



Condensed consolidated interim financial statements

For the three and nine months ended September 30, 2021 and 2020

(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 Operations and Comprehensive Income (Loss)**

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

		Three months ended September 30,		Nine months ended September 30,	
	<i>Note</i>	2021	2020	2021	2020
Revenue from gas trading	4	\$ 2,698	\$ 1,255	\$ 6,180	\$ 4,382
Revenue from sale of electricity		281	-	459	-
Revenue from gas sales		114	37	305	146
Royalty expense		(36)	(11)	(101)	(43)
Revenue, net of royalty		3,057	1,281	6,843	4,485
Income (loss) from equity investment	4, 5	614	(335)	737	(1,183)
Operating expenses					
Cost of sales for gas trading	4	1,875	688	3,869	3,483
Selling and general administrative expenses	16	323	533	1,228	2,053
Cost of gas sales		18	41	101	167
Cost of electricity sales		105	-	172	-
Finance loss (gain), net	10, 11, 12	(88)	45	(16)	(11)
Depletion and depreciation	6	37	-	62	-
Accretion of decommissioning obligation	6	9	13	26	39
Gain on sale of property, plant and equipment		-	-	-	(155)
		2,279	1,320	5,442	5,576
Net income (loss)		1,392	(374)	2,138	(2,274)
Other comprehensive income (loss)					
Items that may be reclassified to profit or loss					
Foreign currency translation adjustment on foreign operations		(87)	209	(189)	470
Comprehensive income (loss)		\$ 1,305	\$ (165)	\$ 1,949	\$ (1,804)
Income (loss) per share					
Basic	15	0.00	(0.00)	\$ 0.01	\$ (0.01)
Diluted	15	0.00	(0.00)	\$ 0.01	\$ (0.01)

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, 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)
Balances as at January 1, 2021		314,215,355	\$ 62,057	\$ 5,454	\$ 2,193	\$ (2,187)	\$ (41,779)	\$ (26,524)	\$ (786)
Currency translation adjustment		-	-	-	-	-	(189)	-	(189)
Net income		-	-	-	-	-	-	2,138	2,138
Balances as at September 30, 2021		314,215,355	\$ 62,057	\$ 5,454	\$ 2,193	\$ (2,187)	\$ (41,968)	\$ (24,386)	\$ 1,163

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 months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Operating activities					
Net income (loss)		\$ 1,392	\$ (374)	\$ 2,138	\$ (2,274)
<i>Adjustments for:</i>					
Income (loss) from equity investment	4	(614)	335	(737)	1,183
Depletion and depreciation		37	-	62	-
Accretion of decommissioning obligation	6	9	13	26	39
Interest expense		-	-	(3)	-
Amortization of right of use asset	19	-	-	7	-
Gain on derecognition of lease	19	-	-	2	-
		824	(26)	1,495	(1,052)
Changes in working capital	9	(494)	(206)	(81)	727
Cash provided by (used in) operating activities		330	(232)	1,414	(325)
Investing activities					
Additions to property, plant and equipment	6	-	-	(352)	-
Payments under lease liability	19	-	-	(8)	(50)
Loan to CNG	8(i)	-	-	-	(71)
Cash used in investing activities		-	-	(360)	(121)
Financing activities					
Proceeds from bank loan	12	-	-	793	-
Repayment of the bank loan	12	(75)	-	(91)	-
Repayment of shareholder loan	10(ii)	-	-	(900)	(200)
Cash used in financing activities		(75)	-	(198)	(200)
Net change in cash and cash equivalents		255	(232)	856	(646)
Effect of foreign exchange on cash and cash equivalents		(7)	(53)	105	(410)
Cash and cash equivalents at beginning of period		5,137	5,435	4,424	6,206
Cash and cash equivalents at end of period		\$ 5,385	\$ 5,150	\$ 5,385	\$ 5,150
Supplemental cash flow information					
Taxes paid		\$ -	\$ -	\$ -	\$ -
Interest paid		\$ 14	\$ 56	\$ 64	\$ 116

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, 2021 and 2020

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 3300, 205 5th Avenue SW, Calgary, AB, T2P 2V7. 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). On September 7, 2021, the Company announced it had entered into a letter agreement to sell its 35% interest in KUB-Gas for a cash payment of \$2,600 and settlement of approximately \$8,000 in debt for total deemed consideration of approximately \$10,600. The settlement of debt includes the trade payable to KUB-Gas and the loan from KUB-Gas. The closing of the transaction is subject to the parties entering into a definitive agreement and regulatory approval. See Notes 4 and 11.

The Company, through its subsidiary Tysagaz LLC, also owns a 100% working interest in one production licences in western Ukraine, Rusko-Komarivske (“RK”), where it produces natural gas and generates power. See Note 6.

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 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. On April 30, 2021, the Company entered into another SPA to sell its 50% interest in CNG Holdings in consideration of €800. The consideration consists of €600 in cash on closing and €200 is a contingent payment on certain future events including a commercial discovery. The closing is subject to certain conditions including Ukraine regulatory approval. On August 5, 2021, an amending agreement was signed to extend the agreement to the end of 2021 (Note 5).

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 appreciated approximately 7% against the US dollar during the nine months ended September 30, 2021.

As of September 30, 2021, the Company had working capital deficit of \$4,258 (December 31, 2020 – \$5,585) and accumulated deficit of \$24,386 (December 31, 2020 – \$26,524) since its inception and may incur future losses in the development of its business. With the working capital deficit, 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.

Cub Energy Inc.
For the three and nine months ended September 30, 2021 and 2020
Notes to the condensed consolidated interim financial statements
(Unaudited, expressed in thousands of US dollars)

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, including the variant, has adversely affected workforces, economies, and financial markets globally. While conditions have improved recently, 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, 2020.

(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, 2021:

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
Tysagaz LLC	100%	Ukraine	Hryvnia
CNG Holdings Netherlands B.V.	50%	Netherlands	Euro
CNG LLC	50%	Ukraine	Hryvnia

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, 2021, the Company dissolved its 100% owned Texas subsidiary, Cub Energy Inc.

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 “€”.

Cub Energy Inc.**For the three and nine months ended September 30, 2021 and 2020****Notes to the condensed consolidated interim financial statements**(Unaudited, expressed in thousands of US dollars)

(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.

(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. Additionally, the Company estimates the ability of KUB Holdings to generate future dividends.
- 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

Cub Energy Inc.**For the three and nine months ended September 30, 2021 and 2020****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

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*.
- Judgment is required to determine the value of its petroleum and natural gas interests (RK field) and the power generation business.
- 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, 2020. These financial statements should be read in conjunction with those consolidated financial statements.

4 Equity investment in KUB Holdings

The Company's share of the consolidated income of its 35% ownership interest in KUB Holdings for the nine months ended September 30, 2021 was \$737 (2020 – loss of \$1,183). As of September 30, 2021, the carrying value of the Company's 35% ownership investment was \$3,721 (December 31, 2020 - \$2,805). The continuity of the Company's investment in KUB Holdings is as follows:

Investment in KUB Holdings as at January 1, 2020	\$	4,600
Income from equity investment		(1,183)
Currency translation adjustment		(750)
Investment in KUB Holdings as at September 30, 2020	\$	2,667
Investment in KUB Holdings as at January 1, 2021	\$	2,805
Income from equity investment		737
Currency translation adjustment		179
Investment in KUB Holdings as at September 30, 2021	\$	3,721

As at September 30, 2021 and 2020, KUB Holdings on a gross basis includes the following:

As at		September 30, 2021		December 31, 2020
Current assets	\$	13,602	\$	11,380
Non-current assets		2,913		2,073
Current liabilities		(5,450)		(5,086)
Non-current liabilities		(435)		(352)
Net assets	\$	10,630	\$	8,015

Cub Energy Inc.**For the three and nine months ended September 30, 2021 and 2020****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

Nine months ended September 30,	2021	2020
Capital expenditures	\$ 711	\$ 2,482
Revenues	11,979	7,335
Royalty expense	5,934	3,057
Net income (loss)	2,106	(3,383)
Other comprehensive income (loss)	(749)	(2,142)

Three months ended September 30,	2021	2020
Capital expenditures	\$ 418	\$ -
Revenues	5,642	1,779
Royalty expense	2,546	948
Net income (loss)	1,753	(961)
Other comprehensive income (loss)	665	(662)

On September 7, 2021, the Company announced it had entered into a letter agreement to sell its 35% interest in KUB-Gas for a cash payment of \$2,600 and settlement of approximately \$8,000 in debt for total deemed consideration of approximately \$10,600. The settlement of debt includes the trade payable to Kub-Gas and the loan from KUB-Gas (Note 11). The closing of the transaction is subject to the parties entering into a definitive agreement and regulatory approval.

Commencing August 2016, the Company's wholly owned subsidiaries began taking possession of the Company's 35% ownership of gas produced at KUB-Gas. The Company's subsidiaries 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, 2021, the Company recorded \$6,180 (2020 - \$4,382) in gas sales and \$3,869 (2020 - \$3,483) for the cost of the sales for a net profit from gas trading of \$2,311 (2020 - \$899). For clarity, the \$3,869 (2020 - \$3,483) cost of sales is included in the KUB Holdings revenue in the tables above. As at September 30, 2021, \$nil (December 31, 2020 - \$Nil) of the Company's trade and other receivables relates to these gas sales to third parties are included in current receivables (see Note 7). In addition, at September 30, 2021, \$1,568 (December 31, 2020 - \$2,202) of trade and other payables is owed to KUB-Gas for the cost of the gas. As at September 30, 2021, the Company had received payment \$1,886 from a third party trader as an advance on October gas trading sales and it is included in current liabilities.

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 December 31, 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 income from its 50% ownership interest in CNG Holdings for the nine months ended September 30, 2021 was \$500 (2020 - net loss of \$1,130) which was primarily

Cub Energy Inc.**For the three and nine months ended September 30, 2021 and 2020****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

unrealized foreign exchange fluctuations. 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. As at September 30, 2021, the Company's share of its cumulative losses at CNG Holdings is \$3,208 (December 31, 2020 - \$3,708) which exceeds the cumulative carry value of 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, 2021, the Company's 50% ownership investment was \$Nil (December 31, 2020 - \$Nil).

As at September 30, 2021 and 2020, CNG Holdings on a gross basis includes the following:

As at	September 30,		December 31,	
	2021		2020	
Current assets	\$	282	\$	375
Non-current assets		4,120		3,677
Current liabilities		(13)		(12)
Non-current liabilities		(8,705)		(8,448)
Net liabilities	\$	(4,316)	\$	(4,408)

Nine months ended September 30,	2021		2020	
Capital expenditures	\$	-	\$	-
Net income (loss)		500		(2,260)
Other comprehensive income (loss)	\$	(27)	\$	599

Three months ended September 30,	2021		2020	
Capital expenditures	\$	-	\$	-
Net income		325		(1,072)
Other comprehensive loss	\$	(243)	\$	253

On April 30, 2021, the Company entered into an agreement to sell its 50% interest in CNG Holdings, which indirectly owns the Uzghorod licence in western Ukraine. In consideration, the Company is to receive €800 for its 50% interest in CNG Holdings. The consideration consists of €600 in cash on closing and €200 is a contingent payment on certain future events including a commercial discovery. The closing is subject to certain conditions including Ukraine regulatory approval. On August 5, 2021, an amending agreement was signed to extend the agreement to the end of 2021.

Cub Energy Inc.**For the three and nine months ended September 30, 2021 and 2020****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, 2020	\$	3,748	\$	978	\$ 4,726
Additions		-		1,423	1,423
Balance as at December 31, 2020		3,748		2,401	6,149
Additions		-		352	352
Currency translation adjustment		-		110	110
Balance as at September 30, 2021	\$	3,748	\$	2,863	\$ 6,611

Accumulated depletion and depreciation	Petroleum and Natural Gas Interests		Equipment, Furniture and Fixtures		Total
Balance, January 1, 2020 and December 31, 2020	\$	3,748	\$	978	\$ 4,726
Additions		-		62	62
Currency translation adjustment		-		2	2
Balance as at September 30, 2021	\$	3,748	\$	1,042	\$ 4,790

Carrying amounts					
Balance as at December 31, 2020	\$	-	\$	1,423	\$ 1,423
Balance as at September 30, 2021	\$	-	\$	1,821	\$ 1,821

During the year ended December 31, 2020, the Company purchased capital equipment to utilize the natural gas from the RK field for power generation. The Company recorded \$352 in capital expenditures during the nine months ended September 30, 2021 (2020 - \$Nil) related to the power generation business. The Company recorded \$62 in depreciation for the nine months ended September 30, 2021 (2020 - \$Nil). The Company depreciates the power generation equipment using the unit of production method based on the useful estimated hours for the equipment's life. The carrying value at September 30, 2021 was \$1,821 (December 31, 2020 - \$1,423). 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 long-term provision consists of the decommissioning obligation of wells. The 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 2027 through to 2033.

Cub Energy Inc.**For the three and nine months ended September 30, 2021 and 2020****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

7 Trade and other receivables

As at	September 30, 2021	December 31, 2020
VAT receivable, net of liabilities	\$ 121	\$ 31
Trade receivables	10	-
GST receivable	2	2
Interest receivable on GICs	-	5
	\$ 133	\$ 38

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.

8 Non-current receivables and prepayments

	September 30, 2021	December 31, 2020
(i) Due from CNG Holdings	\$ 582	\$ 594
(ii) Due from KUB Holdings	29	29
(iii) Prepayment related to power generation	-	236
	\$ 611	\$ 859

(i) During the nine months ended September 30, 2020, the Company provided CNG Holdings with an additional \$71 loan (2021 - \$nil) 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 of which no payments were made. The Company entered into agreement to sell its interest in CNG Holdings subject to regulatory approval (See Note 5). The loan accrued interest of \$11 (2020 - \$13) during the nine months ended September 30, 2021. The balance also includes \$10 (December 31, 2020- \$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 made a prepayment to a local Ukraine power company during the year ended December 31, 2020 for the costs associated with connecting to the local power grid totaling \$236 to utilize the natural gas from the RK field for power generation. During the nine months ended September 30, 2021, the prepayment was transferred to property, plant and equipment with the power equipment going into commercial production.

9 Supplemental cash flow information

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cash flows relating to:				
Changes in trade and other receivables	\$ (60)	\$ 17	\$ (122)	\$ 473
Changes in prepaid expenses and inventory	(405)	221	(373)	1,148
Changes in trade and other payables	(1,915)	(179)	(1,711)	(178)
Changes in non-current receivables	-	(265)	239	(716)
Changes in advances on gas sales	1,886	-	1,886	-
	\$ (494)	\$ (206)	\$ (81)	\$ 727

During the nine months ended September 30, 2021, derecognized \$109 (2020 - \$Nil) for a terminated office

Cub Energy Inc.**For the three and nine months ended September 30, 2021 and 2020****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

lease and a prepayment of \$236 related to the power business made during the year ended December 31, 2020 was transferred to property, plant and equipment during the nine months ended September 30, 2021. There were no other non-cash investing or financing activities during the nine months ended September 30, 2021 and 2020.

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

As at	September 30, 2021	December 31, 2020
Cash	\$4,385	\$1,649
Cash equivalents	1,000	2,775
Total cash and cash equivalents	\$5,385	\$4,424

The Company purchased Guaranteed Investment Certificates with a Canadian financial institution with annual interest rate of 0.12% and are redeemable at any time.

10 Shareholder Loan

Pelicourt Limited ("Pelicourt") is a significant shareholder of the Company over which the former CEO of the Company had significant influence. During 2014, Pelicourt loaned the Company the principal sum 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%. In January 2021, the Pelicourt loan was extended by three years to March 31, 2024 at the same 10.8% interest rate. The repayment of the facility will be \$150 per quarter. During the nine months ended September 30, 2021, the Company made principal payments of \$900 (2020 - \$200). The loan can be called at any time with 60 days written notice. The principal balance of the Pelicourt loan at September 30, 2021 was \$900 and interest payable of \$25. 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, 2021, the Company recorded interest of \$104 (2020 - \$116). A summary of the shareholder loan is presented below.

	Shareholder Loan
January 1, 2020	\$2,000
Repayment	(200)
December 31, 2020	\$1,800
Repayment	(900)
Accrued interest	25
September 30, 2021	\$925

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:

Due date	UAH
December 31, 2022, callable by Kub-Gas	30,000
December 31, 2022, callable by Kub-Gas	60,000
December 31, 2022, callable by Kub-Gas	22,500

Cub Energy Inc.**For the three and nine months ended September 30, 2021 and 2020****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

December 31, 2022, callable by Kub-Gas	30,000
Principal loan value, September 30, 2021	142,500
Carrying value, January 1, 2020	\$6,016
Currency translation adjustment	(1,011)
Carrying value, December 31, 2020	\$5,005
Currency translation adjustment	356
Carrying value, September 30, 2021	\$5,361

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.

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 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.

During the year ended December 31, 2020, the maturity of the loans from Kub-Gas were all extended to December 31, 2022 and includes a callable feature whereby Kub-Gas can call the loans at any time prior to the December 31, 2022 maturity date.

12 Bank Loan and Guarantee

Loan

During the nine months ended September 30, 2021, the Company's subsidiary, Tysgaz, entered into a loan agreement with a Ukraine bank for €650 (\$793). The loan bears interest at 7.5%, will mature in November 2023 and is secured by the Jenbacher power generation units and a general guarantee by the Company. During the nine months ended September 30, 2021, the Company repaid \$91 in principal and paid \$19 in interest. A summary of the shareholder loan is presented below.

Bank Loan	
Principal loan value, September 30, 2021	€ 573
Carrying value, January 1, 2021	\$ -
Proceeds	793
Repayments	(91)
Currency translation adjustment	(34)
Carrying value, September 30, 2021	\$ 668

Cub Energy Inc.**For the three and nine months ended September 30, 2021 and 2020****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

Guarantee

During the year ended December 31, 2018, the Company's subsidiary, Tysgaz, 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, Tysgaz, 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.

Restricted Cash

During 2019, the Company pledged 4,500 UAH (\$160) of its cash in the Ukraine bank for the bank guarantee. During the year ended December 31, 2020, the pledged amount was decreased to 2,600 UAH (\$92) of which 2,400 UAH (\$85) relates to the gas trading business and 200 UAH (\$7) relates to the power generation line of business. During the nine months ended September 30, 2021, 2,200 UAH (\$79) was returned leaving 400 UAH (\$15) remaining.

13 Prepaid Expenses and Inventory

As at	September 30,		December 31,	
	2021		2020	
Prepaid expenses	\$	432	\$	70
Inventory - materials		50		18
Inventory - natural gas		-		28
	\$	482	\$	116

As at September 30, 2021, the Company's subsidiary had made a prepayment of VAT of \$390 (December 31, 2020 - \$Nil) related to October gas trading sales.

14 Share capital and share-based payments**(a) Share capital**

During the nine months ended September 30, 2021 and 2020, 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. The continuity and schedule of the stock options is presented below:

Cub Energy Inc.**For the three and nine months ended September 30, 2021 and 2020****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

	Number of Options	Weighted Avg Exercise Price (CAD)
Balance as at January 1, 2020	15,300,000	\$ 0.08
Options forfeited	(1,100,000)	0.08
Balance at December 31, 2020	14,200,000	\$ 0.08
Options granted	100,000	0.05
Options forfeited	(5,600,000)	0.08
Balance at September 30, 2021	8,700,000	\$ 0.08

Issuance Date	Expiry Date	Exercise price (CAD)	Issued	Exercisable	Weighted Avg Remaining Life (years)
December 7, 2016	December 7, 2026	\$ 0.08	7,100,000	7,100,000	5.19
May 19, 2017	May 19, 2027	\$ 0.06	1,500,000	1,500,000	5.64
January 4, 2021	January 4, 2026	\$ 0.05	100,000	50,000	4.27
Total			8,700,000	8,650,000	5.21

The stock options vest a quarter every three months and are fully vested twelve 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 material share-based payments of during the nine months ended September 30, 2021 and 2020.

(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, 2021 (December 31, 2020 – Nil) and there was no RSU activity for the years presented.

Cub Energy Inc.**For the three and nine months ended September 30, 2021 and 2020****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

15 Income (loss) per share

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Numerator				
Income (loss) for the period - basic and diluted	\$ 1,392	\$ (374)	\$ 2,138	\$ (2,274)
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	\$ (0.01)
Diluted income (loss) per share	\$ 0.00	\$ (0.00)	\$ 0.01	\$ (0.01)

16 Selling and general administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Salaries (Note 21)	\$ 168	\$ 320	\$ 567	\$ 1,136
Office and administration expenses	90	79	306	424
Professional fees	13	30	161	287
Consulting fees	41	101	123	190
Travel	11	3	71	16
	\$ 323	\$ 533	\$ 1,228	\$ 2,053

17 Operating segments

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

	Ukraine	Canada	USA	Total
Nine months ended September 30, 2021				
Revenue, net of royalties	\$ 6,843	\$ -	\$ -	\$ 6,843
Cost of sales for gas trading	(3,869)	-	-	(3,869)
Income from equity investment	737	-	-	737
Selling and general administrative expenses and accretion	(675)	(188)	(391)	(1,254)
Cost of sales for gas sales	(101)	-	-	(101)
Cost of sales for electricity	(172)	-	-	(172)
Finance gain, net	(14)	32	(2)	16
Depletion and depreciation	(62)	-	-	(62)
Net income (loss)	\$ 2,687	\$ (156)	\$ (393)	\$ 2,138

Cub Energy Inc.**For the three and nine months ended September 30, 2021 and 2020****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

	Ukraine	Canada	USA	Total
Three months ended September 30, 2021				
Revenue, net of royalties	\$ 3,057	\$ -	\$ -	\$ 3,057
Cost of sales for gas trading	(1,875)	-	-	(1,875)
Income from equity investment	614	-	-	614
Selling and general administrative expenses and accretion	(237)	(94)	(1)	(332)
Cost of sales for gas sales	(18)	-	-	(18)
Cost of sales for electricity	(105)	-	-	(105)
Finance loss, net	54	34	-	88
Depletion and depreciation	(37)	-	-	(37)
Net income (loss)	\$ 1,453	\$ (60)	\$ (1)	\$ 1,392

	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)
Loss 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 loss, net	(12)	26	(3)	11
Net loss	\$ (1,128)	\$ (208)	\$ (938)	\$ (2,274)

	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)
Loss 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
As at December 31, 2020				
Total assets	\$ 6,347	\$ 3,300	\$ 134	\$ 9,781
Total liabilities	\$ 8,150	\$ 2,296	\$ 121	\$ 10,567
As at September 30, 2021				
Total assets	\$ 10,900	\$ 1,253	\$ -	\$ 12,153
Total liabilities	\$ 9,919	\$ 1,071	\$ -	\$ 10,990

The Company has one principal reportable segment being the revenue from the sale of gas and power from the Company's RK field and the sale of gas from its investment in KUB Holdings (gas trading). This reportable segment was determined based on the source of the gas obtained by the Company for sale. Reportable segments are defined as components of an enterprise about which separate financial information

Cub Energy Inc.
For the three and nine months ended September 30, 2021 and 2020
Notes to the condensed consolidated interim financial statements
(Unaudited, expressed in thousands of US dollars)

is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

For the nine months ended September 30, 2021, there was one (2020 - two) customer who accounted for greater than 10% of total gas trading revenue, and the revenue amounted to \$6,168 (2020 - \$935 and \$574). During the nine months ended September 30, 2021, there was one customer for the Company's gas sales (2020 - one). During the nine months ended September 30, 2021, there was one customer for the Company's power generation sales (2020 - Nil). 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 2022 to 2027 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.

Restrictive Measure

In 2021, the Ukraine government imposed a restrictive measure against Tysagaz, the Company's 100% owned subsidiary. The restrictive measure was limited to the Stanivske license which was a non-core and non-producing asset with no carrying value. The Stanivske licence was subsequently revoked in 2021 by the SGS. The restrictive measure and revocation of the Stanivske license is not material to the Company and has no material impact on the operations of Tysagaz. Since the Stanivske license has been revoked, Tysagaz and the government of Ukraine are discussing options to terminate the restrictive measure.

19 Leases

The Company adopted IFRS 16 on January 1, 2019. On initial adoption, the Company elected to record a right-of use asset and lease obligation of \$120 and \$109, respectively, for an office lease obligation. During the nine months ended September 30, 2021, payments for short-term and low value leases were \$8 (2020 -

Cub Energy Inc.
For the three and nine months ended September 30, 2021 and 2020
Notes to the condensed consolidated interim financial statements
(Unaudited, expressed in thousands of US dollars)

\$45). During the nine months ended September 30, 2021, the original office lease obligation was terminated by paying a one-time \$20 payment and the Company currently has no material office lease obligations.

Right of use asset	
Balance, January 1, 2020	\$ 68
Disposition	(37)
Addition	124
Amortization	(33)
Effect of foreign exchange	(6)
Balance, December 31, 2020	\$ 116
Disposition	(109)
Amortization	(7)
Balance, September 30, 2021	\$ -
Lease Liability	
Balance, January 1, 2020	\$ 56
Disposition	(44)
Addition	124
Lease payments made	(19)
Interest expense on lease liability	7
Effect of foreign exchange	(6)
Balance, December 31, 2020	\$ 118
Disposition	(113)
Lease payments made	(8)
Interest expense on lease liability	3
Balance, September 30, 2021	\$ -

20 Related party transactions

Transactions with related parties are incurred in the normal course of business. During the nine months ended September 30, 2021 and 2020, there were no related party transactions other than the shareholder loan (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:

Cub Energy Inc.
For the three and nine months ended September 30, 2021 and 2020
Notes to the condensed consolidated interim financial statements
(Unaudited, expressed in thousands of US dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Directors' fees ⁽¹⁾	\$ 22	\$ 19	\$ 73	\$ 104
Management wages ⁽¹⁾	75	127	207	618
Consulting fees ⁽¹⁾	36	30	100	90
Total	\$ 133	\$ 176	\$ 380	\$ 812

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

As at September 30, 2021, \$Nil (December 31, 2020 - \$258) was included in trade and other payables owing to the former CEO for his past accrued compensation. Payment to the former CEO estate of \$258 was made during the nine months ended September 30, 2021 (2020 - \$160) as part of the accrued debt repayment.

22 Financial risk management

(a) Overview

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

- credit risk
- liquidity risk
- 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:

Cub Energy Inc.**For the three and nine months ended September 30, 2021 and 2020****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

As at	September 30,		December 31,	
	2021		2020	
Cash and cash equivalents	\$	5,385	\$	4,244
Non-current receivables		611		623
Trade and other receivables (excludes sales tax)		10		5
	\$	6,006	\$	4,872

(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 \$925 in shareholder loans (See Note 10), \$5,361 in loans payable to Kub-Gas (See Note 11) and \$668 in bank loans (See Note 12). As at September 30, 2021, the Company had current assets of \$6,000 and had the following financial liabilities:

As at September 30, 2021				
	Contractual Cash			
	Carrying Amount	Flows	< 1 year	
Trade and other payables	\$ 1,791	\$ 1,791	\$	1,791
Shareholder loan	925	925		925
Loan from KUB-Gas	5,361	5,361		5,361
Bank loan	668	668		295
Advance on gas sales	1,886	1,886		1,886
Provisions	359	-		-
	\$ 10,990	\$ 10,631	\$	10,258

(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:

Cub Energy Inc.
For the three and nine months ended September 30, 2021 and 2020
Notes to the condensed consolidated interim financial statements
(Unaudited, expressed in thousands of US dollars)

	As at September 30, 2021		
	Carrying Amount	Contractual Cash Flows	< 1 year
Trade and other payables	\$ 1,791	\$ 1,791	\$ 1,791
Shareholder loan	925	925	925
Loan from KUB-Gas	5,361	5,361	5,361
Bank loan	668	668	295
Advance on gas sales	1,886	1,886	1,886
Provisions	359	-	-
	\$ 10,990	\$ 10,631	\$ 10,258

(e) Interest Rate

The Company has a \$900 shareholder loan which has quarterly repayments of \$150 through September 30, 2024 with an annual interest rate of 10.8% and a \$668 bank loan that is payable through November 2023 with an annual interest rate of 7.5%. 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, 2021, the Company sold gas to its customers at an average price of \$7.66 (2020 - \$2.77) 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 \$40 (2020 - \$60) 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.

The Company includes shareholders' equity (deficit), comprised of issued share capital, contributed surplus, warrants, accumulated other comprehensive loss and deficit in the definition of capital. As at September 30, 2021, the Company has total shareholders' equity of \$1,163 (December 31, 2020 – deficit of \$786). 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 nine months ended September 30, 2021.

23 Financial instruments

The Company's financial instruments consist of cash, trade and other receivables (excluding sales tax), non-current receivables, shareholder loans, bank loan, 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

Cub Energy Inc.**For the three and nine months ended September 30, 2021 and 2020****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

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 non-current receivables approximate fair value as they include a loan receivable at a market interest rate that is currently subject to negotiations for an extension or settlement.

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 and cash equivalents
- (ii) Trade and other receivables and non-current receivables (excludes sales tax)
- (iii) Trade and other payables, shareholder loans, bank loan, loan from KUB-Gas and advance on gas trading sales

As at	September 30,		December 31,	
	2021		2020	
Fair value through profit or loss (i)	\$	5,385	\$	4,424
Assets - amortized cost (ii)	\$	621	\$	864
Liabilities - amortized cost (iii)	\$	10,631	\$	10,136

	Level 1		Level 2		Level 3		Total	
As at September 30, 2021								
Cash and cash equivalents	\$	5,385	\$	-	\$	-	\$	5,385
As at December 31, 2020								
Cash and cash equivalents	\$	4,424	\$	-	\$	-	\$	4,424