Dear Fellow Shareholders

Like 2014, 2015 was a difficult year for the energy industry in general and for Serinus. Oil prices continued to deteriorate, reaching a 12 year low in January 2016, and gas prices followed their lead. Cash flow dwindled and capital budgets shrank in response. The Company was also exposed to the continued geopolitical events in Ukraine which ultimately led to the difficult decision to exit that country despite our historical success there. The year however, was not devoid of good news: drilling successes in Romania and Tunisia have set up a development program that will last for several years. As the old oil patch saying goes, "The best cure for low prices is low prices", and we have seen some recovery in both Brent and WTI as world production levels have fallen off. Many companies including Serinus are now examining ways to grow rather than concentrating solely on mere survival.

The biggest event in 2015 for Serinus was the sale of our Ukraine operations for $33.8 million. The transaction was announced in late December and closed in early February 2016. Due to the combination of lower commodity prices and higher royalty rates, cash flow from the Ukrainian operations in Q4 2015 had shrunk to less than a half of the comparable level in Q4 2014. Development economics had become marginal, so production was expected to fall further as natural declines asserted themselves, and a bill to reduce royalty rates on natural gas had stalled in the Ukrainian parliament. Although the Company had historically achieved great success in Ukraine prior to the onset of the geopolitical issues, management and the Board of Directors concluded that our shareholders would be better served by strengthening our balance sheet and concentrating our efforts on developing and exploring our assets in Romania and Tunisia.

Weakness in worldwide energy prices continued to be a major theme throughout 2015. The price of Brent crude began the year at just over $57/bbl, fell below $47/bbl in mid-January, then recovered to a high of $67.77/bbl in early May before beginning a steady decline to $37/bbl at year end. It reached a 12 year low of $27.88/bbl in January 2016. This of course, had direct effects on the Company's Tunisian operations, where the realized oil price is typically set as either a minor discount or premium to Brent. Tunisian natural gas prices are set in relation to low sulphur fuel oil, with the net effect that they generally follow the changes in oil with a lag of a few months.

Moving on from commodity price woes, in Tunisia, Serinus achieved notable success in the Sabria Field. The Winstar-12bis well commenced production in December 2014 and after a cleanup period of a few weeks, reached a rate of over 1,000 barrels of oil equivalent ("**boe/d**") in early January. After more than a year of production, there has been virtually no pressure drop, which is a very good confirmation that the size of the Sabria Field is extensive. The well is currently producing at around 900 boe/d, which is restricted due to scale formation. The cause has of the scale has been identified and measures are being evaluated to control it. The Winstar-13 well was started up in June, which initially added another 130 boe/d which has since increased to 290 boe/d, and the water cut is still slowly declining. Drilling has since been curtailed as cash flow available for reinvestment fell with oil prices, but with 358 MMbbl of Oil Originally in Place, and Winstar-12bis and 13 representing only the 7th and 8th wells ever drilled into it, the development potential is very significant. Management believes that there is room for at least 20 dual horizontal leg wells.

Not everything went our way in Tunisia during 2015. The Sabria Field was shut in from late May until late July due to local protests. These protests were against the lack of development, investment and job creation in the area and not specifically directed at the Company or other operators. Despite the motives, the upshot was that we lost two months of production and cash flow.

Serinus also achieved several successes in Romania in 2015. As was reported in last year's letter to shareholders, the Moftinu-1001 and 1002bis wells both discovered movable gas. Moftinu-1001 tested at a maximum flow rate of 7.4 MMcf/d, 19 bbl/d of condensate with only trace amounts of water, and the Company's independent reserve evaluator has assigned 10.9 Bcfe of risked (for an 85% chance of development) contingent resources to that discovery. A follow up drilling program is being refined, and design of the requisite surface facilities for production is underway.

Moftinu-1002bis tested 2.8 MMcf/d for 30 minutes before declining to 245 Mcf within the following two hours from deeper zones than the Moftinu-1001 discovery. This was expected as log analysis indicated that the porosity of the formation was considerably less than in Moftinu-1001, exacerbated by the use of very heavy mud required to control unstable shales and hole collapse during drilling. Nonetheless, the test did prove movable gas and we now estimate that the P50 Original Gas in Place volume of these zones is 102 Bcf. The viability of this accumulation is still subject to identifying the optimal drilling and completion techniques which will make recovery economic, but the exploration risk has been removed. The wellbore also encountered several shallower zones which had oil staining and flourescence, and have been earmarked for future testing.

Completion and testing of Moftinu-1001 and 1002bis fulfilled the last of the Phase 2 work requirements for the Satu Mare Concession. That allowed the Company to negotiate an extension (the "**Extension**") of the concession agreement with the National Agency for Mineral Resources. This Extension has a three year term, and carries new work commitments which include drilling two wells and, at our option, either a third well or the acquisition of 120 km^2 of new 3D seismic data. That agreement is currently being ratified by several government ministries. In the longer term, given the prospectivity of Satu Mare, we hope to be drilling many more wells and shooting far more seismic data than just these minimum requirements. To date, our technical team has identified over 25 leads and prospects with risked potential of 72 million boe[1]. As we acquire more seismic data and more wells, we hope this inventory will grow further.

Outlook for 2016

For the balance of 2016 and into 2017, our project in Romania will be the main priority for the Company. Our technical team believes that there is a path toward developing the field which should lead to a gross production rate of 13 MMcf/d (2,165 boe/d).

There are hurdles to overcome. First is to finalize the Extension for the Satu Mare Concession. As mentioned above, it requires assent from several government ministries including the Prime Minister. We believe we are substantially through the process and continue to work diligently to complete it, but ultimately it is beyond the Company's control.

The second hurdle is financing. Brent prices have recently come up from the January lows, and are currently trading around $50/bbl. This naturally improves the Company's expected cash flow, but financial resources still remain stretched relative to the investment opportunities and its debt repayment obligations. To this end, management is evaluating a number of alternatives including among other things, new investment sources and/or joint ventures. With respect to Moftinu, all of these options will be dependent upon receiving the Extension, so progress will be limited until that is resolved.

As a company, we have been fortunate to have very good assets and it is the quality of these assets that has allowed us to survive quite an extraordinary confluence of events. Had we to withstand only the fall in oil

[1] P_{mean}, estimated by the Company

prices, the Company would be moving forward more quickly with its development projects. Of course, the assets are the product of the labours of our people and we would like to thank all of Serinus' employees for their efforts and dedication, our Board of Directors for their guidance, and our shareholders for their continued support.

Timothy M. Elliott
President & Chief Executive Officer