



Condensed consolidated interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in thousands of US Dollars, unless otherwise noted)

(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, if an auditor has not performed a review of the condensed consolidated interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Cub Energy Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor. These unaudited condensed consolidated interim financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the condensed consolidated interim financial position, results of operations and cash flows.

Cub Energy Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited, expressed in thousands of US dollars)

As at	Note	September 30, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	9	\$ 5,150	\$ 6,206
Prepaid expenses and inventory	13	87	1,223
Trade and other receivables	7	35	417
		5,272	7,846
Non-current assets			
Equity investments	4, 5	2,667	4,600
Non-current receivables	8	1,240	436
Right of use lease asset	19	-	68
		3,907	5,104
Total assets		\$ 9,179	\$ 12,950
Liabilities			
Current liabilities			
Loan from KUB-Gas	11	\$ 5,036	\$ 6,016
Trade and other payables		3,212	3,885
Shareholder loans - current portion	10	1,800	-
		10,048	9,901
Non-current liabilities			
Provisions	6	522	580
Lease liability	19	-	56
Shareholder loans	10	-	2,000
		522	2,636
Total liabilities		10,570	12,537
Shareholders' equity (deficit)			
Share capital	14	62,057	62,057
Contributed surplus	14	5,454	5,454
Other reserve	11	2,193	2,193
Share of change in equity in associated company	4, 11	(2,187)	(2,187)
Accumulated other comprehensive loss		(42,219)	(42,689)
Deficit		(26,689)	(24,415)
Total shareholders' equity (deficit)		(1,391)	413
Total shareholders' equity (deficit) and liabilities		\$ 9,179	\$ 12,950

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 18)

Subsequent event (Note 24)

These condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 and 2019, were approved by the board of directors of the Company on November 17, 2020.

Approved by the Board

“Mikhail Afendikov”
Director (Signed)

“John Booth”
Director (Signed)

See accompanying notes, which are an integral part of these condensed consolidated interim financial statements.

Cub Energy Inc.**Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)**

(Unaudited, expressed in thousands of US dollars, except per share data)

	<i>Note</i>	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Revenue from gas sales		\$ 37	\$ 62	\$ 146	\$ 188
Revenue from gas trading	4	1,255	2,514	4,382	9,968
Royalty expense		(11)	(14)	(43)	(54)
Revenue, net of royalty		1,281	2,562	4,485	10,102
Income (loss) from equity investment	4, 5	(335)	471	(1,183)	2,350
Operating expenses					
Cost of sales for gas trading	4	688	2,432	3,483	9,288
Selling and general administrative expenses	16	533	881	2,053	2,554
Cost of sales		41	54	167	182
Finance loss (gain), net	10, 11	45	122	(11)	28
Accretion of decommissioning obligation	6	13	17	39	50
Depletion and depreciation	6	-	24	-	73
(Gain) loss on sale or property, plant and equipment	6	-	-	(155)	17
		1,320	3,530	5,576	12,192
Net income (loss)		(374)	(497)	(2,274)	260
Other comprehensive income (loss)					
Items that may be reclassified to profit or loss					
Foreign currency translation adjustment on foreign operations		209	1,832	470	3,011
Comprehensive income (loss)		\$ (165)	\$ 1,335	\$ (1,804)	\$ 3,271
Income (loss) per share					
Basic	15	(0.00)	(0.00)	\$ (0.01)	\$ 0.00
Diluted	15	(0.00)	(0.00)	\$ (0.01)	\$ 0.00

See accompanying notes, which are an integral part of these condensed consolidated interim financial statements

Cub Energy Inc.
Condensed Consolidated Interim Statement of Changes in Shareholders' Equity
(Unaudited, expressed in thousands of US dollars)

	<i>Note</i>	Number of shares	Share capital	Contributed surplus	Other reserve	Share of change in equity in associated company	Accumulated other comprehensive loss	Deficit	Total
Balances as at January 1, 2019		314,215,355	\$ 62,057	\$ 5,454	\$ 3,787	\$ (2,187)	\$ (45,533)	\$ (13,355)	\$ 10,223
Related party contributions	<i>11</i>	-	-	-	(1,594)	-	-	-	(1,594)
Currency translation adjustment		-	-	-	-	-	3,011	-	3,011
Net income		-	-	-	-	-	-	260	260
Balances as at September 30, 2019		314,215,355	62,057	5,454	2,193	(2,187)	(42,522)	(13,095)	11,900
Balances as at January 1, 2020		314,215,355	\$ 62,057	\$ 5,454	\$ 2,193	\$ (2,187)	\$ (42,689)	\$ (24,415)	\$ 413
Currency translation adjustment		-	-	-	-	-	470	-	470
Net loss		-	-	-	-	-	-	(2,274)	(2,274)
Balances as at September 30, 2020		314,215,355	\$ 62,057	\$ 5,454	\$ 2,193	\$ (2,187)	\$ (42,219)	\$ (26,689)	\$ (1,391)

See accompanying notes, which are an integral part of these condensed consolidated interim financial statements

Cub Energy Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited, expressed in thousands of US dollars)

	<i>Note</i>	Three month ended September 30,		Nine month ended September 30,	
		2020	2019	2020	2019
Operating activities					
Net income (loss)		\$ (374)	\$ (497)	\$ (2,274)	\$ 260
<i>Adjustments for:</i>					
Loss (income) from equity investment	4	335	(471)	1,183	(2,350)
Accretion of decommissioning obligation	6	13	17	39	50
Depletion and depreciation	6	-	24	-	73
Amortization of transaction costs (finance loss)	10(ii)	-	-	-	2
Loss on sale of property, plant and equipment		-	-	-	17
		(26)	(927)	(1,052)	(1,948)
Dividends from equity investment	4	-	1,106	-	2,790
Changes in working capital	9	(206)	(472)	727	(492)
Cash provided by (used in) operating activities		(232)	(293)	(325)	350
Investing activities					
Loan to CNG	8(i)	-	-	(71)	(86)
Payments under lease liability	19	-	-	(50)	-
Additions to property, plant and equipment		-	-	-	(9)
Cash used in investing activities		-	-	(121)	(95)
Financing activities					
Repayment of shareholder loans	10(ii)	-	-	(200)	(500)
Cash used in financing activities		-	-	(200)	(500)
Net change in cash and cash equivalents		(232)	(293)	(646)	(245)
Effect of foreign exchange on cash and cash equivalents		(53)	379	(410)	524
Cash and cash equivalents at beginning of period		5,435	7,429	6,206	7,236
Cash and cash equivalents at end of period		\$ 5,150	\$ 7,515	\$ 5,150	\$ 7,515
Supplemental cash flow information					
Taxes paid		\$ -	\$ -	\$ -	\$ -
Interest paid		\$ 56	\$ 63	\$ 116	\$ 130

Supplemental cash flow information (Note 9)

See accompanying notes, which are an integral part of these condensed consolidated interim financial statements

Cub Energy Inc.

For the three and nine months ended September 30, 2020 and 2019

Notes to the condensed consolidated interim financial statements

(Unaudited, expressed in thousands of US dollars)

1 Nature of operations and going concern

Cub Energy Inc. (the “Company”) is engaged in the exploration, development and production of natural gas, power generation and gas trading in Ukraine. The Company was incorporated pursuant to the provisions of the Business Corporations Act (Ontario) and continued under the Canadian Business Corporations Act in February 2012. The address of the Company’s registered office is 4500 Bankers Hall East, 855 - 2nd Street SW, Calgary, Alberta, T2P 4K7, Canada and the records office is Suite 10010, 5120 Woodway Drive, Houston, Texas, 77056. The Company is listed on the TSX Venture Exchange (“TSXV”) under the trading symbol “KUB”.

The Company, through its subsidiary Gastek LLC (“Gastek”), owns a 35% equity interest in KUBGAS Holdings Limited (“KUB Holdings”) which in turn owns a 100% equity interest in KUB-Gas LLC (“KUB-Gas”). KUB Holdings is governed by a shareholders’ agreement amongst its two shareholders. KUB-Gas and its subsidiary, KUB-Gas Borova LLC, own and operate six licenced gas and gas condensate fields in the Dnieper-Donetsk Basin of eastern Ukraine (five operating under production licences and one under exploration licence). See Note 4. Gastek has the ability to earn an additional 5% of KUB Holdings (up to 40% in total, see Note 4).

The Company, through its subsidiary Tysagaz LLC, also owns a 100% working interest in two production licences in western Ukraine, Rusko-Komarivske (“RK”) and Stanivske. The RK field was in production until April 1, 2016 when it was suspended due to a termination of a gas blending contract that reduced the nitrogen content of the gas to meet local pipeline specifications. The RK field is currently producing at a reduced rate and the Company is planning to generate power utilizing the gas. See Note 24.

On July 8, 2016, the Company entered into a share purchase agreement (“SPA”) and shareholders’ agreement with a third party, whereby the third party earned a 50% interest in the Company’s newly formed subsidiary, CNG Holdings Netherlands B.V. (“CNG Holdings”), which, in turn, owns CNG LLC (“CNG LLC”), the 100% owner of the Uzhgorod production licence in western Ukraine. The Company and the third party respectively own 50% of the common shares of CNG Holdings (Note 5). Pursuant to the terms of the SPA, the third party is to:

- (i) Pay the Company €1,500 (\$1,649) upon transfer of the 50% shares (“Closing”) (Paid);
- (ii) Fund a 100 square kilometre 3D seismic survey (Completed);
- (iii) Fund the drilling of the first three wells within four years of Closing (First well drilled in 2019); and
- (iv) Fund the tie-in costs of the first three wells up to a maximum €200 (\$228) per well within four years of Closing.

Ukraine’s political and economic situation has been volatile since late November 2013 with no material impact on KUB-Gas operations.

On January 1, 2018, the natural gas royalty rate was reduced from 29% to 12% on new wells drilled after January 1, 2018 for a minimum of five years.

The political and economic uncertainty in Ukraine has contributed to volatility of the Ukrainian currency, Hryvnya (“UAH”), against major currencies. The UAH depreciated approximately 16% against the US dollar during the nine months ended September 30, 2020.

Cub Energy Inc.

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Notes to the condensed consolidated interim financial statements

(Unaudited, expressed in thousands of US dollars)

As of September 30, 2020, the Company had working capital deficit of \$4,776 (December 31, 2019 – \$2,055) and accumulated deficit of \$26,689 (December 31, 2019 – \$24,415) since its inception and may incur future losses in the development of its business. With the current cash resources, limited production from the RK Field, uncertainty surrounding the successful completion and installation of the power generation units, limited Ukraine dividend restrictions, currency fluctuations, reliance on a few customers and impact on carrying values, the Company may not have sufficient cash to continue operations. These matters raise significant doubt about the ability of the Company to continue as a going concern and meet its obligations as they become due. Continuing operations are dependent on the ability to obtain adequate funding to finance existing operations, receiving funds from Ukraine (including dividends), stability in Ukraine and attaining future profitable operations in Ukraine. Additional financing is subject to the global financial markets and economic conditions, and volatility in the debt and equity markets. These factors have made, and will likely continue to make it challenging to obtain cost effective funding or any at all. There is no assurance this capital will be available and, if it is not, the Company may be forced to curtail or suspend all planned activity.

The continued operations of the Company and the recoverability of amounts shown for its natural gas properties is dependent upon the existence of economically recoverable reserves and future profitable production, or upon the Company's ability to recover its costs through a disposition of its properties or subsidiaries. The amount shown for natural gas properties does not necessarily represent present or future value of those properties. Changes in future conditions could result in a material change in the amount recorded for the natural gas properties.

The Company is exposed to commodity price risk with respect to natural gas prices and foreign exchange rate risk with respect to its foreign assets and liabilities. A significant decline in any one of these commodity prices or foreign exchange rates may affect the Company's ability to obtain capital for the exploration and development of its natural gas properties. See further financial risk disclosures in Note 22.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2 Basis of preparation

(a) Statement of compliance

These Condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements have been prepared in conformity with IAS 34 *Interim Financial Reporting* and do not include all the information required for full annual consolidated financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financials for the year ended December 31, 2019.

(b) Basis of consolidation

(i) Subsidiaries and functional and reporting currencies

The following table describes the Company's subsidiaries and equity accounted investments, their jurisdiction of incorporation, functional currency, continuance or formation and the percentage of securities beneficially owned, controlled or directed by the Company as at September 30, 2020:

Cub Energy Inc.**For the three and nine months ended September 30, 2020 and 2019****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

Name of Subsidiary/ Equity Accounted Investment	Percentage of Voting Securities Owned	Jurisdiction of Incorporation, Continuance or Formation	Functional Currency
Gastek LLC	100%	California	US
KUBGAS Holdings Limited	35%	Cyprus	US
KUB-Gas LLC	35%	Ukraine	Hryvnia
KUB-Gas Borova LLC	35%	Ukraine	Hryvnia
3P International Energy Limited	100%	Cyprus	US
3P Energy Consulting LLC	100%	Ukraine	Hryvnia
Tysgaz LLC	100%	Ukraine	Hryvnia
CNG Holdings Netherlands B.V.	50%	Netherlands	Euro
CNG LLC	50%	Ukraine	Hryvnia
Cub Energy Ltd.	100%	Cyprus	US
Cub Energy Inc.	100%	Texas	US
Galizien Energy Corp.	100%	Ontario	Canadian

The Company accounts for its 35% indirect ownership in KUB Holdings and KUB-Gas as an investment in associate subject to significant influence under the equity method. The Company also accounts for its 50% direct ownership in CNG Holdings and CNG LLC under the equity method.

During the nine months ended September 30, 2020, the Company dissolved Tysa Solar Holdings Limited and its wholly-owned subsidiary, Tysa Solar LLC. These entities held no assets and the dissolution had no impact on the consolidated interim financial statements.

The functional currency of the parent company is the Canadian dollar. The presentation currency of the consolidated financial statements is the US dollar. All financial information herein is presented in US dollars and is rounded to the nearest thousand except as noted. Financial information in Canadian dollars is noted as “CAD” and financial information in Euros is noted as “€”.

(c) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized gains arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising on transactions with equity accounted investees are eliminated against the investment to the extent of the Company’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(d) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts are expressed in US dollars unless otherwise specified.

(e) Use of estimates and judgments

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates. Significant estimates include:

- To value the equity investment in KUB Holdings, management obtains financial information from the majority owner. The recoverability of the Company’s equity investment in KUB Holdings is subject to all estimates included in the financial information from the majority owner, as well as estimates of the recoverable amount of the natural gas reserves held by its wholly-owned subsidiary KUB-Gas.

Cub Energy Inc.

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(Unaudited, expressed in thousands of US dollars)

Additionally, the Company estimates the ability of KUB Holdings to generate future dividends and ability to repatriate funds from Ukraine due to limited dividend restrictions (Note 1).

- The determination of cash-generating units (“CGU”) requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.
- Amounts recognized for depletion and depreciation of property, plant and equipment and the assessment of these assets for impairment which includes petroleum and natural gas interests are based on estimates of proved and probable reserves, natural gas prices, future costs, royalty payments and taxes, timing, and other relevant assumptions. By their nature, the estimates of reserves are subject to measurement uncertainty. Changes in these variables could significantly impact the reserves estimates which would affect estimates of recoverable amounts, and depletion and depreciation expense. The Company’s natural gas reserves are evaluated annually and reported to the Company by independent qualified reserves evaluators. The Company expects that its estimates of reserves will change to reflect updated information. Reserve estimates can be revised upward or downward based on the results of future drilling, testing, production levels, and changes in costs, and commodity prices.
- Amounts recognized for decommissioning obligations and the related accretion expense requires the use of estimates with respect to the amount and timing of decommissioning expenditures. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.
- Charges for share-based payments and the value of restricted stock units (RSU) are based on the fair value at the date of issuance. These instruments are subject to the estimation using pricing models such as the Black-Scholes option pricing model, which is based on assumptions such as volatility, dividend yield, risk free rate of return and expected term. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.
- Tax interpretations, regulations and legislations in the jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.
- Judgment is required to determine the functional currency of the parent and its subsidiaries. These judgments are continuously evaluated and are based on management’s experience and knowledge of the relevant facts and circumstances, including analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.
- Judgement is required to determine the value of its petroleum and natural gas interests (RK field) due to its suspension/reduction in production since April 1, 2016 and recent commitment to purchase new equipment to utilize the field for power generation. However, until the new equipment is operational and the RK field is producing, there will be uncertainty regarding the value of the RK field.
- The Company applies judgment in assessing its ability to continue as a going concern for at least 12 months. In making this assessment, the Company considers the facts and circumstances disclosed in Note 1. The Company concluded that there is a material uncertainty that may cast doubt on its ability to continue as a going concern.

3 Significant accounting policies

These condensed consolidated interim financial statements are prepared in accordance with IFRS and follow the same accounting policies and methods of their application as the most recent audited financial statements for the year ended December 31, 2019. These financial statements should be read in conjunction with those consolidated financial statements.

Cub Energy Inc.
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Notes to the condensed consolidated interim financial statements
(Unaudited, expressed in thousands of US dollars)

4 Equity investment in KUB Holdings

The Company's share of the consolidated loss from its 35% ownership interest in KUB Holdings for the nine months ended September 30, 2020 was \$1,183 (2019 – income of \$2,350). As of September 30, 2020, the carrying value of the Company's 35% ownership investment was \$2,667 (December 31, 2019 - \$4,600). The continuity of the Company's investment in KUB Holdings is as follows:

Investment in KUB Holdings as at January 1, 2019	\$	7,967
Income from equity investment		2,350
Dividends received		(2,790)
Currency translation adjustment		2,385
Investment in KUB Holdings as at September 30, 2019	\$	9,912
Investment in KUB Holdings as at January 1, 2020	\$	4,600
Loss from equity investment		(1,183)
Currency translation adjustment		(750)
Investment in KUB Holdings as at September 30, 2020	\$	2,667

As at September 30, 2020 and 2019, KUB Holdings on a gross basis includes the following:

As at	September 30,		December 31,	
	2020		2019	
Current assets	\$	12,529	\$	16,126
Non-current assets		698		2,389
Current liabilities		(4,707)		(5,287)
Non-current liabilities		(236)		(85)
Net assets	\$	8,284	\$	13,143

Nine months ended September 30,	2020		2019	
Capital expenditures	\$	2,482	\$	1,226
Revenues		7,335		22,136
Royalty expense		3,057		7,139
Net income (loss)		(3,383)		6,719
Other comprehensive income (loss)		(2,142)		6,815

Three months ended September 30,	2020		2019	
Capital expenditures	\$	-	\$	423
Revenues		1,779		5,532
Royalty expense		948		1,730
Net income (loss)		(961)		1,351
Other comprehensive income		(662)		4,288

Commencing August 2016, the Company's wholly owned subsidiary, Tysagaz, began taking possession of the Company's 35% ownership of gas produced at KUB-Gas. Tysagaz purchased the gas from KUB-Gas at the same price that KUB-Gas sold its gas to an affiliate of the majority shareholder of KUB-Gas. The Company agreed to this arrangement so it could attempt to earn additional net income over the gas sales price sold to the majority shareholders' affiliate. During the nine months ended September 30, 2020, the Company recorded \$4,382 (2019 - \$9,968) in gas sales and \$3,483 (2019 - \$9,288) for the cost of the sales for a net

Cub Energy Inc.**For the three and nine months ended September 30, 2020 and 2019****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

profit from gas trading of \$899 (2019 - \$680). For clarity, the \$4,382 (2019 - \$9,288) cost of sales is included in the KUB Holdings revenue in the tables above. As at September 30, 2020, \$26 (December 31, 2019 - \$190) of the Company's trade and other receivables relates to these gas sales to third parties and included in current receivables (see Note 7). In addition, at September 30, 2020, \$2,325 (December 31, 2019 - \$2,850) of trade and other payables is owed to KUB-Gas. The Company received dividends of \$Nil (2019 - \$2,790) during the nine months ended September 30, 2020.

During the year ended December 31, 2016, KUB Holdings' 100% owned subsidiary, KUB-Gas, entered into unsecured, non-interest bearing loan agreements with related parties of the Company. See Note 11.

Per Note 1, the Company has the ability to further increase its ownership interest in KUB Holdings from 35% to 40% on meeting certain benchmarks and optional payments. The Company can earn an additional 2.5% ownership interest when the majority owner of KUB Holdings has received a cumulative \$25,000 in dividends from KUB Holdings of which they have received \$16,873 as at September 30, 2020. The Company also has an option to purchase, within one year of the above-mentioned 2.5% transfer from the majority owner, a further 2.5% ownership interest in KUB Holdings at a price equal to 2.5% of the net present value of 2P reserves of KUB-Gas at a 10% discount at the time of exercise.

5 Equity investment in CNG Holdings

The Company's share of the consolidated net loss from its 50% ownership interest in CNG Holdings for the nine months ended September 30, 2020 was \$1,130 (2019 – net income of \$32). However, per IAS 28, the Company is only to report its share of cumulative losses up to the Company's total interest in the equity investment. No additional losses are provided for as the Company does not have a legal or constructive obligation to make payments on behalf of CNG Holdings or CNG LLC. As of September 30, 2020, the Company's 50% ownership investment was \$Nil (December 31, 2019 - \$Nil).

As at September 30, 2020 and 2019, CNG Holdings on a gross basis includes the following:

As at	September 30, 2020	December 31, 2019
Current assets	\$ 384	\$ 658
Non-current assets	3,674	4,245
Current liabilities	(35)	(80)
Non-current liabilities	(8,041)	(7,074)
Net liabilities	\$ (4,018)	\$ (2,251)

Nine months ended September 30,	2020	2019
Capital expenditures	\$ -	\$ 1,670
Net income (loss)	(2,260)	502
Other comprehensive income (loss)	\$ 599	\$ (104)

Three months ended September 30,	2020	2019
Capital expenditures	\$ -	\$ 1,534
Net income	(1,072)	438
Other comprehensive loss	\$ 253	\$ (71)

Cub Energy Inc.**For the three and nine months ended September 30, 2020 and 2019****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

6 Property, plant and equipment

Cost	Petroleum and Natural Gas Interests	Equipment, Furniture and Fixtures	Total
Balance as at January 1, 2019	\$ 5,325	\$ 1,448	\$ 6,773
Additions	76	10	86
Dispositions	-	(174)	(174)
Impairment of property, plant and equipment	(3,866)	(1,148)	(5,014)
Currency translation adjustment	2,213	842	3,055
Balance as at September 30, 2020 and December 31, 2019	\$ 3,748	\$ 978	\$ 4,726

Accumulated depletion and depreciation	Petroleum and Natural Gas Interests	Equipment, Furniture and Fixtures	Total
Balance as at January 1, 2019	\$ 2,307	\$ 878	\$ 3,185
Depletion and depreciation for the period	21	72	93
Dispositions	-	(150)	(150)
Currency translation adjustment	1,420	178	1,598
Balance as at September 30, 2020 and December 31, 2019	\$ 3,748	\$ 978	\$ 4,726

Carrying amounts				
Balance as at September 30, 2020 and December 31, 2019	\$ -	\$ -	\$ -	\$ -

Based on the assessment as at December 31, 2019 and due to the uncertainties on the timeline for recommencing material production on the RK field, the Company recorded an impairment to equal to the carrying value of property, plant and equipment. The carrying value at September 30, 2020 was \$Nil (December 31, 2019 - \$Nil). During the three months ended September 30, 2020, the Company sold property, plant and equipment (Nitrogen Rejection Unit) for cash proceeds of \$155 and recorded this amount as a gain on sale.

The Company's decommissioning obligation is estimated based on the Company's net ownership in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future periods. The costs are expected to be settled between 2022 through to 2030. The liability has been discounted using a risk-free interest rate of 9.5% (2019 – 9.5%).

7 Trade and other receivables

As at	September 30, 2020	December 31, 2019
Trade receivables (Note 4)	\$ 26	\$ 190
VAT receivable, net of liabilities	5	148
Interest receivable on GICs	2	77
GST receivable	2	2
	\$ 35	\$ 417

The Valued Added Tax ("VAT") is a tax imposed on goods and services in Ukraine. The VAT paid is recoverable against future VAT collected on sales.

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(Unaudited, expressed in thousands of US dollars)

8 Non-current receivables

As at	September 30, 2020	December 31, 2019
(i) Due from CNG Holdings	\$ 566	\$ 407
(ii) Due from KUB Holdings	29	29
(iii) Prepayment of Jenbacher units	645	-
	\$ 1,240	\$ 436

(i) During the nine months ended September 30, 2020, the Company provided CNG Holdings with an additional €65 loan (\$71) as part of its contribution to its share of ongoing general administrative costs. The loan has an interest rate of 6% and is due in installments between September 14, 2020 and September 14, 2023. The loan accrued interest of \$13 (2019 - \$15) during the nine months ended September 30, 2020. The balance also includes \$10 (December 31, 2019- \$10) for a reimbursement of costs on behalf of CNG that is considered a long term receivable.

(ii) The balance is for the reimbursement of expenses with no repayment terms.

(iii) The Company has made prepayments for the Jenbacher units totaling \$645 (2019 - \$Nil) to utilize the natural gas from the RK field for power generation. See Notes 18 and 24.

9 Supplemental cash flow information

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash flows relating to:				
Changes in trade and other receivables	\$ 17	\$ 254	\$ 473	\$ 448
Changes in prepaid expenses and inventory	221	317	1,148	622
Changes in trade and other payables	(179)	(837)	(178)	(1,725)
Changes in non-current receivables	(265)	(206)	(716)	163
	\$ (206)	\$ (472)	\$ 727	\$ (492)

The Company's cash and cash equivalents consists of the following:

As at	September 30, 2020	December 31, 2019
Cash	\$2,075	\$1,490
Cash equivalent	3,075	4,716
Total cash and cash equivalent	\$5,150	\$6,206

During the nine months ended September 30, 2020 and the years ended December 31, 2019 and 2018, the Company purchased Guaranteed Investment Certificates with a Canadian financial institution with annual interest rates between 0.20% and 0.75% that are redeemable at any time.

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10 Shareholder Loans

(i) Shareholder Loan I

Pelicourt Limited (“Pelicourt”) is a significant shareholder of the Company over which the CEO of the Company has significant influence. The shareholder loan had a principal of \$2,000 with an interest rate of 12% paid quarterly. In May 2020, \$200 of the principal was repaid and the interest rate was reduced to 10.8%. The due date of the loan is January 31, 2021. Pelicourt was granted security over Gastek which indirectly owns the 35% interest in KUB-Gas. The security is available on an event of default and limited only to the amount owing on the shareholder loan including principal and interest. During the nine months ended September 30, 2020, the Company paid interest of \$116 (2019 - \$180). A summary of the loan is presented in the table at the end of this note.

(ii) Shareholder Loan II

In June 2017, the Company entered into a second shareholder loan agreement with a former officer of the Company. The shareholder loan had a principal of \$1,000 with an annual interest rate of 6% payable monthly. The shareholders loan was repaid in four equal quarterly installments commencing on September 30, 2018 and ending September 30, 2019. The Company issued the lender 2,200,000 common shares valued at \$68 as a bonus for entering into the loan. The Company amortized the value of the common shares over the term of the loan and included in finance loss during the nine months ended September 30, 2020 was \$Nil (2019 - \$2). In addition, the lender was granted the same rights as the Pelicourt shareholder loan for security over Gastek. The security is available on an event of default and limited only to the amount owing on the shareholder loan including principal and interest. The loan was repaid in full on June 30, 2019 and the paid interest of \$11 during the nine months ended September 30, 2019 (2020 - \$Nil).

A summary of the shareholder loans is presented below.

	Shareholder Loan I	Shareholder Loan II
December 31, 2018	\$2,000	\$498
Repayment	-	(500)
Amortization of transaction costs	-	2
December 31, 2019	\$2,000	\$ -
Repayment	(200)	-
September 30, 2020	\$1,800	\$ -
December 31, 2019		
Current portion	\$ -	\$ -
Non-current portion	\$2,000	\$ -
September 30, 2020		
Current portion	\$1,800	\$ -
Non-current portion	\$ -	\$ -

11 Loan from KUB-Gas

During the year ended December 31, 2016, the Company’s Ukraine subsidiaries, Tysgaz and 3P Consulting, entered into unsecured, non-interest bearing loan agreements with KUB-Gas, whereby KUB-Gas agreed to lend approximately 172,500 UAH for general working capital. During the year ended December 31, 2018, the Company repaid 30,000 UAH. The schedule of the loans is as follows:

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Due date	UAH
December 31, 2020, callable by Kub-Gas	30,000
December 31, 2020, callable by Kub-Gas	60,000
December 31, 2020, callable by Kub-Gas	22,500
December 31, 2020, callable by Kub-Gas	30,000
Principal loan value, September 30, 2020	142,500
Carrying value, December 31, 2018	\$3,591
Derecognition of interest rate benefit	1,594
Currency translation adjustment	831
Carrying value, December 31, 2019	\$6,016
Currency translation adjustment	(980)
Carrying value, September 30, 2020	\$5,036

The KUB-Gas loan agreements are denominated in UAH and subject to currency fluctuations. The KUB-Gas loans are interest free and below market rates. At the outset of the loans in 2016, the Company recognized a loan discount amount of \$2,509. The loan discount recognizes the interest rate benefit assuming an effective interest rate in Ukraine of approximately 21% based on market rates for comparable transactions. The discount amount is to be amortized over the life of the loans. The accretion of the interest rate benefit is recorded to profit or loss within finance loss. In addition, KUB-Gas recognized the fair value of these transactions in its financial statements during the year ended December 31, 2016 and treated the fair value of the benefit as a non-cash distribution to shareholders in its shareholders' equity. The Company's share of the amount recognized in 2016 was \$2,187 which includes the recognition of the fair value of the interest rate benefit for financial aid provided by KUB-Gas to parties controlled by the majority shareholder of KUB-Gas and the Company. This was treated as a reduction of its investment of KUB Holdings. See Note 4.

During the year ended December 31, 2018, the maturity of the loans from Kub-Gas were all extended to December 31, 2020 and the Company recorded a further loan discount of \$1,278 which was recorded to reserves in shareholders' equity as per IFRS accounting treatment of a related party loan and is to be amortized over the remaining term of the loan.

The Kub-Gas loans were amended in 2019 to include a callable feature whereby Kub-Gas can call the loans at any time prior to the December 31, 2020 maturity date. The callable feature reclassifies the loans from a long-term liability to a current liability and the balance of the loan discount, being \$1,594, was derecognized and recorded to other reserves and the loans are now carried at face value.

12 Bank Guarantee

During the year ended December 31, 2018, the Company's subsidiary, Tysagaz, entered into a bank guarantee for 25,000 UAH (\$890) with a state-owned Ukrainian bank to guarantee its working capital requirement for the gas trading business. The term of the bank guarantee is a 3% annual fee to keep the guarantee in place. The Company is also a party to the guarantee. In February 2019, the bank guarantee was reduced to 10,000 UAH (\$356). In December 2019, the Company's subsidiary, Tysagaz, entered into a new bank guarantee for 8,000 UAH (\$285) as a result of a change in structure of the pipeline operator and the 10,000 UAH bank guarantee was terminated in January 2020.

During 2019, the Company pledged 4,500 UAH (\$160) of its cash in the Ukraine bank for the bank guarantee. During the nine months ended September 30, 2020, the pledged amount was decreased to 2,000 UAH (\$71).

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13 Prepaid Expenses and Inventory

As at	September 30, 2020	December 31, 2019
Inventory - natural gas	\$ 25	\$ 1,071
Prepaid expenses	48	129
Inventory - materials	14	23
	\$ 87	\$ 1,223

As at September 30, 2020, natural gas inventory included \$25 (December 31, 2019 - \$1,071) held with a Ukraine pipeline operator as part of its gas trading activities.

14 Share capital and share-based payments

(a) Share capital

During the nine months ended September 30, 2020 and 2019, there were no issuances of common shares.

(b) Stock options

The Company has a stock option plan under which it is authorized to grant options to its directors, officers, employees and consultants for the purchase of up to 10% of the issued and outstanding common shares. The term of options under the plan shall not exceed 10 years, have an exercise price not less than the current market price and may be subject to vesting terms as determined by the board of directors. There were 15,300,000 stock options outstanding during the nine months ended September 30, 2020 and year ended December 31, 2019. The schedule of the stock options is presented below:

Issuance Date	Expiry Date	Exercise price (CAD)	Issued	Exercisable	Weighted Avg Remaining Life (years)
December 7, 2016	December 7, 2026	\$ 0.08	12,800,000	12,800,000	6.19
May 19, 2017	May 19, 2027	\$ 0.06	2,500,000	2,500,000	6.64
Total			15,300,000	15,300,000	6.26

The stock options vest a third every six months and are fully vested eighteen months after the date of grant. The Company uses a graded vesting methodology to expense the options over the vesting period. The Company recorded no share-based payments of during the nine months ended September 30, 2020 and 2019 as all options were fully vested.

(c) Restricted stock units

The Company approved a restricted share unit ("RSU") plan in 2014 under which it is authorized to grant RSUs to its directors, officers, employees and consultants of up to 10% of the issued and outstanding common shares. The term of RSUs under the plan shall not exceed 10 years, have a grant price not less than the current market price and are subject to a three-year vesting term with 1/3 vesting on the first, second and third anniversaries from the date of issuance. Upon vesting, the holder will receive common shares issued by the Company or cash. The recipient of the RSU is also entitled to receive dividends associated with the underlying common shares. No RSU's were issued or outstanding as at September 30, 2020 (December 31, 2019 – Nil).

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15 Income (loss) per share

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Numerator				
Income (loss) for the period - basic and diluted	\$ (374)	\$ (497)	\$ (2,274)	\$ 260
Denominator (in 000's)				
Weighted average shares - basic	314,215	314,215	314,215	314,215
Effect of warrants	-	-	-	-
Effect of stock options	-	-	-	-
Effect of RSUs	-	-	-	-
Weighted average shares - diluted	314,215	314,215	314,215	314,215
Basic income (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ 0.00
Diluted income (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ 0.00

16 Selling and general administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Salaries (Note 21)	\$ 320	\$ 511	\$ 1,136	\$ 1,479
Office and administration expenses	79	217	424	663
Professional fees	30	50	287	191
Consulting fees	101	45	190	108
Travel	3	58	16	113
	\$ 533	\$ 881	\$ 2,053	\$ 2,554

During the nine months ended September 30, 2020, the Company applied for and obtained \$94 as part of the US Paycheck Protection Program under the CARES Act. The Company expects the full amount to be forgiven under the program. During the nine months ended September 30, 2020, the Company recorded the \$94 as a reduction of salaries. See Note 18.

17 Operating segments

The Company defines its reportable segments based on geographical locations as follows:

	Ukraine	Canada	USA	Total
Nine months ended September 30, 2020				
Revenue, net of royalties	\$ 4,485	\$ -	\$ -	\$ 4,485
Cost of sales for gas trading	(3,483)	-	-	(3,483)
Income from equity investment	(1,183)	-	-	(1,183)
Selling and general administrative expenses, accretion, and gain on sale of property, plant and equipment	(768)	(234)	(935)	(1,937)
Cost of sales	(167)	-	-	(167)
Finance gain, net	(12)	26	(3)	11
Net loss	\$ (1,128)	\$ (208)	\$ (938)	\$ (2,274)

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	Ukraine	Canada	USA	Total
Three months ended September 30, 2020				
Revenue, net of royalties	\$ 1,281	\$ -	\$ -	\$ 1,281
Cost of sales for gas trading	(688)	-	-	(688)
Income from equity investment	(335)	-	-	(335)
Selling and general administrative expenses, accretion, and gain on sale of property, plant and equipment	(171)	(50)	(325)	(546)
Cost of sales	(41)	-	-	(41)
Finance loss, net	46	(90)	(1)	(45)
Net loss	\$ 92	\$ (140)	\$ (326)	\$ (374)

	Ukraine	Canada	USA	Total
Nine months ended September 30, 2019				
Revenue, net of royalties	\$ 10,102	\$ -	\$ -	\$ 10,102
Cost of sales for gas trading	(9,288)	-	-	(9,288)
Income from equity investment	2,350	-	-	2,350
Selling and general administrative expenses, accretion and	(1,125)	(350)	(1,146)	(2,621)
Finance loss, net	291	(305)	(14)	(28)
Depletion and depreciation	(32)	-	(41)	(73)
Cost of sales	(182)	-	-	(182)
Net income (loss)	\$ 2,116	\$ (655)	\$ (1,201)	\$ 260

	Ukraine	Canada	USA	Total
Three months ended September 30, 2019				
Revenue, net of royalties	\$ 2,562	\$ -	\$ -	\$ 2,562
Cost of sales for gas trading	(2,432)	-	-	(2,432)
Income from equity investment	471	-	-	471
Selling and general administrative expenses and accretion	(403)	(140)	(355)	(898)
Finance loss, net	(79)	(42)	(1)	(122)
Depletion and depreciation	(11)	-	(13)	(24)
Cost of sales	(54)	-	-	(54)
Net income (loss)	\$ 54	\$ (182)	\$ (369)	\$ (497)

	Ukraine	Canada	USA	Total
As at December 31, 2019				
Total assets	\$ 7,260	\$ 5,630	\$ 60	\$ 12,950
Total liabilities	\$ 9,746	\$ 2,719	\$ 72	\$ 12,537
As at September 30, 2020				
Total assets	\$ 5,327	\$ 3,620	\$ 232	\$ 9,179
Total liabilities	\$ 8,283	\$ 2,269	\$ 18	\$ 10,570

The Company has two principal reportable segments being the revenue from the sale of gas from the Company's RK field and revenue from gas trading. These reportable segments were determined based on the source of the gas obtained by the Company for sale. Reportable segments are defined as components of an

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enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Amounts relating to the gas trading segment include revenue from gas trading and cost of sales for gas trading. There are no other revenue, expenses, or non-current assets that relate to this segment.

For the nine months ended September 30, 2020, there were two (2019 - three) customers which each accounted for greater than 10% of total gas trading revenue, and the revenue amounted to \$935 and \$574 (2019 - \$1,668, \$1,598 and \$1,450). During the nine months ended September 30, 2020, there was just one customer for the Company's gas sales (2019 - one). All the Company's revenues were earned from sales to customers in the Ukraine.

18 Commitments and contingencies

Ukraine

The Company has an obligation to incur certain capital expenditures to comply with the Ukrainian licence requirements. Under these licence maintenance commitments, the Company is required to explore its licenced fields. Although these commitments are not binding and may be modified based on results of work, the Company's potential capital expenditures relating to qualifying activities on gas and gas condensate fields will be material during the period from 2021 to 2022 as part of the planned exploration and development programs. Justified deviation from the capital expenditures is permitted and should be agreed with the licensor, while failure to commit exploration works and substantiate the different capital expenditure schedule may result in termination of the exploration licence.

Lawsuits

During the year ended December 31, 2016, the Company's 50% indirect investment in Ukraine associate, CNG LLC, learned of two non-governmental organization ("NGO") lawsuits filed against the State Service of Geology and Mineral Resources of Ukraine ("SGS"), the government body who issues licences in Ukraine, concerning recent licence grants including the Company's recently issued Uzhgorod licence. From public available information, it appears that the NGO filed at least five more lawsuits challenging the SGS for issuance of several licenses issued to various third party subsoil users. The Company believes the claims to be frivolous and without merit and there is no reason to postpone investment activities within the Uzhgorod license. To be clear, CNG LLC, which holds the Uzhgorod license is not a defendant under the claims but could be materially affected by a negative outcome. Therefore, CNG LLC has participated in the litigation as a third party on the defendant's side. During the year ended December 31, 2017, one of the two NGO lawsuits against SGS was dismissed by the Ukraine courts. The other lawsuit is still pending, but remains dormant.

Capital Commitment

In April, 2020, the Company signed a contract for the purchase of capital equipment to utilize the natural gas from the RK field for power generation. The contract commitment totals approximately \$1,400 and together with cost of commissioning and connecting to the local grid, the total commitment is \$1,900. The Company has expended \$645 of this commitment to September 30, 2020 and expended a further \$1,200 subsequent to September 30, 2020. See Notes 8(iii) and 24.

US Paycheck Protection Program

During the nine months ended September 30, 2020, the Company applied for and obtained \$94 as part of the US Paycheck Protection Program under the CARES Act. The Company expects the full amount to be forgiven under the program. During the nine months ended September 30, 2020, the Company recorded the \$94 as a reduction of salaries in general and administrative expenses. See Note 16.

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19 Leases

The Company has a lease agreement for office space in Houston, Texas which expires in May 2020. The commitment is approximately \$166 per year for the term of the lease. In March of 2019, the Company subleased a material amount of the Houston office space for the remainder of the lease as a cost savings measure. During the nine months ended September 30, 2020, the Company signed a new lease agreement for office space in Houston, Texas which expires in May 2025 with a yearly commitment of \$31.

The Company also leases two offices in Ukraine with one expiring in February 2021 with a commitment of \$56 per year and a second expiring in November 2020 with a commitment of \$15 per year. During the three months ended September 30, 2020, the Company terminated the Ukraine office lease expiring in February 2021 and signed a new office lease expiring in June 2021 with a commitment of \$16 per year.

20 Related party transactions

Transactions with related parties are incurred in the normal course of business. During the nine months ended September 30, 2020 and 2019, there were no related party transactions other than the shareholder loans (Note 10), the transactions and balances with KUB Holdings and KUB-Gas, and the loan to CNG Holdings (Note 8 (i)) (Notes 4, 5, 10 and 11).

21 Key management compensation

Key management personnel include executive officers and non-executive directors. Executive officers are paid a salary and may participate in the Company's stock option and RSU plans. Non-executive directors also may participate in the Company's stock option and RSU plans. Key management personnel compensation is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Directors' fees ⁽¹⁾	\$ 19	\$ 56	\$ 104	\$ 169
Management wages ⁽¹⁾	127	198	618	594
Consulting fees ⁽¹⁾	30	30	90	90
Total	\$ 176	\$ 284	\$ 812	\$ 853

⁽¹⁾ These amounts are included in salaries and consulting fees within selling and general administrative expenses.

As at September 30, 2020, \$308 (December 31, 2019 - \$468) was included in trade and other payables owing to the CEO for his 2014 to 2016 accrued compensation reflecting the payment to the CEO of \$160 during the nine months ended September 30, 2020 (2019 - \$153) as part of the debt reduction of the accrued payable. During the nine months ended September 30, 2020, the Company reduced one management role and paid severance of \$236 which is included in management fees.

22 Financial risk management

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk

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- foreign exchange risk
- interest risk
- commodity price risk

This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for managing and measuring risk, and the management of capital.

Management has overall responsibility for the establishment and oversight of the risk management framework.

The risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from cash, trade and other receivables (excluding sales tax), and non-current receivables.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Company manages its credit risk by holding its cash with high credit quality Canadian, US and Ukrainian financial institutions.

The following table identifies the Company's maximum exposure to credit risk:

As at	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 5,150	\$ 6,206
Trade and other receivables (excludes sales tax)	28	267
Non-current receivables	1,240	436
	\$ 6,418	\$ 6,909

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and the ability of the Company to get funds from Ukraine due to uncertainties in Ukraine related to dividend restriction policies.

The Company has \$1,800 in shareholder loans (See Note 10) and \$5,036 in loans payable to Kub-Gas (See Note 11). As at September 30, 2020, the Company had current assets of \$5,272 and had the following financial liabilities:

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	As at September 30, 2020			
	Carrying Amount	Contractual Cash Flows	< 1 year	
Trade and other payables	\$ 3,212	\$ 3,212	\$	3,212
Shareholder loans	1,800	1,800		1,800
Loan from KUB-Gas	5,036	5,036		5,036
Provisions	522	-		-
	\$ 10,570	\$ 10,048	\$	10,048

(d) Foreign exchange risk

The Company is exposed to foreign exchange risk primarily related to operating and capital expenditures, denominated in currencies other than the US Dollar, which is primarily Canadian dollars and Ukrainian Hryvnia. The following financial instruments are shown in US Dollars:

	As at September 30, 2020			
	UAH	€	CAD	Total
Cash and cash equivalents	\$ 1,113	\$ 109	\$ 41	\$ 1,263
Trade and other receivables	33	-	2	35
Non-current receivables	-	566	-	566
Trade and other payables	(2,714)	-	(2)	(2,716)
Loan from KUB-Gas	(5,036)	-	-	(5,036)
	\$ (6,604)	\$ 675	\$ 41	\$ (5,888)
Effect of +/- 10% change in foreign exchange rate	\$ (660)	\$ 68	\$ 4	\$ (589)

(e) Interest Rate

The Company has a \$1,800 shareholder loan (see Note 10) which is due to be repaid by January 31, 2021 with an annual interest rate of 10.8%. The Company's interest rate risk is limited as it does not have any variable interest bearing financial instruments.

(f) Commodity price

The Company is exposed to risks due to fluctuations in the price of natural gas in the Ukraine. The Company has no commodity hedge program in place which could potentially mitigate the price risk. During the nine months ended September 30, 2020, the Company sold gas to its customers at an average price of \$3.59 (2019 - \$5.85) per thousand cubic feet. A 10% fluctuation in the average price of gas assuming the same quantity sold, would have impacted the Company's revenue from gas trading by approximately \$60 (2019 - \$95) per month.

(g) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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The Company includes shareholders' equity, comprised of issued share capital, contributed surplus, warrants, accumulated other comprehensive loss and deficit in the definition of capital. As at September 30, 2020, the Company has total shareholders' deficit of \$1,391 (December 31, 2019 – shareholders' equity of \$413). The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its exploration and development work programs. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity, debt or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the year ended September 30, 2020.

23 Financial instruments

The Company's financial instruments consist of cash, trade and other receivables (excluding sales tax), non-current receivables, shareholder loans, loan from KUB-Gas and trade and other payables. The fair values of financial instruments other than cash and cash equivalents approximate their carrying values. Trade and other receivables and trade and other payables approximate fair value due to the short term nature of the accounts. The shareholder loans approximate fair value due to the use of market rates of interest. The loan from KUB-Gas and the loan to CNG LLC also approximate fair value as they have been discounted with an interest rate comparable to current market rates.

The Company classifies its fair value measurements in accordance with the three levels fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data.

The following table summarizes the carrying values of the Company's financial instruments:

- (i) Cash
- (ii) Trade and other receivables and non-current receivables (excludes sales tax)
- (iii) Trade and other payables, shareholder loans and loan from KUB-Gas

As at	September 30, 2020		December 31, 2019	
Fair value through profit or loss (i)	\$	5,150	\$	6,206
Assets - amortized cost (ii)	\$	1,268	\$	703
Liabilities - amortized cost (iii)	\$	10,048	\$	11,901

	Level 1		Level 2		Level 3		Total
As at September 30, 2020							
Cash and cash equivalents	\$	5,150	\$	-	\$	-	\$ 5,150
As at December 31, 2019							
Cash and cash equivalents	\$	6,206	\$	-	\$	-	\$ 6,206

24 Subsequent event

Subsequent to the nine months ended September 30, 2020, the Company expended a further \$1,200 of the capital commitment for the purchase of Jenbacher units and costs to connect to the local power grid to utilize the natural gas from the RK field for power generation. See Note 18.