

# CARCETTI CAPITAL CORP.

(FORMERLY CUB ENERGY INC.)

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

### Introduction

The following management discussion and analysis ("MD&A") is a review of operations, current financial position and outlook for Carcetti Capital Corp. (the "Company") and should be read in conjunction with the unaudited condensed interim financials for the three and six months ended June 30, 2023 and 2022. 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 28, 2023.

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](http://www.sedar.com). The Company is currently listed on the NEX board of TSX Venture Exchange under the symbol CART.H and seeking a new business opportunity.

### Corporate Overview and Reorganization of Capital

The Company was an international energy company with multiple investments in Ukraine. During the year ended December 31, 2021, the Company decided to begin the process of liquidating its Ukraine investments and closed the sale of CNG Holdings in 2021 and closed the sales of KUB Holdings Limited ("KUB Holdings") and 3P International Energy Ltd. and its subsidiaries ("3P") in 2022.

On December 30, 2022, the Company completed the reorganization of the Company's share capital to permit the Company to pay a special cash distribution of CAD \$9.00 per share (CAD\$0.03 per share pre-share consolidation) or approximately \$6,900,000 in total to shareholders of record as at December 23, 2022 (the "Special Distribution"). In connection with the Special Distribution, the Company filed articles of amendment which created a new class of common shares ("Class B Common Shares") and a class of preferred shares ("Preferred Shares") and effected an exchange of the existing Company common shares for new Class B Common Shares and Preferred Shares on the basis of one Class B Common Share and one Preferred Share for every Company common share currently outstanding. Shareholders will not receive share certificates or evidence thereof for the Preferred Shares as such shares are being immediately redeemed, in accordance with a notice from the Company provided by way of a news release issued on December 30, 2022, in exchange for the Special Distribution. During the quarter ended March 31, 2023, the Special Distribution was paid.

Also on December 30, 2022, the Company completed a name change to "Carcetti Capital Corp." and a share consolidation on the basis of one (1) new share for every three hundred (300) old shares as part of the Company's reorganization. All share, stock option and per share amounts in the MD&A have been adjusted to give retroactive effect to the stock consolidation.

During the year ended December 31, 2022, the Company's revenue was driven by the Company's 100% owned RK field located in western Ukraine. On August 17, 2022, the Company closed the sale of its interest in 3P and the RK field with an effective date of July 31, 2022. The financial results of 3P are presented as discontinued operations.

On May 16, 2023, the Company closed a private placement financing which consisted of 4,166,667 common shares at a price of CAD \$0.12 per share for gross proceeds of \$368,000 (CAD \$500,000).

### Forward Looking Information

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

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

### Summary of Quarterly Results

The following table sets out selected unaudited financial information for each of the last eight quarters ended up to and including June 30, 2023. The information contained herein is taken from the financial statements of the Company for each of the aforementioned quarters.

<b>Quarter Ended</b>	<b>Jun 30, 2023</b>	<b>Mar 31, 2023</b>	<b>Dec 31, 2022</b>	<b>Sept 30, 2022</b>
<b>Revenue from gas sales</b>	-	-	-	124,000
<b>Net income (loss)</b>	(172,000)	(57,000)	(42,132,000)	599,000
<b>Income (loss) per share</b>	(0.05)	(0.05)	(40.24)	0.57
<b>Working Capital</b>	291,000	86,000	202,000	7,194,000

<b>Quarter Ended</b>	<b>Jun 30, 2022</b>	<b>Mar 31, 2022</b>	<b>Dec 31, 2021</b>	<b>Sept 30, 2021</b>
<b>Revenue from gas sales</b>	438,000	386,000	409,000	110,000
<b>Revenue from gas trading</b>	-	-	2,566,000	2,698,000
<b>Revenue from sale of electricity</b>	-	-	-	285,000
<b>Income from equity Investment</b>	-	-	142,000	614,000
<b>Net income (loss)</b>	(221,000)	(533,000)	6,121,000	1,392,000
<b>Income (loss) per share</b>	(0.21)	(0.51)	5.85	1.33
<b>Working Capital deficit</b>	7,360,000	7,593,000	8,128,000	(4,258,000)

### Material Variations in Quarterly Results

During the quarter ended June 30, 2023, the Company completed a private placement for gross proceeds of approximately 368,000, which increased the working capital. The Company also incurred consulting expenses related to the reorganization of the Company which was finalized during the quarter ended March 31, 2023. As a result of the reorganization, the Company saw its net loss decreased materially as it reduced its overhead while it seeks a new business opportunity. During the quarters in fiscal 2022, the Company's revenues and income were materially impacted by the sale of KUB Holdings which was the primary contributor to the financial performance of the Company historically. During the quarter ended December 31, 2022, the Company issued a Special Distribution to shareholders of approximately \$6,900,000 which reduced the Company's working capital. Also during the quarter ended December 31, 2022, the Company recorded \$42,786,000 in losses from the reclassification of foreign currency translation related to the sale of assets and a reversal of impairment of \$428,000 for the sale of KUB Holdings. During the three months ended September 30, 2022, the Company recorded a reversal of impairment of \$391,000 for the sale of 3P International and its subsidiary, Tysagaz. During the three months ended March 31, 2022, the Company paid or accrued bonuses of \$301,000 to management, staff and consultants for the successful sale of assets and debt reduction.

During the quarter ended December 31, 2021, the Company reversed an impairment charge of \$6,616,000 on its equity investment in KUB Holdings as a result of the closing of the sale of the investment in February 2022 and along with the receipt of \$7,933,000 in dividends from KUB Holdings. The reversal of impairment contributed to the higher net income in the fourth quarter of 2021 and the dividends improved the Company's working capital as at December 31, 2021. During the quarters ended September 30, 2021 the Company generated power and recorded resulting sale of electricity. On September 18, 2021, the power business was suspended as it was more profitable to sell natural gas than power.

#### Loss from Discontinued Operations

The Company sold its interest in 3P in August of 2022 and financial information related to 3P has been presented as discontinued operations in the Company's comparative financial information for 2022. The Company recorded a loss from discontinued operations of \$nil during the six months ended June 30, 2022 (June 30, 2022 - \$143,000) as the operations were divested in the year ended December 31, 2022. During the quarter ended June 30, 2023, the Company recorded a loss from discontinued operations of \$nil (June 30, 2022 - \$110,000).

#### Selling and General Administrative Expenses

Selling and general administrative expenses from continued operations were \$259,000 during the six months ended June 30, 2023 (June 30, 2022 - \$531,000) and \$172,000 during the three month ended June 30, 2023 (June 30, 2022 - \$136,000). Some of the significant items contained within selling and general administrative expenses are as follow:

	Three months ended		Six months ended June	
	June 30, 2023	2022	30, 2023	2022
	\$	\$	\$	\$
Directors' fees	-	21	9	43
Consulting fees	125	54	149	90
Management wages	-	54	-	128
Bonus	-	-	-	251
	<b>125</b>	<b>75</b>	<b>158</b>	<b>512</b>

The Company incurred consulting and professional fees in both periods largely related to asset divestures and continuous disclosure obligations. The comparative six months ended June 30, 2022 period included bonuses to employees and consultants for the closing of the asset sale in the first quarter of 2022 and debt reduction. In addition, the Company transitioned several employees to consulting roles during 2022 to reduce costs and provide more flexibility.

#### Net Profit/Loss

During the six months ended June 30, 2023, the Company recorded a net loss of \$229,000 or \$0.11 per share as compared to net loss of \$754,000 or \$0.72 per share in the comparative 2022 six months.

During the three months ended June 30, 2023, the Company recorded a net loss of \$172,000 or \$0.05 per share as compared to net loss of \$211,000 or \$0.21 per share in the comparative 2022 three months.

#### Foreign Currency Translation Loss

During the six months ended June 30, 2023, the foreign currency translation loss was \$50,000 as compared to income of \$151,000 in the comparative 2022 period. During the three months ended June 30, 2023, the foreign currency translation income was \$9,000 as compared to income of \$56,000 in the comparative 2022 period. The losses and income relate to the revaluation of the Company's assets and liabilities denominated in currencies outside of the US dollar in accordance with the Company's accounting policy for the translation of its former subsidiaries.

### Liquidity, Capital Resources and Financings

At June 30, 2023, the Company had a cash balance of \$301,000 (December 31, 2022 - \$7,190,000) and working capital of \$291,000 (December 31, 2022 – \$202,000). The working capital increased due to the closing of the private placement in May 2023. The working capital requirements will continue to be assessed as the Company considers new opportunities.

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. During the six months ended June 30, 2022, the Company made the final loan repayments of \$2,474,000.

### Outstanding Share Data

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

Type	Number
Common Shares	5,214,050
Stock Options	12,333

### Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements as at June 30, 2023.

### Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business. During the six months ended June 30, 2023 and 2022, there were no related party transactions other than the 3P sale, shareholder loan and KUB-Gas loans in 2022. The loans were repaid in full during the year ended December 31, 2022. - see “Liquidity, Capital Resources and Financing”.

### Critical Accounting Estimates

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates. Significant estimates include:

- The determination of cash-generating units (“CGU”) requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.
- 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*.
- 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, trade and other receivables (excluding sales tax), and trade and other payables. The fair values of financial instruments other than cash 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.