

HOUSTON, TEXAS--(Marketwired - March 22, 2017) - [Cub Energy Inc.](#) ("Cub" or the "Company") (TSX VENTURE:KUB), a Ukraine-focused upstream oil and gas company, announced today its audited annual financial and operating results for the fourth quarter of 2016. All dollar amounts are expressed in United States Dollars unless otherwise noted. 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: "2016 saw Cub Energy return to profitability with reported net income of \$3.9 million or \$0.01 per share. Cub's cash position and working capital also improved in 2016 with an ending cash position of \$4.6 million and positive working capital of \$3.3 million as at December 31, 2016."

## 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 1,152 boe/d (97% weighted to natural gas and the remaining to condensate) for the quarter ended December 31, 2016, which decreased 15% as compared to the 1,353 boe/d in the comparative 2015 quarter and relatively flat as compared to the 1,171 boe/d average for the third quarter ended September 30, 2016. The decrease in production for the quarter ended December 31, 2016 as compared to the same period in 2015 was a result of the temporary suspension of the RK field on April 1, 2016 due to the termination of a gas blending contract. The Company hopes to commission the Nitrogen Rejection Unit ("NRU") and resume production of the RK field in the second quarter of 2017.
- Achieved average natural gas price of \$6.39/Mcf and condensate price of \$61.59/bbl during the quarter ended December 31, 2016 as compared to \$7.22/Mcf and \$42.78/bbl for the comparative 2015 quarter and \$5.48/Mcf and \$63.99/bbl for the third quarter ended September 30, 2016.
- On March 11, 2016, the Company's Ukraine subsidiary was awarded a 20-year Uzhgorod production licence covering approximately 75,000 acres in western Ukraine.
- On December 28, 2016, the Company's Ukraine subsidiary was awarded a 20-year Stanivske production licence covering approximately 31,000 acres in western Ukraine. The Company is exploring its alternatives for the licence, including potential joint venture partners.
- 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.

## Financial Highlights

- Netbacks of \$25.60/boe or \$4.27/Mcfe for the quarter ended December 31, 2016 as compared to netback of \$13.13/Boe or \$2.19/Mcfe for the comparative 2015 quarter. In addition, netbacks were \$20.89/Boe or \$3.48/Mcfe for the third quarter ended September 30, 2016. Netbacks in 2016 improved compared to 2015 as a result of the reduced royalty rate effective January 1, 2016 but somewhat offset by lower natural gas prices.
- During the three months ended December 31, 2016, the Company received dividends of approximately \$0.8 million (2015 - \$Nil) from KUBGAS Holdings Limited, which owns 100% of KUB-Gas. The National Bank of Ukraine ("NBU") eased certain capital controls by allowing limited dividends. 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.
- During the three months ended December 31, 2016, the Company's Ukraine subsidiaries, received proceeds of \$3.8 million (2015 - \$Nil) from KUB-Gas pursuant to unsecured, non-interest bearing loan agreements between the parties.
- 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. During three months ended September, 2016, the Company recorded \$4.8 million in gas sales and \$4.5 million in cost of the sales for a net profit from gas trading of \$0.3 million as compared to no such transactions during 2015.

(in thousands of US Dollars)	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2015
Petroleum and natural gas revenue	-	923	1,456	4,210
Pro-rata petroleum and natural gas revenue <sup>(1)</sup>	4,023	5,489	17,704	22,806
Revenue from gas trading	4,793	-	6,915	-
Net income (loss)	(308)	(1,053)	3,931	(3,141)
Income (loss) per share - basic and diluted	(0.00)	(0.00)	0.01	(0.01)
Funds generated from operations <sup>(2)</sup>	(573)	(797)	(2,569)	(1,746)
Pro-rata funds generated from operations <sup>(3)</sup>	857	(15)	6,219	760
Capital expenditures <sup>(4)</sup>	887	72	1,350	199
Pro-rata capital expenditures <sup>(4)</sup>	1,296	476	3,074	1,865

Pro-rata netback (\$/boe)	25.60	13.13	22.40	12.74
Pro-rata netback (\$/Mcf)	4.27	2.19	3.73	2.12

	December 31, 2016	December 31, 2015	
Working capital (deficit)	3,255	(1,722	)
Cash and cash equivalents	4,585	1,360	
Long-term debt	6,332	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 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 and 50% equity share of CNG Holdings 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 and 50% equity share of CNG Holdings capital expenditures that the Company has an economic interest in.

#### Outlook

The Company expects KUB-Gas to drill two new Olgovskoye field wells in 2017 which will be self-funded by KUB-Gas. Site preparation is complete for the O-26 well and will be followed by the O-28 well later in the year. KUB-Gas recently commenced a 150 kilometer 2D seismic survey on the West Olgovskoye licence in eastern Ukraine.

In western Ukraine, the Company is working towards the NRU becoming operational and resuming production at the RK field. Also in western Ukraine, CNG LLC expects to complete its 118 square kilometre 3D seismic program in 2017.

#### 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](http://www.sedar.com)) and has been posted on the Company's website at [www.cubenergyinc.com](http://www.cubenergyinc.com).

#### 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 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](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 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

*With the current cash resources, temporary suspension of the RK field, uncertainty surrounding the successful installation of the*

*NRU, 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.*

*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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