



## News Release

### **Cub Energy Announces Net Earnings of US \$3.1 million or US \$0.01 Per Share for Fiscal 2018**

Houston, Texas – March 27, 2019 – Cub Energy Inc. (“**Cub**” or the “**Company**”) (TSX-V: **KUB**), a Ukraine-focused upstream oil and gas company, announced today its audited financial and operating results for the year ended December 31, 2018. 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, Tysagaz LLC (“**Tysagaz**”), Cub’s 100% owned subsidiary and CNG LLC (“**CNG**”), which Cub has a 50% equity ownership interest.

Mikhail Afendikov, Chairman and CEO of Cub said: “*We wish to report net income \$3.1 million or \$0.01 per share during the year ended December 31, 2018 and receipt of \$5.7 million in dividends from its eastern Ukraine investment. Kub-Gas maintained deliverability over 14 million cubic feet per day by successfully recompleting two wells in the Olgovskoye License during 2018 and Kub-Gas is continuing other recompletions in 2019. In western Ukraine, Cub and its partner plan to drill our first three wells on the jointly owned Uzhgorod license in 2019 which costs are expected to be incurred 100% by our partner.*”

#### **Operational Highlights**

- In Q4 2018, Kub-Gas successfully recompleted the Olgovskoye-3 (“O-3”) well to a “behind pipe pay” zone designated as the Bashkirian-1b (“B1b”). The well initially tested at higher rates and put into production at a stabilized rate of 1.4 million cubic feet per day (“MMcf/d”). This followed the other successful recompletion, the
- Olgovskoye-9 (“O-9”) well to the zone designated as the Bashkirian-3 (“B3”). During a standard multi-rate test, the zone was tested up to 2.5 million cubic feet per day (“MMcf/d”) and was put into production at a stable rate of 1.7 MMcf/d.
- The price of natural gas averaged \$7.94/Mcf and condensate price of \$70.47/bbl during the year ended December 31, 2018 as compared to \$6.50/Mcf and \$69.56/bbl for 2017.
- Production averaged 836 boe/d (97% weighted to natural gas and the remaining to condensate) for the year ended December 31, 2018 as compared to 977 boe/d for 2017.
- On January 1, 2018, royalties on new wells drilled in Ukraine after January 1, 2018 were reduced to 12% from 29% for a minimum period of five years.
- On March 1, 2018, a new law was passed in Ukraine intended to simplify regulatory procedures for the oil and gas sector which should increase the speed and efficiency of approvals.
- The new Nitrogen Rejection Unit (“NRU”) is planned to be operational in 2019. However, due to continued construction delays, on November 19, 2018, the Company filed a claim with American Arbitration Association (“AAA”), seeking \$0.3 million (plus interest and attorney fees) from the NRU manufacturer in contractual delay damages.
- The Company and its partner plan to start a three well exploration program at Uzhgorod in mid-2019. The well costs are expected to be incurred 100% by our partner.

## Financial Highlights

- The Company reported net income of \$3.1 million during the year ended December 31, 2018 as compared to a net loss of \$14.3 million in 2017 when the Company recorded one-time impairment charges.
- Netbacks of \$29.33/boe or \$4.88/Mcfe for the year ended December 31, 2018 as compared to netback of \$25.19/Boe or \$4.20/Mcfe for 2017.
- During the year ended December 31, 2018, the Company received \$5.7 million in dividends from KUB Holdings as compared to \$4.1 million in dividends in 2017.
- The Company repaid \$1.1 million of its loan to KUB-Gas during the year ended December 31, 2018 in conjunction with its maturity.

| (in thousands of US Dollars)                              | Three Months Ended December 31, 2018 | Three Months Ended December 31, 2017 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|--------------------------------------|--------------------------------------|------------------------------|------------------------------|
| Petroleum and natural gas revenue                         | 74                                   | -                                    | 142                          | 24                           |
| Pro-rata petroleum and natural gas revenue <sup>(1)</sup> | 4,385                                | 3,609                                | 14,864                       | 14,285                       |
| Revenue from gas trading <sup>(2)</sup>                   | 6,831                                | 3,957                                | 20,428                       | 13,099                       |
| Net income (loss)   | 570                                  | (15,290)                             | 3,078                        | (14,342)                     |
| Income per share – basic and diluted                      | 0.00                                 | (0.05)                               | 0.01                         | (0.05)                       |
| Funds generated from operations <sup>(3)</sup>            | 2,353                                | 2,832                                | 2,690                        | 2,519                        |
| Capital expenditures <sup>(5)</sup>                       | 2                                    | 637                                  | 221                          | 1,678                        |
| Pro-rata capital expenditures <sup>(5)</sup>              | 222                                  | 596                                  | 1,682                        | 4,320                        |
| Pro-rata netback (\$/boe)                                 | 35.28                                | 27.29                                | 29.33                        | 25.19                        |
| Pro-rata netback (\$/Mcfe)                                | 5.88                                 | 4.55                                 | 4.88                         | 4.20                         |

|                           | December 31, 2018 | December 31, 2017 |
|---------------------------|-------------------|-------------------|
| Working capital (deficit) | 3,798             | (478)             |
| Cash and cash equivalents | 7,236             | 6,190             |
| Long-term debt            | 5,591             | 5,451             |

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.
- (2) During the three months and year ended December 31, 2018, the Company recorded \$6,831,000 (2017 - \$3,957,000) and \$20,428,000 (2017 - \$13,099,000) in revenue for gas trading and \$6,276,000 (2017 - \$3,767,000) and 19,150,000 (2017 - \$12,767,000) for the cost of the sales for a net profit from gas trading of \$555,000 (2017 - \$56,000) and \$1,278,000 (2017 - \$233,000), respectively.
- (3) Funds from operations is a non-IFRS measure and is defined as cash flow from operating activities, excluding changes in non-cash working capital.
- (4) 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% equity share of the KUB-Gas and 50% equity share of CNG Holdings funds from operations that the Company has an economic interest in.
- (5) 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.

## **Outlook**

The Company is participating with KUB-Gas to complete additional recompletion operations given the success of the O-3 and O-9 recompletions, one of which is underway at the time of this report with another 3 in the permitting phase. Kub-Gas may drill one additional well in 2019 and kickoff a 3D seismic program on the WO Licence to delineate known structures found from 2D seismic.

In western Ukraine, the Company is purchasing a new NRU with a plan to resume production at the RK field in 2019. The Company and its partner plan to start a three well exploration program in the Uzhgorod license in mid 2019 on structures defined by 3D seismic. The well costs are expected to be incurred 100% by our partner.

## **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. (TSX-V: 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)

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

## Reader Advisory

*With the current cash resources, negative working capital, 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 including the recent introduction of Martial Law in the Company’s operating regions,; 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.*