KULCZYK OIL VENTURES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

US dollars in '000's

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To the shareholders of Kulczyk Oil Ventures Inc.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Kulczyk Oil Ventures Inc. as at March 31, 2013, the condensed consolidated interim statements of operations and comprehensive income, cash flows and changes in equity for the three-month periods ended March 31, 2013 and 2012 and notes to the condensed consolidated interim financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at March 31, 2013 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG LLP

Chartered Accountants

Calgary, Canada
May 15, 2013

KULCZYK OIL VENTURES INC.
Condensed Consolidated Interim Statement of Financial Position
US dollars in '000's
(Unaudited)

		March 31, 2013	December 31, 2012
Assets			
Current			
Cash and cash equivalents		$ 19,725	$ 35,553
Accounts receivable		3,661	2,226
Prepaids and other		8,125	2,526
Total current assets		31,511	40,305
Restricted cash		-	143
Investments		226	326
Property and equipment	(Note 4)	98,236	99,577
Exploration and evaluation	(Note 5)	52,493	47,358
Total Assets		$ 182,466	$ 187,709
Liabilities			
Current			
Accounts payable and accrued liabilities		$ 25,550	$ 22,822
Income taxes payable		1,669	938
Convertible note payable	(Note 6)	13,005	10,586
Current portion of long-term debt	(Note 7)	4,290	4,333
Decommissioning provision		409	409
Total current liabilities		44,923	39,088
Decommissioning provision		832	822
Deferred tax liability		7,114	7,237
Long-term debt	(Note 7)	4,686	17,112
Total liabilities		57,555	64,259
Shareholders' Equity			
Share capital		231,516	231,516
Contributed surplus		15,362	15,135
Accumulated other comprehensive income		742	742
Non-controlling interest		30,548	31,396
Deficit		(153,257)	(155,339)
Total shareholders' equity		124,911	123,450
Total liabilities and shareholders' equity		$ 182,466	$ 187,709
Subsequent events	(Note 11)		
Commitments	(Note 9)		

KULCZYK OIL VENTURES INC.

Condensed Consolidated Interim Statement of Changes in Equity

US dollars in '000's (except Number of shares)

(Unaudited)

	Common Shares						
	Number of shares	Amount	Contributed surplus	Cumulative translation adjustment	Non-controlling interest	Deficit	Total
Balance, December 31, 2011	420,804,367	$ 205,445	$ 13,264	$ 735	$ 23,653	$ (68,570)	$ 174,527
Shares issued pursuant to option exercises	453,333	277	(97)	-	-	-	180
Stock-based compensation	-	-	551	-	-	-	551
Foreign currency translation adjustment on foreign operations	-	-	-	553	237	-	790
Net earnings	-	-	-	-	1,909	117	2,026
Balances, March 31, 2012	421,257,700	205,722	13,718	1,288	25,799	(68,453)	178,074
Balances, December 31, 2012	481,756,729	$ 231,516	$ 15,135	$ 742	$ 31,396	$ (155,339)	$ 123,450
Stock-based compensation	-	-	227	-	-	-	227
Dividend declared	-	-	-	-	(3,000)	-	(3,000)
Net earnings	-	-	-	-	2,152	2,082	4,234
Balances, March 31, 2013	481,756,729	$ 231,516	$ 15,362	$ 742	$ 30,548	$ (153,257)	$ 124,911

KULCZYK OIL VENTURES INC.

Condensed Consolidated Interim Statement of Operations and Comprehensive Income

US dollars in '000's

(Unaudited)

	Three months ended March 31, 2013	Three months ended March 31, 2012
Oil and gas revenue	$ 28,709	$ 21,820
Royalty expense	(7,547)	(4,281)
Oil and gas revenue, net of royalties	21,162	17,539
Operating expenses		
Production expenses	(4,919)	(2,064)
General and administrative	(3,239)	(3,131)
Transaction costs	(500)	-
Stock based compensation	(227)	(551)
Depletion and depreciation	(5,087)	(5,317)
Impairment of exploration and evaluation assets	-	(96)
Total operating expenses	(13,972)	(11,159)
Finance income/(expenses)		
Interest and other income	244	381
Unrealized gain (loss) on investments	(100)	(73)
Interest expense and accretion	(1,382)	(1,693)
Foreign exchange loss	(260)	(51)
Total finance income/(expenses)	(1,498)	(1,436)
Earnings before tax	5,692	4,944
Current tax expense	(1,581)	(2,901)
Deferred tax recovery/(expense)	123	(17)
	(1,458)	(2,918)
Net earnings	4,234	2,026
Foreign currency translation gain of foreign operations	-	790
Total comprehensive earnings	$ 4,234	$ 2,816
Earnings attributable to:		
Common shareholders	2,082	117
Non-controlling interest	2,152	1,909
Earnings for the period	$ 4,234	$ 2,026
Net earnings per share attributable to common shareholders		
- basic	$ 0.00	$ 0.00
- dilutive	$ 0.00	$ 0.00
Total comprehensive earnings attributed to:		
Common shareholders	2,082	670
Non-controlling interest	2,152	2,146
Total comprehensive earnings for the period	$ 4,234	$ 2,816

KULCZYK OIL VENTURES INC.
Condensed Consolidated Interim Statement of Cash Flows
US dollars in '000's
(Unaudited)

	Three months ended March 31, 2013	2012
Net earnings	$ 4,234	2,026
Items not involving cash:		
Depletion and depreciation	5,087	5,317
Impairment	-	96
Accretion on asset retirement obligation	10	639
Stock based compensation	227	551
Mark to market (gain)/loss on investments	100	(73)
Unrealized foreign exchange loss	7	16
Deferred income tax expense/(recovery)	(123)	17
Funds from operations	9,542	8,589
Changes in non-cash working capital	(408)	5,422
Total operating cash generated	9,134	14,011
Financing		
Proceeds from exercise of share purchase options	-	180
Repayment of long-term debt	(11,770)	-
Drawdown on note payable	2,000	-
Issuance of convertible debentures	-	6,000
Dividends paid to non-controling interest	(3,000)	-
Total financing cash (used) generated	(12,770)	6,180
Investing		
Property and equipment expenditures	(3,746)	(6,451)
Restricted cash recovered	143	-
Exploration and evaluation expenditures	(5,135)	(7,181)
Changes in non-cash working capital related to investing	(3,454)	(1,799)
Total investing cash used	(12,192)	(15,431)
Effect of exchange rate changes	-	355
Change in cash	(15,828)	5,115
Cash and cash equivalents, beginning of period	35,553	12,962
Cash and cash equivalents, end of period	$ 19,725	18,077
Supplemental cash flow information		
Interest paid	$ (794)	$ -
Interest received	$ 244	$ 308
Cash taxes paid	$ (5,151)	$ (1,276)

1. Reporting Entity

Kulczyk Oil Ventures Inc. ("**Kulczyk Oil**" or "the **Company**") is a publicly listed company whose common shares trade on the Warsaw Stock Exchange ("**WSE**"). The Company was incorporated under the Business Corporations Act (Alberta) and is headquartered in Calgary, Alberta, Canada, with management offices in Dubai, UAE and Warsaw, Poland.

The consolidated financial statements of the Company include the accounts of Kulczyk Oil Ventures Inc. and its subsidiaries together with its investments in certain companies. The Company is principally engaged in the exploration for and development of oil and gas properties in Ukraine, Brunei and Syria. The Company conducts many of its activities jointly with other companies; however, these financial statements reflect only the Company's proportionate interest in such activities.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all the information required for full annual financial statements.

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on May 15, 2013.

(b) Significant accounting policies

The condensed consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as described in note 3 to the consolidated financial statement for the year ended December 31, 2012, except as highlighted below.

(c) Adoption of new accounting pronouncements

On January 1, 2013, the Company adopted new standards with respect to consolidation (IFRS 10), joint arrangements (IFRS 11), disclosure of interest in other entities (IFRS 12), fair value measurements (IFRS 13), amendments to financial instrument disclosures (IFRS 7) as well as amendments related to investments in associates and joint ventures (IAS 28). The adoption of these amendments and standards had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2013 or on the comparative periods. Additional fair value disclosure in accordance with IFRS 13 is included in note 3. The amounts included in accumulated other comprehensive income relate to foreign exchange translation gains and losses on entities whose functional currency is other than the US dollar. Amounts included in accumulated other comprehensive income will be recycled into net income upon the disposition or partial disposition of the foreign operation.

3. Fair Value Measurements

The investments are recorded at fair value based on the quoted market prices for the shares (level 1 fair values). The fair value of the note payable and convertible debentures is estimated based on current interest rates for similar instruments, credit spreads applicable to the Company and the term of the instrument (level 2 fair values). The fair value of the long-term debt approximates to carrying value as interest rates and credit spreads applicable to the Company are estimated to have not changed significantly since the credit facility was established (level 2 fair value).

4. Property and equipment

(Thousands of US dollars)	Oil and natural gas interests	Plant and equipment	Other	Total
Cost or deemed cost:				
Balance at December 31, 2012	$ 117,724	$ 14,694	$ 4,306	$ 136,724
Additions	3,121	138	784	4,043
Balance at March 31, 2013	$ 120,845	$ 14,832	$ 5,090	$ 140,767
Depletion and depreciation:				
Balance at December 31, 2012	$ (33,426)	$ (2,548)	$ (1,173)	$ (37,147)
Depletion and depreciation	(4,828)	(390)	(166)	(5,384)
Balance at March 31, 2013	$ (38,254)	$ (2,938)	$ (1,339)	$ (42,531)
Net book value:				
Balance at December 31, 2012	$ 84,298	$ 12,146	$ 3,133	$ 99,577
Balance at March 31, 2013	$ 82,591	$ 11,894	$ 3,751	$ 98,236

5. Exploration and evaluation assets

Reconciliation of the movements in Exploration and Evaluation ("**E&E**") assets:

(Thousands of US dollars)	As at March 31, 2013	As at December 31, 2012
Carrying amount, beginning of period	$ 47,358	$ 104,568
Additions	5,135	29,581
Reclassification to property and equipment	-	(4,978)
Impairment on Block M, Brunei	-	(79,491)
Impairment on Block 9, Syria	-	(2,248)
Cumulative translation adjustment	-	(74)
Carrying amount, end of period	$ 52,493	$ 47,358

E&E assets consist of the Company's intangible exploration projects which are pending the determination of proved or probable reserves. Additions represent the Company's share of costs incurred on E&E assets during the period. The following is a breakdown of the carrying value of the E&E assets:

(Thousands of US dollars)	As at March 31, 2013	As at December 31, 2012
Brunei Block L	$ 44,539	$ 40,820
Ukraine	7,954	6,538
	$ 52,493	$ 47,358

6. Convertible Note Payable

(Thousands of US dollars)	Face Value	Liability
Balance December 31, 2012	$ 10,000	$ 10,586
Issued	2,000	2,000
Interest	-	419
Balance March 31, 2013	$ 12,000	$ 13,005

On June 22, 2012, the Company entered into a loan agreement with Kulcyzk Investments S.A. ("**KI**"), the Company's majority shareholder, for a maximum of $12.0 million. The loan bears interest at 15% and is due to mature on December 31, 2013. The debt is convertible and the lender is able to exercise its option to convert the outstanding principle and accrued interest to the extent that the lender will not own less than 33% or more than 66% of the Company's common shares after the conversion is completed. The note is convertible at the volume weighted average share price for the five days preceding the conversion date. In addition, the note converts automatically into common shares if the Company lists on certain exchanges prior to the maturity date.

At March 31, 2013, the Company had fully drawn the $12.0 million on this note.

7. Long-term Debt

(Thousands of US dollars)	March 31, 2013	December 31, 2012
Current portion of long-term debt	$ 4,290	$ 4,333
Long-term debt	4,686	17,112
Total long-term debt	$ 8,976	$ 21,445

On May 20, 2011, KUB-Gas, the Company's 70% indirectly owned Ukraine subsidiary, finalized a $40.0 million loan agreement with the European Bank for Reconstruction and Development ("**EBRD**"). The loan is denominated in US dollars and consists of two tranches which must be drawn within a commitment period of two years from the date of signing the loan agreement. The loan is to be repaid in 13 equal semi-annual instalments, which commenced July 2012. At December 31, 2012, KUB-Gas had drawn $23.0 million in loan proceeds against the EBRD loan, incurred $1.0 million in debt issuance costs and repaid $1.8 million. The second tranche of $17.0 million has not yet been drawn, but became available in 2012 in accordance with the loan agreement once the Olgovskoye and Makeevskoye licenses were converted to production licenses.

During the quarter, KUB-Gas made a prepayment of $10 million under the terms of the EBRD loan agreement in addition to the second scheduled repayment of $1.8 million.

(Stated in US dollars)

8. Share Capital

(a) Earnings per share

	Three months ended March 31, 2013	2012
Basic weighted average number of shares outstanding	481,756,726	420,829,272
Diluted weighted average number of shares outstanding	514,927,360	444,416,231

(b) Stock Options

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 2 years and have a life of 5 years.

	Number of Options	Weighted average exercise price per option (USD)
Balance, December 31, 2012	41,294,000	$ 0.53
Forfeited	(115,000)	$ 0.40
Balance, March 31, 2013	41,179,000	$ 0.53

During the first three months of 2013, the Company did not issue any new share purchase options.

9. Commitments

The Company's commitments are all in the ordinary course of business and include the work commitments for Brunei Block L, Syria Block 9 and Ukraine.

Brunei Block L

The Block L PSA provides for an exploration period of six years from the date of the Block L PSA, August 27, 2006, divided into two phases, Phase 1 and Phase 2, each of which was initially for a period of three years, with Phase 2 now extended and expiring on August 27, 2013.

In August 2010, the Contractor elected to proceed to the Phase 2 exploration period. The minimum work obligations for Phase 2 include i) acquire and process 130 square kilometres of onshore 3D seismic; ii) acquire and process 13.5 square kilometres of onshore 3D swath data; iii) acquire and process 13 kilometres of onshore 2D seismic, (iv) acquire and process not less than 34.5 square kilometres of onshore 3D seismic and drill at least two onshore exploration wells, each to a minimum depth of 2,000 metres. The Contractor is required to spend a minimum of $16 million during Phase 2. The Company has exceeded the minimum spend commitment and the remaining work commitment outstanding is to drill two exploration wells, the first of which is scheduled to start drilling in late May 2013.

Pursuant to an agreement reached to settle a legal challenge to the Company's title under the Block L PSA, the Company agreed to pay a maximum of $3.5 million out of 10% of its share of profit oil as defined in the Block L PSA. No amount has been accrued in the financial statements as there is not yet production from Block L.

Syria

Under the terms of the Block 9 PSC, the Company has a first phase exploration period of four years, originally expiring on November 27, 2011, during which it has committed to acquire and process 350 square kilometres of 3D seismic and drill two exploratory wells. The remaining work commitment outstanding is to drill two exploration wells. The Syrian authorities, subject to certain conditions, extended the term of the first exploration period under the Block 9 PSC to October 26, 2012. The drilling of the first of the two exploratory wells commenced on July 22, 2011 and was suspended in October 2011 due to unfavourable operating conditions in Syria.

Effective July 16, 2012, the Company, in its capacity as Operator of Syria's Block 9, declared a Force Majeure event due to conditions arising from the current instability, including difficult operating conditions and the inability to move funds into the country, rendering the performance of its obligations under the contract impossible. The Company will continue to monitor operating conditions in Syria to assess when a recommencement of its Syrian operations is possible.

Ukraine

The Company has an obligation to incur certain capital expenditures to comply with the Ukrainian exploration license requirements. Under these license maintenance commitments, KUB-Gas is required to acquire and process seismic, conduct geophysical studies and drill exploratory wells on licensed fields. Although these commitments are not binding and may be modified based on results of exploration work, KUB-Gas' potential capital expenditures relating to qualifying activities on gas and gas condensate fields may reach $45 million during the period from 2013 to 2015 as part of the planned development program. Justified deviation from the capital expenditures committed is permitted and should be agreed with the licensor, while failure to commit exploration works and substantiate the different capital expenditure schedule may result in termination of the license. In respect of the North Makeevskoye license, the Company expects to drill a further four wells over the next three years.

Office Space

The Company has a lease agreement for office space in Calgary, Canada which expires on October 31, 2014. The commitment is approximately $325,000 per year for the term of the lease.

10. Related party transactions

Nemmoco Petroleum Corporation ("**Nemmoco**"), a private company of which 37.5% is owned by Timothy M. Elliott, an officer and director of the Company, provides certain personnel and general, accounting and administrative services to the Company at its offices in Dubai on a cost-sharing basis. For the period ended March 31, 2013, the fees totalled $248,436 (2012 - $178,056). At March 31, 2013, $10,532 was owed to Nemmoco (2012 - $59,352).

Loon Energy Corporation ("**Loon Energy**"), a publicly traded Canadian corporation, has no employees. Management and administrative services are provided by the management and staff of Kulczyk Oil on a fee for services arrangement. For the period ended March 31, 2013, these fees totalled $2,971 (2012 - $3,150). At March 31, 2013, Loon Energy owed $23,993 (2012 – $11,550) to Kulczyk Oil for these services. Certain expenditures of Loon Energy are paid for by Kulczyk Oil and Loon Energy reimburses Kulczyk Oil for these expenditures. As at March 31, 2013, Loon Energy owed $122,829 (2012 – $35,388) for these costs. Kulczyk Oil and Loon Energy are related as they have four common directors and officers and the same principal shareholder.

The Company provides office space to Jura Energy Corporation ("**Jura**"), a public company in which the Company owns 1.1% of the outstanding common shares. For the period ended March 31, 2013, the Company charged costs to Jura totalling $6,035 (2012 – $30,900). At March 31, 2013, $4,024 (2012 – $41,199) was due from Jura. Until the third quarter of 2012, the Company provided financial and accounting services, pursuant to a shared services agreement to Jura. Three directors of the Company were directors of Jura and the Chief Financial Officer of the Company was also the Chief Financial Officer of Jura until Jura completed an acquisition during the third quarter of 2012, at which point the board of directors was reconstituted and a change in management occurred, the result of which is that one of the directors and the CFO are no longer associated with Jura.

The above related party transactions were at exchange amounts agreed to by both parties.

11. Subsequent events

Plan of arrangement

On April 25, 2013, the Company announced it had entered into an arrangement agreement ("**Arrangement**") with Winstar Resources Ltd. ("**Winstar**") pursuant to which Kulczyk Oil will acquire all of the issued and outstanding shares of Winstar. Under the terms of the Arrangement, Winstar shareholders, for each share held, will be entitled to receive 7.555 shares of Kulczyk Oil or $2.50CAD in cash, subject to a maximum of $35 million CAD in cash. The cash consideration will be funded by a consortium of investors led by KI. The consortium will purchase shares from those Winstar shareholders who wish to tender their shares for the cash consideration. The Company will then purchase shares from those Winstar shareholders who wish to tender their shares for the share consideration, including those acquired by the consortium.

As a condition of the Arrangement, Kulczyk Oil will apply to list its shares on the Toronto Stock Exchange, undertake a 10:1 share consolidation and be renamed Serinus Energy Inc. The Company will continue to be listed on the Warsaw Stock Exchange.

KI loan conversion

On May 8, 2013, KI provided formal notice to convert the principle and accrued interest up to June 20, 2013, an aggregate of $13.4 million to common shares at a price of approximately $0.42 for a total of 31.8 million common shares to be issued upon the completion of the Winstar arrangement.

12. Segmented information

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

(Thousands of US dollars)

As at March 31, 2013	**Brunei**	**Syria**	**Ukraine**	**Corporate**	**Total**
Total Assets	$ 46,703	$ 440	$ 86,400	$ 48,923	$ 182,466
For the period ended March 31, 2013					
Oil and gas revenue, net of royalties	$ -	$ -	$ 21,162	$ -	$ 21,162
Operating expenses:					
Production expenses	-	-	(4,919)	-	(4,919)
General and administrative	-	-	-	(3,239)	(3,239)
Transaction costs	-	-	-	(500)	(500)
Stock based compensation	-	-	-	(227)	(227)
Depletion/depreciation	-	-	(5,047)	(40)	(5,087)
Finance income/(expense)					
Interest and other income	-	-	243	1	244
Unrealized loss on investments	-	-	-	(100)	(100)
Interest expense and accretion	-	-	(940)	(442)	(1,382)
Foreign exchange loss	-	-	(224)	(36)	(260)
Earnings (loss) before tax	$ -	$ -	$ 10,275	$ (4,583)	$ 5,692
Capital expenditures	$ 3,719	$ -	$ 5,161	$ 1	$ 8,881

Kulczyk Oil Ventures Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2013 and 2012
(Stated in US dollars)
(Unaudited)

(Thousands of US dollars)

As at December 31, 2012	**Brunei**	**Syria**	**Ukraine**	**Corporate**	**Total**
Total Assets	$ 41,987	$ 620	$ 139,904	$ 5,198	$ 187,709
For the period ended March 31, 2012					
Oil and gas revenue, net of royalties	$ -	$ -	$ 17,539	$ -	$ 17,539
Operating expenses:					
Production expenses	-	-	(2,064)	-	(2,064)
General and administrative	-	-	-	(3,131)	(3,131)
Stock based compensation expense	-	-	-	(551)	(551)
Impairment on exploration and evaluation assets	-	(96)	-	-	(96)
Depletion/depreciation	-	-	(5,317)	-	(5,317)
Finance income/(expense)					
Interest and other income	-	-	232	149	381
Unrealized gain on investment	-	-	-	(73)	(73)
Interest expense and accretion	-	-	(1,097)	(596)	(1,693)
Foreign exchange gain/(loss)	-	-	7	(58)	(51)
Earings(Loss) before tax	$ -	$ (96)	$ 9,299	$ (4,259)	$ 4,944
Capital expenditures	$ 3,462	$ 96	$ 10,074	$ -	$ 13,632