HOUSTON, TEXAS--(Marketwired - Aug 23, 2016) - Cub Energy Inc. ("Cub" or the "Company") (TSX VENTURE:KUB), a Ukraine-focused upstream oil and gas company, announced today its unaudited interim financial and operating results for the second quarter of 2016. All dollar amounts are expressed in United States Dollars. This update includes results from KUB-Gas LLC ("KUB-Gas"), which Cub has a 35% equity ownership interest (increased from 30% effective February 8, 2016), and Tysagaz LLC ("Tysagaz"), Cub's 100% owned subsidiary.

Operational Highlights

- Royalty rates for natural gas in Ukraine declined from 55% to 29% effective January 1, 2016 which materially improved the Company's netbacks and net income.
- Production averaged 1,185 boe/d (98% natural gas) for the quarter ended June 30, 2016, which decreased 16% as compared to the 1,414 boe/d in the comparative 2015 quarter and decreased 28% from the 1,644 boe/d production averaged for the first quarter ended March 31, 2016. The decrease in production for the quarter ended June 30, 2016 was a result of the temporary suspension of production at the RK Field due to the termination of a gas blending contract. The Company hopes to resume production in the fourth quarter of 2016.
- Achieved average natural gas price of $5.55/Mcf and condensate price of $52.89/bbl during the quarter ended June 30, 2016 as compared to $7.08/Mcf and $46.89/bbl for the comparative 2015 quarter and $6.23/Mcf and $28.29/bbl for the first quarter of 2016.
- In February 2016, the Company received an additional 5% interest in KUB Holdings for a total 35% equity ownership interest. The Company has the ability to further increase its ownership interest from 35% to 40% on meeting certain benchmarks and optional payments.
- In March 2016, the Company was granted a 20-year term production licence in western Ukraine. The Uzhgorod licence covers approximately 75,000 acres which is a 50% increase from its original size of 50,000 acres.
- On July 8, 2016, the Company announced that it has entered into a share purchase agreement ("SPA") and shareholders' agreement with a third party, whereby the third party earns a 50% interest in the Company's newly formed subsidiary, CNG Holdings Netherlands B.V, which, in turn, owns CNG LLC (Ukraine LLC), 100% owner of the Uzhgorod production licence in western Ukraine. Pursuant to the terms of the SPA, the third party is to (i) pay Cub EUR1.5 million ($1.6 million) upon transfer of the 50% shares ("Closing") (paid subsequent to June 30, 2016); (ii) fund a 100 square kilometre 3D seismic survey within 20 months of Closing; (iii) fund the drilling of first three wells within four years of Closing; and (iv) fund the tie-in costs of the first three wells up to a maximum EUR0.2 million ($0.2 million) per well within four years of Closing.
- In August 2016, KUB-Gas spud the M-23 well. The well is planned to a total depth of 2,550 metres with multiple objectives.
- In August 2016, Tysagaz located a used nitrogen rejection unit ("NRU") in the US to be utilized on the RK Field in western Ukraine. If successfully installed and operated, the NRU should assist in the resumption of production at the RK Field in the fourth quarter of 2016.

Financial Highlights

- Netbacks of $18.20/boe or $3.03/Mcfe for the quarter ended June 30, 2016 as compared to netback of $11.67/Boe or $1.95/Mcfe for the comparative 2015 quarter. In addition, netbacks were $23.13/Boe or $3.86/Mcfe for the first quarter of 2016. Netbacks in 2016 improved as a result of the reduced royalty rate effective January 1, 2016.
- Revenue from hydrocarbon sales for the three months ended June 30, 2016 was $Nil due to temporary suspension of the RK Field from April 1, 2016 (2015 - $0.9 million).
- Revenue from hydrocarbon sales by KUB-Gas for the three months ended June 30, 2016 were $11.8 million (2015 - $15.5 million) of which the Company's 35% share was $3.9 million (2015 - $4.6 million).
- The total pro-rata revenue from hydrocarbon sales, a non-IFRS measure combining the Company's revenue and 35% of the allocated KUB-Gas revenue, totaled $3.9 million (2015 - $5.5 million) for the three months ended June 30, 2016.
- The Company's net income from its 35% equity investment in KUB-Gas for the quarter ended June 30, 2016 was $1.6 million (2015 - $0.5 million) which improved as a result of the reduced natural gas royalty rate.
- The net income for the Company for the three months ended June 30, 2016 was $0.6 million or $0.00 per share (2015 - $0.7 million net loss or $0.00 per share).
- The pro-rata capital expenditures, a non-IFRS measure combining the Company's capital expenditures and 35% of the allocated KUB-Gas capital expenditures, were less than $0.1 million for the quarter ended June 30, 2016 (2015 - $0.4 million).
- During the three months ended June 30, 2016, the Company's Ukraine subsidiary, Tysagaz, received proceeds of $1.2 million from KUB-Gas pursuant to an unsecured, non-interest bearing loan agreement between the parties. This tranche of the loan agreement is due and payable on March 31, 2018. Subsequent to the quarter ended June 30, 2016, Tysagaz, received additional proceeds of $3.0 million from KUB-Gas pursuant to the loan agreement between the parties.
- With the current cash resources, no further funding in 2016 under the existing line of credit, temporary suspension of the RK Field, dividend restrictions, currency fluctuations, reliance on a limited number of customers, and impact on carrying values, the Company may not have sufficient cash to continue the exploration and development activities. These matters raise significant doubt about the ability of the Company to continue as a going concern and meet its obligations as they become due.

(in thousands of US Dollars)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Petroleum and natural gas revenue	-	856	1,456	2,632
Pro-rata petroleum and natural gas revenue[(1)]	3,873	5,514	9,776	12,398
Net income (loss)	583	(651)	2,040	(1,874)

Income (loss) per share - basic and diluted	0.00	(0.00)	0.01	(0.01)
Funds generated from operations[2]	(966)	(804)	(1,075)	(558)
Pro-rata funds generated from operations[3]	2,326	(121)	3,541	23
Capital expenditures[4]	24	44	162	127
Pro-rata capital expenditures[4]	46	390	336	930
Pro-rata netback ($/boe)	18.20	11.67	22.05	11.64
Pro-rata netback ($Mcfe)	3.03	1.95	3.67	1.94

	June 30, 2016	December 31, 2015
Working capital (deficit)	(2,467)	(1,722)
Cash and cash equivalents	2,402	1,360
Long-term debt	2,418	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 35% (2015 - 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 35% (2015 - 30%) equity share of the KUB-Gas funds from operations that the Company has an economic interest in.

(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 35% (2015 - 30%) equity share of the KUB-Gas capital expenditures that the Company has an economic interest in.

Outlook

The Company is evaluating the 2016 work programs in light of the recently reduced royalty rate of 29% effective January 1, 2016. The Company expects KUB-Gas to drill two wells, including the recently announced M-23 well, and perform several fracture stimulations in 2016 which the Company expects will be self-funded by KUB-Gas. In western Ukraine, the Company is focused on the recent purchase of the NRU with the goal of resuming production at the RK Field in the fourth quarter of 2016.

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 Ukraine. 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

Oil and Gas Equivalents

A barrel of oil equivalent ("boe") or units of natural gas equivalents ("Mcfe") 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 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

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