



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 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 six months ended June 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 August 22, 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 or on the Company's website at www.cubenergyinc.com.

Corporate Overview and Strategy

The Company is an international energy company. During the six months ended June 30, 2022, the Company's revenue was driven by the Company's 100% owned RK field located in western Ukraine. During the comparative 2021, 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. Subsequent to the six months ended June 30, 2022, the Company sold its interest in the RK field. The Company is looking at alternatives for its current working capital.

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, fluctuations in currency, risks of the industry; political instability; mergers and acquisitions, or in the completion of development activities. 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 June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Petroleum and natural gas revenue	438	97	824	191
Revenue from gas trading	-	1,829	-	3,482
Net (loss) income	(221)	483	(754)	746
(Loss) income per share	(0.00)	0.00	(0.00)	0.00
Funds generated from operations	(130)	1,068	1,310	1,084
Pro-rata netback (\$/boe) ⁽¹⁾	21.45	21.16	56.80	19.17
Pro-rata netback (\$/Mcf) ⁽¹⁾	3.58	3.53	9.47	3.20
	June 30, 2022	December 31, 2021		
Working capital	7,360	8,128		
Cash and cash equivalents	8,743	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.

Netbacks

Six months ended June 30,	2022	2021
Netback (\$/mcf)		
Revenue	\$26.41	\$6.70
Royalty	(13.02)	(2.16)
Production expenses	(3.92)	(1.34)
Field netback (\$/mcf)	\$ 9.47	\$ 3.20
Field netback (\$/boe)	\$ 56.80	\$ 19.17
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Three months ended June 30,	2022	2021
Netback (\$/mcf)		
Revenue	\$22.97	\$7.30
Royalty	(15.65)	(2.40)
Production expenses	(3.74)	(1.37)
Field netback (\$/mcf)	\$ 3.58	\$ 3.53
Field netback (\$/boe)	\$ 21.45	\$ 21.16

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.
- The Company reported a net loss of \$754,000 or \$0.00 per share during the six months ended June 30, 2022 as compared to net income of \$746,000 or \$0.00 per share during the comparative 2021 six 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 \$56.80/boe or \$9.47/Mcfe were achieved for the six months ended June 30, 2022 as compared to netback of \$19.17/Boe or \$3.20/Mcfe for the comparative 2021 period.
- Achieved average natural gas price of \$26.41/Mcf during the six months ended June 30, 2022 as compared to \$6.50/Mcf for the comparative 2021 period. Regional pricing materially improved in Ukraine period over period although the 2022 gas price is subject to a material discount to European pricing.
- Production averaged 29 boe/d for the six months ended June 30, 2022 as compared to 532 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 six months ended June 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.

- In late February 2022, the Ukraine government announced the invasion of Russian armed forces into the Ukraine territory. The Ukraine government declared martial law which grants military control over normal civil functions and civil law. In March 2022, the Ukraine government also materially increased the royalty rates on natural gas production. The situation in Ukraine has been and remains volatile for the foreseeable future. While there has been no material impact on the operation of the RK field to date as a result of the invasion, it is not possible to predict the duration or magnitude of the war and the adverse results impact on the Company's business. The Company is continuing to assess developments locally and will prioritize the safety of its workforce.
- Subsequent to the six months ended June 30, 2022, the Company has 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"), as previously announced on July 12, 2022 and July 29, 2022. 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 is two officers of the Company, Eugene Chaban, the Company's Chief Financial Officer and Sergey Panchuk, the Company's Chief Operating Officer. The sale closed on August 17, 2022.
- The company is monitoring recommendations by the public health authorities related to COVID-19 in all its operating regions and is adjusting operational requirements as required.

Western Ukraine Tysagaz Assets (100% Interest)

The Company continued to produce from the deeper RK-1 well from the RK field which has higher quality natural gas that meets local pipeline specifications. On March 28, 2022, the Company announced an increase in Ukraine royalty rates introduced into law. Considering the material royalty increase and unpredictable local market for natural gas given the armed conflict, the Company is evaluating what impact this will have on the RK Field in the near term. Subsequent to the six months ended June 30, 2022, the Company signed a definitive Share Sale and Purchase Agreement ("SPA") and sold its 100% interest in Tysagaz to two officers of the Company.

The Company commenced power generation in mid-May 2021 through two Jenbacher gas power generation engines that are converting the natural gas produced from the RK field into power that is being sold in western Ukraine at local market rates. The power generation units have the capacity to produce as much as 3 megawatts ("MW") of power utilizing the 100% owned RK gas field. Due to the material increase in natural gas prices in the third and fourth quarters of 2021 and no parallel increase in power prices, the Company has increased its sales of natural gas at the RK field and temporarily suspended the power business as of September 18, 2021.

Ukraine Currency

The Ukrainian exchange, the Hryvnya ("UAH") rate versus the USD was 29.25 UAH/USD at June 30, 2022, which depreciated approximately 7% as compared to the 27.28 UAH/USD at December 31, 2021.

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 June 30, 2022. The information contained herein is taken from the consolidated financial statements of the Company for each of the aforementioned quarters.

Quarter Ended	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sept 30, 2021
Revenue from gas sales	438,000	386,000	409,000	114,000
Revenue from gas trading	-	-	2,566,000	2,698,000
Revenue from sale of electricity	-	-	-	281,000
Income from equity				
Investment	-	-	142,000	614,000
Operating expenses	366,000	807,000	(3,123,000)	2,279,000
Net income (loss)	(221,000)	(533,000)	6,121,000	1,392,000
Income (loss) per share	(0.00)	(0.00)	0.02	0.00
Working Capital (deficit)	7,360,000	7,593,000	8,128,000	(4,258,000)

Quarter Ended	June 30, 2021	Mar 31, 2021	Dec 31, 2020	Sept 30, 2020
Revenue from gas sales	97,000	94,000	69,000	37,000
Revenue from gas trading	1,829,000	1,653,000	1,328,000	1,255,000
Income (loss) from equity				
Investment	82,000	41,000	134,000	(335,000)
Operating expenses	1,670,000	1,493,000	1,344,000	1,320,000
Net income (loss)	483,000	263,000	165,000	(374,000)
Income (loss) per share	0.00	0.00	0.00	(0.00)
Working Capital deficit	(4,830,000)	(5,583,000)	(5,585,000)	(4,776,000)

Material Variations in Quarterly Results

During the quarters ended March 31, 2022 and June 30, 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 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 \$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 June 30, 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.

Revenue from Gas Sales

The Company produced gas from the RK field in western Ukraine resulting in revenue during the three months ended June 30, 2022 of \$438,000 as compared to \$97,000 in the comparative 2021 period. The Company produced gas from the RK field in western Ukraine resulting in revenue during the six months ended June 30, 2022 of \$824,000 as compared to \$191,000 in the comparative 2021 quarter.

Revenue from Gas Trading

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 June 30, 2022, the Company recorded no gas trading revenue (2021 - \$1,829,000) and no cost of the gas trading (2021- \$1,050,000) for a net profit of \$nil (2021 - \$779,000). During the six months ended June 30, 2022, the Company recorded no gas trading revenue (2021 - \$3,482,000) and no cost of the gas trading (2021- \$1,994,000) for a net profit of \$nil (2021 - \$1,488,000).

Income from Equity Investments

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 June 30, 2022, the Company recorded no income from its 35% equity investment as compared to \$82,000 in income for the comparative 2021 period. During the six months ended June 30, 2022, the Company recorded no income from its 35% equity investment as compared to \$123,000 in income for the comparative 2021 period.

Selling and General Administrative Expenses

Selling and general administrative expenses were \$311,000 during the three months ended June 30, 2022, as compared to \$415,000 in the comparative 2021 quarter. Selling and general administrative expenses were \$928,000 during the six months ended June 30, 2022, as compared to \$905,000 in the comparative 2021 period. The increase was a result of bonuses of \$301,000 to management, staff and consultants for the successful sale of assets in the first quarter of 2022 and debt reduction. Excluding the bonuses, general and administrative expenses would have decreased by \$278,000 in the first half of 2022 as compared to the 2021 period. Some of the significant items contained within selling and general administrative expenses are as follow:

Salaries

During the second quarter of 2022, salaries to staff and director's fees were \$132,000 as compared to \$183,000 during the comparative 2021 quarter. During the six months ended June 30, 2022, salaries to staff and director's fees were \$521,000 which was higher compared to \$399,000 during the comparative 2021 period, largely as a result of the bonuses to staff during the first quarter of 2022. In addition, the Company transitioned several employees to consulting roles during the quarter ended June 30, 2022 to reduce costs and provide more flexibility.

Office and administration

Office and administration costs were \$67,000 in the quarter ended June 30, 2022, as compared to \$112,000 in the comparative 2021 period. Office and administration costs were \$154,000 in the six months ended June 30, 2022, as compared to \$216,000 in the comparative 2021 period.

Professional fees

Professional fees were \$50,000 during the quarter ended June 30, 2022 as compared to \$81,000 in the comparative 2021 quarter. Professional fees were \$88,000 during the six months ended June 30, 2022 as compared to \$148,000 in the comparative 2021 quarter. The Company incurred professional fees in both periods largely related to asset divestures and continuous disclosure obligations.

Consulting

Consulting fees were \$62,000 during the quarter ended June 30, 2022 as compared to \$28,000 during the 2021 comparative period. Consulting fees were \$159,000 during the six months ended June 30, 2022 as compared to \$82,000 during the 2021 comparative period. The current six month 2022 period included bonuses to consultants for the closing of the asset sales and debt reduction. In addition, the Company transitioned several

employees to consulting roles during the quarter ended June 30, 2022 to reduce costs and provide more flexibility.

Net Profit/Loss

During the three months ended June 30, 2022, the Company recorded a net loss of \$221,000 or \$0.00 per share as compared to net income of \$483,000 or \$0.00 per share in the comparative 2021 period. During the six months ended June 30, 2022, the Company recorded a net loss of \$754,000 or \$0.00 per share as compared to net income of \$746,000 or \$0.00 per share in the comparative 2021 quarter.

Foreign Currency Translation Income/Loss

During the second quarter ended June 30, 2022, the foreign currency translation income was \$56,000 as compared to a loss of \$35,000 in the comparative 2021 period. During the six months ended June 30, 2022, the foreign currency translation income was \$151,000 as compared to a loss of \$102,000 in the comparative 2021 period. The income and losses relate to the revaluation of the Company's foreign assets and liabilities from the local currency (Ukrainian, Canadian and European currencies) to the US dollar in accordance with the Company's accounting policy for the translation of its subsidiaries.

Liquidity, Capital Resources and Financings

At June 30, 2022, the Company had a cash balance of \$8,743,000 (December 31, 2021 - \$7,368,000) and working capital of \$7,360,000 (December 31, 2021 - \$8,128,000).

During the six months ended June 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.

As at June 30, 2022, the Company owed \$957,000 under the Pelicourt loan. Mikhail Afendikov, the Company's former CEO, was a principal of Pelicourt. The Company made no principal repayments during the six months ended June 30, 2022 and made a principal payment of \$900,000 in the comparative 2021 period. The Pelicourt loan bears interest at 10.8%.

During the six months ended June 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 six months ended June 30, 2022, the Company made principal repayments of \$139,000 to the Ukraine bank loan as compared to \$16,000 in the comparative 2021 period when the loan was just established.

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

Restricted Cash

As at June 30, 2022, the Company pledged 400,000 UAH (\$15,000) of its cash in the Ukraine bank for the bank guarantee for the Company's gas and power business (December 31, 2021 - 400,000 UAH (\$15,000)).

Outstanding Share Data

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

Type	Number
Common Shares	314,215,355
Stock Options	7,000,000

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 2023 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.

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.

Off Balance Sheet Arrangements

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

Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business. During the six months ended June 30, 2022 and 2021, there were no related party transactions other than the shareholder loan and KUB-Gas loans - see "Liquidity, Capital Resources and Financing". See also the details of the asset sale described in the section entitled "Western Ukraine Tysagaz Asset".

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), shareholder loan, 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 loan approximate fair value due to the use of market rates of interest. The Ukraine bank loan also approximate fair value as it has been discounted with an interest rate comparable to current market rates.

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.