

# Cub Energy Inc.: Announces Year-End Financial and Operational Results

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HOUSTON, TEXAS--(Marketwired - Mar 26, 2014) - [Cub Energy Inc.](#) ("**Cub**" or the "**Company**") (**TSX VENTURE:KUB**), a Black Sea region-focused upstream oil and gas company, reports its audited financial and operating results for the year ended December 31, 2013.

In 2013, Cub achieved several key accomplishments including record production volumes and revenue and operational success on the Company's 100% working interest Rusko-Komarovske ("**RK**") licence. Additionally, the fourth quarter of 2013 was the Company's seventh consecutive quarter of production growth.

## Operational Highlights

- Production averaged 1,542 boe/d (95% natural gas) for the year ended December 31, 2013 for an increase of 27% over 1,210 boe/d in 2012;
- Exit rate of 2,070 boe/d for the year ended December 31, 2013 for an increase of 35% over 1,531 boe/d in 2012;
- Current production of approximately 1,800 boe/d;
- Achieved average natural gas prices of \$11.26/Mcf and condensate price of \$87.90/bbl for the year ended December 31, 2013;
- A shallow pool gas discovery was made on the RK licence with the RK-22 well in western Ukraine which was tied-in and brought on production in late 2013;
- A new pool gas discovery was made on the Makeevskoye licence in eastern Ukraine in the Serpukhovian Zone with the M-16 well and was tied-in and on production in 2013;
- Tested gas on a new reservoir on the Olgovskoye licence in eastern Ukraine with the O-15 well, which was also tied in and brought on production in 2013. This deeper pool discovery has the potential for offset development;
- Krutogorovskoye licence in eastern Ukraine was successfully converted to 20-year production licence; and
- The expansion of the Makeevskoye and Olgovskoye production and processing facility was completed in 2013. Gas began flowing on March 6, 2014 resulting in increased capacity to 68 MMcf/d from the previous 30 MMcf/d and it's expected to take 30 to 60 days to become fully operational.

## Financial Highlights

- Netback of \$40.15/Boe or \$6.69/Mcfe for the fourth quarter 2013 and netback of \$41.02/Boe or \$6.84/Mcfe for the year ended December 31, 2013;
- Revenue from hydrocarbon sales by KUB-Gas for the year ended December 31, 2013 increased 18% to \$117.7 million (2012 - \$99.6 million) of which the Company's 30% share was \$35.3 million (2012 - \$29.9 million);
- Revenue from hydrocarbon sales by the Company, outside of KUB-Gas, for the year ended December 31, 2013 increased 94% to \$3.3 million (2012 - \$1.7 million). The 2012 period represented nine 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 \$38.6 million (2012 - \$31.5 million) for the year ended December 31, 2013;
- During the year ended December 31, 2013, the Company received \$9.8 million (2012 - \$Nil) in the form of dividends from KUB-Gas representing the distribution of excess cash flow;
- Net loss for the year ended December 31, 2013 was \$3.0 million or \$0.01 per share which was impacted by a \$5.2 million impairment charge on the Turkish licences (2012 - net income of \$2.3 million or \$0.01 per share). Excluding the \$5.2 million impairment charge, the net income for the year ended December 31, 2013 would have been \$2.2 million;
- The Company's unsecured line of credit with Pelicourt Limited was increased to \$5.0 million and remained undrawn at December 31, 2013. Subsequent to the year ended December 31, 2013, the Company drew down \$1.0 million; and

- Capital expenditures of \$8.9 million (2012 \$2.0 million) for the year ended December 31, 2013 and the pro-rata capital expenditures, a non-IFRS measure combining the Company's capital expenditures and 30% of the allocated KUB-Gas capital expenditures, totaled \$17.9 million (2012 - \$12.6 million) for the year ended December 31, 2013.

(in thousands of US dollars)	Three Months Ended December 31, 2013	Three Months Ended December 31, 2012	Year Ended December 31, 2013	Year Ended December 30, 2012
Petroleum and natural gas revenue	745	606	3,250	1,666
Pro-rata petroleum and natural gas revenue (1)	9,761	8,805	38,575	31,542
Net profit (loss)	(5,304)	(136)	(3,013)	2,290
Earnings (loss) per share - basic and diluted	(0.02)	0.00	(0.01)	0.01
Funds generated from (used in) operations <sup>(2)</sup>	857	(1,611)	2,474	(3,931)
Pro-rata funds generated from operations	2,111	2,692	9,814	12,187
Capital expenditures <sup>(3)</sup>	2,789	304	8,851	1,843
Pro-rata capital expenditures	4,900	4,738	17,861	12,627
Pro-rata netback (\$/boe)	40.15	47.60	41.02	51.39
Pro-rata netback (\$/Mcf)	6.69	7.93	6.84	8.57

  

	December 31, 2013	December 31, 2012
Working capital	942	9,577
Cash and cash equivalents	1,617	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 gas 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 successfully drilled, completed and tied-in the RK-22 well, which was our first well drilled in western Ukraine and is 100% owned and operated by Cub. Cub will be devoting significant capital to develop its 100% owned assets in western Ukraine with at least four drilling operations planned. At KUB-Gas in eastern Ukraine, we had a new gas pool discovery in the Serpukhovian zone along with our successful development drilling, workover and fracture stimulation programs. We continue to create shareholder value with our production growth in eastern and western Ukraine."*

#### Outlook

In 2014, the Company will continue its drilling operations on the RK-21 well on its 100% owned Tysagaz assets in western Ukraine with further plans to drill the RK-23 and RK-24 development wells and re-enter the RK-1 well.

Operations expected in the remainder of 2014 for KUB-Gas in eastern Ukraine include the drilling of four wells, five fracture stimulations and a workover of the O-6 well and construction of pipeline to tie-in wells as needed. The Makeevskoye and Olgovskoye production and processing facilities became operational in

March 2014 and increased the facilities processing capability to approximately 68 MMcf/d from 30 MMcf/d.

To date, the unrest in Ukraine has had limited impact on the Company's operations; however, the final resolution and the effects of the political and economic crisis are difficult to predict and could negatively affect the Company's results and financial position. With the uncertainty of gas prices in Ukraine created by the unrest between Russia and Ukraine, it is possible that the programs could get constrained.

## Supporting Documents

Cub's complete quarterly reporting package, including the audited annual financial statements, associated Management's Discussion and Analysis and the 2013 Annual Information Form, have been filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and 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 and political conditions in Ukraine 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 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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