SERINUS

ENERGY

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2014

March 25, 2015

TABLE OF CONTENTS

GLOSSARY OF TERMS (i)

ABBREVIATIONS 1

CONVERSIONS 1

CURRENCY PRESENTATION AND EXCHANGE RATE DATA 2

FORWARD LOOKING INFORMATION 2

CORPORATE STRUCTURE 5

GENERAL DEVELOPMENT OF THE BUSINESS 6

2015 ACTIVITY 11

DESCRIPTION OF THE BUSINESS 11

PRINCIPAL OIL AND GAS ASSETS 15

STATEMENT OF RESERVEWS DATA AND OTHER OIL AND GAS INFORMATION 30

DIVIDENDS 31

DESCRIPTION OF CAPITAL STRUCTURE 31

MARKET FOR SECURITIES 32

PRIOR SALES 32

DIRECTORS AND OFFICERS 33

AUDIT COMMITTEE INFORMATION 39

RISK FACTORS 41

LEGAL PROCEEDINGS AND REGULATORY ACTIONS 68

TRANSFER AGENT AND REGISTRAR 70

MATERIAL CONTRACTS 70

INTEREST OF EXPERTS 71

ADDITIONAL INFORMATION 71

APPENDIX A: FORM 51-101F1 – STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION
APPENDIX B: FORM 51-101F2 - REPORT OF INDEPENDENT QUALIFIED RESERVES EVALUATOR
APPENDIX C: FORM 51-101F3 - REPORT OF MANAGEMENT ON OIL AND GAS DISCLOSURE
APPENDIX D: TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

GLOSSARY OF TERMS

All capitalized terms used in this Annual Information Form ("**AIF**") but not otherwise defined herein shall have the meanings set forth below. The information set out in the AIF is stated as at December 31, 2014 unless otherwise specifically stated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**CAD**" means the Canadian dollar, the lawful currency of Canada;

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

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

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

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

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

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

“**EBRD**” means the European Bank for Reconstruction and Development;

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

“**EBRD Romania Facility**” means the €10 million loan facility provided by the EBRD to Serinus with respect to financing the Company’s capital program for the Romania Assets

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

“ETAP” means Entreprise Tunisienne d’Activités Pétrolières, the state owned national oil company of Tunisia;

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

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

“**IMF**” means the International Monetary Fund;

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

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

“**KI Loan**” means the $12.0 million in debt funding provided by KI to Serinus 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 Serinus;

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

“KOV Borneo” means KOV Borneo Limited, a company existing under the laws of the United Kingdom, which is a wholly-owned subsidiary of Serinus Holdings;

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

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

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

"**LEU**" means the Romanian Leu, the lawful currency of Romania;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**RPS Report**" means the report of RPS effective December 31, 2014 and dated March 20, 2015 on their evaluation of the reserves in the Company's holdings in Tunisia and Ukraine;

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

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

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

“**Serinus Holdings**” means Serinus Holdings Limited (formerly Kulczyk Oil Ventures Limited), a company existing under the laws of Cyprus, which is a wholly-owned subsidiary of the Company;

“**SHA**” means the shareholder’s agreement dated November 10, 2009, as amended, between Serinus Holdings, Gastek and KUBGAS Holdings governing their relationship as shareholders of KUBGAS Holdings;

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

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

“**Syria Block 9**” means the lands subject to the Syria Block 9 PSC;

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

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

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

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

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

“**TSX-V**” means the TSX Venture Exchange;

“**TSX**” means the Toronto Stock Exchange;

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

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

“**UAH**” means the Ukrainian hryvnia, the lawful currency of Ukraine;

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

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

“**USD**” means the U.S. dollar, the lawful currency of the United States of America;

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

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

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

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

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

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

"**WSE**" means the Warsaw Stock Exchange..

ABBREVIATIONS

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

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

CONVERSIONS

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

CURRENCY PRESENTATION AND EXCHANGE RATE DATA

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

	Canadian Dollar (CDN$) to US$1.00	**Polish Zloty** (PLN) to US$1.00	**Ukrainian Hryvnia** (UAH) to US$1.00
2012:			
Year-end	1.0051	3.0996	7.9930
Average	0.9996	3.2581	7.9911
Annual high	0.9599	3.5777	7.9840
Annual low	1.0299	3.0690	7.9930
2013			
Year-end	1.0636	3.0120	8.1508
Average	1.0299	3.1615	8.1196
Annual high	0.9815	3.3724	8.0240
Annual low	1.0737	3.0105	8.1541
2014			
Year-end	1.1621	3.5423	15.82
Average	1.0992	3.1397	11.68
Annual high	1.1669	3.6010	15.91
Annual low	1.0429	3.0021	8.17

Source: 2012 – 2013: Bank of Canada (www.bankofcanada.ca), National Bank of Poland (www.nbp.pl) and National Bank of Ukraine (www.bank.gov.ua)
2014 Bloomberg

FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

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

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

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

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

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

CORPORATE STRUCTURE

Name, Address and Incorporation

The full legal name of the Company is Serinus Energy Inc. The Company's head office and registered office are located at Suite 1500, 700-4th Avenue S.W. Calgary, Alberta T2P 3J4.

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

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

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

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

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

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

At the Company's 2013 annual general meeting, held on May 14, 2014, the Company amended its By-Laws to remove the provisions requiring majority shareholder approval for certain types of private placements by the Company. As the Company is listed on the TSX, shareholders are protected by the TSX's rules, making those provisions in the By-Laws redundant. Further, the TSX may, from time to time, amend its rules which provide these shareholder protections, thereby potentially causing the provision in the By-Laws to no longer be sufficiently consistent with the TSX's rules.

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

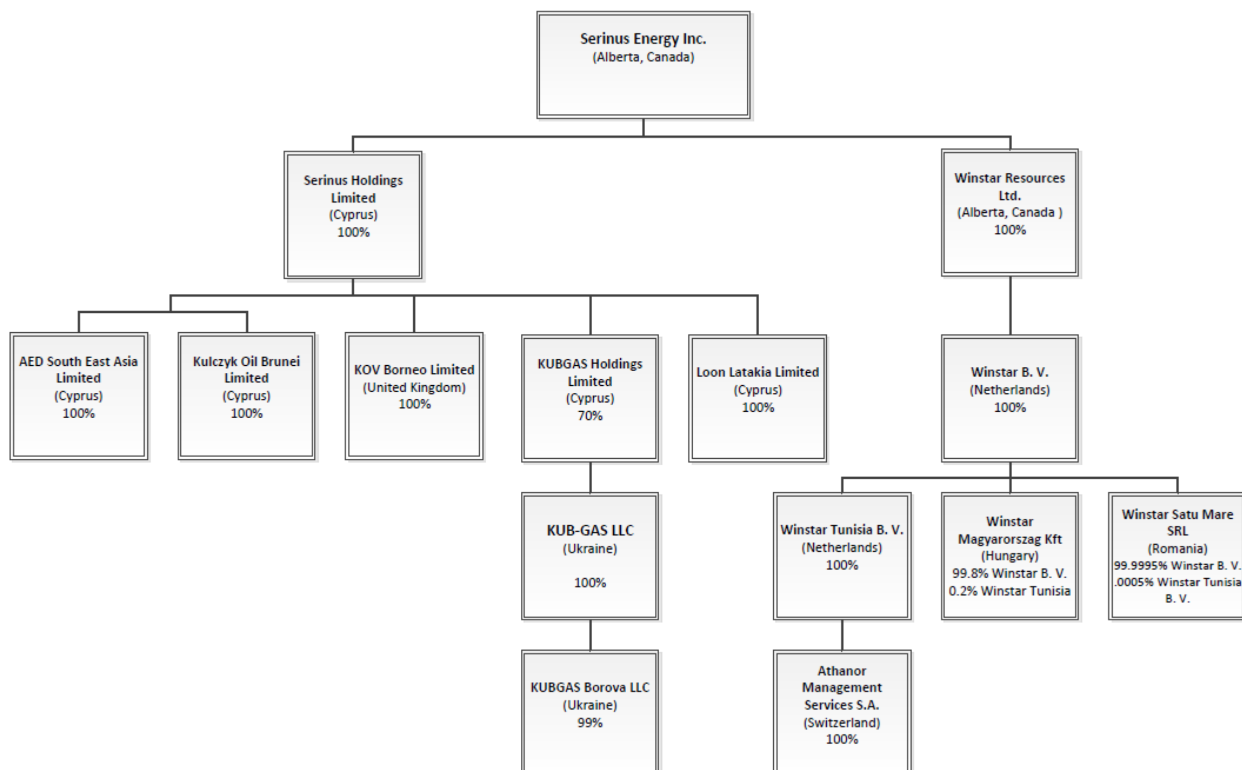
Intercorporate Relationships

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

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

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

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



The above diagram includes the Company's subsidiaries which have total assets that exceed 10% of the Company's total consolidated assets, or which have sales and revenues which exceed 10% of the Company's total consolidated sales and revenues or which are, in the opinion of the Company, pertinent to an understanding of the business of the Company. The assets and revenues of the Company's unnamed subsidiaries did not exceed 20% of the Company's total consolidated assets or total consolidated sales and revenues at and for the year ended December 31, 2014.

GENERAL DEVELOPMENT OF THE BUSINESS

Serinus Energy, a Canadian company and producer of crude oil and natural gas, indirectly owns 70% of KUB-Gas, which operates the Ukraine Licences and the gas fields contained therein, and 100% of Winstar, which operates the Tunisia Assets and the Romania Assets. Serinus also owns 90% of the Brunei Block L PSA, and has a 50% participating interest in the Syria Block 9 PSC. During 2014, the Company had average working interest production of 22.9 MMcf/d and 92 bbl/d in Ukraine. Working interest production from the Tunisia Assets averaged 999 bbl/d and 1.9 MMcf/d during 2014. There was no production during 2014 from the Romania Assets, Brunei Block L or Syria Block 9.

In light of the uncertain status of both Brunei Block L and Syria Block 9, the Company has fully impaired the value of both assets, and they are now considered minor assets. There was no activity on either block during 2014, nor is any future activity anticipated in the foreseeable future.

The Company, in its capacity as operator of Syria Block 9, declared a *force majeure* event in July 2012 under the Syria Block 9 PSC. Although the current exploration period is extended by the time spent in *force majeure*, it was previously extended contingent on renewal of a bank guarantee which the Company has been unable to provide due to international sanctions. It is therefore possible that this extension may not be enforceable and the Syria Block 9 PSC could lapse.

In Brunei, the Luba-1 and Lukut Updip-1 wells drilled in late 2013 fulfilled all outstanding work commitments with respect to Phase 2 of the Brunei Block L PSA. No further activity is planned for Brunei Block L, and management has been attempting to sell the property. In the event that no further activity is undertaken, it is possible that Brunei Bloc L will expire.

Three-Year History of the Company

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

EBRD Loan Facility - Ukraine

In May 2011, KUB-Gas finalized an agreement for the EBRD Ukraine Facility of up to $40.0 million from the EBRD. The proceeds of the EBRD Ukraine Facility are to be used to fund development of the Ukraine Licences. The EBRD Ukraine Facility bears interest at variable rates, to a maximum annual rate of 19.0%. The loan proceeds from the EBRD Ukraine Facility were to be advanced in two tranches, with a first $23.0 million tranche being advanced in 2011. On May 30, 2013, the remaining $17.0 million expired without any drawdown in accordance with the terms of the loan agreement. Serinus, as the indirect majority owner of KUB-Gas, has provided a guarantee for the entire amount of the EBRD Ukraine Facility outstanding from time to time. The EBRD Ukraine Facility balance outstanding is to be repaid in thirteen equal semi-annual payments, which commenced in July 2012 with a repayment in the amount of $1.8 million. As at December 31, 2012, the entire first tranche in the amount of $23.0 million had been drawn. On January 8, 2013, the Company announced that a $10.0 million prepayment had been made under the EBRD Ukraine Facility, and, with the regularly scheduled repayment on January 15, 2013 in the amount of $1.8 million, the principal balance outstanding of the EBRD Ukraine Facility after that time was $9.5 million. Further scheduled payments of $1.8 million, $1.8 million, $1.8 million and $1.8 million were made on July 15, 2013, January 15, 2014, July 15, 2014 and December 26, 2014 respectively. At December 31, 2014, the principal balance outstanding was $2.4 million.

KI/Radwan Debentures

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

KI Loan

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

On December 11, 2012, the Company and KI entered into an amended and restated loan agreement (the "**KI Loan Agreement**") to, among other things, extend the term of the loan by one year from

December 31, 2012 to December 31, 2013, and to make amounts owing under the loan convertible into Pre-Consolidation Shares. The KI Loan Agreement provided that Serinus shall use its commercially reasonable efforts to complete an IPO (as such term was defined in the KI Loan Agreement) by no later than December 31, 2013. In the event of an IPO, the KI Loan Agreement provided for the automatic conversion of the outstanding principal amount under the KI Loan, together with all accrued and unpaid interest thereon and any other fees or costs payable by Serinus to KI in connection with the KI Loan, if any. On June 24, 2013, the principal and accrued interest of $13.4 million on the KI Loan was converted into 3,183,268 Common Shares pursuant to the KI Loan Agreement and the 2013 Arrangement at a conversion price of $4.20 per Common Share.

Syria Block 9 Force Majeure

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

Acquisition of Winstar Resources

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

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

Listing on TSX

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

Listing of New Shares on WSE

After a rigorous application process with Polish regulators, the Common Shares issues pursuant to the Winstar acquisition became freely trading on the WSE on October 27, 2014.

Dutco Strategic Relationship and Dutco Loan

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

- Serinus granted Dutco an option to acquire between 5% and 15% of the Brunei Block L oil exploration block in Brunei (the "**Brunei Option**") in consideration of US$1 million per percentage point of interest acquired by Dutco. If there are amounts outstanding from Serinus to Dutco under the Dutco Loan then Dutco may elect to set-off the price of the Brunei Option against those amounts. A decision to exercise the right to acquire an interest is to be made within 31 days of the test results of a discovery well being announced in Brunei Block L. Dutco did not so elect, and the Brunei Option expired according to the terms of the agreement;

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

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

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

The Dutco Loan was fully repaid during 2014 with two payments totalling $7 million in Q2, and the balance of $8 million in Q3. No further oil and gas investments were made in Tunisia pursuant to the strategic relationship agreement.

EBRD Loan Facility - Tunisia

In November 2013, the Company finalized an agreement for the EBRD Tunisia Facility of up to $60.0 million from the EBRD. The proceeds are to be used to fund the capital program being planned for its oil and gas fields in Tunisia. The EBRD Tunisia Facility consists of two separate loan agreements, a senior loan in the amount of $40 million (the "Senior Loan") and a convertible loan of $20 million (the "Convertible Loan"). The Senior Loan has a term of seven years, and is available in two tranches of $20 million each. Interest is payable semi-annually at a variable rate equal to the sum of the London UK interbank rate plus 6%. At the Company's option, the interest rate may be fixed at the sum of 6% and the forward rate available to EBRD on the interest rate swap market. The Senior Loan is repayable in twelve equal semi-annual installments commencing after the first year of the loan. The second tranche of the Senior Loan is available only after the Convertible Loan is fully drawn, and is also subject to certain conditions including achieving and maintaining specified production targets for a period of three continuous months, and meeting specified financial and reserve coverage ratios.

The Convertible Loan has a term of seven years, and bears interest at a variable rate that is the sum of the London interbank rate and a percentage calculated on the basis of incremental net revenues earned from the Tunisian assets, with a floor of 8% per annum and a ceiling of 17% per annum. The Company can elect, subject to certain conditions, to convert all or any portion of the Convertible Loan principal and accrued interest outstanding for newly issued Common Shares at the then current market price of the Common Shares on the TSX or WSE, as required by the exchange rules. The EBRD can also at any time, and on multiple occasions elect to convert all or any portion of the Convertible Loan principal and

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

Both loans are available for a period of three years. On a repayment or conversion initiated by the Company, the number of Common Shares that may be issued is limited to a maximum of 5% of the number of Common Shares then issued and outstanding, with any amounts remaining outstanding then paid in cash. On a conversion initiated by EBRD, no such limit applies.

During 2014, the Company drew the full $20 million on the first tranche of the Senior Loan and $15 million on the Convertible Loan. At December 31, 2014, the amounts outstanding were $19.8 million and $15.2 million respectively. Interest rates on the first $20 million of the senior loan agreement have been locked in at a rate of 6.9% for the two year period from September 30, 2014 to September 30, 2016.

Pursuant to the finalization of the EBRD Romania Facility on February 20, 2015, the committed portion of the second tranche of the Senior Loan of the EBRD Tunisia Facility was reduced from $20 million to $8.72 million.

EBRD Loan Facility - Romania

On February 20 2015, the Company finalized an agreement for EBRD Romania Facility of €10 million from the EBRD. The proceeds are to be used to fund the capital program performed in Romania during late 2014 and early 2015, consisting of the drilling, completion and testing of two exploration wells, and the acquisition of 180 km^2 of new 3D seismic data. Interest is payable semi-annually at a variable rate equal to the sum of the London UK interbank rate plus 8%, and the principal is repayable in ten equal semi-annual installments commencing after the first year of the loan. There are also provisions for accelerated repayment of the principal. If and when the Company is able to convert and repatriate its cash in Ukraine, currently held in UAH, it will apply those funds to early repayment the Romania Facility according to the following schedule: .

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

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

With the finalization of the EBRD Romania Facility, the committed portion of the second tranche of the Senior Loan of the Company's EBRD Tunisia Facility was reduced from $20 million to $8.72 million.

Significant Acquisitions During Most Recently Completed Financial Year

No significant acquisitions were made during the 2014 fiscal year.

2015 ACTIVITY

In 2015, Serinus is focused on enhancing oil and gas production, production revenues and reserves in both Ukraine and Tunisia and exploring for natural gas in Romania.

DESCRIPTION OF THE BUSINESS

Overview

Serinus is an international oil and gas exploration company led by a management team with a strong international and operational background and with extensive global contacts in the oil and gas business. The Company has a diversified asset base with exposure to development and appraisal prospects and significant exploration upside. Its principal assets include its interests in the Ukraine Assets, Tunisia Assets and Romania Assets. Its interests in the Brunei Assets and Syria Assets are not material.

Oil and Natural Gas Exploration and Production

Serinus' average WI production (before royalties) in 2014 was 5,219 Boe/d. In Ukraine, average WI production was 22.9 MMcf and 92 bbl/d, and 22.9 MMcf/d and 81 bbl/d at year end. Tunisian production averaged 1,315 boe/d (76% oil) for 2014, with an exit rate of 1,523 boe/d (1,212 bbl/d and 1.9 MMcf/d). The total corporate exit rate for 2014 was 5,428 boe/d.

The table below shows the Company's working interest production and realized sales price(s) by country for 2014 compared to 2013.

		2014			2013		
		Ukraine	**Tunisia**	**Total**	**Ukraine**	**Tunisia***	**Total**
Oil	*(bbl/d)*	-	999	999	-	557	557
	($/bbl)	-	96.18	96.18	-	111.08	111.08
Gas	*(Mcf/d)*	22,874	1,894	24,768	19,198	1,229	20,427
	($/Mcf)	9.69	14.37	10.16	11.21	14.26	11.34
Condensate	*(bbl/d)*	92	-	92	120	-	120
	($/bbl)	78.19	-	78.19	87.90	-	87.90
BOE	*(BOE/d)*	3,904	1,315	5,219	3,319	762	4,081
	($/BOE)	58.61	93.76	65.32	67.99	104.22	74.76

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

Through its indirectly owned 70% subsidiary KUB-Gas, Serinus has interests in 92,400 gross acres (64,680 net acres) within the Ukrainian Licences. The Company's exploration focus is in the Carboniferous sequence including the Moscovian and Bashkirian zones which have been the traditional source of production in the area, and the deeper Serpukhovian and Visean formations which have been drilled and established as prospective more recently. In 2014, KUB-Gas drilled 3 exploration and appraisal wells, resulting in one gas well, one possible gas well which is awaiting completion and testing, and one suspended gas well. A fourth well, NM-4, was drilled only to a depth of approximately 100 metres at which point surface casing was set and drilling operations suspended due to security issues. For 2015, the Company has identified five firm drilling locations, but any drilling will be dependent upon an improvement in the fiscal regime in Ukraine and commodity prices. See also *"Principal Oil and Gas Assets – Ukraine – Exploration/Development Activity"*

The five Tunisia concessions cover 163,640 gross acres (147,750 net acres). The major exploration and appraisal opportunities are within the Sabria (28,890 gross acres, SEN 45% WI), Chouech Es Saida (42,820 gross acres, SEN 100%) and Ech Chouech (35,860 gross acres, SEN 100%) blocks. Sabria contains an Ordovician aged oil accumulation of 347 MMbbl (OOIP, P50), into which only six wells (10 including re-entry attempts) have been drilled. Chouech Es Saida and Ech Chouech are prospective in the Triassic Trias Argilo-Greseux Inferieur ("**TAGI**") sandstone, Devonian Oum Qasa carbonates, and

Silurian aged Acacus sands, and there may be potential in the deeper Ordovician, but it has not yet been penetrated in these two blocks. In 2014, the Company drilled one successful development well in Sabria, shot a 203.5 km^2 3D seismic survey over Sanrhar, worked over 5 wells, and embarked on several projects aimed at facility optimization and de-bottlenecking. The major work planned for 2015 in Tunisia includes among other things, drilling and completion of another development well in Sabria, and continued facility optimization and de-bottlenecking,. See also *"Principal Oil and Gas Assets – Tunisia".*

Through the Satu Mare Farm Out Agreement, Serinus has earned a 60% working interest in the Satu Mare Concession in northwest Romania, covering 765,000 gross acres. Historical drilling has been sparse, and the Company has an inventory of over 50 leads and prospects. Serinus drilled two exploration wells and shot 180 km^2 of 3D seismic during 2014, and in 2015, Serinus plans to complete and test the two new wells, and continue to process and interpret the new seismic data. See also *"Principal Oil and Gas Assets – Romania"*.

In Brunei, exploration work on Brunei Block L is conducted by the Company's subsidiaries, AED SEA and Kulczyk Oil Brunei, through a joint venture with another local company. No operations were conducted in Brunei during 2014.

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

Key Personnel

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

Specialized Skill and Knowledge

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

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

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

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

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

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

Competitive Conditions

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

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

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

Diversified Asset Base

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

At year-end 2014, Serinus' production was split between Ukraine (approximately 69%) and Tunisia (31%). Exploration success in Romania in this year's program may result in production and cash flow from that country by late 2016, although no production or cash flow has yet been forecast or budgeted in the Company's medium and long term plans.

The Ukraine Assets, Tunisia Assets and Romanian Assets all have inventories of exploration, appraisal and development prospects, giving the Company the flexibility of directing capital investment to the venue(s) that offer the best returns at any given time.

High Quality Deal Flow

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

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

Partnering with Local Companies

The management of Serinus believes that forming alliances with local and industry partners is an essential part of the sourcing and securing of new opportunities, through benefiting from such partners' local market knowledge and relationships, and helps mitigate the inherent operational risks associated

with the exploration and development of gas and oil assets. Retention by local partners of equity in assets adds further comfort and mutual alignment in business development. In turn, local companies benefit from the technical expertise and business experience of the Serinus team.

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

Flexible Financing Structure

Serinus' management seeks to ensure an optimal mix of financing to fund the Company's operations, particularly its capital commitment obligations. The Company's principal sources of funding have been, and will likely continue to be, equity, debt, and farm-out arrangements. As at December 31, 2014, the Company had total borrowings of $37.3 million, of which $2.4 million was with the EBRD pursuant to the EBRD Ukraine Facility, and $34.9 million was with the EBRD pursuant to the EBRD Tunisia Facility. The Company has farm-out arrangements in place in respect of certain interests held by the Company in Syria Block 9.

Leverage Expertise

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

Portfolio Diversification

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

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

Cycles

Prices for crude oil and natural gas are subject to periods of volatility. Prolonged increases or decreases in the price of oil and gas could significantly impact the Company. There is a strong relationship between energy commodity prices and access to both equipment and personnel. High commodity prices also affect the cost structure of services which may impact the Company's ability to accomplish drilling, completion and equipping goals. In addition, weather patterns are unpredictable and can cause delays in implementing and completing field projects.

The oil and gas business is cyclical by nature, due in part to the volatility of oil and gas commodity pricing as described above. Additionally, seasonal interruptions in drilling and construction operations can occur but are expected and accounted for in the budgeting and forecasting process. In Ukraine and Romania, cold temperatures, heavy snows or extremely muddy conditions may cause delays to planned activities. In Tunisia, sandstorms and both high and low temperatures can make operations more difficult and costly.

Employees

As at December 31, 2014, the Company had 39 direct employees in its offices in Calgary (26), Dubai (4), Warsaw (4) and Brunei (5), 421 staff employed directly by KUB-Gas in Ukraine, and 150 employed by Winstar in Tunisia and Romania. Serinus operates indirectly in Ukraine through its indirect 70% owned subsidiary KUB-Gas. As at December 31, 2014, the Company's operations on the Syrian Assets remained suspended.

PRINCIPAL OIL AND GAS ASSETS

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

Ukraine

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

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

Through a series of steps which were completed in June 2010, Serinus Holdings now holds 70% of the ordinary issued equity of KUBGAS Holdings, with Cub Energy (which acquired Gastek in 2012) owning the remaining 30% of KUBGAS Holdings' shares. KUBGAS Holdings owns 100% of the charter capital of KUB-Gas. At the time of the acquisition, KUB-Gas held one 20-year production licence (Vergunskoye) and three exploration licences (Olgovskoye, Makeevskoye and Krutogorovskoye). Olgovskoye and Makeevskoye were converted to 20-year production special permits in February 2012 and April 2012 respectively. In August 2013, the Ukrainian Ministry of Fuel and Energy formally acknowledged the conversion of the Krutogorovskoye licence from an exploration licence to a 20-year production licence, leaving only North Makeevskoye as an exploration licence.

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

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

treated. From the central processing facility, the gas is transported by pipeline and delivered to the national pipeline infrastructure.

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

Ukraine Assets

The five Ukraine Licences, Vergunskoye, Olgovskoye, Makeevskoye, North Makeevskoye and Krutogorovskoye are located in the Lugansk and Donetsk oblasts in the northeast part of Ukraine. Information relating to each of the five Ukraine Licences held by KUB-Gas is summarized below.

Ukraine Licences – Size, Location and Duration

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

Note:

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

The total gross area included in the five Ukraine Licences is 36,315 hectares (89,736 acres). KUB-Gas must hold these licences in order to conduct its current natural gas and condensate producing operations in Ukraine. All five licences are subject to a royalty tax system, the rates of which are subject to periodic change. Currently, royalties are 55% and 45% for gas and liquids respectively, and the corporate income tax rate is 18%. New wells registered for production after August 1, 2014 are eligible for a "lowering coefficient" of 55% on natural gas for the first two years of production, decreasing the effective royalty rate to 30.25% on gas during that period.

Licensing and Regulatory Regime in Ukraine

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

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

studies; and (v) environmental impact assessments. The State Geological Service may insert additional special conditions, such as minimum production requirements.

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

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

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

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

Historically, the domestic gas price within Ukraine is set by NERCU by reference to the Russian imported gas price. As Ukraine relies to a significant extent on energy resources from Russia, the domestic industrial gas price in Ukraine exhibited 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, was determined based on annual negotiations between the governments of Ukraine and Russia.

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

This pricing mechanism weakened during 2014 due to the unrest in the eastern part of the country, and disputes with Russia over outstanding bills and gas prices. Specifically, five significant factors affected prices in various directions at different times of the year:

1. Prices fell by approximately 30% during the first quarter due to a deal with Russia for subsidized gas after Ukraine pulled out of discussions regarding closer economic ties with the European Union. After the protests during that same quarter resulted in the resignation of President Victor Yanukovych, that deal expired at the end of March 2014, and gas prices partially recovered but not to the levels experienced in 2012 or 2013.

2. In April 2014, Ukraine stopped importing gas from Russia altogether, and declared a moratorium on further payment to Gazprom. This eliminated the Russian benchmark against which gas prices had previously been set.

3. The geopolitical instability in eastern Ukraine caused a deterioration in the exchange rate. The hryvnia fell from approximately 8.2 UAH/USD in January 2014 to 16 UAH/USD in January 2015, and to 26 UAH/USD in late February 2015 after the National Bank of Ukraine allowed it to float freely. This was further complicated by the imposition of foreign exchange restrictions in late September 2014. The falling exchange rate muted the effect of the price recovery that occurred after the expiry of the subsidized gas deal during the first quarter of 2014.

4. In October 2014, Ukraine and Russia announced an agreement for 4 billion cubic metres of short term gas sales to Ukraine during Q4 2014 and Q1 2015, for prices of $378 and $365/Mcm respectively (approximately $10.65 and $10.28/Mcf).

5. The Ukrainian Cabinet of Ministers passed three resolutions (No.' 596, 599 and 647) in November 2014, which collectively required 170 of the largest gas consumers in Ukraine to purchase gas exclusively from Naftogaz. This resulted in several private producers having to shut in domestic production in December 2014 and January 2015 due to lack of creditworthy customers. The latest, No. 647, was overturned by the District Administrative Court of the City of Kyiv on December 17, 2014. The government appealed, and the resolution remained in effect until the appeal process was complete. KUB-Gas sold approximately 4 million cubic metres of gas less than its productive capability in January 2015 due to this regulation. On February 5, 2015, the Kyiv Appellate Administrative Court confirmed the lower court's decision, and the resolution now is overturned pending a cassation appeal initiated by the Cabinet of Ministers. The High Administrative Court of Ukraine, in a decision dated February 24, 2015, agreed to review the appeal, but denied the government's motion to suspend the prior court decisions. A new hearing has not yet been scheduled.

See also *"Principal Oil and Gas Properties – Ukraine – Infrastructure, Transportation and Marketing*

From 2013 onward, royalties for gas and condensate were set at 25% and 39% respectively, and raised to 28% and 42% effective April 1, 2014. Effective August 1, 2014, the rates were raised again to 55% and 45%, with a two-year period of an effective 30.25% gas royalty rate on new wells. On January 1, 2015, these rates were made permanent. The two-year abatement period was allowed to expire, but was subsequently reinstated by the government on March 10, 2015. See "*Risk Factors - Compliance with Foreign Regulatory Regimes*".

Exploration / Development Activity

Note on well nomenclature: Well names officially consist of the licence name (Olgovskoye, Makeevskoye, Krutogorovskoye, Vergunskoye and North Makeevskoye) and the number of the well. Rather than defining each well individually, all wells referred to herein will be named by the first initial of the licence followed by the well number. For example, the Makeevskoye-19 well is referred to herein as M-19.

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

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

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

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

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

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

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

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

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

In June 2012, a 225 km^2 3D seismic survey programme was completed over North Makeevskoye, expanding on the original 71 km^3 survey shot in 2011. Interpretation of the North Makeevskoye 3D data identified five additional structural prospects.

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

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

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

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

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

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

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

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

Drilling on the M-17 well commenced on November 27, 2013. Planned total depth was 3,450 metres, and the well targeted the S6 sandstone and S5 limestone. The well reached a total depth of 3,445 metres in early March and logs indicated 9 metres of gas pay in the S6, 2.5 metres of gas pay in the S5 carbonates, and additional resource potential in the S7 and R30c zones. M-17 was completed and tested during May and June of 2014, and achieved maximum test rates of 6.6 and 0.9 MMcf/d from the S6 and S7 zones respectively. The well was put on production from the S6 zone in late June 2014 at an initial rate of 6 MMcf/d.

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

The O-11 well was spud in early April 2014 and reached its total depth of 3,230 metres in May. Logs indicated aggregate potential net pay of 30.5 metres in four zones. In June 2014, the well was perforated in the S6 zone, and experienced a strong air blow, followed by gas to surface.

The NN-4 well was spud in early June 2014, and surface casing was set at a depth of 100.2 metres in late June. Drilling was suspended thereafter due to the security issues in eastern Ukraine at the time.

The Vergunskoye and Krutogorovskoye fields which are located adjacent to the City of Lugansk were both shut in in June 2014 due to the security issues, and remain shut in as of the date of this AIF. Both of these fields are currently in territory controlled by the rebels.

Drilling and workover operations resumed in Ukraine in the third quarter of 2014, with the spud of the M-22 well. M-22 reached its total depth of 3,629 metres in early January 2015. Logs indicated 18 metres of aggregate net pay in the S6 and S13a zones, and an additional 22 metres of hydrocarbon bearing rock in the S5, S7, S13 and S13b formations as well. Testing and completion operations commenced in mid-January 2015.

The work program for 2015 will currently consists of completing, testing and tying in the M-22 well, and the addition of field compression in the Olgovskoye field. Pending an improvement in economic and fiscal conditions, KUB-Gas has five firm drilling locations (include resuming operations on NM-4) and four stimulation candidates.

Infrastructure, Transportation and Marketing

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

In January 2014, following an agreement between Russia and Ukraine for discounted gas (see also *"Principal Oil and Gas Properties – Ukraine – Licencing and Regulatory Regime in Ukraine")*, NERCU reduced the maximum natural gas prices for the first quarter of 2014 to UAH 3,113/Mcm, or $10.70/Mcf based on the then current exchange rate of 8.2 UAH/USD. On March 28, 2014, the exchange rate was 10.95 UAH/USD. For Q1 2014, the gas sold by KUB-Gas realized an average price of $8.55/Mcf.

On March 4, 2014, the Russian energy company, Gazprom announced that it would cancel the discount on natural gas to Ukraine effective April 1, 2014. The maximum price set by NERCU rose to UAH 4,020/Mcm in April 2014, and continued to rise throughout the rest of the year to UAH 5,900/Mcm in December 2014. The exchange rate however, continued to deteriorate, averaging 11.69 UAH/USD in April 2014, and falling to 15.69 UAH/USD during December 2014. KUB-Gas realized prices of $10.23, $10.17 and $9.63/Mcf in the second, third and fourth quarters of 2014 respectively.

The future of natural gas prices in Ukraine is currently subject to a high degree of uncertainty and the above numbers may not be representative of future prices that the Company will receive on its Ukraine production.

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

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

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

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

Material Agreements

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

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

Under the SHA, Serinus Holdings 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 Serinus Holdings or Gastek would prefer not to undertake a particular new petroleum opportunity in Ukraine through KUBGAS Holdings, the other party may proceed independently. The SHA has been amended by a letter agreement dated November 11, 2011 (the "**Letter Agreement**") to exclude certain areas from the

application of this requirement. The SHA contains customary non-compete restrictions on the parties to the agreement. Under the Letter Agreement, certain business activities are excluded from the application of this requirement.

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

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

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

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

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

(b) Technical Services Agreements

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

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

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

The TSA's are governed by English law.

Tunisia

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

Tunisia Assets

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

Tunisia Concession Summary Data

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

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

Government Administration and Licencing Terms

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

Summary of Tunisia Asset Fiscal Terms

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

* ETAP has the right to back in for a 50% working interest after a total of 6.5 MMbbl of crude/condensate sales, net of royalties. Current cumulative production was 4.9 MMbbl as of December 31, 2014

Exploration / Development Activity

Sabria

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

In 1991 MOL Hungarian Oil & Gas PLC ("**MOL**") became the operator of the Sabria concession. From 1991- 1995 MOL performed three 2D seismic surveys and based on these surveys and re-evaluation of the previous wells, re-completed W-SAB-1 as a horizontal well ("**W-SAB-1H**") near the top of the Hamra Formation. This well tested hydrocarbon potential in August 1996. In 1998 MOL drilled Sabria

Northwest 1 ("**SAB-NW1**"), completed as a horizontal producer. In late 1998 and early 1999 MOL re-entered SAB-N1 and drilled a new horizontal leg. Based on disappointing results, the well was suspended in 1999.

Sabria was put on stream in October 1998 with well W-SAB-1H, followed by SAB-NW1 in May 1999 and SABN3H in January 2002. In early 2000, Winstar Netherlands (then Athanor B.V.) acquired the MOL interest in the Sabria concession and became the field operator. In 2002, the SAB-N3 well was re-entered, drilled and completed as a horizontal producer ("**SAB-N3H**"). Associated gas is recovered at the field, compressed to 100 bar pressure and delivered into a third party gas pipeline from where it is transported and sold to Societe Tunisienne de l'Electricite et du Gaz ("**STEG**"), the Tunisian state electricity and gas company. Condensate is recovered from the associated gas via a chilling unit and slip-streamed back into the crude oil stream for sales.

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

Winstar finished drilling the Sabria 11 well in the first quarter of 2007 and completed the well in the second quarter of 2007. Sabria 11 has been on production since late June 2007. In late 2013 to early 2014, the choke size was increased in a number of stages which increased production while having no material adverse effects on either the water cut or gas-oil ratio.

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

In July 2014, Winstar Tunisia spud the Winstar-12bis well ("**WIN-12bis**") which reached its total depth of 3,855 metres in November 2014. Logs indicated 79 metres of oil bearing reservoir in the Upper Hamra, Lower Hamra and El Atchane formations. Production from WIN-12bis commenced on December 10, 2014 at an initial rate of 635 boe/d.

The Winstar-13 well ("**WIN-13**") well was spud on December 10, 2014. After early lost circulation issues and an active shallow aquifer caused significant delays, it reached its targeted total depth of 3,781 metres on March 11, 2015. Logging, completion and testing are anticipated to take until early April 2015.

Chouech Es Saida

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

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

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

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

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

In November of 2010, Winstar commenced the drilling of its first Silurian exploration well, Chouech Es Saida Silurian #1 ("**CS Sil #1**"), which tested at combined production test rates of approximately 3,379 boepd. Prior to the installation of the gas compression and treatment facility transported from Hungary, the primarily crude oil bearing zones (zones 2 &3) were placed on long term production tests from February 2011 to September 2011 producing between 80-120 bbl/d. Following the installation of the gas facility, production from zone 1 commenced at between 900 - 1,000 boepd. Sand production and liquid loading subsequently limited production and it produced only intermittently during 2013. A workover to clean out the wellbore, open additional zones and install a smaller diameter velocity string was performed in April 2014, and the well was returned to production in May 2014 at approximately 500 Mcfe/d. Production has since declined due to scaling issues which are currently being addressed with a chemical program.

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

In December 2011, Winstar completed its drilling program at Chouech Es Saida Silurian #10 ("**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. That workover was not successful, and the well is currently shut in, awaiting further analysis and remedial measures. A workover in May 2015 to clean out the wellbore and re-establish production was unsuccessful, and the well has been suspended.

During the second and third quarters of 2014, workovers were performed on the CS-8 and CS-11 wells to repair or replace their respective bottomhole pumps.

Ech Chouech

Five wells have been drilled in the Ech Chouech concession since 1970. The field was discovered by the Ech Chouech #1 well ("**EC-1**"), which encountered oil in the Devonian Ouan Kasa formation at a depth of 3,220 metres. EC-1 was completed in 1991 and tested for 6 months at rates ranging from 200-220 boepd and produced a total of 34,000 bbl. The test was terminated by a well-bore blockage. In 2008, Winstar conducted a successful workover of EC-1 and the well was put back on production, averaging almost 100 bbl/d. A workover was conducted on EC-1 in 2010 to address some production impediments and the well came back on production at a rate of 140 bbl/d and produced and average of 71 bbl/d in 2014.

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

During the third quarter of 2014, workovers and stimulations were performed on the EC-4 and ECS-1 wells. Debris left in the wellbores by previous operators was cleaned out, and both wells were hydraulically stimulated in the Devonian Ouan Kasa formation. During swabbing, ECS-1 initially produced gas and water, and as swabbing continued, the condensate cut increased. Operations commenced in early March to equip the well with a small diameter velocity tubing string, and to tie it into the flowline at EC-1.

EC-4 initially produced water with increasing oil cuts, but later swabbing showed almost all water. The well is being further analyzed to determine additional remedial measures.

Sanrhar

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

Winstar Tunisia shot 203.5 km^2 of 3D seismic over the Sanrhar concession in July and August of 2014. That data is being processed and interpreted.

Zinnia

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

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

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

Infrastructure, Transportation and Marketing

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

In 2013, Winstar delivered a surplus refurbished compressor to STEG at its El Borma facilities. The intent was to improve on STEG's receipt capacity and up time percentage, thereby increasing Serinus gas sales. Start-up has been delayed due to scarcity of parts and instrumentation, and availability of technicians from the manufacturer to complete the installation.

In the longer term, OMV has undertaken construction of a new gas pipeline known as the Nawara Gas Pipeline Project. The line will run from the southern end of the country to a gas plant to be built near the town of Gabes in southeast Tunisia, and have a capacity of 350 MMcf/d. From Gabes, the gas will be connected to existing sales lines including the TransMed Pipeline to Italy. While being built primarily for OMV's Nawara gas/condensate discovery, the line capacity appears to be sufficient that other operators in the southern end of Tunisia will be able to nominate in for space. OMV's last disclosed estimate for start up is late 2016.

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

Romania

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

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

In April 2008, Winstar executed a joint venture transaction with Rompetrol S.A. whereby, by fulfilling certain conditions, Winstar could earn up to a 60% interest in the Satu Mare Concession. Winstar subsequently assigned its interest in the Satu Mare Farmout Agreement to its wholly-owned subsidiary, Winstar Romania. In March 2009, after receiving approval from the NAMR, Rompetrol S.A. assigned an initial 25% participating interest in the Satu Mare Concession to Winstar Romania. In Q3 2013, after Winstar Romania had satisfied the conditions precedent to the second transfer and the NAMR had granted its approval of such transfer, Rompetrol S.A. assigned a subsequent 35% participating interest in the Satu Mare Concession to Winstar Romania. Winstar Romania and Rompetrol S.A. currently hold 60% and 40% participating interests in the Satu Mare Concession, respectively.

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

Winstar Romania, encouraged by the success of Phase 1, elected to enter the second stage of exploration in November 2012 (thereby placing the Satu Mare Concession holders in both Phase 1 and Phase 2 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 Phase 22 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 Phase 2 are: (i) analysis of data acquired during stage 1, integrated reinterpretation of the geological and geophysical data and drillings, and a seismic 3D project; (ii) acquisition of 180 square kilometres of 3D seismic, processing and integrated reinterpretation of data, and the drilling of two exploration wells. Pursuant to the terms of the Satu Mare Farmout Agreement, the Company is

responsible for 100% of the costs of satisfying the Phase 2 minimum work commitments. The seismic acquisition was completed in October 2014 and processing and interpretation are ongoing. The two wells were drilled during November and December 2014. Completion and testing operations commenced in late February 2015.

The Moftinu-1001 and 1002bis wells, together with the 180 km^2 3D seismic survey shot in the Santau area during 2014, will fulfill all of the Phase 2 work commitments. This gives Winstar Romania the right to exclusive negotiations with NAMR with respect to an extension of the Satu Mare Concession with a third exploration period and work commitments. The Company has had preliminary discussions with NAMR with respect to this extension and will be submitting a formal proposal in the near future.

The Romania Assets

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

Summary of Satu Mare Concession Agreement Fiscal Terms

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

Exploration / Development Activity

Winstar Romania conducted the 180 km^2 3D seismic acquisition over the Santau area during September and October 2014. Processing and interpretation is underway.

The Moftinu-1001 well was spud in early November 2014, and reached its total depth of 1,463 metres on November 28, 2014. Logs indicated three Pliocene/Miocene aged zones with aggregate potential net pay of 17 metres at depths ranging from approximately 730 to 900 metres. These sands show excellent porosity, ranging between 24% and 36%. The well also encountered three additional zones at depths between 500 and 600 metres with aggregate sand thickness of 23 metres. These zones exhibit good reservoir properties, although the preliminary data is not conclusive as to the existence of hydrocarbons therein, and further evaluation will be required to confirm their commerciality.

The Moftinu-1002bis well was drilled during December 2014 and reached a total depth of 2,083 metres, open hole wireline logs, mud logs and/or drill cuttings indicate seven Cenozoic aged sandstones with an aggregate of 90.5 metres of hydrocarbon bearing rock, and 22 metres of potential net pay. Only a limited electric log suite was obtainable over three of the lower zones due to several well stabilization issues which resulted in hole collapse and washout. The net pay in those zones was determined primarily from strip logs, mud logs, and observation of fluorescence. The wellbore instability appears to be due to increased tectonic stress at the top of the structure.

Operations to complete and test Moftinu-1001 and Moftinu-1002bis commenced in early March and are anticipated to be finished by early April 2015.

Infrastructure, Transportation and Marketing

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

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

Material Agreements

(a) Satu Mare Concession Agreement

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

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

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

All of the Phase 1 requirements have been met, and Serinus has budgeted $14.8 million toward the completion of Phase 2. The Romanian government has extended the deadline for completion of Phase 2 to May 2015, and Serinus anticipates completing all the remaining commitments on or before that time. Successful completion of Phase 2 gives Winstar Romania the right to negotiate a Phase 3 exploration period with NAMR, which will contain a new term and new set of work commitments.

In the event of a commercial discovery, the SMCA provides that Winstar Romania can apply for and negotiate a production licence for each such discovery, providing that the overall concession is in good standing.

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

(b) Satu Mare Farm Out Agreement

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

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

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

In Q3 2013, after Winstar Romania had satisfied the conditions precedent to the second transfer and NAMR had granted its approval of such transfer, Rompetrol S.A. assigned a subsequent 35% participating interest in the Satu Mare Concession to Winstar Romania. Winstar Romania and Rompetrol S.A. currently hold 60% and 40% participating interests in the Satu Mare Concession, respectively.

Other Assets

The Company owns interests in the Brunei Assets and the Syria Assets which are not, at this time, considered to be material to the Company and Winstar formerly owned a working interest in a minor property at Sturgeon Lake in the Province of Alberta, Canada. The mineral rights expired in 2013, but the Company still owns surface access rights, and minor facilities. It also has a C$1.5 million bond posted with the Alberta government against abandonment liabilities. Serinus is evaluating the costs to abandon the well. Once abandoned, the bond will be released by the Alberta government.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Reserves

In accordance with the requirements of NI 51-101, RPS, an independent qualified reserves evaluator and auditor, prepared a report called "*Evaluation of Serinus Energy Tunisian and Ukraine Reserves as of 31st December, 201*4" dated March 20, 2014 (the "**RPS Report**").

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

The RPS Report evaluates, effective as at December 31, 2014:

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

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

In preparing the RPS Report, RPS relied upon certain factual information and data furnished by KUB-Gas and the Company with respect to ownership interests, gas production, historical costs of operation and development, product prices, agreements relating to current and future operations, sales of production, and other relevant data to December 31, 2014.

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

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

DIVIDENDS

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

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

DESCRIPTION OF CAPITAL STRUCTURE

Pursuant to the Articles of the Company, the Company may issue an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. As of December 31, 2014, there were 78,629,941 Common Shares and no preferred shares issued and outstanding in the capital of the Company.

Common Shares

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

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

Preferred Shares

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

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

MARKET FOR SECURITIES

Trading Price and Volume

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

	Closing Price on the WSE (PLN)		Closing Price on the TSX (CAD)		Average Daily Trading Volume		
	High	**Low**	**High**	**Low**	**WSE**	**TSX**	**Total**
2015							
February	3.68	3.30	1.20	1.10	113,223	15,410	148,633
January	4.09	2.84	1.31	0.91	123,748	7,737	131,485
2014							
December	5.60	3.55	1.99	1.00	207,355	29,643	236,998
November	6.50	5.63	2.13	1.78	41,160	8,834	49,994
October	6.69	5.90	2.20	1.98	36,862	6,036	42,898
September	6.94	4.84	2.32	1.7	120,430	8,661	171,989
August	6.00	4.12	2.15	1.40	132,117	28,909	161,026
July	7.79	5.84	2.65	2.10	49,931	8,290	58,221
June	8.68	7.32	3.04	2.59	72,220	8,380	80,600
May	8.12	6.61	2.79	2.37	96,939	65,583	165,522
April	10.32	7.80	3.67	2.84	66,924	22,963	89,887
March	10.20	8.00	3.68	2.92	121,020	29,943	150,963
February	10.75	9.43	3.83	3.40	60,385	20,291	80,676
January	11.95	9.75	4.10	3.50	67,961	15,801	83,762

PRIOR SALES

The Company has granted Common Share purchase options to officers, directors, employees and certain consultants with exercise prices equal to or greater than the fair value of the Common Shares on the grant date. Upon exercise, the options are settled in Common Shares issued from treasury. Options generally vest over two years and have a life of five years. As at the date of this AIF, there were 3,064,000 Common Shares issuable upon the exercise of outstanding options of the Company at prices ranging from CAD $1.56 to USD $6.20 per Common Share.

During the financial year ended December 31, 2014, the Company granted 389,000 Common Share purchase options exercisable into Common Shares, the particulars of which are set out in the following table:

Date of Grant	Number and Type of Securities Issued	Exercise Price ($)
Jan 2, 2014	50,000	$3.76 USD
Jan 6, 2014	90,000	$3.75 USD
Jan 15, 2014	102,000	$3.27 USD
Feb 18, 2014	75,000	$3.42 USD
Mar 24, 2014	2,587,000	$4.20 USD
June 30, 2014	58,000	$2.80 CAD
Aug 15, 2014	12,000	$1.56 CAD
Nov 17, 2014	62,000	$2.04 CAD
Total:	**389,000 options**	

Subsequent to the year end, the Company cancelled 2.7 million USD denominated options with a weighted average exercise price of $4.05 per share.

Each Common Share purchase option entitles the holder thereof to acquire one Common Share, on the terms and conditions set forth in the Company's stock option plan, and expires five years from the date of issuance. For further information, please see "Executive Compensation" in the Company's information circular dated April 17, 2014 relating to the annual meeting of shareholders of the Company held on May 14, 2014.

DIRECTORS AND OFFICERS

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

Directors and Executive Officers

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

Name	Province / Country of Residence	Position with the Company	Date of Appointment	Principal Occupation(s)
Helmut J. Langanger[(3)]	Vienna, Austria	Chairman of the Board of Directors	November 9, 2011, Chairman of Board of Directors since May 14, 2014	From 1974 until 2010, Mr. Langanger was employed by Austrian company OMV where he was since 2002 Group Executive Vice President EP, a member of the Executive Board and Managing Director Upstream. Since his retirement

Name	Province / Country of Residence	Position with the Company	Date of Appointment	Principal Occupation(s)
				in 2010 Mr. Langanger has served as a director of various companies.
Stephen C. Akerfeldt (1)	Toronto, Ontario, Canada	Director	March 16, 2011	Mr. Akerfeldt has been President and a director of Ritz Plastics Inc., a private company that produces plastic parts primarily for the automotive industry by injection moulding, since 1999. From June 2007 until February 2011, he was Chairman of the Board and a director of Firstgold Corp., a gold exploration company and he was the Chief Executive Officer of Firstgold Corp. from January 2008 to July 2009.
Timothy M. Elliott	Dubai, United Arab Emirates	President and Chief Executive Officer; Director	President and Chief Executive Officer since February 10, 2006 Director since April 10, 2001	Mr. Elliott has been President and Chief Executive Officer of the Company since February 2006.
Norman W. Holton	Calgary, Alberta, Canada	Vice Chairman of the Board of Directors	Vice Chairman of the Board of Directors since December 10, 2008 Director since July 30, 1993	Mr. Holton has been Vice Chairman of the Board of Directors since December 10, 2008. Prior thereto, he was Executive Chairman of the Company (since May 2007) and Chairman and Chief Executive Officer of the Company (from 1995 to February 2006).
Evgenij Iorich	Zug, Switzerland	Director	June 24, 2013	Mr. Iorich is a Vice President at Pala Investments, a multi-strategy investment company dedicated to investing in, and creating value across the mining sector in both developed and emerging markets. Mr. Iorich has been with Pala Investments since 2006 and his investment experience extends across oil and gas, base metal and bulk commodity investments. Prior to joining Pala, from 2004 until 2006, Mr. Iorich was a financial manager at Mechel OAO, the Russian metals and mining company, where his

Name	Province / Country of Residence	Position with the Company	Date of Appointment	Principal Occupation(s)
				responsibilities included all aspects of budgeting, forecasting and financial modeling. Mr. Iorich graduated from the University of Zurich with a Masters of Arts degree.
Gary R. King [(1)(2)(3)]	Dubai, United Arab Emirates	Director	October 25, 2007	Mr. King is Founder and Managing Partner of The Matrix Partnership, a strategic advisory firm based in Dubai, UAE. He was most recently Chief Executive Officer of Regalis Petroleum, a privately held company with oil and gas activities focused in the Republic of Chad. Prior to this he was the Chief Executive Officer of Dutco Natural Resources Investments Ltd, and relocated to Houston as President of Tarka Resources and Vice Chairman of Manti. Prior to this he was Chief Executive Officer of Dubai Natural Resources World, a private investment fund owned by the Government of Dubai (since September 1, 2008). Before this he was Chief Executive Officer of the Dubai Mercantile Exchange (from December 2005 to August 2008) Mr. King is also an independent director and Board Member of Parker Drilling Company
Sebastian Kulczyk	Warsaw, Poland	Director	May 14, 2014	President of the Management Board of Kulczyk Investments S.A. Prior thereto, he worked for Lazard Ltd. and prior thereto, was the CEO of Phenomind Ventures S.A. Mr. Kulczyk graduated from Adam Mickiewicz University in Poznań, majoring in management and marketing and has studied at the London School of Economics.
Manoj N. Madnani[(2)]	Dubai, United Arab Emirates	Director	October 25, 2007	Mr. Madnani has been Managing Director (Dubai) and a Board Member of Kulczyk Investments S.A. (Luxembourg) and related companies since June 2007.

Name	Province / Country of Residence	Position with the Company	Date of Appointment	Principal Occupation(s)
				Prior to joining the Management Board of Kulczyk Investments S.A., he was Managing Director of The Marab Group (Kuwait), an oil and gas consultancy and investment banking firm focusing on sovereign energy security and global investments in the energy sector (from July 2005 to May 2007).
Michael A. McVea (1)(2)	Victoria, British Columbia, Canada	Director	February 10, 2006	Mr. McVea has been a retired barrister and solicitor and corporate director since 2004.
Jock M. Graham	Dubai, United Arab Emirates	Executive Vice President	May 28, 2007	Mr. Graham has been Executive Vice President of the Company since February 2006 and prior to that was a consultant to the Company from March 2005.
Edwin A. Beaman	Calgary, Alberta, Canada	Vice President, Operations & Engineering	October 23, 2007	Mr. Beaman has been Vice President, Operations and Engineering for the Company since October 2007. Before that he was a consultant to the Company since April 2007 and prior to that, he was Vice President, Production of TUSK Energy Corporation since November, 2004.
Aaron LeBlanc	Calgary, Alberta, Canada	Vice President, Exploration	March 27, 2014	Mr. LeBlanc has been the Vice President, Geo-Sciences since April, 2014. Prior thereto he was the 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 and 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 and Geoscientists of Alberta, The American Association of Petroleum Geologists and the

Name	Province / Country of Residence	Position with the Company	Date of Appointment	Principal Occupation(s)
				Canadian Society of Petroleum
Jakub J. Korczak	Warsaw, Poland	Vice President Investor Relations & Managing Director CEE	May 25, 2010	Prior to joining Serinus in January 2010 as Proxy & Investor Relations Officer, Mr. Korczak was the CFO and a board member at Bank Pocztowy (2009-2010) and prior to that head of strategy and IR officer at BRE Bank (2005-2009).
Tracy H. Heck	Calgary, Alberta, Canada	Chief Financial Officer	January 1, 2014	Ms. Heck joined Serinus as Director of Finance in June 2012 and was appointed chief financial officer on January 1, 2014. Prior thereto, she was the Controller at NAL Energy Corporation from 2005.
Alec N. Silenzi	Calgary, Alberta, Canada	Vice President Legal, General Counsel & Corporate Secretary	January 16, 2012	Prior to joining the Company in January 2012, Mr. Silenzi was a corporate, securities and energy partner in the law firm Gowlings LLP from September 2007. Prior to that he was an associate at the law firm Heenan Blaikie LLP from 2002.

Notes:

(1) Member of Audit Committee.
(2) Member of Compensation and Corporate Governance Committee.
(3) Member of Reserves Committee.

As of the date of this AIF, the directors and executive officers of Serinus, as a group, when taken together with the shareholding of KI, beneficially own, or control or direct, directly or indirectly, an aggregate of 39,909,606 Common Shares, representing approximately 50.76% of the issued and outstanding Common Shares on a non-diluted basis. The information as to Common Shares beneficially owned, or controlled or directed, directly or indirectly, not being within the knowledge of the Company, has been furnished by the respective individuals.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company:

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

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

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

except:

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

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

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

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

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

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

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

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

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

Conflicts of Interest

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

Nemmoco Petroleum Corporation ("**Nemmoco**"), a private company of which 37.5% is owned by Timothy Elliott, an officer and director of the Company, provides certain personnel and general, accounting and administrative services to the Company at its offices in Dubai on a cost-sharing basis. For the year ended December 31, 2014, the fees totaled $748,560 (December 31, 2013: $788,624; December 31, 2012: $712,224). At December 31, 2014, $66,523 was owing to Nemmoco (December 31, 2013: $28,819; December 31, 2012 - $25,538).

AUDIT COMMITTEE INFORMATION

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

Composition of the Audit Committee

The Audit Committee is comprised of Michael A. McVea, Stephen C. Akerfeldt, and Gary R. King. Mr. McVea is the chairman of the Audit Committee. Each of the members is "financially literate" as that term is defined in section 1.6 of NI 52-110 and each of the members are independent directors, as "independent" is defined in NI 52-110.

Relevant Education and Experience

Michael A. McVea

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

Stephen C. Akerfeldt

Mr. Akerfeldt has been President and a director of Ritz Plastics Inc., a private company that produces plastic parts primarily for the automotive industry by injection molding, since 1999. From 2007 until February 2011, he was Chairman of the Board and a director of Firstgold Corp., a gold exploration company and he was the Chief Executive Officer of Firstgold Corp. from January 2008 to July 2009. In 1990, Mr. Akerfeldt founded Grayker Corporation, a private company which owned a large chain of dry cleaning stores, and he operated it with a partner until 2003 when it was sold. Prior thereto he served as

Vice Chairman and Chief Financial Officer of Magna International Inc. from 1987 to 1990. Mr. Akerfeldt joined Coopers & Lybrand (now PricewaterhouseCoopers) in 1965 and worked with them until 1987. He was designated as a Chartered Accountant in 1969 and was made a partner in 1974. Mr. Akerfeldt graduated from the University of Waterloo, Waterloo, Ontario, Canada in 1966. Mr. Akerfeldt is currently a director of Jura, a public corporation which trades on the TSX. In these roles, Mr. Akerfeldt has acquired experience and exposure to accounting and financial reporting issues, as well as capital markets procedures, policies and rules.

Gary R. King

Mr. King is Founder and Managing Partner of The Matrix Parnership, a strategic advisory firm based in Dubai, UAE. He was most recently Chief Executive Officer of Regalis Petroleum, a private oil and gas company with activities focused in the Republic of Chad. Prior thereto, he was CEO of Dutco Natural Resources Investments Ltd. since April 2012. Prior thereto, he was the Chief Executive Officer of Dubai Natural Resources World, a private investment fund owned by the Government of Dubai exploring new long-term investment avenues across the entire natural resources value chain including oil and gas, power, alternative energy, mining and agriculture, primarily in the developing world since September 1, 2008. Prior thereto, he was Chief Executive Officer of the Dubai Mercantile Exchange from December 2005 to August 2008. Between March 2001 and December 2005, he held various senior executive positions with (in reverse chronological order), Macquarie Bank, Matrix Commodities and Standard Bank London. Between 1983, he held a variety of positions with (in reverse chronological order), Emirates National Oil Company, Dragon Oil PLC, TransCanada International Petroleum, Morgan Stanley and Neste Oy. Mr. King graduated from Imperial College, Royal School of Mines, London University, United Kingdom with a Masters Degree in Petroleum Exploration Geology in 1983. In addition to serving on the Board of Directors he is a director of Parker Drilling Company, a public corporation which trades on the New York Stock Exchange. In these roles, Mr. King has acquired experience and exposure to accounting and financial reporting issues, as well as capital markets procedures, policies and rules.

Reliance on Certain Exemptions

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

Audit Committee Oversight

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

Pre-Approval Policies and Procedures

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

External Auditor Service Fees (By Category)

Fiscal Year Ended December 31	2014	2013
Audit Fees(1)	$556,732	$548,926
Audit Related Fees(2)	$79,214	$89,178
Other Tax Fees(3)	$225,728	$213,164
All Other Fees(4)	$66,721	$59,719

Notes:

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

RISK FACTORS

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

Risks Relating to the Operations of the Company

Exploration, Development and Production Risks

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

In particular, the future value of the Company is dependent on the success of the Company's activities which are principally directed toward the further exploration, appraisal and development of its assets in Ukraine, Tunisia and Romania. As of the date of this AIF, no proven or probable reserves have been assigned in connection with the Company's assets in Romaniagiven the early stage of development of these assets. There is no assurance that reserves of oil and natural gas will be discovered on those assets or, if reserves are discovered, that the Company will be able to realize those reserves as intended. The Company presently has the right in Romania to explore for and, upon fulfillment of certain conditions, produce oil and natural gas that may be discovered.

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

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

Specific rights and obligations of the Company in Ukraine are defined under the terms of the Ukraine Licences, . The work carried out by the Company under the Ukraine Licences and production sharing agreements is divided into two stages, one devoted to exploration and the other to production. If it is determined that its oil and gas assets are capable of generating sustained positive cash flow from the

production and sale of oil and gas (i.e. once the oil and gas assets are determined to be "commercial"), and following the approval of the development plan by the government, the Company will be able to commence production without the need to satisfy other conditions.

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

In Romania, Serinus' rights and obligations are governed by the Satu Mare Concession Agreement, the joint operating agreement between the Company and Rompetrol S.A. and the Satu Mare Joint Venture Agreement. The Satu Mare Concession Agreement is in its Phase 2 exploration period, which has work commitments that includes the drilling of two exploration wells and the acquisition of 60 km^2 of 3D seismic. The drilling, completion and testing of Moftinu-1001 and Moftinu-1002bis, and the Santau 3D seismic program will fulfill the Phase 2 work commitments. See *"Principal Oil and Gas Assets – Romania"*.

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

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

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

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

obtaining governmental approvals or consent, restrictions on production from particular wells resulting from extreme weather conditions, insufficient storage or transportation capacity, or other geological and mechanical conditions.

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

Dry Well Risk

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

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

Additional Funding Requirements

The Company's business is at a relatively early stage of operations. The Company's property in Romania does not have any established reserves and no revenue has been derived therefrom as of the date of this AIF. Consistent with similar companies at the same stage of development operating in the upstream oil and gas sector, the Company has undertaken significant capital investment, and funds raised are invested in the exploration, appraisal, development and maintenance of oil and gas assets. The Company has a consolidated working capital deficit of $13.0 million as at December 31, 2014 (December 31, 2013 - $23.13 million), which includes cash and cash equivalents in the amount of $11.1 million (December 31, 2013 - $19.92 million). The Company believes that its cash resources at December 31, 2014 plus the funding available through the EBRD Romania Facility finalized in February 2015, will be sufficient to finance operations and planned capital spending anticipated for the next twelve months. The Company currently anticipates limited capital spending in 2015 due to reduced cash flow resulting from lower commodity prices and the increased royalties in Ukraine. Additional funding may be obtained by pursuing equity raises or measures including the reduction or deferral of currently planned capital expenditures and/or asset sales, any and all of which will be evaluated and implemented as deemed appropriate by Company management. The Company's continuing activities are contingent on the availability of financing to fund the Company's capital expenditures and other activities.

The Company has funded its capital expenditures, including exploration and development activities, primarily through equity, debt, and by farm-out arrangements with its joint venture partners, who pay for all or a portion of the Company's expenditures in return for a portion of the Company's ownership interest in the relevant asset. The Company's business requires significant capital expenditures for the foreseeable future with respect to the acquisition, exploration, development and production of oil and natural gas reserves now and in the future. The Company will require additional financing in order to carry out its oil and gas acquisition, exploration and development activities and intends to fund these planned capital expenditures from its existing borrowings, from farm-out agreements and from operating cash flow and, in the longer term, from new debt and/or equity. The Company has a relatively short operating history on which to assess its future expected performance, resulting in uncertainty as to the success of its ongoing activities. Notwithstanding the history of growth in the Company's production and positive cash flows, there can be no assurance that, in the longer term, the Company will sustain profitability or positive cash flow from its operating activities.

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

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

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

Expenditures will be incurred to satisfy contractual obligations arising from work commitments specified in the Satu Mare Concession Agreement and the Satu Mare Farm Out 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 Company's business is inherently risky, and the outcome of future exploration and development activities cannot be determined at this stage. If exploratory drilling activities in Romaniaare successful and oil or natural gas is discovered, additional expenditures will be required to further define the extent and quality of the newly discovered reserves, and to develop and produce these reserves. The nature and type of work that will be required, and therefore the amount of future expenditure required to conduct this work, are very dependent on such factors as the size and characteristics of the newly discovered reserves. These factors are impossible to predict prior to the exploratory drilling being completed. Further, if exploratory drilling results in a discovery that the Company believes to be commercial, then equipment and production facilities will be required to commence production, and to transport the oil or gas to a purchaser. Again, there are many factors that will affect the type and location of production facilities required, and these cannot be predicted in advance of a discovery. Conversely, the drilling of an unsuccessful well may result in the Company

deciding that no further work should be performed in a particular area, and that planned spending should be re-allocated to a different project. The Company's business planning therefore allocates funds to planned spending for each of its assets, but recognizes that such allocations may change as further information is acquired as a result of the outcome of ongoing drilling activities.

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

Work Stoppages or Labour Disputes

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

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

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

Health, Safety and Environmental Risks

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

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

sanctions potentially being enforced against the Company and/or its officers. The Company may also be required to curtail or cancel any operations on the occurrence of such events.

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

Political, Social and Economic Risk

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

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

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

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

- the risks of war, actions by terrorist or insurgent groups, community disturbances, guerrilla activities, military repression, civil disorder and crime;
- high levels of governmental and business corruption and other criminal activity;
- workforce instability;
- change in government policy or regulations;
- death or incapacitation of political leaders or change in the ruling party;
- unenforceability of contractual rights;
- import and export restrictions;

- freezing of funds and economic resources; and

- adverse changes to laws (whether of general application or otherwise) or the interpretation thereof.

The economies of Ukraine, Tunisia 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 it operates. Economic and financial unreliability may expose the Company to the following risks:

- economic or other sanctions imposed by other countries or international bodies;

- changing taxation policies, rulings or interpretations (including new or increased taxes or royalty rates or implementation of a windfall tax);

- extreme fluctuations in currency exchange rates or high inflation;

- foreign exchange restrictions or currency controls;

- prohibition or substantial restrictions on foreign investment in capital markets or in certain industries;

- local currency devaluation; and

- governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

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

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

Political and Geopolitical Instability in Ukraine

In December 2013, the Ukrainian government pulled out of discussions with the EU regarding closer economic ties, and entered into an agreement with Russia. In exchange for a closer political and economic relationship, Russia would invest $15 billion in Ukrainian government bonds, and sell natural gas to Ukraine at a 30% discount to then current price of approximately $410 per thousand cubic metres.

Street protests erupted shortly thereafter, and grew. The Ukrainian Parliament on February 22, 2014, voted to impeach the President, Victor Yanukovich who subsequently fled the country. A new president, Petro Poroshenko was elected on May 26, 2014.

In response, Russia stated that it did not recognize the new Ukrainian government, and started military exercises along the border between the two countries. It also increased its troop strength in the Crimean peninsula. Pro-Russian protests broke out in Crimea, and the regional government adopted a declaration of independence, clearing the way for a referendum on independence on March 16. That referendum resulted in 97% of the electorate voting to join Russia, which was followed shortly by a treaty between the local Crimean government and Russia, and full annexation by Russia on April 11. Russian President Vladimir Putin announced in a news conference on March 4 that Gazprom would end the discounted gas price effective April 1.

Fighting escalated in the eastern part of the country during the second and third quarters of 2014 with demarcation line between Ukrainian troops and rebel forces moving back and forth. A cease fire was declared on September 8, but gradually deteriorated. A new cease fire was announced on February 12, 2014 to go into effect on February 15, 2014. Both the United States and the European Union have imposed sanctions on certain senior Russian officials and on Russia's participation in the world financial system. Russia has responded with its own sanction list of certain American and Canadian officials.

On October 25, 2014, parliamentary elections resulted in the parties of President Poroshenko and Prime Minister Yatsenyuk each winning approximately 21% of the vote. After extended negotiations, a coalition government was formed on December 2, 2014

Another corollary effect of the instability is that the Ukrainian government has implemented a number of measures to either increase revenues or limit expenses in order to fund its military efforts. These include the increase in natural gas and liquids royalties to 55% and 45% respectively (from 28% and 43%), and the reservation of large parts of the natural gas market for the state oil company Naftogaz, although the latter resolution was overturned by the Ukrainian courts in February. It is unknown if and when any new such measures may be enacted in the future.

At the time of publication of this document, the Ukrainian government is also negotiating with the IMF with respect to a new economic assistance package. As per the IMF's standard procedures and mandate, such aid is usually conditional upon reforms in the recipient country's economic and labor markets. Until the terms of an aid package are announced, it is not possible to know how such reforms if any, will affect among other things, the Ukrainian economy, the domestic natural gas market or the fiscal regime for hydrocarbon production.

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

Strategic Partners and Joint Ventures

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

Reserve and Resource Estimates

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

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

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

Compliance with Foreign Regulatory Regimes

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

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

The Company may require licences or permits from various governmental authorities to carry out its planned exploration, development and production activities. There can be no assurance that the licences and permits held by the Company will not expire or be revoked if the Company fails to comply with the terms of such licences or permits, or in the event of any change of relevant laws or their interpretation. The termination of any of the Company's contracts or licences granting rights in respect of the properties would have a material adverse effect on the Company, including the Company's financial condition. As a result of the expiration of the Brunei Block M PSA in August 2012, the Company recorded an impairment in respect of the Brunei Block M exploration and evaluation assets in the third quarter 2012, in an amount of $85.1 million, which includes the Company's share of the penalty payable on expiry of the Brunei Block M PSA of $6.0 million relating to work commitments. There can also be no assurance that the Company will be able to obtain all necessary licences and permits when required. In particular, recent developments relating to the land use registration system in Ukraine may result in delays and may increase the costs for the Company's plans to construct gas pipelines from its producing wells on the Ukraine Licences to gas transportation infrastructure, or may force the Company to suspend production of gas from certain producing wells on the Ukraine Licences until pipelines are constructed. Ukraine has made a series of changes to its land use registration system as it implements and develops a system of private land ownership and seeks to balance traditional state-owned land ownership with the rights of private land owners. In 2012, a new land use registration system was implemented with the objectives of making the Ukraine real estate framework more integrated, coherent and efficient. Effective January 1, 2013, land use agreements or other contractual arrangements among commercial developers of gas and gas condensate fields and the holder of privately owned land, such as a land servitude agreement to construct a gas pipeline across privately owned land, must be registered under the newly implemented land use registration system operated by state authorities.

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

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

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

Foreign Exchange Risks and Commodity Hedging

The nature of the Company's activities results in exposure to fluctuations in foreign currency exchange rates. World oil and natural gas prices are quoted in US dollars and the price received by the Company may be affected in a positive or negative manner by fluctuations in the exchange rate of the US dollar against other currencies in which business of the Company is transacted. Variations in exchange rates have the effect of impacting the stated value of oil and natural gas reserves and/or production revenue. At December 31, 2014 the Company's primary currency exposure related to Canadian dollar, Ukraine

hryvnia, Tunisia Dinar and Romanian Leu balances. The following table summarizes the Company's foreign currency exchange risk for each of the currencies indicated:

	December 31, 2014				**December 31, 2013**			
(Thousands)	CAD	UAH	TD	LEU	CAD	UAH	TD	LEU
Cash and cash equivalents	687	9,075	9,909	6,692	112	22,027	446	947
Accounts receivable	210	80,232	31,258	(326)	103	22,640	16,763	120
	-	10,871	1,005	-				
Prepaid expenses	88	16,923	164	82	318	46,479	97	-
Accounts payable and accrued liabilities	(1,521)	(180,473)	(37,442)	(15,213)	(879)	(66,266)	(17,261)	(498)
Net foreign exchange exposure	(536)	(63,372)	4,894	(8,765)	(346)	24,880	75	569
US $ equivalent at period-end exchange rate	(462)	(3,893)	2,619	(2,366)	$(325)	$3,001	$46	$177

For the year ended December 31, 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 loss would have decreased or increased by approximately $54,000 0(2013 - $28,000). Earnings are not impacted by fluctuations in the Ukrainian hryvnia as translation gains and losses are included in accumulated other comprehensive income (loss).

Economic factors affecting the Company's cash flow required for operations and for investments in accordance with the Company's consolidated statement of cash flows include fluctuations in foreign currency exchange rates. To date, the Company has raised equity funds denominated in Canadian dollars and Polish Zlotys, however exploration expenditures are incurred primarily in United States dollars, and therefore currency exchange rates have an ongoing impact on the Company's cash flows. Fluctuations in foreign currency exchange rates between United States dollars and Canadian dollars and the Polish Zloty resulted in an unrealized foreign exchange loss of $7.4 million for the year ended December 31, 2014 (2013 - $0.4 million loss).

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

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

Credit Risk

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

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

In Ukraine, credit evaluations are performed on customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets. Management believes that the Company's exposure to the Ukrainian credit risk is not significant, as the gas sold under contract is based on monthly nominations, and traditionally was paid for at the beginning of each month and therefore prior to the gas being delivered to the customer. This practice of pre-paying for natural gas sales changed in 2014 with an increasingly competitive gas sales market. Cash is now received during the month of sale and into the following month. KUB-Gas' management currently considers which parties to sell to and restricts this to credit worthy natural gas traders.

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

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

Relinquishment Obligations under Applicable Legislation and Key Agreements

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

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

- Other than the ETAP back-in option in Chouech Es Saida (whereby ETAP can take a 50% working interest once cumulative net (after royalties) oil production reaches 6.5 million bbl), there are no relinquishment issues with respect to the Tunisia Assets.

- In Romania, retention of the Satu Mare concession is subject to completion of the Phase 2 exploration work program described *"Principal Oil and Gas Assets – Romania"* and the successful negotiation of a Phase 3 exploration period.

Reliance on Key Management Personnel

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

Uncertainty Regarding Interpretation and Application of Foreign Laws and Regulations

The Company's exploration and development activities are located in countries with differing legal systems. Rules, regulations and legal principles may differ both relating to matters of substantive law and in respect of such matters as court procedure and enforcement. Production and exploration rights and related contracts of the Company are subject to the national or local laws and jurisdiction of the respective countries in which the operations are carried out. This means that the Company's ability to exercise or enforce its rights and obligations may differ between different countries.

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

- effective legal redress in the courts of subject jurisdictions being more difficult to obtain, whether in respect of a breach of law or regulation, or an ownership dispute;

- a higher degree of discretion on the part of governmental authorities;

- uncertainty regarding the constitutionality, validity or enforceability of laws and regulations, particularly where those rules and regulations are the result of recent legislative changes or have been recently adopted;

- the lack of judicial or administrative guidance on interpreting applicable rules and regulations, particularly where those rules and regulations are the result of recent legislative changes or have been recently adopted;

- provisions in laws and regulations that are ambiguously worded or lack specificity and thereby create difficulties when implemented or interpreted;

- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions;

- courts being used to further political aims;

- relative inexperience of the judiciary and courts in such matters or an overly formalistic judiciary; and

- corruption within the judiciary.

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

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

Ukraine

Since independence, the Ukrainian legal system has been developing to support a market-based economy. The legal system is, however, in transition and is therefore subject to greater risks and uncertainties than a more mature legal system. In particular, risks include, but are not limited to, provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted; inconsistencies between and among Ukraine's Constitution, laws, presidential decrees and Ukrainian governmental, ministerial and local orders, decisions, resolutions; and other acts. Also, there is a lack of judicial and administrative guidance on the interpretation of Ukrainian legislation, including the complicated mechanism of exercising constitutional jurisdiction by the Constitutional Court of Ukraine. This is further complicated by the relative inexperience of judges and courts in interpreting Ukrainian legislation in the same or similar cases, corruption within the judiciary and a high degree of discretion on the part of governmental authorities, which could result in arbitrary actions.

Furthermore, several fundamental Ukrainian laws either have only relatively recently become effective or are still pending hearing or adoption by the Ukrainian Parliament. For example, in 2004 and 2054, Ukraine adopted a new civil code, a new commercial code, new civil and administrative procedural codes, a new law on state registration of proprietary rights to immovable property, a new law on international private law, new secured finance laws and a new law on personal income tax. More recently, developments have occurred with respect to the land use registration system in Ukraine which may result in delays and may increase the costs for the Company's plans, or may force the Company to suspend production of gas from certain producing wells on the Ukraine Licences until pipelines are constructed. Also during 2014, the government increased the royalty rates on natural gas and oil to 55% and 45% respectively (from 28% and 43%), first as a temporary measure effective August 1, 2014, a regime which was made permanent on January 1, 2015. For further information on such developments, please see "*Risk Factors – Compliance with Foreign Regulatory Regimes"*.

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

Tunisia

During 2011, Tunisia experienced a period of political unrest and demonstrations that lead to the departure of the former president after 23 years of power. This led to the election of a Constituent Assembly, which was charged with the responsibility of drafting a new constitution and the appointment of a new government, which was intended to govern until a new constitution was ratified and further democratic elections can be held. The interim period was marked by political infighting, instability and assassinations. The new constitution was approved by the Tunisian National Assembly on January 27, 2014.

This Constitution is the result of a compromise between the Islamist party Ennahdha (head of government) and the opposition forces. It provides for 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.

Parliamentary elections were held on October 26, 2014 and resulted in the secular party, Nidaa Tounes winning a plurality of 89 seats. The Islamist Ennahda Party came in second with 69 seats. The change of government was accomplished peacefully. On November 23, 2014, the country held a presidential

election. The first ballot did not produce a winner, necessitating a run-off on December 21, 2014 after which Beji Caid Essebsi, the Nidaa Tounes candidate, was elected as president.

Romania

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

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.

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.

The 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, Tunisia or 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.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

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

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

required to assume liabilities, including environmental liabilities, and may acquire interests in properties on an "as is" basis. Such liabilities, should they exist, will typically be known to the Company as a result of its due diligence investigations, and would influence or be an adjustment to the agreed acquisition price. In addition, competition for the acquisition of prospective properties is intense, which may increase the cost of any potential acquisition.

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

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

Decommissioning Liabilities

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

Title to Properties

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

Crime and Governmental or Business Corruption

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

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

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

The Company has a Code of Business Conduct and Ethics in place with which directors, officers and employees must comply. Moreover, findings against the Company, the Directors, the Executive Officers

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

Management of Growth

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

- to effectively increase the scope of its management, operational and financial systems and controls to handle the increased complexity, expanded breadth and geographical area of its operations;

- to recruit, train and retain qualified staff to manage and operate its growing business;

- to accurately identify and evaluate the contractual, financial, regulatory, environmental and other obligations and liabilities associated with its international acquisitions and investments;

- to implement financial oversight and internal financial risk, and other controls, over its acquisitions and investments, and to ensure the timely preparation of financial statements that are in conformity with the Company's accounting and control policies;

- to accurately judge market dynamics, demographics, growth potential and competitive environments;

- to effectively determine, evaluate and manage the risks and uncertainties in entering new markets and acquiring new businesses through its due diligence and other processes, particularly given the heightened risks in emerging markets; and

- to maintain and obtain necessary permits, licences, spectrum allocation and approvals from governmental and regulatory authorities and agencies.

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

Project Completion

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

The Company's interests in oil and natural gas concessions and other contracts with governments and government bodies to explore and develop the properties are subject to specific requirements and

obligations. If the Company fails to satisfy such requirements and obligations and there is a material breach of such contracts, such contracts could, under certain circumstances, be terminated. The termination of any of the Company's contracts granting rights in respect of the properties would have a material adverse effect on the Company, including the Company's financial condition.

Reliance on Third Party Operators

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

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

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

Financial Covenants Relating to Ukrainian Assets

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

In particular, KUB-Gas may not distribute cash to the extent that any such distributions breach the financial covenants. As customers of KUB-Gas pay for gas and oil in advance, the Company tends to maintain a low or negative working capital balance, and as such, the current assets/liability financial ratio, which was required to be 1:1, restricted the amount of cash that KUB-Gas is able to distribute as dividends. This, in turn, restricted the Company's ability to use cash from its Ukrainian production activities to fund its development and exploration activities elsewhere. Subsequent to year-end 2011, the Company received a waiver for this covenant from EBRD.

Although as of the date hereof KUB-Gas is in compliance with the covenants in the EBRD Ukraine Facility, or has received waivers in those instances where the covenants have been, or will be breached, including the financial covenants, there can be no assurance that circumstances will not change, and any

such changes could cause KUB-Gas to breach such covenants in the future, which may result in the acceleration of its debt. KUB-Gas may not have sufficient cash or assets to fulfil its payment obligations upon any acceleration of its debt and, even if it were able to refinance indebtedness upon a default, the terms of any new debt agreements may be less favourable to KUB-Gas. Moreover, a default could cause the Company to lose key assets and/or shares of KUB-Gas that are pledged as security for such indebtedness.

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

Financial Covenants Relating to the Tunisian Assets

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

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

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

Financial Covenants Relating to the Romanian Assets

On February 20, 2015, Serinus entered into the EBRD Romania Facility for up to €10 million from EBRD. The EBRD Romania Facility contains a comprehensive set of representations and covenants provided by Serinus, as borrower thereunder, including financial covenants relating to a debt service coverage ratio and a financial debt to EBITDA ratio. Compliance with these covenants limits the extent to which Winstar Tunisia is able to distribute funds which Serinus could otherwise utilize to fund other aspects of its business.

Although as of the date hereof Serinus is in compliance with the covenants in the EBRD Romania 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 Romania). Moreover, a default could cause the Company to lose key assets and/or shares of Winstar Netherlands, Winstar Tunisia and Winstar Romania that are pledged as security for such indebtedness.

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

Risk of Annulling Concessions Held by KUB-Gas

Pursuant to Ukrainian law, geological exploration of mineral resources and the production of mineral resources owned by the State Fund of Mineral Deposits is conducted on the basis of licences issued separately for each kind of these activities. Additionally, Ukrainian law mandates that the utilization of any kind of subsoil natural resources requires a licence. Each licence granted is accompanied by a licence agreement specifying the terms of utilization of the subsoil natural resources. The licence agreement sets out the key terms for the geological survey, exploration, drilling and production of mineral resources from the relevant subsoil resources area. The licence agreement may additionally impose certain social or environmental commitments on the user of the resources.

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

Risk of Default by Gastek Relating to KUB-Gas

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

Loon Peru Limited Guarantee

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

Loon Corp and the Company have entered into an indemnification agreement in respect of the Loon Guarantee. Loon Corp announced on October 25, 2010 that it will not proceed to the second exploration stage and therefore the maximum liability to Serinus that may arise from the Loon Guarantee is based on the first exploration phase. The minimum work program for the first phase has been completed and Loon Corp has received a "no liabilities" letter from the operator of the Peru block, and as such the Company does not anticipate a material exposure to the Loon Guarantee.

Winstar May Fail to Fully Realize its Anticipated Benefits

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

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

assets and its rights to land or leases arising out of or in connection with compliance with its environmental and hazardous waste obligations;

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

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

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

    - suspend, revoke, cancel or terminate any Tunisian concessions;

    - take measures tantamount to the expropriation of any of the Tunisian concessions; or

    - terminate, restrict, invalidate or challenge certain of Winstar's real property rights, including challenging the titles to hold the land and to carry out exploration work.

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

Risks Relating to the Company's Market Environment

Competition

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

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

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

Industry Trends

The Company's business, results of operations, financial condition and future growth are substantially dependent on prevailing crude oil prices. The price of crude oil is influenced by the world economy and can be substantially influenced by the ability of the Organization of Petroleum Exporting Countries ("**OPEC**") or other major producers of crude oil to adjust supply to world demand. Crude oil prices have

also historically been impacted by political events causing disruptions in the supply of oil and by concerns over potential supply disruptions or actual supply disruptions triggered by regional events.

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

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

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

Any substantial decline in crude oil and/or natural gas prices may also require the Company to write down the capitalized costs of certain oil and natural gas properties. Under IFRS, the net capitalized cost of oil and natural gas properties may not exceed a "ceiling limit", which is based, in part, upon estimated future net cash flows from reserves. If the net capitalized costs exceed this limit, the Company must charge the amount of the excess against earnings. As oil and natural gas prices decline, the Company's net capitalized cost may approach or exceed this cost ceiling, resulting in a charge against earnings. While a writedown would not directly affect cash flow, the charge to earnings could be viewed unfavourably in the market and thus cause an adverse impact on the trading price of the Common Shares or could limit the Company's ability to borrow funds or comply with covenants contained in future credit agreements or other debt instruments. The Company recorded impairment charges against the Tunisian Assets in 2014 due to such "ceiling test" limits.

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

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

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

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

International Economic Risk

The economies of emerging market countries, including those of Ukraine, Tunisia 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.

Environmental

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

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

The Company also conducts operations in Tunisia. Tunisia currently has an environmental legal and institutional framework which compares favorably with the European standards. Tunisia's environmental administration has made progress in developing new environmental standards and a framework for the prevention of pollution that combines economic and ecological regulations, market-based incentives, stepped-up monitoring, and the execution of agreements negotiated between industries and the authorities. The administration's strategy has two main goals: the clean-up of historically heavily polluted areas corresponding roughly to major population and industrial centres and the promotion of "clean"

industrial growth with acceptable environmental impact. Tunisia adheres to the Kyoto Accord under Law No. 2002-55 of June 19, 2002.

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

Weather

Adverse weather conditions can cause delays and cost increases related to the capital spending programs of the Company such as drilling of exploration and development wells, completion of wells, construction of production facilities and pipelines and the acquisition of seismic data. In Ukraine and Romania, cold temperatures, heavy snows or extremely muddy conditions may cause delays to planned activities. In Tunisia, sandstorms and both high and low temperatures can make operations more difficult and costly.

Prices, Markets and Marketing

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

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

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

- operational problems with such pipelines and facilities; and

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

The Company's profitability and future growth and the carrying value of its oil and gas properties are substantially dependent on prevailing prices of oil and gas. The Company's ability to obtain additional capital on attractive terms is also substantially dependent upon oil and gas prices. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors beyond the control of the Company. These factors include global economic conditions, the actions of the OPEC, governmental regulation, political circumstances in the Middle East and elsewhere, the foreign supply of oil and natural gas, the price of foreign imports and the availability of alternative fuel sources, including unconventional oil and natural gas accumulations. In Ukraine in particular, the Company is exposed to

risks due to fluctuations in the price of natural gas influenced by the economic conditions in Ukraine, the recommendations of the IMF and the availability of imported natural gas from Russia and the price set by exporters in Russia. Conflicts, or conversely peaceful developments, arising in areas of the world which produce significant volumes of oil or natural gas, may have a significant impact on the price of oil and natural gas and any individual negative event could result in a material decline in prices and result in a reduction of the Company's net production revenue.

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

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

Risks Related to Tax/Royalty Regime of Ukraine

The Company pays different types of tax in Ukraine, including general corporate tax, payroll taxes, Value Added Tax, royalty (rent) payments on the extraction of natural gas and oil, which are set at different rates for oil and gas products. The tax regime in Ukraine is subject to frequent changes, for example, the increase in royalty rates for natural gas and oil to 55% and 45% respectively (from 28% and 42%). Tax risks in Ukraine are much greater than those typically found in countries with more developed tax systems, which significantly increases the risks with respect to the Company's operations and investment in Ukraine. Ukrainian tax legislation has been in force since January 1, 2011 and is being continually improved and changed. As a result, there is no stable practice as to its application and the case law is still very limited. Differing opinions regarding legal interpretation often exist both among and within governmental ministries and organizations, including the tax administration, creating uncertainties and areas of conflict. Although the new Ukraine tax code, which took effect from January 1, 2011, is viewed by the Government as a substantial progress in the implementation of the tax reform aimed at modernizing and simplifying the Ukrainian tax system, the adoption of the Ukraine tax code may have an adverse effect on the Company's operations in Ukraine. In addition, enforcement of violations of the tax laws in Ukraine may involve penalties and fines, including criminal or administrative proceedings, substantially more significant than those typically found in countries with more developed tax systems. Moreover, the three-year statutory limitation period for re-assessment by the tax authorities may not be observed, or may be extended, in certain circumstances, and the fact that a period has been reviewed does not exempt this period, or any tax declaration/return applicable to that period, from further review.

Availability of Equipment and Services

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

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

Company's activities and adversely affect the Company's business, results of operations or financial condition.

New Technology

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

Insurance

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, or gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. The Company's involvement in the exploration for and development of oil and natural gas properties may result in the Company becoming subject to liability for pollution, blowouts, 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 Ukraine, 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 Company in other countries within which it conducts operations. There may however, be circumstances where such insurance will not cover or be adequate to cover the consequences of an event or where KUB-Gas may become liable for pollution or other operational hazards against which it either cannot insure or may have elected not to have insured. The Company obtains insurance in accordance with industry standards and upon consideration of advice provided by professional insurance brokers to address these risks. However such insurance may have limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. For example, the Company did carry political violence insurance for Ukriane which recently expired and efforts are in progress to renew this insurance, pending cost and availability, The company does not maintain insurance against governmental expropriation or confiscation of assets, governmental frustration or repudiation of contracts, wrongful calling of guarantees or letters of credit, business interruption, inconvertibility of foreign currency or the inability to repatriate funds or other similar political risks in the locations in which the Company operates. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the financial position of the Company, results of operations or prospects.

Global Capital Markets

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

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

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

Unexpected Shutdowns

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

Litigation

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

Risks Relating to the Ownership of the Common Shares

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

As of the date of this AIF, 39,909,606 Common Shares representing approximately 50.76% of the issued and outstanding Common Shares in the capital of the Company are held by KI. Two directors of the Company, 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 of the date of this AIF, KI has sufficient voting power to, among other things, delay, deter or prevent a change in control of the Company that might otherwise be beneficial to its shareholders and may also discourage acquisition bids for the Company and limit the amount certain investors may be willing to pay for the Common Shares.

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

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

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

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

Dilution Due to Financing or Acquisition Activities

The Company's Articles allow it to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series, for such consideration and on such terms and conditions as shall be established by its Board of Directors, in many cases, without the approval of the shareholders. In addition, as at the date of this AIF, there were 3,064,000 Common Shares issuable upon the exercise of outstanding options of the Company at prices ranging from CAD $1.56to USD $6.20 per Common Share. The Company may also issue Common Shares to finance future acquisitions and other projects. The Company cannot predict the size of future issuances of Common Shares or the effect that future issuances and sales of Common Shares will have on the market price of the Common Shares. Issuances of a substantial number of additional Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Shares. If the share capital of the Company is increased and new Common Shares are issued for cash, existing shareholders of Common Shares are not, under the Company's constitutional documents and applicable Canadian law, entitled to pre-emptive or similar rights in respect of those Common Shares to preserve their *pro rata* shareholdings in the Company. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and may experience dilution in earnings per Common Share.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

General

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

KI/Radwan Convertible Debentures

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

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

KI Loan

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

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

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

Acquisition of Winstar Resources

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

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

Dutco Strategic Relationship and Dutco Loan

In July 2013, Serinus and Dutco announced the formalization of a strategic relationship. Gary King, a director of the Company, was at that time, Chief Executive Officer of Dutco Natural Resources Investments Ltd., an affiliate of Dutco. The following were part of that strategic relationship:

- the Brunei Option and the Dutco Conversion Right;
- Serinus and Dutco agreed that for a period of one year, commencing July 17, 2013, they would jointly explore opportunities to collaborate on oil and gas investments in Tunisia; and
- Serinus and Dutco entered into the Dutco Loan. As at December 31, 2013, the full $15 million had been drawn on this facility, and was subsequently repaid in full during 2014.

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

TRANSFER AGENT AND REGISTRAR

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

MATERIAL CONTRACTS

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

Material Contracts Entered into in the Ordinary Course of Business

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

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

Material Contracts Entered into Outside the Ordinary Course of Business

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

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

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

- *EBRD Loan Facility - Ukraine*

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

- *EBRD Loan Facility - Tunisia*

- *EBRD Loan Facility - Romania*

- *Dutco Loan*

INTERESTS OF EXPERTS

KPMG LLP, Chartered Accountants (the auditors of the Company) prepared an auditors' report on the consolidated balance sheets of the Company as at December 31, 2014, and the consolidated statement of operations and retained earnings and cash flows for the year then ended, which auditor's report relates to the most recently completed fiscal year of the Company. As of March 18, 2015, KPMG LLP, Chartered Accountants have reported that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Alberta.

Information relating to the proven, probable and possible reserves of the Company in Ukraine and Tunisia included in this AIF were evaluated by RPS, as an independent third party qualified reserves evaluators. As of the date hereof, to the knowledge of the Company, the partners, employees and associates of RPS, as a group, own, directly or indirectly, less than 1% of the outstanding Common Shares.

ADDITIONAL INFORMATION

Additional information regarding the Company may be found on SEDAR at www.sedar.com. In particular, additional information, including director's and officer's remuneration and indebtedness, the principal holders of Common Shares and the securities authorized for issuance under equity compensation plans, is contained in the Company's information circular dated April 17, 2014 relating to the annual and special meeting of shareholders to be held on May 14, 2014. Additional financial information is provided in the audited consolidated financial statements of the Company as at, and for the year ended, December 31, 2014 and management's discussion and analysis for the financial year ended December 31, 2014.

APPENDIX A

SERINUS ENERGY INC.
STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION
(Form 51-101F1)

For the Year Ended December 31, 2014

March 25, 2015

TABLE OF CONTENTS

PART 1: INTRODUCTION 3

PART 2: DISCLOSURE OF RESERVES DATA 4

PART 3: PRICING ASSUMPTIONS 13

PART 4: RECONCILIATIONS OF CHANGES IN RESERES AND FUTURE NET REVENUE 14

PART 5: ADDITIONAL INFORMATION RELATING TO RESERVES DATA 16

Undeveloped Reserves 16

Significant Factors or Uncertainties Affecting Reserves Data 17

Future Development Costs 18

PART 6: OTHER OIL AND GAS INFORMATION 19

Oil and Gas Properties and Wells 19

Properties with No Attributed Reserve 19

Forward Contracts 22

Additional Information Concerning Abandonment and Reclamation Costs 22

Tax Horizon 23

Costs Incurred 23

Exploration and Development Activities 24

Production Estimates 25

Production History 26

PART 7: NOTES 28

Part 1 – Introduction

The effective date of the information being provided in this statement is December 31, 2014 unless otherwise indicated. The preparation date of such information is March 20, 2015.

In accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities, the tables contained in this filing are a summary of the oil and natural gas reserves and the value of future net revenue of Serinus Energy Inc. (the "**Company**", "**Serinus**" or "**SEN**") as evaluated by RPS Energy ("**RPS**") effective as at December 31, 2014, based on their report dated March 20, 2015. RPS is an independent qualified reserves evaluator and auditor.

The RPS Ukraine Report evaluated the reserves of KUB-Gas LLC ("**KUB-Gas**"), a natural gas and natural gas liquids producing company in Ukraine. The Company indirectly owns a 70% interest in a subsidiary (KUBGas Holdings Limited) which in turn owns 100% of the shares of KUB-Gas. As per IFRS regulations, Serinus reports its financial and operating results on a consolidated basis (ie, including 100% of the Ukraine operations). To provide investors with greater clarity, the Company and the RPS Ukraine Report show the reserves and discounted cash flow values for both the 100% full field interest of KUB-Gas consistent with its financial reports, and for the Company's effective 70% working interest share.

The RPS Tunisia Report evaluated the reserves of Winstar Tunisia B.V., an indirect 100% owned subsidiary of the Company. The Company acquired Winstar Resources Limited on June 24, 2013, which held interests in Tunisia and Romania.

It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Company's reserves estimated by RPS represent the fair market value of those reserves. The recovery and reserve estimates of the Company's natural gas and natural gas liquids reserves provided are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided.

In preparing this report, RPS relied upon certain factual information and data furnished by the Company and KUB-Gas with respect to ownership interests, natural gas and natural gas liquids production, historical costs of operation and development, product prices, agreements relating to current and future operations, sales of production, and other relevant data. The extent and character of all factual information and data supplied were relied upon by RPS in preparing their report and was accepted as represented without independent verification. RPS relied upon representations made by the Company as to the completeness and accuracy of the data provided and that no material changes in the performance of the properties has occurred nor is expected to occur, from that which was projected in this report, between the date that the data was obtained for this evaluation and the date of this report, and that no new data has come to light that may result in a material change to the evaluation of the reserves presented in this report.

The evaluation has been conducted within RPS's understanding of petroleum legislation, taxation and other regulations that currently apply to these interests. However, RPS is not in a position to and did not attest to the property title, financial interest relationships or encumbrances related to the Ukrainian licenses.

The evaluation reflects RPS's informed judgment based on the Canadian Oil and Gas Evaluation Handbook Standards, but is subject to generally recognised uncertainties associated with the interpretation of geological, geophysical and engineering data. The reported hydrocarbon resource volumes are estimates based on professional engineering judgment and are subject to future revisions, upward or downward, as a result of future operations or as additional information become available.

Part 2 – Disclosure of Reserves Data

The following tables are prepared from information contained in the RPS Ukraine Report and the RPS Tunisia Report as of December 31, 2014. Some of the numbers in the tables may not add due to rounding.

Reserves Data

SUMMARY OF OIL, NATURAL GAS AND NATURAL GAS LIQUIDS RESERVES
BASED ON FORECAST PRICES AND COSTS
AS AT DECEMBER 31, 2014

Table 2.1.1 - 100% Ukraine Interest	**LIGHT AND MEDIUM OIL**		**NATURAL GAS**		**NATURAL GAS LIQUIDS**	
RESERVE CATEGORY [1]	**Gross (Mbbl)**	**Net (Mbbl)**	**Gross (MMcf)**	**Net (MMcf)**	**Gross (Mbbl)**	**Net (Mbbl)**
TUNISIA						
PROVED						
Developed Producing	1,565	1,362	3,059	2,738	37	31
Developed Non Producing	311	266	1,740	1,490	92	78
Undeveloped	1,066	941	2,478	2,286	0	0
TOTAL PROVED	**2,942**	**2,569**	**7,277**	**6,514**	**128**	**109**
PROBABLE	5,108	4,393	12,704	11,322	158	0
TOTAL PROVED PLUS PROBABLE	**8,050**	**6,962**	**19,981**	**17,836**	**286**	**109**
Ukraine						
PROVED						
Developed Producing	0	0	17,789	8,005	90	50
Developed Non Producing	0	0	6,137	2,762	31	17
Undeveloped	0	0	4,000	1,800	30	16
TOTAL PROVED	**0**	**0**	**27,926**	**12,567**	**152**	**83**
PROBABLE	0	0	36,570	16,457	307	169
TOTAL PROVED PLUS PROBABLE	**0**	**0**	**64,496**	**29,023**	**459**	**252**
TOTAL COMPANY						
PROVED						
Developed Producing	1,565	1,362	20,848	10,743	127	81
Developed Non Producing	311	266	7,877	4,251	123	95
Undeveloped	1,066	941	6,478	4,086	30	16
TOTAL PROVED	**2,942**	**2,569**	**35,203**	**19,080**	**280**	**192**
PROBABLE	5,108	4,393	49,275	27,779	465	169
TOTAL PROVED PLUS PROBABLE	**8,050**	**6,962**	**84,478**	**46,859**	**745**	**361**

Notes:

(1) See definitions of “proved”, “probable” and “possible” reserves on page 12 of this document

SUMMARY OF NET OIL, NATURAL GAS AND NATURAL GAS LIQUIDS RESERVES
BASED ON FORECAST PRICES AND COSTS
AS AT DECEMBER 31, 2014

Table 2.1.1 - 70% Ukraine Interest	LIGHT AND MEDIUM OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
RESERVE CATEGORY [1]	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
TUNISIA						
PROVED						
Developed Producing	1,565	1,362	3,059	2,738	37	31
Developed Non Producing	311	266	1,740	1,490	92	78
Undeveloped	1,066	941	2,478	2,286	0	0
TOTAL PROVED	**2,942**	**2,569**	**7,277**	**6,514**	**128**	**109**
PROBABLE	5,108	4,393	12,704	11,322	158	0
TOTAL PROVED PLUS PROBABLE	**8,050**	**6,962**	**19,981**	**17,836**	**286**	**109**
Ukraine						
PROVED						
Developed Producing	0	0	12,452	5,603	63	35
Developed Non Producing	0	0	4,296	1,933	22	12
Undeveloped	0	0	2,800	1,260	21	11
TOTAL PROVED	**0**	**0**	**19,548**	**8,797**	**106**	**58**
PROBABLE	0	0	25,599	11,520	215	118
TOTAL PROVED PLUS PROBABLE	**0**	**0**	**45,148**	**20,316**	**321**	**177**
TOTAL COMPANY						
PROVED						
Developed Producing	1,565	1,362	15,511	8,342	100	66
Developed Non Producing	311	266	6,036	3,423	113	90
Undeveloped	1,066	941	5,278	3,546	21	11
TOTAL PROVED	**2,942**	**2,569**	**26,825**	**15,310**	**234**	**167**
PROBABLE	5,108	4,393	38,303	22,842	373	118
TOTAL PROVED PLUS PROBABLE	**8,050**	**6,962**	**65,129**	**38,152**	**607**	**285**

Notes:
(1) See definitions of “proved”, “probable” and “possible” reserves on page 12 of this document

SUMMARY OF AGGREGATE NET PRESENT VALUES OF FUTURE NET REVENUE
BASED ON FORECAST PRICES AND COSTS
AS AT DECEMBER 31, 2014

Table 2.1.2 - 100% Ukraine Interest	NET PRESENT VALUE OF FUTURE NET REVENUE (US$ millions)									
RESERVE CATEGORY [1]	BEFORE INCOME TAXES					AFTER INCOME TAXES				
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
TUNISIA (Company Working Interest)										
PROVED										
Developed Producing	58.4	54.4	50.9	47.8	45.2	27.2	27.5	27.2	26.5	25.7
Developed Non Producing	29.2	25.7	22.6	20.0	17.8	19.0	17.1	15.4	13.7	12.2
Undeveloped	79.7	55.8	40.3	29.8	22.5	36.3	25.6	18.4	13.4	9.8
TOTAL PROVED	**167.3**	**135.9**	**113.9**	**97.7**	**85.5**	**82.5**	**70.3**	**60.9**	**53.6**	**47.8**
PROBABLE	447.2	264.0	181.2	135.5	106.8	216.3	137.1	97.0	73.4	58.2
TOTAL PROVED PLUS PROBABLE	**614.5**	**400.0**	**295.1**	**233.2**	**192.2**	**298.8**	**207.4**	**157.9**	**127.0**	**106.0**
Ukraine (100% Working Interest)										
PROVED										
Developed Producing	57.0	53.1	49.2	45.7	42.7	50.8	47.5	44.0	40.8	38.1
Developed Non Producing	13.2	10.8	8.8	7.3	6.1	10.6	8.6	6.9	5.6	4.6
Undeveloped	2.4	0.8	(0.2)	(0.8)	(1.1)	1.5	0.2	(0.7)	(1.2)	(1.5)
TOTAL PROVED	**72.6**	**64.7**	**57.9**	**52.2**	**47.6**	**63.0**	**56.3**	**50.2**	**45.3**	**41.2**
PROBABLE	136.6	97.2	73.4	58.0	47.5	112.4	80.0	60.4	47.7	39.0
TOTAL PROVED PLUS PROBABLE	**209.1**	**162.0**	**131.3**	**110.2**	**95.1**	**175.4**	**136.2**	**110.6**	**93.0**	**80.3**
TOTAL COMPANY										
PROVED										
Developed Producing	115.4	107.6	100.1	93.5	87.8	78.0	75.1	71.2	67.3	63.8
Developed Non Producing	42.5	36.4	31.4	27.3	23.8	29.6	25.7	22.3	19.3	16.8
Undeveloped	82.0	56.7	40.2	29.1	21.4	37.9	25.7	17.7	12.2	8.4
TOTAL PROVED	**239.9**	**200.7**	**171.7**	**149.9**	**133.1**	**145.4**	**126.5**	**111.1**	**98.9**	**89.0**
PROBABLE	583.8	361.3	254.6	193.5	154.3	328.7	217.1	157.3	121.1	97.2
TOTAL PROVED PLUS PROBABLE	**823.7**	**561.9**	**426.3**	**343.4**	**287.3**	**474.2**	**343.6**	**268.5**	**220.0**	**186.2**

Notes:

(1) See definitions of “proved”, “probable” and “possible” reserves on page 12 of this document.

SUMMARY OF AGGREGATE NET PRESENT VALUES OF FUTURE NET REVENUE
BASED ON FORECAST PRICES AND COSTS
AS AT DECEMBER 31, 2014

Table 2.1.2 - 70% Ukraine Interest	NET PRESENT VALUE OF FUTURE NET REVENUE (US$ millions)									
RESERVE CATEGORY [1]	BEFORE INCOME TAXES					AFTER INCOME TAXES				
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
TUNISIA (Company Working Interest)										
PROVED										
Developed Producing	58.4	54.4	50.9	47.8	45.2	27.2	27.5	27.2	26.5	25.7
Developed Non Producing	29.2	25.7	22.6	20.0	17.8	19.0	17.1	15.4	13.7	12.2
Undeveloped	79.7	55.8	40.3	29.8	22.5	36.3	25.6	18.4	13.4	9.8
TOTAL PROVED	**167.3**	**135.9**	**113.9**	**97.7**	**85.5**	**82.5**	**70.3**	**60.9**	**53.6**	**47.8**
PROBABLE	447.2	264.0	181.2	135.5	106.8	216.3	137.1	97.0	73.4	58.2
TOTAL PROVED PLUS PROBABLE	**614.5**	**400.0**	**295.1**	**233.2**	**192.2**	**298.8**	**207.4**	**157.9**	**127.0**	**106.0**
Ukraine (70% Working Interest)										
PROVED										
Developed Producing	39.9	37.2	34.4	32.0	29.9	35.6	33.3	30.8	28.6	26.7
Developed Non Producing	9.2	7.5	6.2	5.1	4.3	7.4	6.0	4.8	3.9	3.2
Undeveloped	1.7	0.6	(0.1)	(0.5)	(0.8)	1.1	0.1	(0.5)	(0.8)	(1.0)
TOTAL PROVED	**50.8**	**45.3**	**40.5**	**36.5**	**33.3**	**44.1**	**39.4**	**35.2**	**31.7**	**28.9**
PROBABLE	95.6	68.1	51.4	40.6	33.3	78.7	56.0	42.3	33.4	27.3
TOTAL PROVED PLUS PROBABLE	**146.4**	**113.4**	**91.9**	**77.2**	**66.6**	**122.8**	**95.4**	**77.4**	**65.1**	**56.2**
TOTAL COMPANY										
PROVED										
Developed Producing	98.3	91.6	85.3	79.8	75.0	62.8	60.8	58.0	55.1	52.4
Developed Non Producing	38.5	33.2	28.8	25.1	22.0	26.4	23.1	20.2	17.6	15.5
Undeveloped	81.3	56.4	40.2	29.3	21.7	37.4	25.7	17.9	12.6	8.8
TOTAL PROVED	**218.1**	**181.3**	**154.4**	**134.2**	**118.8**	**126.6**	**109.6**	**96.1**	**85.3**	**76.7**
PROBABLE	542.8	332.1	232.6	176.1	140.0	295.0	193.1	139.2	106.8	85.5
TOTAL PROVED PLUS PROBABLE	**760.9**	**513.4**	**387.0**	**310.3**	**258.8**	**421.6**	**302.7**	**235.3**	**192.1**	**162.1**

Notes:

(1) See definitions of “proved”, “probable” and “possible” reserves on page 12 of this document.

TOTAL FUTURE NET REVENUE (UNDISCOUNTED)
AS AT DECEMBER 31, 2014
BASED ON FORECAST PRICES AND COSTS

Table 2.1.3 - 100% Ukraine Interest RESERVE CATEGORY (1)	REVENUE (MM$US)	ROYALTIES (MM$US)	OTHER REVENUE (MM$US)	OPERATING COSTS (MM$US)	DEVELOPMENT COSTS (MM$US)	ABANDON-MENT COSTS (MM$US)	FUTURE NET REVENUE BEFORE INCOME TAXES (MM$US)	INCOME TAXES (MM$US)	FUTURE NET REVENUE AFTER INCOME TAXES (MM$US)
TUNISIA (Company Working Interest)									
TOTAL PROVED	350.8	42.9	0.0	94.7	21.3	24.5	167.3	84.8	82.5
TOTAL PROVED PLUS PROBABLE	1113.0	144.0	0.0	277.3	49.1	28.0	614.5	315.7	298.8
Ukraine (100% Working Interest)									
TOTAL PROVED	257.7	140.7	0.0	19.6	18.7	6.1	72.6	9.6	63.0
TOTAL PROVED PLUS PROBABLE	639.5	348.3	0.0	56.8	18.7	6.5	209.1	33.8	175.4
TOTAL COMPANY									
TOTAL PROVED	608.5	183.6	0.0	114.3	40.0	30.6	239.9	94.4	145.5
TOTAL PROVED PLUS PROBABLE	1752.5	492.4	0.0	334.0	67.8	34.6	823.7	349.5	474.2

Notes:

(1) See definitions of “proved”, “probable” and “possible” reserves on page 12 of this document.

TOTAL FUTURE NET REVENUE (UNDISCOUNTED)
AS AT DECEMBER 31, 2014
BASED ON FORECAST PRICES AND COSTS

Table 2.1.3 - 70% Ukraine Interest RESERVE CATEGORY [1]	REVENUE (MM$US)	ROYALTIES (MM$US)	OTHER REVENUE (MM$US)	OPERATING COSTS (MM$US)	DEVELOPMENT COSTS (MM$US)	ABANDON-MENT COSTS (MM$US)	FUTURE NET REVENUE BEFORE INCOME TAXES (MM$US)	INCOME TAXES (MM$US)	FUTURE NET REVENUE AFTER INCOME TAXES (MM$US)
TUNISIA (Company Working Interest)									
TOTAL PROVED	350.8	42.9	0.0	94.7	21.3	24.5	167.3	84.8	82.5
TOTAL PROVED PLUS PROBABLE	1113.0	144.0	0.0	277.3	49.1	28.0	614.5	315.7	298.8
Ukraine (70% Working Interest)									
TOTAL PROVED	180.4	98.5	0.0	13.7	13.1	4.3	50.8	6.7	44.1
TOTAL PROVED PLUS PROBABLE	447.7	243.8	0.0	39.7	13.1	4.6	146.4	23.6	122.8
TOTAL COMPANY									
TOTAL PROVED	531.2	141.4	0.0	108.5	34.4	28.7	218.1	91.5	126.6
TOTAL PROVED PLUS PROBABLE	1560.6	387.9	0.0	317.0	62.2	32.6	760.9	339.4	421.6

Notes:

(1) See definitions of “proved”, “probable” and “possible” reserves on page 12 of this document

FUTURE NET REVENUE BY PRODUCTION GROUP BASED ON FORECAST PRICES AND COSTS AS AT DECEMBER 31, 2014

TABLE 2.1.3c-i

	FUTURE NET REVENUE BY PRODUCTION GROUP BEFORE INCOME TAXES Net present value discounted at 10% per year			
	Ukraine at 100% Full Field Interest		Ukraine at 70% Working Interest	
	LIGHT AND MEDIUM OIL (including solution gas and other by-products) ($US Millions)	NATURAL GAS (including by-products but excluding solution gas from oil wells) ($US Millions)	LIGHT AND MEDIUM OIL (including solution gas and other by-products) ($US Millions)	NATURAL GAS (including by-products but excluding solution gas from oil wells) ($US Millions)
TUNISIA				
TOTAL PROVED	102.40	11.45	102.40	11.45
TOTAL PROVED PLUS PROBABLE	271.30	23.76	271.30	23.76
UKRAINE				
TOTAL PROVED	-	57.86	-	40.50
TOTAL PROVED PLUS PROBABLE	-	131.28	-	91.90
TOTAL COMPANY				
TOTAL PROVED	102.40	69.31	102.40	51.95
TOTAL PROVED PLUS PROBABLE	271.30	155.05	271.30	115.66

Notes:

(1) See definitions of “proved”, “probable” and “possible” reserves on page 12 of this document

TABLE 2.1.3c-ii

	FUTURE NET REVENUE BY PRODUCTION GROUP BEFORE INCOME TAXES Net present value discounted at 10% per year (UNIT VALUE BASIS)			
	Ukraine at 100% Full Field Interest		Ukraine at 70% Working Interest	
	LIGHT AND MEDIUM OIL (including solution gas and other by-products) **($US Millions)**	**NATURAL GAS** (including by-products but excluding solution gas from oil wells) **($US Millions)**	**LIGHT AND MEDIUM OIL** (including solution gas and other by-products) **($US Millions)**	**NATURAL GAS** (including by-products but excluding solution gas from oil wells) **($US Millions)**
TUNISIA				
TOTAL PROVED	29.08	7.91	29.08	7.91
TOTAL PROVED PLUS PROBABLE	27.80	13.94	27.80	13.94
UKRAINE				
TOTAL PROVED	-	4.43	-	4.43
TOTAL PROVED PLUS PROBABLE	-	4.30	-	4.30
TOTAL COMPANY				
TOTAL PROVED	29.08	4.78	29.08	4.90
TOTAL PROVED PLUS PROBABLE	27.80	4.81	27.80	5.01

Notes:

(1) See definitions of “proved”, “probable” and “possible” reserves on page 12 of this document

Notes to Evaluation of Reserves and Future Net Revenues:

1. "Gross Reserves" are the Company's working interest (operated or non-operated) share before deduction of royalties and without including any royalty interests of the Company. "Net Reserves" are the Company's working interest (operated or non-operated) share after deduction of royalty obligations, plus the Company's royalty interests in reserves.
2. "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. There is a 90% probability that the actual remaining quantities recovered will equal or exceed the estimated proved reserves.
3. "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
4. "Possible" reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.
5. "Developed" reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling a well) to put the reserves on production.
6. "Developed Producing" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
7. "Developed Non-Producing" reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.
8. "Undeveloped" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

Part 3 - Pricing Assumptions

The following table details the benchmark reference prices used in the evaluation of the properties in which the Company had reserves as at December 31, 2014, and are reflected in the reserves data disclosed above under "Part 2 – Disclosure of Reserves Data". Forecast prices are provided by RPS, which is an independent qualified reserves evaluator and auditor. The forecast price assumptions assume the continuance of current laws and regulations and take into account inflation with respect to future operating and capital costs. Ukraine Natural Gas forecast prices are based on gas prices realized in early 2015, and linked to future changes to the forecast change in the Brent crude price. Ukraine condensate price is forecast to be 81.2% of the Brent price based on the actual differential experienced by the Company during 2014. Tunisia oil forecast prices are based on Brent and natural gas prices are tied to the 9 month trailing average of low sulphur heating oil, also benchmarked to Brent.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS AS AT DECEMBER 31, 2014
FORECAST PRICES AND COSTS

Year	Oil Benchmarks		Tunisia Domestic Gas		Ukraine		Inflation Rate	Currency Exchange Rates
	WTI at Cushing Oklahoma	Brent @ Sollem Voe	Sabria	Chouech / Ech Chouec	Partnership Condensate (excl. VAT)	Partnership Gas (excl. VAT)		
	US$/bbl	US$/bbl	US$/Mcf	US$/Mcf	US$/bbl	US$/Mcf	%/annum	US$/CAD$
2015	64.41	70.03	9.74	10.32	56.87	8.43	2.0	0.90
2016	68.00	74.64	10.38	11.00	60.61	8.34	2.0	0.90
2017	71.50	79.50	11.06	11.72	64.55	8.58	2.0	0.90
2018	75.00	84.50	11.76	12.45	68.61	8.82	2.0	0.90
2019	81.00	89.50	12.45	13.19	72.67	9.07	2.0	0.90
2020	88.33	93.85	13.06	13.83	76.20	9.26	2.0	0.90
2021	90.09	95.72	13.32	14.11	77.73	9.44	2.0	0.90
2022	91.89	97.64	13.58	14.39	79.28	9.63	2.0	0.90
2023	93.73	99.59	13.86	14.68	80.87	9.82	2.0	0.90
2024	95.61	101.58	14.13	14.97	82.49	10.02	2.0	0.90
2025	97.52	103.61	14.42	15.27	84.14	10.22	2.0	0.90
2026	99.47	105.69	14.70	15.58	85.82	10.43	2.0	0.90
2027	101.46	107.80	15.00	15.89	87.53	10.63	2.0	0.90
2028	103.49	109.96	15.30	16.21	89.29	10.85	2.0	0.90
2029	105.56	112.16	15.60	16.53	91.07	11.06	2.0	0.90
2030	107.67	114.40	15.92	16.86	92.89	11.28	2.0	0.90
2031	109.82	116.69	16.24	17.20	94.75	11.51	2.0	0.90
2032	112.02	119.02	16.56	17.54	96.65	11.74	2.0	0.90
2033	114.26	121.40	16.89	17.89	98.58	11.98	2.0	0.90

Part 4 – Reconciliation of Changes in Reserves

The following table sets forth a reconciliation of the changes in the Company's gross reserves as at December 31, 2014 against such reserves as at December 31, 2013 based on the forecast price and cost assumptions stated on page 13 of this document:

RECONCILIATION OF COMPANY GROSS RESERVES BY PRINCIPAL PRODUCT TYPE
BASED ON FORECAST PRICES AND COSTS AS AT DECEMBER 31, 2014 (1)
100% Full Interest in Ukraine

FACTORS	LIGHT AND MEDIUM OIL (NGL's and C5+ not included)			ASSOCIATED AND NON-ASSOCIATED GAS		
	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved + Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved + Probable (MMcf)
TUNISIA (Company Working Interest)						
December 31, 2013	2,527	5,543	8,070	6,236	12,939	19,175
Extensions	0	0	0	0	0	0
Improved Recovery	0	0	0	0	0	0
Technical Revisions	858	(28)	831	2,332	796	3,128
Discoveries	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0
Dispositions	0	0	0	0	0	0
Economic Factors	(79)	(408)	(487)	(552)	(1,031)	(1,582)
Production + Inventory changes	(364)	0	(364)	(739)	0	(739)
December 31, 2014	2,942	5,108	8,050	7,277	12,704	19,981
Ukraine (100% Working Interest)						
December 31, 2013	0	0	0	39,697	34,872	74,569
Extensions	0	0	0	0	0	0
Improved Recovery	0	0	0	(3,887)	2,121	(1,766)
Technical Revisions	0	0	0	4,047	(423)	3,624
Discoveries	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0
Dispositions	0	0	0	0	0	0
Economic Factors	0	0	0	0	0	0
Production + Inventory changes	0	0	0	(11,931)	0	(11,931)
December 31, 2014	0	0	0	27,926	36,570	64,496
TOTAL COMPANY						
December 31, 2013	2,527	5,543	8,070	45,932	47,811	93,743
Extensions	0	0	0	0	0	0
Improved Recovery	0	0	0	(3,887)	2,121	(1,766)
Technical Revisions	858	(28)	831	6,379	373	6,752
Discoveries	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0
Dispositions	0	0	0	0	0	0
Economic Factors	(79)	(408)	(487)	(552)	(1,031)	(1,582)
Production + Inventory changes	(364)	0	(364)	(12,670)	0	(12,670)
December 31, 2014	2,942	5,108	8,050	35,203	49,275	84,478

Notes:

(1) See definitions of “proved”, “probable” and “possible” reserves on page 12 of this document.

RECONCILIATION OF COMPANY GROSS RESERVES BY PRINCIPAL PRODUCT TYPE
BASED ON FORECAST PRICES AND COSTS AS AT DECEMBER 31, 2014 (1)
Serinus 70% Interest in Ukraine

FACTORS	LIGHT AND MEDIUM OIL (NGL's and C5+ not included)			ASSOCIATED AND NON-ASSOCIATED GAS		
	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved + Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved + Probable (MMcf)
TUNISIA (Company Working Interest)						
December 31, 2013	2,527	5,543	8,070	6,236	12,939	19,175
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions	858	(28)	831	2,332	796	3,128
Discoveries	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-
Economic Factors	(79)	(408)	(487)	(552)	(1,031)	(1,582)
Production + Inventory changes	(364)	-	(364)	(739)	-	(739)
December 31, 2014	2,942	5,108	8,050	7,277	12,704	19,981
Ukraine (70% Working Interest)						
December 31, 2013	-	-	-	27,788	24,410	52,198
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	(2,721)	1,485	(1,236)
Technical Revisions	-	-	-	2,833	(296)	2,537
Discoveries	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-
Production + Inventory changes	-	-	-	(8,352)	-	(8,352)
December 31, 2014	-	-	-	19,548	25,599	45,148
TOTAL COMPANY						
December 31, 2013	2,527	5,543	8,070	34,023	37,349	71,373
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	(2,721)	1,485	(1,236)
Technical Revisions	858	(28)	831	5,165	500	5,665
Discoveries	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-
Economic Factors	(79)	(408)	(487)	(552)	(1,031)	(1,582)
Production + Inventory changes	(364)	-	(364)	(9,091)	-	(9,091)
December 31, 2014	2,942	5,108	8,050	26,825	38,303	65,129

Notes:

(1) See definitions of “proved”, “probable” and “possible” reserves on page 12 of this document.

Part 5 – Additional Information Relating to Reserves Data

Undeveloped Reserves *(all volumes reported in this section are done so on a consolidated net basis, ie, after the deduction of royalties and including 100% of the Ukraine assets)*

Proved Undeveloped Reserves

The proved undeveloped net reserves of the Company as at December 31, 2014 were 941 Mbbl of light and medium oil, 3,546 MMcf of natural gas and 11 Mbbl of natural gas liquids, for a total of 1,543 Mboe of proved undeveloped reserves.

The Company attributes proved undeveloped reserves on the basis of those reserves expected to be recovered from known accumulations where significant expenditure (eg. when compared to the cost of drilling a well) is required to render them capable of production. "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. The Company's plan is to develop its proven undeveloped reserves over the next two years through techniques including stimulation treatments (including fracture stimulations, selective acidizing), dual completions, and further drilling.

Probable Reserves

The probable net reserves of the Company as at December 31, 2014 were 4,393 Mbbl of light and medium oil, 118 Mbbl of natural gas liquids and 22,842 MMcf of natural gas for a total of 8,318 Mboe of probable undeveloped reserves.

The Company attributes probable reserves on the basis of those reserves expected to be recovered from known accumulations where significant expenditure (eg. when compared to the cost of drilling a well) is required to render them capable of production. "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. The Company's plan is to develop its probable undeveloped reserves through further drilling, and techniques including stimulation treatments (including frac's, selective acidizing) and dual completions.

The Company presently anticipates that it will commence development of its probable undeveloped reserves within the next two years.

Significant Factors or Uncertainties Affecting Reserves Data

The estimation of reserves requires significant judgment and decisions based on available geological, geophysical, engineering and economic data. These estimates can change substantially as additional information from ongoing development activities and production performance becomes available and as economic and political conditions impact oil and gas prices and costs change. The Company's estimates of its reserves are based on current production forecasts, prices and economic conditions, including the demand within Ukraine for natural gas and natural gas liquids. All of the Company's reserves have been evaluated by RPS, an independent engineering firm.

As circumstances change and additional data becomes available, reserve estimates also change. Based on new information, reserves estimates are reviewed and revised, either upward or downward, as warranted. Although every reasonable effort has been made by the Company to ensure that the estimates of its reserves are accurate, revisions may arise as new information becomes available. As new geological, production and economic data is incorporated into the process of estimating reserves, the accuracy of the reserves estimate improves.

Certain information regarding the Company set forth in this report, including management's assessment of the Company's future plans and operations contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These risks include, but are not limited to: the risks associated with the oil and gas industry, commodity prices and exchange rates; industry related risks that could include, but are not limited to, operational risks in exploration, development and production, delays or changes in plans; risks associated with the uncertainty of reserve estimates; health and safety risk; political, social, fiscal, legal and economic risks; the effects of regulations (including environmental regulation) and changes in regulatory regimes (including recent developments with respect to the land use registration system in Ukraine; and the uncertainty of estimates and projections of production, costs and expenses. Competition from other producers, the lack of available qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources are additional risks the Company faces in this market. (See the "Risk Factors" section contained within the Company's Annual Information Form (Form 51-102F2) for the year ended December 31, 2014 (the "**AIF**") which will be filed under the Company's SEDAR profile (www.sedar.com). The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward looking statements and accordingly, no assurance can be given that any events anticipated by the forward looking statements will transpire or occur, and if any of them do, what benefits the Company may derive therefrom. The reader is cautioned not to place undue reliance on this forward looking information.

The Company anticipates that any future exploration and development costs associated with its reserves will be financed primarily through internally-generated cash flow. However, the Company may consider debt and equity financing if deemed appropriate.

All of the natural gas and condensate produced by the Company in Ukraine during 2014 was sold by the operator of the property to industrial users and utilities in the local Ukraine market with the price received being based on the price set by the Ukrainian government for its gas sales to industrial users.

In Tunisia, the gas is marketed to the State Oil company, Societé Tunisienne de l'Electricite et du Gaz ("**STEG**"). Natural gas prices are tied to the 9 month trailing average of low sulphur heating oil, also benchmarked to Brent crude.

The Company does not have any hedges in place.

Future Development Costs

The following tables show the development costs anticipated in the next five years, which have been deducted in the estimation of the future net revenues of the proved and probable reserves.

SUMMARY OF ESTIMATED DEVELOPMENT COSTS ATTRIBUTABLE TO RESERVES USING FORECAST PRICES AND COSTS 100% Ukraine Working Interest		
	($US millions)	
	TOTAL PROVED	TOTAL PROVED + PROBABLE
TUNISIA (Company Working Interest)		
2015	5.50	12.33
2016	8.64	8.64
2017	-	13.96
2018	7.17	14.18
2019	-	-
Total all years	21.31	49.10
Ukraine (100% Working Interest)		
2015	-	-
2016	4.22	4.22
2017	6.39	6.39
2018	7.30	7.30
2019	0.83	0.83
Total all years	18.74	18.74
TOTAL COMPANY		
2015	5.50	12.33
2016	12.86	12.86
2017	6.39	20.35
2018	14.48	21.48
2019	0.83	0.83
Total all years	40.06	67.84

SUMMARY OF ESTIMATED DEVELOPMENT COSTS ATTRIBUTABLE TO RESERVES USING FORECAST PRICES AND COSTS Company Working Interest Values		
	($US millions)	
	TOTAL PROVED	TOTAL PROVED + PROBABLE
TUNISIA (Company Working Interest)		
2015	5.50	12.33
2016	8.64	8.64
2017	-	13.96
2018	7.17	14.18
2019	-	-
Total all years	21.31	49.10
Ukraine (70% Working Interest)		
2015	-	-
2016	2.96	2.96
2017	4.47	4.47
2018	5.11	5.11
2019	0.58	0.58
Total all years	13.12	13.12
TOTAL COMPANY		
2015	5.50	12.33
2016	11.59	11.59
2017	4.47	18.43
2018	12.29	19.29
2019	0.58	0.58
Total all years	34.43	62.22

The Company's current cash balance, internally-generated cash flow and future debt and equity placements will allow the Company to complete the development costs specified above. The effect of the costs of the Company's expected funding activities are anticipated to have a minimal impact on the revenues or reserves currently being reported.

Part 6 – Other Oil and Gas Information

Oil and Gas Properties and Wells

The Company has an interest in four (net 2.8) gas processing facilities located onshore in Ukraine. In Tunisia, the company has 2 (1.45 net) Central Production Facilities and 1 single well battery. None of these facilities have any form of relinquishment, surrender, back-in or change in ownership to which they are subject.

The following table sets forth the number of oil or natural gas wells in which the Company held a working interest as at December 31, 2014:

Table 6.1	**OIL**		**NATURAL GAS**	
	Gross	**Net**	**Gross**	**Net**
Ukraine (1)				
Producing			16	11.2
Non-producing			7	4.9
Tunisia				
Producing	26	23.25		
Non-producing	5	4.45		
TOTAL	31	27.7	23	16.1

Notes
(1) All of the wells in Ukraine are natural gas wells, substantially all of which also produce small amounts of condensate.

Properties with No Attributed Reserves

The Company's only material property for which there are no attributed reserves is Romania. The Satu Mare Concession contains exploration and appraisal projects upon which wells were drilled in 2012 and 2014. The Company has an inventory of exploration and appraisal locations that are expected to be drilled in future years. There can be no certainty that any of these wells will result in the discovery of recoverable reserves in commercial quantities.

For the foreseeable future, the Company will be conducting exploration activities such as seismic acquisition programs and exploratory drilling that will require third party services. The market for the provision of such services in Romania 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.

Table 6.2				
Location	**Gross Area**	**Net Area**	**Work Commitments (Gross)**	**Rights to Expire within One year**
Brunei Block L	1,123 km^2	1,011 km^2 (90%)	Phase 1 – ended August 27, 2010; work commitments require a minimum spend of $25.0 million. Status: Completed.	N/A
			Phase 2 – ending August 27, 2013; work commitments require a minimum spend of $16.0 million. Status: Completed.	Yes
Syria Block 9	10,032 km^2	4,514 km^2 (36%)	Phase 1 – extended to October 27, 2012; work commitments require a minimum spend of $7.5 million. Status: Phase 1 in progress, however operations suspended at present.	Potential yes – depending on resolution of force majeure
			Phase 2 – ending November 2014; work commitments require a minimum spend of $7.0 million. Status: Phase 2 not committed to yet.	N/A
			Phase 3 – ending November 2016; work commitments require a minimum spend of $2.5 million. Status: Phase 3 not committed to yet.	N/A
Romania Satu Mare			Phase 1 Completed	
			Phase 2: 180 km2 Seismic 3D and two exploration wells to be drilled before May 2015	Potentially yes, however Phase 2 commitments will be completed imminently and the Company has initiated discussions with the Romanian government with respect to a new exploration period.

Notes on Properties with No Attributed Reserves

Romania Satu Mare

The Romanian assets consist of the Satu Mare Concession which was acquired through the Winstar acquisition in June 2013. The Phase 2 Exploration Period, which included a 180 km^2 3D seismic survey and two wells to be drilled before May 2015, has been completed and with both wells showing indications of gas on logs. As of the date hereof testing of the wells is underway. With the completion of the Phase 2 commitments, the Company has the right to exclusive negotiations with the Romanian government with respect to an extension of the Satu Mare Concession with a third exploration period and work commitments. Management has had preliminary discussions with the government with respect to this extension and will be submitting a formal proposal in the near future.

Tunisia

The Zinnia field was reclassified by RPS as of December 31, 2014 from Reserves to Contingent Resources, due to the lack of activity in reactivating the wells and facility. The Company may reactivate the facility and the wells in the future, at which time it expects the Resources will be restored to Reserves classification.

Ukraine

The Vergunskoye and Krutogorovskoye fields in Ukraine were reclassified from Reserves to Contingent Resources "On hold". These fields lie within the area of political unrest and are under control of the Pro-Russian separatists. The fields have been shut in and placed under "*force majeure*".

Brunei Block L

Serinus, through a wholly-owned subsidiary, and its partners are parties to the production sharing agreement for Brunei Block L (the "**Block L PSA**") with Brunei National Petroleum Company Sendirian Berhad. The Block L PSA grants the right to explore for and produce oil and gas from Block L, which comprises approximately 1,134 square kilometres of both onshore and shallow offshore areas of northern Brunei. Serinus and its partners have completed all work commitments required during the Phase 1 and Phase 2 exploration periods. No operations were conducted in Brunei during 2014, and no further activity is planned for Brunei Block L. Management has been attempting to sell the property. Block L is not at this time considered to be material to the Company.

Syria Block 9

Through its indirect wholly-owned subsidiary, Loon Latakia, Serinus Energy holds a participating interest in the contract for the exploration, development and production of petroleum from Syria Block 9 (the "**Block 9 PSC**") between the Government of the Syrian Arab Republic, Syrian Petroleum Company and the Company. The contract became effective on November 29, 2007. This agreement gives the Company the right to explore for and produce oil and gas from Block 9, a 10,032 square kilometre block in north-western Syria. .

The Company, in its capacity as operator of Syria Block 9, declared a *force majeure* event in July 2012 under the Syria Block 9 PSC. Although the current exploration period is extended by the time spent in *force majeure*, it was previously extended contingent on renewal of a bank guarantee which the Company has been unable to provide due to international sanctions. It is therefore possible that this extension may not be enforceable and the Syria Block 9 PSC could lapse. Syria Block 9 is not at this time considered to be material to the Company.

Forward Contracts

The Company has no forward contracts.

Additional Information Concerning Abandonment and Reclamation Costs

The estimated abandonment and restoration costs used by RPS are based on discussions with the Company's engineering personnel who, in turn, evaluated information provided by Ukraine based field and technical personnel with experience in the four producing fields in Ukraine. The Company expects to incur abandonment and reclamation costs for 25 wells (17.5 net wells), and does not expect to incur abandonment and restoration costs in the next three years. All future abandonment and reclamation costs are deducted in determining Future Net Revenues (100% Full Field Interest and 70% SEN Working Interest). All costs have been included in the RPS report.

FUTURE ABANDONMENT AND RECLAMATION COSTS
Serinus Net Interest

Table 6.4 **Year**	**Total Proved Estimated Using Forecast Prices and Costs[1] (Undiscounted)** ($MM)	**Total Proved Estimated Using Forecast Prices and Costs[1] (10% Discounted)** ($MM)	**Total Proved Plus Probable Estimated Using Forecast Prices and Costs[1] (Undiscounted)** ($MM)	**Total Proved Plus Probable Estimated Using Forecast Prices and Costs[1] (10% Discounted)** ($MM)
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
Total for three years	-	-	-	-
Remainder	32.24	10.99	38.34	2.37
Total for all years	32.24	10.99	38.34	2.37

Note (1): Costs are net of estimated salvage value;

Tax Horizon

The Company is currently taxable in Ukraine and Tunisia and is expected to continue to be currently taxable thereafter.

Costs Incurred

During the year ended 31 December 2014, the Company incurred capital expenditures of $68.5 million on its oil and natural gas properties. The following table reflects the Company's capital expenditures by country and type (in thousands of US$'s):

Table 6.6	**Property Acquisition Costs**		**Exploration Costs**	**Development Costs**
	Proved Properties	Unproved Properties		
	($M)	($M)	($M)	($M)
Corporate [(1)]	-	-	339	826
	-	-		
Syria	-	-	-	-
	-	-		
Ukraine	-	-	1,553	16,769
	-	-		
Romania	-	-	12,312	-
	-	-		
Tunisia	-	-	-	36,651
	-	-		
Total	-	-	**14,204**	**54,246**

(1) Corporate balances include those values previously presented as Brunei.

Exploration and Development Activities

The following table summarizes the Company's drilling results in Ukraine, Tunisia and Romania during the year ended December 31, 2014. There was no drilling activity of the Company in any other jurisdiction in which the Company owns assets during this period. Further exploration and development drilling is anticipated to occur in Ukraine, Tunisia and Romania in 2015. There were no service wells or stratigraphic test wells drilled during 2014.

Table 6.7	**Exploration**		**Development**		**Total**	
	Gross	Net	Gross	Net	Gross	Net
2014						
Ukraine gas/condensate wells	3.0	2.1	-	-	3.0	2.1
Tunisia oil wells	1.0	0.45	-	-	1.0	0.45
Romania	2.0	1.2			2.0	1.2
Dry and abandoned	0	0	-	-	0	0
Total Wells	6.0	3.75	-	-	6.0	3.75
Success Rate (%)	100	100			100	100
Average Working Interest (%)	63.75	63.75			63.75	63.75

Production Estimates

The following table is a summary of the gross (prior to royalties) volume of the Company's estimated production for 2015, which is reflected in the estimate of future net revenue in the RPS Report based on forecast prices and costs.

	Estimated Production - 2015					
	Ukraine 100% Interest			Ukraine 70% Interest		
RESERVE CATEGORY	LIGHT AND MEDIUM OIL (Mbbl)	NATURAL GAS (MMcf)	NATURAL GAS LIQUIDS (Mbbl)	LIGHT AND MEDIUM OIL (Mbbl)	NATURAL GAS (MMcf)	NATURAL GAS LIQUIDS (Mbbl)
TUNISIA						
Total Country	613.7	1,266.3	19.8	613.7	1,266.3	19.8
Significant Fields (1)						
Sabria	291.3	677.4	-	291.3	677.4	-
Chouech Es Saida	247.8	503.2	19.8	247.8	503.2	19.8
Ukraine						
Total Country	-	8,304.8	44.6	-	5,813.4	31.2
Significant Fields (1)						
Olgovskoye	-	3,362.9	30.7	-	2,354.0	21.5
Makeevskoye	-	4,941.9	13.9	-	3,459.4	9.7

Notes:
(1) Significant fields include those which account for 15% or more of the Company's estimated production for 2015.

Production History

The following table sets forth the Company's average daily production volumes and unit prices received, royalties, operating expenses and netbacks received for the periods indicated.

	LIGHT AND MEDIUM OIL					NATURAL GAS				
RESERVE CATEGORY	Q1	Q2	Q3	Q4	Total Year	Q1	Q2	Q3	Q4	Total Year
TUNISIA (Company Working Interest)										
Company share of daily production (Bbl/d or Mcf/d before deduction of royalties)	1,024	982	876	1,115	999	1,928	1,975	1,761	1,914	1,894
Average ($/bbl, or $/Mcf)										
Price received	108.06	108.13	98.06	73.61	96.28	14.18	14.47	14.73	14.10	14.36
Royalties paid	14.51	14.37	13.10	9.84	12.86	1.83	1.85	1.83	1.73	1.81
Production costs	23.15	34.38	28.83	29.46	28.91	3.78	5.75	5.06	2.72	4.32
Netback	70.40	59.38	56.13	34.31	54.50	8.57	6.87	7.84	9.65	8.23
Total Annual Production (Mbbl or MMcf before deduction of royalties)	92.2	89.4	80.6	102.6	364.7	173.5	179.7	162.0	176.1	691.3
UKRAINE										
100% share of daily production (Bbl/d or Mcf/d before deduction of royalties)	142	144	122	119	132	29,181	30,454	37,585	33,393	32,678
Average ($/bbl, or $/Mcf)										
Price received	95.69	77.79	84.98	72.34	82.99	8.55	10.23	10.17	9.63	9.69
Royalties paid	36.47	37.53	44.09	28.41	36.70	2.25	2.15	4.19	4.77	3.44
Production costs	-	-	-	-	-	1.24	1.12	0.86	1.34	1.13
Netback	59.22	40.26	40.89	43.93	46.29	5.06	6.96	5.12	3.52	5.12
Total Annual Production										
100% share (Mbbl or MMcf before deduction of royalties)	12.8	13.1	11.2	10.9	48.1	2,626	2,771	3,458	3,072	11,928

Production Volumes
For the Year ended December 31, 2014

The following table sets forth the Company's net working interest share of total production volume together with production volumes for each significant field for the Company's most recently completed financial year. These production volumes reflect the Company's net working interest share of production volumes for the year ended December 31, 2014

Table 6.9-2b	Light and Medium Oil / Natural gas liquids	Conventional Natural Gas	Oil Equivalent
	(bbl)	(Mcf)	(boe)
Tunisia production volume	364,635	691,310	479,853
Significant fields:			
Sabria	80,622	193,010	112,790
Chouech Essaida	233,677	498,300	316,727
Ukraine production volume	33,580	8,349,010	1,425,082
Significant fields:			
Olgovskoye	23,143	3,069,634	534,749
Makeyevskoye	10,403	5,156,448	869,811
Total production volume	398,215	9,040,320	1,904,935

Note - See information related to boe conversion ratio on page 28 of this document

Part 7 – Notes

ABBREVIATIONS AND CONVERSION

bbl	Barrel(s)	bbl/d	Barrels per day
boe	Barrels of Oil Equivalent	boe/d	Barrels of Oil Equivalent per day
Mcf	Thousand Cubic Feet	Mcf/d	Thousand Cubic Feet per day
MMcf	Million Cubic Feet	MMcf/d	Million Cubic Feet per day
Mcfe	Thousand Cubic Feet Equivalent	Mcfe/d	Thousand Cubic Feet Equivalent per day
MMcfe	Million Cubic Feet Equivalent	MMcfe/d	Million Cubic Feet Equivalent per day
Mboe	Thousand boe	Bcf	Billion Cubic Feet
MMboe	Million boe	Mcm	Thousand Cubic Metres
m^3	Cubic metre	$M	Thousands of Dollars
$MM	Millions of Dollars		

USE OF EQUIVALENCIES

Equivalencies, whether barrel of oil equivalent (boe) or Thousand Cubic Feet equivalent (Mcfe) on the basis that 1 barrel of oil is equivalent to 6 Mcf of natural gas may be misleading, particularly if used in isolation. A conversion ratio of 1 barrel of oil for 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

APPENDIX B

Suite 700, 555 – 4th Avenue SW, Calgary Alberta Canada T2P 3E7
T +1 403 265 7226 F +1 403 269 3175 W rpsgroup.com/canada

2015-03-17

The Board of Directors,
Serinus Energy Inc.
Suite 1170, 700 4th Avenue SW
Calgary, AB
Canada
T2P 3J4

Subject: Form 51-101F2, Report on Reserves Data

1. We have evaluated the Tunisian and Ukrainian reserves data of Serinus Energy Inc. (the "Company") as at December 31, 2014. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2014, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2014, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management and board of directors:

Independent Qualified Reserves Evaluator	Description of Evaluation Reports	Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue Before Income Taxes Proved + Probable Reserves Million US Dollars, 10% discount rate		
				Audited	Evaluated	Reviewed
RPS Energy Canada Ltd.	"Reserves Evaluation of Tunisian Properties of Serinus Energy Inc., as at December 31, 2014."	March 20, 2015	Tunisia	$ n/a-	$295.1	$ n/a
RPS Energy Consultants Ltd.	"Evaluation of Natural Gas Reserves, Vergunskoye, Olgovskoye, Makeevskoye and Krutogorovskoye License Interests, Ukraine, Based on Forecast Prices and Costs, As of December 31st, 2014 ."	March 2015	Ukraine	$ n/a-	$91.9	$ n/a

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

RPS Energy Canada Ltd.

Original Signed by Brian D. Weatherill, P.Eng.

Brian D. Weatherill, P.Eng.

SERINUS ENERGY

APPENDIX C

FORM 51-101 F3 REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

This is the form referred to in item 3 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"). Terms to which a meaning is ascribed in NI 51-101 have the same meaning in this form.

Report of Management and Directors on Reserves Data and Other Information

The management of Serinus Energy Inc. (the "**Company**") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2014, the end of the most recently completed fiscal year, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated and reviewed the Company's reserves data. The report of the independent qualified reserves evaluator will be filed with the securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Company has:

(a) Reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;

(b) Met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to

report without reservation; and

(c) Reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors of the Company has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management of the Company. The board of directors has approved;

(a) the content and filing with securities regulatory authorities of Form 51-101 F1 containing information detailing the Company's oil and gas activities;
(b) the content and filing with securities regulatory authorities of Form 51-101 F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
(c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed by: Timothy M. Elliott)	*(signed by: Norman W. Holton)*
Timothy M. Elliott Director / President & Chief Executive Officer	Norman W. Holton Director & Vice Chairman
(signed by: Helmut J. Langanger)	*(signed by: Gary R. King)*
Helmut J. Langanger Director & Chair of Reserves Committee	Gary R. King Director & Member of Reserves Committee

March 25, 2015

SERINUS ENERGY

APPENDIX D

AUDIT COMMITTEE

TERMS OF REFERENCE

Adopted by the Board of Directors on December 21, 2006
and amended April 27, 2007 and November 12, 2009

PURPOSE

The Audit Committee (the **"Committee"**) of Serinus Energy Inc. (the **"Corporation"**) is established to fulfil applicable public company obligations respecting audit committees and to assist the Board of Directors of the Corporation (the **"Board"**) in fulfilling its oversight responsibilities with respect to financial reporting, including, but not limited to, the responsibility to:

- oversee the accuracy, completeness and integrity of the Corporation's financial statements and financial reporting process;
- oversee, review and evaluate the audit process and the Corporation's disclosure controls and procedures, internal controls over financial reporting, financial reporting systems, and procedures and compliance with related legal and regulatory requirements;
- oversee the qualifications and independence of the Corporation's external auditors;
- oversee the work of the Corporation's financial management, internal auditors and external auditors;
- communicate directly with the Corporation's internal and external auditors, as well as provide an open avenue of communication between the internal auditors, the external auditors, the Board and management of the Corporation;
- develop the Corporation's risk management strategy; and
- any additional duties set out in these terms of reference or otherwise delegated to the Committee by the Board.

COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of not less than three members of the Board, each of whom must be "independent" (as such term is defined from time to time under the requirements or

guidelines for audit committee service under applicable securities laws, including National Instrument 52-110 *Audit Committees* ("**NI 52-110**")) and "financially literate" (as determined under NI 52-110). The composition of the Committee shall also comply with any other requirements as may be prescribed from time to time by applicable securities regulatory authorities, including those contained in NI 52-110.

2. If a Committee member serves on the audit committee of more than three public corporations, including the Corporation, the Board must determine that such service would not impair the ability of the member to effectively serve on the Committee.

3. The Board, at its organizational meeting held in conjunction with each annual general meeting of shareholders of the Corporation, shall appoint the members of the Committee for the ensuing year. If the Board shall fail to do so, persons who were members of the Committee immediately preceding the most recent annual meeting of shareholders of the Corporation, provided they continue to be directors of the Corporation and remain qualified to serve on the Committee, shall be deemed to be reappointed to the Committee. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.

CHAIR

4. Unless the Board shall have appointed a chair of the Committee, the members of the Committee each year shall elect a chair (the **"Chair"**) from amongst their number.

5. The Chair will provide leadership to the Committee and will lead the Committee in fulfilling the duties set out in its mandate.

6. The Chair's duties will be to:

(a) provide overall leadership to enhance the effectiveness of the Committee;

(b) take all reasonable steps to ensure that the responsibility and duties of the Committee, as outlined in its mandate, are well understood by the Committee members and executed as effectively as possible;

(c) foster ethical and responsible decision making by the Committee and its individual members;

(d) provide effective Committee leadership, overseeing all aspects of the Committee's direction and administration in fulfilling the terms of its mandate;

(e) oversee the structure, composition, membership and activities delegated to the Committee;

(f) ensure that the Committee meets at least four times annually and as many additional times as is necessary to carry out its duties effectively;

(g) establish the agenda for each Committee meeting;

(h) chair all meetings of the Committee; provided, however, that if the Chair is not present at a meeting of the Committee, the Committee members present will choose a Committee member to chair the meeting;

(i) encourage Committee members to ask questions and express viewpoints during meetings;

(j) deal effectively with dissent and work constructively towards arriving at decisions and achieving consensus;

(k) ensure that the Committee meets in separate, regularly scheduled, non-management, "*in camera*" sessions;

(l) ensure that the Committee meets in separate, regularly scheduled, non-management, closed sessions with the internal auditors and the external auditors;

(m) ensure that the Committee meets in separate, non-management, closed sessions with internal personnel or outside advisors, as needed or appropriate;

(n) following each meeting of the Committee, report to the Board on the activities, findings and any recommendations of the Committee;

(o) ensure that Committee materials are available to any director of the Corporation on request;

(p) take all reasonable steps to ensure that Committee members receive written information and are exposed to presentations from management to fulfill the Committee mandate;

(q) have an effective working relationship with members of management;

(r) ensure that a performance evaluation of the Committee and the Chair is conducted, soliciting input from all Committee members, other directors and appropriate members of management;

(s) ensure that resources and expertise are available to the Committee so that it may conduct its work effectively and efficiently;

(t) retain, oversee, compensate and terminate independent advisors to assist the Committee in its activities; and

(u) carry out any other appropriate duties and responsibilities assigned by the Board or delegated by the Committee.

MEETINGS OF THE COMMITTEE

7. The Chair shall appoint a secretary for each meeting to keep minutes of such meeting. The minutes of the Committee will be in writing and duly entered into the books of the Corporation and shall be available to all members of the Board.

8. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.

9. The Committee shall have access to such officers and employees of the Corporation and to the Corporation's external auditors, and to such information respecting the Corporation as it considers to be necessary or advisable in order to perform its duties and responsibilities.

10. Meetings of the Committee shall be conducted as follows:

(a) The Committee shall meet at least four times annually, at such times and at such locations as may be requested by the Chair. The external auditors or any member of the Committee may call a meeting of the Committee at any time.

(b) Notices calling meetings shall be sent to all Committee members, to the Chief Executive Officer, to the Chairman, Vice Chairman and to all other directors.

(c) The following management representatives shall be invited to attend all meetings, except executive sessions and private sessions with the external auditors:

Chief Executive Officer
Chief Financial Officer

Other management representatives shall be invited to attend as necessary.

11. The internal auditors, if any, and the external auditors of the Corporation shall have a direct line of communication to the Committee through the Chair. The Committee, through the Chair, may contact directly any employee in the Corporation as it deems necessary, and any

employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

DUTIES AND RESPONSIBILITIES

12. The overall duties and responsibilities of the Committee shall be to:

(a) assist the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls (including the Corporation's disclosure controls and procedures and internal controls over financial reporting);

(b) oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;

(c) pre-approve, in accordance with applicable law, all non-audit services to be provided by the external auditors to the Corporation or its subsidiary entities;

(d) review the Corporation's annual and interim consolidated financial statements, the external auditor's report on the annual financial statements the external auditor's review of the interim financial statements, MD&A, annual and interim earnings press releases and information contained therein or derived therefrom before approval by the Board and public disclosure or filing of such information;

(e) establish and maintain a direct line of communication with the Corporation's external auditors and assess their performance;

(f) be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in paragraph (d) above, and develop a method and procedure of being able to assess, and assess, on a reasonably frequent basis, the adequacy of those procedures;

(g) establish procedures for:

(i) the receipt, retention and treatment of (including reasonable attempts to resolve) complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and

(ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

(h) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the current external auditors and former external auditors of the Corporation; and

(i) report regularly to the Board on the fulfilment of its duties and responsibilities.

13. The duties and responsibilities of the Committee as they relate to the external auditors shall be to:

(a) recommend to the Board:

(i) the external auditors to be nominated for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation; and

(ii) the compensation of the external auditors;

(b) engage the external auditors to review all interim financial statements and review the results of the auditors' review of the interim financial statements and the auditors' review of the related MD&A independent, and without the presence, of management;

(c) review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards or that relate to the external auditors;

(d) review with management and the external auditors any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Corporation's financial statements or accounting policies;

(e) review the audit plan and scope, extent and schedule of the audit of the external auditors prior to the commencement of the audit;

(f) review, independently of management, with the external auditors, upon completion of their audit:

(i) results of the audit;

(ii) contents of their report;

(iii) scope and quality of the audit work performed;

(iv) adequacy of the Corporation's financial and auditing personnel;

(v) co-operation received from the Corporation's personnel during the audit;

(vi) internal resources used;

(vii) significant transactions outside of the normal business of the Corporation;

(viii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems;

(ix) non-audit services provided by the external auditors; and

(x) the quality (not just the acceptability) of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the auditors' preferred treatment, and any other material communications with management; and

(g) review and discuss with the external auditors the Corporation's critical accounting policies and the quality of accounting judgments and estimates made by management;

(h) be involved with any change of the Corporation's external auditors, including the disclosure requirements with respect thereto;

(i) review all other material written communications between the external auditors and management, including the post-audit management letter containing the recommendations of the external auditors, management's response thereto and, subsequently, follow-up identified weaknesses;

(j) at least annually, and before the external auditors issue its report on the annual financial statements, review the qualifications, work product and reputation of the external auditors, and review and confirm the independence of the external auditors through discussions with the auditors on its relationship with the Corporation, including details of all non-audit services provided;

(k) meet with the external auditors independently from management and without management present at least annually to discuss and review specific issues, and as appropriate with respect to any significant matters that the auditors may wish to bring to the Committee for its consideration;

(l) discuss with the external auditors any significant changes required in the approach or scope of their audit plan, management's handling of any proposed adjustments identified by the external auditors, and any actions or inactions by management that limited or restricted the scope of their work; and

(m) ensure that the external auditors report directly to the Committee, and ensure that same is provided for under the terms of the external auditors' audit engagement.

14. The duties and responsibilities of the Committee as they relate to the Corporation's internal auditors are to:

(a) monitor the qualifications and performance of the internal auditors and periodically review the internal audit function with respect to the organization, staffing and effectiveness of the internal audit department;

(b) oversee, review and approve the internal audit plan;

(c) review significant internal audit findings and recommendations, and management's response thereto; and

(d) establish a direct line of communication with the internal auditors.

15. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:

(a) oversee, review and assess the adequacy, effectiveness, quality and integrity of the Corporation's disclosure controls and procedures, internal controls over financial reporting and management information systems through discussions with management and the internal and external auditors;

(b) oversee management's reporting on internal controls and disclosure controls and procedures;

(c) review and assess the appropriateness and effectiveness of the Corporation's policies and business practices that may impact the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls (including disclosure

controls and procedures and internal controls over financial reporting), management reporting and risk management;

(d) review compliance under the Corporation's code of business conduct and ethics policy and to periodically review such policy and recommend to the Board changes that the Committee considers appropriate;

(e) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and

(f) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.

16. The Committee is also charged with the responsibility to:

(a) review the Corporation's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;

(b) review and approve the financial sections of, and the disclosure pertaining to the Committee required to be disclosed by applicable law included in:

(i) the annual report to shareholders of the Corporation;

(ii) the annual information form and management information circular of the Corporation, as applicable;

(iii) prospectuses of the Corporation; and

(iv) any other reports requiring approval by the Board,

and report to the Board with respect thereto;

(c) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;

(d) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;

(e) review the minutes of any audit committee meeting of subsidiary companies of the Corporation;

(f) review with management, the external auditors and, if necessary, with legal counsel, any actual or anticipated litigation, claim or other contingency or other events, including tax assessments that could have a material current or future effect on the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;

(g) review with management and the external auditors significant accounting practices employed by the Corporation and disclosure issues, including complex or unusual transactions, judgmental areas such as reserves or estimates, significant changes to accounting principles, and alternative treatments under Canadian GAAP for material transactions;

(h) confirm through discussions with management that Canadian GAAP and all applicable laws or regulations related to financial reporting and disclosure have been complied with;

(i) discuss with management the effect of any off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material effect on the Corporation's financial condition, results of operations, liquidity, capital expenditures, capital resources, or revenues and expenses;

(j) oversee investigations of alleged fraud and illegality relating to the Corporation's finances and any resulting actions;

(k) review and assess the adequacy of the Corporation's risk management policies, including hedging policies, and procedures with respect to the Corporation's principal business risks;

(l) review and assess the adequacy of the implementation of appropriate systems to mitigate and manage the Corporation's risks, and report regularly to the Board;

(m) review the Corporation's insurance program;

(n) review with management the Corporation's relationship with regulators and the timeliness and accuracy of the Corporation's filings with applicable regulatory authorities;

(o) review with management all related party transactions and the development of policies and procedures related to those transactions;

(p) review and assess the adequacy of these terms of reference annually and submit to the Board such amendments as the Committee considers appropriate;

(q) report regularly to the Board on Committee activities, issues and related recommendations; and

(r) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board following each annual general meeting of shareholders of the Corporation.

AUTHORITY OF THE COMMITTEE

17. The Committee shall also have the authority to:

(a) engage, without the consent of the Corporation, independent counsel and other advisors as it determines necessary to carry out its duties;

(b) set and pay the compensation for any independent counsel or other advisors retained/engaged by the Committee; and

(c) communicate directly with the internal and external auditors.