

Cub Energy Comments on New Ukrainian Law Temporarily Increasing Royalties

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HOUSTON, TEXAS--(Marketwired - Aug 4, 2014) - [Cub Energy Inc.](#) ("Cub" or the "Company") (TSX VENTURE:KUB) comments on the newly enacted law concerning gas royalties in Ukraine.

On Friday, August 1, 2014, Ukraine President Petro Poroshenko signed a new law temporarily increasing royalties on natural gas production to 55% from their current level of 28% through December 31, 2014 (five months). The royalty rates will return to 28% on January 1, 2015.

Additionally, under the enacted law, the royalty rate for newly drilled wells will be discounted for two years at a discount coefficient of 0.55. In effect, newly drilled wells put on production after August 1, 2014 will have a royalty rate of 30.25%. This discount coefficient will apply to newly drilled wells for the next two years.

President Poroshenko signed the new law one day after the Ukraine parliament met in special session and passed the law on July 31, 2014. Cub, along with other private sector gas producers opposed to this royalty increase, prepared a joint letter to the Prime Minister, Arsenij Yatsenyuk, explaining the likely negative effects of such legislation on the domestic energy industry and urging him not to support it. The law that was eventually passed and signed by the President sets a lower royalty rate with less restrictive terms than initially proposed. For Cub, the royalty increase could translate into an approximate 50% reduction in netbacks for the next five months.

Mikhail Afendikov, Chairman and CEO of Cub said: *"We understand the economic difficulties that Ukraine is facing and, while we are disappointed with the temporary royalty increase, we will comply. However, given that this will reduce our netbacks and resulting cash flow for the next five months, we will be re-evaluating our work programs for the remainder of 2014 to preserve our capital options."*

About Cub Energy Inc.

[Cub Energy Inc.](#) (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.

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, the Black Sea Region and globally; political unrest and security concerns in Ukraine; 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 realise 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.

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