Dear Fellow Shareholders

Serinus Energy made significant strides in 2013, with continued production growth and reserve replacement in Ukraine, and notably with the acquisition of Winstar Resources, which added approximately 1500 barrels of oil equivalent ("**boe**") per day of production and 11.5 million boe ("**MMboe**") of 2P reserves, but even more importantly a series of new projects to work on.

Significant benchmarks achieved in 2013 include:

- Total Proved reserves increased 59% to 8.5 MMboe. Proved plus Probable reserves increased 119% to 20.5 MMboe.
- Average production was 4,081 boe/d, up 54% when compared to 2012, and was nearly 4,900 boe/d in the first quarter of 2014.
- Cash flow from operations increased from $33.2 million ($0.75 per share) in 2012 to $55.1 million ($0.86 per share) in 2013.

In Ukraine, we had three new discoveries during 2013, one in each of the Olgovskoye, Makeevskoye and North Makeevskoye licenses. Serinus has an effective 70% interest in the Ukrainian licences through its indirectly owned subsidiary, KUB-Gas LLC.

The O-15 and M-16 wells reached the deeper Serpukhovian formation which had not been drilled before. Both found new gas pools and are now on production. The M-16 success was followed up by the M-17 appraisal well, which was drilled and cased in the first quarter of 2014 and is now awaiting completion and testing. More importantly, these wells have validated the Serpukhovian as a target throughout our licences, and increased our exploration inventory.

The NM-3 well encountered oil below the Serpukhovian in sediments of Visean age. The well is scheduled to be completed and frac'ed this fall. If successful, it may lead to a multi-well oil development project in North Makeevskoye.

We are proud of the Company's success in Ukraine. Gross production has grown so quickly, from 4.8 million cubic feet equivalent per day ("**MMcfe/d**") in mid-2010 to 30 MMcfe/d in the first quarter of 2014, with up to 5 MMcfe/d of additional production behind pipe that it has exceeded the capacity of the existing surface facilities. (On an SEN WI basis, the equivalent volumes are 3.4 MMcfe/d growing to 21 MMcfe/d, with up to 3.5 MMcfe/d behind pipe). A new treatment facility was built in Makeevskoye in late 2013, and is in the process of being brought online now. This new plant expands total capacity to 68 MMcf/d, which accommodates all of our current requirements, and provides room for growth as we continue to explore and develop.

We also want to extend special thanks to our personnel in Ukraine. During the past several months, the KUB-Gas team has continued to do an exemplary job in difficult circumstances, and operations have not been significantly affected by the political uncertainty in the region.

In June 2013, Serinus completed the acquisition of Winstar Resources, adding reserves, production and cash flow in a second theatre of operations. The Tunisian Assets averaged production of over 1,500 boe/d in the second half of 2013, nearly 74% of which was light sweet oil. The local market for oil and gas is very good – our oil receives a slight premium to Brent Crude, and gas prices are tied to low sulphur heating oil, which in turn is benchmarked to Brent. In the first quarter, we realized wellhead prices of over $107/bbl and $14.00/Mcf. The Winstar acquisition represents exactly the kind of properties that we look for – under-exploited assets where near term upside can be achieved by applying best practices, technology and Serinus' operating expertise. In addition we believe the assets bring significant longer term exploration potential. We anticipate production growth from Tunisia in 2014 via development drilling and a workover program on a number of existing wells.

Our program in Tunisia would not be possible without adequate capital, and a key accomplishment in 2013 was securing a new debt facility totaling $60 million from the European Bank for Reconstruction and Development ("**EBRD**"), with whom

we have worked successfully in Ukraine. Along with the cash flow from the Tunisian properties, the arrangement with the EBRD allows Serinus to execute its capital program in a timely and efficient manner.

The Winstar acquisition also brought assets in Romania, which we are excited about. Winstar's previous drilling program encountered non-commercial gas in the Moftinu-1000 well, but new 3D seismic has shown that this well was drilled off structure. The Company has a drilling and seismic program slated for the fall which if successful, could ultimately lead to Romania becoming a third significant operation, rivalling Ukraine and Tunisia.

Not all things went perfectly for us of course. We drilled two wells in Brunei in late 2013, neither of which were successful. The Lukut Updip-1 well encountered significantly higher than expected pressures at shallower depths, and we were ultimately unable to reach the primary target zone. In retrospect, we should have stopped working on the well the minute we encountered such high pressure rather than trying to work our way through it. In Luba-1, the drill string became struck also before we reached the target zone, and we decided to stop drilling as sometimes when things go wrong, as they did in Brunei, the best thing to do is to stop. While we still believe in the potential of these properties, the risk profile of these plays is such that we are better off committing our capital to Ukraine, Tunisia and Romania. We are seeking joint venture partners to come into Brunei to continue the exploration efforts.

Outlook for 2014

Serinus has a busy capital program for 2014, concentrating on the development and exploitation of our assets in Ukraine, Tunisia and Romania including:

Ukraine
- A four well drilling program including two development wells and two exploration wells.
- A four well frac' campaign on wells drilled in 2013-14 to date.

Tunisia
- Two development wells in the Sabria field in Tunisia
- A six well workover program in the Chouech Es Saida and Ech Choech concessions
- A 203.5 km^2 3D seismic survey over the Sanrhar concession

Romania
- A two well exploration program beginning in the fall
- A 180 km^2 3D seismic program, expanding our coverage over the Carei graben and overlying the Santau oil pool

We are confident that our exploration and development program for this year will result in continued expansion of our production and reserves.

On the corporate side, we are disappointed that Dariusz Mioduski, a director since 2008 and chairman of the Company since 2012, will not stand for re-election as a director. His insight and guidance over the past 5 years will be missed, and we wish him all the best in his new endeavors.

Finally, 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