



## News Release

### CUB ENERGY INC. OPERATIONS UPDATE FOR THIRD QUARTER OF 2015

Houston, Texas – October 19, 2015 – Cub Energy Inc. (“**Cub**” or the “**Company**”) (TSX-V: **KUB**) provides the following update for its operations for the third quarter of 2015. This update includes ongoing operations from KUB-Gas LLC (“**KUB-Gas**”), which Cub has a 30% ownership interest, and Tysgaz LLC (“**Tysgaz**”), Cub’s 100% owned subsidiary.

#### Third Quarter Production and Realized Prices

Average production for the third quarter was approximately 1,350 boe/d (Cub WI), representing a 5% decrease from 1,414 boe/d in the second quarter. Production volumes were lower due to normal seasonal demand weakness and lack of reinvestment over the last fifteen months.

The estimated prices received in Ukraine current during the quarter were \$6.58 per thousand cubic feet (“**Mcf**”) and \$43.01 per barrel (“**bbbl**”) for natural gas and liquids respectively. The comparable prices realized in the second quarter of 2015 were \$7.08/Mcf and \$46.89/bbl. Cub is paid in hryvnia (“**UAH**”), so the realized price in USD will continue to be influenced by changes in the exchange rate. The exchange rate has stabilized in the last few quarters as the rate went from 21.0 UAH/USD at the end of the second quarter to 21.3 UAH/USD at the end of the third quarter.

#### KUB-Gas Update

The R30c zone in the O-11 well has been successfully fracture stimulated and the most recent test rates are approximately 1.0 million cubic feet per day (“**MMcf/d**”). Operations on the M-22 and O-15 wells are continuing, and results will be reported once available.

On the newly acquired West Olgovskoye licence, KUB-Gas completed the field work and preliminary processing of a 26 kilometer 2D seismic survey. The final processed data should be available shortly.

#### Ukraine Legislative Developments

On September 3, 2015, the National Bank of Ukraine extended most of the existing restrictions on foreign currency transactions, including the cross-border dividend restriction, all to be effective until December 4, 2015. These restrictions continue to make it difficult for repatriating dividends from Ukraine.

A new bill reforming the natural gas market in Ukraine became effective October 1, 2015. Among other things, it contains a provision that gas producers will have to contribute into storage a volume equivalent to 30 days of production effective January 1, 2016. The administrative details of this requirement have not yet been published, so key questions remain as to whether the storage injections must begin by or be completed on January 1, 2016, and whether royalties will be due when the gas is produced (before injection) or when it is sold out of storage.

On October 5, 2015, the Rada (the Ukrainian parliament) approved by a vote of 228 affirmative votes (a minimum of 226 required) the first reading of a bill which would reduce the royalties on natural gas. The bill proposes to drop the royalty rates from 55% to 29% and a further reduction to 20% effective January 1, 2016. The bill is subject to a second reading anticipated within the next few weeks and then receive final signature from the president before coming into effect. There are no assurances any change in royalty rates will become effective.

## Outlook

Cub is re-evaluating its future capital programs on its 100% owned and operated Tysgaz assets in light of the proposed reduction of royalty rates which are subject to parliamentary approval. At present, the Company is considering several workovers in late 2015 or early 2016.

KUB-Gas may consider additional capital expenditures on development projects during the balance of 2015, subject to keeping such expenditures within operating cash flow and no further material adverse changes in either the fiscal terms or the security situation in and around the eastern Ukraine licences.

Once economic conditions improve, KUB-Gas has an inventory of drilling locations and other projects in the Ukraine licences including:

- Ten firm drilling locations in the Olgovskoye, Makeevskoye and North Makeevskoye licences, plus up to seven more locations contingent upon success. KUB-Gas expects this inventory to grow once the technical team examines the data on the newly acquired West Olgovskoye licence.
- Several fracture stimulations candidates in addition to the three mentioned above.

### **Cautionary Statements:**

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Test results are not necessarily indicative of long-term performance or of ultimate recovery. The test data contained herein is considered preliminary until full pressure transient analysis is complete.

### **About Cub Energy Inc.**

Cub Energy Inc. (TSX-V: KUB) is an upstream oil and gas company, with a proven track record of exploration and production cost efficiency in the Black Sea region. The Company's strategy is to implement western technology and capital, combined with local expertise and ownership, to increase value in its undeveloped land base, creating and further building a portfolio of producing oil and gas assets within a high pricing environment.

For further information please contact us or visit our website: [www.cubenergyinc.com](http://www.cubenergyinc.com)

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#### Reader Advisory

*Except for statements of historical fact, this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Cub believes that the expectations reflected in the forward-looking information are reasonable; however, there can be no assurance those expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.*

*Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause the results to differ materially from those expressed in the forward-looking information include, but are not limited to: general economic conditions in Ukraine, the Black Sea Region and globally; political*

*unrest and security concerns in Ukraine; industry conditions, including fluctuations in the prices of natural gas; governmental regulation of the natural gas industry, including environmental regulation; unanticipated operating events or performance which can reduce production or cause production to be shut in or delayed; failure to obtain industry partner and other third party consents and approvals, if and when required; competition for and/or inability to retain drilling rigs and other services; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for natural gas; liabilities inherent in natural gas operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, skilled personnel and supplies; incorrect assessments of the value of acquisitions; geological, technical, drilling, processing and transportation problems; changes in tax laws and incentive programs relating to the natural gas industry; failure to realise the anticipated benefits of acquisitions and dispositions; and the other factors. Readers are cautioned that this list of risk factors should not be construed as exhaustive.*

*This cautionary statement expressly qualifies the forward-looking information contained in this news release. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.*

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