



## **Condensed consolidated interim financial statements**

For the three and nine months ended September 30, 2022 and 2021

(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 (Loss) Income**

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

		Three months ended		Nine months ended	
	<i>Note</i>	September 30,		September 30,	
		2022	2021	2022	2021
<b>Operating expenses</b>					
Selling and general administrative expenses	15	108	93	639	596
Finance (income) loss, net	9, 10, 11	(296)	(33)	(216)	72
<b>Net income (loss) from continuing operations</b>		188	(60)	(423)	(668)
<b>Income from discontinued operations</b>	4, 6	411	1,452	268	2,806
<b>Net income (loss)</b>		599	1,392	(155)	2,138
<b>Other comprehensive income (loss)</b>					
Items that may be reclassified to profit or loss					
Foreign currency translation adjustment on foreign operations		(258)	(87)	(107)	(189)
<b>Comprehensive income (loss)</b>		\$ 341	\$ 1,305	\$ (262)	\$ 1,949
<b>Income (loss) per share</b>					
Basic	14	0.00	0.00	\$ (0.00)	\$ 0.01
Diluted	14	0.00	0.00	\$ (0.00)	\$ 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, 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
<b>Balances as at September 30, 2021</b>		314,215,355	62,057	5,454	2,193	(2,187)	(41,968)	(24,386)	1,163
Balances as at January 1, 2022		314,215,355	\$ 62,057	\$ 5,454	\$ 2,193	\$ (2,187)	\$ (41,796)	\$ (18,265)	\$ 7,456
Currency translation adjustment		-	-	-	-	-	(107)	-	(107)
Net loss		-	-	-	-	-	-	(155)	(155)
<b>Balances as at September 30, 2022</b>		314,215,355	\$ 62,057	\$ 5,454	\$ 2,193	\$ (2,187)	\$ (41,903)	\$ (18,420)	\$ 7,194

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>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
		<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>					
Net income (loss) from continuing operations		\$ 188	\$ (60)	\$ (423)	\$ (668)
<i>Adjustments for:</i>					
Interest expense		8	-	8	(3)
Amortization of right of use asset	17	-	-	-	7
Gain on derecognition of lease	17	-	-	-	2
		196	(60)	(415)	(662)
Changes in working capital	8	(36)	(3)	(1)	(23)
<b>Cash provided by (used in) operating activities</b>		<b>160</b>	<b>(63)</b>	<b>(416)</b>	<b>(685)</b>
<b>Investing activities</b>					
Payments under lease liability	17	-	-	-	(8)
<b>Cash used in investing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(8)</b>
<b>Financing activities</b>					
Repayment of shareholder loan	9	(900)	-	(900)	(900)
<b>Cash used in financing activities</b>		<b>(900)</b>	<b>-</b>	<b>(900)</b>	<b>(900)</b>
Net change in cash from continuing operations		(740)	(63)	(1,316)	(1,593)
Net change in cash from discontinued operations	6	(446)	318	1,420	2,449
Effect of foreign exchange on cash and cash equivalents		(346)	(7)	(261)	105
Cash and cash equivalents at beginning of period		8,743	5,137	7,368	4,424
<b>Cash and cash equivalents at end of period</b>		<b>\$ 7,211</b>	<b>\$ 5,385</b>	<b>\$ 7,211</b>	<b>\$ 5,385</b>
<b>Supplemental cash flow information</b>					
Taxes paid		\$ -	\$ -	\$ -	\$ -
Interest paid		\$ 57	\$ 14	\$ 78	\$ 64

**Supplemental cash flow information (Note 8)**

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, 2022 and 2021**

**Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

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### **1 Nature of operations and going concern**

Cub Energy Inc. (the “Company”) is engaged in the exploration and development of energy. 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 5<sup>th</sup> 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 Tysagaz LLC (“Tysagaz”), held a 100% working interest in one production licence in western Ukraine, Rusko-Komarivske (“RK”), where it produced natural gas. During the nine months ended September 30, 2022, the Company announced and closed the sale of 3P International Energy Limited (“3P”) and 3P’s subsidiary, Tysagaz, for nominal consideration in return for the buyer assuming all of 3P and Tysagaz’s debt and obligations. See Note 6.

The Company, through its subsidiary Gastek LLC (“Gastek”), held 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-Gas owns and operates six licenced gas and gas condensate fields in eastern Ukraine. The Company closed the sale of 35% equity interest on February 2, 2022. The Company received a cash payment of \$2,600 and the settlement of debt. The settlement of debt includes the trade payable to KUB-Gas and the loan from KUB-Gas which were settled during the year ended December 31, 2021 and nine months ended September 30, 2022. See Notes 4 and 10.

As of September 30, 2022, the Company had working capital of \$7,194 (December 31, 2021 – \$8,128) and accumulated deficit of \$18,420 (December 31, 2021 – \$18,265) since its inception and may incur future losses in the development of its business which raises significant doubt about the ability of the Company to continue as a going concern.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, including variants, could adversely affect workforces, economies, and financial markets globally but has not materially impacted the Company to date. 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, 2021.

**Cub Energy Inc.**  
**For the three and nine months ended September 30, 2022 and 2021**  
**Notes to the condensed consolidated interim financial statements**  
(Unaudited, expressed in thousands of US dollars)

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**(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, 2022:

<b>Name of Subsidiary/ Equity Accounted Investment</b>	<b>Percentage of Voting Securities Owned</b>	<b>Jurisdiction of Incorporation, Continuance or Formation</b>	<b>Functional Currency</b>
Gastek LLC	100%	California	US

During the nine months ended September 30, 2022, the Company sold its 35% interest in KUB Holdings and sold its 100% interest in 3P and its two Ukraine subsidiaries, Tysagaz and 3P Energy Consulting LLC. See Notes 4 and 6. The Company is in the process of dissolving Gastek LLC.

The functional currency of the parent company is the Canadian dollar. The presentation currency of the condensed consolidated interim 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 condensed consolidated interim 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.

**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, 2021. These financial statements should be read in conjunction with those consolidated financial statements.

**4 Assets and liabilities held for sale and Discontinued Operations**

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 and the settlement of debt. The settlement of debt includes the trade payable to KUB-Gas and the loan from KUB-Gas (Note 10). On February 2, 2022, the Company completed the sale of its 35% interest in KUB Holdings and received cash proceeds of \$2,600 and settled the balance of debt owing to KUB-Gas. The effective date of the transaction is November 15, 2021. The debt was settled through the repayment of the debt to KUB-Gas and simultaneous issue of dividends to the Company, net of withholding taxes. During the year ended December 31, 2021, the Company classified the 35% equity investment as an asset held for sale. The asset was \$nil at September 30, 2022 (December 31, 2021 - \$4,646).

The Company's share of the condensed consolidated interim income of its 35% ownership interest in KUB Holdings for the nine months ended September 30, 2022 was \$nil (2021 – \$737) and included in discontinued operations. See Note 6. The assets and liabilities held for sale related to Kub Holdings are as follows:

**Cub Energy Inc.****For the three and nine months ended September 30, 2022 and 2021****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

As at,	September 30, 2022	December 31, 2021
Equity investment	\$ -	\$ 2,600
Dividend receivable	-	2,046
<b>Assets held for sale</b>	\$ -	\$ 4,646

As at	September 30, 2022	December 31 2021
Loan from KUB-Gas	\$ -	\$ 2,474
<b>Liabilities held for sale</b>	\$ -	\$ 2,474

The continuity of the Company's investment in KUB Holdings is as follows:

Investment in KUB Holdings as at January 1, 2021	\$	2,805
Income from equity investment		879
Dividends received		(5,887)
Dividends receivable		(2,046)
Reversal of impairment of Kub Holdings		6,616
Currency translation adjustment		233
Transfer to assets held for sale		(2,600)
Investment in KUB Holdings as at December 31, 2021 and September 30, 2022	\$	-

As at September 30, 2022, KUB Holdings on a gross basis included the following:

As at	September 30, 2022	December 31, 2021
Current assets	\$ -	\$ 9,155
Non-current assets	-	4,628
Current liabilities	-	(1,806)
Non-current liabilities	-	(442)
Net assets	\$ -	\$ 11,535

Nine months ended September 30,	2022	2021
Capital expenditures	\$ -	\$ 711
Revenues	-	11,979
Royalty expense	-	5,934
Net income	-	2,106
Other comprehensive income	-	(749)

**Cub Energy Inc.****For the three and nine months ended September 30, 2022 and 2021****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

<b>Three months ended September 30,</b>		<b>2022</b>	<b>2021</b>
Capital expenditures	\$	-	\$ 418
Revenues		-	5,642
Royalty expense		-	2,546
Net income		-	1,753
Other comprehensive income		-	665

The Company received cash dividends of \$2,046 during the nine months ended September 30, 2022 (2021 - \$nil) which were recorded as dividends receivable as at December 31, 2021 and included in discontinued operations. See Note 6.

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. The Company continued gas trading until November 15, 2021 at which point the agreement was terminated in connection with the sale of KUB Holdings. During the nine months ended September 30, 2022, the Company recorded \$nil (2021 - \$6,180) in gas sales and \$nil (2021 - \$3,869) for the cost of the sales for a net profit from gas trading of \$nil (2021 - \$2,311) and were included in discontinued operations. See Note 6.

## **5 Equity investment in CNG Holdings and Discontinued Operations**

On December 21, 2021, the Company sold its 50% interest in CNG Holdings, which indirectly owns the Uzhgorod licence in western Ukraine. In consideration, the Company received €600 (\$678) in cash on December 21, 2021 and €200 (\$226) is a contingent payment on certain future events including a commercial discovery. The Company recorded a gain on the sale of CNG Holdings of \$105 with the balance of the cash proceeds treated as a repayment of the Company's loan and outstanding interest from CNG Holdings. The Company provided CNG Holdings with loans totaling €417 (\$462) from 2017 to 2020 as part of its contribution to its share of ongoing general administrative costs. The loan had an interest rate of 6% and was due in installments between September 14, 2020 and September 14, 2023. The loan accrued interest of \$nil (2021 - \$9) during the nine months ended September 30, 2022.

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. During the year ended December 31, 2021, the Company's share of its cumulative losses at CNG Holdings exceeded the cumulative carry value of the equity investment. No additional losses were provided for during the year ended December 31, 2021 as the Company did not have a legal or constructive obligation to make payments on behalf of CNG Holdings or CNG LLC and the Company sold its equity investment on December 21, 2021.

**Cub Energy Inc.**  
**For the three and nine months ended September 30, 2022 and 2021**  
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**6 Discontinued Operations**

<b>Cost</b>	<b>Petroleum and Natural Gas Interests</b>	<b>Equipment, Furniture and Fixtures</b>	<b>Total</b>
Balance as at January 1, 2021	\$ 3,748	\$ 2,401	\$ 6,149
Additions	-	375	375
Impairment of property, plant and equipment	-	(1,793)	(1,793)
Currency translation adjustment	-	61	61
Balance as at December 31, 2021 and September 30, 2022	\$ 3,748	\$ 1,044	\$ 4,792

  

<b>Accumulated depletion and depreciation</b>	<b>Petroleum and Natural Gas Interests</b>	<b>Equipment, Furniture and Fixtures</b>	<b>Total</b>
Balance, January 1, 2021	\$ 3,748	\$ 978	\$ 4,726
Additions	-	64	64
Currency translation adjustment	-	2	2
Balance as at December 31, 2021 and September 30, 2022	\$ 3,748	\$ 1,044	\$ 4,792

  

<b>Carrying amounts</b>			
Balance as at December 31, 2021 and September 30, 2022	\$ -	\$ -	\$ -

During the year ended December 31, 2020, the Company purchased capital equipment to utilize the natural gas from the RK field for power generation. Management assessed whether there were indications of impairment of the Company's property, plant and equipment as at December 31, 2021. Due to uncertainties surrounding the invasion of Russian armed forces and the resulting geopolitical and economic uncertainties in Ukraine, in addition to uncertainties in timing and amount of cash flows, the recoverable amount of the property, plant and equipment was determined to be \$nil based on fair value less costs to dispose ("FVLCTD"). As a result, the Company recorded an impairment charge of \$1,793 during the year ended December 31, 2021. During the nine months ended September 30, 2022, \$nil (2021 - \$352) was incurred in capital expenditures related to the power generation business.

**Disposition of 3P and Discontinued Operations**

On August 17, 2022, the Company closed the Sale and Purchase Agreement ("SPA") for the sale of its 100% interest in 3P and its wholly-owned Ukraine subsidiaries, Tysagaz and 3P Consulting. The sale was for nominal consideration and the buyer assuming all of 3P's, Tysagaz' and 3P Consulting' liabilities, contingent and otherwise. The buyer group were related parties to the Company. The Company received the financial benefit of 3P including the natural gas sales through to July 31, 2022.

As at July 31, 2022, the consolidated 3P had the following assets and liabilities and a negative net book value of \$391. The Company recorded a gain on the sale of 3P of \$391.

<b>As at,</b>	<b>As at July 31, 2022</b>
Current assets	\$ 340
Current liabilities	(323)
Non-current liabilities	(408)
	\$ (391)

**Cub Energy Inc.**  
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The following summarizes the financial information related to 3P and the equity investment in KUB Holdings which were both divested during the nine months ended September 30, 2022:

Net income from discontinued operations for the respective periods:

	<i>Note</i>	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Revenue from gas sales		\$ 124	\$ 114	\$ 948	\$ 305
Revenue from gas trading	4	-	2,698	-	6,180
Revenue from sale of electricity		-	281	-	459
Royalty expense		(85)	(36)	(490)	(101)
<b>Revenue, net of royalty</b>		<b>39</b>	<b>3,057</b>	<b>458</b>	<b>6,843</b>
<b>Income from equity investment</b>	<b>4, 5</b>	<b>-</b>	<b>614</b>	<b>-</b>	<b>737</b>
<b>Operating expenses</b>					
Selling and general administrative expenses		32	230	429	632
Gain on sale of 3P International	6	(391)	-	(391)	-
Finance income, net of losses	9, 10, 11	(42)	(55)	(25)	(88)
Cost of gas sales		29	18	151	101
Accretion of decommissioning obligation		-	9	26	26
Cost of sales for gas trading	4	-	1,875	-	3,869
Cost of electricity sales		-	105	-	172
Depletion and depreciation	6	-	37	-	62
		(372)	2,219	190	4,774
<b>Income from discontinued operations</b>		<b>411</b>	<b>1,452</b>	<b>268</b>	<b>2,806</b>

Discontinued operations reported in the consolidated statements of cash flows are as follows:

	<i>Note</i>	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
<b>Operating activities</b>					
Net income from discontinued operations		\$ 411	\$ 1,452	\$ 268	\$ 2,806
<i>Adjustments for:</i>					
Dividends from equity investment	4	-	-	2,046	-
Gain on sale of 3P International		(391)	-	(391)	-
Accretion of decommissioning obligation		-	9	26	26
Income from equity investment	4	-	(614)	-	(737)
Depletion and depreciation	6	-	37	-	62
		20	884	1,949	2,157
Changes in working capital		(173)	(491)	(216)	(58)
<b>Cash provided by (used in) operating activities</b>		<b>(153)</b>	<b>393</b>	<b>1,733</b>	<b>2,099</b>
<b>Investing activities</b>					
Proceeds on sale of KUB Holdings	4	-	-	2,600	-
Cash position of 3P International on disposition, net	6	(272)	-	(272)	-
Additions to property, plant and equipment	6	-	-	-	(352)
<b>Cash provided by (used in) investing activities</b>		<b>(272)</b>	<b>-</b>	<b>2,328</b>	<b>(352)</b>
<b>Financing activities</b>					
Repayment of KUB-Gas loan	10	-	-	(2,481)	-
Repayment of bank loan	11	(21)	(75)	(160)	(91)
Proceeds from bank loan	11	-	-	-	793
<b>Cash provided by (used in) financing activities</b>		<b>(21)</b>	<b>(75)</b>	<b>(2,641)</b>	<b>702</b>
<b>Change in cash from discontinued operations</b>		<b>\$ (446)</b>	<b>\$ 318</b>	<b>\$ 1,420</b>	<b>\$ 2,449</b>

**Cub Energy Inc.****For the three and nine months ended September 30, 2022 and 2021****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

**7 Trade and other receivables**

As at	September 30, 2022	December 31, 2021
Interest receivable on GICs	\$ 16	\$ -
GST receivable	2	4
VAT receivable, net of liabilities	-	71
Trade receivables	-	2
	\$ 18	\$ 77

**8 Supplemental cash flow information**

	2022	Three months ended September 30, 2021	2022	Nine months ended September 30, 2021
<b>Cash flows relating to:</b>				
Changes in trade and other receivables	\$ 4	3	\$ 2	5
Changes in prepaid expenses and inventory	4	8	29	25
Changes in trade and other payables	(44)	(14)	(32)	(53)
	\$ (36)	\$ (3)	\$ (1)	\$ (23)

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

As at	September 30, 2022	December 31, 2021
Cash	\$1,189	\$7,368
Cash equivalents	6,022	-
Total cash and cash equivalents	\$7,211	\$7,368

The Company purchased a US dollar Guaranteed Investment Certificates (GIC) with a Canadian financial institution with annual interest rate of 2.00%. As at September 30, 2022, the Company accrued \$16 in accrued interest related to this GIC. See Note 7.

**9 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 to March 31, 2024 at the same 10.8% interest rate with a repayment of \$150 per quarter. During the nine months ended September 30, 2022, the Company made principal payments of \$900 (2021 - \$900) which repaid the loan in full. The principal balance of the Pelicourt loan at September 30, 2022 was \$nil (December 31, 2021 - \$900) and interest payable was \$nil (December 31, 2021 - \$49). Pelicourt was granted security over Gastek which indirectly owned the 35% interest in KUB-Gas. During the nine months ended September 30, 2022, Pelicourt released the Company of the security in conjunction with the sale of the Company's 35% interest in Kub Holdings. During the nine months ended September 30, 2022, the Company and Pelicourt agreed to amend the Pelicourt loan such that interest was to accrue up to and including January 31, 2022 and no interest was to accrue thereafter. During the nine months ended September 30, 2022, the Company recorded interest of \$8 (2021 - \$104). A summary of the shareholder loan is presented below.

**Cub Energy Inc.****For the three and nine months ended September 30, 2022 and 2021****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

	Shareholder Loan
January 1, 2021	\$1,800
Principal repayment	(900)
Accrued interest	49
December 31, 2021	\$949
Accrued interest	8
Principal repayment	(900)
Interest payment	(57)
September 30, 2022	\$ -

**10 Loan from Kub-Gas and Discontinued Operations**

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 and during the year ended December 31, 2021 repaid 75,000 UAH. During the nine months ended September 30, 2022, the remaining balance of 67,500 UAH was repaid in full. See Notes 4 and 6. The schedule of the loans is as follows:

Principal loan value, September 30, 2022	-
Principal loan value, December 31, 2021	UAH 67,500
Carrying value, January 1, 2021	\$ 5,005
Loan repayment	(2,481)
Currency translation adjustment	(50)
Transfer to liabilities held for sale (Note 4)	(2,474)
Carrying value, December 31, 2021 and September 30, 2022	\$ -

**11 Bank Loan and Guarantee and Discontinued Operations****Loan**

During the year ended December 31, 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, 2022, the Company repaid \$160 (2021 - \$161) in principal and paid \$21 (2021 - \$5) in interest. This loan was assumed by the Buyer of 3P and the Ukraine Bank released the Company of the guarantee. See Note 6. A summary of the shareholder loan is presented below.

Bank Loan	
Principal loan value, September 30, 2022	€ 402
Principal loan value, December 31, 2021	€ 509
Carrying value, January 1, 2021	\$ -
Proceeds	793
Repayments	(164)
Currency translation adjustment	(52)
Carrying value, December 31, 2021	\$ 577
Repayments	(160)
Currency translation adjustment	(52)
Loan assumed by the purchaser of 3P International (Note 6)	(365)

**Cub Energy Inc.****For the three and nine months ended September 30, 2022 and 2021****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

Carrying value, September 30, 2022	\$ -
September 30, 2022	
Current portion	\$ -
Non-current portion	\$ -
December 31, 2021	
Current portion	\$289
Non-current portion	\$288

**Restricted Cash**

As at September 30, 2022, the Company pledged \$nil of its cash in the Ukraine bank for the bank guarantee for the Company's gas and power business (December 31, 2021 - 400 UAH (\$15)). The restricted cash was assumed by the purchaser of 3P International (Note 6).

**12 Prepaid Expenses and Inventory**

As at	September 30, 2022	December 31, 2021
Prepaid expenses	\$ 5	\$ 110
Inventory - materials	-	34
Inventory - natural gas	-	4
	\$ 5	\$ 148

**13 Share capital and share-based payments**

## (a) Share capital

During the nine months ended September 30, 2022 and 2021, there were no issuances of common shares.

## (a) 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:

	Number of Options	Weighted Avg Exercise Price (CAD)
Balance at January 1, 2021	14,200,000	\$ 0.08
Options granted	100,000	0.05
Options forfeited	(5,700,000)	0.08
Balance at December 31, 2021	8,600,000	\$ 0.08
Options forfeited	(1,800,000)	0.06
Balance at September 30, 2022	6,800,000	\$ 0.08

**Cub Energy Inc.****For the three and nine months ended September 30, 2022 and 2021****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

Issuance Date	Expiry Date	Exercise price (CAD)	Issued	Exercisable	Weighted Avg Remaining Life (years)
December 7, 2016	December 7, 2026	\$ 0.08	6,700,000	6,700,000	4.19
January 4, 2021	January 4, 2026	\$ 0.05	100,000	100,000	3.27
Total			6,800,000	6,800,000	4.18

The stock options vest a quarter every six 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 share-based payments during the nine months ended September 30, 2022 and 2021.

## (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, 2022 (December 31, 2021 – Nil) and there was no RSU activity for the period presented.

**14 Income (loss)per share**

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Numerator				
Income (loss) for the period - basic and diluted	\$ 599	\$ 1,392	\$ (155)	\$ 2,138
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 (income) per share	\$ 0.00	\$ 0.00	\$ (0.00)	\$ 0.01
Diluted income (loss) per share	\$ 0.00	\$ 0.00	\$ (0.00)	\$ 0.01

**Cub Energy Inc.****For the three and nine months ended September 30, 2022 and 2021****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

**15 Selling and general administrative expenses**

	Three months ended			Nine months ended		
	September 30,			September 30,		
	2022	2021		2022	2021	
Salaries (Note 19)	\$ 21	\$ 20	\$	\$ 285	\$ 167	\$
Consulting fees (Note 19)	72	38		231	118	
Office and administration expenses	6	17		49	114	
Professional fees	9	8		69	127	
Travel	-	10		5	70	
	\$ 108	\$ 93	\$	\$ 639	\$ 596	\$

The selling and general administrative expenses presented represent the continuing operations for the respective periods.

**16 Operating segments**

The Company operates in one reportable segment in the oil and gas industry. The Company's non-current assets are located as follows:

	Ukraine	Canada	USA	Total
<b>As at December 31, 2021 and September 30, 2022</b>				
Total non-current assets	\$ -	\$ -	\$ -	\$ -

During the nine months ended September 30, 2022, there were five customers for the Company's gas sales (2021 – one).

**17 Leases**

During the nine months ended September 30, 2022, payments for short-term and low value leases were \$nil (2021 - \$8). During the year ended December 31, 2021, the Company's office lease obligation was terminated by paying a one-time \$20 payment. The Company does not have any lease obligations as at September 30, 2022.

<b>Right of use asset</b>	
Balance, January 1, 2021	\$ 116
Disposition	(109)
Amortization	(7)
Balance, December 31, 2021 and September 30, 2022	\$ -
<b>Lease Liability</b>	
Balance, January 1, 2021	\$ 118
Disposition	(113)
Lease payments made	(8)
Interest expense on lease liability	3
Balance, December 31, 2021 and September 30, 2022	\$ -

**Cub Energy Inc.****For the three and nine months ended September 30, 2022 and 2021****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

**18 Related party transactions**

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 shareholder loan, the sale of 3P, the transactions and balances with KUB Holdings and KUB-Gas, and the loan to CNG Holdings (Notes 4, 5, 6, 9 and 10).

**19 Key management compensation**

Key management personnel include executive officers and non-executive directors. Executive officers are compensated 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 and included both the continued and discontinued operations:

	Three months ended			Nine months ended				
	September 30,			September 30,				
	2022	2021		2022	2021			
Directors' fees <sup>(1)</sup>	\$	21	\$	22	\$	64	\$	73
Management wages <sup>(1)</sup>		11		75		139		207
Consulting fees <sup>(1)</sup>		53		36		143		100
Bonus <sup>(1)(2)</sup>		-		-		251		-
<b>Total</b>	<b>\$</b>	<b>85</b>	<b>\$</b>	<b>133</b>	<b>\$</b>	<b>597</b>	<b>\$</b>	<b>380</b>

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

(2) The Company recorded \$251 in bonuses to management during the nine months ended September 30, 2022 (2021 - \$nil) as part of an incentive and retention strategy for the asset divestitures and debt reduction that occurred in conjunction with the closing of the KUB Holdings sale on February 2, 2022. See Note 4.

As at September 30, 2022, \$nil (December 31, 2021 - \$nil) was included in trade and other payables owing to officers and directors of the Company for accrued compensation during the nine months ended September 30, 2022. Payment to the former CEO's estate of \$nil was made during the nine months ended September 30, 2022 (2021 - \$258) as part of the accrued debt repayment.

**Cub Energy Inc.****For the three and nine months ended September 30, 2022 and 2021****Notes to the condensed consolidated interim financial statements**

(Unaudited, expressed in thousands of US dollars)

**20 Financial instruments**

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables (excluding sales tax), shareholder loans, bank loan 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 bank loan approximate fair value as it has 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 and cash equivalents
- (ii) Trade and other receivables (excludes sales tax)
- (iii) Trade and other payables, shareholder loans and bank loan

<b>As at</b>	<b>September 30,</b>		<b>December 31,</b>	
	<b>2022</b>		<b>2021</b>	
Fair value through profit or loss (i)	\$	7,211	\$	7,368
Assets - amortized cost (ii)	\$	16	\$	2
Liabilities - amortized cost (iii)	\$	40	\$	4,554

	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>	
<b>As at September 30, 2022</b>								
Cash and cash equivalents	\$	7,211	\$	-	\$	-	\$	7,211
<b>As at December 31, 2021</b>								
Cash and cash equivalents	\$	7,368	\$	-	\$	-	\$	7,368