HOUSTON, TEXAS--(Marketwired - Nov 16, 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 third 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.

Mikhail Afendikov, Chairman and CEO of Cub said: "*The third quarter results highlight the improving financial condition of the Company. The working capital of $0.8 million and cash position of $3.6 million at September 30, 2016 is the best financial position of the Company in over two years. Also significant is the receipt of $0.3 million in dividends from KUBGAS Holdings Ltd. subsequent to the third quarter of 2016, which is the first dividend the Company received from Ukraine since the National Bank of Ukraine ("NBU") implemented restriction on cross border dividends in 2014. The Company expects to continue to repatriate dividends to the extent possible and allowed by the NBU, although there are no assurances the NBU will continue to ease restrictions into 2017.*"

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 1,171 boe/d (98% natural gas) for the quarter ended September 30, 2016, which decreased 13% as compared to the 1,350 boe/d in the comparative 2015 quarter and relatively flat as compared to the 1,185 boe/d average for the second quarter ended June 30, 2016. The decrease in production as compared to 2015 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 the RK Field production in the first quarter of 2017.
- Achieved average natural gas price of $5.48/Mcf and condensate price of $63.99/bbl during the quarter ended September 30, 2016 as compared to $6.58/Mcf and $43.01/bbl for the comparative 2015 quarter and $5.55/Mcf and $52.89/bbl for the second quarter of 2016.
- 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); (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 October 2016, the used nitrogen rejection unit ("NRU") arrived in western Ukraine and was tested on-site at the RK Field. For the NRU to become fully operational, the NRU requires two compressors which have been ordered and are expected to be delivered in late 2016. The Company expects the NRU to be fully operational in the first quarter of 2017.
- In November 2016, the Company received dividends of approximately $0.3 million from KUBGAS Holdings Limited, which owns 100% of KUB-Gas. The NBU eased certain capital controls by allowing limited dividends.
- The Makeevskoye-23 ("M-23") well was drilled by KUB-Gas to the target depth of 2,550 meters. The well drilled multiple objectives and three targeted reservoirs appeared to be gas saturated based on electric log evaluation. The B-7 reservoir tested gas in a tight sand formation and KUB-Gas recently performed a fracture stimulation on the reservoir with the results pending.
- In November 30, 2016, the Company signed a new Pelicourt Line of Credit agreement that will be effective at the expiring of the current agreement, being January 31, 2017. The line of credit will be the $2,000,000 currently outstanding with no additional amount available to be drawn down. The interest rate was amended from the current 9% to 12%. The due date was extended from January 31, 2017 to January 31, 2019 and the interest will continue to be paid semi-annually. In addition, Pelicourt was granted security over Gastek which indirectly owns the 35% interest in KUB-Gas. The security is available on an event of default and limited only to the amount owing on the line of credit including principal and interest. The security component of the agreement is subject to approval, including regulatory approval and may be subject to minority shareholder approval.

Financial Highlights

- Netbacks of $20.89/boe or $3.48/Mcfe for the quarter ended September 30, 2016 as compared to netback of $14.88/Boe or $2.48/Mcfe for the comparative 2015 quarter. In addition, netbacks were $18.20/Boe or $3.03/Mcfe for the second quarter of 2016. Netbacks in 2016 improved as a result of the reduced royalty rate effective January 1, 2016 but somewhat offset by lower natural gas prices.
- Revenue from hydrocarbon sales for the three months ended September 30, 2016 was $Nil due to temporary suspension of the RK Field from April 1, 2016 (2015 - $0.7 million).
- Revenue from hydrocarbon sales by KUB-Gas for the three months ended September 30, 2016 were $10.4 million (2015 - $14.2 million) of which the Company's 35% (2015- 30%) share was $3.6 million (2015 - $4.2 million).
- The total pro-rata revenue from hydrocarbon sales, a non-IFRS measure combining the Company's revenue and 35% (2015 - 30%) of the allocated KUB-Gas revenue, totaled $3.6 million (2015 - $4.9 million) for the three months ended September 30, 2016.
- The Company's net income from its 35% (2015 - 30%) equity investment in KUB-Gas for the quarter ended September 30, 2016 was $1.5 million (2015 - $0.8 million) which improved as a result of the reduced natural gas royalty rate.

- Commencing August 2016, the Company's 100% owned subsidiary, Tysagaz, began taking possession of its 35% ownership of gas produced at KUB-Gas. Tysagaz purchased the gas from KUB-Gas at the same price that KUB-Gas sold its gas to an affiliate of the majority shareholder of KUB-Gas. The Company agreed to this arrangement so it could attempt to earn additional net income over the gas sales price sold to the affiliate of the majority shareholder. During three months ended September, 2016, the Company recorded $2.2 million in gas sales and $2.1 million in cost of the sales for a net profit from gas trading of $0.1 million as compared to no such transactions during 2015.
- The net income for the Company for the three months ended September 30, 2016 was $2.2 million or $0.01 per share (2015 - $0.2 million net loss or $0.00 per share).
- There were $0.3 million in capital expenditures for the quarter ended September 30, 2016 (2015 - $Nil) related to the acquisition of the NRU. The pro-rata capital expenditures, a non-IFRS measure combining the Company's capital expenditures and 35% (2015 - 30%) of the allocated KUB-Gas capital expenditures, were $1.3 million for the quarter ended September 30, 2016 (2015 - $0.4 million).
- During the three months ended September 30, 2016, the Company's Ukraine subsidiaries, received proceeds of $3.0 million from KUB-Gas pursuant to unsecured, non-interest bearing loan agreements between the parties. The loans are due and payable on May 31, 2019 and July 31, 2019.
- With the current limited working capital, 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.

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
(in thousands of US Dollars)				
Petroleum and natural gas revenue	-	655	1,456	3,287
Pro-rata petroleum and natural gas revenue[(1)]	3,634	4,919	13,410	17,317
Revenue from gas trading	2,122	-	2,122	-
Net income (loss)	2,199	(214)	4,239	(2,088)
Income (loss) per share - basic and diluted	0.01	(0.00)	0.01	(0.01)
Funds generated from operations[(2)]	(921)	(391)	(1,996)	(949)
Pro-rata funds generated from operations[(3)]	1,821	752	5,362	775
Capital expenditures[(4)]	301	-	463	127
Pro-rata capital expenditures[(4)]	1,310	379	1,647	4,332
Pro-rata netback ($/boe)	20.89	14.88	21.71	12.64
Pro-rata netback ($Mcfe)	3.48	2.48	3.62	2.11

	September 30, 2016	December 31, 2015
Working capital (deficit)	822	(1,722)
Cash and cash equivalents	3,611	1,360
Long-term debt	5,198	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 has re-initiated material capital expenditures in 2016 in light of the recently reduced royalty rate of 29% effective January 1, 2016. The Company expects KUB-Gas to drill one new well in the first quarter of 2017 which will be self-funded by KUB-Gas. In western Ukraine, the Company expects to perform the RK-1 recompletion in the fourth quarter of 2016 and to purchase and ship the compressors for the NRU. The goal is to resume production at the RK Field in the first quarter of 2017. Also in western Ukraine, CNG expects to shoot a 118 square kilometre 3D seismic program when weather conditions permit.

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

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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