

**LOAN AGREEMENT BETWEEN
KERRY KENDRICK AND CUB ENERGY INC. and/or ITS SUBSIDIARIES**

THIS AGREEMENT made in duplicate and effective on the 16th day of June, 2017 between Kerry Kendrick, a US resident, (the "**Lender**"), and Cub Energy Inc., a Canadian company, and/or Cub Energy Inc.'s subsidiaries (collectively the "**Borrowers**").

THE PARTIES AGREE AS FOLLOWS:

1. The Lender is a related Party to the Borrowers, as he is the Chief Operational Officer as at the date of this Agreement.
2. The Lender has agreed to lend to the Borrowers and the Borrowers agreed to borrow from the Lender the principal sum of up to ONE MILLION DOLLARS (\$1,000,000.00) of lawful money of the United States of America (the "Principal Sum"). The principal sum is to be provided to the Borrower by the Lender for the purchase of a nitrogen rejection unit (NRU). The Principal Sum is due for repayment in four equal quarterly installments: September 30, 2018, December 31, 2018, March 31, 2019 and June 30, 2019.
3. The Borrowers agree to issue to the Lender up to TWO MILLION TWO HUNDRED THOUSAND (2,200,000) bonus common shares of the Borrowers, subject to regulatory approval. The common shares will be issuable on receipt of the ONE MILLION DOLLARS (\$1,000,000) by the Borrowers. The common shares to be issued pursuant to this Agreement will be subject to a hold period expiring four months and one day from issuance and any applicable hold period under US Securities Law.
4. The Borrowers agree to pay to the Lender interest on the Principal Sum at the annual rate of interest of six percent (6%) per annum calculated and payable monthly not in advance and not subject to any statutory withholding tax requirements. To the extent any tax withholdings on interest are required, Borrowers will indemnify Lender to ensure that Lender receives the full six percent (6%) interest per annum.
5. The Borrowers agree to repay to the Lender by payment at any place or bank account as the Lender may direct in writing, such interest payments and the Principal Sum as due.
 - (a) The Principal Sum in due in four equal quarterly installments: September 30, 2018, December 31, 2018, March 31, 2019 and June 30, 2019.
 - (b) The Principal Sum owing under this Loan Agreement shall be paid in full before any principal payment is made to Pelicourt Ltd. ("Pelicourt") pursuant to a Loan Agreement between Pelicourt and the Borrower dated November 15, 2016 (the "Pelicourt Loan").
 - (c) Interest shall be calculated and payable monthly, subject to adjustment, on the last day of each calendar month.

6. The Borrowers may prepay the Lender any drawn down Principal Sum and any accrued interest prior to the maturity date, without penalty or charges.
7. Upon the Borrowers' default in any payment when due under this Agreement (the "**Event of Default**"), the Lender shall notify the Borrowers in writing of said default, and give Borrowers 60 business days to remedy the Event of Default.
8. **Security**

Subject to any regulatory approvals, the Borrowers hereby grant, as security on the Principal Sum, a percentage of their KUBGAS HOLDINGS Limited ("**KGH**") shares ("**Security**"), owned through Gastek LLC ("**Gastek**"), in an amount equal to the Principal Sum plus any outstanding interest. For purposes of calculating the value of the KGH shares, the following value per share shall be: $90\%NPV \div TS$

Where:

- (a) "90%NPV" means the amount in US Dollars equal to 90% of the net present value of the 2P Reserves shown in the latest 51-101 compliant Reserves Report evaluating the reserves at KUB-Gas LLC (owned by KGH); and
- (b) "TS" means the total number of shares in KGH at the time of default.

The Borrowers and the Lender agree and acknowledge that this Agreement and Security is subject to and subordinate to any rights, obligations and commitments set forth in the Amended Shareholders' Agreement ("**SHA**") between Gastek, Resano Trading Ltd and KGH amended and restated on June 30, 2016, as well as any future fully-executed amendments or revisions to said SHA.

The Borrowers and the Lender also agree and acknowledge that the Security in this Agreement is pari passu with any security rights, obligations and commitments granted to Pelicourt pursuant to the Pelicourt Loan.

If the Borrowers sell or divest their interest in the Security prior to repayment of the Principal Sum, the Lender shall be repaid in full on the twelve month plus one day following the day of receipt of the Principal Sum. The Borrowers shall place the ONE MILLION DOLLARS (\$1,000,000) owing to the Lender in a segregated bank account and this bank account shall be treated as the Security under this Loan Agreement until the Principal Sum is repaid in full to the Lender.

9. **Severability and Governing Law**

Should any of the provisions in this Agreement be declared or be determined to be illegal

or invalid or not approved (including the security provision in paragraph 8), all remaining parts, terms or provisions shall be valid, and the illegal or invalid part, term or provision shall be deemed not to be a part of this Agreement.

This Agreement is made and entered into in the State of Texas, USA and shall in all respects be interpreted, enforced and governed under the laws of Canada without regard to the principles of conflicts of law.

10. **Notices**

Any notice, designation, communication, request, demand or other document, required or permitted to be given or sent or delivered hereunder to any party hereto shall be in writing and shall be sufficiently given or sent or delivered if it is:

- (a) delivered personally to an officer or director of such party;
- (b) sent to the party entitled to receive it by registered mail, postage prepaid, mailed in Canada; or
- (c) sent by e-mail.

Notices shall be sent to the following addresses or e-mail:
in the case of the Borrowers,

Cub Energy Inc. (and its Subsidiaries)
5120 Woodway Drive
Suite 10010
Houston, Texas 77056
Tel.: 713-577-1948
email: patrick.mcgrath@cubenergyinc.com

in the case of the Lender,

Kerry Kendrick
Houston, Texas
Tel.: 713-577-1943
email: kerry.kendrick@cubenergyinc.com

or to such other address or email as the party entitled to or receiving such notice, designation, communication, request, demand or other document shall by a notice given in accordance with this section, have communicated to the party giving or sending or delivering such notice, designation, communication, request, demand or other document.

Any notice, designation, communication, request, demand or other document given or



sent or delivered as foresaid shall:

- (a) if delivered as aforesaid, be deemed to have been given, sent, delivered and received on the date of delivery;
- (b) if sent by mail as aforesaid, be deemed to have been given sent, delivered and received on the fourth business day following the date of mailing; and
- (c) if sent by telecopy machine, be deemed to have been given, sent, delivered and received on the date of delivery.

11. **Representations**

The Borrowers and the Lender each represent and acknowledge that:

- (a) they have read the Agreement in its entirety and have full knowledge of the contents;
- (b) they understand their respective rights and obligations under this Agreement, the nature of this Agreement and the consequences of this Agreement;
- (c) the terms of this Agreement are fair and reasonable;
- (d) they were not subject to any coercion or undue influence in their entering into this Agreement and that they signed same voluntarily; and
- (e) they have received independent legal advice prior to executing the herein agreement.

12. **Proper Construction**

The language of all parts of this Agreement shall in all cases be construed as a whole according to its fair meaning, and not strictly for or against any of the parties.

As used in this Agreement, the term “or” shall be deemed to include the term “and/or” and the singular or plural number shall be deemed to include the other whenever the context so indicates or requires.

The paragraph headings used in this Agreement are intended solely for convenience of reference and shall not in any manner amplify, limit, modify or otherwise be used in the interpretation of any of the provisions hereof.



13. **Entire Agreement**

This Agreement is the entire agreement between Consultant and the Company and fully supersedes any and all prior agreements or understandings between the parties pertaining to its subject matter.

14. **Counterparts**

This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

15. **Amendments**

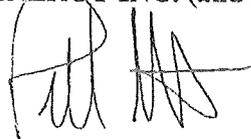
This Agreement may not be amended, supplemented, canceled, or discharged except by written instrument executed by the parties hereto.

16. **Waivers**

All waivers hereunder shall be in writing. No waiver by any party hereto of any breach or anticipated breach of any provision of this Agreement by any other party shall be deemed a waiver of any other contemporaneous, preceding, or succeeding breach or anticipated breach, whether or not similar, on the part of the same or any other party.

IN WITNESS WHEREOF the parties have affixed their hands and seals this 16th day of June 2017.

CUB ENERGY INC. (and its Subsidiaries)



Per: _____

I have authority to bind the corporation
and its subsidiaries

Name: Patrick McGrath

Title: Chief Financial Officer

KERRY KENDRICK

Per:  _____

Name: Kerry Kendrick



**Acknowledged sections 5(b) and 8 which reference
Pelicourt repayment terms and rights:**

PELICOURT LIMITED

Per: _____

I have authority to bind the corporation

Name: Philippos Philippou

Title: Director

