



**ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 18, 2021**

**NOTICE OF MEETING AND
MANAGEMENT INFORMATION CIRCULAR**

APRIL 9, 2021

CUB ENERGY INC.
3300, 205 5th Avenue SW
Calgary, AB, T2P 2V7

April 9, 2021

Dear Shareholder:

We are pleased to invite you to attend the annual meeting of holders of common shares of Cub Energy Inc. to be held at 1701 Hollis Street, Suite 800, Halifax, NS, B3J 3M8, on Tuesday, May 18, 2021, commencing at 10:00 a.m. (Eastern Standard Time).

The items of business to be acted on by the shareholders are set forth in the enclosed notice of meeting and management information circular. As your vote is important, your shares should be represented at the meeting whether or not you are able to attend. If you do not plan to attend, please complete, date, sign and return the enclosed form of proxy so that your shares can be voted at the meeting in accordance with your instructions.

If you have questions regarding Cub Energy Inc. and its future plans, please contact me by telephone at (713) 577-1948 or by email at patrick.mcgrath@cubeenergyinc.com.

Sincerely,

(signed) Patrick McGrath
Chief Executive Officer and Executive Director

CUB ENERGY INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is Given that the annual meeting of the holders of common shares of Cub Energy Inc. ("Cub" or the "Corporation") will be held at 1701 Hollis Street, Suite 800, Halifax, NS, B3J 3M8, on Tuesday, May 18, 2021, commencing at 10:00 a.m. (Eastern Standard Time), for the following purposes, each as described in the management information circular accompanying this notice of meeting:

1. to receive the financial statements of the Corporation for the year ended December 31, 2020 and the auditor's report thereon;
2. to appoint Davidson & Company LLP as auditor of the Corporation for the financial year ended December 31, 2021, and authorize the board of directors to fix the remuneration of the auditor;
3. to elect the board of directors;
4. to approve the Corporation's Stock Option Plan for the ensuing year; and
5. to transact such other business as may be properly brought before the meeting or any adjournment thereof.

The board of directors has fixed April 9, 2021, as the record date for the determination of shareholders entitled to notice of and to vote at the meeting and at any adjournment thereof. Only shareholders of record on the record date are entitled to receive notice of and to vote at the meeting.

A registered shareholder may appoint a proxyholder to attend and act at the meeting in accordance with the shareholder's instructions. A shareholder wishing to appoint a proxyholder should complete, date and sign the enclosed form of proxy and deposit it with TSX Trust Company, 301-100 Adelaide St. West, Toronto, Ontario M5H 4H1. Proxies must be deposited with TSX Trust Company at least 48 hours, excluding Saturdays, Sundays and holidays, preceding the meeting.

There are also procedures, described in the accompanying management information circular, for beneficial owners of shares to give voting instructions to the registered owners of those shares.

DATED at Calgary, Alberta, Canada, April 9, 2021.

By Order of the Board of Directors,

(signed) Patrick McGrath
Chief Executive Officer and Executive Director

CUB ENERGY INC.
MANAGEMENT INFORMATION CIRCULAR

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Proxy Solicitation Matters

Purpose of Solicitation

This management Information Circular ("**Information Circular**") is furnished by the management of Cub Energy Inc. ("**Cub**" or the "**Corporation**") in connection with the solicitation of proxies by management of the Corporation for use at the annual meeting (the "**Meeting**") of holders ("**Shareholders**") of common shares ("**Common Shares**") of the Corporation to be held at to be held at 1701 Hollis Street, Suite 800, Halifax, NS, B3J 3M8, on Tuesday, May 18, 2021, commencing at 10:00 a.m. (Eastern Standard Time), and at any adjournment thereof, for the purposes set forth in the accompanying notice of the Meeting and this Information Circular.

Appointment of Proxies

The enclosed proxy is solicited by and on behalf of management of the Corporation. The persons named in the enclosed form of proxy are officers of the Corporation. **A holder of Common Shares submitting a form of proxy has the right to appoint a person (who need not be a Shareholder of the Corporation) other than the persons designated in the form of proxy to attend and act for him or her at the Meeting. A Shareholder desiring to appoint some other person to represent him or her at the Meeting may do so either by inserting such other person's name in the blank space provided in the form of proxy or by completing another form of proxy.**

To be used at the Meeting, a completed proxy must be deposited at the offices of TSX Trust Company, 301 – 100 Adelaide St. West, Toronto, Ontario, M5H 4H1, not less than 48 hours (excluding Saturdays, Sundays and holidays in Ontario), before the time set for the Meeting or any adjournment thereof. Solicitation will be primarily by mail, but some proxies may be solicited personally or by telephone, facsimile transmission or other electronic means by officers, directors or employees of the Corporation at a nominal cost. All costs in connection with the solicitation of proxies will be borne by the Corporation.

Voting of Proxies

All Common Shares represented at the Meeting by properly executed proxies will be voted (including voting on any ballot), and where a choice with respect to any matter to be acted on has been specified in the form of proxy, the Common Shares represented by the proxy will be voted in accordance with such specification. **In the absence of any such specification, the persons named in the form of proxy, who are officers of the Corporation, will, if named as proxy, vote in favour of the resolutions set forth in the accompanying notice of the Meeting.**

The enclosed form of proxy confers discretionary authority upon the person named therein with respect to (a) amendments or variations to matters identified in the notice of the Meeting and (b) other matters which may properly come before the Meeting or any adjournment thereof. As at the date of this Information Circular, management of the Corporation knows of no amendments, variations or other matters to come before the Meeting other than the matters referred to in the notice of the Meeting. If any such amendment, variation or other matter properly comes before the Meeting, the Common Shares represented by proxies in favour of management will be voted on such matters in accordance with the best judgment of the person named in the proxy.

Revocation of Proxies

A holder of Common Shares who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy. Subject to compliance with the requirements set forth in the following paragraph, the giving of a proxy will not affect the right of a holder of Common Shares to attend and vote in person at the Meeting.

A Shareholder who has given a proxy may revoke it at any time prior to the exercise thereof either by (a) signing a form of proxy bearing a later date and depositing the same with TSX Trust Company not less than 48 hours (excluding Saturdays, Sundays and holidays in Ontario) before the time set for the holding of the Meeting or any adjournment thereof, or with the chairman of the Meeting before any vote in respect of which the proxy is to be used shall have been taken, or (b) attending the Meeting in person and registering with the scrutineers as a Shareholder personally present.

Voting Shares and Record Date

The authorized share capital of the Corporation consists of an unlimited number of Common Shares. As at April 9, 2021 (the "**Record Date**"), there were 314,215,355 Common Shares issued and outstanding.

Common Shares

The holders of Common Shares are entitled to one vote per Common Share held at meetings of Shareholders, to receive dividends, if, as and when declared by the board of directors of the Corporation (the “**Board**”) and to receive pro rata the remaining property and assets of the Corporation upon its dissolution or winding up.

Record Date

The Board has fixed April 9, 2021, as the Record Date for the determination of Shareholders entitled to notice of and to vote at the Meeting and at any adjournment thereof. Shareholders of record at the close of business on the Record Date are entitled to such notice and to vote at the Meeting.

Only forms of proxy from registered Shareholders as of the Record Date can be recognized and voted at the Meeting. Persons who are beneficial holders of Common Shares as of the Record Date will be entitled to vote at the Meeting in accordance with the procedures established pursuant to Canadian Securities Administrators National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”).

Advice to Beneficial Shareholders

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold shares in their own name. Shareholders who do not hold shares in their own name (referred to in this Information Circular as “**Beneficial Shareholders**”) should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the names of the Shareholder's broker or an agent of that broker. In Canada, the majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their agents or nominees can only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

The Corporation is sending proxy-related materials directly to non-objecting Beneficial Shareholders under NI 54-101. Management of the Corporation intends to pay for intermediaries to forward to objecting Beneficial Shareholders under NI 54-101 the proxy-related materials.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is similar to the form of proxy provided to registered Shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (the broker or agent of the broker) on how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically prepares a machine-readable voting instruction form which is mailed to Beneficial Shareholders with a request that the Beneficial Shareholders return the forms to Broadridge or otherwise communicate voting instructions to Broadridge (i.e. by way of the Internet or telephone). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting - the voting instruction form must be returned to Broadridge or voting instructions communicated to Broadridge well in advance of the Meeting in order to have the Common Shares voted.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for purposes of voting Common Shares registered in the name of his broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and vote their Common Shares as proxyholder for the registered Shareholder should contact their broker or other intermediary well in advance of the Meeting.**

Quorum for the Meeting

At the Meeting, a quorum shall be two persons present in person, each being a Shareholder entitled to vote there at or a duly appointed proxyholder or representative for a Shareholder so entitled. If a quorum is present at the opening of the Meeting, the Shareholders present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the Meeting. If a quorum is not present at the opening of the Meeting, the Shareholders present or represented may adjourn the Meeting to a fixed time and place but may not transact any other business.

Approval Requirements

All of the matters to be considered at the Meeting are ordinary resolutions requiring approval by more than 50% of the votes cast in respect of the resolution by or on behalf of Shareholders present in person or represented by proxy at the Meeting.

Principal Holders of Voting Shares

Other than as disclosed below, to the knowledge of the Corporation's directors and executive officers, as at the date of this Information Circular, no person or corporation beneficially owns, directly or indirectly, or controls or directs voting securities carrying 10% or more of the voting rights attached to the issued and outstanding Common Shares of the Corporation.

<u>Name</u>	<u>No. of Common Shares</u>	<u>% of Outstanding Common Shares</u>
Pelicourt Limited	124,336,089	39.5%
Fergava Finance Inc.	44,444,444	14.1%

Notes:

The Corporation's former CEO, Mikhail Afendikov, died on February 1, 2021. Mr. Afendikov was the majority shareholder of Pelicourt.

As of the Record Date, the directors and officers of Cub own, directly or indirectly, 174,900 Common Shares, representing approximately 0.1% of the issued and outstanding Common Shares, 7,000,000 Stock Options, representing approximately 45.8% of outstanding Stock Options, zero Restricted Share Units and zero Warrants.

Currency Presentation in Information Circular

Unless otherwise indicated, references to "\$" or "dollars" or "US\$" are to United States Dollars and references to "CAD\$" are to Canadian Dollars.

Executive and Director Compensation

Compensation Discussion and Analysis

It is important to point out that the following information describes the compensation for the Corporation's executive officers and directors during the year 2020.

The Corporation has established a Compensation, Nominating and Governance Committee (the "**Compensation, Nominating and Governance Committee**") currently comprised of two directors, Frank Mermoud (Chair) and John Booth. The Corporation considers Messrs. Mermoud and Booth to be independent directors.

The education and experience of both Compensation, Nominating and Governance Committee members that is relevant to the performance of his responsibilities is as follows:

<u>Name</u>	<u>Relevant Education and Experience</u>
Frank Mermoud (Chair)	Mr. Mermoud has extensive and high-profile international experience in policy-making, international business, trade and investment. He is currently Principal of Capital Park Group, a Washington D.C. based private advisory firm and serves as a non-executive director of Iofina, an Oklahoma-based iodine exploration, production, and chemicals company. Mr. Mermoud has served as the Secretary of State's Special Representative for Commercial and Business Affairs at the U.S. Department of State. With nearly 30 years'

<u>Name</u>	<u>Relevant Education and Experience</u>
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experience in the public and private sectors, Mr. Mermoud has exhibited a pro-active nature to business development, identifying investment and trade opportunities and facilitating capital in both the private equity and debt markets. Mr. Mermoud received a B.S. degree from the School of Foreign Service at Georgetown University, is fluent in French and has worked extensively throughout his career in Europe, Asia, Latin America and Africa. He is on the Executive Committee of the US-Ukraine Business Council.

John Booth

Mr. Booth is a Non-Executive Director of several listed and private companies. He co-founded Midpoint Holdings, a London based foreign currency and international payment service listed on the TSXV in 2013 by RTO and served as its Chairman and CEO until 2016. From 2004 until 2012 he was a partner with JAS Financial Products LLP, a U.K. based alternative asset manager, which traded under the brand Conservation Finance International.

He is a qualified lawyer (Ontario, New York and DC) and has worked as an investment banker, broker and fund manager in increasingly senior roles in the international capital markets since 1990, with firms including Merrill Lynch International, ICAP, CEDEF, ABN AMRO Bank, CIBC, the World Bank and Climate Change Capital.

Mr. Booth holds a BSc. (Hons) in Biology and Environmental Science from the University of Guelph, LLB & JD from the joint Canadian/US law program at the Universities of Windsor and Detroit, and LLM in International Finance, Tax and Environmental Law from Kings College, University of London.

He serves as the Non-Executive Chairman of Laramide Resources (TSX & ASX) and European Electric Metals (TSXV) where he was appointed by the European Bank for Reconstruction and Development, and as Non-Executive Director and chair of the Audit and Governance Committees of Cerro de Pasco Resources (CSE) and Genius Metals Ltd (CSE). Also, he is a Non-Executive Director and chair of the Audit Committee of Altair Resources listed on the TSX Venture Exchange. He is also a guest lecturer in ESG in the graduate business school at Kings College, University of London.

One of the mandates of the Compensation, Nominating and Governance Committee is to assist the Board in the review and approval of compensation matters. The Compensation, Nominating and Governance Committee makes specific recommendations regarding compensation of the Corporation's directors and the Chief Executive Officer ("CEO"), Chief Operating Officer ("COO"), and Chief Financial Officer ("CFO") ("**Executive Officers**").

Objectives of the Compensation Program

The Corporation's compensation program has been designed to attract, retain and inspire highly qualified and motivated individuals, and to provide fair and competitive compensation in accordance with industry standards and with the individual's expertise and experience.

Overview of the Compensation Philosophy

The following principles guide the Corporation's overall compensation philosophy with respect to its Executive Officers:

- (a) compensation is determined on an individual basis by the need to attract and retain talented, high-achievers;
- (b) calculating total compensation is set with reference to the market for similar jobs in similar locations;
- (c) an appropriate portion of total compensation is variable and linked to achievements, both individual and corporate;

- (d) internal equity is maintained such that individuals in similar jobs and locations are treated fairly; and
- (e) the Corporation supports reasonable expenses in order that employees continuously maintain and enhance their skills.

The Board is given discretion to determine and adjust, year to year, the relative weighting of each form of compensation discussed above in a manner which best measures the success of the Corporation and its Executive Officers.

Compensation of all Executive Officers is based primarily on corporate performance, which includes achievement of the Corporation's strategic objective of growth and the enhancement of Shareholder value through increases in the stock price resulting from increases in reserves and production, continued low cost production and enhanced annual cash flow.

The Compensation Review Process

The form and amount of compensation payable to Executive Officers and directors is evaluated by the Compensation, Nominating and Governance Committee and is guided by the following goals:

- (a) compensation should be commensurate with the time spent by the executive officers and directors in meeting their obligations and reflective of the compensation paid by companies similar in size and business to the Corporation;
- (b) the Corporation's compensation program should fairly compensate and motivate the executive officers and directors; and
- (c) the structure of the compensation should be simple, transparent and easy for Shareholders to understand.

To determine compensation payable, the Compensation, Nominating and Governance Committee reviews compensation paid to executive officers and directors of companies of similar business, size and stage of development and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the executive officers and directors while taking into account the financial and other resources of the Corporation.

Base Salary

Salaries form the primary component of the Corporation's compensation program for its Executive Officers. Salary levels are determined with reference to market comparables for similar positions, as well as the performance of the executive, the individual experience and skills of, and expected contribution from, each executive, the roles and responsibilities of the executive and the financial resources of the Corporation. No increases have been granted to Executive Officers since 2014; in fact, all salaries of Executive Officers have been reduced.

Bonus Plan

No formal bonus program was established for 2020 and no bonuses have ever been paid to any Executive Officer.

For 2021, the Compensation, Nominating and Governance Committee agreed not to establish any formal bonus criterion for 2021 and leave any bonus award to the discretion of the Committee and the Board.

Stock Option Plan

The Corporation has in effect a Stock Option Plan in order to provide effective incentives to directors, officers, senior management personnel, employees and consultants of the Corporation and to enable the Corporation to attract and retain experienced and qualified individuals in those positions by permitting such individuals to directly participate in an increase in per share value created for the Corporation's Shareholders. The Corporation currently has no equity compensation plans other than the Stock Option Plan and the Restricted Share Unit Plan (discussed below). The Stock Option Plan is an important part of the Corporation's long-term incentive strategy for its executive officers, permitting them to participate in any appreciation of the market value of the common shares over a stated period of time. The Stock Option Plan is intended to reinforce commitment to long-term growth in profitability and shareholder value. The size of stock option grants to officers is dependent on each officer's level of responsibility, authority and importance to the Corporation and the degree to which such executive officer's long-term contribution to the

Corporation will be key to its long-term success. Previous grants of stock options are taken into account when considering new grants.

The Corporation is seeking re-approval of the Shareholders at the Meeting for its Stock Option Plan. The significant terms of the Corporation's Stock Option Plan are set out below under the heading “*Business to be Acted Upon at the Meeting – Annual Approval of Stock Option Plan*”. As of the Record Date, there are 14,200,000 outstanding vested stock options and no outstanding unvested stock options.

Other Compensation Matters

Other than as specifically set forth above, the Corporation, at present, does not propose to pay any other long-term incentive awards to its executive officers. The Corporation at present does not propose to establish any supplemental executive retirement plans, pension plans or disability benefits for the directors or the executive officers.

Director Compensation

The current Board has four directors. In 2020, the Board's director compensation policies provided that directors who are not also executive officers of the Corporation would be paid an annual retainer of CAD\$75,000 and CAD\$25,000 fee for chairing a committee. Effective May 1, 2020, the Directors' compensation was reduced to an annual retainer of CAD\$40,000 and CAD\$10,000 fee for chairing a committee. From time to time, the Board, in its discretion, may also compensate directors with fees for their services on Board projects or special Committees of the Board. Board members are also eligible to participate in the Stock Option Plan and any other long-term compensation plans adopted by the Corporation from time to time. The Corporation will reimburse directors for all reasonable expenses incurred in order to attend meetings.

The Corporation maintains a director and officer liability insurance policy pursuant to which directors and officers are insured for liabilities which may arise from the conduct of their activities on behalf of the Corporation. The amount of insurance coverage is CAD\$15,000,000 per year, plus Side A -- Difference in Conditions (DIC) coverage of CAD\$5,000,000 per year at an annual total premium cost of CAD\$51,109.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information with respect to the Corporation's Stock Option Plan and Restricted Share Unit Plan, the only compensation plans under which equity securities of the Corporation are authorized for issuance, as at December 31, 2020.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans ⁽¹⁾
Equity compensation plan approved by security holders (Stock Option Plan)	14,200,000	CAD\$0.08	17,221,536
Equity compensation plan approved by security holders (RSU Plan) ⁽²⁾	Nil	-	17,221,536
Total:	14,200,000		17,221,536 ⁽¹⁾

Note:

(1) A total of 17,221,536 common shares can be issued through the Stock Option Plan or the RSU Plan as of December 31, 2020.

Summary Compensation Tables

The following table provides a summary of the compensation earned during the last two financial years by the CEO, CFO, as well as the COO (who is the most highly compensated executive officer other than the CEO and CFO earning more than CAD\$150,000 in total compensation during the most recently completed financial year) (for purposes of this Information Circular, the Named Executive Officers (“NEOs”) and the Directors).

Table of Compensation Excluding Compensation Securities⁽¹⁾

Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Mikhail Afendikov ⁽²⁾ Chairman & Chief Executive Officer	2020	297,000	-	-	-	-	297,000
	2019	330,000	-	-	-	-	330,000
Patrick McGrath ⁽³⁾ Chief Financial Officer	2020	126,292	-	-	-	-	126,292
	2019	121,179	-	-	-	-	121,179
Sergey Panchuk ⁽⁵⁾	2020	145,339	-	-	-	-	145,339
	2019	192,792	-	-	-	-	192,792
Tim Marchant ⁽¹⁾⁽⁴⁾ Director	2020	18,125	-	6,042	-	-	24,167
	2019	56,520	-	18,840	-	-	75,090
Frank Mermoud ⁽¹⁾ Director	2020	49,966	-	16,656	-	-	66,622
	2019	56,250	-	18,840	-	-	75,090
John Booth ⁽¹⁾ Director	2020	49,966	-	16,656	-	-	66,622
	2019	56,520	-	18,840	-	-	75,090

Notes:

- (1) The Corporation's financial statements are presented in United States dollars ("US\$"). Where amounts were paid in Canadian dollars, they have been converted to US\$ for this table. The Directors' fees for 2019 and Q1 2020 were annually CAD\$75,000 with an additional CAD\$25,000 fee for committee chairs. Effective May 1, 2020, the Directors' compensation was reduced to an annual retainer of CAD\$40,000 and CAD\$10,000 fee for chairing a committee.
- (2) In 2020, Mr. Afendikov received \$497,000 of which \$297,000 was his 2020 annual salary plus \$200,000 for payment of prior years' salary accruals. In 2019, Mr. Afendikov received \$522,000 of which \$330,000 was his 2019 annual salary plus \$192,000 for payment of prior years' salary accruals. Mr. Afendikov did not receive any compensation for his services as a Director.
- (3) Mr. McGrath, CFO, is paid by the Corporation pursuant to a consulting agreement effective October 1, 2018. Mr. McGrath was appointed as a Director on April 21, 2020 and receives no compensation for his services as a Director. Effective February 2, 2021, Mr. McGrath was appointed CEO (upon Mr. Afendikov's death) with no change in his compensation or consulting agreement. Mr. McGrath is paid in Canadian dollars and converted to US\$ for this table.
- (4) Mr. Marchant resigned from the Board of Directors, effective April 21, 2020.
- (5) Mr. Panchuk is paid in Ukrainian hryvnia and converted to US\$ for this table.

Table Compensation Securities

No compensation securities were granted or issued to NEOs or Directors in the most recently completed financial year ended December 31, 2020.

Table of Compensation Securities Exercised by Directors and NEOs

No directors or NEOs exercised any compensation securities in the most recently completed financial year ended December 31, 2020.

Pension Plan Benefits

The Corporation does not have any defined benefit or defined contribution pension plans or deferred compensation plans for NEOs.

Employment, Consulting and Management Agreements

Patrick McGrath, CFO

Pursuant to his consulting agreement, Mr. McGrath is paid a monthly fee of CAD\$13,400 and an additional fee of CAD\$150/hour for every hour over 90 hours in a calendar month. The Corporation may terminate the consulting agreement at any time, with or without cause, by providing him with a minimum of 90 days' notice.

■ Termination and Change of Control Benefits

As of the Record Date, all Executive Employment Agreements with termination and change of control benefits have been terminated. However, in the most recent completed financial year, the only NEO with an Executive Employment Agreement was Mikhail Afendikov, Executive Chairman and CEO.

Subsequent to yearend, on February 1, 2021, Mr. Afendikov died and, as a result, his Executive Employment Agreement terminated.

The above-referenced Executive Employment Agreement (in place last financial year, but since terminated) provided as follows:

Mikhail Afendikov, Executive Chairman and CEO

Pursuant to his employment agreement, as amended, Mr. Afendikov was paid a base annual salary of \$330,000 ("Base Salary"), as well as a potential bonus of \$330,000 ("Bonus") (no bonus has ever been awarded since the effective date of the employment agreement). The agreement provided that the Corporation may terminate the employment of Mr. Afendikov at any time, without cause, by providing him with a lump sum payment equal to 12 months Base Salary plus 12 months of his pro-rated Bonus, plus 10% of his annual salary in lieu of continued benefits, less applicable deductions required by law. This same payment applied if Mr. Afendikov resigned with "good reason," which is defined in the agreement under specific circumstances, such as diminution of duties/responsibilities, salary or relocation. In the event the Corporation terminated the employment of Mr. Afendikov within two years after a change of control, he would be entitled to be paid an amount equal to 24 months Base Salary plus 12 months of his pro-rated Bonus, plus 10% of his annual salary in lieu of continued benefits, less applicable deductions required by law. This payment applied if Mr. Afendikov resigned with good reason within two years of the date of a change of control.

On May 1, 2020, Mr. Afendikov's Base Salary under this agreement was reduced by 15%. Subsequent to yearend, on February 1, 2021, Mr. Afendikov died, and his Executive Employment Agreement ended.

Interest of Certain Persons in Matters to be Acted Upon

Management of the Corporation is not aware of any material interest of any director or nominee for director, or senior officer or anyone who has held office as such since the beginning of the Corporation's last financial year, or of any associate or affiliate of any of the foregoing, in any matter to be acted on at the Meeting other than the election of directors.

Interest of Insiders in Material Transactions

Other than as disclosed in this Circular, there are no material interests, direct or indirect, of any insider of the Corporation, nominee for director, or associate or affiliate of an insider or a nominee for director, in any transaction or any proposed transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

On October 2, 2013, the Corporation extended and increased the line of credit with its 39.9% shareholder, Pelicourt Limited, to \$5 million at an interest rate of 9% payable semi-annually. The Pelicourt Loan expires on September 30, 2016. As of the date of this Information Circular, the Corporation has drawn down \$2 million of the line of credit to fund development efforts on the Rusko-Komarovskye ("RK") field in Western Ukraine. On November 14, 2014, an amending agreement was signed that deferred interest payments until December 27, 2015. Pelicourt notified the Corporation 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 will not be able to provide any further funding under the line of credit in 2015. On November 9, 2015, Pelicourt agreed to further defer interest payments on the Pelicourt Line of Credit until June 27, 2016, and principal payment until January 31, 2017. On November 15, 2016, the Pelicourt Line of Credit was revised with an effective date of February 1, 2017. The line of credit will be the \$2 million currently outstanding with no additional amounts available to be drawn down. The interest rate was amended from the current 9% to 12% effective February 1, 2017. The due date was extended from January 31, 2017 to January 31, 2019. 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. On November 12, 2018, Pelicourt and Cub entered into another new loan agreement under the same terms, and extended the deadline for the principal repayment of \$2 million from January 31, 2019 to January 31, 2020. On March 29, 2019, Pelicourt and Cub entered into another new loan agreement under the same terms, and extended the deadline for the principal repayment of \$2 million from January 31, 2020 to January 31, 2021. In May 2020, \$200,000 of the principal was repaid and the interest rate was reduced to 10.8%. On January 22, 2021, Pelicourt entered into another new loan agreement with the following terms: the interest remains unchanged at 10.8%; the term is extended by three years to March 31, 2024 with a repayment schedule of \$150,000 per quarter with the first payment made on January 27, 2021; and the loan can be called at any time with 60 days written notice. As of the record date, the balance of the loan is \$1,650,000.

Audit Committee

In response to National Instrument 52-110 – *Audit Committees* ("NI 52-110"), Cub has established terms of reference for its Audit Committee (the "**Audit Committee**") to address such items as: (i) the procedure to nominate the external auditor and recommend its compensation; (ii) the overview of the external auditor's work; (iii) pre-approval of non audit services; (iv) the review of the financial statements, management's discussion and analysis and financial sections of other public reports requiring Board approval; (v) the procedure to respond to complaints respecting accounting, internal accounting controls or auditing matters and the procedure for confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and (vi) the review of the Corporation's hiring policies towards present or former employees or partners of the Corporation's present or former external auditor.

Audit Committee Charter, Composition and Relevant Education and Experience

The Audit Committee is governed by its charter that is included as Appendix A.

The Audit Committee is currently composed of the following directors: John Booth (Chair) and Frank Mermoud. Each of them is considered "independent" and "financially literate" within the meaning of NI 52-110.

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities is as follows:

<u>Name</u>	<u>Relevant Education and Experience</u>
John Booth (Chair)	Mr. Booth is a Non-Executive Director of several listed and private companies. He co-founded Midpoint Holdings, a London based foreign currency and

<u>Name</u>	<u>Relevant Education and Experience</u>
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international payment service listed on the TSXV in 2013 by RTO and served as its Chairman and CEO until 2016. From 2004 until 2012 he was a partner with JAS Financial Products LLP, a U.K. based alternative asset manager, which traded under the brand Conservation Finance International.

He is a qualified lawyer (Ontario, New York and DC) and has worked as an investment banker, broker and fund manager in increasingly senior roles in the international capital markets since 1990, with firms including Merrill Lynch International, ICAP, CEDEF, ABN AMRO Bank, CIBC, the World Bank and Climate Change Capital.

Mr. Booth holds a BSc. (Hons) in Biology and Environmental Science from the University of Guelph, LLB & JD from the joint Canadian/US law program at the Universities of Windsor and Detroit, and LLM in International Finance, Tax and Environmental Law from Kings College, University of London.

He serves as the Non-Executive Chairman of Laramide Resources (TSX & ASX) and European Electric Metals (TSXV) where he was appointed by the European Bank for Reconstruction and Development, and as Non-Executive Director and chair of the Audit and Governance Committees of Cerro de Pasco Resources (CSE) and Genius Metals Ltd (CSE). Also, he is a Non-Executive Director and chair of the Audit Committee of Altair Resources listed on the TSX Venture Exchange. He is also a guest lecturer in ESG in the graduate business school at Kings College, University of London.

Frank Mermoud

Mr. Mermoud has extensive and high-profile international experience in policy-making, international business, trade and investment. He is currently Principal of Capital Park Group, a Washington D.C. based private advisory firm and serves as a non-executive director of Iofina, an Oklahoma-based iodine exploration, production, and chemicals company. Mr. Mermoud has served as the Secretary of State's Special Representative for Commercial and Business Affairs at the U.S. Department of State. With nearly 30 years' experience in the public and private sectors, Mr. Mermoud has exhibited a pro-active nature to business development, identifying investment and trade opportunities and facilitating capital in both the private equity and debt markets. Mr. Mermoud received a B.S. degree from the School of Foreign Service at Georgetown University, is fluent in French and has worked extensively throughout his career in Europe, Asia, Latin America and Africa. He is on the Executive Committee of the US-Ukraine Business Council.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

The Corporation's Audit Committee charter requires Audit Committee pre-approval of all non-audit mandates for services the external auditors undertake for the Corporation or its subsidiaries.

External Auditor Service Fees (By Category)

The aggregate fees billed by the Corporation's external auditors for the financial years ended December 31, 2020 and 2019 are as follows:

<u>Financial Year Ending</u>	<u>Audit Fees</u>	<u>Audit Related Fees ⁽¹⁾</u>	<u>Tax Fees ⁽²⁾</u>	<u>All Other Fees ⁽³⁾</u>
December 31, 2020	CAD\$52,500	Nil	Nil	Nil
December 31, 2019	CAD\$60,000	Nil	Nil	Nil

Notes:

- (1) Fees charged for assurance and related services reasonably related to the performance of an audit or review of the Corporation's financial statements and not included under "Audit Fees."
- (2) Tax fees include amounts paid for income and other tax compliance, tax advice and tax planning and compliance services.
- (3) Fees for services other than disclosed in any other column.

Corporate Governance Disclosure

Cub's Board considers good corporate governance to be central to the effective and efficient operation of the Corporation. The Canadian Securities Administrators have published guidelines for issuers to consider in developing their own corporate governance practices. Annual disclosure of those practices is required. The Corporation's corporate governance practices are set forth below.

Board of Directors

The Corporation currently has four directors, two of whom are independent. The definition of independence used by the Board is that used by the Canadian Securities Administrators. A director is independent if he or she has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. Certain types of relationships are by their nature considered to be material relationships.

Directors, Frank Mermoud and John Booth are independent. Patrick McGrath and Eugene Chaban are not independent because they are the Chief Executive Officer and Chief Financial Officer of the Corporation, respectively.

The Board exercises its independent supervision over the Corporation's management through a combination of formal meetings of the Board, as well as informal discussions amongst the Board members. The independent directors can also hold scheduled meetings at which non-independent directors or members of management are not in attendance. Where matters arise at Board meetings which require decision-making and evaluation by independent or non-management directors, the meeting breaks into an *in camera* session among the independent or non-management directors.

Directorships

Certain directors are also directors of other issuers that are reporting issuers (or the equivalent), as follows:

Director	Other Directorships	Stock Exchange Listing
Patrick McGrath	Blue Moon Zinc Corp.	TSX Venture Exchange
John Booth	Altair Resources Inc. Laramide Resources European Electric Metals Genius Metals Cerro de Pasco Resources	TSX Venture Exchange TSX Exchange and Australian Securities Exchange TSX Venture Exchange Canadian Securities Exchange Canadian Securities Exchange
Frank Mermoud	Iofina PLC	AIM London Stock Exchange

Orientation and Continuing Education

The Board has established the Compensation, Nominating and Governance Committee. The Compensation, Nominating and Governance Committee, with the assistance of the management of the Corporation, is responsible for providing orientation to new directors. Director orientation and ongoing training includes presentations by senior management to familiarize directors with the Corporation's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its principal officers and its independent auditors.

Ethical Business Conduct

In 2013, the Corporation implemented a Code of Business Conduct and Ethics Policy, as well as a Business Integrity Policy, including anti-retaliation provisions for whistleblowers. These policies provide guidance on the conduct of the Corporation's business in accordance with high ethical standards and help mitigate the risks posed by exposure to foreign corrupt practices. Directors, officers, employees and consultants are asked annually to certify their review of, and compliance with, the policies. Also, these policies are posted on the Corporation's website (in both English and

Ukrainian languages). Currently, the management and staff of the Corporation have extensive experience with global operations and are aware of the requirements of the foreign corrupt practices regulations and how to operate within those regulations in laws in the jurisdictions relevant to the operations of the Corporation.

Additionally, the skill and knowledge of Board members and advice from counsel ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Directors and officers are required to disclose dealings in any of the geographic areas in which the Corporation operates. They are also subject to the general obligation under corporate law to disclose and not vote on any material contract or transaction with the Corporation in which the director or officer has an interest.

Nomination of Directors

When a Board vacancy occurs or is contemplated, any director or officer may make recommendations to the Compensation, Nominating and Governance Committee as to qualified individuals for nomination to the Board.

In identifying new candidates, the Compensation, Nominating and Governance Committee will take into account the mix of director qualifications and experiences, perspectives and skills appropriate for the Corporation at that time.

Compensation

The Compensation, Nominating and Governance Committee receives recommendations from the management of the Corporation and reviews and makes recommendations to the Board regarding directors' fees and the granting of stock options or RSUs to directors of the Corporation. Directors may be compensated in cash and/or equity for their expert advice and contribution towards the success of the Corporation. For further discussion on the director compensation review process, see "*Executive and Director Compensation – Compensation Discussion and Analysis -- The Compensation Review Process.*"

Other Board Committees

Currently, there are no other Board committees.

Assessments

The Compensation, Nominating and Governance Committee is responsible for evaluating the effectiveness of the Board, committees of the Board and individual directors based on their individual competencies, skills, personal qualities and contributions made to the Board. The Compensation, Nominating and Governance Committee, with the participation of senior management of the Corporation, may recommend changes to enhance Board performance in light of the Corporation's circumstances, business strategies and applicable regulatory requirements.

Additional Information

Financial information of the Corporation is provided in the Corporation's financial statements and management's discussion and analysis for its most recently completed financial year. A copy of these documents may be obtained by contacting Cub Energy Inc. at 3300, 205 5th Avenue SW, Calgary, AB, T2P 2V7 Phone: (713) 577-1948.

Copies of these documents as well as additional information relating to the Corporation contained in documents filed by the Corporation with Canadian Securities Regulatory Authorities may also be accessed through the SEDAR website at www.sedar.com.

Business to be Acted Upon at the Meeting

1. Financial Statements and Auditor's Report

The Corporation's audited financial statements for the year ended December 31, 2020, and the auditor's report thereon, will be submitted at the Meeting. No vote is required or will be taken regarding the Corporation's audited financial statements.

2. Appointment of Auditor

The *Canada Business Corporations Act* provides that the Shareholders of the Corporation shall, by ordinary resolution, appoint an auditor to hold such position until the close of the next annual meeting. The *Canada Business Corporations Act* also provides that the remuneration of the auditor be fixed by the Shareholders or if not so fixed shall be fixed by the directors.

The current auditor of the Corporation is Davidson & Company LLP Chartered Professional Accountants appointed as the Corporation's auditor on January 19, 2016. The Corporation's Audit Committee has recommended to the Board that Davidson & Company LLP be nominated for re-appointment as auditor of the Corporation for the financial year ended December 31, 2021, at a remuneration to be fixed by the Board.

In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the Common Shares represented thereby in favour of the appointment of Davidson & Company LLP, Chartered Accountants, as auditor of the Corporation to hold office until the next annual meeting of Shareholders or until its successors are appointed, at a remuneration to be fixed by the Board of directors.

3. Election of Directors

There are presently four members of the Board and their terms of office expire at the Meeting. The Board has passed a resolution setting the number of directors to be elected at the Meeting at four. The four persons named below are the nominees for election as directors. Each director elected will hold office until his successor is elected or appointed, unless his office is earlier vacated under any of the relevant provisions of the Articles of the Corporation, By-Laws or the *Canada Business Corporations Act*.

The following table sets out the name of each of the persons proposed to be nominated for election as a director; all positions and offices in the Corporation presently held by the individual; the individual's principal occupation at present and the individual's principal occupation during the preceding five years; the period during which the individual has served as a director; and the number of voting shares of the Corporation that the individual has advised are beneficially owned by him, directly or indirectly, or over which control or direction is exercised by him, as of the date hereof:

Name and Place of Residence	Present and Principal Occupation during the last five years⁽⁶⁾	Date of Appointment as Director	Common Shares Beneficially Owned⁽³⁾
Frank Mermoud ⁽¹⁾⁽²⁾⁽⁴⁾ Washington, DC, USA	President, Orpheus International	July 5, 2012	Nil
Patrick McGrath ⁽³⁾⁽⁶⁾ Halifax, Nova Scotia, Canada	Chief Executive Officer of the Corporation Chief Financial Officer of the Corporation	April 21, 2020	174,900
John Booth ⁽¹⁾⁽²⁾⁽⁵⁾ London, UK	Chairman and Chief Executive Officer of Midpoint Holdings (until 2015) Barrister and Solicitor	May 16, 2017	Nil
Eugene Chaban ⁽⁶⁾ Kiev, Ukraine	Chief Financial Officer and Finance Director of the Corporation	March 23, 2021	Nil

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation, Nominating and Governance Committee.
- (3) The information as to Common Shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective individuals or has been extracted from public filings or the register of shareholdings maintained by the Corporation's transfer agent.
- (4) Mr. Mermoud is the Chair of the Compensation, Nominating and Governance Committee.
- (5) Mr. Booth is Chair of the Audit Committee and, subsequent to yearend, on February 2, 2021, appointed non-executive Chairman of the Board.

(6) For details on the principal occupation of director nominees during the last five years, see “*Director Biographies*” below.

Director Biographies

John Booth -- Director and Chairman of the Board

Mr. Booth is a Non-Executive Director of several listed and private companies. He co-founded Midpoint Holdings, a London based foreign currency and international payment service listed on the TSXV in 2013 by RTO and served as its Chairman and CEO until 2016. From 2004 until 2012 he was a partner with JAS Financial Products LLP, a U.K. based alternative asset manager, which traded under the brand Conservation Finance International.

He is a qualified lawyer (Ontario, New York and DC) and has worked as an investment banker, broker and fund manager in increasingly senior roles in the international capital markets since 1990, with firms including Merrill Lynch International, ICAP, CEDEF, ABN AMRO Bank, CIBC, the World Bank and Climate Change Capital.

Mr. Booth holds a BSc. (Hons) in Biology and Environmental Science from the University of Guelph, LLB & JD from the joint Canadian/US law program at the Universities of Windsor and Detroit, and LLM in International Finance, Tax and Environmental Law from Kings College, University of London.

He serves as the Non-Executive Chairman of Laramide Resources (TSX & ASX) and European Electric Metals (TSXV) where he was appointed by the European Bank for Reconstruction and Development, and as Non-Executive Director and chair of the Audit and Governance Committees of Cerro de Pasco Resources (CSE) and Genius Metals Ltd (CSE). Also, he is a Non-Executive Director and chair of the Audit Committee of Altair Resources listed on the TSX Venture Exchange. He is also a guest lecturer in ESG in the graduate business school at Kings College, University of London.

Frank Mermoud – Director

Mr. Mermoud has extensive and high-profile international experience in policy-making, international business, trade and investment. He is currently Principal of Capital Park Group, a Washington D.C. based private advisory firm and serves as a non-executive director of Iofina, an Oklahoma-based iodine exploration, production, and chemicals company. Mr. Mermoud has served as the Secretary of State's Special Representative for Commercial and Business Affairs at the U.S. Department of State. With nearly 30 years' experience in the public and private sectors, Mr. Mermoud has exhibited a pro-active nature to business development, identifying investment and trade opportunities and facilitating capital in both the private equity and debt markets. Mr. Mermoud received a B.S. degree from the School of Foreign Service at Georgetown University, is fluent in French and has worked extensively throughout his career in Europe, Asia, Latin America and Africa. He is on the Executive Committee of the US-Ukraine Business Council.

Patrick McGrath – Chief Executive Officer and Director

Mr. McGrath (Halifax, Nova Scotia, Canada) is currently the Corporation's Chief Executive Officer, holding this position since February 2, 2021, after the death of Mikhail Afendikov, the Corporation's Chief Executive Officer. Prior to that, he held the position of Chief Financial Officer since September 1, 2013. Prior to joining the Corporation, he served as the Chief Financial Officer of Anatolia Energy Corp. from February 2011 to June 2013 which is a former wholly-owned subsidiary of the Corporation. Mr. McGrath graduated from Memorial University of Newfoundland with a Bachelor of Commerce degree and is a CPA (CPA-CGA Canada).

Eugene Chaban – Chief Financial Officer and Director

Mr. Chaban (Kiev, Ukraine) is currently, the Corporation's Chief Financial Officer, holding this position since February 2, 2021. Mr. Chaban has been employed by the Corporation since 2014, working as the Financial Director in Ukraine. Prior to joining the Corporation, Mr. Chaban worked in various financial positions in the oil and gas sector in Ukraine for over 3 years. He also worked for KPMG as a senior auditor for five years. Mr. Chaban is fluent in English and holds a degree in Economics from Taras Shevchenko Kyiv State University, where he also received his Master's in Business Administration.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of the Corporation's knowledge, none of the Corporation's directors, officers, or Shareholders holding a sufficient number of securities of the Corporation to materially affect the control of the Corporation is, or during the ten years preceding the date of this Information Circular, has been a director or officer of any issuer that, while the person was acting in that capacity: (a) was the subject of a cease trade order or similar order, or an order that denied such issuer access to any exemption under securities legislation for a period of more than 30 consecutive days; or (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager, or trustee appointed to hold its assets.

In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the Common Shares represented thereby in favor of the election to the Board of directors of those persons designated as nominees for election as directors. The Board does not contemplate that any of such nominees will be unable to serve as a director. However, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, then the number of directors to be elected may be reduced (to not less than three) and/or proxies in favor of management designees will be voted for another nominee in the discretion of the persons named in the accompanying form of proxy, unless the Shareholder has specified in his proxy that his Common Shares are to be withheld from voting on the election of directors.

4. Annual Approval of Stock Option Plan

Shareholders initially approved the Corporation's amended and restated Stock Option Plan on July 12, 2010. It provides that the Board may grant options to directors, officers, key employees, consultants and, if applicable, management company employees for the purchase of Common Shares at prices determined in accordance with TSX Venture Exchange rules. The Stock Option Plan is a "rolling" option plan, meaning that the number of additional Common Shares that may be reserved for issue on the grant of options is a maximum of 10% of the issued and outstanding Common Shares from time to time.

The maximum amount of stock options that may be granted must not exceed 10% of the total number of Common Shares issued and outstanding (on a non-diluted basis) and the aggregate number of stock options granted in any 12-month period to any one person cannot exceed 5% of the total number of issued and outstanding Common Shares (on a non-diluted basis). Conditions relating to the vesting and expiry of stock options are set by the directors at the time of granting, however, stock options must expire no later than ten years after the date of grant. The Stock Option Plan is in accordance with the applicable policy of the TSX Venture Exchange.

The TSX Venture Exchange requires that all listed companies with a 10% rolling stock option plan obtain annual Shareholder approval of such plan.

Shareholders will be asked at the Meeting to vote on a resolution to approve the Stock Option Plan for the ensuing year. The resolution must be passed by a simple majority of the votes cast with respect to the resolution by Shareholders present in person or by proxy at the Meeting.

In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the Common Shares represented thereby in favour of the resolution approving the Stock Option Plan of the Corporation for the ensuing year.

Appendix A

CHARTER OF THE AUDIT COMMITTEE

CUB ENERGY INC.

Name

There shall be a Committee of the Board of directors (the “**Board**”) of Cub Energy Inc. (the “**Corporation**”) known as the audit Committee (the “**Audit Committee**”).

General Purpose

The Audit Committee has been established to assist the Board in fulfilling its oversight responsibilities with respect to the following areas: (i) the Corporation’s external audit function; (ii) internal control and management information systems; (iii) the Corporation’s accounting and financial reporting requirements; (iv) the Corporation’s compliance with law and regulatory requirements; (v) the Corporation’s risks and risk management policies; and (vi) such other functions as are delegated to it by the Board. Specifically, with respect to the Corporation’s external audit function, the Audit Committee assists the Board in fulfilling its oversight responsibilities relating to: (i) the quality and integrity of the Corporation’s financial statements; (ii) the independent auditors’ qualifications; and (iii) the performance of the Corporation’s independent auditors.

The Audit Committee is intended to facilitate and provide a means of open communication between management, the external auditors and the Board.

Composition and Qualifications

The Audit Committee shall consist of as many members as the Board shall determine, but in any event not fewer than three members who are appointed by the Board. The composition of the Audit Committee shall meet all applicable regulatory requirements. More specifically, a majority of members of the Audit Committee shall be non-management as required by the rules of the TSX Venture Exchange.

Members of the Audit Committee may not receive any compensation from the Corporation other than director and Committee fees or fixed amounts of compensation under a retirement Plan (including deferred compensation) for prior service (provided such compensation is not contingent in any way on continued service).

The Board shall designate the chair (the “**Chair**”) of the Audit Committee and in so doing shall consider the recommendation of the Compensation, Nominating and Governance Committee of the Corporation (the “**Compensation and Nominating Committee**”). The Chair shall have responsibility for overseeing that the Audit Committee fulfills its mandate and duties effectively.

Each member of the Audit Committee shall continue to be a member until a successor is appointed, unless the member resigns, is removed or ceases to be a director. The Board, following consideration of the recommendation of the Compensation and Nominating Committee, may fill a vacancy which occurs in the Audit Committee at any time.

Meetings

The Chair of the Audit Committee, in consultation with the Audit Committee members, shall determine the schedule and frequency of the Audit Committee meetings provided that the Audit Committee will meet at least four times in each fiscal year and at least once in every fiscal quarter. The Audit Committee shall have the authority to convene additional meetings as circumstances require. An agenda for each meeting will be disseminated to Audit Committee members as far in advance of each meeting as is practicable. The quorum for a meeting of the Audit Committee shall be two-fifths of its members, provided that one of those present is the Chair of the Audit Committee.

The Audit Committee shall meet separately and periodically with management, counsel and the external auditors. The Audit Committee shall meet separately with the external auditors at every meeting of the Audit Committee at which external auditors are present.

Responsibilities

The Audit Committee is mandated to carry out the following responsibilities:

1. External Auditors

- a. Subject to applicable law, the Audit Committee shall be responsible for recommending to the Board the appointment, compensation and termination of the external auditor. The external auditor shall report directly to the Audit Committee and shall be accountable to the Board and Audit Committee as representatives of the Shareholders of the Corporation.
- b. The Audit Committee shall be directly responsible for overseeing the work of the external auditor, including overseeing the resolution of any disagreements between the external auditor and management regarding financial reporting.
- c. The Audit Committee shall pre-approve all non-audit mandates for services the external auditor shall undertake for the Corporation or its subsidiaries.
- d. The Audit Committee shall satisfy itself, on behalf of the Board, that the external auditor is independent of management. In assessing such independence, the Audit Committee shall discuss with the external auditors, and may require a letter from the external auditor outlining, any relationships between the external auditors and the Corporation or its affiliates.
- e. The Audit Committee shall review the terms of the external auditors' engagement, the audit Plan of the external auditors, the integration of the external audit with the internal control program, and the results of the audit, which shall include reviewing the external auditor's letter to management and management's response thereto and other material written communications between management and the external auditors.
- f. The Audit Committee shall satisfy itself, annually or more frequently as the Audit Committee considers appropriate, as to the external auditors' internal quality control procedures and any material issues raised by the most recent internal quality control review or peer review of the external auditor or by any public enquiry, review, or investigation by governmental, professional or other regulatory authorities.
- g. The Audit Committee shall periodically review and discuss with management and the external auditors the quality and acceptability of the Corporation's accounting policies and practices, the materiality levels which the external auditors propose to employ, any significant changes in accounting policies and any proposed changes in accounting or financial reporting that may have a significant impact on the Corporation.
- h. The Audit Committee shall discuss with management and the external auditors all alternative treatments of financial information within international financial reporting standards that have been discussed with management by the external auditors, the ramifications of these alternative treatments and the treatment preferred by the external auditors.
- i. The Audit Committee shall review and approve the Corporation's policies for hiring partners, employees and former partners and employees of the external auditor or former external auditor.
- j.

2. Financial Information

- a. The Audit Committee shall discuss with management and the external auditors whether the audited annual financial statements present fairly (in accordance with international financial reporting standards) in all material respects the financial condition, results of operations and cash flows of the Corporation as of and for the periods presented and, where appropriate, recommend for approval to the Board the annual audited financial statements of the Corporation.
- b. The Audit Committee shall discuss with management and the external auditors whether the unaudited quarterly financial statements present fairly (in accordance with international financial reporting standards) in all material respects the financial condition, results of operations and cash flows of the Corporation as of and for the periods presented and, where appropriate, recommend for approval to the Board the unaudited quarterly financial statements of the Corporation.
- c. The Audit Committee shall review the Corporation's Annual Report to Shareholders and other financial information (including the Corporation's financial statements, annual and quarterly Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), Annual Information Form, annual and interim earnings press releases and any prospectus or offering circular) prepared by the Corporation before the Corporation discloses such information with management and, where appropriate, recommend for approval to the Board and recommend for filing with regulatory bodies.
- d. The Audit Committee shall review any news releases and reports to be issued by the Corporation containing earnings guidance or financial information for research, analysts and rating agencies. The Audit Committee shall also review the Corporation's policies relating to financial disclosure and the release of earnings guidance and the Corporation's compliance with financial disclosure rules and regulations.
- e. The Audit Committee shall discuss with management and the external auditors important trends and developments in financial reporting practices and requirements and their effect(s) on the Corporation's financial statements.

3. Internal Controls and Disclosure Controls

- a. The Audit Committee shall oversee the adequacy and effectiveness of the Corporation's disclosure control and internal control systems through discussions with the Corporation's external auditors and management and shall report to the Board with respect to such matters on an annual basis.
- b. The Audit Committee must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements (other than the Corporation's MD&A and annual and interim earnings press releases) and must periodically assess the adequacy of those procedures.
- c. The Audit Committee shall review annually the Corporation's code of business conduct and its effectiveness and enforcement.

4. Risk Management

- a. The Audit Committee shall review with management the principal risks facing the Corporation and the policies, processes and procedures for management's monitoring and managing of such risks or exposures. If necessary, the Audit Committee will mandate, monitor and evaluate the steps management has taken to monitor and manage such exposures, including insuring against such risks, where appropriate.

5. Compliance with Legal and Regulatory Requirements

- a. The Audit Committee shall review with management, and any internal or external counsel as the Audit Committee considers appropriate, any legal matters (including the status of pending litigation) that may have a material impact on the Corporation and any material reports or inquiries from regulatory or governmental agencies.
- b. The Audit Committee shall review with counsel the adequacy and effectiveness of the Corporation's procedures to ensure compliance with the legal and regulatory responsibilities.
- c. The Audit Committee shall establish and review annually procedures for:
 - the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls, disclosure controls or auditing matters; and
 - the confidential, anonymous submission of concerns by employees of the Corporation regarding questionable accounting or auditing matters.

6. *Hiring Policies*

- a. The Audit Committee shall review and approve of the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor.

7. *Other*

- a. The Audit Committee shall also perform such other activities related to this charter as requested by the Board.
- b. The Audit Committee shall review and assess the adequacy of this charter annually and shall submit any proposed changes to the Board for approval.
- c. The Audit Committee may delegate its authority and duties to subCommittees or individual members of the Committee as it deems appropriate.

Reporting

The Audit Committee shall report its deliberations and discussions regularly to the Board and shall submit to the Board the minutes of its meetings.

Resources

The Audit Committee shall have the authority, in its sole discretion, to retain independent legal, accounting and other consultants to advise the Audit Committee and set and pay their compensation at the expense of the Corporation. The Audit Committee shall be provided with the necessary funding to compensate the external auditors and any other advisors they engage.

The Audit Committee may directly communicate with the external auditors and any officer or employee of the Corporation and may request any officer or employee of the Corporation or the Corporation's external counsel or external auditors to attend a meeting of the Audit Committee or to meet with any member of, or consultants to, the Audit Committee. The Audit Committee shall have full access to all of the Corporation's books, records, facilities and personnel.

Limitation on the Oversight Role of the Audit Committee

Nothing in this charter is intended, or may be construed, to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

Each member of the Audit Committee shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Corporation from whom he or she receives financial and other information and the accuracy of the information provided to the Corporation by such persons or organizations.

While the Audit Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Audit Committee to Plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and in accordance with international financial reporting standards and applicable rules and regulations. These are the responsibility of management and the external auditors.