

Cub Energy Announces 2021 Yearend Results

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HOUSTON, May 12, 2022 - [Cub Energy Inc.](#) ("Cub" or the "Company") (TSX-V:KUB), a Ukraine-focused energy company, announced today its audited financial and operating results for the year ended December 31, 2021. All dollar amounts are expressed in United States Dollars unless otherwise noted. The audited financials includes results from KUB Holdings Limited ("KUB Holdings") and its 100% owned operating Ukraine subsidiary, KUB-Gas LLC ("KUB-Gas"), which Cub had a 35% equity ownership interest and Tysagaz LLC ("Tysagaz"), Cub's 100% owned subsidiary.

Patrick McGrath, CEO of Cub said: "We are pleased to report net income of \$8,259,000 or \$0.03 per share during the year ended December 31, 2021. The 2021 financial results were positively impacted by \$3,528,000 in profits generated by our gas trading and a \$6,616,000 reversal of impairment on the value of KUB Holdings as the recoverable amount exceeded its carrying amount based on the negotiated sales price. The Company sold its 35% equity interest in KUB Holdings on February 2, 2022 for cash consideration of \$2,600,000 and the settlement of debt. Cub also divested its 50% equity stake in CNG Holdings on December 21, 2021 and received a net cash proceeds of \$600,000. The asset divestitures deleveraged Cub's balance sheet and eliminated its exposure to eastern Ukraine. Cub ended 2021 with working capital of \$8,128,000. Cub continues to focus on its 100% owned assets and new opportunities."

Operational Highlights

- On September 7, 2021, the Company announced it had entered into a letter agreement to sell its 35% interest in KUB Holdings for a cash payment of \$2,600,000 and settlement of debt. On February 2, 2022, the Company closed the transaction. The Company settled approximately \$8,300,000 in debt via repayment and simultaneously received \$7,933,000 back in dividends with the difference being withholding taxes. These debts and dividends were settled during the year ended December 31, 2021 and the three months ended March 31, 2022.
- On December 21, 2021, the Company closed its sale of its 50% interest in CNG Holdings Netherland B. V. ("CNG Holdings"), which indirectly owns the Uzhgorod licence in western Ukraine. In consideration, the Company received a net cash of \$800,000 for its 50% interest in CNG Holdings including a net cash of \$600,000 in cash received on closing and a net cash of \$200,000 is a contingent payment on certain future events including a commercial discovery.
- Achieved average natural gas price of \$9.60/Mcf and condensate price of \$69.23/bbl during the year ended December 31, 2021 as compared to \$3.79/Mcf and \$41.07/bbl for the comparative 2020 year. The increase in commodity prices is due, in large part, to the lessening global impacts of COVID-19 and geopolitical events.
- Production averaged 537 boe/d (97% weighted to natural gas and the remaining to condensate) for the year ended December 31, 2021 as compared to 619 boe/d for the comparative 2020 year.
- The power business generated 5,592 megawatts an hour ("MWh") from the Jenbacher power units in Western Ukraine for the period of commencement in mid May 2021 to September 18, 2021 at an average price of \$71/MWh. Due to the recent material increase in natural gas prices and no parallel increase in power prices, the Company temporarily suspended the power business as of September 18, 2021 and increased the sale of natural gas at the RK field as this strategy is more profitable. The Company will continue to monitor the prices of both commodities and utilize whichever one produces the better return for shareholders.

Financial Highlights

- The Company recorded \$7,933,000 in dividends from its equity investment in KUB Holdings during the year ended December 31, 2021 as compared to no such dividends in 2020.
- The Company recorded a profit of \$3,528,000 from gas trading during the year ended December 31, 2022 as compared to \$1,523,000 in 2021. The Company earned this profit by taking possession of its 35% ownership of gas produced at KUB-Gas to earn additional income.
- The Company reported net income of \$8,259,000 or \$0.03 per share during the year ended December 31, 2021 as compared to a net loss of \$2,109,000 or \$0.01 per share during the comparative 2020 year.
- Netbacks of \$30.91/boe or \$5.15/Mcfe were achieved for the year ended December 31, 2021 as compared to netback of \$8.55/Boe or \$1.43/Mcfe for 2020.

(in thousands of US Dollars)	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020	Year Ended December 31, 2021	Year Ended December 31, 2020
Revenue from gas trading	2,566	1,328	8,746	5,710
Pro-rata petroleum and natural gas revenue ⁽¹⁾	3,008	836	9,813	3,549
Revenue from sale of electricity	-	-	463	-
Petroleum and natural gas revenue	409	69	710	215
Net income (loss)	6,121	165	8,259	(2,109)
Income (loss) per share - basic and diluted	0.02	0.00	0.03	(0.01)
Funds generated from operations	6,152	197	5,881	182
Capital expenditures ⁽²⁾	-	1,423	375	1,423
Pro-rata capital expenditures ⁽²⁾	-	1,398	658	2,267
Pro-rata netback (\$/boe) ⁽³⁾	83.63	6.69	30.91	8.55
Pro-rata netback (\$/Mcfe) ⁽³⁾	13.94	1.12	5.15	1.43
Working capital (deficit)			8,128	(5,585)
Cash and cash equivalents			7,368	4,424

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% equity share of the KUB-Gas natural gas sales that the Company has an economic interest in, including gas trading.
2. Capital expenditures includes the purchase of property, plant and equipment and the purchase of exploration and evaluation assets. Pro-rata capital expenditures are a non-IFRS measure that adds the Company's capital expenditures in the respective periods to the Company's 35% equity share of the KUB-Gas and 50% equity share of CNG Holdings capital expenditures that the Company has an economic interest in.
3. For purposes of the pro-rata netback calculation, the Company's profit from gas trading is added to the revenue of Kub-Gas to better reflect the true natural gas price achieved and field netback.

The Company expects the Management Cease Trade Order issued by the Alberta Securities Commission and previously announced on April 29, 2022, to be revoked on or before May 17, 2022 with the filing of the audited financials today.

Supporting Documents

Cub's complete reporting package, including the audited consolidated 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-V:KUB) is a power and upstream oil and gas company, with a proven track record of exploration and production cost efficiency. 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 assets within a high commodity price environment. For further information please contact us or visit our website: www.cubenergyinc.com

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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. The disclosure in this press release is prepared in accordance with NI 51-101 standards.

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, power 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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