

# Cub Energy Inc. Announces 2013 Third Quarter Financial and Operational Results

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## Sixth Consecutive Quarter of Production Growth with Current Record Production of 1,690 boe/d

HOUSTON, TEXAS--(Marketwired - Nov 19, 2013) - [Cub Energy Inc.](#) ("**Cub**" or the "**Company**") (TSX VENTURE:**KUB**), a Black Sea region-focused upstream oil and gas company, announced today its unaudited interim financial and operating results for the three and nine months ended September 30, 2013. All dollar amounts are expressed in United States dollars.

In the third quarter 2013, Cub realised its sixth consecutive quarter of production growth and the Company is currently at record production of approximately 1,690 barrels of oil equivalent per day ("**boe/d**").

### Operational Highlights

- Third quarter average production of 1,513 boe/d for an increase of 24% in the same period of 2012;
- Achieved an average natural gas price of \$11.57/Mcf and condensate price of \$92.80/bbl for the nine months ended September 30, 2013;
- A new pool gas discovery on the Makeevskoye Licence (KUB-Gas) in the Serpukhovian zone with the M-16 well;
- Tested gas on the Olgovskoye Licence (KUB-Gas) with the O-15, a deeper pool discovery well in the Serpukovian zone, which was also tied-in and brought on production;
- O-24 was drilled and cased to the deeper Serpukhovian zone and demonstrated 4 gas-bearing zones to be production tested prior to year-end;
- Krutogorovskoye licence successfully converted to 20-year production licence;
- Commenced the expansion of the Makeevskoye and Olgovskoye production and processing facility. The expansion will be completed in the first quarter 2014 resulting in increased capacity to 68 MMcf/d from the current 30 MMcf/d.

### Financial Highlights

- Third quarter netback of \$47.93/boe or \$7.99/Mcfe;
- Revenue from hydrocarbon sales by KUB-Gas for the first nine months of 2013 increased 21% to \$87.7 million (2012 - \$72.3 million) of which the Company's 30% share was \$26.3 million (2012 - \$21.7 million);
- Revenue from hydrocarbon sales by the Company, outside of KUB-Gas, for the first nine months of 2013 increased 127% to \$2.5 million (2012 - \$1.1 million). The 2012 period represented just six months of production;
- The total pro-rata revenue from hydrocarbon sales, a non-IFRS measure combining the Company's revenue and 30% of the allocated KUB-Gas revenue, totaled \$28.8 million (2012 - \$22.8 million) for the nine months ended September 30, 2013;
- During the nine months ended September 30, 2013, the Company received \$6.9 million (2012 - \$Nil) in the form of dividends from KUB-Gas representing the distribution of excess cash flow;
- Net profit for the nine months ended September 30, 2013 was \$2.3 million or \$0.01 per share (2012 - \$2.4 million or \$0.01 per share);
- The Company's unsecured line of credit with Pelicourt was increased to \$5.0 million and currently remains undrawn.

| (unaudited, in thousands of US dollars)       | Three<br>Months<br>Ended<br>September<br>30, 2013 | Three<br>Months<br>Ended<br>September<br>30, 2012 | Nine<br>Months<br>Ended<br>September<br>30, 2013 | Nine<br>Months<br>Ended<br>September<br>30, 2012 |
|---|---|---|--|--|
| \$  |   |   |  |  |
| Petroleum and natural gas revenue             |   |   |  |  |
|   | 627   | 546   | 2,505  | 1,060  |
| Pro-rata petroleum and natural gas revenue(1) |   |   |  |  |
|   | 9,646   | 8,263   | 28,814   | 22,737   |
| Net profit                                    | 271   | 54  | 2,290  | 2,426  |
| Earnings per share - basic (\$)               |   |   |  |  |
|   | 0.00  | 0.00  | 0.01   | 0.01   |
| - diluted (\$)                                | 0.00  | 0.00  | 0.01   | 0.01   |
| Funds from (used in) operations(2)            |   |   |  |  |
|   | (585 )  | (1,068 )  | 1,617  | (2,320 )   |
| Pro-rata funds from operations(3)             |   |   |  |  |
|   | 3,384   | 3,348   | 7,703  | 9,495  |
| Capital expenditures (4)                      |   |   |  |  |
|   | 4,833   | 585   | 6,062  | 1,539  |
| Pro-rata capital expenditures (4)             |   |   |  |  |
|   | 9,053   | 2,203   | 12,961   | 7,889  |
| Netback (\$/boe)                              | 47.93   | 47.60   | 40.98  | 51.39  |
| Netback (\$/Mcf)                              | 7.99  | 7.93  | 6.83   | 8.57   |
|   | September<br>30, 2013                             | December<br>31, 2012                              |  |  |
| Working capital                               | 3,769   | 9,577   |  |  |
| Cash and cash equivalents                     | 3,730   | 10,116  |  |  |
| Long-term debt                                | -   | -   |  |  |

## Notes:

(1) Pro-rata petroleum and natural gas revenue is a non-IFRS measure that adds the Company's petroleum and natural revenue earned in the respective periods to the Company's 30% equity share of the KUB-Gas petroleum and natural gas sales that the Company has an economic interest in.

(2) Funds from operations is a non-IFRS measure and is defined as cash flow from operating activities, excluding changes in non-cash working capital.

(3) Pro-rata funds from operations is a non-IFRS measure that adds the Company's funds from operations in the respective periods to the Company's 30% equity share of the KUB-Gas funds from operations that the Company has an economic interest in. The KUB-Gas funds from operations is calculated as the income from equity investment less the KUB-Gas depletion and depreciation.

(4) Capital expenditures includes the purchase of property, plant and equipment and the purchase of exploration and evaluation assets. Pro-rata capital expenditures is a non-IFRS measure that adds the Company's capital expenditures in the respective periods to the Company's 30% equity share of the KUB-Gas capital expenditures that the Company has an economic interest in.

Mikhail Afendikov, Chief Executive Officer of Cub Energy, commented, *"We realised our sixth consecutive quarter of production growth and believe we have a strong platform for future development. The recent Serpukhovian discovery along with our successful development drilling, workover and fracture stimulation programs in KUB-Gas in eastern Ukraine have yielded significant results in 2013. Cub also recently announced the commencement of drilling of the RK-22 well on our 100% owned RK License in western Ukraine. We will continue to create shareholder value from our production growth on our assets in eastern Ukraine and are excited about drilling our first 100% owned well in western Ukraine."*

## Outlook

The Company expects to commence a 47 km<sup>2</sup> 3D seismic survey on the East Vergunaska prior to year-end. Cub is currently completing the processing and interpretation of: the 35 km<sup>2</sup> 3D survey on the Kryakovskaya field; the 85.6 km<sup>2</sup> 3D survey on the Oskolonovska field; and the 45 km<sup>2</sup> 3D survey on the Stanivske field.

KUB-Gas operations for the remainder of 2013 include completing the production testing of the O-24 well,

spudding the M-17 well, the workover of the O-6 well and constructing pipeline to tie-in wells as needed. In early 2014, KUB-Gas plans to drill the O-11 well as a step-out from the O-15, targeting the deeper-pool gas discovery in the S-6 zone currently producing in the O-15. Additionally, a continuation of the fracture stimulation program in multiple wells, including the O-15 and NM-3 wells is planned, to build upon the success of the fracs on O-4 and O-5 wells, which were announced in late October.

## Supporting Documents

Cub's complete quarterly reporting package, including the unaudited interim financial statements and associated Management's Discussion and Analysis, has been filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and has been posted on the Company's website at [www.cubenergyinc.com](http://www.cubenergyinc.com). All currency references in this press release are in US dollars except as otherwise indicated.

## About Cub Energy Inc.

[Cub Energy Inc.](http://www.cubenergyinc.com) (TSX VENTURE:KUB) is an upstream oil and gas company, with a proven track record of exploration and production cost efficiency in the Black Sea region. The Company's strategy is to implement western technology and capital, combined with local expertise and ownership, to increase value in its undeveloped land base, creating and further building a portfolio of producing oil and gas assets within a high pricing environment.

For further information please contact us or visit our website: [www.cubenergyinc.com](http://www.cubenergyinc.com)

## Oil and Gas Equivalents

A barrel of oil equivalent ("boe") or units of natural gas equivalents ("Mcf") is calculated using the conversion factor of 6 Mcf (thousand cubic feet) of natural gas being equivalent to one barrel of oil. A boe conversion ratio of 6 Mcf: 1 bbl (barrel) or an Mcfe conversion of 1bbl: 6 Mcf is, based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the boe ratio is useful for comparative measures, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

## Reader Advisory

*Except for statements of historical fact, this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Cub believes that the expectations reflected in the forward-looking information are reasonable; however there can be no assurance those expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.*

*Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause the results to differ materially from those expressed in the forward-looking information include, but are not limited to: general economic conditions in Ukraine, Turkey and globally; industry conditions, including fluctuations in the prices of natural gas; governmental regulation of the natural gas industry, including environmental regulation; unanticipated operating events or performance which can reduce production or cause production to be shut in or delayed; failure to obtain industry partner and other third party consents and approvals, if and when required; competition for and/or inability to retain drilling rigs and other services; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for natural gas; liabilities inherent in natural gas operations; competition for, among other things, capital,*

*acquisitions of reserves, undeveloped lands, skilled personnel and supplies; incorrect assessments of the value of acquisitions; geological, technical, drilling, processing and transportation problems; changes in tax laws and incentive programs relating to the natural gas industry; failure to realize the anticipated benefits of acquisitions and dispositions; and the other factors. Readers are cautioned that this list of risk factors should not be construed as exhaustive.*

*This cautionary statement expressly qualifies the forward-looking information contained in this news release. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.*

*Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

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