



**THIS REPORT WAS FILED IN ENGLISH WITH SECURITIES REGULATORS IN POLAND ON MARCH 12, 2014**

**Current Report No. 6/2014**

**Date: 2014-03-12**

**Issuer's trading name: SERINUS ENERGY INC.**

**Title: Ukraine - Start Up of New Gas Treatment Facility**

**Legal basis: other regulations**

**Content:**

Pursuant to Article 62.8 of the Act of 29 July 2005 on Public Offering [...] the Management of SERINUS ENERGY INC. ("Serinus" or the "Company") informs that KUB-Gas LLC ("KUB-Gas") has completed the construction and commissioning of its new Makeevskoye gas processing plant. The new plant supplements existing infrastructure, and increases KUB-Gas' overall processing capacity from 30 million cubic feet per day ("MMcf/d") to 68 MMcf/d. The Company anticipates that gross daily production rates will ultimately increase by 5 MMcf/d or more from existing wells previously constrained by facility limitations, with further increases expected from the ongoing drilling program.

As it has previously been communicated, the existing facilities in Makeevskoye were insufficient to handle the increasing production resulting from KUB-Gas' recent exploration and development success. By diverting some of the newer wells in Makeevskoye to the new plant, the Company anticipates benefits at both Makeevskoye and Olgovskoye. As system back pressures are reduced existing wells should flow more freely. Gas began flowing through the facility on March 6th 2014. In accordance with good operating practice, KUB-Gas intends to slowly increase the throughput rate in the new plant, allowing stabilization in the entire system at each step change until all the constrained production is on line.

Construction of the new Makeevskoye processing facility began in September 2013 and was completed in December 2013. Following completion of the facility, there was a testing and commissioning period after which final operating approvals were received. The facilities were constructed and delivered on time and on budget at a cost of approximately USD7.8 million (Serinus net USD5.5 million).

In the month of February and to date, KUB-Gas operations have continued in the normal course of business unaffected by recent political developments.

The Company would like to state that gas prices have been affected during the latest political strife. The effect is twofold: First, the price at which KUB-Gas sells gas is set by reference to the price at which Ukraine imports gas from Russia. During 2013 KUB-Gas sold gas at an average price of USD11.21 per thousand cubic feet ("Mcf") (USD395.72 per thousand cubic metres ("Mcm")). As a result of an agreement reached in December 2013 between Russia and the Government of Ukraine, the price of gas sold by Russia to Ukraine for the first quarter of 2014 was reduced to USD268.50/Mcm from USD410/Mcm. This

dropped the Company's realized gas price in January to USD9.48/Mcf. The second effect is the falling Ukrainian Hryvnia Gas prices from Russia are denominated in USD, but KUB-Gas is paid in UAH. If the currency takes an adverse move between the time of the custody transfer and the time of payment (which it has), the price received by KUB-Gas (and ultimately Serinus) decreases as well. The current exchange rate is about 10 UAH/USD

Gas produced by KUB-Gas in February was sold at a price of USD8.74 per Mcf (USD308.53 per Mcm). This reflects both the discounts on the Russian gas, and the ongoing deterioration of the Ukrainian Hryvnia vs. in particular the US Dollar. While the Company has been advised that the gas price for the month of March will be the same as in the month of February, media reports that the Russian gas price will not be subsidized in April and consequently the company expects that the price at which it will sell gas in April will increase.

Serinus exited 2013 with a total overall production rate of 4,986 barrels of oil equivalent per day ("boe/d"), of which approximately 73% came from its Ukrainian assets. In line with the previous communication by the Company, the Company's target for 2014 is to increase overall production by 30% - 35%. The Company also reminds that in a little over 3 years KUB-Gas' production has increased from approximately 5 MMcf/d to 30 MMcf/d.

This text contains selected excerpts from the original news release in English, which has been filed by Company in Canada (country of its registered office ) by way of the SEDAR system and is available at the website [www.sedar.com](http://www.sedar.com) by entering the Company name at [http://www.sedar.com/search/search\\_form\\_pc\\_en.htm](http://www.sedar.com/search/search_form_pc_en.htm).

The Polish translation of the entire text of the news release is available at the website: [www.serinusenergy.com](http://www.serinusenergy.com)