



## **Condensed consolidated interim financial statements**

For the three and six months ended June 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 June 30,		Six months ended June 30,	
	Note	2022	2021	2022	2021
Revenue from gas sales		\$ 438	\$ 97	\$ 824	\$ 191
Revenue from gas trading	4	-	1,829	-	3,482
Revenue from sale of electricity		-	178	-	178
Royalty expense		(293)	(33)	(405)	(65)
<b>Revenue, net of royalty</b>		<b>145</b>	<b>2,071</b>	<b>419</b>	<b>3,786</b>
<b>Income from equity investment</b>	<b>4, 5</b>	<b>-</b>	<b>82</b>	<b>-</b>	<b>123</b>
<b>Operating expenses</b>					
Selling and general administrative expenses	15	311	415	928	905
Finance (income) loss, net	9, 10, 11	(30)	72	97	72
Cost of gas sales		70	32	122	83
Accretion of decommissioning obligation		15	9	26	17
Cost of sales for gas trading	4	-	1,050	-	1,994
Cost of electricity sales		-	67	-	67
Depletion and depreciation	6	-	25	-	25
		366	1,670	1,173	3,163
<b>Net (loss) income</b>		<b>(221)</b>	<b>483</b>	<b>(754)</b>	<b>746</b>
<b>Other comprehensive income (loss)</b>					
Items that may be reclassified to profit or loss					
Foreign currency translation adjustment on foreign operations		56	(35)	151	(102)
<b>Comprehensive (loss) income</b>		<b>\$ (165)</b>	<b>\$ 448</b>	<b>\$ (603)</b>	<b>\$ 644</b>
<b>(Loss) income per share</b>					
Basic	14	(0.00)	0.00	(0.00)	0.00
Diluted	14	(0.00)	0.00	(0.00)	0.00

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

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

	<i>Note</i>	Number of shares	Share capital	Contributed surplus	Other reserve	Share of change in equity in associated company	Accumulated other comprehensive loss	Deficit	Total
Balances as at January 1, 2021		314,215,355	\$ 62,057	\$ 5,454	\$ 2,193	\$ (2,187)	\$ (41,779)	\$ (26,524)	\$ (786)
Currency translation adjustment		-	-	-	-	-	(102)	-	(102)
Net income		-	-	-	-	-	-	746	746
<b>Balances as at June 30, 2021</b>		314,215,355	62,057	5,454	2,193	(2,187)	(41,881)	(25,778)	(142)
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		-	-	-	-	-	151	-	151
Net loss		-	-	-	-	-	-	(754)	(754)
<b>Balances as at June 30, 2022</b>		314,215,355	\$ 62,057	\$ 5,454	\$ 2,193	\$ (2,187)	\$ (41,645)	\$ (19,019)	\$ 6,853

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 June 30,</b>		<b>Six months ended June 30,</b>	
		<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>					
Net (loss) income for the period		\$ (221)	\$ 483	\$ (754)	\$ 746
<i>Adjustments for:</i>					
Dividends from equity investment	4	-	-	2,046	-
Accretion of decommissioning obligation		15	9	26	17
Income from equity investment	4	-	(82)	-	(123)
Depletion and depreciation	6	-	25	-	25
Amortization of right of use asset	18	-	-	-	7
Interest expense		-	-	-	(3)
Gain on derecognition of lease	18	-	-	-	2
		(206)	435	1,318	671
Changes in working capital	8	76	633	(8)	413
<b>Cash provided by (used in) operating activities</b>		<b>(130)</b>	<b>1,068</b>	<b>1,310</b>	<b>1,084</b>
<b>Investing activities</b>					
Proceeds on sale of KUB Holdings	4	-	-	2,600	-
Additions to property, plant and equipment	6	-	(218)	-	(352)
Payments under lease liability	18	-	-	-	(8)
<b>Cash provided by (used in) investing activities</b>		<b>-</b>	<b>(218)</b>	<b>2,600</b>	<b>(360)</b>
<b>Financing activities</b>					
Repayment of KUB-Gas loan	10	-	-	(2,481)	-
Repayment of bank loan	11	(68)	(16)	(139)	(16)
Repayment of shareholder loan	9	-	(750)	-	(900)
Proceeds from bank loan	11	-	793	-	793
<b>Cash provided by (used in) financing activities</b>		<b>(68)</b>	<b>27</b>	<b>(2,620)</b>	<b>(123)</b>
Net change in cash and cash equivalents		(198)	877	1,290	601
Effect of foreign exchange on cash and cash equivalents		25	55	85	112
Cash and cash equivalents at beginning of period		8,916	4,205	7,368	4,424
<b>Cash and cash equivalents at end of period</b>		<b>\$ 8,743</b>	<b>\$ 5,137</b>	<b>\$ 8,743</b>	<b>\$ 5,137</b>
<b>Supplemental cash flow information</b>					
Taxes paid		\$ -	\$ -	\$ -	\$ -
Interest paid		\$ 11	\$ 5	\$ 21	\$ 50

**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 six months ended June 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, development and production of natural gas and power generation in Ukraine. The Company was incorporated pursuant to the provisions of the Business Corporations Act (Ontario) and continued under the Canadian Business Corporations Act in February 2012. The address of the Company’s registered office is 4500 Bankers Hall East, 855 - 2nd Street SW, Calgary, Alberta, T2P 4K7, Canada and the records office is Suite 3300, 205 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”), owns a 100% working interest in one production licence in western Ukraine, Rusko-Komarivske (“RK”), where it currently produces natural gas. Subsequent to the six months ended June 30, 2022, the Company announced and closed the sale of 3P International Energy Limited (“3P”) and Tysagaz for nominal consideration in return for the buyer assuming all of 3P and Tysagaz’s debt and obligations. See Notes 6 and 23.

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 six months ended June 30, 2022. See Notes 4 and 10.

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. The situation in Ukraine has been and remains volatile for the foreseeable future. It is not possible to predict the duration or magnitude of the war and the adverse resulting impact on the Company’s business.

As of June 30, 2022, the Company had working capital of \$7,360 (December 31, 2021 – \$8,128) and accumulated deficit of \$19,019 (December 31, 2021 – \$18,265) since its inception and may incur future losses in the development of its business. Given the volatile situation in Ukraine, the Ukraine operations may be adversely impacted which raises significant doubt about the ability of the Company to continue as a going concern.

The Company is exposed to commodity price risk with respect to natural gas prices and foreign exchange rate risk with respect to its foreign assets and liabilities. See further financial risk disclosures in Note 21.

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.

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## **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.

### **(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 June 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
3P International Energy Limited	100%	Cyprus	US
3P Energy Consulting LLC	100%	Ukraine	Hryvnia
Tysagaz LLC	100%	Ukraine	Hryvnia

During the six months ended June 30, 2022, the Company sold its 35% interest in KUB Holdings. Subsequent to the six months ended June 30, 2022, the Company sold 3P and its two Ukraine subsidiaries, Tysagaz and 3P Energy Consulting LLC. See Note 23.

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.

### **(d) Basis of measurement**

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments as fair value through profit and loss, which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

### **(e) Use of estimates and judgments**

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these condensed consolidated interim

## **Cub Energy Inc.**

**For the three months ended June 30, 2022 and 2021**

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

(Unaudited, expressed in thousands of US dollars)

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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.

### **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

**Cub Energy Inc.**  
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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**

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 June 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 six months ended June 30, 2022 was \$nil (2021 – \$123). The assets and liabilities held for sale related to Kub Holdings are as follows:

As at,	June 30, 2022	December 31, 2021
Equity investment	\$ -	\$ 2,600
Dividend receivable	-	2,046
<b>Assets held for sale</b>	<b>\$ -</b>	<b>\$ 4,646</b>
As at	June 30, 2022	December 31 2021
Loan from KUB-Gas	\$ -	\$ 2,474
<b>Liabilities held for sale</b>	<b>\$ -</b>	<b>\$ 2,474</b>

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 June 30, 2022	\$	-

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

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As at		June 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
<b>Six months ended June 30,</b>			
Capital expenditures	\$	-	\$ 293
Revenues		-	6,337
Royalty expense		-	3,388
Net income		-	353
Other comprehensive income		-	(1,414)
<b>Three months ended June 30,</b>			
Capital expenditures	\$	-	\$ 293
Revenues		-	3,337
Royalty expense		-	1,812
Net income		-	234
Other comprehensive income		-	(1,526)

The Company received cash dividends of \$2,046 during the six months ended June 30, 2022 (2021 - \$nil) which were recorded as dividends receivable as at December 31, 2021.

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 six months ended June 30, 2022, the Company recorded \$nil (2021 - \$3,482) in gas sales and \$nil (2021 - \$1,994) for the cost of the sales for a net profit from gas trading of \$nil (2021 - \$1,488).

## **5 Equity investment in CNG Holdings**

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 six months ended June 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

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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.

**6 Property, plant and equipment**

<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 June 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 June 30, 2022	\$ 3,748	\$ 1,044	\$ 4,792

  

<b>Carrying amounts</b>			
Balance as at December 31, 2021 and June 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 six months ended June 30, 2022, \$nil (2021 - \$352) was incurred in capital expenditures related to the power generation business.

**7 Trade and other receivables**

<b>As at</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>
VAT receivable, net of liabilities	\$ -	\$ 71
Trade receivables	8	2
GST receivable	6	4
	\$ 14	\$ 77

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

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

(Unaudited, expressed in thousands of US dollars)

**8 Supplemental cash flow information**

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<b>Cash flows relating to:</b>				
Changes in trade and other receivables	\$ 50	\$ (4)	\$ 63	\$ (62)
Changes in prepaid expenses and inventory	118	(15)	(13)	32
Changes in trade and other payables	(92)	413	171	204
Changes in advances on gas sales	-	-	(229)	-
Changes in non-current receivables	-	239	-	239
	\$ 76	\$ 633	\$ (8)	\$ 413

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

As at	June 30, 2022	December 31, 2021
Cash	\$2,733	\$7,368
Cash equivalents	6,010	-
Total cash and cash equivalents	\$8,743	\$7,368

The Company purchased Guaranteed Investment Certificates with a Canadian financial institution with annual interest rate of 1.50%.

**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. The repayment of the facility will be \$150 per quarter. During the six months ended June 30, 2022, the Company made principal payments of \$nil (2021 - \$900). The loan can be called at any time with 60 days written notice. The principal balance of the Pelicourt loan at June 30, 2022 was \$900 (December 31, 2021 - \$900) and interest payable of \$57 (December 31, 2021 - \$49). Pelicourt was granted security over Gastek which indirectly owned the 35% interest in KUB-Gas. During the six months ended June 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 six months ended June 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 six months ended June 30, 2022, the Company recorded interest of \$8 (2021 - \$104). A summary of the shareholder loan is presented below.

	Shareholder Loan
January 1, 2021	\$1,800
Repayment	(900)
Accrued interest	49
December 31, 2021	\$949
Accrued interest	8
June 30, 2022	\$957

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

(Unaudited, expressed in thousands of US dollars)

**10 Loan from Kub-Gas**

During the year ended December 31, 2016, the Company's Ukraine subsidiaries, Tysgaz and 3P Consulting, entered into unsecured, non-interest bearing loan agreements with KUB-Gas, whereby KUB-Gas agreed to lend approximately 172,500 UAH for general working capital. During the year ended December 31, 2018, the Company repaid 30,000 UAH and during the year ended December 31, 2021 repaid 75,000 UAH. During the six months ended June 30, 2022, the remaining balance of 67,500 UAH was repaid in full. See Note 4. The schedule of the loans is as follows:

Principal loan value, June 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 June 30, 2022	\$ -

**11 Bank Loan and Guarantee****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 six months ended June 30, 2022, the Company repaid \$139 (2021 - \$161) in principal and paid \$21 (2021 - \$5) in interest. A summary of the shareholder loan is presented below.

<b>Bank Loan</b>	
Principal loan value, June 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	(139)
Currency translation adjustment	(36)
Carrying value, June 30, 2022	\$ 402
June 30, 2022	
Current portion	\$268
Non-current portion	\$134
December 31, 2021	
Current portion	\$289
Non-current portion	\$288

**Restricted Cash**

As at June 30, 2022, the Company pledged 400 UAH (\$15) 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)).

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(Unaudited, expressed in thousands of US dollars)

**12 Prepaid Expenses and Inventory**

As at	June 30, 2022	December 31, 2021
Prepaid expenses	\$ 61	\$ 110
Inventory - natural gas	70	4
Inventory - materials	30	34
	\$ 161	\$ 148

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

## (a) Share capital

During the six months ended June 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	(1,600,000)	0.06
Balance at June 30, 2022	7,000,000	\$ 0.08

Issuance Date	Expiry Date	Exercise price (CAD)	Issued	Exercisable	Weighted Avg Remaining Life (years)
December 7, 2016	December 7, 2026	\$ 0.08	6,900,000	6,900,000	4.44
January 4, 2021	January 4, 2026	\$ 0.05	100,000	100,000	3.52
Total			7,000,000	7,000,000	4.43

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 six months ended June 30, 2022 and 2021.

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## (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 June 30, 2022 (December 31, 2021 – Nil) and there was no RSU activity for the period presented.

**14 (Loss) income per share**

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Numerator				
(Loss) income for the period - basic and diluted	\$ (221)	\$ 483	\$ (754)	\$ 746
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 (loss) income per share	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ 0.00
Diluted (loss) income per share	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ 0.00

**15 Selling and general administrative expenses**

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Salaries (Note 20)	\$ 132	\$ 183	\$ 521	\$ 399
Office and administration expenses	67	112	154	216
Professional fees	50	81	88	148
Consulting fees (Note 20)	62	28	159	82
Travel	-	11	6	60
	\$ 311	\$ 415	\$ 928	\$ 905

**16 Operating segments**

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

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

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

**17 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 Tysgaz, the Company's 100% owned subsidiary. The restrictive measure was limited to the Stanivske licence 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 licence is not material to the Company and has no material impact on the operations of Tysgaz. Since the Stanivske licence has been revoked, Tysgaz and the government of Ukraine are discussing options to terminate the restrictive measure.

**18 Leases**

During the six months ended June 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 June 30, 2022.

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<b>Right of use asset</b>	
Balance, January 1, 2021	\$ 116
Disposition	(109)
Amortization	(7)
Balance, December 31, 2021 and June 30, 2022	\$ -

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<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 June 30, 2022	\$ -

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## Cub Energy Inc.

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## 19 Related party transactions

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, the transactions and balances with KUB Holdings and KUB-Gas, and the loan to CNG Holdings (Notes 4, 5, 9, 10 and 23).

## 20 Key management compensation

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Directors' fees <sup>(1)</sup>	\$ 21	\$ 27	\$ 43	\$ 51
Management wages <sup>(1)</sup>	57	54	128	132
Consulting fees <sup>(1)</sup>	54	32	90	64
Bonus <sup>(1)(2)</sup>	-	-	251	-
Total	\$ 132	\$ 113	\$ 512	\$ 247

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

(2) The Company recorded \$251 in bonuses to management during the six months ended June 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 June 30, 2022, \$25 (December 31, 2021 - \$nil) was included in trade and other payables owing to an officer of the Company for accrued compensation during the six months ended June 30, 2022. Payment to the former CEO's estate of \$nil was made during the six months ended June 30, 2022 (2021 - \$258) as part of the accrued debt repayment.

## 21 Financial risk management

### (a) Overview

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

- credit risk
- liquidity risk
- foreign exchange risk
- interest risk
- commodity price risk

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

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

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

**(b) Credit risk**

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

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

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

As at		June 30, 2022	December 31, 2021
Cash and cash equivalents	\$	8,743	\$ 7,368
Trade and other receivables (excludes sales tax)		1	2
	\$	8,744	\$ 7,370

**(c) Liquidity risk**

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

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

As at June 30, 2022, the Company had current assets of \$8,918 and had the following financial liabilities:

As at June 30, 2022					
Contractual Cash					
	Carrying Amount		Flows		< 1 year
Trade and other payables	\$ 333	\$	333	\$	333
Shareholder loan	957		957		957
Bank loan	402		402		268
Provisions	373		-		-
	\$ 2,065	\$	1,692	\$	1,558

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**(d) Foreign exchange risk**

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

	As at June 30, 2022			
	UAH	€	CAD	Total
Cash and cash equivalents	\$ 307	\$ 214	\$ 38	\$ 559
Trade and other receivables	8	-	6	14
Trade and other payables	(245)	-	106	(139)
Bank loan	-	(402)	-	(402)
	\$ 70	\$ (188)	\$ 150	\$ 32
Effect of +/- 10% change in foreign exchange rate	\$ 7	\$ (19)	\$ 15	\$ 3

**(e) Interest Rate**

The Company has a \$957 shareholder loan that is payable through March 2024 with an annual interest rate of 10.8% and a \$402 bank loan that is payable through November 2023 with an annual interest rate of 7.5%. The Company's interest rate risk is limited as it does not have any variable interest bearing financial instruments.

**(f) Commodity price**

The Company is exposed to risks due to fluctuations in the price of natural gas in the Ukraine. The Company has no commodity hedge program in place which could potentially mitigate the price risk. During the six months ended June 30, 2022, the Company sold gas to its customers at an average price of \$26.41 (2021 - \$6.50) per thousand cubic feet. A 10% fluctuation in the average price of gas assuming the same quantity sold, would have impacted the Company's revenue by approximately \$13 (2021 - \$40) per month.

**(g) Capital management**

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

The Company includes shareholders' equity (deficit), comprised of issued share capital, contributed surplus, warrants, accumulated other comprehensive loss and deficit in the definition of capital. As at June 30, 2022, the Company has total shareholders' equity of \$6,853 (2021 - \$7,456). The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its exploration and development work programs. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity, debt or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the six months ended June 30, 2022.

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**22 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>June 30,</b>		<b>December 31,</b>	
	<b>2022</b>		<b>2021</b>	
Fair value through profit or loss (i)	\$	8,743	\$	7,368
Assets - amortized cost (ii)	\$	1	\$	2
Liabilities - amortized cost (iii)	\$	2,065	\$	4,554

  

	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>	
<b>As at June 30, 2022</b>								
Cash and cash equivalents	\$	8,743	\$	-	\$	-	\$	8,743
<b>As at December 31, 2021</b>								
Cash and cash equivalents	\$	7,368	\$	-	\$	-	\$	7,368

**23 Subsequent event**

Subsequent to the six months ended June 30, 2022, the Company signed a definitive Sale and Purchase Agreement ("SPA") for the sale of its 100% interest in 3P and its wholly-owned Ukraine subsidiary, Tysagaz. The sale is for a nominal consideration of \$1 and the buyer assuming all of 3P's and Tysagaz' liabilities, contingent and otherwise. The buyer group are related parties to the Company. The Company is to receive the financial benefit or liability of natural gas sales through to July 31, 2022. The sale closed on August 17, 2022.