

## Report under Polish regulations concerning compliance by the Company with Polish corporate governance rules

Serinus Energy Inc. presents its 2015 corporate governance compliance report. The report was prepared pursuant to requirements disclosed in § 29(5) of the Rules of the Warsaw Stock Exchange ('WSE') and Resolution No. 1013/2007 of the WSE Management Board of 11 December 2007.

### 1. Indication of the rules of the Code of Best Practice for WSE Listed Companies which were not applied by the Company

Serinus is incorporated under the laws of the Province of Alberta, Canada under the Business Corporations Act (Alberta) ('ABCA'). The Company complies with the applicable laws of the Province of Alberta, Canada, ABCA and corporate governance regulations issued by the Securities Commissions in Canada.

As an issuer listed on the WSE, the Company was subject to the corporate governance rules of the 'Code of Best Practice for WSE Listed Companies' until 31 December 2015. ('Code of Best Practice'). These rules were adopted by the WSE Supervisory Board on 21 November 2012 (Annex to the Resolution No. 19/1307/2012) and are accessible at [http://static.gpw.pl/pub/files/PDF/dobre\\_praktyki/dobre\\_praktyki\\_16\\_11\\_2012.pdf](http://static.gpw.pl/pub/files/PDF/dobre_praktyki/dobre_praktyki_16_11_2012.pdf). The principles entitled 'Recommendations for Best Practice for Listed Companies' were among the rules contained within the first part of the 'Code of Best Practice' and were applicable by the issuers on a voluntary basis.

From 1 January 2016 onwards the Company is subject to recommendations and rules contained within 'Code of Best Practice for WSE Listed Companies 2016' ('Code of Best Practice WSE 2016') which is accessible via WSE's website at [https://www.gpw.pl/lad\\_korporacyjny\\_na\\_gpw](https://www.gpw.pl/lad_korporacyjny_na_gpw).

For information on application by the Company of the Code of Best Practice WSE 2016 recommendations and rules please refer to the website <http://investor.serinusenergy.com/pl/ir/relacje-inwestorskie/lad-Korporacyjny/stosowanie-dobrych-praktyk>.

However, it should be noted that due to differences between Polish and Canadian legal systems, procedures and practices, the Code of Best Practice as well as the Code of Best Practice WSE 2016 rules apply to the Company only to the extent permitted by Alberta law, the Articles and the By-laws of Serinus. In particular, Serinus does not have two separate governing bodies (a supervisory board and a management board) which are obligatory in Polish joint stock companies. Serinus has a Board of Directors which performs the combined roles of a supervisory board and a management board. Where the Company is unable to comply directly with those Code of Best Practice as well as Code of Best Practice WSE 2016 rules which concern relations between a supervisory board and a management board, it does so in a general manner with reference to their general intention.

With the above qualification, in 2015 the Company did not comply at all or did not comply fully with the following WSE Code of the Best Practice rules:

**Rule I.5** (*having a remuneration policy according to European Commission Recommendations*): Compensation of the Company's Senior Management is determined by the Board of Directors taking into account recommendations of the Compensation and Corporate Governance Committee appointed by the Board of Directors. The general function of the Committee is to implement and oversee the human resources and compensation policies approved by the Board of Directors, concerning among others executive compensation, contracts, stock option or other incentive plans. The Committee reviews compensation of Senior Managers and Directors annually and compares it to a benchmark. Based on the review, the Committee gives recommendations to the Board of Directors. The Committee may use external consultants if necessary. Detailed information on compensation is presented in Notices of Meetings and Information Circulars.

**Rule I.9** (*balanced proportion of women and men in management functions*): The Company's Management included men only from the date of admission of the Company's shares to trading on WSE. In January 2014 one woman was appointed to the Management as the Company's Chief Financial Officer. In the future, to the extent within its control, the Company will strive to take into account WSE's recommendations while leaving the relevant decisions to the Company's competent bodies.

**Rule II.1.12**(*information about the projected cost of the incentive scheme based on shares published on the website*): The Company does not publish on its website any information about the projected cost of its Stock Option Plan under which Stock Options are granted to the Directors, the Senior Management, employees and consultants of the Company and its affiliates. The exercise price of Options is determined by the Company's Board of Directors at the time of granting the Options in accordance with the Company's Stock Option Plan. The Company publishes detailed information on the Stock Option Plan in Notices of Meetings and Information Circulars.

**Rule II.3** (*approval of the Supervisory Board for atypical significant agreements/transactions with a related entity*): The ABCA requires that material transactions, including material transactions with related parties, are approved in advance by the Board of Directors. Furthermore, the Company is subject to Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*, which recommends that specific transactions with related parties involve special committees within the Board of Directors and, in specific circumstances, requires an independent special committee of the Board of Directors and the approval of minority shareholders.

Where the Company plans a material contract with a Director or an entity in which a Director has a material interest, the Director is required to disclose the conflict of interest and shall not vote on the matter at the meeting of the Board of Directors unless allowed by ABCA in specific rare circumstances.

The Company has a related party policy. Related Party Policy regarding the review, approval or ratification of related party transactions has been adopted by the Company in order to set forth: (i) the guidelines under which certain transactions must be reviewed and approved or ratified by the Audit Committee of the Board; and (ii) the disclosure requirements for related party transactions.

**Rule II.7** (*setting the place and date of a General Meeting so as to enable the participation of the highest possible number of shareholders*): Pursuant to the Articles of the Company, meetings of Shareholders may be held inside or outside of the Province of Alberta. Considering that Serinus is a Canadian company and its stock is listed on the exchange in Poland and in Canada, the Company has held meetings of Shareholders since the admission of its stock to trading on WSE fourtimes in Canada (Calgary, Province of Alberta) and once in Poland (Warsaw).

**Rule II.1.6** (*reports on the activity of the Supervisory Board and assessment of the situation of the company*): The Company does not publish reports of its Board of Directors. Furthermore, Canadian law does not provide for an assessment of the situation of the company by the Board of Directors including assessment of the internal control system and the management system of the Company's material risks. Their counterparts are reports and evaluations made in the preparation, review and approval of annual financial statements and management's discussion and analysis ('MD&A') which complements the financial statements. Annual financial statements and MD&A are approved by the Board of Directors before filing. Disclosures in annual reports are certified by the Chief Executive Officer and the Chief Financial Officer (Form 52-109F1 and 52-109F2). According to Form 51-102F2, risks are disclosed in the Annual Information Form ('AIF'), published and presented to the Canadian securities regulator. AIF includes disclosures on the activity of the Audit Committee and other committees of the Company.

**Rule I.12 and IV.10** (*enabling participation in a General Meeting using electronic communication means*): The Company provides Shareholders with real-time broadcasts of a Shareholders meeting. Furthermore, the By-laws of Serinus provide that a Shareholder may participate in a meeting of Shareholders by means of telephone or other communication facilities that permit all persons participating in the meeting to hear each other and a person participating in such meeting by those means is deemed for the purposes of the ABCA to be present at the meeting. Participation in a Shareholders' Meeting by means of remote communications includes the ability to cast votes by means of remote communications. However, such participation is available only to Registered Shareholders whose names appear on the register of Shareholders maintained by Serinus. Most individual investors do not hold shares in their own name; rather, the shares are held by intermediaries who are the Registered Shareholders. To exercise their rights, including the right to vote, a shareholder other than a Registered Shareholder should follow the procedures and legal means available under the agreement with the intermediary.

## 2. Shareholders' rights and Shareholders' Meetings

### 2.1. Basic information on shareholders' rights and exercise of rights

Differences between the rights of Shareholders depend on Shareholders' status. In the Canadian legal system a concept of a 'registered owner (shareholder)' and 'beneficial shareholder (owner)' exists. This concept is unknown to the Polish legal system. A person is a registered owner of shares if the shares are registered in their name in the shareholders' register (which for the Company is held by Computershare). A person is a beneficial owner of shares if they have an equitable right to the shares, irrespective of whether the shares are registered in their name in the shareholders' register or not. In Canada most individual investors do not hold shares in their own name; rather, the shares are held by intermediaries who are the registered shareholders. The individuals purchasing the shares through an intermediary, such as a broker or a bank, are called 'beneficial' or 'non-registered' shareholders, as opposed to 'registered' shareholders. Equitable or beneficial ownership (granted to Beneficial Shareholders) is in contrast to legal ownership (granted to Registered Shareholder). A legal owner (Registered Shareholder) has title to the shares, although legal title may carry no rights to the underlying economic rights or incidents of ownership to the property. Equitable or beneficial ownership means that while a person (as Beneficial Shareholder) may not have title to the shares, they have rights which are the normal incidents of owning the shares (e.g. dividend rights, voting rights, liquidation rights). If a person is a Registered Shareholder, they are able to enforce their rights directly against the Company. In order for Beneficial Shareholders to pursue the rights available to them as shareholders, such Beneficial Shareholders must engage the legal procedures and remedies available to them based upon their contractual relationship with their broker.

Under the ABCA, any amendment to the rights of Shareholders requires an amendment to the Articles or By-laws of the Company. As of the day of this report, there are no provisions in the Articles and By-laws discriminating against or favoring any existing or prospective beneficial holder of the Serinus Shares other than provisions relating to Preferred Shares that may be issued from time to time. As at the date of this report, there are no issued and outstanding Preferred Shares.

Registered Shareholders holding the Serinus Shares are entitled to:

- (a) one vote per Serinus Share at Shareholders' Meetings,
- (b) to receive dividends if, as and when declared by the Board of Directors, and
- (c) to receive pro rata the remaining property and assets of the Company upon its dissolution, liquidation or winding-up, subject to the rights of shares having priority over the Serinus Shares.

The following summary of certain provisions of the Serinus Shares does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of the Articles and by the provisions of the ABCA.

#### ***Voting rights***

Each Serinus Share entitles the Registered Shareholder, as at the record date set for the meeting, to attend a meeting of the Shareholders, either in person or by proxy, to address matters that are properly brought before the meeting and to exercise voting rights. To be represented at a meeting of the Shareholders, Registered Shareholders who are unable to attend a meeting in person should submit a form of proxy to the Company.

Each Serinus Share entitles the Registered Shareholder to one vote. Subject to the quorum requirements specified in the By-laws, there is no minimum shareholding required to be able to attend or vote at a meeting of the Shareholders. Pursuant to the By-laws of the Company, other than as set forth below, the quorum required for resolutions to be valid is two or more persons present in person at the meeting and representing in person or by proxy not less than 5% of the issued and outstanding Serinus Shares entitled to vote at the meeting.

Pursuant to the ABCA, only the Registered Shareholders that, as the record date scheduled for the Shareholders' meeting, are holders of record on the Shareholder Register maintained by the Company may participate and vote at the shareholders' meeting. Beneficial Shareholders, whose names do not appear on the Shareholder's registry and who either wish to attend the meeting and vote such Serinus Shares or to have such Serinus Shares voted by proxy, will be required to direct the entity on whose behalf such Serinus Shares are registered, to complete the necessary documents for that to occur. Beneficial Shareholder may attend at the meeting as proxy holder for the Registered Shareholder and vote the shares in that capacity.

Registered Shareholders, whose Serinus Share ownership is directly registered in the Shareholders' registry, will receive the notice by ordinary mail, which should be sent to such Registered Shareholders at least 21 days and not more than 50 days prior to any meeting.

### ***Dividend Rights***

All Serinus Shares are entitled to participate equally in dividends if, as and when declared by the Board of Directors. The right to receive a dividend does not vest until such time as the dividend is declared at the discretion of the Board of Directors. The ABCA permits a corporation to pay dividends unless there is a reasonable ground for believing that (i) the corporation is, or would after the payment be, unable to pay its liabilities as they become due or (ii) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes of shares. If a dividend is declared, the Board of Directors will set a record date, and persons who are Registered Shareholders as of that date will be entitled to such dividend, which would be due and payable on the payment date, after the record date, as set by the Board of Directors in the resolution declaring the dividend. Beneficial shareholders will be paid their respective portion of the dividends through the registered shareholder via the intermediaries who hold the shares on behalf of the beneficial shareholders.

### ***Rights to Share in Any Surplus in the Event of Liquidation***

In the event of the liquidation, dissolution or winding-up of the Company, the assets remaining after allowing for the payment of all liabilities will be paid out to the Registered Shareholders *pro rata* to their respective registered shareholdings subject to priorities of any particular class. Registered Shareholders will then be obliged to distribute such amounts to the intermediaries who, in turn, will distribute such amounts to the Beneficial Shareholders based on their respective holdings. The Company has legal obligations only towards Registered Shareholders.

### ***Issuance of Shares and Pre-emptive Rights***

Under the ABCA a corporation's shareholders will have pre-emptive rights only if the corporation's articles of incorporation or unanimous shareholders agreement, if any, establish pre-emptive rights. Serinus does not have a unanimous shareholders agreement and Serinus' Articles of Incorporation do not establish pre-emptive rights for either the Beneficial or Registered Shareholders. Therefore, in accordance with the provisions of the ABCA, neither beneficial nor registered holders of Serinus Shares will have *pro rata* pre-emptive right to subscribe for any newly issued Serinus Shares.

As set out in the Articles of the Company, Serinus has authorized share capital of 'Common Shares' in an unlimited number. Under the By-laws majority shareholder approval in respect of some types of private placements is required. Given the above qualification, Serinus Shares may be issued at the times and to the persons and for the consideration that the Board of Directors may determine from time to time.

## **2.2. Shareholders meeting - organisation and general powers**

Annual and special meetings of shareholders are held at times and places designated by the Board of Directors. Pursuant to the Articles of the Company, meetings of Shareholders may be held inside or outside of the Province of Alberta.

An annual meeting of shareholders is required to be held not later than 15 months after the holding of the preceding annual meeting, however a corporation may apply to the Alberta courts for an order extending the time in which the next annual meeting shall be held.

A special meeting of the Shareholders may be called by the Board of Directors or at the request in writing of registered and beneficial shareholders possessing at least 5% of the issued and outstanding Serinus Shares that carry the right to vote at the meeting sought to be held.

At each annual meeting of the Company, the annual audited financial statements of the Company for the preceding financial year are presented, the members of the Board of Directors are elected for the ensuing year and the auditors of the Company are appointed. No other business is required by the ABCA to be conducted at an annual meeting of shareholders. In addition, TSX rules require that every three years after the institution of a security based compensation arrangement that does not have a fixed maximum number of securities issuable, such as the Company's Stock Option Plan, all unallocated Options must be approved by the Company's Shareholders.

Approval of the Registered Shareholders is required, subject to certain exceptions, for a number of significant matters by the ABCA, including but not limited to:

- the election of directors (except that in certain circumstances the Board of Directors may appoint a director to fill a vacancy on the Board of Directors);

- amendments to the Articles;
- a business combination with another company;
- a change in the Company's domicile of organization; and
- the sale, lease or exchange of all or substantially all of the Company's property.

Should the Registered Shareholder be required to vote on any such significant matters, the Registered Shareholder will seek voting instructions via a voting instruction form provided by or on behalf of a broker or other intermediary, whose purpose is to instruct the registered holder how to vote on the Beneficial Shareholder's behalf.

Unless otherwise required by the Articles or the ABCA, all resolutions to be considered by the Shareholders at a duly convened meeting will be adopted by a simple majority of the votes of Shareholders present and voting, or represented by proxy. The following matters require a vote of not less than two-thirds of the votes of Shareholders present and voting, or represented by proxy:

- (a) an amendment to the Articles of the Company, including a change so as to
  - change the name of the Company;
  - add, change or remove any restriction on the business that the Company may carry on;
  - add, change or remove any rights, privileges, restrictions and conditions in respect of all or any of its Serinus Shares, whether issued or unissued; or
  - add, change or remove any restrictions on the transfer of Serinus Shares;
- (b) the merger of the Company with another entity;
- (c) the sale, lease or other disposition of all or substantially all of the assets of the Company;
- (d) the dissolution, winding-up or liquidation of the Company; and
- (e) any other matter which the laws of Alberta require.

### 3. Managing and Supervisory Bodies and their Committees - Composition and Terms of Reference

The Board, comprised of both outside (i.e., independent or non-executive) and inside (i.e., executive) directors, acts as the supervisory and control authority of the Company. The Company does not have two separate governing bodies (a supervisory board and a management board) which are obligatory in Polish joint stock companies. The Board of Directors which performs the combined roles of a supervisory board and a management board.

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

The Articles provide that the number of directors on the Board of Directors shall not be less than 3 and not more than 15. There are currently 9 directors on the Board of Directors.

The composition of the Board of Directors of Serinus Energy Inc. as of the end of 2015:

	<i>Function</i>	<i>Business Address</i>
Helmut Langanger	Chairman of the Board of Directors	Strasshof, Austria
Norman W. Holton	Vice Chairman of the Board	Calgary, Canada
Timothy M. Elliott	President and CEO; Director	Dubai, United Arab Emirates
Stephen C. Akerfeldt	Director	Toronto, Canada
Vanja Baros	Director	London, United Kingdom
Evgenij Iorich	Director	Zug, Switzerland
Gary R. King	Director	Dubai, United Arab Emirates
Sebastian Kulczyk	Director	Warszawa, Poland
Michael A. McVea	Director	Victoria, Canada

The Board of Directors has as its principal role the stewardship of the Company. The Board of Directors is vested with the broadest powers to perform and cause to be performed all acts of disposition and administration

in the Company's interests. In exercising his powers and discharging his duties, each director of the Company has the obligation, pursuant to both the By-laws of the Company and the provisions of the ABCA, to: (a) act honestly and in good faith with a view to the best interests of the Company; and (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The following matters are the exclusive competence of the Board of Directors and cannot be delegated in any case to one or more members of the Board of Directors and to any person or any entities:

- (a) submit to the Shareholders any question or matter requiring the approval of the Shareholders;
- (b) fill a vacancy among the directors or in the office of auditor;
- (c) appoint additional directors;
- (d) issue securities except in the manner and on the terms authorized by the Board of Directors;
- (e) declare dividends;
- (f) purchase, redeem or otherwise acquire the Serinus Shares, except in the manner and on the terms authorized by the Board of Directors;
- (g) pay a reasonable commission to any person in consideration of the person's purchasing or agreeing to purchase the Serinus Shares from the Company or from any other person, or procuring or agreeing to procure purchasers for the Serinus Shares;
- (h) approve the Company's management proxy circular;
- (i) approve any financial information to be published by the Company; or
- (j) adopt, amend or repeal the Company's by-laws.

The Board of Directors can delegate part of its powers to one or more directors except for those matters specially reserved to its competence as mentioned above. The Board of Directors has delegated certain powers to the following committees: Audit Committee, Compensation and Corporate Governance Committee ('C&CG Committee'), Reserves Committee. Each committee has formal terms of reference which describe the objectives, duties and responsibilities, as well as the function of the committee.

The Audit Committee assists the Board of Directors in its responsibility for the Company's financial reporting processes and the quality of its financial reporting and internal controls. The Audit Committee is comprised of the following three directors: Michael A. McVea (the chairman of the committee), Gary R. King, Stephan C. Akerfeldt. Each of the members is 'financially literate'.

The C&CG Committee, on behalf of the Board of Directors, has oversight responsibility for the Company's human resources and compensation policies and the effectiveness of the Company's corporate governance system. As of the end of 2015 the C&CG Committee was comprised of the following three directors: Gary R. King (the chairman of the committee), Michael A. McVea and Vanja Baros.

The Reserves Committee has oversight responsibility for the Company's reserves and resource evaluation and related disclosure. The Reserves Committee is comprised of the following two directors: Helmut Langanger (committee chairman) and Gary R. King.

#### **4. Description of core features of the Company's internal control and risk management systems in relation to the preparation of financial statements**

There have been no material changes to the Company's internal controls over financial reporting during 2015.

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Company has developed and maintains systems of controls, policies and procedures in order to provide reasonable assurance that assets are properly safeguarded, and that the financial records and systems are appropriately designed and maintained, and provide relevant, timely and reliable financial information to Management.

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

The Board has the responsibility to ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis as well as to ensure that the financial results are reported fairly and in accordance with generally accepted accounting standards. The annual and interim financial statements must be approved by the Board of Directors before the statements are filed; the Board approves accompanying MD&A, which complements the Company's financial statements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors has established an Audit Committee. The Audit Committee reviews with Management and the external auditors any significant financial reporting issues, the Consolidated Financial Statements, and any other matters of relevance to the parties. The Audit Committee meets at least annually with the Company's external auditors to review accounting, internal control, financial reporting, and audit matters. The Audit Committee meets quarterly to review and approve the interim financial statements prior to their release, as well as annually to review the Company's annual Consolidated Financial Statements and MD&A and to recommend their approval to the Board of Directors.

The external auditors have unrestricted access to the Company, the Audit Committee and the Board of Directors.

The Company has implemented an Anti-Corruption Compliance Policy and all the Company's Directors, Senior Management and employees must comply with the Policy.

The Anti-Corruption Compliance Policy concerning books and records provides among others as follows:

- (a) The Company shall make and keep books, records, and accounts that conform to the highest professional standards of accuracy and consistency and that, in reasonable detail, accurately and fairly reflect the Company's domestic and foreign transactions and the disposition of its assets.
- (b) All financial transactions must be properly and fairly recorded in the Company's books of account and must be made available for inspection by the Company's internal and external auditors.
- (c) The Company shall advise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are executed in accordance with management's general or specific authorization and that access to assets is permitted only in accordance with management's general or specific authorization.
- (d) These requirements are applicable to all joint ventures which the Company controls in fact or in which the Company's ownership interest is 50% or more.

The Company has appointed a person to the position of Compliance Officer. The Compliance Officer shall report directly to the Corporation's Board of Directors and shall oversee the Policy as well as shall be responsible for establishing and maintaining the practices and procedures necessary to implement the Policy and prevent any violation of its provisions. Any employee who becomes aware of or suspects a violation of the Policy must promptly report the matter to the Compliance Officer.