



CUB ENERGY INC.

ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2016

March 22, 2017

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FORWARD-LOOKING INFORMATION

Certain statements contained in this AIF constitute forward-looking statements under applicable securities laws. Forward-looking statements are often, but not always, identified by the use of words such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “guidance”, “intend”, “may”, “plan”, “predict”, “project”, “should”, “target”, “will”, or similar words suggesting future outcomes or language suggesting an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Management believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF should not be unduly relied upon.

Forward-looking statements and information in this AIF include, but are not limited to, statements with respect to:

- drilling plans and timing of drilling;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production;
- drilling, completion and facilities costs;
- results of various projects of the Corporation;
- growth expectations within the Corporation;
- access to attractive investment opportunities and success in bidding for and winning new assets;
- timing of development of undeveloped reserves;
- the performance and characteristics of the Corporation's oil and natural gas properties;
- the quantity of oil and natural gas reserves and resources;
- the ability of the Ukrainian Licences to provide ongoing revenues sufficient to meet the Corporation's financial needs;
- capital expenditure programs;
- supply and demand for oil and natural gas and commodity prices;
- the impact of governmental regulation on the Corporation relative to other oil and gas companies of similar size;
- variations of foreign exchange rates;
- expected levels of royalty rates, operating costs, general administrative costs, costs of services and other costs and expenses;
- expectations regarding the Corporation's ability to raise capital or debt and to continually add to reserves and resources through acquisitions, development and exploration;
- treatment under governmental regulatory regimes and tax laws; and
- realization of the anticipated benefits of acquisitions and dispositions.

Statements relating to “reserves” or “resources” are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, including that the reserves and resources described can be profitably produced in the future. See “Exhibit “I” – *Statement of Reserves Data and Other Oil and Gas Information*”.

Developing forward-looking information involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to the Corporation and others that apply to the oil and gas industry generally.

Although the Corporation believes that the assumptions and expectations reflected in the forward-looking statements and information are reasonable, there can be no assurance that such assumptions and expectations will prove to be correct. The Corporation cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Corporation that actual results achieved will be the same in whole or

in part as those set out in the forward-looking statements and information. The factors or assumptions on which the forward-looking information is based include:

- the Corporation's projected capital investment levels;
- the flexibility of capital spending plans and the associated source(s) of funding;
- the expertise of management of the Corporation in contributing to increased production volumes and the success and revenues of the Corporation; and
- estimates of quantities of oil and natural gas from properties and other sources not currently classified as proved reserves.

Some of the risks and other factors, some of which are beyond the Corporation's control, which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this AIF include, but are not limited to:

- competition within the oil and natural gas industry for, among other things, capital, acquisitions of reserves, undeveloped land and skilled personnel;
- environmental risks and hazards associated with the oil and gas industry;
- adverse weather conditions in areas where the Corporation conducts operations;
- variations in foreign exchange rates and interest rates;
- the availability of certain equipment and services and the Corporation's access to such equipment and services;
- the availability of capital on favourable terms, or at all, to fund the Corporation's operations;
- risks associated with economies in the countries in which the Corporation operates;
- the early stage of the Corporation's operations;
- political unrest and security concerns in Ukraine;
- risks associated with the exploration, development and production of the Corporation's interests, including geological, technical, drilling and processing problems and other difficulties in producing reserves and failure to realize anticipated benefits of exploration activities;
- the effects of regulation (including environmental regulation) in the countries in which the Corporation operates;
- risk of the effect of relinquishment obligations under the terms of the Corporation's production sharing arrangements and the governmental regulatory regime;
- risks associated with the Corporation's reliance on its third party operators;
- uncertainties regarding the interpretation and application of foreign laws and regulations; and
- other factors described further in "*Risk Factors*".

Readers are cautioned that the foregoing lists are not exhaustive. The factors and risks set out in these lists are difficult to predict and the assumptions used in the development of the forward-looking information contained herein, although considered reasonably accurate at the time of development, may prove to be incorrect or incomplete. Furthermore, the forward-looking statements contained in this AIF are made as of the date hereof, and the Corporation undertakes no obligation, except as required by applicable securities laws, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

NON-IFRS MEASURES

Cash flow from operations, operating netbacks and pro-rata petroleum and natural gas revenue are not recognized measures under IFRS. Management believes that funds flowing from operations, operating netbacks and pro-rata petroleum and natural gas revenue are useful supplemental measures as they demonstrate the Corporation's ability to generate the cash necessary to repay debt or fund future growth through capital investment. Readers are cautioned, however, that these measures should not be construed as an alternative to net income determined in accordance with IFRS as an indication of the Corporation's performance. The Corporation's method of calculating these measures may differ from other companies and accordingly they may not be comparable to measures used by other companies. For these purposes, the Corporation defines funds flowed from operations as cash provided by operations before changes in non-cash operating working capital, operating netbacks are defined as revenue less royalties, operating and

transportation expenses and pro-rata petroleum and natural gas revenue are defined as the Corporation's petroleum and natural gas revenue earned in the respective years added to the Corporation's 30% equity share of the Kub-Gas petroleum and natural gas sales that the Corporation has an economic interest in.

GLOSSARY

In this Annual Information Form, unless context otherwise requires, the following words and phrases shall have the meanings set forth below:

"3P International" means 3P International Energy Ltd., a direct wholly-owned subsidiary of Cub governed by the laws of Cyprus;

"ABCA" means the *Business Corporations Act* (Alberta), as amended from time to time;

"Anatolia" means Anatolia Energy Corp., a former wholly-owned subsidiary of the Corporation governed by the ABCA, and where the context so requires includes Anatolia's subsidiaries;

"Anatolia Arrangement Agreement" means the arrangement agreement dated April 25, 2013 between Cub and Anatolia that provided for the acquisition by Cub of all the issued and outstanding common shares of Anatolia in exchange for common shares of Cub. Pursuant to the terms of the transaction, shareholders of Anatolia received 0.106 shares of Cub for each share of Anatolia held which resulted in the issuance of 13,892,179 Common Shares and the assumption of 11,040,306 Warrants. Anatolia became a wholly-owned subsidiary of Cub.

"Anatolia Licences" means potentially between 25% and 50% working interests in the following four licence areas: Bismil, Sinan, Besni and Antep areas in the southeastern region;

"Anatolia Turkey" means Anatolia Energy (Turkey) Inc., an indirect former wholly-owned subsidiary of the Corporation incorporated pursuant to the laws of Cayman Islands;

"Annual Information Form" or **"AIF"** means this annual information form of the Corporation for the financial year ended December 31, 2015, dated March 25, 2016;

"Board" means the board of directors of Cub, as constituted from time to time;

"CBCA" means the *Canada Business Corporations Act*, as amended from time to time;

"CNG" means CNG LLC, a limited liability company governed by the laws of Ukraine, being a wholly-owned subsidiary of CNG Holdings;

"CNG Holdings" means CNG Holdings Netherlands B.V., a private company with limited liability established under the laws of the Netherlands, with Cub being 50% owner and NAFTA being 50% owner;

"CNG Licence" means the 100% working interest owned by CNG in the Uzhgorod block in the Transcarpathian Region of western Ukraine;

"COGE Handbook" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum;

"Common Share" or **"Common Shares"** means, respectively, one or more common shares in the capital of the Corporation;

"Corporation" or **"Cub"** means Cub Energy Inc., a corporation governed by the CBCA, and where the context so requires includes Cub's subsidiaries;

"Cub Energy Ltd" means a wholly-owned subsidiary of Cub governed by the laws of Cyprus (formerly Listren);

“**Cub Licences**” means the Kub-Gas Licences, the Tysgaz Licences, the CNG Licences and the TGI licences;

“**Dnieper-Donets Basin**” means the intra-cratonic rift system located in eastern Europe which consists primarily of a Late Devonian rift overlain by a Carboniferous to Early Permian post-rift sag, which, to date, is the principal producer of hydrocarbons in Ukraine;

“**EBRD**” means the European Bank for Reconstruction and Development;

“**EBRD Loan Facility**” means the \$40.0 million loan facility provided by the EBRD to Kub-Gas;

“**Gastek**” means Gastek LLC, a California limited liability company;

“**Gastek-Cub Transaction**” means the Reverse Takeover business combination of Gastek and Cub that closed March 29, 2012 whereby Cub issued 123,278,089 Common Shares to Pelicourt, the sole holder of Gastek, in exchange for all of the outstanding shares of Gastek, which thereby became a wholly-owned subsidiary of Cub;

“**IFRS**” means International Financial Reporting Standards;

“**JV Agreement**” means the terminated joint venture agreement dated January 29, 2011 and amended on April 8, 2011, June 7, 2011, May 21, 2012, July 9, 2012, November 27, 2012 and June 17, 2013 between the Corporation and Çalik (terminated on March 13, 2014);

“**JV Supplemental Agreement**” means the terminated joint venture supplemental agreement dated as of June 7, 2011 and as amended on November 27, 2012 and June 17, 2013 between the Corporation and Çalik (terminated on March 13, 2014);

“**KOL Cyprus**” means Kulczyk Oil Ventures Limited, a company governed by the laws of Cyprus, being a wholly-owned subsidiary of Serinus and renamed Serinus Holdings Limited;

“**Kub-Gas Borova**” means Kub-Gas Borova LLC, a limited liability company governed by the laws of Ukraine, being a wholly-owned subsidiary of Kub-Gas;

“**KUBGAS HOLDINGS**” means KUBGAS HOLDINGS Limited, a company governed by the laws of Cyprus, which is 35% owned by Gastek (Cub) and 65% owned by Resano;

“**Kub-Gas**” means Kub-Gas LLC, a limited liability company governed by the laws of Ukraine, being a wholly-owned subsidiary of KUBGAS HOLDINGS;

“**Kub-Gas Licences**” means the 100% working interests owned by Kub-Gas in the following six licence areas: Vergunskoye, Olgovskoye, West Olgovskoye, Makeevskoye, Krutogorovskoye and the North Makeevskoye area in the eastern Ukraine region;

“**Listren**” means Listren Holding Co. Ltd., a direct wholly-owned subsidiary of Cub governed by the laws of Cyprus and renamed Cub Energy Ltd.;

“**NAFTA**” means NAFTA International B.V., a private company with limited liability organized under the laws of the Netherlands;

“**National Instrument 51-101**” or “**NI 51-101**” means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*, as adopted by the Canadian Securities Administrators;

“**National Instrument 51-102**” or “**NI 51-102**” means National Instrument 51-102 – *Continuous Disclosure Obligations*, as adopted by the Canadian Securities Administrators;

“**OBCA**” means the *Business Corporations Act* (Ontario), as amended from time to time;

“**Options**” means the options exercisable to acquire Common Shares of Cub;

“**Pelicourt**” means Pelicourt Limited, a corporation governed by the laws of Cyprus and Cub’s largest shareholder;

“**Pelicourt Line of Credit**” means the \$5 million line of credit provided by Pelicourt to Cub on October 2, 2013, as amended;

“**Resano**” means Resano Trading Limited, a private limited company registered in the British Virgin Islands and 65%-owner of KUBGAS HOLDINGS;

“**RK**” means the Rusko-Komarivske gas field in Ukraine at Tysagaz;

“**RSUs**” and “**RSU Plan**” refers to the restricted stock units and the restricted stock unit plan;

“**Ryder Scott**” means Ryder Scott Petroleum Consultants, an engineering consulting firm;

“**Ryder Scott Report**” means the report of Ryder Scott dated March 14, 2017, and effective as of December 31, 2016, entitled “Estimated Future Reserves and Income Attributable to Certain Leasehold Interest in Ukraine – Makeevskoye, Olgovskoye Fields and Rusko Komarivske Field” for Cub’s 100% interest in Tysagaz and Cub’s 35% interest in Kub-Gas prepared in accordance with NI 51-101;

“**Securities Exchange Agreement**” means the securities exchange agreement dated January 26, 2012 among Cub, Pelicourt, Gastek and Mikhail Afendikov, Andreas Tserni, Valentin Bortnik and Robert Bensch, which provided for the Gastek-Cub Transaction;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval;

“**Serinus**” means Serinus Energy Inc., a public company listed on the TSX and Warsaw Stock Exchange and the parent company of KOL Cyprus;

“**Stock Option Plan**” means the stock option plan of Cub;

“**TGI**” means Technogasindustria LLC, an indirect former wholly-owned subsidiary of Cub governed by the laws of Ukraine;

“**TGI Licences**” means the 100% working interest owned by TGI in the following three licence areas: East Vergunskaya, Kryakovskaya and the Oskolonovskaya blocks in the northeastern part of Ukraine in the Dnieper-Donets Basin and in close proximity to Cub’s Kub-Gas licences;

“**TGI Share Exchange Agreement**” means the share exchange agreement dated March 5, 2013 between Cub and shareholders of Listren whereby Cub acquired all of the issued and outstanding shares of Listren in exchange for 55,555,555 Common Shares. Listren thereby became a wholly-owned subsidiary of Cub. TGI is a wholly owned subsidiary of Listren.

“**TSX**” means the Toronto Stock Exchange;

“**TSXV**” means the TSX Venture Exchange Inc.;

“**Tysagaz**” means Tysagaz LLC, an indirect wholly-owned subsidiary of Cub governed by the laws of Ukraine;

“**Tysagaz Agreement**” means the agreement dated as of May 24, 2011, as amended, whereby Cub purchased 3P International (Tysagaz is a wholly-owned subsidiary of 3P International);

“**Tysagaz Licences**” means the 100% working interests owned by Tysagaz in the following two licence areas: Rusko-Komarivske and Stanivske in the Transcarpathian Region of western Ukraine (the Uzhgorod licence was transferred from Tysagaz to CNG in March 2016 and Cub owns a 50% interest as of July 8, 2016);

“VAT” means value added tax; and

“Warrants” means Common Share purchase warrants of Cub.

INFORMATION IN ANNUAL INFORMATION FORM

Unless otherwise specified, information in this Annual Information Form is as at the end of the Corporation's most recently completed financial year, being December 31, 2016.

CURRENCY PRESENTATION AND EXCHANGE RATE DATA

Certain terms used herein are defined in the “Glossary”. Unless otherwise indicated, references to “\$” or “dollars” are to United States Dollars, references to “CAD\$” are to Canadian Dollars and references to “UAH” are Ukraine Hryvnia. All financial information with respect to the Corporation has been presented in US\$ in accordance with IFRS unless otherwise indicated. See “Non-IFRS Measures.”

	Canadian dollar (CAD\$) to US \$1.00 Source: Bank of Canada (www.bankofcanada.ca)	Ukraine Hryvnia(UAH) to US \$1.00 Source: National Bank of Ukraine (http:bank.gov.ua)
2016		
Year-end	0.7448	27.20
Average	0.7548	26.36
Annual high	0.8002	27.35
Annual low	0.6821	23.25
2015		
Year-end	0.7225	24.15
Average	0.7846	22.17
Annual high	0.8562	33.50
Annual low	0.7141	16.21

ABBREVIATIONS

Crude Oil and Natural Gas Liquids

Bbl(s)	Barrel(s)
Bbls/d	barrels per day
Mbbls	thousands of barrels
Boe	barrels of oil equivalent of natural gas (on the basis of 6 Mcf of natural gas to 1 bbl of oil)
Boe/d	barrels of oil equivalent per day
Mboe	thousand Boe
NGLs	natural gas liquids
MMbtu	million British thermal units
Mstb	thousand stock tank barrels
Stb	stock tank barrel

Other

WI	Working Interest
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Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Bcf	billion cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
Tcm	thousand cubic metres

GJ	Gigajoule
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Disclosure provided herein in respect of Boe may be misleading, particularly if used in isolation. The Boe conversion ratio of six Mcf of natural gas to one Bbl of oil used throughout this document is based on an energy equivalency

conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalency conversion ratio of six to one, utilizing a Boe conversion ratio of six Mcf to one Bbl may be misleading as an indication of value.

CONVERSIONS

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	Cubic metres	28.3168
Thousand cubic metres	Mcf	35.31467
Bbls	Cubic metres	0.1157 (0.71 to 0.73 sg condensate)
Cubic metres	Bbls	8.64 (0.71 to 0.73 sg. condensate)
Feet	Metres	0.305
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

CORPORATE STRUCTURE

Name, Address and Incorporation

Cub was incorporated under the OBCA on April 3, 2008. While an OBCA corporation, Cub filed articles of amendment as an Ontario corporation: (i) on June 11, 2008 to remove the private company provisions from its articles; (ii) on July 14, 2010 to change its name from “Colonnade Capital Corp.” to “3P International Energy Corp.”; and (iii) on January 26, 2012 to change its name from “3P International Energy Corp.” to “Cub Energy Inc.” Pursuant to the Articles of Continuance filed on February 28, 2012, Cub was continued from a corporation governed by the OBCA to a corporation governed by the CBCA. As a CBCA corporation, Cub filed Articles of Amendment on June 19, 2013 to change the minimum number of directors to three and the maximum number of directors to eleven, to permit the appointment of up to one-third more directors between annual meetings and to permit meetings of shareholders to be held in Canada, the United States or the United Kingdom. On May 22, 2014, Cub filed Articles of Amendment to change its registered office to Alberta.

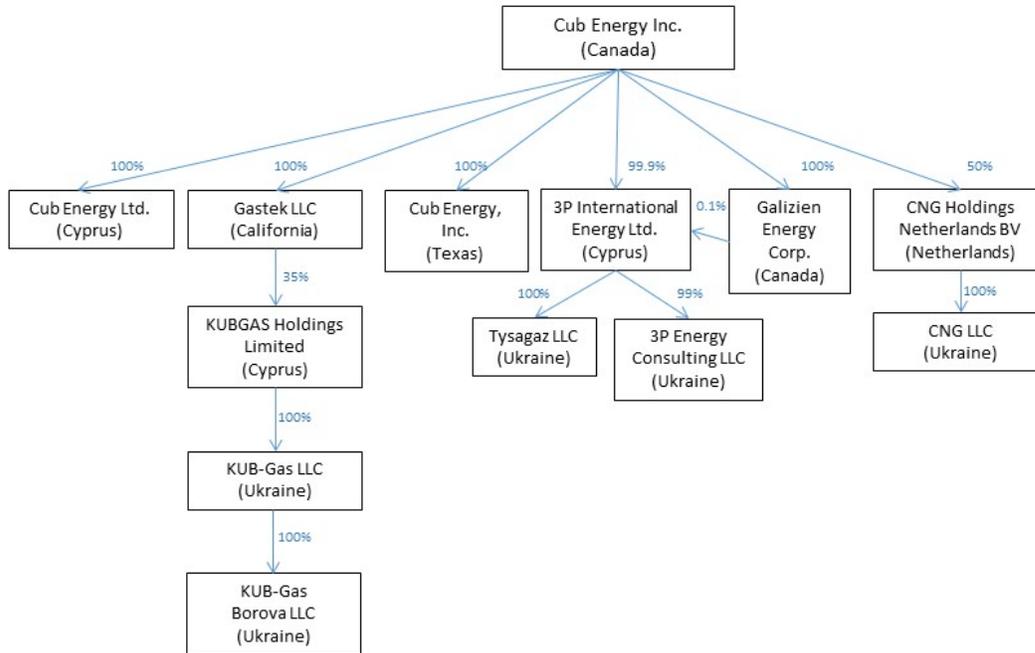
The registered office of Cub is located at 4500 Bankers Hall East, 855 - 2nd Street SW, Calgary, AB, T2P 4K7 and the head office is located at Suite 10010, 5120 Woodway Drive, Houston, TX, 77056.

The Common Shares are listed on the TSXV under the symbol “KUB”. Cub is currently a reporting issuer in the provinces of British Columbia, Alberta and Ontario.

Intercorporate Relationships

The following chart as at December 31, 2016, illustrates the inter-corporate relationships among Cub and its direct and indirect subsidiaries and equity investees and, for each entity, its jurisdiction of incorporation, continuation, formation or organization, as applicable, and the percentage of votes attaching to all voting securities of the entity beneficially owned, or controlled or directed, directly or indirectly, by Cub. None of those securities is restricted with respect to the number or percentage that may be voted by Cub.

CUB ENERGY INC.
ORGANIZATION CHART



- Notes:**
- ⁽¹⁾ Resano owns the remaining 65% interest in KUBGAS HOLDINGS Limited.
 - ⁽²⁾ NAFTA owns the remaining 50% interest in CNG Holdings.
 - ⁽³⁾ Cub Energy, Inc. the Texas incorporated subsidiary, provides technical and managerial services to Cub.
 - ⁽⁴⁾ Listren Holdings Co. Ltd. name was changed to Cub Energy Ltd on July 1, 2016.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

2014

2014 brought many political and economic changes in Ukraine that impacted Cub's operations. Beginning in February, with the removal of the former president, Viktor Yanukovich, through the election of a new president, Petro Poroshenko, in May and parliamentary elections in October, Ukraine is working toward forming a new government aligned with the West. In May, after the annexation of Crimea, Russian-backed rebels moved into the Donetsk and Lughansk regions in an attempt to occupy and claim these territories from Ukraine. Over the next several months and continuing in the first quarter of 2015, violence escalated with over 9,000 casualties and massive destruction to the regions' infrastructure. Due to this military conflict, Kub-Gas suspended its field development operations in eastern Ukraine from June 27, 2014 until October 2, 2014 to ensure the safety of its employees. Production continued uninterrupted during that period.

From an economic standpoint, Ukraine implemented several changes in 2014, some of which caused Cub to curtail its 2015 capital budget, including: the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions that require Ukrainian companies to convert the first 50% and subsequent 75% of all incoming foreign transfers to the local Ukrainian currency; the National Bank of Ukraine imposed a restriction that

US and other foreign denominated loans in Ukraine could not be repaid in advance of their maturity dates; the National Bank of Ukraine passed a resolution prohibiting the payment of dividends to foreign shareholders in foreign currency from September 22, 2014, through June 3, 2015; in August, the Ukraine parliament increased the natural gas royalty rate to 55% for production at or above depth of 5,000 metres; on January 1, 2015, termination of reduced royalty rate (30.25%) for new wells, but on March 3, 2015, voted to reinstate the reduced royalty rate (30.25%) for new wells (applies for two years and then increases to 55%); and the Ukraine government issued a decree requiring the largest natural gas consumers to purchase their gas from the state-owned company, National Joint Stock Company, Naftogaz (“Naftogaz”), effective December 1, 2014 through February 28, 2015, which was held invalid by Ukrainian courts.

Despite these obstacles and challenges, the Corporation increased its exit rate by 16% to 2,407 boe/d in 2014 compared to 2,070 boe/d exit rate for 2013.

Other developments throughout the year include:

On March 13, 2014, Cub announced the termination of its joint venture partnership with Çalık Petrol Arama Üretim San. ve Tic. A.Ş. (“Calik”) in Turkey. As a result of the termination, Cub divested all of its Turkish licences (Anatolia Licences).

On June 27, 2014, Cub announced the temporary suspension of Kub-Gas developmental field operations to ensure the continued safety of employees and assets due to increased violence in the area by Russian-backed rebels. On October 2, 2014, Cub announced that Kub-Gas recommenced field operations as security risks subsided. The Vergunskoye and Krutogorovskoye fields at Kub-Gas, located in close proximity to the military conflict, were shut-in in June and remain shut-in. These two fields represent approximately 2% of Cub’s total production.

Pelcourt notified Cub that it is having liquidity issues as a result of the National Bank of Ukraine resolution prohibiting the payment of cross-border dividends and may not be able to provide any further funding under the Pelcourt Line of Credit.

On November 12, 2014, Cub released its third quarter financial statements and included an impairment charge of \$9,566,000 for TGI assets situated in rebel-occupied territories and an impairment charge of \$11,195,000 for Tysagaz exploration and evaluation assets. Cub also issued a going concern note in its third quarter financial statements about the significant doubt of its ability to continue as a going concern and meet its obligations as they become due. Cub issued a going concern note in its 2014 yearend audited financial statements and continues to have significant doubt about its ability to continue as a going concern as of the date of this Annual Information Form.

On November 14, 2014, Pelcourt agreed to defer interest payments due on the Pelcourt Line of Credit through and until December 27, 2015.

As of December 31, 2014, there remained a balance of approximately \$2,385,000 million on the EBRD loan facility of which \$716,000 is net to Cub’s 30% indirect interest.

2015

On January 1, 2015, Ukraine Parliament passed a law, permanently setting the royalty rate at 55% with no new well coefficient rate of 30.25%.

On March 3, 2015, Ukraine Parliament passed a law, reinstating the royalty rate for new wells at 30.25% effective April 1, 2015.

On March 3, 2015, National Bank of Ukraine extended the restriction on cross-border dividends through June 3, 2015.

On June 3, 2015, the National Bank of Ukraine extended the restriction on cross-border dividends through September 3, 2015.

On June 8, 2015, the Corporation announced that the West Olgovskoye block in eastern Ukraine had been awarded to

Kub-Gas Borova (a newly incorporated subsidiary of Kub-Gas) by way of a special permit. West Olgovskoye is located in the Kharkiv Oblast, immediately offsetting the Olgovskoye and North Makeevskoye licences currently owned and operated by Kub-Gas. It covers an area of 449 km² (approximately 110,000 acres), and surrounds (but does not include) the existing Druzhelyubovskoe gas/condensate field, and very old vintage 2D seismic data suggests the existence of additional undrilled structures. The term of this new special permit is for 20 years with the right to a 20-year extension, during which Kub-Gas Borova will be allowed to conduct both exploration and production activities. There are work commitments of UAH 202.3 million or approximately \$9.6 million at the then historical exchange rate of 21.0 UAH/USD. Almost 90% of the total required spending is scheduled for between 2018 and 2020.

On September 3, 2015, the National Bank of Ukraine extended the restriction on cross-border dividends through December 4, 2015.

On October 1, 2015, a new bill reforming the natural gas market in Ukraine became effective. Among other things, it contains a provision that gas producers may have to contribute into storage a volume equivalent to thirty days of production effective January 1, 2016, but, to date, there has been no material impact to the Corporation.

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 27, 2015, Ukraine amended the Code on Gas Pipeline Systems, which among other things, may require all producers utilizing the pipeline to pay a tariff for access to the pipeline. It is not known yet if a tariff will be imposed and what impact it may have on the Corporation. The Corporation's western Ukraine production utilizes blending of gas whereby it extracts volumes of gas from the pipeline and blends it with its gas and infuses the resulting blended gas back in the pipeline. As a result, any tariffs on both the extracting and infusing of gas may have a material negative effect on the Corporation's western operations.

On December 4, 2015, the National Bank of Ukraine extended the restriction on cross-border dividends through March 3, 2016.

On December 26, 2015, the Korolevskoye licence expired and Cub relinquished it.

On December 26, 2015, the Stanivske licence expired; however, prior to expiration, Cub filed an application to convert the licence to a 20-year production licence, which is currently pending.

On December 31, 2015, President Poroshenko signed a law, reducing royalty rates to 29%, effective January 1, 2016.

On December 31, 2015, the Corporation recorded an impairment of \$1,000,000 on its KUBGAS HOLDINGS equity investment to reflect fair market value of the recent sale of the 70% interest by its former partner.

As of December 31, 2015, there remained a balance of approximately \$0.6 million on the EBRD loan facility of which \$0.2 million is net to Cub's 30% indirect interest.

2016

On January 14, 2016, the EBRD Loan Facility was repaid in full.

On January 23, 2016, one third of the RSUs issued to Mikhail Afendikov vested and subsequently, 1,224,547 common shares were issued to Mr. Afendikov.

On February 8, 2016, as a result of Resano Trading Limited's ("**Resano**") purchase of Serinus Holdings' interest in KUBGAS HOLDINGS, the Corporation received an additional 5% interest in Kub-Gas for a total 35% ownership interest. The Corporation has the ability to further increase its ownership interest from 35% to 40% on meeting certain benchmarks and optional payments.

On February 11, 2016, the Corporation sold TGI for nominal consideration.

On March 3, 2016, National Bank of Ukraine (“**NBU**”) extended the restriction on cross-border dividends indefinitely or until otherwise lifted or amended by the NBU.

On March 11, 2016, the Corporation’s wholly-owned subsidiary, Tysagaz, was granted a 20-year term production licence with additional acreage in western Ukraine. The Uzhgorod licence covers approximately 75,000 acres, which is a 50% increase from its original size of 50,000 acres.

On March 12, 2016, the Corporation established CNG (Ukraine), owned by Tysagaz LLC (99%) and Iurii Tsvietkov (1%).

On March 15, 2016, the Corporation established a wholly-owned subsidiary, CNG Holdings (Netherlands).

On April 8, 2016, Tysagaz successfully transferred the Uzhgorod production licence from Tysagaz to CNG.

On May 4, 2016, CNG Holdings purchased 99% in CNG (Ukraine). On June 9, 2016, CNG Holdings purchased the remaining 1% in CNG (Ukraine).

On June 9, 2016, with an effective date of June 13, 2016, the National Bank of Ukraine allowed limited repatriation of dividends accrued for 2014 and 2015 financial years (with the general dividend repatriation ban remaining in place). The National Bank of Ukraine set the upper limit for dividends that could be paid abroad during a calendar month being the amount not exceeding the larger of the two indicators (a) \$1 million; or (b) 10% of the total volume of dividends payable but not more than \$5 million.

On July 8, 2016, the Corporation entered into a share purchase agreement and shareholders’ agreement with NAFTA, each owning 50% interest in the CNG Holdings, which in turn owns CNG, 100% owner of Uzhgorod production licence in western Ukraine.

On July 20, 2016, the North Makeevskoye exploration licence owned by Kub-Gas was extended through December 29, 2020.

On April 1, 2016, Tysagaz suspended production on the RK field due to termination of the gas blending contract. The Corporation purchased a used Nitrogen Rejection Unit in August 2016 and upon successful installation and operation, it will resume production on RK field.

On September 14, 2016, the National Bank of Ukraine extended through December 15, 2016 the restriction on cross-border dividends with the limited monthly dividends repatriation allowance as discussed above.

On November 15, 2016, the Corporation signed a new Pelicourt line of credit agreement effective on January 31, 2017, upon expiration of the current agreement. The line of credit will be the \$2,000,000 currently outstanding with no additional amount available to be drawn down. The interest rate was amended from the current 9% to 12%. 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 KUBGAS HOLDINGS. 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 December 8, 2016, the Board of Directors of the Corporation granted options to acquire 15,000,000 common shares of the Corporation to directors, officers, employees and consultants.

On December 13, 2016, the Corporation sold its shares in Anatolia for nominal consideration.

On December 13, 2016 the NBU extended indefinitely or until otherwise lifted or amended by the NBU the general restriction on cross-border dividends but simultaneously continued on the permission to repatriate dividends declared in 2014 and 2015 FYs within the monthly limits as discussed above.

On December 28, 2016, the Corporation's wholly-owned subsidiary, Tysgaz, was granted a 20-year term production licence with additional acreage in western Ukraine. The Stanivske licence covers approximately 31,000 acres, which is a 41% increase from its original size of 22,000 acres.

TWO SIGNIFICANT BUSINESS TRANSACTIONS

During 2016, the Corporation saw changes in ownership at KUBGAS HOLDINGS and CNG Holdings.

At KUBGAS HOLDINGS, Serinus sold its 70% working interest to Resano. The Corporation waived its right of first refusal to buy the 70% working interest from Serinus in exchange for Resano giving Gastek (Cub) an additional 5% working interest. As a result of the transaction, the Corporation continues its participation as a 35% shareholder in KUBGAS HOLDINGS instead of the prior 30% shareholding for no additional consideration. Additionally, the Corporation has the ability to further increase its ownership interest in KUBGAS HOLDINGS from 35% to 40% by: (1) earning an additional 2.5% ownership interest from Resano when Resano has received a cumulative US \$25 million in dividends from KUBGAS HOLDINGS; and (2) an option to purchase within one year of the above-mentioned 2.5% transfer from Resano a further 2.5% ownership interest in KUBGAS at a price equal to 2.5% of the net present value of 2P reserves at a 10% discount at the time of exercise. Gastek, Resano and KUBGAS HOLDINGS signed an amended shareholders' agreement on July 1, 2016 (filed simultaneously with this AIF).

KUBGAS HOLDINGS holds a 100% interest in KUB-Gas LLC, a Ukrainian entity with five production licences and one exploration licence in eastern Ukraine.

At CNG Holdings, which holds a 100% interest in CNG, a Ukraine entity with one production licence in western Ukraine, the Corporation sold 50% of its working interest to NAFTA. Under the terms of the parties' share purchase agreement and shareholders' agreement executed on July 8, 2016, NAFTA paid the Corporation EUR1.5 Million (\$ 1.7 Million) upon transfer of the 50% shares and agreed to: (1) fund a 100 square kilometre 3D seismic survey; (2) fund the drilling of first three wells; and (3) fund the tie-in costs of the first three wells up to a maximum €0.2 million (\$0.2 million).

DESCRIPTION OF BUSINESS AND OPERATIONS

Overview

Cub is a junior oil and gas issuer involved in the exploration and development of oil and gas in Ukraine. The Corporation has offices in Houston, Texas, Kyiv, Ukraine and Calgary, Canada, and is one of the larger independent oil and gas producers in Ukraine. Cub has a significant land base in the Dnieper-Donets Basin, as well as in the under-developed Transcarpathian Basin which Cub's management believes has great potential with proven source rock, reservoirs, seals and proven gas accumulations. As at December 31, 2016, Cub has nine licences with approximately 311,000 gross acres and approximately 142,000 net acres in Ukraine. In the Dnieper-Donets Basin, Cub is the 35% indirect owner of six licences (five production licences and one exploration licence) totalling approximately 71,000 net acres. In the Transcarpathian Basin, Cub is the 100% owner and operator of two production licences and 50% owner of another production licence, totalling approximately 71,000 net acres.

The Corporation's business plan is to focus on seeking energy opportunities which meet its business model criteria of developing fields at moderate depths with reserves which have been discovered but undeveloped. The Corporation's strategy is to use western technology and local expertise to grow its proven undeveloped reserves and build a portfolio of low-risk development prospects in Ukraine to capitalize on high regional gas prices. The Corporation will seek properties in which the value can be enhanced by using technology such as 3D seismic data and fracture stimulation.

Cub continues to review and evaluate prospects that fit its business model in countries with a favourable business structure, stable government and that offer moderate-risk exploration and development opportunities. It is Cub's

intention to continue to invest in exploration prospects as the revenues and cash flow from its oil and gas investments grow and stabilize.

Oil and Natural Gas Exploration and Production

Cub is focused on enhancing gas production and production revenues in Ukraine and expanding its portfolio through the evaluation of new opportunities for investment.

Despite the ongoing military conflict in eastern Ukraine, Cub management anticipates that its Ukrainian assets will provide ongoing revenues from gas and condensate production.

(in thousands of US dollars)	Year ended December 31, 2016	Year ended December 31, 2015
Petroleum and natural gas revenue (Tysagaz)	\$1,456	\$4,210
Pro-rata petroleum and natural gas revenue (Kub-Gas) ⁽¹⁾	\$17,704	\$22,806
Revenue from gas trading	\$6,915	\$Nil

NOTES:

(1) Pro-rata petroleum and natural gas revenue is a non-IFRS measure that adds the Corporation's petroleum and natural gas revenue earned in the respective years to the Corporation's 35% (2015 – 30%) equity share of the Kub-Gas petroleum and natural gas sales that the Corporation has an economic interest in.

Key Personnel

The management of Cub is led by its Chief Executive Officer and Executive Chairman, Mikhail Afendikov. The remaining officers include Cliff West as Chief Operating Officer, Patrick McGrath as Chief Financial Officer, and Rebecca Gottsegen as General Counsel, Corporate Secretary and Chief Compliance Officer. The team has extensive experience in managing and growing oil and gas companies, has demonstrated transaction structuring capability and has extensive technical and international oil and gas experience. The senior management and key technical personnel have in-depth expertise on the mechanics of evaluating potential opportunities with respect to both commercial and technical risks and have a record of success in the international oil and gas business in South America, Europe and North America. The team has overall expertise in all professional disciplines impacting international oil and gas projects.

Specialized Skill and Knowledge

Management of Cub has an extensive breadth of knowledge and experience, including but not limited to the following:

- Cub's management team has over 100 combined years of oil and gas experience with international expertise needed to successfully develop and manage its portfolio of oil and gas assets;
- Cub's management team has extensive business experience in Ukraine;
- Cub's management team believes that the utilization of hydraulic fracturing may play an important role in the development of Ukraine's natural gas resources, specifically in the development of gas trapped in the low permeability shales and low porosity and low permeability sands. Cub's Houston office has access to frac evaluation and design technology through third party vendors that specialize in the development of unconventional resources and has started to utilize these available services to evaluate the shale, low porosity and low permeability gas saturated formations in its operating area. If proven to be successful, this technology could enhance the value of the existing properties since no value has been assigned to this type of potential resource in the past;
- Cub's management has a track record of delivering value in the upstream oil and gas business, including sourcing and executing, discovery and development of oil and gas production and arranging appropriate financing to fund the necessary capital commitments;
- Cub's management has deal-making capabilities which has led to transactions being executed from initial scoping of a deal through to due diligence and finalization of contracts; and

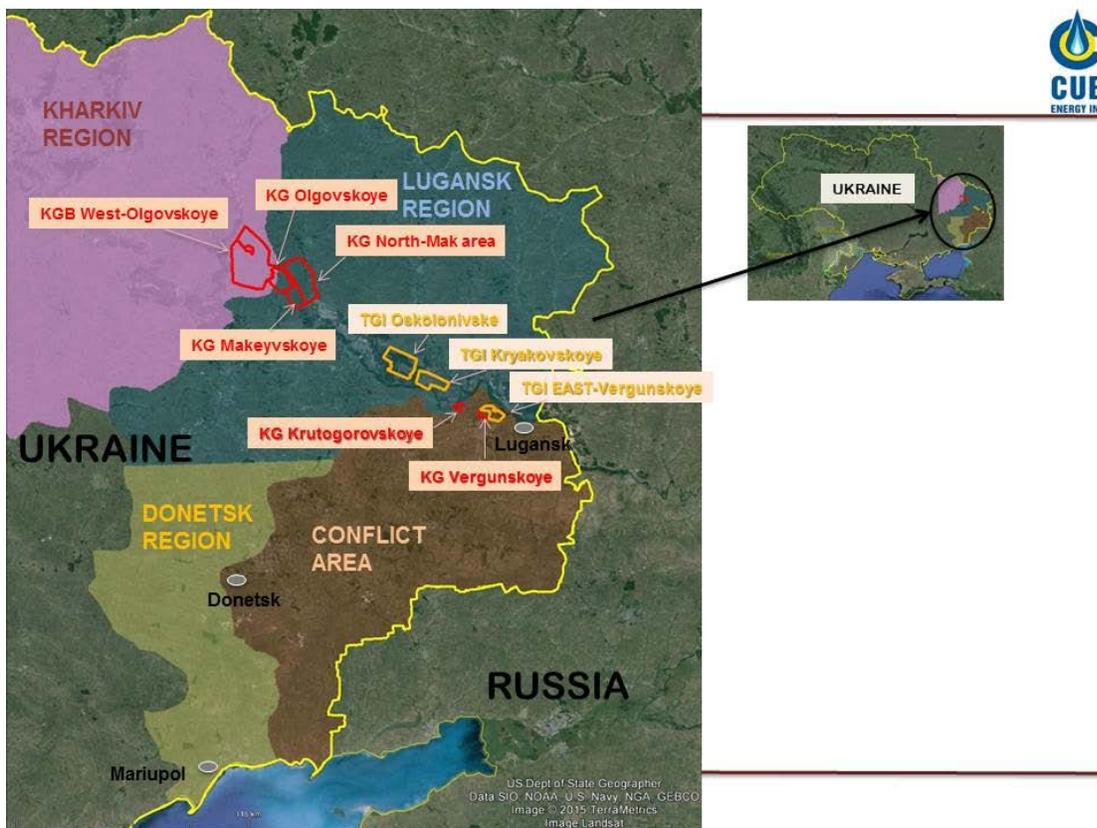
- Cub has an international technical team with knowledge of hydrocarbon basins in North America, South America, Europe, the Middle East and Russia.

Management of Cub believes that its international experience, its deal making capability and the quality of its technical team, among others, will continue to be key factors in achieving its strategic objectives.

Military Conflict with Russian-Backed Rebels in Eastern Ukraine

After the annexation of Crimea in March 2014, Russian-armed rebels moved to into eastern Ukraine – more specifically, the Donetsk and Lughansk regions, resolved to claim these territories. Military conflict raged on through September 5, 2014 when a brokered ceasefire halted the violence for a few days. Violence resumed shortly thereafter and grew worse into the first quarter of 2015, with a total of over 9,000 casualties since the conflict began. The military conflict is closely monitored by the Corporation to ensure that employees working in eastern Ukraine are a safe distance from the zones of armed conflict. From June 27 through October 2, 2014, field operations at Kub-Gas were suspended due to the conflict and two fields located in rebel-held territory (Vergunskoye and Krutogorovskoye fields at Kub-Gas) were shut in and remain shut in as of the date of this AIF. Importantly, production has remained uninterrupted during the military conflict with the exception of the Vergunskoye and Krutogorovskoye fields at Kub-Gas, which were shut-in in June and remain shut-in. These two fields represent approximately 2% of Cub’s total production.

In February 2015, leaders of Ukraine, Russia, France and Germany negotiated a peace deal, which resulted in a dramatic reduction in military clashes and casualties; however, scattered fighting between Ukrainian and separatist forces still occur in eastern Ukraine. See map below.



Competitive Conditions

Cub believes that it has a particular competitive advantage in its operating areas in eastern and western Ukraine. By having existing production infrastructure and on-the-ground operating capacity on both sides of the country, Cub is well positioned to take advantage of acquiring any farm-in, third party acquisitions and any government-offered licences that may become available in the future.

Cub further believes that the Transcarpathian Basin, where its RK, Uzhgorod and Stanivske fields are located, is under-explored and presents an opportunity for Cub to become the dominant operator in the area due to its experience in the evaluation and ultimate development of the assets already controlled by Cub in the area. Cub's partnership established with NAFTA in 2016 on the Uzhgorod block will provide additional resources to develop this field.

Companies operating in the petroleum industry must manage risks, which are beyond the direct control of company personnel. Among these risks are those associated with exploration, transportation infrastructure (including access), environmental damage, fluctuating commodity prices, foreign exchange rates and interest rates, changes in law and its application and adjudication, changes in political regimes, military conflict and competition from other oil and gas companies active in Ukraine (also see "*Industry Conditions – Overview of Ukraine Market and Oil and Gas Industry – and Market Conditions for Oil and Gas Companies*").

Cycles

Prices for crude oil and natural gas are subject to periods of volatility. Prolonged increases or decreases in the price of oil and gas could significantly impact Cub. See "*Principal Oil and Gas Assets – Overview*" for a more detailed discussion on pricing.

There is a strong relationship between energy commodity prices and access to both equipment and personnel. High commodity prices also affect the cost structure of services, which may impact Cub's ability to accomplish its drilling, completion and equipping goals. In addition, weather patterns are unpredictable and can cause delays in implementing and completing field projects.

The oil and gas business is cyclical by nature due to the volatility of oil and gas commodity pricing as described above. Additionally, seasonal interruptions in drilling and construction operations can occur but are expected and accounted for in the budgeting and forecasting process. In Ukraine, access to drill sites and the ability to conduct seismic operations can be negatively impacted by cold weather and snow during the winter months and by heavy rains and muddy conditions caused by rain and melting snow in March and April and during various harvest and growing seasons for agriculture.

Foreign Corrupt Practices Policy

The Corporation has implemented a Code of Business Conduct and Ethics Policy, as well as a Business Integrity Policy, including anti-retaliation provisions, to mitigate the risks posed by exposure to foreign corrupt practices. All officers, directors, employees, consultants, contractors and agents are aware of the policies and have agreed to abide by them. Currently, the management and staff of the Corporation have extensive experience with global operations, as discussed in "*Description of the Business and Operations-Specialized Skill and Knowledge*" of this AIF, and are aware of the requirements of the foreign corrupt practices regulations and how to operate within those regulations and laws in the jurisdictions relevant to the operations of the Corporation.

Employees

As of December 31, 2016, Cub had eight direct employees. In addition, Cub operates both directly and indirectly in Ukraine: (i) directly, through its 100% ownership of Tysgaz and its 50% ownership of CNG, 44 employees; and (ii) staff of approximately 242 employees indirectly through its 35% ownership of Kub-Gas in eastern Ukraine.

Material Non-Oil and Gas Agreements

Pelicourt Line of Credit and Addendum

On September 30, 2012, Cub entered into an agreement for the Pelicourt Line of Credit. Pelicourt is Cub's largest shareholder and has a common officer and director in Mikhail Afendikov, Cub's Chief Executive Officer and Executive Chairman. Cub drew down \$1,260,000 under the Pelicourt Line of Credit in 2012, which was repaid in full by December 31, 2012. On October 2, 2013, Cub announced it extended and increased the Pelicourt Line of Credit to \$5 million at an interest rate of 9% payable semi-annually. The Pelicourt Line of Credit must be drawn down in minimum tranches of \$500,000 and expires on September 30, 2016. As at December 31, 2014, Cub had drawn down \$2,000,000 of the Pelicourt Line of Credit to fund development efforts on the RK field; however, Pelicourt notified Cub 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 would not be able to provide any further funding under the Pelicourt Line of Credit in 2015 and 2016. On November 14, 2014, through an Addendum to the Pelicourt Line of Credit, Pelicourt agreed to defer interest payments due on the Pelicourt Line of Credit through and until December 27, 2015. In a Second Addendum, executed 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. Effective January 31, 2017, Cub and Pelicourt entered into a new loan agreement. The line of credit will be the \$2,000,000 currently outstanding with no additional amount available to be drawn down. The interest rate was amended from the current 9% to 12%. 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 KUBGAS HOLDINGS. 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.

PRINCIPAL OIL AND GAS ASSETS

Ukraine

Cub holds an interest in a total of nine oil and gas licences in Ukraine, which are listed in the table and figure below:

Tysgaz Licences	Kub-Gas Licences	CNG Licences
(100% Cub ownership):	(35% Cub ownership interest):	(50% Cub ownership):
Rusko-Komarivske ("RK") Field	Olgovskoye ("O") Field	Uzhgorod ("U") Licence Area
Stanivske ("S") Field	Makeevskoye ("M") Field	
	North Makeevskoye ("NM") Area	
	Krutogorovskoye ("K") Field	
	Vergunskoye ("V") Field	
	West Olgovskoye ("West O") Field	



Wells existing on each of the fields listed above are referred to throughout this AIF with a number following the abbreviated name of the well. For example, wells existing on the Olgovskoye field are referred to herein as O-8, O-11 etc., wells drilled on the Makeevskoye field are referred to as M-19, M-21 etc., and the same for each of the oil and gas assets of the Corporation.

Overview

Ukraine is situated in Eastern Europe, north of the Black Sea and the Sea of Azov and bordered by Poland, Slovakia and Hungary to the west, Romania and Moldova to the south and southwest, Belarus and Russia to the north and Russia to the east and south (Crimea). Principal natural resources are iron ore, coal, manganese, natural gas, oil, salt, sulphur, graphite, titanium, magnesium, kaolin, mercury and timber. With 54% of its area being arable land, an important component of the economy of Ukraine is agriculture. Ukraine achieved independence from Soviet rule in 1991 with the dissolution of the USSR.

According to The World Fact Book (www.cia.gov/library/publications/the-world-factbook), estimated oil production in 2015 was 35,910 Bbls/d, ranking Ukraine 62nd in the world in oil production. As at January 1, 2016, it was estimated that Ukraine had proved oil reserves of 400 million Bbls, ranking it 55th in comparison to the world. Natural gas production in 2015 was estimated at 19.9 billion cubic metres while consumption during 2015 was estimated to have been 33.8 billion cubic metres.

Oil production began in Ukraine in the 1880s but the hydrocarbon basins of Ukraine remain only partially explored due to Ukraine's historical reliance on imports and the high costs associated with drilling due to the depth at which most reserves have been found. Investment into geological exploration and prospecting since independence has been limited, largely due to political instability and an evolving legal system. The Ukrainian government has established a policy of encouraging domestic production to satisfy the country's internal demand and improve the country's security of supply and consequently reduce reliance on foreign imports, particularly from Russia.

The Ukrainian oil and gas industry is dominated by state-owned companies. Private and foreign investors have sought opportunities in Ukraine as a result of the government's energy strategy aimed at substantially increasing domestic production.

Naftogaz is the largest of the Ukrainian state-owned companies and it dominates exploration and production. Naftogaz also owns the main oil and gas pipelines, gas processing facilities, the import and transit rights of gas and gas distribution rights in Ukraine. Naftogaz has entered into agreements with many foreign companies to enable an acceleration of hydrocarbon development in Ukraine. Among the foreign companies currently active in Ukraine are Cub, Burisma, JKK Oil & Gas plc, Regal Petroleum plc, Arawak Energy Ukraine BV, Geo Alliance and Cadogan Petroleum plc.

The gas prices realized in the first, second, third and fourth quarters were \$6.23/Mcf, \$5.55/Mcf, \$5.48/Mcf and \$6.39/Mcf, respectively. The exchange rate versus the USD was 27.2 UAH/USD at the end of the fourth quarter of 2016, which represents a devaluation of the UAH over 2016 of approximately 11%. The future of natural gas prices and exchange rates in Ukraine is currently subject to a high degree of uncertainty and it is unknown what future prices Cub will receive on its Ukraine production.

All of the natural gas production of both Kub-Gas and Tysgaz is sold in the domestic industrial market. The average realized price from production revenues from the assets of Kub-Gas and Tysgaz for 2016 was \$6.11 per Mcf for natural gas and \$51.66 per Bbl for condensate. Natural gas sales for a certain month's production are usually prepaid on the 10th day of that month, which is also the date that any adjustments to actual production from the previous month are settled.

The success of Cub in Ukraine largely will be dependent on its ability to deal effectively with the legal and regulatory issues which affect the oil and gas business in Ukraine while at the same time maximizing production capability of its assets. See "*Risk Factors*".

Special Permitting and Regulatory Regime in Ukraine

The discussion in this section is intended to provide a broad overview of the regulatory regime for all oil and gas exploration and production activities conducted within Ukraine. The specific gas producing assets owned by Cub through Kub-Gas and Tysgaz are described below in "*Kub-Gas Assets*" and "*Tysgaz Assets*", respectively. CNG just began 3D seismic on the Uzhgorod field at the end of 2016. Both Kub-Gas, Tysgaz and CNG have health and safety personnel that monitor their compliance with environmental and safety regulations. The health and safety personnel are also sensitive to the social needs of the local community and from time to time will aid in the repair or renovation of local public facilities such as schools and recreational areas.

The regulation of hydrocarbons in Ukraine is administered by a number of governmental bodies including the Ministry of Fuel and Energy of Ukraine, which is responsible for matters including energy strategy and regulation, the Ministry of Environmental Protection and the State Service for Geology and Mineral Resources of Ukraine (the "State Geology Service"), the latter of which is currently responsible for the award of exploration and development special permits and production special permits.

As a general rule, special permits for subsoil use are granted to eligible applicants on an auction basis. This is generally a minimum of a three-month process. After permit issuance, the licensee and the State Geology Service also enter into a special permit agreement – which is deemed an integral part of the special permit. Exploration and development special permit agreements contain minimum work program obligations in respect of matters such as: (i) undertaking seismic surveys; (ii) exploration drilling; (iii) well work-overs; (iv) reserves estimation and other studies; and (v) environmental impact assessments. The State Geology Service may insert additional special conditions, such as minimum production requirements.

Special permits for exploration (including pilot production) of on-shore deposits are generally granted for a period of five years. A subsoil user also has a pre-emptive right to extend the term of an existing special permit on a non-auction basis, provided that the subsoil user adhered to its obligations with respect to that special permit and can explain why additional time is needed to complete the exploration (i.e., to confirm reserves on the field). The term may be extended for up to two consecutive five-year terms.

Please note that pilot production for an exploration licence is statutorily capped at 10% of previously estimated reserves, with limited exceptions.

Special permits for commercial production are issued for 20-year terms. The permits may be extended, although the legislation does not state how many times. The holder of a special permit for exploration at a particular field has the pre-emptive right to apply for a commercial production licence without the need for an auction, assuming that the holder is compliant with the terms of its licence, including special permit agreement and work program. The fee associated with the conversion of a special permit to a commercial production licence is equal to what the initial auction bidding price would be for the production licence, which is calculated based on a formula incorporating reserves value, operating costs, taxes, annual income and capital investments.

The issuance of a special permit for exploration (including pilot production) or commercial production of oil and gas is also conditional on: (i) the local authorities consenting to allocate the surface land plot(s) necessary for the subsoil activities; and (ii) the approval of the regional departments of the Ministry of Environmental Protection of Ukraine. The commencement of oil and gas commercial production is also subject to: (i) the State Service of Mining Supervision and Industrial Safety of Ukraine granting a mining allotment to the subsoil user; (ii) approval of the respective subsoil plot for commercial production by the Ministry of Energy and Coal Industry of Ukraine; and (iii) putting the subsoil plot into production.

The State Geology Service can prescribe the special conditions for natural resources utilization, which are usually provided in the respective special permit and special permit agreement.

If a special permit holder fails to meet its obligations under the special permit, special permitting agreement or the respective work program, then it is considered to be in default and must either cure the default or risk losing the special permit. There is no set cure period, although the special permit holder has the option of appealing in court. Ukrainian legislation further provides for the suspension, annulment or re-registration of a special permit.

A subsoil user that wishes to commence commercial production at the subsoil plot must additionally proceed as follows in order to transfer the subsoil plot from the exploration and pilot production stage to the commercial production stage and to become eligible for a commercial production special permit. The subsoil user must: (i) complete the geological survey and the pilot production of the subsoil plot in compliance with the work program and the agreement on subsoil use (e.g., to prepare a draft estimation of the reserves based on the exploration results, to receive approval of the State Commission on Reserves of Mineral Resources and to register the deposit's reserves); (ii) receive approval of the Ministry of Energy and Coal Industry for further commercial production of the deposit; and (iii) commence commercial production at the deposit.

A subsoil user may obtain a special permit for commercial production by participating in an auction procedure. It takes the State Geology Service at least three months to hold an auction and grant a special permit to the winner. Such special permits for commercial production are usually issued for 20-year terms. However, it should be noted that in the last 10 years not a single special permit for commercial production has been auctioned, though it is not forbidden by the law. The norm is that only geological exploration licences are put on auction.

Licences

Under applicable Ukrainian legislation, a special permit must be obtained for each particular type of subsoil use. In most cases, special permits for subsoil use are granted to eligible and legal entities that are compliant with the requirements of Ukrainian law on an auction basis. Each special permit will have an agreement on the terms and conditions of subsoil use annexed to it. This agreement is an integral part of the special permit. It is usually signed between the successful bidder of the auction and the State Geology Service once the special permit has been issued. It contains the main terms and conditions pertaining to surveying, exploiting, drilling and producing mineral resources at a particular area of subsoil and may contain additional provisions regarding the social and environmental obligations of the subsoil user.

Kub-Gas currently holds permits for production of natural gas, condensate and oil at Makeevskoye, Olgovskoye, West Olgovskoye, Krutogorovskoye and a permit for production of natural gas and helium (depths above 1,000 metres) at Vergunskoye. In December 2010, Kub-Gas acquired an exploration licence in the North Makeevskoye area. The

award of the North Makeevskoye exploration licence to Kub-Gas was for a five-year term commencing December 29, 2010, which has been extended through December 29, 2020.

Tysagaz is the title holder to two 100%-owned production licences in Ukraine: the RK and Stanivske gas fields. The Uzhgorod production licence in western Ukraine's Transcarpathian Region, is owned by CNG (Cub has 50% interest).

Kub-Gas Assets

As at December 31, 2016, Cub indirectly holds an effective 35% ownership interest in Kub-Gas through its wholly-owned subsidiary, Gastek. Kub-Gas, a private Ukrainian company which owns gas production assets and certain well servicing assets, is one of the larger private gas producers in Ukraine and sells gas domestically. The Kub-Gas assets are, among other things, the Kub-Gas Licences, which consist of the 100% working interests in six licence areas: Olgovskoye, West Olgovskoye, Makeevskoye, Vergunskoye, Krutogorovskoye and the North Makeevskoye area in the Lugansk region of eastern Ukraine. The Kub-Gas Licences are situated in the northeastern part of Ukraine in the Dnieper-Donets Basin. Information related to each of the five licences is summarized below. The Dnieper-Donets Basin accounts for 90% of the natural gas production of Ukraine and is well served by transport infrastructure. Kub-Gas also owns five gas processing facilities, a snubbing unit, two service rigs, inventory of spare parts, support vehicles, land and buildings.

Licence Name	Licence Type	Approximate Gross Acreage	Expiry
Olgovskoye	Production	22,000	February 6, 2032
West Olgovskoye	Production	111,000	June 3, 2035
Makeevskoye	Production	18,000	April 9, 2032
Vergunskoye	Production	2,000	September 27, 2026
Krutogorovskoye	Production	3,000	August 30, 2033
North Makeevskoye	Exploration	<u>47,000</u>	December 29, 2020
		203,000	

The map below depicts the locations of the Kub-Gas Licences:



Exploration special permits were reissued incorporating new licence areas on August 11, 2009 with five-year terms. Kub-Gas had priority options to convert the exploration special permits to full 20-year production special permits at expiry. The Vergunskoye special permit, which has been on production since the 1970s, was converted to a 20-year production special permit in 2006. The Olgovskoye special permit was replaced by a 20-year production special permit on February 6, 2012. The Makeevskoye special permit was replaced by a 20-year production special permit on April 9, 2012. The Krutogorovskoye special permit was replaced by a 20-year production special permit on August 30, 2013. The North Makeevskoye special permit was extended on July 20, 2016.

During 2016, Kub-Gas performed the following operations:

Kub-Gas Assets	Wells/Operations
Makeevskoye Field	M-22 ⁽¹⁾
	M-23 ⁽²⁾

Notes:

- 1) The fracture stimulation on M-22 was unsuccessful. Kub-Gas is planning to re-perform fracture stimulation of M-22 in 2017.
- 2) The M-23 well was drilled to target depth of 2,550 meters. A fracture stimulation on the well was performed in the B-7 zone with poor results. Kub-Gas will attempt to complete the well in the B-3 zone.

Kub-Gas' average production during 2016 was 20.0 MMcf/d of natural gas (7.0 MMcf/d net to Cub's 35% interest in Kub-Gas) and 96 Bbls/d of condensate (34 Bbls/d net to Cub's 35% interest).

Natural gas is currently produced from two of the licence areas (Makeevskoye and Olgovskoye), which have been productive since Cub acquired the interest in March 2012. In June of 2014, the Vergunskoye and Krutogorovskoye fields, located in close proximity to the Russian rebel-occupied territories, were shut-in and remain shut-in due to security risks and violence in the area. These two fields represented approximately 2% of Cub's then total production.

General Geology

The majority of Ukrainian hydrocarbon reserves occur in the Dnieper-Donets Basin, an elongated basin of northwest to southeast orientation that is comparable in size and geology to the North Sea Central Rift. The Kub-Gas fields are located in the northern flank of the southeast sector of the Dnieper-Donets Basin, where source rocks are more deeply buried and have generated gas and condensate. The reservoirs are mainly in lower to middle carboniferous sandstones, but there are also pools in inter-bedded limestones.

The Dnieper-Donets Basin covers an area of approximately 31,000 km² and the more than 110 natural gas pools within it account for 90% of Ukrainian natural gas production. The Dnieper-Donets Basin, which is dominated by natural gas production, is oil productive in the northwestern and the southeastern regions, where the Kub-Gas assets are located.

The overall depositional setting of these reservoirs is typical of the flank terraces of the Dnieper-Donets Basin, where sands were deposited in on-shore fluvial to near-shore marine conditions. The Carboniferous section comprises a sequence of alternating sandstones, siltstones and shales, with occasional limestone members that may represent 'hard-grounds' or calcrets formed during periods of emergence. Log analyses indicate that the sand reservoirs are likely shallow marine off-shore sandbars, fluvial channels and fluvial point-bars.

The Dnieper-Donets-Pripyat Graben is a narrow, elongated, northwest trending trough located between two basement highs. This basin, measuring 1,500 kilometres by 200 kilometres, has a prospective area of more than 100,000 km². The Dnieper-Donets-Pripyat Graben can be sub-divided into a northern and a southern faulted terrace and a deep axial zone. The sedimentary fill is four to five kilometres thick in the Pripyat Graben and five kilometres thick in the northwest of the Dnieper-Donets Basin, increasing to 20 to 22 kilometres thick in the southeast.

The main phase of rift basin development occurred during the Middle to Late Devonian. The oldest Devonian deposits within the Dnieper-Donets-Pripyat Graben comprise lacustrine and fluvial red-beds and poorly sorted sandstones. This sequence passes up into silts, clays and thin-bedded carbonates. The Upper Devonian is dominated by conglomerates, sandstones and clays, with some carbonates. Black argillaceous limestones and calcareous shales are believed to be the main source rocks. Units of anhydrite and thin halite punctuate this section and there is a thick salt unit in the axial part of the Dnieper-Donets Basin near the top of the Devonian section. This salt, originally 200 to 1,000 metres thick, has undergone halokinesis during the Late Devonian and Early Carboniferous and is to a greater or lesser extent responsible for structural development in the overlying sedimentary section. It also forms the regional seal to underlying reservoirs. The sub-salt sequence is deeply buried in the Dnieper-Donets Basin (3,500 to 4,500 on the terrace areas and 4,500 metres or more in the central axis of the basin).

The post-salt uppermost Devonian section varies considerably in thickness (100 to 1,000 metres), mainly due to halokinesis. This section and the overlying Lower Carboniferous sediments are dominated by shallow marine elastics, including organic rich shales (an oil and gas source in the Dnieper-Donets Basin) and sandstone reservoirs, with porosities up to 20%. This unit is unconformably overlain by some 2,000 metres of regressive, shallow marine to deltaic sediments, including multi-stacked with thicknesses of one to 55 metres, with porosities of 7% to 20%. This post-salt section contains the majority of the oil reserves in the Dnieper-Donets Basin, which occur in salt-controlled and stratigraphic traps. The overlying Upper Carboniferous to Lower Permian section is also dominated by shallow marine to continental elastics, up to 2,500 metres thick in the axial zone of the Dnieper-Donets Basin, and is overlain by anhydrite and halite. This section contains gas fields in the axial zone, with some minor gas reservoirs in shallow Upper Permian, Triassic and Jurassic sandstones.

Kub-Gas Work Program

During 2016, Cub experienced production decreases in its Ukrainian assets due to lack of reinvestment. During 2016, Kub-Gas results were as follows:

- Kub-Gas production averaged 20.0 MMcf/d (35% net: 7.0 MMcf/d) for the year ended December 31, 2016, as compared to average production rate of 23.1 MMcf/d (30% net: 6.9 MMcf/d) for 2015.
- During 2016, Kub-Gas conducted a fracture stimulation campaign on the M-22 well and drilled the M-23 well.
- The Vergunskoye and Krutogorovskoye fields at Kub-Gas, located in close proximity to the military conflicts remain shut-in. These two fields represented approximately 2% of Cub's total production.

The work program for 2017 has not been finalized. The technical team is considering drilling two wells on the O field and recently commenced a 150-kilometer 2D seismic survey on the West-O licence.

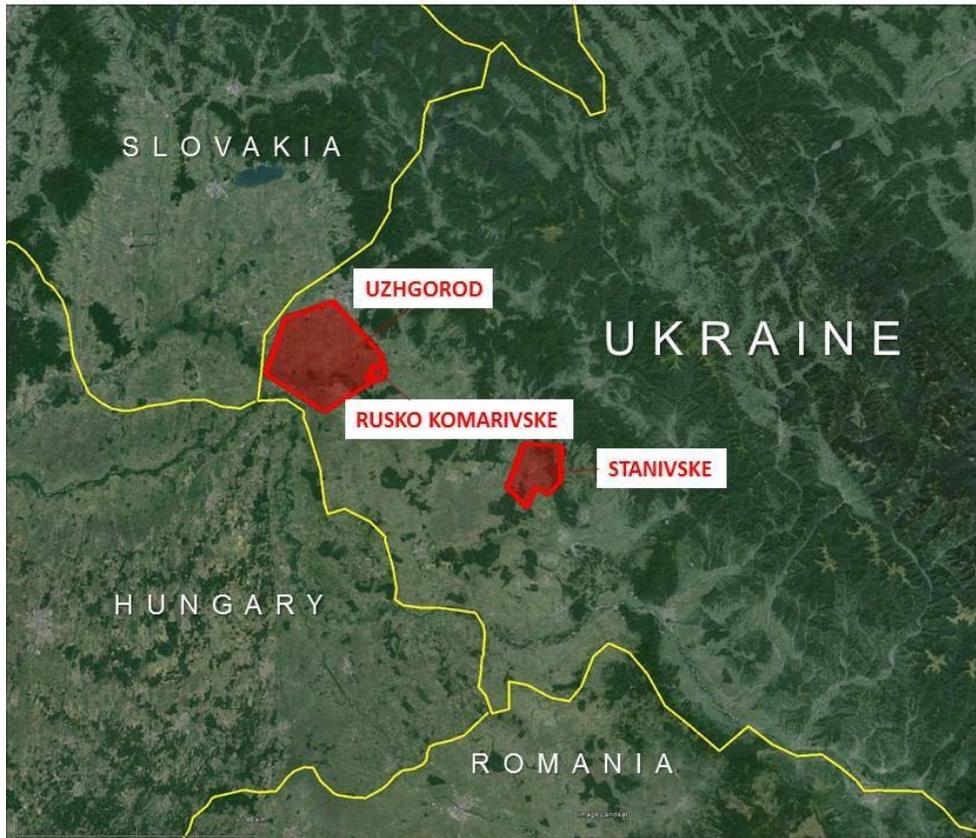
Tysagaz Assets

Cub holds a 100% ownership interest in Tysagaz through its wholly-owned subsidiary 3P International Energy Ltd. (“**3P International**”). As at December 31, 2016, Tysagaz is the title holder to two production licences in Ukraine: the Rusko-Komarivske and Stanivske gas fields in western Ukraine's Transcarpathian Region. Information related to the two licences is summarized below. Tysagaz owned the Uzhgorod licence as well until April 8, 2016, when it transferred the licence to CNG.

Licence Name	Licence Type	Approximate Gross Acreage	Expiry
Rusko-Komarivske	Production	2,000	December 31, 2030
Stanivske	Production	<u>31,000</u>	December 23, 2036
		33,000	

General Geology

The map below depicts the locations of the Tysagaz Licences (including CNG's Uzhgorod Licence) and the approximate boundaries of the greater Pannonian Basin and the Transcarpathian Sub-basin:



The Tysagaz assets are located in the Transcarpathian Sub-basin (“**TCSB**”) of the greater Pannonian Basin that covers much of Hungary, Slovakia, the western part of Romania and the southwestern region of Ukraine. The TCSB is an approximate 7,500 km² region located in western Ukraine bordering Hungary, Slovakia and Romania, which, to date, remains vastly underexplored in the Ukrainian region. The northeastern boundary of the TCSB is the Folded Carpathian Mountains and the southwestern boundary is the Beregovo Fault Zone which roughly parallels the boundary between Ukraine and Hungary. The gas prone TCSB is further divided into the Mukachevo and Solotvino depressions located in Ukraine and eastern Slovakia. The depression in eastern Slovakia has a reported 12 hydrocarbon fields: one oil and gas, four gas condensate and seven dry gas fields. The eastern Slovakia depression is adjacent to the Mukachevo depression in which the Tysagaz assets are located and the two areas share similar stratigraphy and geologic history. The sediments in the Mukachevo depression are Miocene organic rich shales interbedded with sandstone reservoirs, siltstones and shales that serve as source rocks and seals. The gas generation is thought to have begun in the early Miocene soon after burial, perhaps due to the higher than normal geothermal gradient which is observed in the RK-1 well (195°C at 4,000m) in the RK licence area and the Mukachevo-1 well (200°C at 4,200m) in the Stanivske licence area. The structuring and injection of igneous rocks into the surrounding sediments occurred in a timely manner to be in place during gas migration and the drape over an igneous intrusive dome consisting of gabbro-diabase-basalt from the trapping mechanism at the RK field.

In the Mukachevo depression where the Tysagaz assets are located there are three confirmed gas fields, as defined by the Ukrainian Ministry of Mines, and all are controlled by Tysagaz as follows:

- RK field: proven commercial production with average daily production of 0.1 MMcf/d during the year ended December 31, 2016 due to the temporary suspension on April 1, 2016, as compared to 1.5 MMcf/d for 2015.
- Stanivske field: on December 23, 2016, Tysagaz successfully converted the Stanivske exploration licence to a 20 year production licence and expanded its acreage to 31,000 acres. The field has gas accumulation, but commerciality yet to be established. There are no reserves or resources assigned to it.

- Uzhgorod field: on March 11, 2016, Tysagaz successfully converted the Uzhgorod exploration licence to a 20-year production licence and expanded its acreage to 75,000 acres. The Uzhgorod licence is located in the same gas-producing region as the fields above and gas shows have been reported in wells in and around the licence area. There are no assigned reserves or resources at this time. As noted below, Tysagaz transferred the Uzhgorod licence to CNG in April 2016, and CNG was subsequently sold to CNG Holdings (in which Cub currently holds a 50% interest).

Work Program

During 2016, Tysagaz completed the following work programs and achieved the following results:

- During the first quarter, the Corporation experienced increased production due to successful workovers on the RK-23 and RK-21 wells late in 2015 and early 2016 respectively.
- In April, The Corporation suspended production from the RK field as a result of the expiration of the gas blending contract. As an alternative to gas blending, the Corporation purchased a nitrogen rejection unit (“NRU”) in August 2016. The NRU compressors arrived in Ukraine in January 2017 and production is expected to resume in the second quarter of 2017 upon successful commission of the NRU.
- The Corporation performed a recompletion of RK-1 in December 2016 and preliminary tests indicated the well is capable of producing pipeline quality gas. Tysagaz has elected to tie-in the RK-1 well and simultaneously produce and continue to evaluate the well.

The Corporation is re-evaluating its 2017 future capital programs on its 100% owned and operated Tysagaz assets upon successful installation and operation of the NRU.

RK Field Licence

Tysagaz holds a 20-year production licence on the RK field which allows it to drill, develop and produce the field. The RK field has proven gas accumulation in seven reservoirs ranging in depth from approximately 1,000 metres to 1,700 metres. The formations with gas saturation known to date are the Miocene Sarmatian (L-1, D-2, D-3, D-4, D-5) and Upper Badenian (B-1, B-3). Formations which have tested gas but have not been shown to be commercial include the lower Miocene and Mesozoic formations tested in the RK-1 well drilled in 1982 and re-tested in 2014. The Corporation is considering testing the well again during 2016 in the Mesozoic formations where non-commercial quantities of pipeline-quality gas was encountered.

A 12 km² 3D seismic survey was acquired during the spring of 2013 on the Rusko-Komarivske licence. As a result of the 3D data the RK-22, 21 and 23 wells were drilled and completed and on production from December of 2013 through November 2014. The seismic data is currently being reprocessed.

Due to the lower than normal caloric content resulting from a high percentage of inert gasses, primarily nitrogen, the RK gas does not meet pipeline quality specifications without an upgrade. This issue was temporarily resolved through Cub’s gas blending agreement until it expired. The successful installation and operation of the NRU is expected to resolve the high percentage of nitrogen in the RK gas but there are no assurances. A new bill passed on November 27, 2015, amended the Ukraine Code on Gas Pipeline Systems, which among other things, may require all producers utilizing the pipeline to pay a tariff for access to the pipeline. It is not known yet if a tariff will be imposed.

The wells drilled prior to May 3, 2001, are owned by Zakhidukrgeologia, a subsidiary of National Joint-Stock Company Nadra Ukraine, and the two producing wells, RK-2 and RK-6, are being leased by Tysagaz until December 4, 2017 at a total rate of approximately UAH 27,000 per month. Upon expiry thereof, Tysagaz must return the wells to the owner unless an extension to the lease is granted.

The following licence is under evaluation and therefore is not assigned reserves at this time.

Stanivske Field

During the spring and early summer of 2013, a 45 km² 3D seismic survey was completed and, in 2014, the data was interpreted. As many as 15 prospects, with depth ranging from 500 to 2,500 metres, have been identified. The geological and geophysical study of the existing wells together with the wells previously drilled lead the technical team to believe that the license could hold commercial hydrocarbon deposits. A number of locations have been identified and could be drilled when financing and the investment climate in Ukraine improve.

CNG Assets

Cub holds a 50% ownership interest in CNG through its 50% ownership in CNG Holdings. NAFTA owns the other 50% working interest. NAFTA is 100% owned by NAFTA a.s., a Slovakian- based company with extensive experience in natural gas storage and underground facility development and is the Slovak leader in exploration and production of hydrocarbons, including a producing field (Patruska field) on the border of Slovakia and Ukraine.

Uzhgorod Licence

CNG owns the Uzhgorod 20-year production licence (converted from exploration to production licence on March 11, 2016) covers 75,000 acres and is on trend with the discoveries in the Republic of Slovakia, which adjoins the licence on the west. The Uzhgorod licence is also in close proximity to the RK field owned by Tysagaz. (See map above.) Approximately 35 line km of 2D seismic data was acquired in 2013. CNG commenced a 118 square kilometer 3D seismic survey at the end of 2016 and early 2017; however, it has been delayed due to weather.

Work Program

In 2017, CNG should complete a 3D seismic survey and hopes to identify multiple drill targets with the goal to drill the first well in late 2017.

TGI Assets

Cub held a 100% ownership interest in TGI through its wholly-owned subsidiary, Cub Energy Ltd. (formerly Listren Holding Co. Ltd.). TGI was the title holder to three licences in Ukraine: the East Vergunskaya Area, Kryakovskaya Area, and the Oskolonovskaya Area, but the licences expired in early 2016.

TGI was sold for nominal consideration on February 11, 2016. There was no carrying value of the TGI assets as they were written off during the year ended December 31, 2014.

Plant, Property and Equipment

Through Cub's 35% indirect interest in Kub-Gas, Cub owns five gas processing facilities, each of which is located on the Kub-Gas Licences, with a total capacity of 98 MMcf/d of natural gas throughput per day and a network of flow lines totaling more than 40 kilometres, to enable the production and sale of natural gas. Additionally, Kub-Gas wholly owns two service rigs, a snubbing unit, inventory of spare parts, support vehicles, land and buildings. In 2014, Kub-Gas completed the expansion of its facilities to increase throughput capacity from approximately 30 MMcf/d to 68 MMcf/d for the Makeevskoye and Olgovskoye fields. In 2015, Kub-Gas installed a new compression unit for the Olgovskoye field. During 2016, KUB-Gas decided to reduce its reliance on its internal service division and sold its 1,000 horse power drilling rig for gross proceeds of \$900,000.

Cub, through its wholly-owned subsidiary Tysagaz, owns two gas processing facilities, one on the RK field and one on the Stanivske field.

Material Oil and Gas Agreements

KUBGAS Shareholders' Agreement

On November 10, 2009, KOL Cyprus (renamed Serinus Holdings Limited (“**Serinus Holdings**”)), Gastek (now owned by Cub) and KUBGAS HOLDINGS entered into the shareholders' agreement governing Serinus Holdings' and Gastek's relationship as shareholders in KUBGAS HOLDINGS (the “**SHA**”). The SHA came into effect upon completion of the 70% Kub-Gas disposition to Serinus Holdings pursuant to two share purchase and sale agreements between Gastek and Serinus Holdings, under which Gastek agreed to sell a 70% interest in KUBGAS HOLDINGS to Serinus Holdings for a total cost of \$45 million (the “**Purchase and Sale Agreements**”) and was provisionally amended by letter agreement dated November 11, 2011 (the “**Letter Agreement**”).

Subsequently, on February 5, 2016, Serinus sold its 70% interest to Resano. As part of the sale and in exchange for Gastek waiving its right of first refusal/pre-emption rights, Resano transferred to Gastek an additional 5% interest and the ability to further increase its ownership interest from 35% to 40% of KUBGAS HOLDINGS by:

1. earning an additional 2.5% ownership interest from Resano when Resano has received a cumulative \$25 million in dividends from KUBGAS; and
2. an option to purchase within one year of the above-mentioned 2.5% transfer from Resano a further 2.5% ownership interest in KUBGAS at a price equal to 2.5% of the net present value of 2P reserves at a 10% discount at the time of exercise.

Gastek, Resano and KUBGAS HOLDINGS amended the SHA on July 1, 2016 (filed simultaneously with this AIF).

CNG Holdings Shareholders' Agreement

On July 8, 2016, Cub, NAFTA and CNG Holdings entered into a Shareholders' Agreement, whereby NAFTA earns a 50% interest in CNG Holdings, which in turn owns CNG (Ukraine) by: (1) funding a 100 square kilometre 3D seismic survey on the Uzhgorod licence; (2) funding the drilling of first three wells on the Uzhgorod licence; and (3) funding the tie-in costs of the first three wells up to a maximum €0.2 million (\$0.2 million)

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The Corporation's reserves were evaluated by Ryder Scott as of December 31, 2016 and prepared in accordance with NI 51-101. Ryder Scott is an independent qualified reserves evaluator appointed pursuant to NI 51-101. Ryder Scott has prepared a report dated March 14, 2017 effective December 31, 2016 and entitled “Estimated Future Reserves and Income Attributable to Certain Leasehold Interest in Ukraine – Makeevskoye, Olgovskoye Fields and Rusko Komarivske Field” for Cub's 100% interest in Tysagaz and Cub's 35% interest in Kub-Gas. In preparing the reports, Ryder Scott relied on certain factual information and data furnished by Cub and Kub-Gas with respect to ownership interests, gas production, historical costs of operation and development, product prices, agreements relating to current and future operations, sales of production and other relevant data to December 31, 2016.

The Corporation's *Statement of Reserves Data and Other Oil and Gas Information* on Form 51-101F1, the *Reports on Reserves Data by Independent Qualified Reserves Evaluators* on Form 51-102F2, and the *Report of Management and Directors on Oil and Gas Disclosure* on Form 51-101F3 in respect of the year ended December 31, 2016 are attached hereto as Exhibits “I”, “II” and “III”, respectively.

DIRECTORS AND OFFICERS OF THE CORPORATION

The following table sets forth, as of the date hereof, information relating to the directors and officers of the Corporation. Each director will hold office until the next annual meeting of the Corporation unless his or her office is earlier vacated in accordance with the CBCA.

Name, province or state and resident country of each Director and Officer ⁽¹⁾	Position held with the Corporation	Director of Cub since	Present principal occupation or employment within the last five years ⁽¹⁾
Mikhail Afendikov ⁽³⁾ San Rafael, California, USA	Executive Chairman, Chief Executive Officer and Director	December 2011	Mr. Afendikov is the Chairman and Chief Executive Officer of the Corporation and has been since December 2, 2011. Prior to that time, Mr. Afendikov was the Chief Executive Officer of Gastek LLC. Mr. Afendikov and his two business partners started Gastek in 2005 as their first investment in the oil and gas sector in Ukraine. Since 2005, Mr. Afendikov has been the Chief Executive Officer of Clarkson Investment LLC and since 1994 he has been a director of V.E.M.A. Shipping Co. Ltd. Mr. Afendikov is a medical doctor who graduated from Donetsk State Medical University in Ukraine in 1987.
Tim Marchant ⁽²⁾ Calgary, Alberta, Canada	Director	July 2013	Dr. Marchant has over 30 years petroleum experience in Canadian and international exploration, development, production and business development. From 1980 to 2009 Dr. Marchant was with Amoco and BP including positions as Chief Geologist Amoco Canada, Nile Delta Exploration Manager Amoco Egypt, VP Exploration BP Egypt Oil, Exploration Manager ExxonMobil Saudi Arabia, General Manager BP Abu Dhabi, President BP Kuwait Ltd. and VP Middle East E&P BP International. Dr. Marchant has been an Adjunct Professor of Strategy and Energy Geopolitics, Haskayne School of Business, University of Calgary since September 2009. Dr. Marchant is currently a non-executive director of Vermilion Energy Inc. and Valeura Energy Inc. Dr. Marchant has a Ph.D. Geology, Trinity College, University of Dublin, Ireland, 1978, completed the Ivey Executive Program, University of Western Ontario, 1994 and the Institute of Corporate Directors Education Program in 2011.
Frank Mermoud ⁽²⁾ Washington, DC, USA	Director	July 2012	Mr. Mermoud has extensive and high profile international experience in policy-making, international business, trade and investment. Mr. Mermoud has been the President of Orpheus International, a Washington D.C. based private advisory firm since June 2011. He also serves on the Executive Committee of the US-Ukraine Business Council and is a member of The Atlantic Council. Mr. Mermoud was a Managing Director of Monument Capital Group LLC, a Washington, DC based private investment firm, from 2010 to May 2011 and a Senior Partner at TD International LLC, a global strategic consultancy firm, from 2009 to 2010. Mr. Mermoud also served as the Secretary of State's Special Representative for Commercial and Business Affairs at the U.S. Department of State from 2002 through 2009. With nearly 30 years of 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 Bachelor of Science in Foreign Service degree from Georgetown University. Mr. Mermoud is fluent in French and has worked extensively throughout his career in Europe, Asia, Latin America and Africa.
Cliff West Houston, Texas, USA	Chief Operating Officer	N/A	Since 2008, Mr. West has been an independent consultant to several oil and gas companies with operations both in and outside of the USA. From 2004 until 2008, Mr. West was the Executive Vice President and Chief Operating Officer of Cardinal Resources plc., an oil and gas exploration company in Houston, Texas. During that period, Mr. West also served as the Chief Operating Officer of Taurex Resources, plc and Condor Exploration, Inc., both oil and gas exploration companies in Texas. Mr. West also served as a director of each of those companies. From September 2001 to April 2004, he worked as an exploration consultant for Range Resources and as an advisor to Carpatsky Petroleum, the predecessor of Cardinal Resources plc. Mr. West graduated in 1961 with a B.A. degree in Geology from the University of Southern Mississippi and in 1963 with an M.S. in Geology from West Virginia University. Mr. West is a Professional Geoscientist licenced by the State of Texas (Licence -1418), a Certified Petroleum Geologist (Licence -1563) and member of the American Association of Petroleum Geologists, a member of the Society of Exploration Geophysicists, a member of the Society of Petroleum Engineers, and a member of the Houston Geological Society.
Patrick McGrath Houston, Texas, USA	Chief Financial Officer	N/A	Mr. McGrath served as the Chief Financial Officer of Anatolia Energy Corp. from February 2011 to June 2013 which is a former wholly-owned subsidiary of Cub. From January 2010 to January 2011, Mr. McGrath was the Chief Financial Officer of Porto Energy Corp, an oil and gas exploration focused on Portugal. McGrath has served as President of Broderick Consulting Inc. from December 1999 to August 2013. From 2006 to 2009, Mr. McGrath was the Chief Financial Officer of

Name, province or state and resident country of each Director and Officer ⁽¹⁾	Position held with the Corporation	Director of Cub since	Present principal occupation or employment within the last five years ⁽¹⁾
			Hawthorne Gold Corp. (now China Minerals Mining Corp.) focused on precious metals in British Columbia, Canada. Mr. McGrath was Vice President of Finance at Adriana Resources (now Sprott Resource Holdings Inc.) from February 2008 to March 2009 which focused on the exploration and development of iron ore projects in Canada and Brazil. Mr. McGrath graduated from Memorial University of Newfoundland with a Bachelor of Commerce degree and is a CPA (CPA-CGA Canada).
Rebecca Gottsegen Houston, Texas, USA	Chief Compliance Officer, General Counsel and Secretary	N/A	Ms. Gottsegen has over 20 years of legal and business experience, representing and working with companies in a variety of industries. She is experienced in disclosure and securities regulation, FCP compliance, corporate governance, acquisitions, due diligence, HR functions, labor and employment/legal compliance, strategic planning, talent acquisition and management, development and administration of benefits, executive compensation and equity compensation plans. Prior to joining Cub in 2013, she was sole owner/principal of Rebecca Gottsegen LLC (consulting firm) (2012 to present) and practiced law with Fisher & Phillips LLP (2012 to 2013). From 2009 to 2012, Ms. Gottsegen was Vice President and Legal Counsel at Cal Dive International, a publicly-traded company, headquartered in Houston, Texas. From 1993 to 2009, Ms. Gottsegen was in private practice as a partner at Jones Walker law firm (1999 to 2009), and as an associate with the Kullman Firm (1993 to 1999). Ms. Gottsegen graduated <i>magna cum laude</i> from Loyola University in 1990, and <i>cum laude</i> from Loyola Law School in 1993. She is a member of the American Bar Association, Texas General Counsel Forum, Association of Corporate Counsel and the Institute of Corporate Directors.

Notes:

- 1) The information as to country of residence, principal occupation and number of Common Shares beneficially owned, or controlled or directed, directly or indirectly, is not within the knowledge of the management of Cub and has been furnished by the respective nominees and/or SEDI.
- 2) Member of the Audit Committee, Reserves Committee and Compensation, Governance and Nominating Committee.
- 3) Member of the Audit Committee.

As of the date hereof, the directors and officers of the Corporation beneficially own, or control or direct, directly or indirectly 2,485,572, being approximately 0.8% of the issued and outstanding Common Shares, 8,900,000 Options, being approximately 60% of the issued and outstanding shares, and 1,224,548 restricted share units (“RSUs”) being 100% of the issued and outstanding RSUs. Mr. Afendikov, the Corporation’s Chief Executive Officer and Executive Chairman, is a 31% owner of Cub’s largest shareholder, Pelicourt, which owns 124,336,089 Common Shares, being approximately 39.8% of the issued and outstanding Common Shares.

Cease Trade Orders

No director or executive officer of the Corporation is, as at the date hereof, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation) that: (i) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. In particular, certain of the directors and officers of the Corporation

are involved in managerial and/or director positions with other oil and gas companies the operations of which may, from time to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation. Conflicts, if any, will be subject to the procedures and remedies available under the CBCA. The CBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the CBCA.

Penalties or Sanctions

No director or executive officer of the Corporation, nor a Cub Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to: (i) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Bankruptcies

No director or executive officer of the Corporation, nor a Cub Shareholder holding a sufficient number of securities of the Corporation to materially affect the control of the Corporation: (i) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, 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; or (ii) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or Cub Shareholder.

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.

The Audit Committee's Charter

The Audit Committee charter is attached as Schedule “A” to this Annual Information Form.

Composition of the Audit Committee

The current members of the Audit Committee are Tim Marchant (Chair), Mikhail Afendikov and Frank Mermoud. All of the Audit Committee members are “financially literate” and are considered to be “independent” with the exception of Mr. Afendikov. The terms “independent” and “financially literate” have the meanings used in NI 52-110.

Relevant Education and Experience

Frank Mermoud

Mr. Mermoud has extensive and high profile international experience in policy-making, international business, trade and investment. He is currently the President of Orpheus International, a Washington D.C. based private advisory firm. 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 and a member of The Atlantic Council.

Tim Marchant

Dr. Marchant has over 30 years petroleum experience in Canadian and international exploration, development, production and business development. From 1980 to 2009, Dr. Marchant was with Amoco and BP in a variety of international executive and management positions. Dr. Marchant has been an Adjunct Professor of Strategy and Energy Geopolitics, Haskayne School of Business, University of Calgary since September 2009. Dr. Marchant is currently a non-executive director of Vermilion Energy Inc. and Valeura Energy Inc. Dr. Marchant has a Ph.D. Geology, Trinity College, University of Dublin, Ireland, 1978, completed the Ivey Executive Program, University of Western Ontario, 1994 and the Institute of Corporate Directors Education Program in 2011.

Mikhail Afendikov

Mr. Afendikov has been the Chairman and Chief Executive Officer of the Corporation since December 2, 2011. Prior to that time, Mr. Afendikov was the Chief Executive Officer of Gastek LLC. Mr. Afendikov and his two business partners started Gastek in 2005 as their first investment in the oil and gas sector in Ukraine. Since 2005, Mr. Afendikov has been the Chief Executive Officer of Clarkson Investment LLC and since 1994 he has been a director of V.E.M.A. Shipping Co. Ltd. Mr. Afendikov is a medical doctor who graduated from Donetsk State Medical University in Ukraine in 1987.

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.

Reliance on Certain Exemptions

Since the commencement of the Corporation's most recently completed financial year, the Corporation has not relied on the exemptions contained in Section 2.4 (*De Minimis Non-audit Services*) or Section 8 (*Exemptions*) of NI 52-110. Section 2.4 of NI 52-110 provides an exemption from the requirement that the Audit Committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed five percent of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Section 8 of NI 52-110 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

Pre-Approval Policies and Procedures

Formal policies and procedures for the engagement of non-audit services have yet to be formulated and adopted. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Board, and, where applicable, by the Audit Committee, on a case by case basis.

External Auditor Service Fees (By Category)

The aggregate fees billed by the Corporation's external auditors for the years ended December 31, 2016 and 2015 for audit fees are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees⁽¹⁾	Tax Fees⁽²⁾	All Other Fees⁽³⁾
December 31, 2016	CAD\$60,000	Nil	Nil	Nil
December 31, 2015	CAD\$55,000	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.

Exemption

The Corporation is relying on the exemption provided by Section 6.1 of NI 52-110 which provides that the Corporation, as a venture issuer, is not required to comply with Part 3 (*Composition of the Audit Committee*), which would otherwise require that every audit committee member be independent, and Part 5 (*Reporting Obligations*) of NI 52-110, which would otherwise require more detailed disclosure about the audit committee in this AIF.

COMPENSATION, GOVERNANCE AND NOMINATING COMMITTEE

Role of the Compensation Committee

The Corporation has established a compensation, governance and nominating committee (the "**Compensation, Governance and Nominating Committee**") currently comprised of two directors, Frank Mermoud (Chair and Tim Marchant. The Corporation considers Messrs. Mermoud and Marchant to be independent directors.

The mandate of the Compensation, Governance and Nominating Committee is to assist the Board in the review and approval of compensation matters. The Compensation, Governance and Nominating Committee makes specific recommendations regarding compensation of the Corporation's directors and named executive officers ("**NEOs**"), including the objectives of the compensation program, what the program is designed to reward and the elements of compensation. The Compensation, Governance and Nominating Committee also administers the Stock Option Plan and the RSU Plan.

The Compensation, Governance and Nominating Committee receives recommendations from the management of the Corporation and reviews and makes recommendations to the Board regarding the granting of stock options to directors and NEOs of the Corporation, as well as compensation for NEOs of the Corporation. NEOs may be compensated in cash and/or equity for their expert advice and contributions towards the success of the Corporation.

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 NEOs: (i) compensation is determined on an individual basis by the need to attract and retain talented, high-achievers; (ii) calculating total compensation is set with reference to the market for similar jobs in similar locations; (iii) an appropriate portion of total compensation is variable and linked to achievements, both individual and corporate; (iv) internal equity is maintained such that individuals in similar jobs and locations are treated fairly; and (v) 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 NEOs.

Compensation of all NEOs 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 reserves and production, continued low cost production and enhanced annual cash flow.

The Compensation Review Process

The form and amount of compensation payable to NEOs is evaluated by the Compensation, Governance and Nominating Committee and is guided by the following goals: (i) compensation should be commensurate with the time spent by the NEOs in meeting their obligations and reflective of the compensation paid by companies similar in size and business to the Corporation; (ii) the Corporation's compensation program should fairly compensate and motivate the NEOs; and (iii) the structure of the compensation should be simple, transparent and easy for shareholders to understand.

To determine compensation payable, the Compensation, Governance and Nominating Committee reviews compensation paid to directors and officers 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 directors and officers while taking into account the financial and other resources of the Corporation. The Compensation, Governance and Nominating Committee has engaged Meridian Compensation Partners, LLC to assist in setting competitive compensation for its NEOs and directors.

The Compensation, Governance and Nominating Committee reviews on an annual basis the cash compensation, performance and overall compensation package for each NEO. It makes recommendations to the Board with respect to the basic salary, bonus and participation in share compensation arrangements for each NEO.

Elements of Executive Compensation

The compensation program consists of three principal components: (i) base salaries; (ii) annual bonuses; and (iii) stock options. With Meridian Compensation Partners' guidance, the Compensation, Governance and Nominating Committee reviews the various aspects of the compensation program from time to time to ensure its effectiveness and whether it adequately reflects the Corporation's business objectives.

Base Salary and Bonuses

Salaries form the primary component of the Corporation's compensation program for its NEOs. Salary levels for the NEOs are determined with reference to market comparable for similar positions. Salary increases for each executive are established based on the performance of the executive and competitiveness with the market. This is typically determined in consultation with compensation consultants such as our current consultant, Meridian Compensation Partners, and by periodically participating in third party salary surveys as well as by reviewing other external market data.

The Corporation may also pay performance bonuses to its NEOs; any such bonus paid partially within the discretion of the Board and partially based on achievement of certain objective corporate targets, following consideration by the Compensation, Governance and Nominating Committee. In making bonus determinations, the Board reviews corporate and individual performance. Further information regarding executive compensation can be found in the Corporation's management information circular which will be available on the Corporation's SEDAR profile at www.sedar.com.

Cub Stock Option Plan

Stock options are typically part of the overall compensation package for executive officers and employees and are generally granted on hire and thereafter on a periodic basis as may be determined by the Board, following consideration by the Compensation, Governance and Nominating Committee. The granting of stock options aligns the interests of the NEOs with the interests of Cub's shareholders. Previous grants of option-based awards are taken into account when considering new grants. For NEOs, the number of stock options granted is at the discretion of the Compensation, Governance and Nominating Committee, subject to the approval of the Board, taking into account attainment of specific strategic business goals during the preceding year.

Restricted Share Unit Plan

The Corporation implemented a Restricted Share Unit (“RSU”) plan, approved by disinterested shareholders at the 2014 annual general meeting. This plan, like the stock option plan provides another possible long-term incentive award for NEOs.

Other Compensation Matters

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

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

National Policy 58-201 – *Corporate Governance Guidelines* and National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”) set out a series of guidelines for effective corporate governance. The guidelines address matters such as the composition and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. Each reporting issuer, such as the Corporation, must disclose on an annual basis and in the prescribed form, the corporate governance practices that it has adopted. The information required to be disclosed by NI 58-101 can be found in the Corporation's management information circular which will be available on the Corporation's SEDAR profile at www.sedar.com.

PROMOTERS

There is no person or company that would be considered a promoter of the Corporation, nor has any person or company acted as a promoter for Cub within the last two years.

DESCRIPTION OF CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value. As of the date hereof, 312,015,355 Common Shares are issued, 15,000,000 stock options are issued, and outstanding and 1,224,548 RSUs are outstanding. The material provisions of the Common Shares, Stock Options and RSUs are summarized below. See “*Prior Sales*”.

Common Shares

Holders of Common Shares are: (i) entitled to one vote per Common Share at meetings of Cub Shareholders; (ii) are entitled to dividends if, as and when declared by the Board; and (iii) upon liquidation, dissolution or winding-up, to receive the Corporation's remaining property. Holders of Common Shares have no pre-emptive rights, no conversion rights or rights of redemption provisions applicable to the Common Shares.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of the Corporation, there are no securities of the Corporation held in escrow as of the date hereof.

PRICE RANGE AND TRADING VOLUME OF THE COMMON SHARES

The Common Shares are currently listed on the TSXV under the trading symbol “KUB”. The following table sets forth the price range and trading volume of the Common Shares as reported by the TSXV for the periods indicated:

Month	Price Range		
	High (CAD\$)	Low (CAD\$)	Volume
2016			
January	0.04	0.03	3,403,958
February	0.04	0.03	3,172,500
March	0.04	0.03	1,290,700
April	0.04	0.04	3,506,600
May	0.06	0.04	5,491,400
June	0.05	0.04	1,673,700
July	0.06	0.03	76,730,800
August	0.03	0.02	43,756,100
September	0.03	0.02	10,335,100
October	0.03	0.02	7,562,400
November	0.05	0.02	19,448,900
December	0.06	0.04	12,054,500
2017			
January	0.08	0.05	9,953,400
February	0.07	0.05	4,806,300
March ⁽¹⁾	0.06	0.05	1,434,500

Note:

- 1) Represents the price range and trading volume from March 1, 2017 through to March 17, 2017.

PRIOR SALES

The following table sets out the securities of the Corporation that have been issued in the most recently completed financial year and to the date of this AIF, the issue price of the securities, the date of issue and the aggregate funds received.

Date Issued	Number of Type of Securities ⁽¹⁾	Issue Price per Security (CAD\$)	Aggregate Issue Price (CAD\$)	Consideration Received
January 23, 2015	3,673,642 RSUs	\$0.05	\$183,682	N/A
November 16, 2016	1,224,547 common shares	\$0.05	\$61,227	N/A
December 7, 2016	15,000,000 stock options	\$0.08	N/A	N/A

Notes:

- (1) Restricted share unit award vests over three years with 1/3 vesting on January 23, 2016 (1,224,547 shares issued in 2016), 1/3 vesting on January 23, 2017 (election of cash payment CAD\$61,227 in lieu of shares and cancellation of 1,224,547 RSUs), 1/3 vesting on January 23, 2018 (1,224,548 shares).

DIVIDENDS AND DISTRIBUTIONS

The Corporation has not declared or paid any dividends since its incorporation. There are no restrictions in the terms of the Common Shares that could prevent the Corporation from paying dividends. Any decision to pay dividends on its Common Shares will be made by the Board on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time. All of the Common Shares shall be entitled to an equal share in any dividends declared and paid.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation is not nor was it a party to, and its properties are not nor were they the subject of, any legal proceedings during the Corporation's most recently completed financial year and up to the date of this AIF. The Corporation is not aware of any such proceedings contemplated by or against the Corporation or its properties.

During the most recently completed financial year and up to the date of this AIF, the Corporation was not subject to: (i) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority; (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be

considered important to a reasonable investor in making an investment decision; or (iii) any settlement agreements entered into before a court relating to Canadian securities legislation or with a Canadian securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this AIF, no director or executive officer of the Corporation, or a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the outstanding voting securities of the Corporation, or an associate or affiliate of any of the foregoing persons, had any material interest, direct or indirect, in any 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 September 30, 2012, Cub entered into the \$3,000,000 Pelicourt Line of Credit at an interest rate of 5%. The Pelicourt Loan was to expire on September 30, 2013. During 2012, Cub made advances under the Pelicourt Line of Credit in the amount of approximately \$1,260,000 which was repaid during the year ended December 31, 2012. On October 2, 2013, Cub extended and increased the Pelicourt Line of Credit to \$5,000,000 at an interest rate of 9% payable semi-annually. The Pelicourt Line of Credit expires on September 30, 2016; however, Pelicourt has deferred interest payments until June 27, 2016, and the principal payment until January 31, 2017. As at the date of this AIF, Cub has drawn down \$2,000,000 to fund development efforts on the RK field. Pelicourt is Cub's largest shareholder and shares a common officer and director in Mikhail Afendikov, Cub's Chief Executive Officer and Executive Chairman. Effective January 31, 2017, Cub and Pelicourt entered into a new loan agreement. The line of credit will be the \$2,000,000 currently outstanding with no additional amount available to be drawn down. The interest rate was amended from the current 9% to 12%. 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 KUBGAS HOLDINGS. 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.

In connection with the closing of the Gastek-Cub Transaction in March 2012, 123,278,089 common shares were issued to Pelicourt. Mr. Afendikov is Cub's Chief Executive Officer and Executive Chairman and owns 31% of the shares held by Pelicourt.

MATERIAL CONTRACTS

Other than contracts entered into in the normal course of business, Cub has not entered into any material contracts since incorporation, other than the following, the particulars of which are given elsewhere in this Annual Information Form:

- 1) the Tysagaz Agreement;
- 2) the Pelicourt Line of Credit, Addendum and Second Addendum;
- 3) Pelicourt loan (effective January 31, 2017);
- 4) the Gastek Cross-Indemnity;
- 5) the KUBGAS HOLDINGS SHA;
- 6) the CNG Holdings SPA and SHA; and
- 7) the Securities Exchange Agreement.

Each of the above-listed material contracts is available for inspection under Cub's issuer profile at www.sedar.com.

INDUSTRY CONDITIONS

Ukraine Market and Oil and Gas Industry

Overview

After Russia, the Ukrainian republic was far and away the most important economic component of the former Soviet Union, producing about four times the output of the next-ranking republic. Its fertile black soil generated more than

one-fourth of Soviet agricultural output and its farms provided substantial quantities of meat, milk, grain, and vegetables to other republics. Likewise, its diversified heavy industry supplied the unique equipment (for example, large diameter pipes) and raw materials to industrial and mining sites (vertical drilling apparatus) in other regions of the former USSR.

Ukraine's 46 million population is spread over a landmass of 0.6 million km². According to the International Monetary Fund (the "IMF"), its nominal GDP/capita is around \$3,900 while its PPP GDP/capita is around \$7,400. IMF predicts real GDP growth of 1.0% in 2015.

Shortly after independence was ratified in December 1991, the Ukrainian Government liberalized most prices and erected a legal framework for privatization, but widespread resistance to reform within the government and the legislature soon stalled reform efforts and led to some backtracking. Output by 1999 had fallen to less than 40% of the 1991 level. Loose monetary policies pushed inflation to hyperinflationary levels in late 1993. Ukraine's dependence on Russia for energy supplies and the lack of significant structural reform have made the Ukrainian economy vulnerable to external shocks. Ukraine depends on imports of energy, especially natural gas, to meet its annual energy requirements. See "*Russian-Ukrainian Gas Disputes in Recent Years*," below.

Economic reforms accelerated during the Yanukovich government and even more under current President Poroshenko's new government; however more is still needed, including fighting corruption, developing capital markets and improving the legislative framework for businesses. The IMF has pledged \$17.5 billion in bailout funds to help Ukraine's economic rebound, but the financial package is contingent upon continued reforms being put in place by the new government. Ukraine received the first tranche of \$5 billion on March 13, 2015 and as of March 1, 2017, Ukraine has received \$7.7 billion.

Russian-Ukrainian Gas Disputes in Recent Years

A dispute with Russia over pricing led to a temporary gas cut-off on January 1, 2006, when Russia cut off all gas supplies passing through Ukraine. The two countries reached a preliminary agreement on January 4, 2006, and gas supply was restored. The agreement almost doubled the gas price for Ukraine, from \$50/Mcm to \$95/Mcm.

On January 1, 2009, Russia cut off the gas supplies again, due to a dispute over repayment of Ukrainian debt as well as the gas price. Gas supplies were restored on January 20, 2009 following a deal between the two countries on January 18, 2009 where Ukraine agreed to pay European prices for its natural gas with 20% discount in 2009 and full price for 2010.

In June 2014, Ukraine's Naftogaz filed a lawsuit with the Stockholm Arbitration Court against Russia's Gazprom to demand gas contract revision. Naftogaz claimed USD 6 billion of overpayment for natural gas supplied by Russia since 2010. Subsequently, in October Naftogaz filed a second lawsuit against Gazprom claiming it should repay \$5 billion for transit gas "under-delivered" between 2009 and 2014. Gazprom, in turn, filed a counter claim seeking the recovery of a \$4.5 billion debt due to Naftogaz's improper fulfillment of the contract signed on January 19, 2009 on purchasing and selling of gas in the years 2009 through 2019. The litigation is pending.

After months of talks between the European Union, Ukraine and Russia a deal was reached on October 30, 2014, in which Ukraine agreed to pay (in advance) \$378 per 1,000 cubic metres to the end of 2014, and \$365 in the first quarter of 2015. Regarding its debts to Gazprom, Ukraine paid \$1.45 billion in November 2014, and \$1.65 billion in December 2014. It was agreed that the European Union will be acting as guarantor for Ukraine's gas purchases from Russia and would help to meet outstanding debts (using funds from existing accords with the European Union and IMF). According to European Union officials the deal secured that there would be no natural gas supply disruptions in other European countries.

On November 25, 2015, Gazprom halted its exports of Russian natural gas to Ukraine. According the Ukrainian government they had stopped buying from Gazprom because Ukraine did buy natural gas cheaper from other suppliers (Poland, Hungary and Slovakia). In 2016, Ukraine continued to reduce its energy consumption and filled underground storage facilities to help get through the 2016-2017 winter. In the event Ukraine must purchase gas from Russia in the future, it will rely on the EU to act as a mediator with Russia on prices

The future of natural gas prices and exchange rates in Ukraine is currently subject to a high degree of uncertainty and it is unknown what future prices Cub will receive on its Ukraine production.

Political Environment

Ukraine is a republic under a semi-presidential system with separate legislative, executive, and judicial branches. The President of Ukraine is elected by popular vote and is the head of state. The Prime Minister is appointed and dismissed by the 450-seat parliament, the Verkhovna Rada. The parliament also appoints the Cabinet of Ministers. The heads of regional and district administrations are appointed by the President, but the Prime Minister's counter-signature is required for the appointment edicts to take force.

Laws, acts of the parliament and the Cabinet and presidential edicts may be nullified by the Constitutional Court of Ukraine, when they are found to violate the Constitution of Ukraine. Other normative acts are subject to judicial review. The Supreme Court of Ukraine is the main body in the system of courts of general jurisdiction.

Local self-government is officially guaranteed. Local councils and city mayors are popularly elected and exercise control over local budgets.

Ukraine has a large number of political parties, many of which have tiny memberships and are unknown to the general public. Small parties often join in multi-party coalitions (electoral blocks) for the purpose of participating in parliamentary elections.

A peaceful mass protest, the "Orange Revolution", in the closing months of 2004 forced the authorities to overturn a rigged presidential election, and to allow a new internationally monitored vote that swept into power a reformist slate under President Viktor Yushchenko. Subsequent internal squabbles in the Yushchenko camp allowed his rival Viktor Yanukovich to stage a comeback in parliamentary elections and become prime minister in August of 2006. He paved the way for WTO accession in 2008.

Mr. Yanukovich was elected president in February 2010 for a 5-year term. On February 22, 2014, Ukrainian members of parliament voted to remove Mr. Yanukovich and set out to form a new government. In May 2014, Ukraine elected a new president, Petro Poroshenko, and, in October, parliamentary elections were held. With the new government in place and changes in heads of key governing bodies, President Poroshenko signed the Association Agreement with European Union -- the same agreement that was rejected in November 2013. The International Monetary Fund committed to a \$17 billion two-year aid program to help the country's economy recover contingent upon Ukraine meeting certain economic and energy reforms.

After the annexation of Crimea by the Russian federation in March 2014, political violence escalated in eastern Ukraine with pro-Russian rebels seizing various government buildings in the Donetsk and Lugansk regions. This ongoing conflict between the pro-Russian rebels and the Ukraine army raised security concerns surrounding Cub's eastern Ukraine assets. As such, on June 27, 2014, Cub and its partner announced that they decided to suspend current developmental field operations at Kub-Gas to ensure the continued safety of employees and assets. During this suspension period, Kub-Gas continued with production. On October 2, 2014, Kub-Gas recommenced field operations. However, the Vergunskoye and Krutogorovskoye fields at Kub-Gas, which are located in the area close to the city of Lugansk, remain temporarily shut in. The production from these fields represents approximately 2% of the Corporation's total production. In February 2015, leaders of Ukraine, Russia, France and Germany negotiated a peace deal, which resulted in a dramatic reduction in military clashes and casualties; however, scattered fighting between Ukrainian and separatist forces still occur in eastern Ukraine. In July 2016, fighting became particularly intense again indicating the situation in eastern Ukraine's Donbas region to continue with no end in sight.

The final resolution and the effects of the political and economic crisis in Ukraine, as well as its effects on Cub are difficult to predict.

History of E&P in the Country

Exploitation of oil fields began in 1771 near Sloboda Rungurska and continued aggressively through the 19th century. By 1909 almost 2 million tons of oil, 5% of global production, ranked Ukraine as the number 3 producer behind the USA and Russia.

There are three main producing regions: the Baltic-Predobrogean Basin and Carpathian Basin in the west (medium heavy oil with sulphur and dry gas), the Dnieper-Donets Basin in the east (light, low sulphur oil) and the Indol-Kuban Basin and the Azov-Berezan Basin in the south (around Crimea, with medium low sulfur oil and gas condensates).

The main phase of development commenced in the early 1950s and production peaked in 1970 at around 13 million tonnes and 66 billion m³ per year from 40 oil and gas fields. Production then declined steadily through to the early 1990s and has been largely stable over the past 20 years.

Significant reserves are still thought to exist in Ukraine, notably deep gas in the Dnieper-Donets Basin. The potential for significant shale gas reserves sparked some interest from many of the world's largest companies; however, recent political and economic turmoil has dampened exploration and development initiatives.

Market Conditions for Oil and Gas Companies

Ukraine is the gas hub in Europe, and is able to transport transit gas volumes of 120 bcm per annum. In 2013, Russia transited 85 bcm through Ukraine. In 2014, 14.5 bcm or 33% of Ukraine's gas imports came from Russia, evincing Ukraine's resolve to be less dependent on Russia for natural gas. In 2015, only 6.1 bcm was imported from Russia. Ukraine currently imports gas from Europe at a capacity of 20.5 million cubic metres (mcm) daily. In 2015, the majority of the gas imported, 9.7 bcm, was imported through the Slovak corridor. The rest was imported through Hungary (0.5 bcm) and Poland (0.1 bcm). Ukraine also reduced its natural gas consumption by 25% in 2015.

Ukraine's alliance with the west and progress on economic reforms is good news for the investment climate and helping solidify a \$17billion loan from IMF; however, more reforms and a continued ceasefire must exist to attract foreign investors. For example, more emphasis is needed on strengthening governance, enhancing transparency and building better relationships with the business community. The recent decrease in royalty rates, effective January 1, 2016, should gain interest from foreign investors.

Other foreign companies present in Ukraine include: Burisma JKK Oil & Gas plc, Regal Petroleum plc, Serinus Energy, Arawak Energy Ukraine BV, Geo Alliance and Cadogan Petroleum plc.

Infrastructure

The high level of historical activity in the oil and gas industry has created substantial infrastructure in Ukraine. In addition, it is the main route for Russian gas supplies into Europe

Tax Regime

The tax regime was recently changed in January 2011. Currently the corporation expects to pay VAT at 20% and income tax at 18% in 2015 and thereafter. On August 1, 2014, the Ukrainian President signed a law that temporarily increased royalties on natural gas production to 55% from 28% through December 31, 2014 and newly drilled wells put on production after August 1, 2014 had a royalty rate of 30.25%. In January 2015, Parliament passed amendments to the Tax Code of Ukraine that permanently set the natural gas royalty rate at 55% and eliminated the lower royalty rate of 30.25% for new wells. However, on March 3, 2015, Parliament reinstated the reduced rate for new wells of 30.25% (applies during two years, then increases to 55%). On December 31, 2015, the Ukraine President signed a new law, reducing royalty rates to 29%, effective January 1, 2016.

Pricing and Marketing

Oil is currently trading at a small differential to Black Sea prices. Gas prices paid by the industry in Ukraine are close to EU levels. Kub-Gas and Tysgaz realized average gas prices of \$6.11/Mcf (net of VAT) during the year ended December 31, 2016.

The future of natural gas prices in Ukraine is currently subject to a high degree of uncertainty and it is unknown what future prices the Corporation will receive on its Ukraine production.

RISK FACTORS

Management of the Corporation believes that the risks described below are the material risks relating to the market environment of the Corporation and the operations of the Corporation as at the date of this AIF, although the information below does not purport to be an exhaustive list or summary of all of the risks that the Corporation may encounter. Additional risks and uncertainties not known to the Corporation as of the date of this AIF, or that the Corporation deems to be immaterial as at the date of this AIF, may also have an adverse effect on its business.

An investment in securities of the Corporation is highly speculative and involves a high degree of risk and should only be made by investors who can afford to lose their entire investment.

An investment in Cub's securities involves a high degree of risk. Potential investors should carefully consider the following information about these risks, together with the information contained in Cub's continuous disclosure record available through the internet on SEDAR at www.sedar.com before any purchase or sale of such securities. If any of the events or results contemplated in this section actually occurs, the business, financial condition and prospects of Cub and the Corporation could be materially adversely affected. In that case, the value of any securities of Cub could also decline and investors could lose all or part of their investment.

The risks and uncertainties described below are those that Cub's management believes are material, but these risks and uncertainties may not be the only ones that the Corporation may face. Additional risks and uncertainties, including those that Cub's management currently are not aware of or deem immaterial, may also result in decreased operating revenues, increased operating expenses or other events that could result in a decline in the value of any securities of the Corporation. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF.

An investment in the securities of the Corporation is highly speculative due to the nature of its involvement in the exploration for, and the acquisition, development and production of, oil and natural gas reserves. There is no assurance that commercial quantities of oil and natural gas will be discovered by the Corporation.

Overview

The business to be carried on by the Corporation is subject to a number of risk factors. An investment in the securities of the Corporation is suitable only to those investors who are willing to risk the loss of their entire investment. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. An investment in the securities of the Corporation is speculative and involves a high degree of risk due to the nature of the Corporation's involvement in the business of exploration for oil and natural gas.

Risks Relating to the Operations of the Corporation

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Corporation may have at a particular time, and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on the ability to

select and acquire suitable producing properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, management of the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Corporation.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In particular, the Corporation may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Corporation. In accordance with industry practice, the Corporation will not be fully insured against all of these risks, nor are all such risks insurable. Although the Corporation will maintain liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liability could exceed policy limits, in which event the Corporation could incur significant costs. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

The regulation of hydrocarbons in Ukraine is administered by a number of governmental bodies including the Ministry of Fuel and Energy of Ukraine, which is responsible for matters including energy strategy and regulation, and the Ministry of Environmental Protection and the State Geology Service, which are responsible for the award of exploration and development special permits and production special permits. The work carried out by the Corporation under the special permits will be divided into two stages, one devoted to exploration and the other to production. If it is determined that its oil and gas assets are capable of generating sustained positive cash flow from the production and sale of oil and gas (i.e. once the oil and gas assets are determined to be "commercial"), and following the approval of the development plan by the Ministry of Fuel and Energy of Ukraine, the Corporation will be able to commence production without the need to satisfy other conditions.

Exploration, appraisal and development of oil and natural gas reserves are speculative and involve a significant degree of risk. There is no guarantee that exploration or appraisal of the potential reserves in Ukraine will lead to a discovery of commercial reserves or, if such reserves are discovered, that the Corporation will be able to realize such reserves as intended. There is no guarantee that the Corporation will be able to reach an agreement with the government authorities or the national oil company concerning a development plan, which is a prerequisite for the commencement of production.

Risks of Foreign Operations

All of the Corporation's near term oil and natural gas prospects will be located in Ukraine. As such, the Corporation will be subject to political, economic and other uncertainties, including, without limitation, expropriation of property without fair compensation, changes in energy policies or the personnel administering them, nationalization, currency fluctuations and devaluations, exchange controls and royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which the Corporation's operations will be conducted, as well as risks of loss due to civil strife, acts of war and insurrections.

The Corporation's operations may also be adversely affected by the laws and policies of Ukraine affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Corporation's operations in Ukraine, the Corporation may be subject to the exclusive jurisdiction of Ukrainian courts and may not be successful in subjecting foreign persons to the jurisdiction of the courts of Canada or enforcing Canadian judgments in other jurisdictions. The Corporation may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Corporation's exploration, development and production activities in Ukraine could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on the Corporation.

Contractual Relationships

In addition, the Corporation and its subsidiaries will be formed pursuant to, and their operations will be governed by, a number of complex legal and contractual relationships. The effectiveness of and enforcement of such contracts and relationships with parties in these jurisdictions cannot be assured. Consequently, the Corporation's Ukrainian exploration, development and production activities could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on the Corporation. There are also certain risks involved that relate to the SHA and the operations of KUBGAS HOLDINGS. For example, Resano has the ability to restrict certain actions of Gastek and this could result in a material adverse effect on the operations of KUBGAS HOLDINGS.

Industry Conditions

The international oil and natural gas industry is intensely competitive and the Corporation will compete with other companies which possess greater technical and financial resources. Many of these competitors not only explore for and produce oil and natural gas but also carry on refining operations and market petroleum and other products on an international basis. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and invasion of water into producing formations.

The marketability and price of oil and natural gas which may be acquired or discovered by the Corporation will be affected by numerous factors beyond the control of the Corporation. The ability of the Corporation to market any natural gas discovered may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. The Corporation will also be subject to market fluctuations in the prices of oil and natural gas, uncertainties related to the delivery and proximity of its reserves to pipelines and processing facilities and extensive government regulation relating to prices, taxes, royalties, land tenure and allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. The Corporation will also be subject to a variety of waste disposal, pollution control and similar environmental laws.

The oil and natural gas industry is subject to varying environmental regulations in each of the jurisdictions in which the Corporation may operate in the future. Environmental regulations place restrictions and prohibitions on emissions of various substances produced concurrently with oil and natural gas and can impact the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures. The Corporation may be responsible for abandonment and site restoration costs.

Uncertainty Regarding Interpretation and Application of Ukrainian Laws and Regulations

Since independence, the Ukrainian legal system has been developing to support a market-based economy. The legal system is, however, in transition and is therefore subject to greater risks and uncertainties than more mature legal systems. In particular, risks include, but are not limited to, provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted; inconsistencies between and among Ukraine's Constitution, laws, presidential decrees and Ukrainian governmental, ministerial and local orders, decisions, resolutions and other acts of subordinate legislation. Also, there is a lack of judicial and administrative guidance on the interpretation of Ukrainian legislation, including the complicated mechanism of exercising constitutional jurisdiction by the Constitutional Court of Ukraine. This is further complicated by the relative inexperience of judges and courts in interpreting Ukrainian legislation in the same or similar cases, corruption within the judiciary and a high degree of discretion on the part of governmental authorities, which could result in arbitrary actions.

Furthermore, several fundamental Ukrainian laws either have only relatively recently become effective or are still pending hearing or adoption by the new Ukrainian government. The relatively recent origin of much of Ukrainian legislation and amendments, the lack of consensus about the scope, content and pace of economic and political reform, and the rapid evolution of the Ukrainian legal system in ways that may not always coincide with market developments, place the enforceability and underlying constitutionality of laws in doubt and may result in ambiguities, inconsistencies and anomalies. In addition, Ukrainian legislation in many cases contemplates implementing regulations, which have not yet been implemented.

On October 1, 2015, a new bill reforming the natural gas market in Ukraine became effective. Among other things, it contains a provision that gas producers may have to contribute into storage a volume equivalent to thirty days of production effective January 1, 2016, but, to date, there has been no material impact to the Corporation. Second, on November 27, 2015, Ukraine amended the Code on Gas Pipeline Systems, which, among other things, may require all producers utilizing the pipeline to pay a tariff for access to the pipeline. It is not known yet if a tariff will be imposed and what impact it may have on the Corporation. The Corporation's western Ukraine production utilizes blending of gas whereby it extracts volumes of gas from the pipeline and blends it with its gas and infuses the resulting blended gas back in the pipeline. As a result, any tariffs on both the extracting and infusing of gas may have a material negative effect on the Corporation's western operations.

Additional Financing

There is a high degree of uncertainty as to the success of the Corporation's ongoing activities. There can be no assurance that the Corporation will sustain profitability or positive cash flow from its operating activities. These uncertainties cast significant doubt upon Cub's ability to continue as a going concern. The Corporation's future capital commitments on its existing assets will likely exceed its cash resources, which would require the Corporation to raise additional financing. The ability of the Corporation to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Corporation. There is a risk that the interest rates will increase given the current historical low level of interest rates.

This in turn could limit growth prospects in the short run or may even require the Corporation to dedicate cash flow, dispose of properties or raise new equity or debt to continue operations under circumstances of declining energy prices, disappointing drilling results or economic or political dislocation in foreign countries. There can be no assurance that the Corporation will be successful in its efforts to arrange additional financing on terms satisfactory to the Corporation. This may be further complicated by the limited market liquidity for shares of smaller companies, restricting access to some institutional investors. If additional financing is raised by the issuance of shares from the treasury of the Corporation, control of the Corporation may change and Cub Shareholders may suffer additional dilution.

From time to time, the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may temporarily increase the Corporation's debt levels above industry standards.

Liquidity Risk

The Corporation has incurred debt under the Pelicourt Line of Credit and with Kub-Gas and may incur other debt in order to fund its exploration and operational programs, which would reduce its financial flexibility and could result in a material adverse effect on the Corporation. The Corporation's ability to meet any debt obligations and reduce its level of indebtedness will depend on future performance. General economic conditions, financial business and other factors will affect the Corporation's operations and future performance. Many of these factors will be beyond the control of the Corporation. The Corporation accordingly will not be able to assure investors that it will be able to generate sufficient cash flow to pay the interest on any debt or that future working capital, borrowings or equity financing will be available to pay or refinance such debt. Factors that will affect its ability to raise cash through an offering of securities or a refinancing of any debt include financial market conditions, the value of its assets and performance at the time the Corporation shall require capital. The Corporation will not be able to assure investors that it will have sufficient funds to make such payments. If the Corporation does not have sufficient funds and is otherwise unable to negotiate renewals of its borrowings or arrange a new financing, it might have to sell significant assets. Any such sale could have a material adverse effect on the Corporation.

Risk of Annuling Concessions Held by the Corporation

Pursuant to Ukrainian law, geological exploration of mineral resources and the production of mineral resources owned by the State Fund of Mineral Deposits is conducted on the basis of licences issued separately for each type of these activities. Additionally, Ukrainian law mandates that the utilization of any kind of subsoil natural resources requires a licence. Each licence granted is accompanied by a licence agreement specifying the terms of utilization of the subsoil natural resources. The licence agreement sets out the key terms for the geological survey, exploration, drilling and production of mineral resources from the relevant subsoil resources area. The licence agreement may additionally impose certain social or environmental commitments on the user of the resources.

Tysagaz, Kub-Gas and CNG hold licences for conducting geological survey and further pilot production as well as production licences of natural gas, condensate and oil in the licenced areas. According to these licences, they must satisfy certain detailed requirements which include, among other things, an obligation to satisfy requirements of the state environmental inspection authorities. One of the requirements is obtaining title certificates to the land plots required for geological survey and pilot production in the licenced areas. A default under any of these requirements may result in voiding a licence granted to Tysagaz, CNG or Kub-Gas. Such an occurrence could have a material adverse effect on activities of Tysagaz, CNG or Kub-Gas and on the business and financial condition of the Corporation.

Licences and Permits

The operations of the Corporation may require licences and permits from various governmental authorities. There can be no assurance that the Corporation will be able to obtain the necessary licences and permits that may be required to carry out exploration, development and operations in its projects. Natural resources operations (including lease acquisitions) are subject to extensive government regulation. Operations may be affected from time to time in varying degrees by political and ecological developments, such as restrictions on production, price controls, tax increases and pollution controls. For further details, please see the discussion under the heading “*Description of the Business—Principal Oil and Gas Assets – Special Permitting and Regulatory Regime in Ukraine*”

Stage of Development

An investment in the Corporation is subject to certain risks related to the nature of the business the Corporation will conduct and its early stage of development. There are numerous factors which may affect the success of the Corporation's business which are beyond the Corporation's control including local, national and international economic and political conditions. The Corporation's business will involve a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. The Corporation's operations in international jurisdictions will expose the Corporation to risks which may not exist for domestic operations such as political and currency risks. The Corporation will have had a limited history of operations and earnings and there can be no assurance that the Corporation's business will be successful or profitable or that commercial quantities of oil and/or natural gas will be discovered by the Corporation. The Corporation is unlikely to pay dividends in the immediate or foreseeable future.

Reserve and Resource Estimates

The reserve and resource estimates in respect of the assets which will make up the Corporation's assets and the areas in which such assets are located as disclosed in this AIF are estimates and no assurance can be given that the indicated levels of recovery will be realized. Ultimate recoverable reserves and resources may be significantly less than the estimates. Estimates of reserves and resources depend in large part upon the reliability of available geological and engineering data and the amount of such data available. Properties in the early stage of exploration and appraisal typically have a limited amount of geological and engineering data. Geological and engineering data are used to determine the probability that a reservoir of oil and/or natural gas exists at a particular location, and whether, and to what extent, such hydrocarbons are recoverable from the reservoir.

Reserve and resource estimates may also require revision based on actual production experience that may result from successful development of existing properties, further drilling and several other factors. Such figures have been determined based upon the terms of the various concession agreements and estimates of yield and recovery factors.

All such estimates are to some degree uncertain, and classifications of reserve and resource estimates are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable reserves or resources, prepared by different engineers or by the same engineers at different times, may vary.

Although Cub is not able to predict whether the Corporation's exploration and assessment activities will result in newly discovered reserves, if such activities are successful, the Corporation will be able to begin producing gas and oil from newly discovered reserves. If the eventual commencement of production activities does occur, the Corporation's actual production of quantities of oil and gas, revenues and development and operating expenditures with respect to its reserve and resource estimates may vary from such estimates. As well, any estimates of future net revenues contained within reserve or resource reports are dependent on estimates of future oil prices, capital and operating costs. Variances to actual costs may be significant. As such, these estimates are subject to variations due to changes in the economic environment at the time and variances in future budgets and operating plans.

Debt Levels and Additional Capital Requirements

From time to time, the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards and therefore preclude or reduce the Corporation's ability to obtain new debt for other activities. Depending on future exploration and development plans, the Corporation may require additional debt financing that may not be available or, if available, may not be available on terms acceptable to the Corporation. Neither the Corporation's articles nor by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair the ability of the Corporation to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Reliance on Industry Partners

The Corporation will rely on industry partners including suppliers, contractors and joint venture parties in executing its business strategy and operations. As a result, the Corporation may be exposed to third party credit risk through its contractual arrangements with its current or future suppliers, contractors and joint venture parties. In the event that such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its ability to implement its business strategy and operations. In addition, the Corporation may be unable to exert influence over the strategic decisions made in respect of properties that are subject to such contractual arrangements.

Reliance on Operators

To the extent that the Corporation will not be the operator of some of its oil and gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of operators.

Fluctuations in Foreign Currency Exchange Rates

All of the Corporation's current prospects are located in Ukraine with all production located in Ukraine. Fluctuations in the U.S. dollar, the Ukraine hryvnia and/or other currency exchange rates may cause a negative impact on revenue and costs and could have a material adverse effect on the Corporation's operations. World oil and natural gas prices are quoted in U.S. dollars and the price received by the Corporation may be affected in a positive or negative manner by fluctuations in the exchange rate of the U.S. dollar against other currencies in which business of the Corporation is transacted. In recent years, the U.S. dollar has fluctuated in value against a number of the world's currencies, including the Ukrainian Hryvnia. Variations in exchange rates have the effect of impacting the stated value of oil and natural gas reserves and/or production revenue. Material changes in the value of the U.S. dollar and the Ukraine hryvnia can have a significant impact on the Corporation and accordingly any changes in future U.S. currency exchange rates could impact the future value of the Corporation's reserves and production revenues as determined by independent evaluators.

Foreign Exchange Hedging Risks

The nature of the Corporation's activities will result in exposure to fluctuations in foreign currency exchange rates. While the Corporation does not maintain a defined foreign exchange hedging program, and as of the date hereof, the Corporation is not a party to any foreign exchange hedging agreements and has not been a party to any such agreements in the past three years, it may determine it appropriate from time to time to enter into derivative financial instruments to reduce its exposure. The terms of these derivative instruments may limit the benefit of changes in currency value which are otherwise favourable to the Corporation and may result in financial or opportunity loss due to counterparty risks associated with these contracts. Utilization of derivative financial instruments may introduce increased volatility into the Corporation's reported net earnings (losses) and does not eliminate the risk that the Corporation may sustain losses as a result of foreign currency fluctuations.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation will make acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management will continually assess the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets will be periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Corporation.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities.

Project Completion

The Corporation's operations will be subject to approvals of governmental authorities and, as a result, the Corporation will have limited control over the nature and timing of the grant of such approvals for the exploration, development and operation of oil and natural gas concessions. The Corporation's interests in oil and natural gas concessions and other contracts with governments and government bodies to explore and develop the properties will be subject to specific requirements and obligations. If the Corporation fails to satisfy such requirements and obligations and there is a material breach of such contracts, such contracts could, under certain circumstances, be terminated. The termination of any of the Corporation's contracts granting rights in respect of the properties would have a material adverse effect on the Corporation, including the Corporation's financial condition.

Delays in Business Operations

In addition to the usual delays in payments by purchasers of oil and natural gas to the Corporation or to the operator, and the delays by operators in remitting payment to the Corporation, payments between these parties may be delayed due to restrictions imposed by lenders, accounting delays, delays in the sale or delivery of products, delays in the connections of wells to a gathering system, adjustment for prior periods, or recovery by the operator of expenses incurred in the operation of the properties. Any of these delays could reduce the amount of cash flow available for the business of the Corporation in a given period and expose the Corporation to additional third party credit risks.

Title to Properties and Assets

Although title reviews will be done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Corporation which could result in a reduction of the revenue received by the Corporation.

Key Personnel

The competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely on the ability, expertise, judgment, discretion, integrity and good faith of management of the Corporation.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration and early development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The results of the Corporation's planned exploration activities cannot be predicted. The results of these tests will inevitably affect the Corporation's decisions related to further exploration and/or production on any properties that the Corporation may explore in the future and could trigger major changes in the trading price of the shares of the Corporation. There can be no assurance that continual fluctuations in price will not occur. It is likely that the market price for the shares of the Corporation will be subject to market trends generally, notwithstanding the financial and operational performance of the Corporation.

Crime and Governmental or Business Corruption

The Corporation conducts business in countries or regions where there is a significant risk of governmental and business corruption and other criminal activity. The Corporation has developed and adopted a Code of Business Conduct and Ethics and an anti-corruption policy and procedures with which directors, officers and employees must comply to mitigate the risk it faces or may face from foreign corrupt practices. Findings against the Corporation, its directors, officers or employees, or their involvement in corruption or other illegal activity could result in criminal or civil penalties, including substantial monetary fines, against the Corporation, its directors, officers or employees. Any government investigations or other allegations against the Corporation, its directors, officers or employees, or finding of involvement in corruption or other illegal activity by such persons, could significantly damage the Corporation's reputation and its ability to do business, including affecting its rights under the various oil and natural gas concessions or through the loss of key personnel, and could materially adversely affect its financial condition and results of operations. Furthermore, alleged or actual involvement in corrupt practices or other illegal activities by the operators of certain of the Corporation's oil and natural gas concessions, joint venture partners of the Corporation or others with whom the Corporation conducts business, could also significantly damage the Corporation's reputation and business and materially adversely affect the Corporation's financial condition and results of operations.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Conflicts of Interest

Certain directors of the Corporation will also be directors of other oil and natural gas companies and, as such, may in certain circumstances have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the CBCA.

Environmental Regulation and Risks

Extensive national, state and local environmental laws and regulations in foreign jurisdictions are anticipated to affect nearly all of the operations of the Corporation. These laws and regulations set various standards regulating certain aspects of health and environmental quality provide for penalties and other liabilities for the violation of such standards and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation. There can be no assurance that the Corporation will not incur substantial financial obligations in connection with environmental compliance.

Significant liability could be imposed on the Corporation for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners purchased by the Corporation or non-compliance with environmental laws or regulations. Such liability could have a material adverse effect on the Corporation. Moreover, the Corporation cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, or more vigorous environment policies of any regulatory authority, could in the future require material expenditures by the Corporation for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on the Corporation.

The Corporation will continue to conduct operations in Ukraine. Oil and gas exploration and production companies in Ukraine are subject to a number of environmental and sanitary compliance requirements which are provided under a number of Ukrainian statutes. Primarily, these requirements relate to air pollution, water use and waste and sewage disposal. The Corporation is not aware of any breaches of environmental laws or regulations to which the Corporation is subject.

Risks Related to Legal Proceedings

The entities that will comprise the Corporation may be involved in various legal disputes and there is no guarantee that these disputes will be resolved in favour of the Corporation. As such, certain fines, penalties or damages may have to be paid by the Corporation, which may have a significant impact on profitability.

Volatility of Oil and Gas Prices and Markets

The Corporation's financial performance and condition will be substantially dependent on the prevailing prices of oil and natural gas which are unstable and subject to fluctuation. Fluctuations in oil or natural gas prices could have an adverse effect on the Corporation's operations and financial condition. Prices for crude oil fluctuate in response to global supply of and demand for oil, market performance and uncertainty and a variety of other factors which are outside the control of the Corporation, including, but not limited to, the world economy and OPEC's (Organization of the Petroleum Exporting Countries) ability to adjust supply to world demand, government regulation, political stability and the availability of alternative fuel sources. Natural gas prices are influenced by factors within North America, including North American supply and demand, economic performance, weather conditions and availability and pricing of alternative fuel sources.

Any substantial declines in the prices of crude oil or natural gas could also result in delay or cancellation of existing or future exploration programs. All of these factors could result in a material decrease in the Corporation's net production revenue, cash flows and profitability causing a reduction in its oil and natural gas interest acquisition and development activities.

From time to time the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue loss if commodity prices decline; however, if commodity prices increase beyond the levels in such agreements, the Corporation will not benefit from such increases.

Global Economic Crisis

On a worldwide scale, capital markets have experienced substantial volatility since early 2008. Volatility within global capital markets and continued weakening or delays in the recovery of capital markets may have an adverse effect on the ability of the Corporation to raise additional capital on a timely basis and on terms that it finds acceptable. In the event that global economic instability persists for an extended period of time, the operations of the Corporation and the quality of the Cub Shareholder's investment may be adversely affected and such factors may have a negative impact on the value, the holding period and the resale of the securities of the Corporation.

Competition

Competition could adversely affect the Corporation's performance. The oil and natural gas industry is characterized by intense competition and the Corporation competes directly with other companies that have greater technical and financial resources. Among the foreign companies active in Ukraine are Burisma, JKC Oil & Gas plc, Regal Petroleum plc, Arawak Energy Ukraine BV, Geo Alliance and Cadogan Petroleum plc. A number of private Ukrainian oil and gas companies are also active in the country. Many of these competitors not only explore for and produce oil and natural gas, but also carry on refining operations and market petroleum and other products on an international basis.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Corporation are Davidson & Company LLP, Chartered Professional Accountants, 609 Granville St #1200, Vancouver, BC V7Y 1G6, Canada.

TMX Equity Transfer Services, at its offices in Toronto, Ontario, is the registrar and transfer agent for the Common Shares.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such persons or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year, other Ryder Scott, the independent reserve evaluator and Davidson & Company LLP, the Corporation's auditors. Ryder Scott did not have any registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation or of the Corporation's associates or affiliates either at the time it prepared the statements, reports or valuation it prepared, at any time thereafter or to be received by it. Davidson & Company LLP is independent in accordance with the auditors' rules of professional conduct in Canada.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Common Shares and securities authorized for issuance under equity compensation plans, is contained in the Corporation's information circular for the most recent annual and special meeting of Cub Shareholders that involved the election of directors. Additional financial information is provided in Cub's audited annual financial statements and management's discussion and analysis for the year ended December 31, 2016.

**SCHEDULE “A”
AUDIT COMMITTEE CHARTER**

CUB ENERGY INC.

FORM 52-110F2

AUDIT COMMITTEE DISCLOSURE

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.

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.

EXHIBIT "T"
STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION



APPENDIX A

Cub Energy Inc. STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION (Form 51-101F1)

Part 1 – Date of Statement

This statement of reserves data and other oil and gas information is dated March 14, 2017. The effective date of the information being provided in this statement is December 31, 2016 and the preparation date of such information is March 21, 2017.

Part 2 – Disclosure of Reserves Data

In accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*, the tables contained in this filing are a summary of the oil and natural gas reserves and the value of future net revenue of Cub Energy Inc. (the "**Corporation**" or "**Cub**") as evaluated by Ryder Scott Petroleum Consultants ("**Ryder Scott**") effective as at December 31, 2016, based on their report "Estimated Future Reserves and Income Attributable to Certain Leasehold and Royalty Interests in the Republic of Ukraine, Escalated Parameters as of December 31, 2016" for Cub's 35% interest in KUB-Gas LLC ("**KUB-Gas**"), dated March 14, 2017, and on their report "Estimated Future Reserves and Income Attributable to Certain Leasehold and Royalty Interests in the Republic of Ukraine, Escalated Parameters as of December 31, 2016" for Cub's 100% interest in Tysagaz LLC ("**Tysagaz**"), dated March 14, 2017 (the "**Reserves Reports**"). Ryder Scott is an independent qualified reserves evaluator and auditor.

The Reserves Reports evaluated the Reserves of KUB-Gas, a natural gas and natural gas liquids producing company in Ukraine in which the Corporation indirectly owns a 35% interest and the Reserves of Tysagaz, which the Corporation owns 100% and is the operator. The assets of KUB-Gas and Tysagaz evaluated in the Reserves Reports are the only reserves of the Corporation and the tables below show the reserves and discounted cash flow values for the Corporation's 35% working interest share in KUB-Gas and the 100% working interest in Tysagaz, as well as a combined table showing the combined interests of the corporation.

It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Corporation's reserves estimated by Ryder Scott represent the fair market value of those reserves. The recovery and reserve estimates of the Corporation's natural gas and natural gas liquids reserves provided are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided.

In preparing this report, Ryder Scott relied upon certain factual information and data furnished by the Corporation and KUB-Gas with respect to ownership interests, natural gas and natural gas liquids production, historical costs of operation and development, product prices, agreements relating to current and future operations, sales of production, and other relevant data. The extent and character of all factual information and data supplied were relied upon by Ryder Scott in preparing their report and was accepted as represented without independent verification. Ryder Scott relied upon representations made by the Corporation as to the completeness and accuracy of the data provided and that no material changes in the performance of the properties has occurred nor is expected to occur, from that which was projected in this report, between the date that the data was obtained for this evaluation and the date of this report, and that no new data has come to light that may result in a material change to the evaluation of the reserves presented in this Form 51-101F1.

The evaluation has been conducted within Ryder Scott's understanding of petroleum legislation, taxation and other regulations that currently apply to these interests. However, Ryder Scott are not in a position to and did not attest to the property title, financial interest relationships or encumbrances related to the Ukrainian licenses.

The evaluations in the Reserves Reports reflect Ryder Scott's informed judgment based on the Canadian Oil and Gas Evaluation Handbook Standards, but is subject to generally recognised uncertainties associated with the interpretation of geological, geophysical and engineering data. The reported hydrocarbon resource volumes are estimates based on professional engineering judgment and are subject to future revisions, upward or downward, as a result of future operations or as additional information become available.

The following tables are prepared from information contained in the Ryder Scott's Cub Energy Ukraine Reports as of December 31, 2016. Some of the numbers in the tables may not add up correctly due to rounding.

Reserves Data – Breakdown of Reserves

**Table 2.1(1) a: SUMMARY OF NATURAL GAS AND NATURAL GAS LIQUIDS RESERVES BASED ON FORECAST PRICES AND COSTS
AS AT DECEMBER 31, 2016
For Cub's 35% Ownership of KUB-Gas (Equity Method of Accounting)**

RESERVES CATEGORY ⁽²⁾	NATURAL GAS		NATURAL GAS LIQUIDS		BOE EQUIVALENTS ⁽¹⁾	
	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MBOE)	Net (MBOE)
PROVED						
Developed Producing	3,967	2,851	25	14	686	489
Developed Non-Producing	1,509	1,085	9	5	260	186
Undeveloped	1,983	1,425	20	12	351	249
TOTAL PROVED	7,458	5,361	55	31	1,298	925
PROBABLE	3,636	2,613	25	14	631	450
TOTAL PROVED PLUS PROBABLE	11,095	7,974	80	46	1,929	1,375

Notes:

- (1) See information related to BOE conversion ratio on page 40 of this document.
- (2) See definitions of “proved” and “probable” reserves on page 15 of this document.

**Table 2.1(1) b: SUMMARY OF NATURAL GAS AND NATURAL GAS LIQUIDS RESERVES BASED ON FORECAST PRICES AND COSTS
AS AT DECEMBER 31, 2016
For Cub's 100% Ownership of Tysgaz (The RK Field)**

	NATURAL GAS		NATURAL GAS LIQUIDS		BOE EQUIVALENTS ⁽¹⁾	
	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MBOE)	Net (MBOE)
RESERVES CATEGORY ⁽²⁾						
PROVED						
Developed Producing	-	-	-	-	-	-
Developed Non-Producing	1,345	967	-	-	224	161
Undeveloped	2,835	2,038	-	-	473	340
TOTAL PROVED	4,180	3,005	-	-	697	500
PROBABLE	864	621	-	-	144	103
TOTAL PROVED PLUS PROBABLE	5,044	3,626	-	-	841	604

Notes:

(1) See information related to BOE conversion ratio on page 40 of this document.

(2) See definitions of "proved" and "probable" reserves on page 15 of this document.

**Table 2.1(1) c: SUMMARY OF NATURAL GAS AND NATURAL GAS LIQUIDS RESERVES BASED ON FORECAST PRICES AND COSTS
AS AT DECEMBER 31, 2016
For Cub's 35% Ownership of KUB-Gas and 100% WI RK**

	NATURAL GAS		NATURAL GAS LIQUIDS		BOE EQUIVALENTS ⁽¹⁾	
	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MBOE)	Net (MBOE)
RESERVES CATEGORY ⁽²⁾						
PROVED						
Developed Producing	3,967	2,851	25	14	686	489
Developed Non-Producing	2,854	2,052	9	5	485	347
Undeveloped	4,818	3,463	20	11	823	589
TOTAL PROVED	11,639	8,366	55	31	1,995	1,425
PROBABLE	4,500	3,234	25	14	775	553
TOTAL PROVED PLUS PROBABLE	16,139	11,599	80	45	2,770	1,978

Notes:

- (1) See information related to BOE conversion ratio on page 40 of this document.
(2) See definitions of "proved" and "probable" reserves on page 15 of this document.

Reserves Data – Net Present Value of Future Net Revenue

**Table 2.1(2) a: SUMMARY OF AGGREGATE NET PRESENT VALUES OF FUTURE NET REVENUE BASED ON FORECAST PRICES AND COSTS
AS AT DECEMBER 31, 2016
For Cub’s 35% Ownership of KUB-Gas (Equity Method of Accounting)**

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (% / YEAR)					AFTER INCOME TAXES DISCOUNTED AT (% / YEAR)					UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10% / YEAR ⁽¹⁾
	0	5	10	15	20	0	5	10	15	20	
	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	(\$/BOE)
PROVED											
Developed Producing	15.77	14.82	13.96	13.18	12.48	13.16	12.42	11.76	11.11	10.56	28.54
Developed Non-Producing	4.65	3.85	3.21	2.69	2.27	3.88	3.23	2.71	2.27	1.92	17.26
Undeveloped	8.10	6.87	5.85	5.00	4.28	6.76	5.76	4.93	4.22	3.62	23.48
TOTAL PROVED	28.53	25.55	23.09	20.88	19.04	23.80	21.40	19.40	17.60	16.10	24.91
PROBABLE	14.45	11.87	9.84	8.24	6.96	11.70	9.60	7.90	6.70	5.60	21.88
TOTAL PROVED PLUS PROBABLE	42.98	37.42	32.87	29.12	26.01	35.57	31.03	27.33	24.28	21.75	23.92

Notes:

- (1) The unit values are based on net reserves.
- (2) All values are presented in United States dollars.
- (3) See definitions of “proved” and “probable” reserves on page 15 of this document.
- (4) See information related to McfGE conversion ratio on page 40 of this document.

**Table 2.1(2) b: SUMMARY OF AGGREGATE NET PRESENT VALUES OF FUTURE NET REVENUE BASED ON FORECAST PRICES AND COSTS
AS AT DECEMBER 31, 2016
For Cub's 100% Ownership of Tysagaz (The RK Field)**

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (% / YEAR)					AFTER INCOME TAXES DISCOUNTED AT (% / YEAR)					UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10% / YEAR (1)
	0	5	10	15	20	0	5	10	15	20	
	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	(\$/BOE)
PROVED											
Developed Producing	-	-	-	-	-	-	-	-	-	-	-
Developed Non-Producing	3.85	3.71	3.57	3.43	3.30	3.27	3.17	3.06	2.95	2.85	22.15
Undeveloped	10.17	9.05	8.07	7.21	6.45	8.64	7.72	6.92	6.21	5.57	23.77
TOTAL PROVED	14.03	12.77	11.64	10.64	9.75	11.92	10.89	9.98	9.16	8.42	23.25
PROBABLE	3.70	3.20	2.80	2.46	2.18	3.09	2.68	2.35	2.07	1.85	27.07
TOTAL PROVED PLUS PROBABLE	17.72	15.97	14.44	13.10	11.93	15.01	13.57	12.33	11.23	10.27	23.91

Notes:

- (1) The unit values are based on net reserves.
- (2) All values are presented in United States dollars.
- (3) See definitions of "proved" and "probable" reserves on page 15 of this document.
- (4) See information related to McfGE conversion ratio on page 40 of this document.

**Table 2.1(2) c: SUMMARY OF AGGREGATE NET PRESENT VALUES OF FUTURE NET REVENUE BASED ON FORECAST PRICES AND COSTS
AS AT DECEMBER 31, 2016
For Cub's 35% Ownership of KUB-Gas and 100% WI RK**

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (% / YEAR)					AFTER INCOME TAXES DISCOUNTED AT (% / YEAR)					UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10% / YEAR ⁽¹⁾
	0	5	10	15	20	0	5	10	15	20	
	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	MM\$	(\$/BOE)
PROVED											
Developed Producing	15.78	14.82	13.96	13.19	12.48	13.26	12.49	11.85	11.15	10.65	28.54
Developed Non-Producing	8.51	7.56	6.78	6.12	5.57	7.15	6.37	5.22	5.22	4.75	19.53
Undeveloped	18.28	15.92	13.92	12.21	10.74	15.36	13.42	11.78	10.40	9.16	23.65
TOTAL PROVED	42.57	38.32	34.67	31.52	28.79	35.76	32.30	29.34	26.77	24.56	24.33
PROBABLE	18.14	15.07	12.64	10.70	9.15	14.83	12.31	10.33	8.75	7.47	22.85
TOTAL PROVED PLUS PROBABLE	60.71	53.39	47.32	42.23	37.94	50.59	44.61	39.67	35.52	32.03	23.91

Notes:

- (1) The unit values are based on net reserves.
- (2) All values are presented in United States dollars.
- (3) See definitions of "proved" and "probable" reserves on page 15 of this document.
- (4) See information related to McfGE conversion ratio on page 40 of this document.

**Table 2.1(3) a: TOTAL FUTURE NET REVENUE (UNDISCOUNTED)
AS AT DECEMBER 31, 2016
FORECASTS PRICES AND COSTS
For Cub's 35% Ownership of KUB-Gas (Equity Method of Accounting)**

RESERVES CATEGORY	REVENUE	ROYALTIES	OPERATING COSTS	DEVELOPMENT COSTS	ABANDONMENT AND RECLAMATION COSTS	FUTURE NET REVENUE BEFORE INCOME TAXES	INCOME TAXES	FUTURE NET REVENUE AFTER INCOME TAXES
	(MM\$)	(MM\$)	(MM\$)	(MM\$)	(MM\$)	(MM\$)	(MM\$)	(MM\$)
PROVED								
Developed Producing	28.8	8.3	4.5	0.3	-	15.8	2.6	13.2
Developed Non-Producing	12.7	3.6	3.1	1.3	-	4.7	0.8	3.9
Undeveloped	16.0	4.7	0.5	2.7	-	8.1	1.3	6.8
TOTAL PROVED	57.5	16.6	8.1	4.3	-	28.5	4.7	23.8
PROBABLE	31.4	9.1	5.3	2.6	-	14.5	2.7	11.7
TOTAL PROVED PLUS PROBABLE	89.0	25.7	13.4	7.0	-	43.0	7.4	35.6

Notes:

- (1) All values are presented in United States dollars.
- (2) Operating costs include taxes other than on income.
- (3) See definitions of "proved" and "probable" reserves on page 15 of this document.

**Table 2.1(3) b: TOTAL FUTURE NET REVENUE (UNDISCOUNTED)
AS AT DECEMBER 31, 2016
FORECASTS PRICES AND COSTS
For Cub's 100% Ownership of Tysgaz (The RK Field)**

RESERVES CATEGORY	REVENUE	ROYALTIES	OPERATING COSTS	DEVELOPMENT COSTS	ABANDONMENT AND RECLAMATION COSTS	FUTURE NET REVENUE BEFORE INCOME TAXES	INCOME TAXES	FUTURE NET REVENUE AFTER INCOME TAXES
	(MM\$)	(MM\$)	(MM\$)	(MM\$)	(MM\$)	(MM\$)	(MM\$)	(MM\$)
PROVED								
Developed Producing	-	-	-	-	-	-	-	-
Developed Non-Producing	9.0	2.5	1.7	0.9	-	3.9	0.6	3.3
Undeveloped	21.1	5.9	2.8	2.1	-	10.2	1.5	8.6
TOTAL PROVED	30.0	8.5	4.5	3.1	-	14.0	2.1	11.9
PROBABLE	6.8	1.9	1.1	0.1	-	3.7	0.6	3.1
TOTAL PROVED PLUS PROBABLE	36.8	10.4	5.6	3.2	-	17.7	2.7	15.0

Notes:

- (1) All values are presented in United States dollars.
- (2) Operating costs include taxes other than on income.
- (3) See definitions of "proved" and "probable" reserves on page 15 of this document.

**Table 2.1(3) c: TOTAL FUTURE NET REVENUE (UNDISCOUNTED)
AS AT DECEMBER 31, 2016
FORECASTS PRICES AND COSTS
For Cub's 35% Ownership of KUB-Gas and 100% WI RK**

RESERVES CATEGORY	REVENUE (MM\$)	ROYALTIES (MM\$)	OPERATING COSTS (MM\$)	DEVELOPMENT COSTS (MM\$)	ABANDONMENT AND RECLAMATION COSTS (MM\$)	FUTURE NET REVENUE BEFORE INCOME TAXES (MM\$)	INCOME TAXES (MM\$)	FUTURE NET REVENUE AFTER INCOME TAXES (MM\$)
PROVED								
Developed Producing	28.8	8.3	4.5	0.3	-	15.8	2.6	13.2
Developed Non-Producing	21.7	6.2	4.8	2.3	-	8.5	1.4	7.2
Undeveloped	37.1	10.6	3.3	4.9	-	18.3	2.9	15.4
TOTAL PROVED	87.6	25.0	12.6	7.4	-	42.6	6.8	35.8
PROBABLE	38.2	11.0	6.4	2.7	-	18.2	3.3	14.8
TOTAL PROVED PLUS PROBABLE	125.8	36.0	19.0	10.1	-	60.7	10.1	50.6

Notes:

- (1) All values are presented in United States dollars.
- (2) Operating costs include taxes other than on income.
- (3) See definitions of "proved" and "probable" reserves on page 15 of this document.

**Table 2.1(4) a: FUTURE NET REVENUE FOR KUB-GAS ASSETS BY PRODUCTION GROUP BASED ON FORECAST PRICES AND COSTS
AS AT DECEMBER 31, 2016
For Cub's 35% Ownership of KUB-Gas (Equity Method of Accounting)**

Reserve Category ⁽¹⁾	Production Group	Future Net Revenue Before Income Taxes (Discounted at 10%/Year) (\$MM)		Unit Value
		100%	35%	(\$ / Mcf for Natural Gas) (\$ / Bbl for Oil and Natural Gas Liquids) (\$ / McfGE for Totals)
		Full Field Interest	Cub Working Interest	
Proved	Light & Medium Oil (including solution gas and other by-products)			
	Heavy Oil (including solution gas and other by-products)			
	Natural Gas (including by products)	65.8	23.0	4.15
	Non-conventional oil and gas activities			
	Total	65.8	23.0	4.15
Proved + Probable	Light & Medium Oil (including solution gas and other by-products)			
	Heavy Oil (including solution gas and other by-products)			
	Natural Gas (including by products)	93.9	32.9	3.99
	Non-conventional oil and gas activities			
	Total	93.9	32.9	3.99

Notes:

- (1) See definitions of "Proved" and "probable" Reserves on page 15 of this document.
(2) See information related to McfGE conversion ratio on page 40 of this document.

**Table 2.1(4) b: FUTURE NET REVENUE FOR RK FIELD BY PRODUCTION GROUP BASED ON FORECAST PRICES AND COSTS
AS AT DECEMBER 31, 2016
RK 100% Interest**

Reserve Category ⁽¹⁾	Production Group	Future Net Revenue Before Income Taxes (Discounted at 10%/Year) (\$MM)		Unit Value
		100%	100%	(\$ / Mcf for Natural Gas)
		Full Field Interest	Cub Working Interest	(\$ / Bbl for Oil and Natural Gas Liquids) (\$ / McfGE for Totals)
Proved	Light & Medium Oil (including solution gas and other by-products)			
	Heavy Oil (including solution gas and other by-products)			
	Natural Gas (including by-products)	11.6	11.6	3.88
	Non-conventional oil and gas activities			
	Total	11.6	11.6	3.88
Proved + Probable	Light & Medium Oil (including solution gas and other by-products)			
	Heavy Oil (including solution gas and other by-products)			
	Natural Gas (including by-products)	14.4	14.4	3.99
	Non-conventional oil and gas activities			
	Total	14.4	14.4	3.99

Notes:

- (1) See definitions of "Proved" and "probable" Reserves on page 15 of this document.
- (2) See information related to McfGE conversion ratio on page 40 of this document.

**Table 2.1(4) c: FUTURE NET REVENUE FOR THE KUB-GAS ASSETS and RK FIELD BY PRODUCTION GROUP BASED ON FORECAST
PRICES AND COSTS AS AT DECEMBER 31, 2016
For Cub's 35% Ownership of KUB-Gas and 100% WI RK**

Reserve Category ⁽¹⁾	Production Group	Future Net Revenue Before Income Taxes (Discounted at 10%/Year) (\$MM)		Unit Value
		100% Full Field Interest	Cub Working Interest	(\$ / Mcf for Natural Gas) (\$ / Bbl for Oil and Natural Gas Liquids) (\$ / McfGE for Totals)
Proved	Light & Medium Oil (including solution gas and other by-products)			
	Heavy Oil (including solution gas and other by-products)			
	Natural Gas (including by-products)	77.4	34.7	4.06
	Non-conventional oil and gas activities			
	Total	77.4	34.7	4.06
Proved + Probable	Light & Medium Oil (including solution gas and other by-products)			
	Heavy Oil (including solution gas and other by-products)			
	Natural Gas (including by-products)	108.3	47.3	3.99
	Non-conventional oil and gas activities			
	Total	108.3	47.3	3.99

Notes:

- (1) See definitions of "Proved" and "probable" Reserves on page 15 of this document.
- (2) See information related to McfGE conversion ratio on page 40 of this document.

**OIL AND GAS RESERVES AND NET PRESENT VALUES BY PRODUCTION GROUP BASED ON FORECAST PRICES AND COSTS
AS AT DECEMBER 31, 2016**

Notes:

1. "Gross Reserves" are the Corporation's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Corporation. "Net Reserves" are the Corporation's working interest (operating or non-operating) share after deduction of royalty obligations, plus the Corporation's royalty interests in reserves.
2. "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. There is a 90% probability that the actual remaining quantities recovered will exceed the estimated proved reserves.
3. "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
4. "Possible" reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.
5. "Developed" reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling a well) to put the reserves on production.
6. "Developed Producing" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
7. "Developed Non-Producing" reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.
8. "Undeveloped" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (Proved, Probable, Possible) to which they are assigned.

**Part 3 - Pricing
Assumption**

The following tables detail the benchmark reference prices, for the KUB-Gas assets (Eastern Ukraine) and the RK field (Western Ukraine) in which the Corporation operated as at December 31, 2016, reflected in the reserves data disclosed above under “Part 2 – Disclosure of Reserves Data”. Forecast prices are provided by Ryder Scott. The forecast price assumptions assume the continuance of current laws and regulations and take into account inflation with respect to future operating and capital costs. Natural Gas forecast prices are based on Partnership-provided data for gas prices realized in early 2017. Ryder Scott have assumed that the realized gas price, after the deduction of VAT, will be \$6.43 per mcf in 2017. Ryder Scott assumed that annual percentage change in the gas price will be the same as the annual percentage change of the Brent crude price in all following years.

**Table 3.1: SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS AS AT DECEMBER 31, 2016
FORECAST PRICES AND COSTS – KUB-Gas Assets (E. Ukraine)
For Cub’s 35% Ownership of KUB-Gas**

Year	Partnership Condensate (excl. VAT)	Partnership Gas (excl. VAT)
	\$ / bbl	\$ / Mcf
2017	38.60	6.43
2018	44.77	7.02
2019	50.17	7.53
2020	56.35	8.12
2021	60.21	8.49
2022	64.07	8.86
2023	67.93	9.23
2024	71.79	9.60
2025	73.80	9.79
2026	75.28	9.93
2027	76.78	10.07
2028	78.32	10.22
2029	79.88	10.37
2030	81.48	10.52
2031+	86.09	10.96

**Table 3.2: SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS AS AT DECEMBER 31, 2016
 FORECAST PRICES AND COSTS – RK Field (W. Ukraine)
 For Cub's 100% Ownership of Tysagaz**

Year	Partnership Gas (excl. VAT)
	\$/ Mcf
2017	6.43
2018	7.02
2019	7.53
2020	8.12
2021	8.49
2022	8.86
2023	9.23
2024	9.60
2025	9.79
2026	9.93
2027	10.07
2028	10.22
2029	10.37
2030	10.52
2031+	10.96

Part 4 – Reconciliation of Changes in Reserves

The following table sets forth a reconciliation of the changes in the Corporation's gross reserves as at December 31, 2015 against such reserves as at December 31, 2016 based on the forecast price and cost assumptions stated on pages 16 and 17 of this document:

**Table 4.1a: RECONCILIATION OF COMPANY GROSS RESERVES BY PRINCIPAL PRODUCT TYPE BASED ON FORECAST PRICES AND COSTS AS AT DECEMBER 31, 2016
For Cub's 35% Ownership of KUB-Gas (Equity Method of Accounting)**

	Associated and Non-Associated Gas		
	Gross Proved (MMscf)	Gross Probable (MMscf)	Gross Proved + Probable (MMscf)
<i>UKRAINE</i>			
December 31, 2015	10,112	7,019	17,132
Extensions	1,726	1,003	2,729
Workovers/Interventions	-	-	-
Infill Drilling	-	-	-
Technical Revisions	(3,508)	(5,557)	(9,065)
Discoveries	-	-	-
Acquisitions	1,685	1,170	2,855
Dispositions	-	-	-
Economic Factors	-	-	-
Production + Inventory changes	(2,556)	-	(2,556)
December 31, 2016	7,459	3,636	11,095

Notes:

(1) See definitions of "Proved" and "Probable" Reserves on page 15 of this document.

**Table 4.1b: RECONCILIATION OF COMPANY GROSS RESERVES BY PRINCIPAL PRODUCT TYPE BASED ON FORECAST PRICES AND COSTS AS AT DECEMBER 31, 2016
For Cub's 100% Ownership of Tysagaz (The RK Field)**

	Associated and Non-Associated Gas		
	Gross Proved (MMscf)	Gross Probable (MMscf)	Gross Proved + Probable (MMscf)
<i>UKRAINE</i>			
December 31, 2015	6,509	1,532	8,041
Extensions	-	-	-
Workovers/Interventions	-	-	-
Infill Drilling	-	-	-
Technical Revisions	(2,079)	(668)	(2,747)
Discoveries	-	-	-
Acquisitions	-	-	-
Dispositions	-	-	-
Category Change	-	-	-
Economic Factors	-	-	-
Production + Inventory changes	(250)	-	(250)
December 31, 2016	4,180	864	5,044

Notes:

(1) See definitions of "Proved" and "Probable" Reserves on page 15 of this document.

**Table 4.1c: RECONCILIATION OF COMPANY GROSS RESERVES BY PRINCIPAL PRODUCT TYPE BASED ON FORECAST PRICES AND COSTS AS AT DECEMBER 31, 2016
For Cub's 35% Ownership of KUB-Gas and 100% WIRK**

	Associated and Non-Associated Gas		
	Gross Proved (MMscf)	Gross Probable (MMscf)	Gross Proved + Probable (MMscf)
<i>UKRAINE</i>			
December 31, 2015	16,621	8,551	25,173
Extensions	1,726	1,003	2,729
Workovers/Interventions	-	-	-
Infill Drilling	-	-	-
Technical Revisions	(5,587)	(6,225)	(11,812)
Discoveries	-	-	-
Acquisitions	1,685	1,170	2,855
Dispositions	-	-	-
Category Change	-	-	-
Economic Factors	-	-	-
Production + Inventory changes	(2,806)	-	(2,806)
December 31, 2016	11,639	4,500	16,139

Notes:

(1) See definitions of "Proved" and "Probable" Reserves on page 15 of this document.

Part 5 – Additional Information Relating to Reserves Data

Undeveloped Reserves (all volumes reported in this section are “net” for Cub’s working interest)

Proved Undeveloped Reserves

The cumulatively added Proved Undeveloped Net Reserves of the Corporation attributable to its 35% interest in KUB-Gas as at December 31, 2016 were 1.42 Bcf of natural gas and 11.6 Mbbbls of natural gas liquids for a total of 250 Mboe of proved undeveloped reserves. Cub Energy acquired all of its Proved Undeveloped Reserves in 2011, and therefore has no Proved Undeveloped Reserves attributed to it in any of the financial years prior to 2011. The cumulatively added Proved Undeveloped Net Reserves of the Corporation attributable to the RK field as at December 31, 2016 was 2.04 Bcf of natural gas for a total of 340 Mboe of proved undeveloped reserves. The Corporation acquired all of its Proved Undeveloped Reserves in 2012, upon the acquisition of Tysagaz, and therefore has no Proved Undeveloped Reserves attributed to it in any of the financial years prior to 2012. Table 5.1 below shows the history of the additions of Proved Undeveloped Net Reserves.

**Table 5.1: ANNUAL ADDITION OF PROVED UNDEVELOPED RESERVES
For Cub’s 35% Ownership of KUB-Gas and 100% WI RK**

Effective Date	New Wells Assigned PUD	Cub’s Net PUD (Gas – MMscf)	Cub’s Net PUD (NGL – Mbbbls)
1 st July 2011	Olg-12, 18, 20, 19, 24, 7 & 6 Kr-5	4,246.0	22.4
1 st July 2012	Olg-15, 21, 22, 23, 25, 28 & 29 Mak-21 & 22 RK-22 & B	2,625.6 + 2,042.7	10.5
31 st December 2012	Olg-11, 17, 26, 27, 30 & 31 Mak-15, 16, 17 & 25	1,178.7	8.6
31 st December 2013	RK-21, RK-23, RK-24	3,480.0	-
31 st December 2014	Mak-23, 24, 25, 40HZ, 41HZ, & 42HZ, Olg-25, 26, 28 & 30 RK-26	1,419 + 4,299.0	4.3
31 st December 2015	No new wells	-	-
31 st December 2016	No new wells	-	-
	Totals	19,290	45.8

The Corporation attributes Proven Undeveloped Reserves on the basis of those Reserves expected to be recovered from known accumulations where significant expenditure (e.g. when compared to the cost drilling a well) is required to render them capable of production. "Proven" Reserves are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proven Reserves. The Corporation's plan is to develop its Proven Undeveloped Reserves over the next two years through stimulation treatments (e.g. fracture stimulations, selective acidizing), dual completions, and further drilling.

Probable Undeveloped Reserves

The cumulatively added Probable Undeveloped Net Reserves of the Corporation's 35% interest in KUB-Gas as at December 31, 2016 were 0.854 Bcf of natural gas and 6.7 Mbbbls of natural gas liquids for a total of 149 Mboe of Probable Undeveloped Reserves. Cub Energy acquired all of its Probable Undeveloped Reserves in 2011, and therefore has no Probable Undeveloped Reserves attributed to it in any of the financial years prior to 2011. The cumulatively added Probable Undeveloped Net Reserves of the Corporation's 100% interest in the RK field as at December 31, 2016 was 0.370 Bcf of natural gas for a total of 61 Mboe of Probable Undeveloped Reserves. Table 5.2 below shows the history of the additions of Probable Undeveloped Net Reserves.

**Table 5.2: ANNUAL ADDITION OF PROBABLE UNDEVELOPED RESERVES
For Cub's 35% Ownership of KUB-Gas and 100% WI RK**

Effective Date	New Wells Assigned Probable Undeveloped	Cub's Net P2 UD (Gas – MMscf)	Cub's Net P2 UD (NGL – Mbbbls)
1 st July 2011	Olg-12, 18, 20, 19, 24, 7 & 6 Kr-5	2,071.2	11.0
1 st July 2012	Olg-15, 21, 22, 23, 25, 28 & 29 Mak-21 & 22 RK-21, 22, 24 & B	1,955.2 + 4,503.9	14.8
31 st December 2012	Olg-11, 17, 26, 27, 30 & 31 Mak-15, 16, 17 & 25	831.1	12.1
31 st December 2013	RK-23	180.0	-
31 st December 2014	RK-26	463.0	-
31 st December 2015	No new wells	-	-
31 st December 2016	Mak-18	262	-
	Totals	10,266.4	37.9

The Corporation attributes Probable Undeveloped Reserves on the basis of those Reserves expected to be recovered from known accumulations where significant expenditure (e.g. when compared to the cost drilling a well) is required to render them capable of production. "Probable" Reserves are those additional Reserves that are less certain to be recovered than Proved Reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved plus Probable Reserves. The Corporation's plan is to develop its Probable Undeveloped Reserves through further drilling, and techniques including stimulation treatments (including fracture stimulations, selective acidizing) and dual completions. The Corporation presently anticipates that it will commence development of its Probable Undeveloped Reserves within the next two years.

Significant Factors or Uncertainties Affecting Reserves Data

The estimation of Reserves requires significant judgment and decisions based on available geological, geophysical, engineering and economic data. These estimates can change substantially as additional information from ongoing development activities and production performance becomes available and as economic and political conditions impact oil and gas prices and costs change. The Corporation's estimates are based on current production forecasts, prices and economic conditions, including the demand within Ukraine for natural gas and natural gas liquids. All of the Corporation's Reserves are evaluated by Ryder Scott, an independent engineering firm.

As circumstances change and additional data becomes available, reserve estimates also change. Based on new information, reserves estimates are reviewed and revised, either upward or downward, as warranted. Although every reasonable effort has been made by the Corporation to ensure that Reserves estimate are accurate, revisions may arise as new information becomes available. As new geological, production and economic data is incorporated into the process of estimating reserves, the accuracy of the reserve estimate improves.

Certain information regarding the Corporation set forth in this report, including management's assessment of the Corporation's future plans and operations contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These risks include, but are not limited to: the risks associated with the oil and gas industry, commodity prices and exchange rates; industry related risks that could include, but are not limited to, operational risks in exploration, development and production, delays or changes in plans; risks associated with the uncertainty of reserve estimates; health and safety risk; and the uncertainty of estimates and projections of production, costs and expenses. Competition from other producers, the lack of available qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources are additional risks the Corporation faces in this market. (See the "Risk Factors" section contained within the Corporation's Annual Information Form (Form 51-102F2) for the year ended December 31, 2016 filed under the Corporation's SEDAR profile (www.sedar.com)). The Corporation's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward looking statements and accordingly, no assurance can be given that any events anticipated by the forward looking statements will transpire or occur, and if any of them do, what benefits the Corporation may derive therefrom. The reader is cautioned not to place undue reliance on this forward looking information.

The Corporation anticipates that any future exploration and development costs associated with its Reserves will be financed through combinations of internally-generated cash flow, debt and equity financing. All of the natural gas and condensate produced by the Corporation during 2016 was sold by the operator of the property to industrial users in the local Ukraine market. The Corporation does not have any hedges in place.

Future Development Costs

The following table shows the development costs anticipated in the next five years, which have been deducted in the estimation of the future net revenues of the proved and probable reserves.

**Table 5.3: FUTURE DEVELOPMENT COSTS – KUB-GAS ASSETS
For Cub’s 35% Ownership of KUB-Gas (Equity Method of Accounting)**

YEAR	Total Proved Estimated Using Forecast Prices and Costs (Undiscounted) (\$MM)		Total Proved Plus Probable Estimated Using Forecast Prices and Costs (Undiscounted) (\$MM)	
	100% Full Field Interest	Cub Working Interest (35%)	100% Full Field Interest	Cub Working Interest (35%)
2017	5.54	1.94	5.54	1.94
2018	0.28	0.09	1.06	0.37
2019	5.86	2.05	12.25	4.28
2020	0.02	0.00	0.00	0.00
2021	0.02	0.00	0.02	0.00
Total for five years	11.72	4.08	18.87	6.59
Remainder	0.67	0.25	1.01	0.37
Total for all years	12.39	4.33	19.88	6.96

**Table 5.4: FUTURE DEVELOPMENT COSTS – RK
For Cub’s 100% Ownership of Tysgaz (The RK Field)**

YEAR	Total Proved Estimated Using Forecast Prices and Costs (Undiscounted) (\$MM)		Total Proved Plus Probable Estimated Using Forecast Prices and Costs (Undiscounted) (\$MM)	
	100% Full Field Interest	Cub Working Interest (100%)	100% Full Field Interest	Cub Working Interest (100%)
2017	2.48	2.48	2.48	2.48
2018	0.09	0.09	0.09	0.09
2019	0.08	0.08	0.16	0.16
2020	0.33	0.33	0.33	0.33
2021	0.02	0.02	0.02	0.02
Total for five years	3.00	3.00	3.08	3.08
Remainder	0.07	0.07	0.07	0.07
Total for all years	3.07	3.07	3.15	3.15

The Corporation’s current cash balance, internally-generated cash flow and future debt and equity placements will allow the Corporation to complete the development costs specified above. It is anticipated that the cost arising from debt that may be placed to fund future development activities will reflect rates for asset based lending prevailing in Ukraine, which are currently in the high twenties. The effect of the costs of the expected funding would have a material impact on the revenues or reserves currently being reported.

Part 6 – Other Oil and Gas Information

Oil and Gas Properties and Wells

The Corporation has an interest in six (net 3.2) gas processing facilities located onshore in Ukraine. None of these facilities have any form of relinquishment, surrender, back-in or change in ownership to which they are subject.

The following table sets forth the number of wells in which the Corporation held a working interest as at December 31, 2016:

**Table 6.1a: OIL AND GAS PROPERTIES AND WELLS
For Cub's 35% Ownership of KUB-Gas (Equity Method of Accounting)**

	OIL		NATURAL GAS	
	Gross	Net	Gross	Net
Ukraine				
Producing	-	-	15	5.25
Non-Producing	-	-	4	1.40
TOTAL			19	6.65

**Table 6.1b: OIL AND GAS PROPERTIES AND WELLS
For Cub's 100% Ownership of Tysagaz (The RK Field)**

	OIL		NATURAL GAS	
	Gross	Net	Gross	Net
Ukraine				
Producing	-	-	-	-
Non-Producing	-	-	5	5
TOTAL			5	5

**Table 6.1c: OIL AND GAS PROPERTIES AND WELLS
For Cub's 35% Ownership of KUB-Gas and 100% WI RK**

	OIL		NATURAL GAS	
	Gross	Net	Gross	Net
Ukraine				
Producing	-	-	15	5.25
Non-Producing	-	-	9	6.40
TOTAL			24	11.60

Properties with no Attributed Reserves

Table 6.2: PROPERTIES WITH NO ATTRIBUTED RESERVES

Location/License	Gross Area	Net Area	Work Commitments / Expiry Date	Rights to Expire within One Year
Staniviske	125 km ²	125 km ²	None known / December 2036	No
Uzhgorod	304 km ²	152 km ²	None known / March 2036	No
Krutogorovskoye	12 km ²	4 km ²	None known / August 2033	No
Vergunskoye	8 km ²	3 km ²	None known / September 2026	No
West Olgovskoye	449 km ²	157 km ²	Seismic and drilling of a well between 2019 and 2020/ June 2035	No
North Makeevskoye	190 km ²	66 km ²	None known / December 2020	No

Significant Factors or Uncertainties Relevant to Properties with no Attributed Reserves

There are no known significant factors or uncertainties relevant to the Properties with no Attributed Reserves since they are yet to be fully evaluated.

Forward Contracts

The Corporation has no forward contracts.

Additional Information Concerning Abandonment and Reclamation Costs

The estimated abandonment and restoration costs used by Ryder Scott are based on discussions with the Corporation's engineering personnel who, in turn, evaluated information provided by Ukraine based field and technical personnel with experience in the three producing fields in Ukraine. The Corporation expects to incur abandonment and reclamation costs for 34 wells (13.7 net wells), and expects to incur \$0.1 million abandonment and restoration costs in 2016. All future abandonment and reclamation costs are deducted in determining Future Net Revenues (35% Cub Working Interest). All costs have been included in the Ryder Scott report.

**Table 6.3a: FUTURE ABANDONMENT AND RECLAMATION COSTS
For Cub's 35% Ownership of KUB-Gas (Equity Method of Accounting)**

Year	Total Proved Estimated Using Forecast Prices and Costs ⁽¹⁾ (Undiscounted) (\$MM)	Total Proved Estimated Using Forecast Prices and Costs ⁽¹⁾ (10% Discounted) (\$MM)	Total Proved Plus Probable Estimated Using Forecast Prices and Costs ⁽¹⁾ (Undiscounted) (\$MM)	Total Proved Plus Probable Estimated Using Forecast Prices and Costs ⁽¹⁾ (10% Discounted) (\$MM)
2017	-	-	-	-
2018	0.10	-	0.19	-
2019	0.01	-	0.01	-
Total for three years	0.11	-	0.20	-
Remainder	0.24	-	0.36	-
Total for all years	0.35	-	0.56	-

Note: (1) Costs are net of estimated salvage value.

**Table 6.3b: FUTURE ABANDONMENT AND RECLAMATION COSTS
For Cub's 100% Ownership of Tysagaz (The RK Field)**

Year	Total Proved Estimated Using Forecast Prices and Costs ⁽¹⁾ (Undiscounted) (\$MM)	Total Proved Estimated Using Forecast Prices and Costs ⁽¹⁾ (10% Discounted) (\$MM)	Total Proved Plus Probable Estimated Using Forecast Prices and Costs ⁽¹⁾ (Undiscounted) (\$MM)	Total Proved Plus Probable Estimated Using Forecast Prices and Costs ⁽¹⁾ (10% Discounted) (\$MM)
2017	-	-	-	-
2018	0.08	-	0.08	-
2019	0.08	-	0.16	-
Total for three years	0.16	-	0.24	-
Remainder	0.42	-	0.66	-
Total for all years	0.58	-	0.66	-

Note (1): Costs are net of estimated salvage value.

**Table 6.3c: FUTURE ABANDONMENT AND RECLAMATION COSTS
For Cub's 35% Ownership of KUB-Gas and 100% WIRK**

Year	Total Proved Estimated Using Forecast Prices and Costs ⁽¹⁾ (Undiscounted) (\$MM)	Total Proved Estimated Using Forecast Prices and Costs ⁽¹⁾ (10% Discounted) (\$MM)	Total Proved Plus Probable Estimated Using Forecast Prices and Costs ⁽¹⁾ (Undiscounted) (\$MM)	Total Proved Plus Probable Estimated Using Forecast Prices and Costs ⁽¹⁾ (10% Discounted) (\$MM)
2017	-	-	-	-
2018	0.18	-	0.27	-
2019	0.10	-	0.18	-
Total for three years	0.28	-	0.45	-
Remainder	0.64	-	0.77	-
Total for all years	0.92	-	1.22	-

Note (1): Costs are net of estimated salvage value.

Tax Horizon

The Corporation is currently taxable in Ukraine and is expected to continue to be currently taxable thereafter.

Costs Incurred

During the 2016 fiscal year, the Corporation for its 35% interest in KUB-Gas incurred capital expenditures of approximately \$1.6 million on its oil and natural gas properties. The Corporation incurred \$1.2 Million on its 100% owned Tysagaz oil and natural gas properties. The following tables reflect the Corporation’s capital expenditures by country and type (in thousands of US\$’s):

Table 6.6a: COSTS INCURRED IN 2016 – For Cub’s 35% Ownership of KUB-Gas (Equity Method of Accounting)

US\$MM	Property Acquisition Costs		Exploration Costs	Development Costs
	Proved Properties	Unproved Properties		
Ukraine	-	-	-	1.6
Total	-	-	-	1.6

Table 6.6b: COSTS INCURRED IN 2016 - For Cub 100% ownership in Tysagaz

US\$MM	Property Acquisition Costs		Exploration Costs	Development Costs
	Proved Properties	Unproved Properties		
Ukraine	-	-	-	1.2
Total	-	-	-	1.2

Table 6.6c: COSTS INCURRED IN 2015 - For Cub’s 35% Ownership of KUB-Gas and 100% ownership in Tysagaz

US\$MM	Property Acquisition Costs		Exploration Costs	Development Costs
	Proved Properties	Unproved Properties		
Ukraine	-	-	-	2.8
Total	-	-	-	2.8

Exploration and Development Activities

The following table summarizes the Corporation's drilling results from its 35% interest in KUB-Gas where one well (M-22) was fractured stimulated and one well (M-23) was drilled. In the 100% interest in Tysagaz there were two wells (RK-21 and RK-1) were worked over. Further exploration and development drilling is anticipated to occur in Ukraine. There were no service wells or stratigraphic test wells drilled.

Table 6.7: EXPLORATION AND DEVELOPMENT ACTIVITIES, 2016 - 35% WI KUB-Gas and 100% WI Tysagaz

	Exploration		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
2016						
Ukraine gas/condensate wells	-	-	1	0.35	1	0.35
Dry and abandoned	-	-	-	-	-	-
Total wells	-	-	-	-	-	-
Success rate (%)	-	-	-	-	-	-
Average working interest (%)	-	-	-	-	-	-

The exploration and development activities planned for KUB-Gas for the 2017 year principally targets a continuation of the comprehensive and efficient exploitation of the Olgovskoye and Makeevskoye fields.

The technical teams intend to continue to drill new wells, complete new zones in existing wells and plan dual completions. The technical team is also considering modern, technically advanced stimulation treatments which use modern methods commonly used elsewhere in the world production enhancement projects. For the Tysagaz properties, the technical team is considering several work overs and a new well at RK.

Production Estimates

The following table is a summary of the gross (prior to royalties) volume of the Corporation's estimated production for 2017, which is reflected in the estimate of future net revenue in the Reserves Reports based on forecast prices and costs.

**Table 6.8a: ESTIMATED 2017 PRODUCTION
For Cub's 35% Ownership of KUB-Gas (Equity Method of Accounting)**

35% Full Field Interest Production Category	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbl)	Oil Equivalent (MBOE) ⁽¹⁾
Gross proved production	2,365	14.8	408.9
Significant fields ⁽²⁾			
- Olgovskoye field	1,436	12.3	251.6
- Makeevskoye field	928	2.5	157.4
Gross probable production	191	1.1	32.9
Significant fields ⁽²⁾			
- Olgovskoye field	98	0.8	17.1
- Makeevskoye field	93	0.3	15.8

Notes:

(1) See information related to BOE conversion ratio on page 40 of this document.

(2) Significant fields include those which are predicted to account for 20% or more of estimated production for 2017. All of the Corporation's significant producing fields are located in Ukraine.

Table 6.8b: ESTIMATED 2017 PRODUCTION
For Cub 100% ownership in Tysagaz (the RK Field)

100% Full Field Interest Production Category	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbbl)	Oil Equivalent (MBOE) ⁽¹⁾
Gross proved production	1,027	-	171
Gross probable production	112	-	18.7

Notes:

(1) See information related to BOE conversion ratio on page 40 of this document.

Table 6.8: ESTIMATED 2016 PRODUCTION
For Cub's 35% Ownership of KUB-Gas and 100% ownership in Tysagaz (the RK Field)

Production Category	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbbl)	Oil Equivalent (MBOE) ⁽¹⁾
Gross proved production	3,392	14.8	580
Gross probable production	191	1.1	51.5

Notes:

(1) See information related to BOE conversion ratio on page 40 of this document.

Production History and Per Unit Results

The following tables set forth the Corporation's share of average daily production volumes and unit prices received, royalties, operating expenses and netbacks received for the periods indicated for its 35% interest in KUB-Gas and its 100% ownership in Tysgaz. All of the information presented relates to the Corporation's operations in Ukraine.

Table 6.9-1a: History and Per Unit Results

For Cub's 35% Ownership of KUB-Gas (Equity Method of Accounting)

SUMMARY OF 2016 COMPANY SHARE OF PRODUCTION AND NETBACKS For Cub's 35% Ownership of KUB-Gas										
RESERVE CATEGORY	NATURAL GAS LIQUIDS					NATURAL GAS				
	Q1	Q2	Q3	Q4	Total Year	Q1	Q2	Q3	Q4	Total Year
UKRAINE										
35% share of daily production	35	32	27	39	34	7,399	6,936	6,825	6,677	7,002
100% share of daily production (bbl/d or Mscf/d before deduction of royalties)	101	91	77	111	96	21,139	19,818	19,501	19,078	20,005
Average (\$/bbl, or \$/Mcf)										
Price received	28.29	52.89	63.99	61.59	51.66	6.16	5.55	5.48	6.39	6.11
Royalties paid	11.94	41.80	16.43	17.74	21.98	1.68	1.53	1.66	1.60	1.60
Production costs	-	-	-	-	-	0.77	1.06	0.46	0.62	0.83
Netback	16.35	11.09	47.56	43.85	29.68	3.71	2.96	3.36	4.16	3.67
Total Annual Production										
35% share	3.2	2.6	3.0	3.6	12.4	681	631	628	614	2,554
100% share (Mbb/d or MMscf/d before deduction of royalties)	9.2	7.4	8.7	10.2	35.5	1,945	1,803	1,794	1,755	7,298

Table 6.9-1b: History and Per Unit Results
For Cub 100% ownership in Tysagaz (the RK Field)

SUMMARY OF 2016 COMPANY SHARE OF PRODUCTION AND NETBACKS For Cub's 100% WI RK										
RESERVE CATEGORY	NATURAL GAS LIQUIDS					NATURAL GAS				
	Q1	Q2	Q3	Q4	Total Year	Q1	Q2	Q3	Q4	Total Year
UKRAINE										
100% share of daily production (bbl/d or Mscf/d before deduction of royalties)	-	-	-	-	-	2,594	-	-	-	647
Average (\$bbl, or \$/Mcf)										
Price received	-	-	-	-	-	6.16	-	-	-	6.16
Royalties paid	-	-	-	-	-	1.66	-	-	-	1.66
Production costs	-	-	-	-	-	0.84	-	-	-	0.84
Netback	-	-	-	-	-	3.66	-	-	-	3.66
Total Annual Production										
100% share (Mbb/d or MMscf/d before deduction of royalties)	-	-	-	-	-	236	-	-	-	236

Production Volumes for the Year Ended December 31, 2016

The following table sets forth the Corporation's working interest share of total production volume together with production volumes for each important field for the Corporation's most recently completed financial year. These production volumes reflect the Corporation's 35% working interest share of production volumes for the year ended December 31, 2015 for the KUB-Gas assets and 100% working interest share of production volumes for the year ended December 31, 2015 for the RK field.

**Table 6.9-2a: PRODUCTION VOLUMES FOR THE YEAR ENDED DECEMBER 31, 2016
For Cub's 35% Ownership of KUB-Gas (Equity Method of Accounting)**

	Conventional Natural Gas (MMCF)	Natural Gas Liquids (Mbbbl)	Oil Equivalent (MBOE's) ⁽¹⁾
Total KGH production volume	2,554	12.4	438
Important fields:			
- Olgovskoye (Ukraine)	1,372	10.3	239
- Makeevskoye (Ukraine)	1,182	2.0	199

Note (1): See information related to BOE conversion ratio on page 40 of this document.

**Table 6.9-2b: PRODUCTION VOLUMES FOR THE YEAR ENDED DECEMBER 31, 2016
For Cub 100% ownership in Tysagaz (the RK Field)**

	Conventional Natural Gas (MMCF)	Natural Gas Liquids (Mbbbl)	Oil Equivalent (MBOE's) ⁽¹⁾
Total Tysagaz production volume	236	-	39.3

Note: (1) See information related to BOE conversion ratio on page 40 of this document.

**Table 6.9-2c: PRODUCTION VOLUMES FOR THE YEAR ENDED DECEMBER 31, 2016
For Cub's 35% Ownership of KUB-Gas and 100% ownership in Tysagaz (the RK Field)**

	Conventional Natural Gas (MMCF)	Natural Gas Liquids (Mbbbl)	Oil Equivalent (MBOE)⁽¹⁾
Total Ukraine production volume	2,790	12.4	477
Important fields:			
- Olgovskoye (Ukraine)	1,372	10.3	239
- Makeevskoye (Ukraine)	1,182	2.0	199
- RK (Ukraine)	236	-	39

Note: (1) See information related to BOE conversion ratio on page 40 of this document.

ABBREVIATIONS AND CONVERSION

OIL AND NATURAL GAS		NATURAL GAS	
Bbl	Barrel	Mscf	Thousand standard cubic feet
Bbls	Barrels	MMscf	Millions standard cubic feet Mscf/d
Mbbls	Thousand barrels		Thousand standard cubic feet per day
MMbbls	Million barrels	MMscf/d	Million standard cubic feet per day
MSTB	1,000 stock tank barrels	MMBTU	Million British Thermal units
Bbls/d	Barrels per day	Bscf	Billion standard cubic feet
NGLs	Natural gas liquids	GJ	gigajoule
STB	Stock tank barrels of oil		
STB/d	Stock tank barrels of oil per day		

OTHER

BOE	Barrel of oil equivalent on the basis that 1 barrel of oil is equivalent to 6 Mscf of natural gas. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 1 barrel of oil for 6 Mscf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
BOE/d	Barrel of oil equivalent per day
McfGE	Thousand cubic feet of natural gas equivalent. As with BOE's, the use of McfGE's may be misleading, particularly if used in isolation. An McfGE conversion ratio of 1 Bbl:6Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
m³	cubic metres

EXHIBIT "II"
REPORTS OF INDEPENDENT QUALIFIED RESERVES EVALUATORS

**FORM 51-101F2
REPORT ON RESERVES DATA
BY
RYDER SCOTT COMPANY-CANADA**

To The Board of Directors of Cub Energy Inc. (the “Company”):

1. We have evaluated the Company’s reserves data as at December 31, 2016. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2016, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the “COGE Handbook”) maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2016, and identifies the respective portions thereof that we have evaluated and reported on to the Company’s management/board of directors:

		Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)				
		(US M\$)				
Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Audited	Evaluated	Reviewed	Total
Ryder Scott Company	December 31, 2016	Ukraine	\$0	\$47,318	\$0	\$47,318

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our report.
8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Ryder Scott Company-Canada, Calgary, Alberta, Canada

Execution Date: Dated as of the 14th day of March, 2017

Signed by:


(signed) "David P. Haugen"

David P. Haugen, P.Eng.
Senior Vice President

EXHIBIT "II"
REPORT OF MANAGEMENT ON OIL AND GAS DISCLOSURE

FORM 51-101F3

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management of Cub Energy Inc. (the “**Corporation**”) are responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2016, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated and reviewed the Corporation's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Corporation (the “**Board**”) has:

- (a) reviewed the Corporation's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservations; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the Board has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board has, on recommendation of the Reserves Committee, approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing the reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

(signed) “Mikhail Afendikov”
Mikhail Afendikov
Chief Executive Officer

(signed) “Patrick McGrath”
Patrick McGrath
Chief Financial Officer

(signed) “Frank Mermoud”
Frank Mermoud
Director

(signed) “Tim Marchant”
Tim Marchant
Director

Dated: March 21, 2017