% under Part XIII of the Tax Act (“**Part XIII Tax**”), subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under any applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

The Issuer or the Issuer's agent is responsible under the Tax Act for withholding and remitting Part XIII Tax from dividends paid or credited, or deemed to be paid or credited, on the Admission Shares to a Non-Resident Holder. If the Issuer or the Issuer's agent does not withhold Part XIII Tax, or

withholds less than the appropriate amount, from a dividend payment to a Non-Resident Holder, any agent or nominee of the Non-Resident Holder who receives the dividend payment on behalf of the Non-Resident Holder is required to withhold and remit any Part XIII Tax that ought to have been deducted at source. Where the Issuer, the Issuer's agent, or the agent or nominee of the Non-Resident Holder is responsible for withholding and remitting Part XIII Tax, as described above, and such person or persons fail to do so, such person or persons will be responsible for paying the amount that should have been withheld and remitted and may be subject to penalties and/or interest under the Tax Act. The Issuer, the Issuer's agent, or the agent or nominee of the Non-Resident Holder is entitled under the Tax Act to collect (including by withholding in respect of other dividends) from the Non-Resident Holder any Part XIII Tax that should have been withheld from dividend payments to the Non-Resident Holder.

A Non-Resident Holder may be entitled to a reduction in the statutory Part XIII Tax withholding rate under an income tax convention between Canada and the country in which such Non-Resident Holder is resident. In order to have a reduced withholding rate apply to Part XIII Tax withheld at source, a Non-Resident Holder must satisfy the Issuer that it is entitled to such reduced rate by providing the Issuer with the appropriate forms, complete with supporting worksheets and forms, prescribed under the Tax Act. For Non-Resident Holders that are individuals, corporations or trusts, the relevant form is Form NR301 – Declaration of Eligibility for Benefits Under a Tax Treaty for a Non-Resident Taxpayer. For Non-Resident Holders that are partnerships, the relevant form is NR302 - Declaration of Eligibility for Benefits Under a Tax Treaty for a Partnership with Non-Resident Partners. For Non-Resident Holders that are hybrid entities (other than partnerships), the appropriate form is NR303 - Declaration of Eligibility for Benefits Under a Tax Treaty for a Hybrid Entity. Form NR301, Form NR302 and Form NR303 can be obtained on the CRA's website at www.cra-arc.gc.ca. Please refer to the instructions accompanying Form NR301, Form NR302 and Form NR303 (as applicable) for further details regarding the completion of such forms. The Issuer or the Issuer's agent will apply the statutory Part XIII Tax withholding rate of 25% to all dividend payments to Non-Resident Holders that have not provided the Issuer with the appropriate forms and supporting documentation. Non-Resident Holders should consult their own advisors with respect to the application of any income tax convention in their particular circumstances.

Where a Non-Resident Holder is entitled to a reduced rate of withholding but such rate is not applied at source and an overpayment of tax results, such Non-Resident Holder may claim a refund in respect of the overpaid amount by completing the form prescribed by the CRA (Form NR7-R). Among other things, Form NR7-R requires the Non-Resident Holder to provide details of the payment, the amount of tax withheld in respect of such payment and the basis for claiming a refund. The Canadian tax form issued by the payor in respect of the dividend payment and tax withheld must be submitted along with Form NR7-R. If a Canadian tax form is not issued, the payor must certify on Form NR7-R the amount withheld and remitted to the CRA. Where the payment is made by the Issuer through one or more third parties, Form NR7-R must be accompanied by a notarized affidavit of registered ownership and a notarized affidavit of beneficial ownership. Form NR7-R, and any supporting documents, must be in English or French. Unless requested by the CRA, there is generally no requirement for Form NR7-R or any supporting documents to be authenticated. Form NR7-R can be obtained on the CRA's website at www.cra-arc.gc.ca. Please refer to the instructions accompanying Form NR7-R for further details regarding the completion and filing of the form.

Dispositions

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition of Admission Shares, unless the Admission Shares are “taxable Canadian property” to the Non-Resident Holder for purposes of the Tax Act and the Non-Resident is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

Generally, the Admission Shares will not constitute taxable Canadian property to a Non-Resident Holder at a particular time provided that the Admission Shares are listed at that time on a designated stock exchange (which includes the WSE and the TSX)) unless at any particular time during the 60-month period that ends at that time (1) the Non-Resident Holder, persons with whom the Non-Resident Holder does not deal with at arm’s length, or the Non-Resident Holder together with all such persons, has owned 25% or more of the issued shares of any class or series of the capital stock of the Issuer and (2) more than 50% of the fair market value of the Admission Shares was derived directly or indirectly from one or any combination of: (i) real or immovable properties situated in Canada, (ii) “Canadian resource properties” (as defined in the Tax Act), (iii) “timber resource properties” (as defined in the Tax Act), and (iv) options in respect of, or interests in, or for civil law rights in, property in any of the foregoing whether or not the property exists. Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, Admission Shares could be deemed to be taxable Canadian property. Non-Resident Holders whose Admission Shares may constitute taxable Canadian property should consult their own tax advisors.

27.11.2. Certain Polish Tax Considerations

This section provides basic information regarding the taxation of income related to holding and trading in shares admitted to trading on the regulated market. For the avoidance of doubt, all references to shares presented in this section also pertain to the Admission Shares.

The information presented below is of a general nature and does not constitute the complete analysis of the tax consequences under Polish law with respect to acquisition, holding, execution of rights and/or disposal of shares by the investors and should not constitute the sole basis for evaluating the tax consequences of making any investment decisions. Potential Polish investors are urged to consult their Polish tax advisors. Please note that the information presented below has been prepared based on the legal statutes in force as at the date of the Prospectus.

The Issuer believes that Polish tax law cannot impose any obligation on the Issuer to withhold Polish tax as a tax remitter. Thus, the Issuer does not bear any responsibility for withholding of any Polish tax as a tax remitter.

Taxation of Income Relating to Holding Shares

Polish Corporate Shareholders

Dividends and other income (revenue) actually earned on holding shares by legal persons and capital companies in organization, limited joint stock partnerships as well as other unincorporated entities (except for civil, general, limited partnerships and professional partnerships) with their registered office or place of management in Poland, are subject to taxation on the terms set forth in Article 22 of the Polish Corporate Income Tax Act of February 15, 1992, as amended (the “**CIT Act**”). The tax rate is 19%. In case of dividends, the tax base is the entire amount of the dividend without any decrease for tax-deductible expenses.

The Double Tax Treaty of 2012, effective as from 1 January 2014, provides for a 5% rate of withholding tax for dividends paid between affiliated companies (i.e. if dividends are paid to a company, being beneficial owner, that holds directly at least 10 per cent of the capital in the company paying the dividends), and for a 15% rate for dividends paid in all other cases.

It should be noted that in relation to the dividends which may be subject to taxation in Canada, the method of preventing double taxation by crediting the tax paid or withheld in Canada against Polish tax liability will apply. Pursuant to the provisions of the Double Tax Treaty, where a company with its registered office in Poland receives dividends which may be taxed in Canada, Poland shall allow a deduction from the tax on income of that company an amount equal to the tax payable in Canada. Such deduction shall not, however, exceed the part of the tax, as calculated before the deduction is given, which is appropriate to such income earned in Canada. In other words, the amount of tax withheld in Canada, which may be credited towards tax payable in Poland, should not exceed the amount of tax that would be payable, on a pro-rata basis, on such portion of income subject to taxation in Poland on generally applicable terms. Therefore, the limitation is of practical importance in the situation in which dividends, if any, distributed by us is subject to withholding tax in Canada at a tax rate that is higher than that applicable in Poland.

Pursuant to the provisions of the Double Tax Treaty, if the beneficial owner of dividends has its registered office in Poland but has a permanent establishment in Canada (i.e. a fixed place of business through which the business of an enterprise is wholly or partly carried on), and the shares in respect of which the dividends are paid are effectively connected with such establishment, dividends may be taxed in Canada on a net basis as income earned by that permanent establishment.

Moreover, under Art. 10 sec. 6 of the Double Tax Treaty benefits of the treaty pertaining to dividend payments (such as reduced withholding tax rates) cannot be invoked if the main purpose or one of the main purposes of any person concerned with the creation or assignment of shares or other rights in respect of which the dividend is paid is to take advantage of this Articles by means of that creation or assignment.

Polish Individual Shareholders

Pursuant to Article 30a of the Polish act of July 26, 1991 on personal income tax, as amended (the “**PIT Act**”), dividends earned by individuals domiciled in Poland holding shares is taxable at a flat 19% rate. Dividend income is not combined with other income taxable pursuant to general Polish income tax rules.

Pursuant to Article 41 Section 4 of the PIT Act, the tax on dividends is collected by an entity which disburses dividends or makes them available to the taxpayer (the “**tax remitter**”). The tax remitter is obliged to calculate, collect and pay the tax to the competent tax authority.

Pursuant to Article 41 Section 4d of the PIT Act, the flat rate tax on income tax as referred to in Article 30a Section 1 point 4 of the PIT Act with respect to dividends shall be charged by (as tax remitters) the entities running the brokerage accounts for taxpayers, if such income (gross income) has been earned within the territory of Poland and are connected with the securities registered at such accounts and the payment is made by intermediation of such entities.

The above regulations do not provide for clear guidelines as to whether a brokerage house (or a similar entity running securities’ accounts) is obliged to withhold tax on dividends distributed by a non-resident entity listed on WSE to a Polish resident individual. Nevertheless, taking into account the current practice of the tax authorities and the wording of Art. 30a Section 11 of the PIT Act (which

provides that amounts of flat rate tax due on dividends earned outside Poland and the amounts of tax paid outside Poland on such dividends should be reported by a taxpayer in his annual tax return filed by April 30 of the calendar year following the year in which income was earned), the Issuer believes that Polish brokerage house (or a similar entity running securities accounts) is not obliged to withhold tax on dividends distributed by a non-resident entity listed on WSE to a Polish resident individual.

Moreover, the Issuer believes that Polish tax law cannot impose any obligation on the Issuer to withhold Polish tax as a tax remitter. Thus, the Issuer will not be obliged to withhold Polish tax as a tax remitter.

The only exception, when the Polish tax law clearly imposes obligation to withhold tax on dividends distributed to the Polish individual shareholder on an entity running a securities' account, is provided for by Article 41 Section 10 of the PIT Act. The above Article states, with respect to securities registered at collective accounts, that the tax remitters of the flat income tax as referred to in Article 30a Section 1 point 4 of the PIT Act are the entities running such collective accounts, by intermediation of which the payments are made. The tax shall be collected at the date of transferring the given amount to the disposal of the collective account's holder.

The amounts received in foreign currency will be converted to Polish Zloty (PLN) for tax purposes pursuant to Article 11 Section 3 of the PIT Act.

The Double Tax Treaty of 2012 provides that dividends payable by a company with its registered office in Canada to an individual domiciled in Poland may be taxed in Canada, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed 15% of the gross amount of the dividends.

It should be noted that in relation to the dividends which may be subject to taxation in Canada, the method of preventing double taxation by crediting the tax paid or withheld in Canada against Polish tax liability will apply. Pursuant to the provisions of the Double Tax Treaty, where an individual domiciled in Poland receives dividends which may be taxed in Canada, Poland shall allow a deduction from the tax on income of that individual an amount equal to the tax payable in Canada. Such deduction shall not, however, exceed the part of the tax, as calculated before the deduction is given, which is appropriate to such income earned in Canada. In other words, the amount of tax withheld in Canada which may be credited towards tax payable in Poland should not exceed the amount of tax that would be payable, on a pro-rata basis, on such portion of income subject to taxation in Poland on generally applicable terms. Therefore, the limitation is of practical importance in the situation in which dividends, if any, distributed by us is subject to withholding tax in Canada at a tax rate that is higher than that applicable in Poland.

Pursuant to the provisions of the Double Tax Treaty of 2012, if the beneficial owner of dividends is domiciled in Poland but has a permanent establishment in Canada (i.e. a fixed place of business through which the business of an enterprise is wholly or partly carried on), and the shares in respect of which the dividends are paid are effectively connected with such establishment, dividends may be taxed in Canada on a net basis as income earned by that permanent establishment.

Moreover, under Art. 10 sec. 6 of the Double Tax Treaty benefits of the treaty pertaining to dividend payments (such as reduced withholding tax rates) cannot be invoked if the main purpose or one of the main purposes of any person concerned with the creation or assignment of shares or other rights in respect of which the dividend is paid is to take advantage of this Articles by means of that creation or assignment.

Taxation of Income from a Disposal of Shares

Polish Corporate Shareholders

Under the relevant provisions of the Double Tax Treaty of 2012, the profits earned by an entity being Polish tax resident from the sale of a Canadian company's shares is exempt from taxation in Canada and taxable only in Poland, unless the property of the Canadian company whose shares of the capital stock are transferred consist principally of immovable property located in Canada (this relates also to disposal of an interest in a partnership, trust or estate) or the transferred shares are attributable to the Canadian permanent establishment of the Polish entity. In these cases, profits derived from the sale of the shares could be taxed in Canada.

Double Tax Treaty explicitly specifies that the value regarded as consisting “*principally of immovable property*” means more than 50 per cent of that value.

Furthermore, the Double Tax Treaty provides that if a Corporate shareholder being a resident of Poland derives income or capital gains which, in accordance with the provisions of paragraphs specified therein, may be taxed in Canada (including dividend payments and income from sale of shares of the company), Poland shall allow as a deduction from the tax on the income or capital gains of that resident an amount equal to the tax paid in Canada. Such deduction shall not, however, exceed that part of the tax, as computed before the deduction is given, which is attributable to such income or capital gains derived from Canada.

Income on the disposal of shares against consideration earned by legal persons and companies in an organization, limited joint-stock partnerships as well as other unincorporated entities (except civil, general, limited partnerships and professional partnerships) with their registered office or place of management in Poland will be subject to taxation on the general rules under the CIT Act. They are taxed at the basic 19% rate, together with other income earned during the given fiscal year.

Revenue shall be understood as the value of the shares represented by their selling price. However, it should be noted that if the value expressed in the price specified in the agreement on the disposal of Serinus Shares against consideration differs materially, without a legitimate reason, from the market value of the Serinus Shares, this may be challenged by the tax authorities. With respect to a disposal against consideration, the expenditures incurred to acquire the Serinus Shares are deducted as the tax-deductible expenses of such disposal.

A tax loss may also be incurred by the Polish Corporate Shareholders on the sale of shares. Such loss may be settled against taxable income (even from other sources) within the next five consecutive tax years (up to the 50% of loss in one year).

Polish Individual Shareholders

Under the relevant provisions of the Double Tax Treaty of 2012, the profits derived by individuals, who are Polish tax residents, from the sale of a Canadian company's shares are exempt from taxation in Canada and taxable only in Poland, unless the property of the Canadian company whose shares of the capital stock are transferred consist principally of immovable property located in Canada (this relates also to disposal of an interest in a partnership, trust or estate) or the transferred shares are attributable to the Canadian permanent establishment of the relevant Polish individual. In these cases, profits derived from the sale of the shares could be taxed in Canada.

Corporate regulations alike, the Double tax Treaty of 2012 provides also with respect to individuals that the value regarded as consisting “*principally of immovable property*” means more than 50 per cent of that value.

Furthermore, the New Tax Convention provides that if an individual shareholder being a resident of Poland derives income or capital gains which, in accordance with the provisions of paragraphs specified therein, may be taxed in Canada (including dividend payments and income from sale of shares of the company), Poland shall allow as a deduction from the tax on the income or capital gains of that resident an amount equal to the tax paid in Canada. Such deduction shall not, however, exceed that part of the tax, as computed before the deduction is given, which is attributable to such income or capital gains derived from Canada.

Article 30b of the PIT Act provides for the possibility of applying the flat 19% tax rate to income from the disposal of securities against consideration. Any individual's profits from the sale of shares are not aggregated with his or her income from any other source. However, the provisions of Article 30b of the PIT Act shall not apply if a disposal of shares takes place within the framework of the taxpayer's business activity. In such circumstances, the profits received from the transfer of shares for consideration is either subject to PIT at the flat 19% rate or to progressive tax rates (i.e. 18% or 32%) depending on the amount of income. This depends on the form of taxation chosen by the individual within the scope of their business activity.

With regard to natural persons, income on a disposal of Serinus Shares against consideration is determined as the balance between the sum total of revenues in that account (the value of Serinus Shares represented by the selling price reduced by selling costs), and the tax-deductible expenses, understood as the expenditures incurred to acquire the Serinus Shares. However, it should be noted that if the value expressed in the price specified in the agreement for disposal against consideration differs materially from the arm's-length value of the Serinus Shares for no legitimate reason, this can be challenged by the tax authorities. Pursuant to Article 30b Section 7 of the PIT Act, if it is not possible to identify the shares being sold, it shall be assumed that they are the earliest acquired shares. This principle is applied separately to each securities account, where the shares are held.

Pursuant to Article 45 Section 1a of the PIT Act, after the end of a tax year, taxpayers are obliged to disclose, in a separate tax return, the income earned during the given year from the disposal of shares against consideration (revenue on the sale of shares is revenue due, even if not earned, which affects the cut-off date for the income's classification), and calculate the income tax due. This tax return must be filed no later than by April 30 of the year following the given fiscal year (this also being the deadline for paying the tax thus calculated). No obligation exists to pay tax advances during the tax year.

It should also be noted that pursuant to Article 9 Section 6 of the PIT Act, losses sustained during a tax year on account of the disposal of shares against consideration can be deducted from the income from that source over five successive fiscal years, provided that the amount of the deduction does not exceed 50% of the amount of that loss in any single year of the five-year period.

Foreign Shareholders

Foreign shareholders whose registered office (place of management) or domicile is not in Poland are subject to taxation on the disposal of shares only with respect to income earned in Poland (Article 3 Section 2a of the PIT Act and Article 3 Section 2 of the CIT Act). For example, income from the sale of Serinus Shares on the WSE may be considered as income earned in Poland, following an unbinding

letter of the Polish Ministry of Finance on Polish source income, dated 2001. However, since the above does not result from any legal act or official and binding guidelines of tax authorities and the unofficial letter of the Polish Ministry of Finance has referred to listed shares of Polish companies it remains unclear whether income from the sale of Serinus Shares on the WSE by a non-Polish resident shareholder should be taxable in Poland.

In addition to the above regulations, the taxation principles regarding foreign shareholders will be based on the respective double tax treaties signed by Poland with the state in which the shareholder has its registered office (place of management) or domicile. Typically, double tax treaties provide that income on a sale of securities may only be taxed in the country in which the seller has its registered office or is domiciled (unless there is the “*real property clause*” with respect to shares).

Such taxpayers may be required to present a tax residency certificate to document the legitimacy of the application of a tax rate based on a relevant double tax treaty or lack of tax in accordance with such treaty.

Furthermore, the provisions of the CIT Act also apply to income earned within the territory of the Republic of Poland by partnerships having their registered offices or management board in other countries, if they are treated as legal persons under the tax law provisions of a given country and are liable to tax on the total amount of their income, irrespective of the location of the source of their income (Article 1 section 3 of the CIT Act).

Tax on Civil Law Transactions Charged in Poland

The tax on civil law transactions is levied on agreements providing for a sale or exchange of rights, provided that these rights are executed in Poland or, if executed abroad, that the transferee has its seat (place of residence) in Poland and the transaction is effected in Poland. However, the sale of rights being financial instruments (including Serinus Shares) to investment companies (including brokerage houses and banks conducting brokerage activity) within the boundaries of a regulated market, as well as the sale of securities by intermediary of such investment companies, is exempt from the tax on civil law transactions.

In other cases, the sale (exchange) of shares will be subject to tax on civil law transactions in the amount of 1%. The said tax should be paid within fourteen days as of the date on which the tax obligation arose; that is, the date the share or exchange agreement was concluded. The purchaser of Serinus Shares is liable for paying the due tax on civil law transactions. In the case of an exchange of shares, the liability to settle tax shall be borne jointly and severally by the parties to the transaction.

Taxation rules with Inheritance and Donations Tax

The rules described in paragraphs below relate exclusively to acquisition by way of donation or inheritance, as opposed to acquisition by way of a contract of sale.

Subject to taxation with the Inheritance and Donations Tax shall be acquisition by individuals of the ownership of goods located in Poland and/or property rights executable in Poland (including securities), among other by virtue of inheritance, legacy, further legacy, testamentary instruction, donation and instruction of the donor (in line with Article 1 Section 1 of the Inheritance and Donations Tax Act). Subject to this tax should also be the acquisition of property rights executable abroad if at the date the inheritance is opened (the date of death of the person leaving the inheritance) or donation agreement is entered, the acquirer was the citizen of Poland and/or had his/her place of residence therein.

The tax liability is incumbent on the acquirer of goods or rights (Article 5 of the Inheritance and Donations Tax Act) and the date the liability becomes due depends on the form of acquisition (Article 6 of the Inheritance and Donations Tax Act).

In light of Article 7 Section 1 of the Inheritance and Donations Tax Act the taxable base shall be, as a rule, the value of acquired goods and rights after deduction of debts and other burdens (net value), determined in accordance with the state of such goods and rights at the date of acquisition and market prices for the date, when the tax obligation arises. The amount of tax depends on the degree of kinship or affinity and/or other relationship between the donor and donee or testator and heir. The tax rate are progressive rates and mount from 3% to 20% of the taxable base, depending on the tax group the recipient belongs to. For each such group the tax-free amounts are provided. The taxpayers, except for the cases the tax is to be collected by the tax remitter, are liable to submit to the appropriate head of the tax office the relevant tax return on acquisition of goods and/or rights within one month from the date of rise of tax liability, pursuant to the provided template (Article 17a Section 1 and 2 of the Inheritance and Donations Tax Act). The tax is payable within 14 days from the receipt of the decision of the head of the tax office determining the amount of tax liability.

The acquisition of the securities by the closest relatives (spouse, next-of-kin, stepchildren, siblings, stepfather and stepmother) should, as a rule be exempt from taxation provided that within the prescribed deadline (6 months) the relevant notification is submitted to the head of the tax office and/or certain additional duties are fulfilled (Article 4a Section 1 of the Inheritance and Donations Tax Act).

Acquisition of property rights executable in Poland should not be subject to tax therein if at the date of their acquisition neither the acquirer nor the deceased or donor were Polish citizens and they had no permanent residence or the seat in Poland (Article 3 Section 1 of the Inheritance and Donations Tax Act).

27.11.3. Collections of Beneficial Ownership Information by NDS with regard to Shareholders holding their shares through NDS participants.

The Serinus Shares are traded on the WSE. As a result of such trades, there will be changes in the ownership of the Serinus Shares. The NDS has advised the Issuer that as the NDS does not manage the accounts of the Beneficial Shareholders, it will not inform the Issuer about changes in the ownership of the Serinus Shares on a continuous basis. However, the NDS has advised the Issuer that, before the disbursement of dividends, the NDS may collect, in its sole discretion, from its participants (brokerage houses and custodians) and provide the Issuer via Clearstream, its local intermediary and CDS with documentation specified by the Issuer confirming the residence status of Beneficial Shareholders for the purposes of, in respect of Resident Holders, avoiding the tax to be deducted at source and, in respect of Non-Resident Holders, obtaining the favourable tax rate in accordance with the applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

Accordingly, Beneficial Shareholders will need to ensure that the required documents confirming their tax residency are delivered to the NDS if they wish to avoid the tax to be deducted at source (Resident Holders), or to obtain the favourable tax rate in accordance with the applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident (Non-Resident Holders).

28. TERMS AND CONDITIONS OF THE OFFER

28.1. Conditions, offer statistics, expected timetable and action required to apply for the offer

28.2. Plan of distribution and allotment

28.3. Pricing

28.4. Placing and Underwriting

Not applicable. The Admission Shares to which this Prospectus relates are not subject to a public offer.

29. ADMISSION TO TRADING AND DEALING ARRANGEMENTS

29.1. An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question. This circumstance must be mentioned, without creating the impression that the admission to trading will necessarily be approved. If known, the earliest dates on which the securities will be admitted to trading.

The Issuer intends to apply for the admission and introduction of the Admission Shares, i.e. 38,479,608 post-Consolidation Serinus Shares (27,252,500 issued as a result of Winstar acquisition, 3,183,268 on conversion of KI Loan+ 143,833 – option shares —+ 1,850,104 – shares issued as a result of conversion of TIG Debenture - + 5,456,432 - shares issued as a result of conversion of KI Debenture - + 593,471 - shares issued as a result of conversion of Radwan Debenture Shares) to trading on the regulated market, maintained by WSE, main market in the meaning of §2 point 4 of the WSE Rules, being an official listing market referred to in art. 16 Section 2 of the Act on Trading.

The admission and introduction of the Serinus Shares to trading on the WSE requires, *inter alia*: (a) an approval of the Prospectus by the FSA; (b) execution by the Issuer of an agreement with the NDS to register the Admission Shares (in addition to the Serinus Shares registered with the CDS); (c) resolutions of the WSE's Board of Directors based on § 19 of WSE Regulations to admit and introduce the Admission Shares to trading on the WSE, which includes determination of the listing market and of the first day of trading.

The Admission Shares are common shares with no par value and no series designation. The shares that are deposited with the CDS are registered under No. ISIN CA81752K1057. The Admission Shares and Issuer's existing Serinus Shares which have not been registered with CDS, will have the same ISIN code upon being deposited and registered with CDS as the Serinus Shares presently registered with CDS and are of the same class of shares.

All issued and outstanding Serinus Shares to date are either (i) deposited with, and registered by, CDS (CDS Clearing and Depository Services Inc), having its registered office at 85 Richmond Street West, Toronto, Ontario M5H 2C9 or (ii) are kept by the Issuer's Shareholders in paper form. In order for the Serinus Shares issued so far to be admitted to trading and listed on WSE, it will be necessary to deposit them with CDS and transfer them in the form of an electronic record to NDS (for further information please see in Section 27 of this Prospectus "*Information Concerning the Securities to be Admitted to Trading*" Subsection 27.5.2. "*Depository Issues*").

For the purposes of trading on the WSE, the Admission Shares should be registered in the NDS' account with Clearstream. The registration will be completed through several entities. The chain of relations shall be as follows: 1) CDS will be recorded as the Registered Shareholder in the Issuer's Shareholders' register maintained by Computershare, 2) Admission Shares which are to be traded on the WSE recorded in the account with CDS will be credited to RBC Dexia's account 3) RBC Dexia will register the Admission Shares which are to be traded on the WSE in its system in the Clearstream Banking Luxembourg's account 4) Clearstream Banking Luxembourg will reflect the current shareholding in its system in the NDS' account 5) the Admission Shares which are to be traded on the WSE shall be credited to the participants' accounts maintained by the NDS 6) the shareholders shall hold a specified number of the Admission Shares credited to securities accounts maintained by the NDS' participants.

The Serinus Shares are registered shares and are not subject to any ownership transfer limitations or restrictions which could hinder their trading on the WSE. Pursuant to Section 26 of the ABCA, shares of an ABCA corporation are required to exist in a registered form. All of the Serinus Shares carry equal rights and the Admission Shares confer equivalent rights upon their holders as the existing Serinus Shares do upon their holders, although they have to be exercised through the registered holders.

Existing Shareholders holding physical share certificates representing Serinus Shares registered in their names who wish to trade such Serinus Shares on the WSE will be required to deposit the Serinus Share certificates in a paper form with either a broker who is itself a participant in the CDS system or who has established a relationship with another broker who is a participant in the CDS system. Such broker will then enter the Serinus Shares into the CDS system and hold the physical share certificates on behalf of the Shareholder. CDS' global Serinus Share position will then increase on the Issuer's Shareholders' register maintained by Computershare on behalf of the Issuer. Once the Serinus Shares enter the CDS system through their deposit with a participant in the CDS, the Serinus Shares will be effectively dematerialized.

Thus, upon depositing the Serinus Shares, CDS & Co (as the entity designated by CDS) becomes the Registered Shareholder and the Serinus Shares will be traded (among the Beneficial Shareholders) in a dematerialized form. The fact that the Serinus Shares are registered shares refers only to the Registered Shareholders who are specified by name in the register kept by Computershare on behalf of the Issuer. Upon dematerialization of the Serinus Shares, CDS will register settlements between direct participants in the transaction, such as disposal of the deposited Serinus Shares, through electronic records on accounts of direct participants. In this way, the physical transfer of the Serinus Share certificates is eliminated.

The fact that the Serinus Shares are registered shares does not mean that the provisions of Polish law are applicable to the Serinus Shares, in particular provisions governing the transfer of rights attached to shares. As a result, despite the fact that the Serinus Shares are registered shares, upon their admission to trading on the WSE the persons who acquire the Serinus Shares in the secondary trading on the WSE will be limited in their trading on the grounds of the registered form of the Serinus Shares and the procedure for disposal of all Serinus Shares traded on the WSE will be the same as the procedure for disposal of bearer shares in companies currently listed on the WSE.

As regards the Admission Shares, some of them are and will continue to be held by Shareholders in a paper form. Pursuant to Canadian law, which is different from Polish law in this respect, even if a company is listed on the stock exchange, its shareholder still reserves the right to withdraw from deposit the shares that were previously deposited in a paper form (which, in turn, decreases the number of shares traded on the stock exchange, respectively). The opposite situation is also possible, i.e. the situation when a shareholders decides to deposit the share certificates held by such shareholder with a CDS participant for their dematerialization and introduction to stock exchange trading. In addition, as far as dematerialized shares are concerned, it is possible that some shares will be recorded on accounts kept by brokers who are CDS participants and some shares will be recorded on accounts kept by brokers who are NDS participants (transferred shares) while irrespective of the foregoing these shares will be recorded by CDS at a global level. Hence, only the Serinus Shares transferred to Poland and recorded on accounts of NDS participants will be eligible for trading on the WSE. The Issuer intends to ensure Shareholders the possibility to trade all Serinus Shares issued by Serinus on the WSE. It should be noted, however, that upon their dematerialization the Serinus Shares will be designated by CDS with the same ISIN code and, thus, become indistinguishable.

The Issuer believes that the aforementioned situation does not pose any threat to trading and, in particular, to control over the number of shares in the depository system (dematerialized shares) versus the number of Serinus Shares in WSE trading because only the Serinus Shares dematerialized by CDS and deposited with CDS participants (and with the NDS through Clearstream Banking Luxembourg) may be traded on the WSE. Trading on the WSE at any time may involve only the dematerialized Serinus Shares that will be recorded on the Shareholders' account maintained by NDS participants following their transfer from the CDS system to the NDS system. At the same time, the maximum number of Serinus Shares that may be traded on the WSE is known and is not subject to any change: it is the aggregate number of existing Serinus Shares.

The Issuer has no influence on decisions of the shareholders regarding the materialization or dematerialization of Serinus Shares because, as opposed to Polish law, pursuant to Canadian regulations such decisions are left solely at the discretion of shareholders and the Issuer has no lawful capabilities to limit their rights in this regard.

The Issuer has entered into an agreement with CDS under which CDS is to provide Serinus with services in the area of share deposit and handling in a dematerialized form. Therefore, the Issuer satisfied the requirements set forth in Article 6 Section 3 of the Trading Act. As a result, the Issuer may execute an agreement with the NDS on the registration of the Issuer's Admission Shares in the depository system maintained by the NDS and apply for admission and then introduction of all of the Admission Shares of the Issuer to trading on the WSE in accordance with § 19 of WSE Regulations. In view of the fact that the NDS will not serve as a primary depository of the Issuer and the Serinus Shares will be recorded with the NDS through a foreign entity recording securities at a global level, there is no risk that any Serinus Shares will be recorded with the NDS that will not satisfy the requirement set forth in Article 6 Section 3 of the Trading Act. This also means that the requirement referred to in § 2 Section 1 item 3 of the Market Ordinance will be met.

Taking the above into consideration, the Issuer expects that both the WSE and the NDS will adopt resolutions on admission and introduction to trading and registration in the depository system of the Admission Shares, and, thus, the admission to trading on the regulated market will be effective in the term of the Prospectus in accordance with Article 49 of the Offering Act. Trading on the WSE will actually involve only these shares of the Issuer that will be dematerialized as a result of their registration in the depository system maintained by CDS and transferred on accounts of NDS participants and recorded on the depository account with the NDS.

The Issuer believes that the foregoing solution is the only one that ensures compliance of the legal and actual status under Polish law with the legal and actual status under Canadian law. In particular, since each shareholder of the Issuer has the right to withdraw the Serinus Shares from CDS and to deposit such shares with CDS, it would be impossible to control the number and identity of outstanding Serinus Shares versus the number and identity of Serinus Shares deposited as of the date of the WSE's resolution on admission and introduction of the Admission Shares to trading. There are no mechanisms that enable to determine whether or not following the withdrawal of some Serinus Shares from CDS by Shareholders the same Serinus Shares are resubmitted to CDS. Such differentiation is impossible due to the fact that the Serinus Shares will be recorded by CDS under the same code and once withdrawn from deposit they may be freely traded outside the regulated market. The same code will be always used to record, at least until a subsequent issue is admitted and introduced to trading on the WSE, the Serinus Shares that were initially admitted to trading and recorded. Any Serinus Shares of any new issue will not be recorded under this code until they are admitted to trading on the TSX or WSE.

If the WSE limits its resolution to the Serinus Shares dematerialized as at the date of their admission and introduction to trading, it would be impracticable to verify whether the same Serinus Shares are traded on the WSE that were dematerialized at the time of their admission to trading on the WSE. This ensues from the fact that in view of the right of Shareholders to withdraw from and resubmit Serinus Share certificates to the depositary it would be possible to transfer to the NDS the Serinus Shares covered by the Prospectus but not existing in a non-dematerialized form as at the date of their admission to trading and it would be impossible to verify which Serinus Shares were or were not dematerialized as at the date of admission to trading (since the Serinus Shares are not identifiable in species). All Serinus Shares of the issuer will be recorded under the same code because they carry equal rights and are not designated with any different series, provided, however, that any Serinus Shares of a new issue will be recorded under this code after their admission and introduction to trading. Any individual identification of Serinus Shares is therefore impracticable.

Investors should consider that since the Issuer is an Alberta, Canada corporation, no court registration process was needed in order for the Issuer to validly issue the Admission Shares. Consequently, the Admission Shares were eligible for a listing application to the WSE promptly upon allotment of the Admission Shares, subject to completion of necessary registration procedures at the NDS.

Detailed description of requirements related to admission of Serinus Shares to stock exchange trading on WSE can be found in Section 1 “*Risk factors*” Subsection 1.4.3. “*Risk that the Admission Shares will not be admitted or introduced into trading on the regulated market*” of this Prospectus. As at the date of this Prospectus, the Issuer fulfils the requirements for the admission of shares to stock exchange trading as stipulated in the Market Ordinance and the Issuer is not aware of any factors that might lead to a negative decision of the WSE Management Board regarding the admission and/or of the Admission Shares to trading on the basic market of the WSE.

29.2. All the regulated markets or equivalent markets on which, to the knowledge of the issuer, securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.

The existing Serinus Shares of the Issuer, including the Admission Shares, are listed on the Toronto Stock Exchange (the “TSX”). The TSX is a fully-electronic exchange located in Toronto, Ontario, Canada. The owner of the TSX, the TMX Group Limited, reports that, as of December 31, 2012, the TSX and its affiliated exchange for junior issuers, the TSX Venture Exchange (the “TSX-V”), were ranked second in the world by number of listed companies, were ranked third in the world in public entity capital raised, and were the seventh largest exchange group by market capitalization. The TSX has a particular expertise in the oil and gas and energy services sector and the TMX Group Limited reports that 449 issuers operating in this sector were listed on the TSX and the TSX-V as of December 31, 2013.

On June 13, 2013, the Issuer received the conditional approval from the TSX to list the Serinus Shares on the TSX. The listing was subject to Serinus fulfilling all of the conditions of the TSX in accordance with the terms of the conditional approval, including meeting the original listing requirements of the TSX and the Winstar Acquisition closing. On June 24, 2013, after the Company successfully closed the Winstar Acquisition, the TSX issued a bulletin granting final approval of the Company’s listing on the TSX. The Serinus Shares were listed and posted for trading at the opening of the TSX on Thursday, June 27, 2013 under stock symbol: “SEN”, CUSIP: 81752K 10 5. The trading currency is CDN. The Company’s listing application was for an original listing in the oil and gas category of 86,472,581 Serinus Shares, comprised of 78,611,437 issued and outstanding Serinus Shares and

7,861,144 Serinus Shares reserved for issuance. On August 2, 2013, the Company issued from treasury an additional four (4) Shares to satisfy a re-calculation of the Shareholders' individual post-Consolidation share entitlement. The TSX approved the issuance and listing of these four additional shares, which increased the number of Serinus Shares to 78,611,441. Subsequently additional issuance of 18,500 Option Shares was effected on February 13, 2014 as a result of exercise of Stock Options which increased the number of Serinus Shares currently listed on the TSX to 78,629,941. The Serinus Shares that are reserved for issuance are reserved for the exercise of present and future Stock Option grants under the Stock Option Plan. Under the Stock Option Plan, the Issuer may grant Stock Options for up to 10% of its issued and outstanding shares. The number of shares reserved for issuance therefore reflects 10% of the issued and outstanding Serinus Shares of the Issuer.

29.3. If simultaneously or almost simultaneously with the creation of the securities for which admission to a regulated market is being sought securities of the same class are subscribed for or placed privately or if securities of other classes are created for public or private placing, give details of the nature of such operations and of the number and characteristics of the securities to which they relate.

No Serinus Shares or securities of other classes were subscribed for or privately placed simultaneously or almost simultaneously with the creation of the Admission Shares.

29.4. Details of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment.

No party has committed to provide liquidity for the Serinus Shares on the WSE through bid and offer rates or otherwise, however the Issuer does not exclude such actions in the future.

29.5. Stabilization: where an issuer or a selling shareholder has granted an over-allotment option or it is otherwise proposed that price stabilizing activities may be entered into in connection with an offer:

29.5.1. The fact that stabilization may be undertaken, that there is no assurance that it will be undertaken and that it may be stopped at any time,

29.5.2. The beginning and the end of the period during which stabilization may occur,

29.5.3. The identity of the stabilization manager for each relevant jurisdiction unless this is not known at the time of publication,

29.5.4. The fact that stabilization transactions may result in a market price that is higher than would otherwise prevail.

Not applicable. The Admission Shares to which this Prospectus relates are not subject to a public offer therefore no stabilization activities are to be entered into.

30. SELLING SECURITIES HOLDERS

- 30.1. Name and business address of the person or entity offering to sell the securities, the nature of any position office or other material relationship that the selling persons has had within the past three years with the issuer or any of its predecessors or affiliates.**
- 30.2. The number and class of securities being offered by each of the selling security holders.**
- 30.3. Lock-up agreements The parties involved. Content and exceptions of the agreement. Indication of the period of the lock up.**

Not applicable. The Admission Shares to which this Prospectus relates are not subject to a public offer.

31. EXPENSE OF THE ISSUE

31.1. The total net proceeds and an estimate of the total expenses of the issue.

This Prospectus is prepared only for the purposes of admission and introduction of Admission Shares to trading on the regulated market of WSE – no public offer is proceed so no public offer costs were /are incurred.

The Issuer estimates that total costs of admission and introduction of Admission Shares to trading on the regulated market of WSE, including remuneration of the Legal Advisors, Financial Advisors and Auditor , will amount to approximately PLN 3,073,058.93.

Professional fees: USD 931,997.21 which is PLN 3,028,058.93 calculating with average currency rate given by National Polish Bank published on 18 September 2014.

Other administrative costs customarily incurred in connection with admission and introduction of Admission Shares to trading on the regulated market of WSE: approximately PLN 45,000.

32. DILUTION

32.1. The amount and percentage of immediate dilution resulting from the offer.

32.2. In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.

Not applicable. The Admission Shares to which this Prospectus relates are not subject to a public offer.

33. ADDITIONAL INFORMATION – THIRD PARTY REPORT

33.1. If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted.

Legal Advisors

T. Studnicki, K. Pleszka, Z. Ćwiąkański J.Górski Sp.k. with its registered office in Kraków, Jabłonowskich 8, 31-114 Kraków, Poland (SPCG) acts as a legal advisor for the Issuer regarding the Polish law in relation to the admission and introduction of Admission Shares to trading on the regulated market of the WSE. The scope of the work includes preparation of the information, i.e. description of Polish law contained in the following Sub-sections of the Prospectus: 27.9.1 – 27.9.2; and 27.11.2. The remuneration of SPCG is not dependent on the success of the admission and introduction of the Admission Shares to trading on the regulated market of the WSE. No incentive for successful admission and introduction of the Admission Shares to trading on the regulated market of the WSE has been granted. There are no interests or conflict of interests material for Issue.

Osler, Hoskin & Harcourt LLP, with a registered office at 2500, 450–1st, Street SW, Calgary, Alberta, Canada, T2P 5H1 acts as a legal advisor for the Issuer, including regarding Canadian law in relation to the Prospectus. The scope of Osler, Hoskin & Harcourt LLP's work with respect to the Prospectus includes preparation of the information which solely describes Canadian law contained in the following sub-sections of the Prospectus: point 27.1, 27.2 – Overview, 27.2.1 – 27.2.2, 27.2.4.1, 27.2.4.3, 27.3, 27.5.1.1 – 27.5.1.3, 27.5.2.1, 27.5.3 – 27.5.5, 27.5.6 – Overview, 27.5.6.1 – 27.5.6.2, 27.5.7 – 27.5.8, 27.6, 27.8, 27.9.3, 27.11.1, and point 29.2. The remuneration of Osler, Hoskin & Harcourt LLP is not dependent on the success of the admission and introduction of the Admission Shares to trading on the regulated market of the WSE. No incentive for successful admission and introduction of the Admission Shares to trading on the regulated market of the WSE has been granted. There are no interests or conflict of interests material for Issue.

Financial Advisor

Dom Inwestycyjny Investors S.A., with a registered office in Warsaw, Mokotowska 1, 00-640 Warsaw, Poland ("DI Investors S.A.") has a relationship to the Issuer to the extent that it acts, on behalf of the Issuer, as an investment firm that files the application for Prospectus approval in relation to the admission and introduction of Admission Shares to trading on the regulated market of the WSE. The remuneration of DI Investors S.A. is not dependent on the success of admission and introduction of the Admission Shares to trading on the regulated market of the WSE. No incentive for successful admission of Admission Shares to trading on the WSE has been granted. There are no interests or conflict of interests material for Issue.

33.2. An indication of other information in the Securities Note which has been audited or reviewed by statutory auditors and where auditors have produced a report. Reproduction of the report or, with permission of the competent authority, a summary of the report.

KPMG LLP, with a registered office in Calgary, Alberta, Canada has a relationship to the Issuer to the extent that it acts as an independent auditor of consolidated financial statements of the Issuer. The remuneration of KPMG LLP is not dependent on the success of admission and introduction of the Admission Shares to trading on the regulated market of the WSE. No incentive for successful

admission of the Admission Shares to trading on the WSE has been granted. There are no interests or conflict of interests material for Issue.

33.3. Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to the effect that such statement or report is included, in the form and context in which it is included, with the consent of the person who has authorised the contents of that part of the Securities Note.

Not applicable due to the fact that no such reports were included in the Prospectus other than referred to in point 33.2 above.

33.4. Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information.

All information contained in this Prospectus which was sourced by the Issuer from third parties has been accurately reproduced and as far as the Issuer is able to ascertain from such information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

List of sources of information used during preparation of the Prospectus:

- *AAPG Bulletin* published by American Association of Petroleum Geologists,
- BP Statistical Review of World Energy 2013 (www.bp.com),
- Dictionary of Canadian Law,
- Financial Times (2008),
- *Geology and hydrocarbon occurrences in the Ghadames Basin, Algeria, Tunisia, Libya* - K. Echikh,
- *Hydrocarbon Enrichment Regularity of Nummulitic Limestone in Mediterranean Pelagian Basin* - Tianqi, Wang; Yajun, Zhang; Fang, Naizhen; Li, Juan; Yang, Rongjun,
- *Leading Edge* published by Society of Exploration Geophysicists,
- *Tectonics and Sedimentation of Early Continental Collision in the Eastern Mediterranean (Northwest Syria)* – doctoral thesis of Mathew F. Hardenberg, University of Edinburgh, Great Britain, 2003,
- *Tectonic Evolution of Syria Interpreted from Integrated Geophysical Analysis* – doctoral thesis of Graham Edward Brew, Cornell University, United States of America, 2001,
- The World Factbook (www.cia.gov/library/publications/the-world-factbook),
- *USGS Bulletin 2201-E* published by United States Geological Survey,
- *US Geological Survey Bulletin 2202-c*.

All sources presented above are sources independent from the Company.

34. DEFINITIONS AND ABBREVIATIONS

All capitalized terms used in this Prospectus but not otherwise defined herein shall have the meanings set forth below.

“**ABCA**” - means the *Business Corporations Act* (Alberta), as amended;

“**Admission Shares**” – means 38,479,608 Serinus Shares, being an aggregate of the Option Shares, KI/Radwan Debentures Shares, TIG Debenture Shares, KI Loan Shares and Winstar Acquisition Shares. This Prospectus has been prepared for the purpose of applying for the admission and introduction of the Admission Shares to trading on the regulated market, the main market, of the WSE;

“**AED Oil Investments**” – “AED Oil Investments Pty Ltd.”, which as of December 2011 had its registered office in Melbourne, Victoria, Australia and was a wholly-owned subsidiary of AED Oil Limited Australia, an Australian public company;

“**AED Oil Limited**” – “AED Oil Limited”, which, as of December 2011 had its registered office in Melbourne, Victoria, Australia, an Australian public company; former indirect owner of AED SEA;

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

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

“**AIF**” - Annual information form

“**AnSCO**” - Ansco Inc., a private company, registered in California;

“**Articles**” - articles of incorporation and articles of amendment of the Issuer; articles are the basic instrument filed with the Alberta Registrar of Corporations to incorporate a corporation under the ABCA;

“**ASA**” - Securities Act (Alberta);

“**Beneficial Shareholder**” - A shareholder is the Beneficial Shareholder of shares if it has an equitable right to the shares, whether or not the shares are registered in that shareholder's name. Equitable or beneficial ownership means that while a shareholder may not have title to the shares, they have rights to the shares which are the normal incidents of owning the shares. Beneficial Shareholders hold shares which are registered in the name of an investment firm, depository, trustee or bank, but the underlying shareholder remains the beneficial owner;

“**Block 9**” - means Syria Block 9;

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

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

“**Board of Directors**” - means the board of directors of the Company;

“**BP**” - British Petroleum, an international oil and gas company;

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

“**Brunei Block L**” - means the lands subject to the Brunei Block L PSA;

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

“**Brunei Block M**” - means the lands that were subject to the Brunei Block M PSA;

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

“**BSP**” - means Brunei Shell Petroleum Company Sendirian Berhad, a private company registered in Bandar Seri Begawan, Brunei which is jointly owned by the Government of Brunei and Shell Oil Company;

“**By-laws**” - By-law No. 1 and By-law No. 2 of the Issuer, as amended;

“**COGE Handbook**” - means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers and the Canadian Institute of Mining, Metallurgy & Petroleum, which is available for purchase from http://www.spe.org/canada/pages/general/canadian_pubs.php. As this is a technical publication, the Issuer is not aware of any online sources to which it can direct WSE Beneficial Shareholders;

“**C&CG Committee**” - Compensation and Corporate Governance Committee of the Issuer;

“**Canadian GAAP**” - Generally accepted accounting principles in Canada as established by the Canadian Institute of Chartered Accountants („CICA” -) as they exist on the date of the Prospectus. The CICA, incorporated by a Special Act of the Canadian Parliament in 1902, is responsible for establishing and maintaining Canadian Accounting Standards and interpretations in accordance with the mandate provided to the CICA under the Canadian Institute of Chartered Accountants Act as last amended in 1990 by the Canadian Parliament;

“**CDS**” - means CDS Clearing and Depository Services Inc., a corporation incorporated under the Canada Business Corporation Act having its registered office at 85 Richmond Street West, Toronto, Ontario, Canada M5H 2C9, being the primary depository of the Serinus Shares; shares deposited at CDS are registered in the name of CDS' nominee, CDS & Co.;

“**CDS & Co**” - means CDS' nominee in the name of whose the Serinus Shares deposited at CDS are registered;

“**Clearstream**” - Clearstream Banking Luxembourg with its registered seat in Luxembourg, 42 Avenue JF Kennedy, L-1855 Luxembourg, being the intermediary between the NDS and the CDS systems;

“**Company**” - or “**Serinus**” - or “**Issuer**” - means Serinus Energy Inc. (former: Kulczyk Oil Ventures Inc.), a public company registered in Calgary, Alberta, Canada under the ABCA;

“**Computershare**” – means Computershare Trust Company of Canada, the registrar and transfer agent of the Issuer, with office at 530 - 8th Avenue S.W., Calgary, Alberta, T2P 3S8, Canada;

“**Consolidation**” - means Process of consolidation of all of the issued and outstanding common shares (Serinus Shares) of the Issuer on the basis of one (1) post-Consolidation common share for every ten (10) pre-Consolidation common shares. Process instituted upon the Consolidation Resolution adopted on the Annual General and Special Meeting of Issuer’s Shareholders on June 20, 2013; “**CSA**” - Canadian Securities Administrators, a regulatory body in Canada which represents securities regulators from all of the provinces and territories of Canada;

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

“**Director/s**” - means a director or directors of the Issuer.

“**Dutco**” - means Dutco Energy Ltd., a company registered in the British Virgin Islands with registered number 1736233, a wholly owned subsidiary of Dubai Transport Company LLC, a Middle Eastern conglomerate with operations in construction and engineering, trading, manufacturing, hospitality and oil and gas;

“**Dutco Credit Facility**” - means the \$15 million secured credit facility provided by Dutco entered into among the Company and Kulczyk Oil Brunei and Dutco on 17 July 2013;

“**EBRD**” - means the European Bank for Reconstruction and Development;

“**EBRD Loan Facility**” - means the \$40.0 million loan facility provided by the EBRD to KUB-Gas;

“**ETAP**” - means Enterprise Tunisienne d’Activites Petroliere, a state-owned industrial and commercial company from Tunisia with the registered office in Tunis (head office’s address: 54, avenue Mohamed V, 1073 Tunis – Tunisia) involved in the petroleum sector and the Tunisian state's partnerships with foreign exploration and production operators.

“**EU**” - means the European Union;

“**Executive Officers**” – means Senior executives of the Issuer who are involved in the day-to-day management of the Issuer;

“**FOB**” – means Free On Board, a transportation term that indicates that the price for goods includes delivery at the seller’s expense to a specified point and no further.

“**FSA**” – means Polish Financial Supervisory Authority;

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

“**GPC**” – means General Petroleum Corporation, a Syrian company created pursuant to Legislative Decree Number 15 on 14 February 2009 by the Government of the Syrian Arab Republic and the successor of the SPC;

“**Group**” or “**Issuer’s Group**” or “**Serinus Group**” - means the Issuer and its subsidiaries;

“**IFRS**” - means International Accounting Standards, International Financial Reporting Standards and their Interpretations adopted by the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ EU L of 2002, No. 243, p. 1), as in force on the first day of each reporting period;

“**Issuer**” or “**Company**” or “**Serinus**” - means Serinus Energy Inc. (former: Kulczyk Oil Ventures Inc.), a public company registered in Calgary, Alberta, Canada under the ABCA;

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

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

“**KI 2010 Debenture**” - means the unsecured convertible debenture for a principal amount of up to \$20.0 million formerly issued by the Company to KI;

“KI Loan” - means the \$12.0 million in debt funding provided by KI to the Issuer pursuant to the KI Loan Agreement;

„KI Loan Agreement” - means the amended and restated loan agreement dated December 11, 2012 pursuant to which KI provided the KI Loan to the Issuer;

“KI Loan Shares” – means 3,183,268 post-Consolidation Serinus Shares issued on June 24, 2013 to KI upon conversion of KI Loan;

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

“KI/Radwan Debentures Shares” – means 60,499,029 pre-Consolidation Serinus Shares (6,049,903 Serinus Shares after giving effect to the Consolidation) issued on August 14, 2012, upon conversion of KI/Radwan Debentures (54,564,321 Serinus Shares issued to KI upon conversion of the KI Debenture and 5,934,708 Serinus Shares issued to Radwan upon conversion of the Radwan Debenture);

“KOV Borneo” - KOV Borneo Limited, a private company registered in London, United Kingdom, which is a wholly-owned subsidiary of KOV Cyprus;

“KOV” - Kulczyk Oil Ventures Inc., former business name of the Issuer;

“KOV Brunei” - means Kulczyk Oil Brunei Limited, Cyprus;

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

“KPMG LLP” - means KPMG LLP, Chartered Accountants; an independent registered public accounting firm;

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

“KUB-Gas Acquisition” - means the indirect acquisition by the Company, through its subsidiaries KOV Cyprus and KUBGAS Holdings, of 70% of the share capital of KUB-Gas in June 2010 for a total cost of \$45.0 million.

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

“Kulczyk Holding” – Kulczyk Holding S.A. with its registered office in Warsaw, part of the KI capital group;

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

“Kulczyk Oil Ventures Inc.” - former business name of the Issuer;

“Licences” - a grant extended by a government in the form of a permit, license, consent, production sharing contract or a concession, authorizing a company carrying out the exploration works, to explore for, conduct appraisal and/or development activities upon and if commercial, after meeting certain requirements and/or depending on the provisions of a given country, after obtaining additional permits to produce oil, gas or mineral resources within a strictly defined geographic area, typically beneath government-owned lands or lands in which the government owns the rights to produce oil, gas or

minerals, subject to compliance with specified requirements or, depending on the regulations of the given country, upon obtaining additional permits. The grant is usually awarded to a company carrying out the exploration works in consideration for some type of bonus or license fee and royalty or production sharing provided to the host government;

“**Loon**” - means Loon Energy Inc., the Company’s name prior to the completion of the Arrangement;

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

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

“**Loon Guarantee**” – means a guarantee issued in August 2007 to the Government of Peru regarding the granting of a license contract to a former subsidiary company, Loon Peru Limited.

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

“**Loon Peru Limited**” – means Loon Peru Limited, a company existing under the laws of Cyprus, which is an indirect wholly-owned subsidiary of Loon Corp.

“**Loon Ukraine**” - Loon Ukraine Holding Limited, a private company registered at Nicosia, Cyprus, is a subsidiary of KOV Cyprus;

“**Market Ordinance**” - Ordinance of the Minister of Finance of the Republic of Poland dated May 12, 2010 regarding detailed conditions of the market of official exchange listing and issuers of securities admitted to trading on that market;

“**MD&A**” - Management's discussion and analysis;

“**Member State**” - a country which is a member of the UE;

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

“**MENA Syria**” - means MENA Hydrocarbons (Syria) Inc., a subsidiary of MENA;

“**MIPI**” - Mauritania International Petroleum Inc., a private company incorporated and registered in the British Virgin Islands which is 35% owned by KOV Cyprus;

“**NAMR**” - means the Romanian National Energy Agency;

“**NDS**” - Polish National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych Spółka Akcyjna*) with its registered office in Warsaw, Poland and, unless the context requires otherwise, the depository for securities maintained by that company;

“**Neconde**” - means Neconde Energy Limited, a Nigerian exploration and development consortium company;

“**NGL**” - Natural gas liquids;

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

“**NI 51-102**” - National Instrument 51-102 *Continuous Disclosure Obligations* of the CSA which defines the continuous disclosure obligations of a Reporting Issuer in Canada;

“**NI 54-101**” - National Instrument 54-101 *Communication With Beneficial Owners of Securities Of A Reporting Issuer* of the CSA which defines the obligations of a Reporting Issuer with respect to communication with beneficial Shareholders in Canada;

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

“**OML 42**” - means Oil Mining Licence 42, a block of hydrocarbon fields in the Niger Delta area of Nigeria;

“**OPEC**” - Organization of Petroleum Exporting Countries ;

“**Operator**” - A company responsible for ongoing operations related to the prospecting for, development of assets and production of oil and gas in a given concession area, designated in the operating agreement, signed by the parties to a production sharing agreement;

“**Option Shares**” – means in total 143,833 Serinus Shares issued as a result of exercise of Stock Options;

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

“**Polish Anti-Monopoly Act**” - Act on Protection of Competition and Consumers of February 16, 2007 (Dz. U. of 2007, No. 50, Item 331, as amended);

“**Polish Commercial Companies Code**” - Polish Commercial Companies Code of September 15, 2000 (Dz. U. of 2000, No. 94, Item 1037, as amended);

“**Polish Disclosure Regulation**” - Ordinance of the Polish Minister of Finance of February 19, 2009 regarding current and periodic information to be submitted by issuers of securities (Dz. U. of 2009, No. 33, item 259);

“**Polish Offering Act**” - Polish act of July 29, 2005 on public offering and conditions governing the introduction of financial instruments to an organized trading system and public companies (Dz. U. of 2005, No. 184, item 1539, as amended);

“**Polish Trading Act**” - Polish act of July 29, 2005 on trading in financial instruments (Dz. U. of 2005, No. 183, item 1538, as amended);

“**Preferred Shares**” - Preferred shares, issuable in series, in the capital of the Issuer;

“**Prospectus**” - this Prospectus which has been prepared for the purpose of the admission and introduction of the Admission Shares to trading on the WSE;

“**QAF**” - QAF Brunei Sdn Bhd, a private company registered in Bandar Seri Begawan, Brunei, which is a partner of the Issuer in Brunei Block L;

“**Radwan**” - means Radwan Investments GmbH, a private Austrian company;

“**RBC Dexia**” - RBC Dexia Investor Services Limited with its registered seat in the United Kingdom, 77 Queen Victoria Street London;

“**Registered Shareholder**” - A shareholder whose name is set out in the Issuer's Shareholder register maintained by the Transfer Agent, Computershare Trust Company of Canada;

“Romania Assets” - means the assets owned by the Company, through Winstar Satu Mare, in Romania, including the Romanian Concession Agreement, and certain other property, plant and equipment described in the Section 6 *“Business Overview”* in Subsection 6.6.5. *“Romania”*;

“Romp petrol” - means Rompetrol S.A.,

“RPS” - means RPS Energy Ltd., an engineering consulting company, and its subsidiaries, including, without limitation, RPS Energy Canada Ltd. and RPS Energy Consultants Ltd.

“RPS Tunisia Report” - “Reserves Evaluation of Tunisian Properties of Serinus Energy Inc., as at December 31, 2013” prepared by RPS Energy Canada Ltd. on their evaluation of the resource potential of the Tunisia Concessions and referred to in the “Form 51-101F2, Report on Reserves Data” attached to the current report no. 11/2014 “Evaluation of the Tunisian and Ukrainian reserves by independent reserve engineers” dated March 21, 2014 included in this Prospectus by reference. Information contained in the RPS Tunisia Report is summarized in the “Statement of Reserves Data and Other Oil and Gas Information (Form 51-101F1)” also attached to above mentioned current report;

“RPS Ukraine Report” - “Evaluation of Natural Gas Reserves and Resources in Ukraine, as at December 31, 2013” prepared by RPS Energy Consultants Ltd. on their evaluation of the reserves and the resource potential of KUB-Gas and referred to in the “Form 51-101F2, Report on Reserves Data” attached to the current report no. 11/2014 “Evaluation of the Tunisian and Ukrainian reserves by independent reserve engineers” dated March 21, 2014 included in this Prospectus by reference. Information contained in the RPS Ukraine Report is summarized in the “Statement of Reserves Data and Other Oil and Gas Information (Form 51-101F1)” also attached to the above mentioned current report;

“Satu Mare Concession Agreement” – means a concession agreement dated August 2003 amongst Rompetrol Group NV and the NAMR granting Rompetrol Group NV the right to explore for hydrocarbons within the perimeter of the EIV 5-Satu Mare block;

“Satu Mare Farmout Agreement” – means a farmout agreement dated April 9, 2008 between Winstar and Rompetrol S.A.;

“Satu Mare JOA” – means an operating agreement dated September 9, 2008 between Winstar Satu Mare and Rompetrol S.A. to govern operations in the Satu Mare Concession;

“Serinus Shares” – means all common registered shares without nominal or par value in the capital of the Issuer (or their part) existing now as well as in the past;

“SEDAR” - System for Electronic Document Analysis and Retrieval at www.sedar.com;

“SEDI” - System for Electronic Disclosure by Insiders at www.sedi.com;

“Serinus” or **„Company”** or **„Issuer”** - means Serinus Energy Inc. (former: Kulczyk Oil Ventures Inc.), a public company registered in Calgary, Alberta, Canada under the ABCA;

“SHA” - means the shareholder’s agreement dated November 10, 2009, as amended, between KOV Cyprus, Gastek and KUBGAS Holdings governing their relationship as shareholders of KUBGAS Holdings;

“Shareholder” - the Registered Shareholders and Beneficial Shareholders of the Issuer;

“Shareholders' Meeting” - A meeting of the Shareholders of the Issuer;

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

“**STEG**” - means Société Tunisienne de l’Electricité et du Gaz, the Tunisian state electricity and gas company with its registered office in Tunis (head office’s address: 38, rue Kamel Attaturk, 1080 Tunis – Tunisia).

“**Stock Option Plan**” - Stock option plan, approved by the Board of Directors at their meeting held in Calgary, Alberta, Canada on December 9, 2008, and by the Shareholders of the Issuer, which gives the directors, officers and employees of the Issuer the opportunity to acquire a stake in the capital of the Issuer;

“**Stock Options**” - Options granted to certain of current and former directors, officers, employees and consultants of Serinus to purchase Serinus Shares pursuant to the terms and provisions of the Stock Option Plan;

“**Summarized RPS Reports**” – means a summary of data provided in RPS Ukraine Report and RPS Tunisia Report included in the Statement of Reserves Data and Other Oil and Gas Information (Form 51-101F1) attached to the current report no. 11/2014 “Evaluation of the Tunisian and Ukrainian reserves by independent reserve engineers” dated March 21, 2014 included in this Prospectus by reference;

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

“**Syria Block 9**” - means a 10,032 square kilometer (2.48 million acre) area in northwest Syria subject to the Syria Block 9 PSC;

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

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

“**TIG Debenture**” - convertible secured debenture of the Issuer held by TIG and converted into TIG Debenture Shares on August 12, 2011;

“**TIG Debenture Shares**” - means 18,501,037 pre-Consolidation Serinus Shares (1,850,104 Serinus Shares after giving effect to the Consolidation) issued on August 12, 2011, upon conversion of TIG Debenture;

“**Triton**” - means Triton Hydrocarbons Pty Ltd., a private Australian company, whose entire share capital KOV Cyprus acquired in the Triton Acquisition;

“**Triton Acquisition**” - The acquisition of all of the shares of Triton completed October 23, 2009;

“**Triton Petroleum**” - means Triton Petroleum Pte Limited;

“**Triton Singapore**” - Triton Petroleum Pte Ltd., a private company registered in Singapore which will be owned 50% by KOV Cyprus and 50% by the former shareholders of Triton upon the completion of the Offer;

“**TSX**” - Toronto Stock Exchange;

“**TSX-V**” - means the TSX Venture Exchange;

“**Tunisia Assets**” - means the assets owned by the Company, through Winstar Tunisia, in Tunisia, including the Tunisia Concessions, and certain other property, plant and equipment described in the Section 6 “*Business Overview*” in Subsection 6.6.3. “*Tunisia*”;

“**Tunisia Concessions**” - means the Chouech Es Saida, Ech Chouech, Sabria, Sanrhar and Zinnia concessions in Tunisia described in details in Summary Section of the Prospectus;

“**Tunisia Concession Agreements**” - means the concession agreements pursuant to which the Company has been granted interests in the Tunisia Concessions;

“**Tunisian Loan Facility**” - means the USD \$60 million financing arrangement with the EBRD announced on July 23, 2013 for the development of the Company’s Tunisian oil and gas fields;

“**Ukraine Assets**” or “**KUB-Gas Assets**” or “**Assets in Ukraine**” - means the assets owned by KUB-Gas, including the Ukraine Licences, and certain other property, plant and equipment described in the Section 6 “*Business Overview*” in Subsection 6.6.2. “*Ukraine*”;

“**Ukraine Licences**” or “**KUB-Gas Licences**” - means the exploration and production special permits in five licence areas owned by KUB-Gas in Ukraine in the Makeevskoye, Olgovskoye, Krutogorovskoye, Vergunskoye and North Makeevskoye areas described in details in Summary Section of the Prospectus;

“**UAH**”, “**Hryvnia**” - means Ukrainian Hryvnia, the official currency of Ukraine;

“**UGTT**” – means a national trade union organization in Tunisia named the Union Générale Tunisienne du Travail;

“**UME**” - means Uniconsult Middle East, a private company registered in Damascus, Syria.

“**USGS**” - means United States Geological Survey;

“**VAT**” - means Value added tax;

“**Winstar**” - means Winstar Resources Ltd.;

“**Winstar Acquisition**” - means the acquisition of Winstar by the Company pursuant to the Winstar Arrangement;

“**Winstar Acquisition Shares**” - means in total 27,252,500 post-Consolidation Serinus Shares issued as a result of Winstar Arrangement;

“**Winstar Arrangement**” - means the court-approved plan of arrangement involving Winstar, the security holders of Winstar and the Company effected pursuant to Section 193 of the ABCA, which was completed on June 24, 2013;

“**Winstar Hungary**” - Winstar Magyarorszag Kft, Hungary;

“**Winstar Netherlands**” - Winstar B.V., Netherlands;

“**Winstar Satu Mare**” - Winstar Satu Mare SRL, Romania;

“**Winstar Tunisia**” - Winstar Tunisia B.V., Netherlands;

“**WSE**” - means the Warsaw Stock Exchange;

“**WSE Beneficial Shareholders**” – means persons or entities that have the Serinus Shares registered on an NDS account and hold the status of beneficial owners of the Issuer’s shares, holding the shares

through a Shareholder recorded in the register of the Issuer's shareholders maintained by Computershare;

“WSE IPO” - means the initial public offering of 166,394,000 pre-Consolidation Serinus Shares in Poland in May 2010 and listing of the Serinus Shares on the WSE on 25 May 2010;

“WSE Regulations” - Rules of the Warsaw Stock Exchange adopted in the Resolution of the Board of the Warsaw Stock Exchange No. 1/1110/2006 of January 4, 2006, as amended;

“WSE Rules” - Polish corporate governance rules contained in the „Code of Best Practice for WSE Listed Companies” - , adopted by the Resolution of WSE Supervisory Board No. 12/1170/2007 of July 4 2007 and available in Polish and English at the website www.corp-gov.gpw.pl;

“2010 Prospectus” - the prospectus prepared for the purpose of the WSE IPO and for the application for listing of the shares on the WSE as approved by FSA on April 13, 2010.

INDUSTRY VOCABULARY

The list below contains selected terms related to the exploration for and production of crude oil and/or natural gas along with certain abbreviations used in the oil and gas industry.

"2D seismic data"	A vertical section of seismic data consisting of numerous adjacent traces acquired sequentially.
"2D"	Two dimensional
"3D seismic data"	A set of numerous closely-spaced seismic lines that provide a high spatially sampled measure of subsurface reflectivity. 3D seismic data provide detailed information about fault distribution and subsurface structures.
"3D"	Three dimensional
"anomaly"	An entity or property that differs from what is typical or expected, or which differs from that predicted by a theoretical model.
"anticline"	An arch-shaped fold in rock in which rock layers are upwardly convex. The oldest rock layers form the core of the fold, and outward from the core progressively younger rocks occur.
"API gravity"	A specific gravity scaled developed by the API for measuring the relative density of various petroleum liquids.
"appraisal well"	A well drilled to evaluate an oil or gas deposit that has already been discovered.
"argillaceous"	Describing rocks or sediments containing particles of silt or clay size.
"appraisal"	The phase of petroleum operations that immediately follows successful exploratory drilling. During appraisal, delineation wells might be drilled to determine the size of the oil or gas field and how to develop it most efficiently.
"barrels of oil per day"	A common unit of measurement for the daily volume of crude oil produced by a well or from a field. The volume of a barrel is equivalent to 42 US gallons (approximately 159 litres), abbreviated "BOPD" or "bopd".
"billion cubic feet per day"	A common unit of measurement for large production rates of natural gas, abbreviated "Bcfd" or "Bcf/d".
"back-in"	The right to receive an interest in an oil or gas assets at some future time, upon the occurrence of certain condition specified by contract.
"beneficial working interest"	Same as a working interest except it may not be recognized by other parties in an agreement. For example, Triton Singapore will have a working interest of 20% in Syria Block 9 if SPC consents to it. If SPC prefers to deal directly only with the Issuer then the 20% of Triton Singapore will be held in trust by the Issuer and they would

have a "beneficial working interest".

"bwpd"	Abbreviation for barrels of water per day, a common unit of measurement for the daily volume of produced water. The volume of a barrel is equivalent to 42 US gallons.
"cap rock"	A relatively impermeable rock, commonly shale, anhydrite or salt, forming a barrier or seal above and around reservoir rock so that fluids cannot migrate beyond the reservoir.
"carbonate"	A group of minerals found mostly in limestone and dolostone that includes aragonite, calcite and dolomite. Calcite is the most abundant and important of the carbonate minerals.
"cased hole"	The portion of the wellbore that has had metal casing placed and cemented to protect the openhole from fluids, pressures, wellbore stability problems or a combination of these.
"casing"	Steel pipe cemented in place during the construction process to stabilize the wellbore. The casing forms a major structural component of the wellbore and serves several important functions: preventing the formation wall from caving into the wellbore, isolating the different formations to prevent the flow or crossflow of formation fluid, and providing a means of maintaining control of formation fluids and pressure as the well is drilled. The casing string provides a means of securing surface pressure control equipment and downhole production equipment. Casing is available in a range of sizes and material grades.
"clay"	Fine-grained sediments less than 0.0039 mm in size.
"completion"	A generic term used to describe the procedures that are undertaken to prepare a well for production of oil or natural gas. Procedures may include perforation of the casing that separates the wellbore and the potential producing zone and the assembly the equipment required to enable safe and efficient production from the well.
"compressor"	A device that raises the pressure of air or natural gas. A compressor normally uses positive displacement to compress the gas to higher pressures so that the gas can flow into pipelines and other facilities.
"compressor station"	A facility consisting of many compressors, auxiliary treatment equipment and pipeline installations to pump natural gas under pressure over long distances.
"consolidated"	Pertaining to sediments that have been compacted and cemented to the degree that they become coherent, relatively solid rock.
"condensate"	A liquid hydrocarbons produced with natural gas that are separated from the gas by cooling and various other means. Condensate generally has an A.P.I. gravity of 50° to 120° and is water-white, straw, or bluish in color.
"cost oil"	The amount of production allocated to costs and expenses under a

	PSA or a PSC.
"crest"	The highest point of a geologic structure.
"crude oil"	A general term for unrefined petroleum or liquid petroleum.
"datum"	A depth reference point, typically established at the time the well is completed, against which subsequent depth measurements should be corrected or correlated.
"delta"	An area of deposition or the deposit formed by a flowing sediment-laden current as it enters an open or standing body of water. As a river enters a body of water, its velocity drops and its ability to carry sediment diminishes, leading to deposition.
"development"	The phase of petroleum operations that occurs after exploration has proven successful, and before full-scale production.
"dip"	The angle between a planar feature, such as a sedimentary bed or a fault, and a horizontal plane. True dip is the angle a plane makes with a horizontal plane, the angle being measured in a direction perpendicular to the strike of the plane.
"down dip"	Located down the slope of a dipping plane or surface.
"downstream"	A general term which designates the sector of the oil and gas industry focused on transportation and refining of oil or natural gas and the marketing of byproducts such as gasoline (petrol).
"dry gas"	Natural gas that occurs in the absence of condensate or other liquid hydrocarbons
"dry hole"	A wellbore that has not encountered hydrocarbons in economically producible quantities.
"dual completion"	A procedure involving placing equipment in a single wellbore to enable production from two segregated zones.
E&E	Exploration and evaluation assets
"exploration"	The initial phase in petroleum operations that includes generation of a prospect or play or both, and drilling of an exploration well. Appraisal, development and production phases follow successful exploration.
"exploration block", "block"	A grant extended by a government to permit a company to explore for and produce oil, gas or mineral resources within a strictly defined geographic area, typically beneath government-owned lands or lands in which the government owns the rights to produce oil, gas or minerals.
"farmee"	The party that acquires the rights to drill and earn an assignment of the leasehold interest, receiving a farm-in.

"farmor"	The party that originally owns the leasehold interest and assigns the farmout
"farmout"	A contractual agreement with an owner who holds a working interest in an oil and gas lease to assign all or part of that interest to another party in exchange for fulfilling contractually specified conditions.
"fault trap"	A type of structural hydrocarbon trap in which closure is controlled by the presence of at least one fault surface.
"fault"	A break or planar surface in brittle rock across which there is observable displacement.
"field"	An accumulation, pool, or group of pools of hydrocarbons or other mineral resources in the subsurface. A hydrocarbon field consists of a reservoir in a shape that will trap hydrocarbons and that is covered by an impermeable, sealing rock. Typically, the term "field" implies that the accumulation is commercial.
"flowing well"	A well in which the formation pressure is sufficient to produce oil at a commercial rate without requiring a pump. Most reservoirs are initially at pressures high enough to allow a well to flow naturally.
"fold"	A wave-like geologic structure that forms when rocks deform by bending instead of breaking under compressional stress.
"formation"	<p>The fundamental unit of lithostratigraphy. A body of rock that is sufficiently distinctive and continuous that it can be mapped. In stratigraphy, a formation is a body of strata of predominantly one type or combination of types.</p> <p>Also, a general term for the rock around the borehole. In the context of formation evaluation, the term refers to the volume of rock seen by a measurement made in the borehole, as in a log or a well test.</p>
G&A	General and administrative costs
"gas"	A naturally occurring mixture of hydrocarbon gases that is highly compressible and expansible - same as natural gas.
"gas cap"	The gas that accumulates in the upper portions of a reservoir where the pressure, temperature and fluid characteristics are conducive to free gas.
"gas field"	An accumulation, pool or group of pools of gas in the subsurface. A gas field consists of a reservoir in a shape that will trap hydrocarbons and that is covered by an impermeable or sealing rock. In the oil and gas business the term "gas field" implies that the accumulation is commercial.
"gas oil ratio"	The ratio of produced gas to produced oil, commonly abbreviated GOR.

"gas pool"	A subsurface accumulation of natural gas.
"gas processing facility"	An installation that processes natural gas to recover natural gas liquids (condensate and liquefied petroleum gas) and sometimes other substances such as sulfur.
"gas prone"	The quality of a source rock that makes it more likely to generate gas than oil. The nature of the organic matter in source rocks can vary from coals, found in terrestrial source rocks to algal or other marine material that makes up marine source rocks. Terrestrial source rocks (such as coal) tend to be gas prone.
"gas sand"	A porous sand layer or sand body charged with natural gas.
"gas separator"	A device used to separate gas from production liquids. Surface processing facilities generally use gas separators to render the liquids safe for further processing or disposal.
"geological map"	A map showing the type and spatial distribution of rocks at the surface of the Earth.
"geologist"	A scientist trained in the study of the Earth. In the petroleum industry, geologists perform a wide variety of functions. They typically will generate prospects by interpreting geological maps, well logs, mapping rocks at the surface of the Earth, examining rock samples recovered from the drilling of wells and considering interpretations of seismic data by the geophysicist.
"geology"	The study of the history, structure and composition of the Earth and the processes that continue to change it.
"geophysicist"	A scientist trained in the study of the physics of the Earth, particularly its electrical, gravitational and magnetic fields and propagation of seismic waves within it. In the petroleum industry, geophysicists perform a variety of functions, chiefly the processing and interpretation of seismic data and generation of subsurface maps on the basis of seismic data. Such interpretations enhance understanding of subsurface geology.
"geophysics"	The study of the physics of the Earth, especially its electrical, gravitational and magnetic fields and propagation of seismic waves within it. Geophysics plays a critical role in the oil and gas industry because geophysical data are used by exploration and development personnel to make predictions about the presence, nature and size of subsurface hydrocarbon accumulations.
"GOR"	Abbreviation for gas/oil ratio, the ratio of produced gas to produced Oil.
"graben"	A relatively low-standing fault block bounded by opposing normal faults.
"gravity"	The Earth's gravitational field, or the attractive force produced by the

mass of the Earth.

"gross"	If referring to volumes of oil or gas or currency, "gross" is the amount <u>before</u> the deduction of royalties and taxes. If referring to ownership in oil and gas any interests held directly or indirectly by other rights, "gross" is the ownership interest <u>before</u> considering companies.
"homogeneous"	The quality of uniformity of a material. If irregularities are distributed evenly in a mixture of material, the material is homogeneous.
"horizon"	An informal term used to denote a surface in or of rock, or a distinctive layer of rock that might be represented by a reflection in seismic data.
"hydraulic fracturing"	A stimulation treatment that fractures the rocks within an oil or natural gas reservoir to increase productivity.
"hydrocarbon"	Naturally organic compounds comprising hydrogen and carbon. The least complex hydrocarbons compounds are created through the heating of organic carbon material at high pressure. The least complex hydrocarbon, called methane (CH ₄), consists of one carbon atom and four hydrogen atoms. Methane has high energy content and is the most abundant component of natural gas. More complex compounds of carbon and hydrogen create hydrocarbon chains with the weight of the chain and the type of hydrocarbon being dependent upon the length of the chain. Hydrocarbons may be divided into five main categories: dry gas, wet gas, condensate, light oil and heavy oil.
"impermeable"	Pertaining to a rock that is incapable of transmitting fluids because of low permeability. Shale has a high porosity, but its pores are small and disconnected, so it is relatively impermeable. Impermeable rocks are desirable sealing rocks or cap rocks for reservoirs because hydrocarbons cannot pass through them readily.
"in situ"	In the original location or position. Tests can be performed in situ in a reservoir to determine its pressure and temperature.
"interpretation"	In geophysics, analysis of data to generate reasonable models and predictions about the properties and structures of the subsurface. Interpretation of seismic data is the primary concern of geophysicists.
"light crude oil"	Crude oil that has a high API gravity, usually more than 40°.
"liquid hydrocarbons"	Liquid compounds such as propanes, butanes, pentanes and heavier products extracted from the gas flowstream.
"lithology"	The macroscopic nature of the mineral content, grain size, texture and color of rocks.
"logging"	Pertaining to a wireline log. Logging while drilling is the measurement of formation properties during the excavation of the hole, or shortly thereafter, through the use of tools integrated into the

bottomhole assembly.

"matrix"	The finer grained, interstitial particles that lie between larger particles or in which larger particles are embedded in sedimentary rocks such as sandstones and conglomerates.
"methane"	The lightest, least complex and most abundant of the hydrocarbon gases and the principal component of natural gas. Methane (CH ₄) is a colourless, odorless gas that consists of one carbon atom and four hydrogen atoms and is stable under a wide range of pressure and temperature conditions.
"natural gas liquids" (NGL)	Components of natural gas which are liquid facilities or in gas-processing plants. May be gasoline and liquefied petroleum gas.
"natural gas"	A naturally occurring mixture of hydrocarbon gases that is highly compressible and expansible.
"net"	If referring to volumes of oil or gas or currency, "net" is an amount <u>after</u> the deduction of royalties and taxes. If referring to ownership in oil and gas rights, "net" is the ownership interest after considering any interests held directly or indirectly by other companies.
"net gas production"	The volume of gas produced less gas injected.
"net oil production"	The volume of oil produced less oil injected. In hydraulic pumping, the oil injected is known as power oil.
"net profits interest"	A share of net proceeds from production paid solely from the working interest owner's share.
"normal fault"	A type of fault in which the hanging wall moves down relative to the footwall, and the fault surface dips steeply, commonly from 50° to 90°.
"oil field"	An accumulation, pool or group of pools of oil in the subsurface. An oil field consists of a reservoir in a shape that will trap hydrocarbons and that is covered by an impermeable or sealing rock. Typically, industry professionals use the term "oilfield" with an implied assumption of economic viability.
"oil pool"	A subsurface oil accumulation. An oil field can consist of one or more oil pools or distinct reservoirs within a single large trap. The term "pool" can create the false impression that oil fields are immense caverns filled with oil, instead of rock filled with small oil-filled pores.
"oil water contact"	A bounding surface in a reservoir above which predominantly occurs and below which predominantly water occurs.
"oil well"	A producing well with oil as its primary commercial product. Oil wells almost always produce some gas and frequently produce water. Most oil wells eventually produce mostly gas or water.

"open hole"	The uncased portion of a well.
"P10"	Probability criterion that the quantities of hydrocarbons actually recovered will equal or exceed 10%.
"P50"	Probability criterion that the quantities of hydrocarbons actually recovered will equal or exceed 50%.
"pay"	A reservoir or portion of a reservoir that contains economically producible hydrocarbons.
"payout"	The point at which all costs of leasing, exploring, drilling and operating have been recovered from production of a well or wells as defined by contractual agreement.
"perforate"	To create holes in the casing or liner to achieve efficient communication between the reservoir and the wellbore.
"permeability"	The ability of a rock to transmit fluids.
"petroleum"	A naturally occurring mixture consisting predominantly of hydrocarbons in the gaseous, liquid or solid phase.
"petroleum system"	Geologic components and processes necessary to generate and store hydrocarbons, including a mature source rock, migration pathway, reservoir rock, trap and seal.
"pinch-out"	A type of stratigraphic trap. The termination by thinning or tapering out ("pinching out") of a reservoir against a nonporous sealing rock creates a favourable geometry to trap hydrocarbons.
"pipeline"	A tube or system of tubes used for transporting crude oil and natural gas from the field or gathering system to the refinery.
"play"	An area in which potential hydrocarbon accumulations or prospects of a given type occur.
"porosity"	The percentage of pore volume or void space, or that volume within rock that can contain fluids.
"pressure"	The force distributed over a surface, usually measured in pounds force per square inch (lbf/in ²), or p.s.i., in US oilfield units.
"producing properties"	Assets of the Issuer that produce oil or gas.
"production formation"	An underground rock formation from which oil, gas or water is produced.
"production"	The phase that occurs after successful exploration and development and during which hydrocarbons are drained from an oil or gas field.
"profit oil"	The amount of production, after deducting cost oil production, which is divided between the participating parties and the host government under a PSA or PSC.

"prospect"	An area in which hydrocarbons have been predicted to exist in economic quantity.
"reflection"	Generally, the return or rebound of particles or energy from the interface between two media. Reflection seismic surveys are useful for mapping geologic structures in the subsurface and evaluating potential hydrocarbon accumulations.
"relinquishment"	The return of part or all of a lease or concession to a lessor, farmor or host government. The return may be voluntary or compelled contractually.
"reservoir"	A subsurface body of rock having sufficient porosity and permeability to store and transmit fluids.
"resources"	In the context of the IOC, "resources" are potential oil and gas assets that are not yet producing.
"royalty"	A percentage share of production, or the value derived from production, paid from a producing well.
"sand"	A small piece of rock or mineral between 0.0625 mm and 2 mm in diameter. Sand is also a term used for quartz grains or for sandstone.
"sandstone"	A clastic sedimentary rock whose grains are predominantly of sand size. The term is commonly used to imply consolidated sand or a rock made of predominantly quartz sand, although sandstones often contain other mineral grains held together with silica or another type of cement. The relatively high porosity and permeability of sandstones make them good reservoir rocks.
"saturation"	The relative amount of water, oil and gas in the pores of a usually as a percentage of volume.
"sedimentary"	One of the three main classes of rock (igneous, metamorphic and sedimentary). Sedimentary rocks are formed at the Earth's surface through deposition of sediments derived from weathered rocks, biogenic activity or precipitation from solution. Clastic sedimentary rocks such as conglomerates, sandstones, siltstones and shales form as older rocks weather and erode, and their particles accumulate and lithify, or harden, as they are compacted and cemented. Biogenic sedimentary rocks form as a result of activity by organisms, including coral reefs that become limestone. Precipitates, such as the evaporite minerals halite (salt) and gypsum can form vast thicknesses of rock as seawater evaporates. Sedimentary rocks can include a wide variety of minerals, but quartz, feldspar, calcite, dolomite and evaporite group and clay group minerals are most common because of their greater stability at the Earth's surface than many minerals that comprise igneous and metamorphic rocks.
"sedimentation"	The process of creation, transportation and deposition of sediments.
"seismic processing"	Alteration of seismic data to suppress noise, enhance signal migrate

and seismic events to the appropriate location in space.

"seismic section"	A display of seismic data along a line, such a 2D seismic profile or a profile extracted from a volume of 3D seismic data.
"seismic"	Pertaining to waves of elastic energy, such as that transmitted by P-waves and S-waves which are studied by geophysicists to interpret the composition, fluid content, extent and geometry of rocks in the subsurface.
"shale"	A fine-grained, impermeable, sedimentary rock composed of clays and other minerals, usually with a high percentage of quartz. Shale is the most common, and certainly the most troublesome, rock type that must be drilled in order to reach oil and gas deposits.
"shot point"	One of a number of locations or stations at the surface of the Earth at which a seismic source is activated.
"source rock"	A rock rich in organic matter which, if heated sufficiently, will generate oil or gas.
"stimulation"	A treatment performed to restore or enhance the productivity of a well.
"spud"	To start the well drilling process by removing rock, dirt and other sedimentary material with the drill bit.
"strata"	Layers of sedimentary rock that form beds.
"stratigraphic trap"	A variety of sealed geologic container capable of retaining hydrocarbons. Generally formed by changes in rock type or pinch-outs, unconformities, or sedimentary features such as reefs.
"stratigraphy"	The study of the history, composition, relative ages and distribution of strata, and the interpretation of strata to elucidate Earth history. The comparison, or correlation, of separated strata can include study of their composition, fossil content, and relative or absolute age.
"structural trap"	A variety of sealed geologic structure capable of retaining hydrocarbons, such as a fault or a fold.
"structure"	A geological feature produced by deformation of the Earth's crust. Most structures in oil and gas exploration are either anticlines or synclines.
"syncline"	Basin- or trough-shaped fold in rock in which rock layers are downwardly convex. The youngest rock layers form the core of the fold and outward from the core progressively older rocks occur. Synclines typically do not trap hydrocarbons because fluids tend to leak up the limbs of the fold. An anticline is the opposite type of fold, having upwardly-convex layers with old rocks in the core.
"TCM"	Trillions of cubic metres.

"trend"	A general area in which subsurface geology is expected to be similar and in which hydrocarbons are expected to occur.
"unconformity"	A geological surface separating older from younger rocks and representing a gap in the geologic record.
"unitization"	The combining of multiple wells to produce from a specified reservoir.
"updip"	Located up the slope of a dipping plane or surface. In a dipping (not flat-lying) hydrocarbon reservoir that contains gas, oil and water, the gas is updip, the gas-oil contact is downdip from the gas, and the oil-water contact is below that and more downdip.
"upstream"	A general term which designates the sector of the oil and gas industry focused on exploration, development and production of hydrocarbons.
"viscosity"	A property of fluids and slurries that indicates their resistance to flow, defined as the ratio of shear stress to shear rate.
"waterflooding"	A method of secondary recovery in which water is injected into an oil reservoir to displace residual oil. The water from injection wells physically sweeps the displaced oil to adjacent production wells.
"wellbore"	The wellbore itself, including the openhole or uncased portion of the well. Borehole may refer to the inside diameter of the wellbore wall, the rock face that bounds the drilled hole.
"wellhead"	The system of spools, valves and assorted adapters that provide pressure control of a production well.
"wet gas"	Natural gas that contains less methane (typically less than 85% methane) and more ethane and other more complex hydrocarbons.
"wireline log"	A continuous measurement of formation properties with electrically powered instruments to infer properties and make decisions about drilling and production operations. The record of the measurements, typically a long strip of paper, is also called a log. The most common measurements include electrical properties (resistivity and conductivity), sonic properties, active and passive nuclear measurements and dimensional measurements of the wellbore. Equipment lowered into a well on a wire line is also used for fluid sampling, pressure measurements and for sidewall coring.
"working interest"	A percentage of ownership in an oil and gas lease granting its owner the right to explore, drill and produce oil and gas from a defined area. Working interest owners are obligated to pay a corresponding percentage of the cost of exploration, drilling, production and any related activities (subject to any superseding terms of the oil and gas lease or amongst the owners which obligate one party to pay for or "carry" some or all of another party's obligations). After royalties are paid, the working interest also entitles its owner to share in

production revenues with other working interest owners.

"workover"

The repair or stimulation of an existing production well for the purpose of restoring, prolonging or enhancing the production of hydrocarbons.

"zone"

Reservoir rock which is bounded above and below by impermeable rock.

"outcrop"

A body of rock exposed at the surface of the Earth.

"LNG"

Liquefied natural gas. Natural gas, mainly methane and ethane, which has been liquefied.

ABBREVIATIONS

Crude Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel. The volume of a barrel is equivalent to approximately 159 litres (or 42 US gallons).	Mcf	thousand cubic feet
bbl/d	barrels per day	MMcf	million cubic feet
bopd	barrels of oil per day		
Mbbl	thousands of barrels	Bcf	billion cubic feet
boe	barrels of oil equivalent of natural gas and crude oil, unless otherwise indicated	Mcf/d	thousand cubic feet per day
boe/d	barrels of oil equivalent per day	MMcfd	million cubic feet per day
Mboe	thousand boe	Mcm	thousand cubic metres
MMboe	million boe	GJ	gigajoule
NGL	natural gas liquids	Tcf	trillion cubic feet
MMBtu	million British thermal units	Mcfe	thousand cubic feet equivalent
Stb	standard stock tank barrel	kPa	kilopascals, a measurement of pressure
		psi	pounds per square inch, a measurement of pressure

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

CONVERSIONS

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

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements and forward-looking information which are based upon the Issuer's internal expectations, estimates, projections, assumptions and beliefs as at the date of such statements or information, including, among other things, assumptions with respect to results of drilling program, availability of funding, actions of industry partners, commodity prices, operating costs, production, future capital expenditures and cash flow. In some cases, words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur, are intended to identify forward-looking statements and forward-looking information. This Prospectus includes forward looking statements concerning drilling plans, developments programs and advancement of the Issuer's projects estimates of recoverable hydrocarbons, expected costs, existence and timing of production revenues. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, financial condition, performance or achievement of the Issuer, and consequently, the value of the Serinus Shares, or events to differ materially from those anticipated in the forward-looking statements or information. In addition, this Prospectus contains forward-looking statements and information attributed to third party industry sources. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. 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 profitably produced in the future. These risks and uncertainties are identified in detail under "Risk Factors".

FORECASTS OF RESULTS AND ESTIMATES

The Issuer neither prepares nor publishes any forecasts of results or estimates and does not present such forecasts of results or estimates in the Prospectus.

PRESENTATION OF FINANCIAL INFORMATION

United States dollars ("US Dollars" or "\$") is the reporting currency of the Issuer. Unless expressly indicated otherwise all figures presented in this Prospectus are presented in US Dollars. All Canadian dollars are represented as "C\$".

Appendix A – List of the documents incorporated by reference to the Prospectus.

- Current report no. 1/2013 – Brunei – KOV Acquires Rig For Drilling Program in Block L from 3 January 2013 (full report);
- Current report no 6/2013 - KOV Signs Contract For Brunei Drilling Campaign from 13 February 2013 (full report);
- Current report no .10/2014 - Serinus Year-End 2P Reserves Increase 119% from 20 March 2014 (full report together with the annexes);
- Current report no. 11/2014 - Evaluation of the Tunisian and Ukrainian reserves by independent reserve engineers from 21 March 2014 (full report together with the annexes);
- Report under Polish regulations concerning compliance with the Polish corporate governance rules by the Company;
- Annex to the current report no. 16/2014 from 17 April 2014 Information on the General and Special Meeting of Serinus titled “Notice of Meeting and Information Circular from 21 May 2013” pages 38-42 (in Polish version);
- Consolidated Annual Report for financial year 2013 for period from 1 January 2013 to 31 December 2013 published on 20 March 2014 together with the annexes;
- Consolidated Annual Report for financial year 2012 for period from 1 January 2012 to 31 December 2012 published on 21 March 2013 together with the annexes;
- Semi annual report for period of the three and six months ended June 30, 2014 published on August 13, 2014 together with the annexes;
- Current report no. 16/2013 from 25 April 2013 - Decision on approval the entering into the arrangement agreement with Winstar Resources Ltd. and Kulczyk Investments S.A. by the Board of Directors of Kulczyk Oil Ventures Inc. and conclusion of the arrangement agreement (full report);
- Current report no. 20/2013 from 17 May 2013 - Polish translation of documents concerning acquisition of Winstar Resources (full report together with annexes);
- Current report no. 40/2013 from 25 June 2013 - Closing of the Acquisition of shares of Winstar Resources Ltd. constituting assets of material value to the Company (full report);
- Current report no. 64/2013 from 9 August 2013 Information filed in Canada concerning closing of the Acquisition of Winstar Resources – (full report).
- Current report no. 16/2010 - “Summary of stabilising transactions, buy-back of KOV shares” from July 8, 2010 (full report); and
- Current report no. 29/2010 – “Cancellation of KULCZYK OIL VENTURES INC shares” from July 8, 2010 (full report).

Appendix B – Consolidated version of Issuer’s Articles of Association

**SERINUS ENERGY INC.
(the "Corporation")**

Officer's Certificate

I, Norman Holton, Vice Chairman of the Corporation, hereby certify in my capacity as an officer of the Corporation and not in my personal capacity, that to the best of my information and belief, having made reasonable inquiry, the document attached hereto is full, true and complete copy of the Consolidated Articles of the Corporation containing the most recent version of the schedules attached thereto which was prepared for the purpose of proceeding in the Polish Financing Supervision Authority instituted by the Corporation's application for approval of the prospectus which was prepared for the purpose of applying for the admission and introduction of 38,461,108 of the issued and outstanding common registered shares without nominal or par value in the capital of the Corporation to trading on the regulated market, the main market, of the Warsaw Stock Exchange.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of this 21st day of January, 2014.

SERINUS ENERGY INC.

By: 

Name: Norman Holton

Title: Vice Chairman

Certified Copy

Name/Structure Change Alberta Corporation - Registration Statement

Alberta Amendment Date: 2013/06/24

Service Request Number: 19896064

Corporate Access Number: 203581186

Legal Entity Name: KULCZYK OIL VENTURES INC.

French Equivalent Name:

Legal Entity Status: Active

Alberta Corporation Type: Named Alberta Corporation

New Legal Entity Name: SERINUS ENERGY INC.

New French Equivalent Name:

Nuans Number: 108897159

Nuans Date: 2013/04/24

French Nuans Number:

French Nuans Date:

Share Structure: THE ATTACHED SCHEDULE A IS INCORPORATED INTO AND FORMS A PART OF THIS FORM.

Share Transfers Restrictions: NONE.

Number of Directors:

Min Number Of Directors: 3

Max Number Of Directors: 15

Business Restricted To: NOT APPLICABLE.

Business Restricted From: NOT APPLICABLE.

Other Provisions: THE ATTACHED SCHEDULE B IS INCORPORATED INTO AND FORMS A PART OF THIS FORM.

BCA Section/Subsection: 173(1)(A) AND (F)

Professional Endorsement Provided:

Future Dating Required:

Annual Return

File Year	Date Filed
2013	2013/03/16
2012	2012/03/17
2011	2011/02/26

Attachment

Attachment Type	Microfilm Bar Code	Date Recorded
Share Structure	ELECTRONIC	2005/03/22
Other Rules or Provisions	ELECTRONIC	2005/03/22
Share Structure	ELECTRONIC	2008/12/10
Share Structure	ELECTRONIC	2008/12/10
Articles/Plan of Arrangement/Court Order	10000898000386283	2008/12/10
Shares in Series	ELECTRONIC	2009/09/14
Other Rules or Provisions	ELECTRONIC	2010/09/08
Consolidation, Split, Exchange	ELECTRONIC	2013/06/24

Registration Authorized By: PAUL ROSE
OFFICER

SCHEDULE A

The Corporation is authorized to issue:

a) One class of shares, to be designated as "Common Shares", in and unlimited number; and

b) One class of shares, to be designated as "Preferred Shares", issuable in a series; and

such shares having attached thereto the following rights, privileges, restrictions and conditions:

A. Common Shares

The Common Shares shall have attached hereto the following rights, privileges, restrictions and conditions:

(i) The holders thereof shall have the right to vote at any meeting of shareholders of the Corporation;

(ii) The holders thereof shall have the right to receive such dividends as may be declared by the Board of Directors to the exclusion of the remaining classes of the Corporation's shares or together with the holders of remaining classes of the Corporation's shares; and

(iii) The holders thereof shall have the right to receive the remaining property of the Corporation on its dissolution, liquidation, winding-up or other distribution of its property among its shareholders for the purpose of winding-up affairs.

B. Preferred Shares

The Preferred Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

(i) the Preferred Shares shall have preferred rights as to dividends as determined by the directors of the Corporation in accordance with subclause (ii) hereof; and

(ii) the Preferred Shares may from time to time be issued in one or more series, each series to consist of such number of shares as may before the issue thereof be determined by the directors who may by resolution fix from time to time before the issue thereof the designation, preferences, rights privileges, restrictions and conditions, attaching to the Preferred Shares of each series,

including, without limited the generality of the foregoing, the rate and nature of preferential dividends, the date of payment thereof, the redemption price and conditions of redemption, if any, conversion rights and conditions of conversions, if any, and voting rights, if any.

SCHEDULE B

In accordance with the provisions of the Business Corporations Act (Alberta), the Board of Directors may between Annual General Meetings, appoint one or more additional directors of the Corporation to serve until the next Annual General Meeting but the number of additional directors shall not at any time exceed 1/3 of the number of directors who held office at the expiration of the last Annual Meeting of the Corporation.

Meetings of the shareholders may be held outside of the Province of Alberta.

SERIES A PREFERRED SHARES

The Corporation is authorized to issue, as a series of Preferred Shares, an aggregate of 13,670,723 series A preferred shares ("Series A Shares") solely to the shareholders of Triton (as defined below) pursuant to the terms and conditions set forth in the Offer Documents (as such term is defined in the pre-acquisition agreement between the Corporation and Triton dated August 11, 2009), having attached thereto such preferences, rights, privileges, restrictions and conditions as set forth below.

1. DEFINITIONS

With respect to the Series A Shares, the following terms have the meanings ascribed to them below:

- (a) "Act" means the Business Corporations Act (Alberta);
- (b) "TPPL" means Triton Petroleum Pte Ltd., a company existing under the laws of Singapore;
- (c) "TPPL Shares" means ordinary shares of the capital stock of TPPL;
- (d) "Triton Shares" means ordinary shares of the capital stock of Triton; and
- (e) "Triton" means Triton Hydrocarbons Pty Ltd., a company existing under the laws of New South Wales, Australia.

2. DIVIDENDS

The holders of the Series A Shares shall be entitled to receive, and the Corporation shall pay thereon, if, as and when declared by the board of directors out of the moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential dividends at a rate of 5% of the amount of the stated capital account maintained by the Corporation for the Series A Shares immediately prior to the declaration of the dividend. Such dividends shall accrue and be cumulative from the respective dates of issues of the Series A Shares and shall be payable in equal quarterly instalments on the first days of January, April, July and October in each year. Accrued dividends shall be calculated on the basis of a 365 day or 366 day year, as the case may be, for the actual number of days elapsed. Any and all dividends payable pursuant to the provisions hereof shall only be paid to the registered holders of the Series A Shares on the record date established for such dividend.

Payment of dividends (less any tax required to be withheld by the Corporation) shall, subject as hereinafter provided, be made by cheque of the Corporation payable at par at any branch in Canada of the Corporation's bankers or in such other manner as the payee may approve. Dividends which are represented by a cheque which has not been presented to the Corporation's bankers for payment, or that otherwise remain unclaimed, for a period of six years

from the date on which they were declared to be payable shall be forfeited to the Corporation.

If on any dividend payment date, the dividend payable on such date is not paid in full on all of the Series A Shares then issued and outstanding, such dividend, or the unpaid part thereof, shall be paid on a subsequent date or dates determined by the board of directors.

Except with the consent in writing of the holders of all the Series A Shares outstanding, no dividends shall at any time be declared and paid, or declared and set aside for payment, on the Common Shares or any other shares of the Corporation ranking junior to the Series A Shares, in any year, unless the full amount of the dividends declared for such year on the Series A Shares then issued and outstanding shall have been paid, or provided for, at the date of such declaration and payment or setting aside of dividends on the Common Shares or other shares of the Corporation ranking junior to the Series A Shares.

The holders of the Series A Shares shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided.

3. NO VOTING RIGHTS

Except as otherwise provided in the Act, the holders of the Series A Shares shall not be entitled to receive notice of, or to attend or to vote at, any meeting of the shareholders of the Corporation.

4. LIQUIDATION, DISSOLUTION OR WINDING-UP

In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, each holder of the Series A Shares shall be entitled to receive in respect of each such share, before any distribution of any part of the assets of the Corporation among the holders of the Common Shares or any other shares of the Corporation ranking junior to the Series A Shares, an amount equal to the quotient obtained when the stated capital account maintained by the Corporation for the Series A Shares immediately prior to the time of such liquidation, dissolution, winding-up or other return of capital or distribution of assets of the Corporation, as the case may be, plus all dividends declared thereon and unpaid immediately prior to that time, is divided by the number of issued and outstanding Series A Shares immediately prior to that time. After payment to the holders of the Series A Shares of the amount so payable to such holders as herein provided, the holders of the Series A Shares shall not be entitled to share in any further distribution of the property or assets of the Corporation.

5. REDEMPTION

Subject to the provisions of the Act, as soon as is reasonably

practicable after: (a) the Corporation, or any subsidiary of the Corporation as defined in Section 2 of the Act, or the Corporation together with one or more such subsidiaries, acquires all of the issued and outstanding shares of Triton; (b) the Corporation obtains the direct ownership of 50% of all of the issued and outstanding shares of TPPL; and (c) the transfer to TPPL of a 20% beneficial working interest in Block IX referenced in the contract for the exploration, development and production of petroleum between the Government of the Syrian Arab Republic, the Syrian Petroleum Corporation and the Corporation dated September 20, 2007, free from any carry obligations or back-in rights, the Corporation shall have an obligation to redeem, and is irrevocably obligated, with or without the consent of the holders of the Series A Shares, to redeem, all of the issued and outstanding Series A Shares by distributing one TPPL Share for each Series A Share redeemed. Prior to such redemption, the Corporation shall give notice in writing to the holders of Series A Shares stating:

- (a) that all Series A Shares registered in the name of such holder are being redeemed;
- (b) the number of TPPL Shares to be issued to that holder;
- (c) the business day on which the Corporation desires to redeem such Series A Shares (the "Redemption Date"), which shall be the date that is not more than 7 calendar day(s) after the date on which the notice is given by the Corporation or such other date as the Corporation and any holder of Series A Shares may agree; and
- (d) the place of redemption.

The Corporation shall use commercially reasonable efforts to ensure that the conditions which must be satisfied in order to give rise to the obligation to redeem the Series A Shares are satisfied no later than the 45th day after the date upon which the last of the Series A Shares is issued.

The Corporation shall, on the Redemption Date, redeem such Series A Shares by issuing to the holders thereof certificates representing the TPPL Shares, together with the payment of all accrued and unpaid dividends, if any, on presentation and surrender of the certificate(s) representing the Series A Shares so redeemed, at such place as may be specified in such notice. The certificate(s) for such Series A Shares shall thereupon be cancelled and the Series A Shares represented thereby shall thereupon be redeemed. Delivery of the TPPL Shares shall be made in accordance with the written instructions provided to the Corporation by the holders of the Series A Shares or if no instructions are given, to the address of such holders appearing on the securities registers maintained by the Corporation.

From and after the Redemption Date, all preferences, rights and privileges attached to the Series A Shares shall be terminated and the Series A Shares shall thereafter only represent a right to receive, on presentation and surrender of the certificate(s)

for the Series A Shares so called for redemption, the TPPL Shares issuable therefor.

SERINUS ENERGY INC.

SHARE CONSOLIDATION SCHEDULE

The Common Shares in the capital of the Corporation currently issued and outstanding are consolidated on the basis of one (1) post-consolidation Common Share for every ten (10) pre-consolidation Common Shares held, without any variation or change in or to the rights and entitlements attaching to such shares.

Appendix C – Issuer’s By-laws no. 1

SERINUS ENERGY INC.

BY-LAW NO. 1

(as amended and restated April 10, 2014)

A by-law relating generally to the conduct of the business and affairs of SERINUS ENERGY INC. (hereinafter called the "Corporation").