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**Current Report No. 50/2014**

**Date: 2014-11-13**

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

**Title: Summary of Serinus Q3 2014 Financial and Operating Results**

**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 in Canada via the SEDAR system it has published summary presenting its financial and operating results for the quarter ended September 30, 2014.

**Third Quarter Highlights**

- Total working interest production (consisting of the Company's production in Tunisia plus its 70% interest in Ukraine) in the third quarter was 5,640 boe/d, up 15% vs. Q3 2013, and 14% higher than the 4,965 boe/d in Q2 2014. The Company's Ukraine production (net to SEN WI) for the quarter rose 34% to 4,470 boe/d (26.8 MMcfe/d) vs. the same period in 2013, and 22% up from Q2 2014.
- Gross revenues for the quarter reached \$46.4 million, up 2% over Q3 2013. The portion allocable to SEN shareholders was \$35.6 million vs. \$36.4 million last year. The balance is attributable to the owner of the remaining 30% of KUBGAS Holdings Limited not held by Serinus (see About Serinus below).
- Netbacks in Ukraine fell from \$41.76/boe (\$6.96/Mcfe) in Q2, to \$30.91/boe (\$5.15/Mcfe) in Q3 due substantially to the increase in royalties effective August 1, 2014. Royalties on natural gas increased to 55% from 28%, and on liquids from 42% to 45%.
- Tunisian netbacks fell from \$54.83/boe in Q2 to \$53.85/boe in Q3, with lower operating costs only partially offsetting lower commodity prices.
- Funds from Operations in the third quarter were down 11% to \$19.2 million vs. \$21.6 million in Q3 2013, and down 8% compared to \$20.8 million in Q2 2014, caused primarily by the lower netbacks described above which in turn were substantially the result of the increased royalties in Ukraine. The amount allocable to SEN shareholders was \$14.3 million.
- Net earnings for the quarter, before the currency charges, were \$6.6 million (\$3.79 million attributable to SEN shareholders), as compared to \$12 million in Q3 2013 (\$8.1 million attributable to SEN shareholders). The major contributing factors were the higher Ukrainian royalties and anomalously low operating costs in Q3 2013.

- Capital expenditures for the quarter were \$15.6 million vs. \$30.5 million for the same period in 2013. Much of the reduction was due to the cessation of drilling and workover activities in Ukraine during Q3 over security concerns.
- During the quarter, KUB-Gas LLC paid dividends of \$11 million (\$7.6 million SEN WI)
- In July 2014, the Company made the final payment of \$8 million with respect to the convertible note held by Dutco Energy Limited.

### **Operational Highlights & Update**

- Production for the third quarter of 5,640 boe/d increased by 14% vs. Q2 2014 (4,965 boe/d) driven by higher production in Ukraine, substantially from the M-17 well.
- Tunisian production declined to 1,170 boe/d in the third quarter, down 11% vs. Q2 2014 due to operational downtime associated with several wells requiring pump changes, and the inability of the national gas utility to take all the produced gas in Chouech Es Saida caused by mechanical failures and extreme hot weather. These issues began to be resolved during the quarter, with workovers on CS-8bis and CS-1, and some moderation in ambient temperatures. September production was 1,272 boe/d, and Q4 2014 to date has averaged 1,390 boe/d. The CS-11 well still requires a pump change, and that workover has just commenced.
- Drilling resumed in Ukraine on October 2nd with the spud of the M-22 well in the Makeevskoye licence. The well is currently drilling ahead at a depth of 2,403 metres. It is located on the southwest side of the major fault that runs through the Makeevskoye and Olgovskoye licences and is a near offset to the M-2 well drilled in 1991 which tested 300 Mcf/d from the S5. The primary target in M-22 is the S6 zone which has proven very prolific in the M-16, M-17, and O 15 wells. There are also secondary targets in the S5 and S7 zones. Total time to drill, test and complete is expected to be approximately 80 days. In the event of a successful well, tie-in will follow shortly as several flowlines were constructed earlier this year in anticipation of future drilling. M-22 will qualify for the reduced royalty rate of 30.25% for its first two years of production.
- The Winstar-12bis (“WIN-12bis”) well spud on July 17th. As disclosed in the Company’s press release of November 4, 2014, it has reached its total depth of 3,855 metres, and electric log, core and drilling data indicate 79 metres of oil bearing reservoir with average porosity of 10% in the Ordovician Upper Hamra, Lower Hamra and El Atchane formations, above an oil to water transition zone present throughout the lower zones in the well. An additional 14 metres of oil bearing reservoir have been identified within the transition zone, and logs have also indicated potentially moveable oil below the base of the transition zone. Further testing will be required to understand the nature of the hydrocarbons in these lower sections. Once the drilling rig has moved off, the well will be tied into the pre-built flowline and placed on an extended production test.

- A 203.5 km<sup>2</sup> 3D seismic program over the Sanrhar field was completed in mid - August. Legacy sparse 2D data indicates a number of four-way structural closures which this program will investigate more thoroughly. Current production from Sanrhar is 50 – 60 bbl/d of oil from a single well, which has produced 421 Mbbbl of oil to the end of 2013.
- In early October, the ECS-1 and EC-4 wells in the Ech Chouech permit in Tunisia were both hydraulically stimulated in the Devonian Ouan Kasa formation. During subsequent swabbing operations, both have shown oil cuts ranging up to 20%. The Company is examining alternatives to produce the wells more efficiently for extended periods to obtain better production and pressure data.

### **Outlook**

Average daily production (SEN WI) for the fourth quarter 2014 to date is approximately 5,495 boe/d (1,060 bbl/d of oil, 26.1 MMcf/d of gas, 83 bbl/d of liquids). The decrease vs. the Q3 average is due to the M-16 and M-17 wells in Ukraine being shut-in for three and a half days for pressure build-up testing in October. The increased production in Tunisia in the fourth quarter has been substantially offset by natural declines corporate wide, and no new wells were brought on during Q3 or Q4 to date due to the cessation of drilling in Ukraine.

### Ukraine

The official price for November at which gas can be sold to industrial customers in Ukraine is 5,100 UAH per Mcm. At the current exchange rate of 15.85 UAH/USD, that is equivalent to \$9.11/Mcf. The price that KUB Gas receives is approximately 4% lower, reflecting the margins of the traders through whom the gas is sold. The Company's realized gas price in Ukraine during the third quarter was \$10.17/Mcf.

In November, KUB-Gas plans to recomplete the M-16 well in the S5 zone as it has been determined that M-17 alone will be sufficient to recover the gas in the S6 accumulation from which both are currently producing.

As has been reported previously, the National Bank of Ukraine announced Resolution No. 591 on September 22, 2014, under which among other things, foreign exchange transactions associated with the payment of dividends were prohibited effective September 23, 2014 and expiring on December 2, 2014. On November 4, the bank's Chairman, Valeria Hontareva announced that this prohibition would be lifted. She further stated that this restriction would make further investments in Ukraine impossible. No mention was made with respect to any alternative date for the order to be lifted.

The M-22 well is expected to be completed in mid to late December, and if successful, will be tied into the pre-built flowline in January after the drilling rig moves off the location, and subject to the normal regulatory approvals for new wells and pipelines. The rig will move to the NM-4 well next to resume drilling that was halted in late June due to the security issues at the time.

### Tunisia

Once the drilling rig has finished completion operations on WIN-12bis, it will move to the Winstar-13 ("WIN-13") location. The total time to drill and complete WIN-13 is estimated to be 73 days. It is targeting the same Ordovician Lower Hamra and El Atchane formations that are currently producing in the Sabria field.

## Romania

As reported on November 12, 2014, drilling is underway on the Moftinu-1001 well, the first of a two well program targeting Miocene and Pliocene aged sands at depths between 1,800 – 2,000 metres. The second well, Moftinu-1002bis, will follow immediately after rig release from Moftinu-1001, and both wells are expected to be drilled and cased by mid-December. Completion and testing will commence in late January 2015.

The Company is also currently shooting an additional 180 km<sup>2</sup> of 3D seismic in the Santau area within Satu Mare, immediately south of Moftinu. Acquisition is expected to be complete by November 15, 2014, and processing and interpretation to be done during Q1 2015.

## **Supporting Documents**

The full Management Discussion and Analysis (“MD&A”) and Financial Statements have been filed in English on [www.sedar.com](http://www.sedar.com) and in Polish and English via the ESPI system, and will also be available on [www.serinusenergy.com](http://www.serinusenergy.com).

## Note:

Serinus prepares its financial results on a consolidated basis, which includes 100% of its indirectly 70% owned subsidiary, KUB-Gas LLC (“KUB-Gas”). Unless otherwise noted by the phrases “allocable to Serinus”, “net to Serinus”, “attributable to SEN shareholders” or “net to SEN WI”, all values and volumes refer to the consolidated figures. Serinus reports in US dollars; all dollar values referred to herein, whether in dollars or per share values are in US dollars unless otherwise noted.

## Cautionary Statement:

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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)



**Schedule to the current report no. 50/2014 of November 13, 2014**  
 Issuer's trading name: **SERINUS ENERGY INC.**

**Summary Financial Results (US\$ 000's unless otherwise noted)**

	Three Months Ending September 30		
	2014	2013	Change
Oil and Gas Revenue	46,407	45,394	2%
Net Income (as reported)	6,551	11,962	(45%)
per share, basic and diluted	\$0.08	\$0.15	
Net Income (allocable to SEN)	3,793	8,147	(53%)
per share, basic and diluted	\$0.05	\$0.10	
Comprehensive Net Income	64	11,825	(99%)
per share, basic and diluted	\$0.00	\$0.15	
Funds from Operations* (as reported)	19,181	21,560	(11%)
per share, basic and diluted	\$0.24	\$0.27	
Funds from Operations* (allocable to SEN)	\$14,311	\$15,471	(7%)
per share, basic and diluted	0.18	\$0.20	
Capital Expenditures	15,553	30,467	(49%)
Average Production (net to Serinus)			
Oil (Bbl/d)	876	1,165	(25%)
Gas (Mcf/d)	28,071	21,738	29%
Liquids (Bbl/d)	85	104	(18%)
BOE (boe/d)	5,640	4,892	15%
Average Sales Price			
Oil (\$/Bbl)	\$98.06	\$113.39	
Gas (\$/Mcf)	\$10.37	\$11.57	
Liquids (\$/Bbl)	\$84.98	\$93.79	
BOE (\$/boe)	\$66.76	\$78.10	
	<b>September 30</b>		
	<b>2014</b>	<b>2013</b>	
Cash & Equivalents	27,153	20,625	
Working Capital	(3,467)	(4,551)	
Long Term Debt	26,009	3,812	
Shares			
Outstanding, period end	78,629,941	78,611,441	
Average for period (basic)	78,629,941	78,611,441	
Average for period (FD)	78,631,502	78,611,441	

\* Funds from Operations is not a recognized measure under IFRS. See Management's Discussion and Analysis for further information on non-IFRS measures.

**Operational Highlights & Update**

- Third quarter production and prices are broken down as follows:

	Q3 2014 Production <sup>1</sup>			Q3 2014 Commodity Prices			
	Ukraine <sup>2</sup>	Tunisia	Total	Ukraine	Tunisia	Total	
Oil (bbl/d)	-	876	876	(\$/bbl)	-	\$98.06	\$98.06
Gas (Mcf/d)	26,310	1,761	28,071	(\$/Mcf)	\$10.17	\$14.73	\$10.37
Liquids (bbl/d)	85	-	85	(\$/bbl)	\$84.98	-	\$84.98
Boe (boe/d)	4,470	1,170	5,640	(\$/boe)	\$61.47	\$95.63	\$66.76

1. Numbers may not add due to rounding
2. Ukraine volumes are Serinus 70% interest