

CALGARY, ALBERTA--(Marketwired - Dec. 23, 2015) - [Serinus Energy Inc.](#) ("Serinus", "SEN" or the "Company") (TSX:SEN)(WARSAW:SEN), announces that it has entered into an agreement for the sale of all of the 70% of the outstanding shares of KUB-Gas Holdings Limited ("KHL") currently owned by Serinus. KHL in turn, owns 100% of the shares of KUB-Gas LLC ("KUB-Gas"). KUB-Gas (directly and indirectly through its subsidiary, KUB-Gas Borova LLC) owns 100% of and operates the six licences/permits in Ukraine which contain the Olgovskoye, Makeevskoye, Vergunskoye and Krutogorovskoye gas fields. KUB-Gas was assigned gross 2P reserves of 64.5 Bcf and 459 Mbbl of NGL's (45.1 Bcf and 321 Mbbl SEN WI)¹ at December 31, 2014. Gross production in Q3 2015 was 23.5 MMcfe/d (16.4 MMcfe/d SEN WI), of which 98% was natural gas.

A private company is purchasing the shares of KHL for cash consideration of \$30 million plus working capital and inter-company adjustments. The sale is anticipated to close before January 31 2016 with an effective date of December 31 2015, and is subject to the waiver or expiry of the right of first refusal by the owner of the remaining 30% of KHL. Concurrent with the closing, Serinus will repay \$11.28 million of debt plus accrued interest to the European Bank for Reconstruction and Development ("EBRD"), and may at the EBRD's discretion repay an additional \$7.4 million on its Tunisia Facility. The balance of the proceeds of sale will be used to further the development of the Company's Moftinu gas discovery in Romania.

Background

During the course of 2014 and 2015 the government of Ukraine introduced a series of laws and regulations that have had a material adverse effect on KUB-Gas' business. Effective August 1, 2014, the nominal royalty rates on natural gas increased to 55% from the previous level of 28%. Those nominal rates are applied to prices set periodically by regulators which are based on the cost of imported gas. Other legislation placed restrictions on the gas market, causing realized prices in the private sector to fall significantly below those regulated prices, resulting in effective royalty rates as high as 64%. While a bill to reduce the nominal royalty rate to 29% passed a first reading in the parliament in October 2015, it has yet to pass a second reading and move on to presidential assent, and it is uncertain as to when and if this legislation might be enacted.

On September 23, 2014, Ukraine imposed foreign exchange controls which restricted remittances of currency outside the country, effectively cutting off access to approximately 70% of the Company's revenues. Finally, the global weakening of energy prices has also been felt in Ukraine. The realized gas price in Q3 2015 was \$6.58/Mcf vs. \$10.17/Mcf for the same quarter in 2014. The prices for NGLs were \$42.91/bbl and \$84.98/bbl for the same respective periods.

This combination of factors has severely reduced cash flow. Funds from Operations from Ukraine during the third quarter of 2015 were UAH 80.8 million, or the equivalent of \$3.66 million (both values SEN WI) vs. \$11.4 million in Q3 2014. While Serinus reports in US dollars, restrictions on foreign exchange transactions means that most of that cash flow remains in UAH held in accounts in Ukraine. With lower prices and higher royalties, development economics have become marginal so production is expected to fall further as natural declines assert themselves.

Going Forward

Post the transaction, Serinus will have 11.8 MMboe of 2P reserves² in its properties in Tunisia which are currently producing 1,415 boe/d³ of which approximately 75% is oil. Netbacks during Q3 2015 were \$22.19 per boe. Serinus also has an effective 100% interest in the Satu Mare Concession in northwest Romania, which contains the Moftinu gas discovery made in early 2015. The Moftinu-1001 well tested at a maximum rate of 7.4 MMcf/d and 19 bbl/d of liquids. The Company estimates a P50 recoverable volume of 18 Bcf. Pending regulatory approvals and financing, first production could be in early 2017. The cost of full development of the Moftinu discovery is estimated at \$16 million, although management is examining options for achieving limited early production at a lower cost. Satu Mare also has a multi-year exploration inventory of over 25 leads and prospects with risked prospective P_{mean} resources of 59 MMboe.

Serinus purchased its interest in Ukraine in mid-2010 for \$45 million. Since that time, the Company has successfully introduced new technology and management practices, and gross production increased from 5 MMcfe/d at the time of purchase to 38 MMcfe/d in Q3 2014. Since 2010, KUB-Gas has paid dividends to its shareholders of \$66.1 million (\$40.6 million SEN WI).

Tim Elliott, President and Chief Executive Officer of Serinus said *"The success of KUB-Gas over the last 5 years is a textbook example of what foreign investment can do for a country and in particular, what can be accomplished by Ukrainians and Canadians working together in a reasonable fiscal environment. However, geopolitical events in the region over the past two years and unfortunate policy decisions by the Ukraine government have seriously eroded the economic viability of our business there. Legislative efforts to reduce the royalty rates on natural gas back to reasonable levels have stalled, and we have little visibility or indication as to when that process may resume. With appropriate fiscal conditions, we believe that the natural gas business in Ukraine could return to growth, but with the great uncertainty surrounding the country, we believe that our shareholders are better served by exiting Ukraine with this transaction, strengthening our balance sheet and concentrating our efforts on developing and exploring our exciting prospects in Romania."*

I take this opportunity to thank the entire team at KUB-Gas for their hard work and dedication over the last 5 years. Their professionalism, courage and determination in the face of extreme adversity is a credit to their country."

FirstEnergy Capital LLP acted as financial advisor to Serinus for this transaction.

The following additional disclosure is required to meet Polish securities regulations and the requirements of the Warsaw Stock Exchange.

The shares of KHL being sold to the Buyer have a total par value of EUR70,000.00. They carry 70,000 votes and have equal voting rights with all other shares, ie, the shares being sold carry 70% of the voting rights of KHL. The Ukraine reserves as at December 31, 2015 are currently being reviewed by the Company's independent third party evaluator, and the resultant volumes and present values will be published as part of the normal course disclosure with the year end 2015 financial results. The net book value attributable to the assets in Ukraine at September 30, 2015 was \$53.7 million (unaudited, 100% WI).

Serinus considered the KHL shares as long-term investment. There are no links between the Company and its directors, managing or supervisory persons and the Buyer.

Abbreviations

bbl	Barrel(s)	bbl/d	Barrels per day
boe	Barrels of Oil Equivalent	boe/d	Barrels of Oil Equivalent per day
Mcf	Thousand Cubic Feet	Mcf/d	Thousand Cubic Feet per day
MMcf	Million Cubic Feet	MMcf/d	Million Cubic Feet per day
Mcfe	Thousand Cubic Feet Equivalent	Mcfe/d	Thousand Cubic Feet Equivalent per day
MMcfe	Million Cubic Feet Equivalent	MMcfe/d	Million Cubic Feet Equivalent per day
Mboe	Thousand boe	Bcf	Billion Cubic Feet
MMboe	Million boe	Mcm	Thousand Cubic Metres
UAH	Ukrainian Hryvnia	USD	U.S. Dollar
CAD	Canadian Dollar	NGL	Natural Gas Liquids

Cautionary Statement:

BOE's or Mcfe's 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.

Test results are not necessarily indicative of long-term performance or of ultimate recovery. Test data contained herein is considered preliminary until full pressure transient analysis is complete.

About Serinus

Serinus is an international upstream oil and gas exploration and production company that owns and operates projects in Ukraine, Tunisia, and Romania.

For further information, please refer to the Serinus website (www.serinusenergy.com).

Translation: This news release has been translated into Polish from the English original.

Forward-looking Statements This release may contain forward-looking statements made as of the date of this announcement with respect to future activities that either are not or may not be historical facts. Although the Company believes that its expectations reflected in the forward-looking statements are reasonable as of the date hereof, any potential results suggested by such statements involve risk and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Various factors that could impair or prevent the Company from completing the expected activities on its projects include that the Company's projects experience technical and mechanical problems, there are changes in product prices, failure to obtain regulatory approvals, the state of the national or international monetary, oil and gas, financial, political and economic markets in the jurisdictions where the Company operates and other risks not anticipated by the Company or disclosed in the Company's published material. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties and actual results may vary materially from those expressed in the forward-looking statement. The Company undertakes no obligation to revise or update any forward-looking statements in this announcement to reflect events or circumstances after the date of this announcement, unless required by law.

¹ As per independent 3rd party reserve evaluator as at December 31, 2014

² As per independent 3rd party reserve evaluator as at December 31, 2014

³ Average production for November 2015

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