

Cub Energy Inc. Announces 2014 Third Quarter Financial and Operational Results

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HOUSTON, TEXAS--(Marketwired - Nov 12, 2014) - [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, 2014. All dollar amounts are expressed in United States Dollars. This update includes results from KUB-Gas LLC ("**KUB-Gas**"), which Cub has a 30% ownership interest, and Tysagaz JSC ("**Tysagaz**"), Cub's 100% owned subsidiary.

Operational Highlights

- Production averaged 2,174 barrels of oil equivalent a day ("**boe/d**") (95% natural gas) for the three months ended September 30, 2014 for an increase of 44% over 1,513 boe/d in the same period in 2013;
- Exit rate of 2,165 boe/d at September 30, 2014, for a slight increase over exit rate of 2,154 boe/d at June 30, 2014;
- Current production of approximately 2,218 boe/d;
- Achieved average natural gas price of \$10.16 per thousand cubic feet ("**Mcf**") and condensate price of \$81.47/bbl for the three months ended September 30, 2014;
- On October 14, 2014, the RK-23 well was spud and subsequently tested gas in the shallow L Sands at a rate of over 2.3 million cubic feet per day ("**MMcf/d**") through an eight millimetre choke. The well has been shut in for a pressure build up and will be tied in for production on or around December 1, 2014;
- The M-17 KUB-Gas well averaged 11.9 MMcf/d (3.6 MMcf/d Cub WI) during the third quarter of 2014. The S5 and R30c remain behind pipe to be tested and developed at a later date; and
- On October 22, 2014, field operations re-commenced at KUB-Gas with the spudding of the M-22 well. The primary target in M-22 is the S6 zone in the Serpukhovian section which has proven very prolific in the M-16, M-17 and O-15 wells. Total time to drill, test and complete is expected to be approximately 80 days. This is the first well of five currently contemplated, with further drilling discussions after management and the Board of Directors approve the 2015 capital budget, expected in December.

Financial Highlights

- Netback of \$29.64/Boe or \$4.94/Mcfe for the quarter ended September 30, 2014, which decreased as a result of the temporary increase in royalty rates as compared to a netback of \$41.46/boe or \$6.91/Mcfe for the quarter ended June 30, 2014;
- Revenue from hydrocarbon sales for the three months ended September 30, 2014, increased 133% to \$1.4 million (2013 - \$0.6 million) which was driven by the RK-21 and RK-22 wells;
- Revenue from hydrocarbon sales by KUB-Gas for the three months ended September 30, 2014 were \$36.1 million (2013 - \$30.1 million) of which the Company's 30% share was \$10.8 million (2013 - \$9.0 million);
- 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 \$12.3 million (2013 - \$9.6 million) for the three months ended September 30, 2014;
- During the three months ended September 30, 2014, the Company received \$3.5 million (2013 - \$1.5 million) in the form of dividends from KUB-Gas representing the distribution of excess cash flow;
- Income from the Company's 30% equity investment in KUB-Gas for the three months ended September 30, 2014 was \$2.8 million (2013 - \$3.8 million);
- The net loss for the three months ended September 30, 2014 was \$19.4 million or \$0.06 per share which was impacted by \$21.1 million in impairment and write down charges on exploration and evaluation assets and non-current receivables (2013 - net income of \$0.9 million or \$0.00 per share);
- Excluding the \$21.1 million impairment and write down charges, net income for the three months ended September 30, 2014 would have been \$1.7 million;

- Capital expenditures of \$2.7 million (2013 - \$4.8 million) for the three months ended September 30, 2014 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 \$3.1 million (2013 - \$9.1 million) for the three months ended September 30, 2014;
- The Company has \$3.0 million available on a \$5.0 million unsecured line of credit with Pelicourt as at September 30, 2014. Pelicourt recently notified the Company that it is having liquidity issues as a result of the September 22, 2014 National Bank of Ukraine resolution prohibiting the payment of cross-border dividends and may not be able to provide any further funding under the line of credit; and
- The recent temporary actions by Ukraine authorities to increase royalty rates and restrict cross-border dividends coupled with the uncertainty of the Pelicourt line of credit has caused the Company to raise significant doubt about its ability to continue as a going concern and meet its obligations as they become due.

| (in thousands of US Dollars) | Three Months Ended September 30, 2014 | Three Months Ended September 30, 2013 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2013 |
|---|--|--|--|--|
| Petroleum and natural gas revenue | 1,444 | 627 | 4,838 | 2,505 |
| Pro-rata petroleum and natural gas revenue ⁽¹⁾ | 12,280 | 9,646 | 31,519 | 28,814 |
| Net profit (loss) | (19,399) | 875 | (18,122) | 1,477 |
| Earnings (loss) per share - basic and diluted | (0.06) | 0.00 | (0.06) | 0.01 |
| Funds generated from operations ⁽²⁾ | 2,873 | (515) | 5,249 | 1,792 |
| Pro-rata funds generated from operations ⁽³⁾ | 4,203 | 3,384 | 11,097 | 7,703 |
| Capital expenditures ⁽⁴⁾ | 2,671 | 4,833 | 6,779 | 6,062 |
| Pro-rata capital expenditures ⁽⁴⁾ | 3,119 | 9,053 | 11,003 | 12,961 |
| Pro-rata netback (\$/boe) | 29.64 | 47.93 | 33.56 | 40.98 |
| Pro-rata netback (\$/Mcf) | 4.94 | 7.99 | 5.59 | 6.83 |
| | September 30, 2014 | December 31, 2013 | | |
| Working capital | 955 | 942 | | |
| Cash and cash equivalents | 2,655 | 1,617 | | |
| Long-term debt | 2,000 | - | | |

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.

Outlook

For the remainder of 2014, the Company will focus on its 100% owned and operated Tysgaz assets in western Ukraine. The Company is re-evaluating the balance of its capital program in light of the recent temporary increases in royalty rates through the end of the year.

On October 22, 2014, field operations re-commenced at KUB-Gas with the spudding of the M-22 well. The primary target in M-22 is the S6 zone in the Serpukhovian section which has proven very prolific in the M-16, M-17 and O-15 wells. Total time to drill, test and complete is expected to be approximately 80 days. This is the first well of five currently contemplated, with further drilling discussions after management and the Board of Directors approve the 2015 capital budget, expected in December.

Supporting Documents

Cub's complete quarterly reporting package, including the unaudited interim financial statements and associated Management's Discussion and Analysis, have been filed on SEDAR (www.sedar.com) and has

been posted on the Company's website at www.cubenergyinc.com.

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.

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 a Mcf 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, the Black Sea Region and globally; political unrest and security concerns in Ukraine; industry conditions, including fluctuations in the prices of natural gas and foreign currency; 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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