



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

Introduction

The following management discussion and analysis ("MD&A") is a review of operations, current financial position and outlook for Cub Energy Inc. (the "Company" or "Cub") and should be read in conjunction with the unaudited consolidated financials for the three and nine months ended September 30, 2022 and 2021. Amounts are reported in United States dollars, unless otherwise stated, based upon the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A is dated as of October 25, 2022.

This MD&A provides management's view of the financial condition of the Company and the results of its operations for the reporting periods indicated. Additional information related to the Company is available on the Canadian Securities Administrators' website at www.sedar.com. The TSX Venture Exchange has provided notice to the Company that its listing has been transferred from Tier 1 to Tier 2 status and the Company will be moved to the NEX if it does not meet continued listing requirements by November 30, 2022.

Corporate Overview and Strategy

The Company is an international energy company. During the nine months ended September 30, 2022, the Company's revenue was driven by the Company's 100% owned RK field located in western Ukraine. During the comparative 2021 period, the Company's revenue was primarily driven by its equity investment and gas trading from the Company's 35% equity interest in KUB Holdings Limited ("KUB Holdings"). KUB Holdings owns 100% of KUB-Gas LLC ("KUB-Gas"), an oil and gas company operating in eastern Ukraine. The Company sold its 35% equity investment in KUB Holdings on February 2, 2022 with an effective date of November 15, 2021. On August 17, 2022, the Company closed the sale of its interest in 3P International Energy Ltd. ("3P") and the RK field with an effective date of July 31, 2022. The financial results of KUB Holdings and 3P are presented as discontinued operations. Company is looking at alternatives for its current working capital including a return of capital to shareholders or new investment opportunities.

Barrels of Oil Equivalent Conversion

A barrel of oil equivalent ("boe") or units of natural gas equivalents ("Mcf") are calculated using the conversion factor of 6 Mcf (thousand cubic feet) of natural gas being equivalent to one barrel of oil. A boe conversion ratio of 6 Mcf:1 bbl (barrel), or a Mcfe conversion ratio of 1 bbl:6 Mcf, is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the boe ratio is useful for comparative measures, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

Forward Looking Information

This MD&A contains “forward-looking information” which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and are based on assumptions. They involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, risks of the industry; political instability; or mergers and acquisitions. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Results of Operations

(in thousands of US Dollars)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Petroleum and natural gas revenue	124	114	948	305
Revenue from gas trading	-	2,698	-	6,180
Revenue from sale of electricity	-	281	-	459
Net income (loss)	599	1,392	(155)	2,138
Income (loss) per share	0.00	0.00	(0.00)	0.01
Netback (\$/boe) ⁽¹⁾	11.16	31.00	49.38	22.90
Netback (\$/Mcf) ⁽¹⁾	1.86	5.17	8.23	3.82
	September 30, 2022	December 31, 2021		
Working capital	7,194	8,128		
Cash and cash equivalents	7,211	7,368		

Notes:

- (1) For purposes of the pro-rata netback calculation in 2021, the Company's profit from gas trading is added to the revenue of Kub-Gas to better reflect the true natural gas price achieved and field netback. The Company received the financial benefit of natural gas sales from the RK field through to July 31, 2022.

Netbacks

Nine months ended September 30,	2022	2021
Netback (\$/mcf)⁽¹⁾		
Revenue	\$25.49	\$7.80
Royalty	(13.19)	(2.59)
Production expenses	(4.07)	(1.39)
Field netback (\$/mcf)	\$ 8.23	\$ 3.82
Field netback (\$/boe)	\$ 49.38	\$ 22.90

Three months ended September 30,	2022	2021
Netback (\$/mcf)⁽¹⁾		
Revenue	\$20.77	\$10.24
Royalty	(14.09)	(3.53)
Production expenses	(4.82)	(1.54)
Field netback (\$/mcf)	\$ 1.86	\$ 5.17
Field netback (\$/boe)	\$ 11.16	\$ 31.00

Notes:

- (1) For purposes of the netback calculation in 2021, the Company's profit from gas trading is added to the revenue of Kub-Gas to better reflect the true natural gas price achieved and field netback. The Company received the financial benefit of natural gas sales from the RK field through to July 31, 2022.

Highlights

- On September 7, 2021, the Company announced it had entered into a letter agreement to sell its 35% interest in KUB Holdings for a cash payment of \$2,600,000 and the settlement of debt. On February 2, 2022, the Company closed the transaction and received the \$2,600,000. The Company settled approximately \$8,300,000 in debt via repayment and simultaneously received \$7,933,000 back in dividends with the difference being withholding taxes. The debts and dividends were settled during the year ended December 31, 2021 and the three months ended March 31, 2022 including receipt of \$2,046,000 of dividends during the three months ended March 31, 2022. The effective date of termination of gas trading for the Company's 35% share of KUB-Gas production was November 15, 2021.
- On July 29, 2022, the Company signed a definitive Share Sale and Purchase Agreement ("SPA") for the sale of its 100% interest in 3P International Energy Ltd ("3P") and its wholly-owned Ukraine subsidiary, Tysagaz LLC ("Tysagaz"). Tysagaz owns the RK field in western Ukraine. The sale is for nominal consideration of \$1 and the buyer assuming all of 3P's and Tysagaz' liabilities including the bank loan and all reclamation liabilities. The buyer group were insiders of the Company, being Eugene Chaban, the Company's Chief Financial Officer and Sergey Panchuk, the Company's former Chief Operating Officer. The sale closed on August 17, 2022 with the Company retaining economic benefit of the RK field through July 31, 2022.
- As a result of the above divestures, the Company finished the quarter ended September 30, 2022 with \$7,211,000 in cash, \$7,194,000 in working capital and no debt. The Company is currently evaluating the alternatives for its working capital, including a possible return of capital to shareholders or investing in new opportunities.
- The Company reported a net loss of \$155,000 or \$0.00 per share during the nine months ended September 30, 2022 as compared to net income of \$2,138,000 or \$0.01 per share during the comparative 2021 nine months. The Company's revenues and income were materially impacted in 2022 by the sale of KUB Holdings which was the primary contributor to the financial performance of the Company historically.

- Netbacks of \$49.38/boe or \$8.23/Mcfe were achieved for the nine months ended September 30, 2022 as compared to netback of \$22.90/Boe or \$3.82/Mcfe for the comparative 2021 period.
- Achieved average natural gas price of \$25.49/Mcf during the nine months ended September 30, 2022 as compared to \$7.80/Mcf for the comparative 2021 period. Regional pricing materially improved in Ukraine period over period although the 2022 Ukraine gas price is subject to a material discount to European pricing.
- Production averaged 20 boe/d for the nine months ended September 30, 2022 as compared to 513 boe/d for the comparative 2021 period. Production decreased due to the sale of the Company's 35% equity investment in KUB Holdings. During the nine months ended September 30, 2022, production was 100% natural gas weighted from the RK field in western Ukraine as compared to 97% weighted to natural gas and the remaining to condensate and primarily from the Company's 35% equity investment in KUB Holdings in eastern Ukraine in the comparative 2021 period. The Company ceased economic benefit of gas sales from the RK Field effective July 31, 2022.

Summary of Quarterly Results

The following table sets out selected unaudited consolidated financial information for each of the last eight quarters ended up to and including September 30, 2022. The information contained herein is taken from the consolidated financial statements of the Company for each of the aforementioned quarters.

Quarter Ended	Sept 30, 2022	June 30, 2022	Mar 31, 2022	Dec 31, 2021
Revenue from gas sales	124,000	438,000	386,000	409,000
Revenue from gas trading	-	-	-	2,566,000
Revenue from sale of electricity	-	-	-	-
Income from equity Investment	-	-	-	142,000
Net income (loss)	599,000	(221,000)	(533,000)	6,121,000
Income (loss) per share	0.00	(0.00)	(0.00)	0.02
Working Capital	7,194,000	7,360,000	7,593,000	8,128,000

Quarter Ended	Sept 30, 2021	June 30, 2021	Mar 31, 2021	Dec 31, 2020
Revenue from gas sales	114,000	97,000	94,000	69,000
Revenue from gas trading	2,698,000	1,829,000	1,653,000	1,328,000
Revenue from sale of electricity	281,000	-	-	-
Income from equity Investment	614,000	82,000	41,000	134,000
Net income	1,392,000	483,000	263,000	165,000
Income per share	0.00	0.00	0.00	0.00
Working Capital deficit	(4,258,000)	(4,830,000)	(5,583,000)	(5,585,000)

Material Variations in Quarterly Results

During the quarters in fiscal 2022, the Company's revenues and income were materially impacted by the sale of KUB Holdings which was the primary contributor to the financial performance of the Company historically. During the three months ended September 30, 2022, the Company recorded a gain of \$391,000 for the sale of 3P International and its subsidiary, Tysagaz. During the three months ended March 31, 2022, the Company paid or accrued bonuses of \$301,000 to management, staff and consultants for the successful sale of assets and debt reduction.

During the quarter ended December 31, 2021, the Company reversed an impairment charge of \$6,616,000 on its equity investment in KUB Holdings as a result of the closing of the sale of the investment in February 2022 and along with the receipt of \$7,933,000 in dividends from Kub Holdings. The reversal of impairment

contributed to the higher net income in the fourth quarter of 2021 and the dividends improved the Company's working capital as at December 31, 2021.

During the quarters ended December 31, 2021 and September 30, 2021, the Company generated power and recorded resulting sale of electricity. On September 18, 2021, the power business was temporarily suspended as it was more profitable to sell natural gas than power.

Income from Discontinued Operations

During the nine months ended September 30, 2022, the Company sold its interest in 3P and KUB Holdings and their respective financial information has been presented as discontinued operations in the Company's unaudited interim consolidated financial statements. The Company recorded income from discontinued operations of \$411,000 during the three months ended September 30, 2022 as compared to \$1,452,000 in the comparative 2021 period. The Company recorded \$268,000 in income from discontinued operations for the nine months ended September 30, 2022 as compared to \$2,806,000 in the comparative 2021 period. The Company sold its interest in the RK field on August 17, 2022 and received economic benefit of the gas sales through to July 31, 2022. Some key components of the financial performance of the discontinued operations include the following revenue and income items:

Revenue from Gas Sales (Discontinued Operations)

The Company produced gas from the RK field in western Ukraine resulting in revenue during the three months ended September 30, 2022 of \$124,000 as compared to \$114,000 in the comparative 2021 period. The Company produced gas from the RK field in western Ukraine resulting in revenue during the nine months ended September 30, 2022 of \$948,000 as compared to \$305,000 in the comparative 2021 period. The Company sold its interest in the RK field on August 17, 2022 and received economic benefit of the gas sales through to July 31, 2022.

Revenue from Gas Trading (Discontinued Operations)

Commencing August 2016 and through to the sale of KUB Holdings effective November 15, 2021, the Company's wholly owned subsidiaries began taking possession of its 35% ownership of gas produced at KUB-Gas. The Companies 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 from the gas sales price sold to the majority owner's affiliate. During the three months ended September 30, 2022, the Company recorded no gas trading revenue (2021 - \$2,698,000) and no cost of the gas trading (2021- \$1,875,000) for a net profit of \$nil (2021 - \$823,000). During the nine months ended September 30, 2022, the Company recorded no gas trading revenue (2021 - \$6,180,000) and no cost of the gas trading (2021- \$3,869,000) for a net profit of \$nil (2021 - \$2,311,000).

Income from Equity Investments (Discontinued Operations)

The Company accounted for its 35% indirect ownership in KUB Holdings under the equity method. The Company sold its interest in KUB Holdings on February 2, 2022 with an effective date of November 15, 2021. During the three months ended September 30, 2022, the Company recorded no income from its 35% equity investment as compared to \$614,000 in income for the comparative 2021 period. During the nine months ended September 30, 2022, the Company recorded no income from its 35% equity investment as compared to \$737,000 in income for the comparative 2021 period.

Selling and General Administrative Expenses

Selling and general administrative expenses from continued operations were \$108,000 during the three months ended September 30, 2022, as compared to \$93,000 in the comparative 2021 quarter. Selling and

general administrative expenses from continued operations were \$639,000 during the nine months ended September 30, 2022, as compared to \$596,000 in the comparative 2021 period. Some of the significant items contained within selling and general administrative expenses are as follow:

Salaries

During the third quarter of 2022, salaries to staff were \$21,000 as compared to \$20,000 during the comparative 2021 quarter. During the nine months ended September 30, 2022, salaries to staff were \$285,000 which was higher compared to \$167,000 during the comparative 2021 period.

Office and administration

Office and administration costs were \$6,000 in the quarter ended September 30, 2022, as compared to \$17,000 in the comparative 2021 period. Office and administration costs were \$49,000 in the nine months ended September 30, 2022, as compared to \$114,000 in the comparative 2021 period.

Professional fees

Professional fees were \$9,000 during the quarter ended September 30, 2022 as compared to \$8,000 in the comparative 2021 quarter. Professional fees were \$69,000 during the nine months ended September 30, 2022 as compared to \$127,000 in the comparative 2021 quarter. The Company incurred professional fees in both periods largely related to asset divestitures and continuous disclosure obligations.

Consulting

Consulting fees were \$72,000 during the quarter ended September 30, 2022 as compared to \$38,000 during the 2021 comparative period. Consulting fees were \$231,000 during the nine months ended September 30, 2022 as compared to \$118,000 during the 2021 comparative period. The current nine month ended September 30, 2022 period included bonuses to consultants for the closing of the asset sale in the first quarter of 2022 and debt reduction. In addition, the Company transitioned several employees to consulting roles during 2022 to reduce costs and provide more flexibility.

Net Profit/Loss

During the three months ended September 30, 2022, the Company recorded net income of \$599,000 or \$0.00 per share as compared to net income of \$1,392,000 or \$0.00 per share in the comparative 2021 period. During the nine months ended September 30, 2022, the Company recorded a net loss of \$155,000 or \$0.00 per share as compared to net income of \$2,138,000 or \$0.01 per share in the comparative 2021 quarter.

Foreign Currency Translation Income/Loss

During the third quarter ended September 30, 2022, the foreign currency translation loss was \$258,000 as compared to a loss of \$87,000 in the comparative 2021 period. During the nine months ended June 30, 2022, the foreign currency translation loss was \$107,000 as compared to a loss of \$189,000 in the comparative 2021 period. The income and losses relate to the revaluation of the Company's assets and liabilities denominated in currencies outside of the US dollar in accordance with the Company's accounting policy for the translation of its subsidiaries.

Liquidity, Capital Resources and Financings

At September 30, 2022, the Company had a cash balance of \$7,211,000 (December 31, 2021 - \$7,368,000) and working capital of \$7,194,000 (December 31, 2021 - \$8,128,000).

During the nine months ended September 30, 2022, the Company received \$2,600,000 for the closing of the KUB Holdings sale and \$2,046,000 in cash dividends from KUB Holdings that were receivable at December 31, 2021.

During the nine months ended September 30, 2022, the Company repaid \$900,000 to Pelicourt representing the final payout of the shareholder loan. Mikhail Afendikov, the Company's former CEO, was a principal of Pelicourt. The Company made a principal payment of \$900,000 in the comparative 2021 period.

During the nine months ended September 30, 2022, the Company made the final loan repayments of \$2,481,000 to KUB-Gas as compared to no such loan repayments in the comparative 2021 period.

During the nine months ended September 30, 2022, the Company made principal repayments of \$160,000 to the Ukraine bank loan as compared to \$91,000 in the comparative 2021 period when the loan was established. The sale of 3P on August 17, 2022 also included the full assumption of the Ukraine loan and related guarantee by the purchasers.

During the nine months ended September 30, 2022, the Company incurred no capital expenditures as compared to \$352,000 in the comparative period in 2021 for the Jenacher power project.

Outstanding Share Data

Issued and outstanding as at the date of this MD&A:

Type	Number
Common Shares	314,215,355
Stock Options	6,800,000

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements as at September 30, 2022.

Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business. During the nine months ended September 30, 2022 and 2021, there were no related party transactions other than the 3P sale, shareholder loan and KUB-Gas loans - see "Liquidity, Capital Resources and Financing".

Critical Accounting Estimates

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:

- 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.
- 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*.
- Long-lived assets, including property and equipment are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs of disposal, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount.
- In accordance with IAS 36 "Impairment of Assets", the Company assesses at the end of each reporting period to determine if there is any indication that an impairment loss recognized in prior periods for equity investments no longer exists or has been decreased. If any such indication exists, the Company remeasures the recoverable amount of the equity investments and recognizes a recovery of impairment loss on equity investments in profit and loss.
- The Company applies judgment in assessing its ability to continue as a going concern.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables (excluding sales tax), 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.

Non-IFRS Measures

The financial information presented in this MD&A has been prepared in accordance with IFRS except for the terms "funds from operations", "netback", and "working capital" which are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. These non-IFRS measures are presented for information purposes only and should not be considered an alternative to, or more meaningful than information presented in accordance with IFRS. Management believes funds from operations, netback and working capital may be useful supplemental measures as they are used by the Company to measure operating

performance and to evaluate the timing and amount of capital required to fund future operations. The Company's method of calculating these measures may differ from those of other companies and, accordingly, they may not be comparable to measures used by other companies. The Company calculates "funds from operations", "netback", "working capital" as presented earlier in this document.