

# CARCETTI CAPITAL CORP.

(FORMERLY CUB ENERGY INC.)

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 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 audited consolidated financials for the years ended December 31, 2023 and 2022. Amounts are reported in United States dollars, and rounded to the nearest thousand, unless otherwise stated, based upon the financial statements prepared in accordance with IFRS Accounting Standards Financial Reporting Standards ("IFRS"). This MD&A is dated as of April 22, 2024.

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 of 4,166,667 units at a price of CAD \$0.12 per share for gross proceeds of \$351,071 (CAD \$476,000). Each unit consists of one common share of the Company and one-half share purchase warrant. Each warrant shall entitle the holder to purchase an additional common share of the Company at a price of CAD\$0.18 for a period of one year. Of the 4,166,667 shares issued, the Company issued 200,000 common shares for gross proceeds of \$nil in connection with the severance payment of a former director, to settle \$17,671 of debt (CAD\$24,000).

### 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 audited financial information for each of the last eight quarters ended up to and including December 31, 2023. The information contained herein is taken from the financial statements of the Company for each of the aforementioned quarters.

Quarter Ended	Dec 31, 2023	Sept 30, 2023	Jun 30, 2023	Mar 31, 2023
Revenue from gas sales	-	-	-	-
Net income (loss)	(48,000)	(24,000)	(172,000)	(57,000)
Income (loss) per share	(0.01)	(0.00)	(0.05)	(0.05)
Working Capital	256,000	261,000	291,000	86,000

Quarter Ended	Dec 31, 2022	Sept 30, 2022	Jun 30, 2022	Mar 31, 2022
Revenue from gas sales	-	124,000	438,000	386,000
Net income (loss)	(42,132,000)	599,000	(221,000)	(533,000)
Income (loss) per share	40.24	0.57	(0.21)	(0.51)
Working Capital deficit	202,000	7,194,000	7,360,000	7,593,000

### 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.

### 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 net loss from discontinued operations of \$nil during the years ended December 31, 2023 (2022 - \$24,493,000) as the operations were divested in the year ended December 31, 2022. The 2022 loss includes \$24,761,000 in reclassification of foreign currency translation related to the sale of 3P and is a non-cash charge.

### Revenue from Gas Sales (Discontinued Operations)

The Company produced gas from the RK field in western Ukraine resulting in revenue during the year ended December 31, 2023 of \$nil (2022 - \$948,000). The Company sold its interest in the RK field on August 17, 2022 and received economic benefit of the gas sales through to July 31, 2022.

### Selling and General Administrative Expenses

Selling and general administrative expenses from continued operations were \$291,000 during the year ended December 31, 2023 (2022 - \$820,000). Items contained within selling and general administrative expenses are as follow:

	<b>Years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
Consulting fees	181,000	276,000
Management fees	12,000	-
Office and general	34,000	69,000
Professional fees	64,000	164,000
Salaries	-	306,000
Travel	-	5,000
	<b>291,000</b>	<b>820,000</b>

The Company incurred consulting and professional fees in the prior periods largely related to asset divestitures and continuous disclosure obligations. The comparative year ended December 31, 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 year ended December 31, 2023, the Company recorded a net loss of \$301,000 or \$0.08 per share as compared to a net loss of \$42,287,000 or \$40.39 per share in the comparative 2022 year. The loss during the year ended December 31, 2022, can primarily be attributable to the reclassification of foreign currency translation from the sale of assets of \$42,786,000, which is a non-cash item.

### Fourth Quarter

During the fourth quarter ended December 31, 2023, the Company recorded a net loss of \$48,000 or \$0.01 per share as compared to a net loss of \$42,132,000 or \$40.24 per share in 2022. During the fourth quarter of 2022, the Company recorded a non-cash charge of \$42,786,000 related to the reclassification of foreign currency translation.

### Foreign Currency Translation Loss

During the year ended December 31, 2023, the foreign currency translation loss was \$21,000 as compared to \$853,000 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 December 31, 2023, the Company had a cash balance of \$255,000 (2022 - \$7,190,000) and working capital of \$256,000 (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 year ended December 31, 2023, the Company paid the preferred share redemption of \$6,900,000. During the year ended December 31, 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 year ended December 31, 2022, the Company repaid \$900,000 in principal and \$57,000 in accrued interest to Pelicourt representing the final payout of the shareholder loan. Mikhail Afendikov, the Company's former CEO, was a principal of Pelicourt. During the year ended December 31, 2022, the Company made the final loan repayments of \$2,474,000. During the year ended December 31, 2022, the Company repaid \$160,000 in principal and paid \$21,000 in interest to the Ukraine bank loan. The sale of 3P on August 17, 2022 also included the full assumption of the Ukraine loan and related guarantee by the purchasers.

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

<b>Type</b>	<b>Number</b>
<b>Common Shares</b>	5,214,050
<b>Stock Options</b>	102,333

### Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements as at December 31, 2023.

### Transactions with Related Parties

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

Key management personnel include executive officers and non-executive directors. Executive officers are compensated and may participate in the Company's stock option plan. Non-executive directors also may participate in the Company's stock option plan. Key management personnel compensation is comprised of the following and included both the continued and discontinued operations:

	<b>Years ended December</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Management fees <sup>(1)</sup>	<b>12,200</b>	85,000
Consulting fees <sup>(1)</sup>	<b>181,416</b>	189,000
Share-based compensation	<b>7,508</b>	-
Salaries <sup>(1)</sup>	-	139,000
Bonus <sup>(1)(2)</sup>	-	251,000
	<b>201,124</b>	664,000

- (1) These amounts include amounts in general administrative expenses for discontinued operations.
- (2) The Company recorded \$nil in bonuses to management during the year ended December 31, 2023 (2022 - \$251,000). The 2022 bonuses were paid as part of an incentive and retention strategy for the asset divestures and debt reduction that occurred in conjunction with the closing of the KUB Holdings sale on February 2, 2022.

During the year ended December 31, 2023, the Company entered into the following transactions with related parties not disclosed elsewhere in the Financial Statements:

- i. Paid or incurred directors fees of \$5,423 (2022 - \$nil) to Glenn Kumoi, CEO CFO and director of the company.

As at December 31, 2023, \$nil (2022 - \$nil) was included in trade and other payables owing to officers and directors of the Company

#### 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:

- 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*.

#### Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, trade and other receivables (excluding sales tax), trade and other payables, and preferred share redemption payable. The fair values of financial instruments other than cash approximate their carrying values. Trade and other receivables, trade and other payables, and preferred share redemption payable, approximate fair value due to the short term nature of the accounts.

#### Other MD&A Requirements

Additional information relating to the Company may be found on SEDAR+ at [[www.sedarplus.ca](http://www.sedarplus.ca)] including, but not limited to:

- the Company's audited consolidated financial statements for the years ended December 31, 2023 and 2022.

This MD&A has been approved by the Board on April 22, 2024.