



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2012

The following Management's Discussion and Analysis ("MD&A") of Iskander Energy Corp. ("Iskander" or the "Company") is dated April 9, 2013, and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2012 and 2011. The consolidated financial statements for the years ended December 31, 2012 and 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Iskander Energy Corp. is a privately held company, incorporated and domiciled in Canada. Its head office is at, 400, 333 11th Avenue S.W., Calgary, Alberta T2R 1L9. The Company was incorporated on November 29, 2010, under the laws of the Province of Ontario.

All financial amounts are in United States (US) dollars unless otherwise stated.

Highlights

During the year ended December 31, 2012 and up to the date of this report the following highlights occurred:

Financial

- Iskander engaged a syndicate of banks led by Dundee Securities and RBC Dominion Securities Inc ("RBC") to act as co-lead agents to raise approximately CAD \$20 million. As at April 9th, 2013, Iskander has raised approximately CAD \$7.1 million with an additional CAD \$5 million committed and further CAD \$1 million contingent on securing CAD\$15 million.
- As at April 9, 2013, the Company has approximately net \$9.0 million of cash and liquid assets in excess of current liabilities.

Operational

- Drilled and completed the Company's first well in Ukraine, KRA #1, to a total depth of 1,680 meters and commenced completion and fracing operations during the last week of November 2012. Economic quantities of gas were not recovered and the well was temporarily suspended pending future evaluation operations which are currently being evaluated;
- Working with RPS Energy, the Company obtained 51-101 compliant contingent and prospective resources recognition which includes a best estimate working interest share of unrisksed contingent and prospective resources of 1 TCF or 275 BCF on a risked basis, within the assets in Poland, Bulgaria and the Krasno and South Donbass licenses in Ukraine.

Strategic

- The Company renegotiated key terms of the agreements covering the South Donbass license and Kruto license agreements which materially lowered upfront cash payments required and increased the Company's working interests from 61.75% to 95% and 58.5% to 90% respectively.
- The Company has signed a memorandum of understanding ("MOU") covering existing producing asset in Georgia. The MOU provides Iskander with the opportunity to drill 3 wells to earn 50% in an existing PSA. Closing of the transaction is subject to necessary approvals and completion of key agreements which is expected to occur by the end of April 2013;

- Iskander is currently in discussions with multiple companies interested in a potential farm-in transaction on its Bulgarian assets, focused on exploration for shale gas;
- During the fourth quarter of 2012, the Company engaged an agent to divest its interests in Poland.

2013 Outlook

Subject to obtaining the necessary financing from the current fundraising activities, the Company intends to conduct capital expenditures and strategic activities focused on delivering a material increase in value to shareholders with the intention of entering into an initial public offering during 2013. The critical activities of this strategy are as follows:

Ukraine

- Proving up the potential of coal-bed methane ("CBM") in Ukraine by drilling or recompleting up to six wells in the South Donbass and Kruto licenses.

Bulgaria

- Continuing negotiations with the goal of concluding farm-in transactions with large multi-national companies with extensive shale gas experience.
- Obtaining an extension on required work commitments via modified work programs

Poland

- Divest exploration assets in Poland which do not fit with the Company's strategy of operating shallow, lower geological risk opportunities.

Georgia

- Closing a proposed transaction following receipt of final approvals and agreement on key operating agreements. The Georgian assets are currently producing light oil. Drilling equipment is in place which would allow the Company to commence operations in the third quarter of 2013 with the potential for later production.

Description of Business

Strategy

The Company is engaged in the acquisition and exploration of, and ultimately development of, oil, natural gas and coal bed methane properties in Ukraine, Poland, Bulgaria and Georgia. The recoverability of amounts invested in oil and gas properties is dependent upon the discovery of economically recoverable reserves and the ability to obtain the necessary funding to complete exploration and development.

The Company's vision and strategy is to grow through a combination of exploration, development and acquisition of oil and gas properties in Ukraine, Bulgaria and Georgia. Through various forms of acquisition, Iskander has acquired direct or indirect interests in three properties in Ukraine, two properties in Bulgaria and is a joint-venture partner on a property in Poland.

The Company's business plan is to focus on shallow wells with lower geological risk. The strategy is to take advantage of the high prices of natural gas in Eastern Europe, light oil benchmarked to Brent and the low royalty and tax regimes in the region. Iskander intends on retaining leverage to unconventional/shale upside through farm-out of deep, expensive wells. Iskander's advantage is that it is able to bring proven Western technology to one of the world's large under-exploited hydrocarbon basins.

Principal Properties

As at December 31, 2012, the Company's principal land holdings and exploration blocks were as follows:

Country	License	Working Interest	Operator	Gross Acreage	Expiry
Ukraine	Krasn	51%	Yes	58,070	January 2015
Ukraine	South Donbass	95%	Yes	106,502	December 2013
Ukraine	Kruto	90%	Yes	169,267	July 2016
Bulgaria	Gradishte	75%	Yes	465,794	July 2015
Bulgaria	Kilifarevo	75%	Yes	4,942	July 2015
Poland	Bieszczady	15.6 - 24%	No	869,810	July 2013. Extension available upon application

Ukraine Properties

South Donbass CBM License (Ukraine)

The Company, through its indirect, wholly-owned subsidiary, Iskander Energy Ukraine II Limited ("Iskander Ukraine II"), has farmed-in on a 95% participating interest in an exploration license for the development of coal bed methane gas. The Company's 95% working interest is pursuant to the terms of a joint activity agreement between Iskander Ukraine II and Industrial Union of Donbas Corporation ("IUD"), the registered owner of title of the South Donbass License. The remaining 5% participating interest is currently held by IUD.

The South Donbass License is valid until December 15, 2013. Pursuant to the terms of the joint activity agreement, Iskander Ukraine II has been designated operator of the South Donbass license and is responsible for funding 100% of the work program during the exploration phase. The work program respecting the South Donbass license includes the anticipated commencement of drilling up to four wells by the end of 2013 and the possible work-over of existing wells which totals approximately \$6.0 - \$8.0 million. The capital program during 2013 is focused on proving up economic resources on the South Donbass permit which will be utilized to apply for a production license by the end of 2013.

Kruto License (Ukraine)

The Company, through its indirect, wholly-owned subsidiary, Iskander Energy Ukraine Limited ("Iskander Ukraine") has farmed-in on a 90% participating interest in a subsoil exploration license for the development of coal bed methane gas. The Company's 90% working interest was obtained pursuant to the terms of a joint activity agreement between Iskander Ukraine and EcoMethan LLC, the registered owner of title of the Kruto license. The remaining 10% participating interest is currently held by EcoMethan LLC.

The Kruto license is valid until July 13, 2016. Pursuant to the terms of the joint activity agreement, Iskander Ukraine has been designated the operator of the license and is responsible for funding 100% of the work program during the exploration phase.

The work program respecting the Kruto License includes the drilling of up to six wells, of which the first well is expected to occur in 2013. The actual number of wells drilled will be determined by well conditions and well performance.

Krasno CBM License (Ukraine)

The Company holds an indirect working interest in the Krasno License in Ukraine through its 51% of Karbona Energo, a private Ukraine Company, which is the registered holder of the license. The Company is party to a joint venture agreement and is designated as the operator.

The terms of the farm-in agreement covering the Krasno license commit Iskander to fund 100% of drilling two shallow wells to a minimum depth of 1,000 meters to earn 51%.

The license consists of an initial exploration phase of 5 years which expires on January 1, 2015. The exploration work commitments for the exploration phase include acquisition and interpretation of geological information and the drilling of five wells which totals approximately \$10.0 million.

Bulgaria Properties

The Bulgarian assets are comprised of an interest in two prospecting and exploration permits respecting oil and natural gas blocks in Central Bulgaria: the Gradishte permit and the Kilifarevo permit. Iskander's interest in the licenses is through its indirect ownership of 75% of the issued and outstanding equity of Research and Service Group AD ("RSG"), a privately held company incorporated in Bulgaria and the registered owner of the licenses. RSG is held as to 75% by Tzilkaf Investments Limited, a wholly-owned subsidiary of Iskander.

Iskander is required to fund 100% of the work program on both the Gradishte License and the Kilifarevo License which is estimated to total Euro €27.0 million by 2015.

Subsequent to the investment in joint venture in RSG, the Government of Bulgaria introduced a temporary moratorium on all fracture stimulation activities until such time that adequate environmental and regulatory processes and approvals can be developed. Based on discussion with government officials and public announcements, the Company currently expects that the moratorium is temporary in nature and that there is a high likelihood of the ban being removed during the next 12 months. The Company continues to discuss the implications of the fracking moratorium on the work commitments associated with its licenses but have not been able to obtain an approved modification of its work commitments as at April 9, 2013.

In the event of a permanent moratorium on fracture stimulations or an unsuccessful approval of a modified work program, future oil and gas investment in Bulgaria would be limited and the carrying value of the Company's investment would be reassessed for impairment at that time. Based on technical analysis completed to date, Management believes that hydrocarbons cannot be economically produced from the reservoirs without fracking technology and therefore a permanent or extended ban on fracking would likely result in a full impairment of its investment in Bulgaria. In addition, the terms of the investment in RSG contain a penalty payable to its partner of \$3 million if the entire work program were not fulfilled.

Poland Properties

In Poland, as at December 31, 2012, the Company had an effective 15.6% participating interest on certain crude oil & natural gas concessions (the "Bieszczady Block"). During 2012, Iskander held its interest in the Bieszczady Block by virtue of its ownership of 65% of the issued and outstanding equity of EuroGas Polska Sp. Z.o.o. ("EuroGas Polska"), which holds a 24% working interest in the Bieszczady Block pursuant to the definitive joint operation agreement. During February 2013, the Company exercised its right to acquire the remaining 35% interest in Eurogas Polska as a result of its partner's failure to make required payments on cash calls issued by the operator of the block.

The current phase of the exploration permit will expire in July 2013 but an extension for an additional four years is available upon application and submission of a revised work program.

Acquisitions

Investment In Joint Ventures – Karbona Energo LLC (Ukraine)

On April 27, 2012, the Company agreed to enter into a shareholder agreement as part of the transaction to acquire 51% of Karbona Energo LLC, a company registered in Ukraine which holds the Krasno license. The acquisition of Karbona includes rights granted to the vendor which require their agreement on key business decision. As a result of these rights, Iskander's ownership of Karbona was accounted for as a jointly controlled entity by applying equity method of accounting as at December 31, 2012.

Acquisition of Joint Interest - Ukraine

South Donbass License

On March 20, 2012 the Company acquired a joint interest in the South Donbass license, as the Operator, from Industrial Union of Donbas Corporation ("IUD"), through a Joint Activity Agreement (JAA) as licenses are non-transferrable in Ukraine until such time that a production license is granted in the name of the Operator.

The terms of the deal are to complete and fund a work program including new wells and work-overs.

Kruto License

On June 21, 2012, the Company signed a joint activity agreement on the Kruto License. The terms of the deal are to complete and fund a work program including new wells and cash payments which are split between closing of the agreement and upon obtaining a production license. As at December 31, 2012, the Company has paid \$612,500 with an additional \$250,000 to be paid upon obtaining a production license. As a result of fulfilling the above work program and payments, the Company will earn a 90% interest in the license.

Renegotiation of South Donbass and Kruto Licenses

During the year ended December 31, 2012, the Company was able to renegotiate key terms of the South Donbass and Kruto agreements with an unrelated third party. In exchange for staged payments totaling \$750,000 and an agreement to issue 500,000 common shares of Iskander in the fourth quarter of 2012, the Company was able to increase its earned interest in the South Donbass and Kruto licenses from 61.75% to 95% and 58.5% to 90% respectively.

Basis of Presentation

The consolidated financial statements of the Company as at and for the year ended December 31, 2012 have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. The Company's ability to continue as a going concern is dependent upon its ability to fund its work programs and obligations. The consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, expense and the balance sheet classifications used, that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material. In March 2013, the Company completed private financing of \$7 million. The Company intends to continue raising funds through equity financing, divestment or farm-out arrangements to fund the exploration and development program and there are no guarantees that additional equity or farm-out arrangements will be available when needed.

Financial Results

The following table provides selected financial information extracted from the audited consolidated financial statements.

	Year ended December 31,		
	2012	2011	2010
Revenue	-	-	-
General and administrative	5,407	9,859	-
Share-based compensation	3,857	4,825	4,650
Transaction expense	-	21,717	-
Exploration expense	245	1,041	-
Foreign exchange loss (gain)	(56)	1,275	-
Loss on investment	223	1,700	-
Finance expense (income) and other	(66)	(122)	-
Share of loss from joint venture	69	36	-
Net loss from continuing operations	9,679	40,331	4,650
Net loss from discontinued operations	5,766	-	-
Net loss	15,445	40,331	4,650

General and Administrative Expense

	Year ended December 31,	
	2012	2011
Salaries and wages	2,401	750
Consulting fees	373	4,800
Travel expenses	589	852
Professional and legal fees	1,106	2,338
Severance costs	296	-
Rent	213	-
Miscellaneous	429	123
Settlement	-	996
General and Administrative expenses	5,407	9,859

General and administrative (“G&A”) costs for the year ended December 31, 2012 were \$5.4 million and (2011 - \$9.9 million). The decrease is mainly attributable to lower consulting fees as result of terminating contracts with the former consultants following the change in the board of directors and senior management in December 2011 partially offset by salaries and wages of the new executives and board of directors. In addition, professional fees were \$1.0 million lower for 2012 if compared to 2011 because the asset transactions which occurred during 2011 resulted in significant legal and professional fees. In 2011, the Company was involved in a claim which was settled and resulted in the issuance of shares and cash consideration of which the total fair value was \$996,000 and recognized as settlement costs.

Share-based Compensation Expense

Share-based compensation for the year ended December 31, 2012 was \$3.9 million (2011 - \$4.8 million). The share-based compensation expense arises from share options granted to employees, officers, directors and consultants.

Transaction Expense

Transaction expense represents non-recurring expenditures associated with acquisitions of foreign assets. For the year ended December 31, 2012 transaction expense was nil (2011 – \$21.7).

During 2011, Iskander entered into Memorandum of Understandings ("MOU") and corporate acquisitions which were facilitated by consultants and third parties. Compensation for services to these consultants and third parties was made in the form of issued shares and cash payments which have been expensed.

Compensation for services in 2011 is summarized below:

	Number of shares granted	Fair value of granted shares	Cash payments	Total transaction expense
Corporate acquisition – Bulgaria	6,500,000	10,117	198	10,315
Corporate acquisition – Poland	-	-	200	200
Ukraine property acquisitions	11,500,000	10,810	392	11,202
	18,000,000	20,927	790	21,717

During 2012, the Company was able to renegotiate the terms of certain of these transactions. The impact of these new terms were reflected in the consolidated financial statements as at December 31, 2012 but were not included in the consolidated financial statements as at December 31, 2011.

Exploration Expense

The Company recognizes exploration expense on potential investment opportunities which at the end do not result in acquisition. For the year ended December 31, 2012 exploration expense was \$0.2 million (2011 - \$1.0 million) which primarily related to costs incurred in the due diligence of the assets in Georgia to which the Company signed a binding MOU on April 5, 2013. During the first nine months of 2011 extensive technical and legal due diligence was conducted in relation to properties in Ukraine which did not result in acquisitions and therefore the costs were expensed.

Foreign Exchange Loss

The Company's functional currency is the Canadian dollar, while its reporting currency is the US dollar. The exposure to foreign currency fluctuations is partially secured by referencing selected transactions to US dollars. The operating costs and certain payments in order to comply with local jurisdiction are still made in the local currencies. During 2012, the Company's was primarily exposed to fluctuations of Polish Zloty which resulted in foreign exchange losses. Fluctuations in the UAH, CAD, and BGN are recorded as foreign currency translation.

Discontinued Operations

During the fourth quarter of 2012, the Company has appointed a third party agent to divest its assets in Poland. The financial results for the year ended December 31, 2012 are presented as discontinued operations, as determined in accordance with IFRS 5. The net loss of \$5.8 million is largely attributable to \$5.5 million of impairment loss which was a result of measurement of assets held for sale at fair value less cost to sell.

Capital Expenditures

	Capital expenditure	Investment in joint ventures ⁽¹⁾	Capital expenditures to settle carried interest liability ⁽²⁾	Total capital spending
Poland	833	-	-	833
Bulgaria	-	326	299	625
Ukraine:				
- Krasno	-	3,681	1,696	5,377
- South Donbass	1,463	-	-	1,463
- Kruto	1,475	-	-	1,475
Other	181	-	-	181
	3,952	4,007	1,995	9,954

⁽¹⁾ The Company accounts for its interest in the Krasno license and the Bulgarian assets using equity accounting. As such the Company's working interest share of funding the capital programs is not shown as capital expenditures on the consolidated statement of cash flows but rather as further increases in the investment in those joint ventures.

⁽²⁾ As part of the acquisition of the Krasno and Bulgarian licenses, the Company agreed to pay 100% of certain work programs associated with the licenses. The fair value of this liability, which represents the partners working interest share of such work programs has been recorded as a carried interest liability on the balance sheet. The Company's working interest share at fulfilling of these obligations is shown as capital expenditures on the consolidated statement of cash flows whereas the partners working interest carried costs are shown as a reduction of the carried interest liability on the consolidated balance sheet.

Poland

Capital expenditures for the year ended December 31, 2012 were primarily for geological works in the Bieszczady area and the completion of testing activities on the N-1 well, drilled in 2011.

Ukraine

Krasno license

During the fourth quarter of 2012, the Company completed drilling of its first shallow exploration well on the licensed property. As at December 31, 2012, the Company had incurred approximately \$4.7 million primarily related to drilling, completion and fracing of the first well. As part of the testing, the Company stimulated three zones, out of which 2 upper zones were water-bearing and the lower zone did not support economic gas level.

The Company has renegotiated agreement for a one year extension to its obligation to drill a second well in order to earn a 51% working interest in Karbona Energo the holder of the Krasno license. The Company is currently re-evaluating its further operations options. Because of this uncertainty, subsequent to year-end, the Company has recorded an impairment of its investment together with the carried interest liability associated with its obligation to drill second well, to nil.

South Donbass and Kruto

The Company capitalized approximately \$2.9 million of costs associated with acquiring the interest in the Kruto and South Donbass licenses in the form of cash payments of which \$1.4 million has been paid with

an additional \$375,000 accrued and payable prior to December 2013. In addition, the Company issued 500,000 common shares, representing an estimated fair value of \$1.0 million.

The Company has also agreed to contingency payments totaling \$750,000 upon granting of production licenses covering the Kruto and South Donbass licenses.

Bulgaria

The Company did not incur any significant capital expenditures in Bulgaria because of the fracing moratorium which has been imposed by the Bulgarian government in January 2012. Capital expenditures during 2012 related to the reprocessing and reinterpretation of existing seismic data.

Summary of Quarterly Results

(\$000, except per share amounts)

	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	-	-	-	-	-	-	-	-
Loss for the period	(10,559)	(2,559)	(547)	(1,780)	(10,421)	(7,110)	(21,622)	(1,178)
Net loss per share - basic	(0.18)	(0.03)	(0.04)	(0.02)	(0.12)	(0.10)	(0.50)	(0.06)

Following is the summary of transactions impacting net loss for the last eight quarters:

- The fourth quarter of 2012 net loss was mainly impacted by impairment loss of \$5.5 million associated with discontinued operations in Poland, and by recognized share-based compensation expense of \$3.0 million associated with options vested.
- During the third quarter of 2012, the net loss was mainly impacted by the foreign exchange loss of \$0.7 million.
- The second quarter of 2012 net loss was significantly lower than in any other quarter which was primarily a result of lower share-based expense and a foreign exchange gain of \$0.5 million.
- During the first quarter of 2012, net loss decreased if compared to previous quarters which was a result of lower administrative expenses as many agreements with the previous consultants were terminated.
- In the fourth quarter of 2011, net loss primarily related to transaction costs of \$4.1 million which were associated with the investment in Karbona Energo LLC in Ukraine. The Company has also recognized impairment loss of \$1.7 million which represented a decrease in fair value of the promissory notes issued to Eurogas Inc. The remaining expenses related to administrative expenses of \$3.0 million and share-based compensation expense of \$2.2 million related to the granting of options to the new member of the Board of Directors and senior management.
- During the third quarter of 2011, net loss was due to administrative expenses of \$2.9 million, \$2.2 million of stock-based compensation expense, and \$1.2 million of foreign exchange loss.
- The second quarter of 2011 net loss was a result of transaction costs of \$17.4 million which related to costs associated with investment in Bulgaria (\$10.1 million), assets acquisition in Ukraine (\$7.1 million) and corporate acquisition in Poland (\$0.2 million).
- In the first quarter of 2011, net loss related to \$0.7 million of administrative expenses and \$0.4 million of share-based compensation expense on stock options granted.

Liquidity and Capital Resources

As at December 31, 2012 Iskander had \$5.4 million of cash on hand. The Company's cash balances reside in current accounts, of which approximately 97% is held on account in Canada.

As at December 31, 2012, net working capital was \$2.6 million (2011 - \$15.5 million). The working capital of \$2.6 million does not include 2.9 million associated with exploration and evaluation assets which are a part of assets held for sale, as these assets would become liquid only if sold.

Iskander is exposed to the risk of not being able to meet all the financial obligations associated with the work commitments as they come due. Iskander currently does not have sufficient financial resources to fund all of its work commitments based upon the Company's current working capital position. In March 2013, the Company completed private financing of \$7 million. The Company's cash and additional \$7 million financing in 2013 are expected to provide flexibility in determining the optimal capital expenditures for the next 12 months. The Company intends to continue raising funds through equity financings, divestment or farm-out arrangements to fund the exploration and development program and there are no guarantees that additional equity or farm-out arrangements will be available when needed.

Outstanding Share Data

Iskander is authorized to issue an unlimited number of voting common shares without nominal or par value. As at April 9, 2013 Iskander had 67,053,489 common shares outstanding.

	Number of shares	Amount
Balance, December 31, 2011	87,645,847	66,335
Issued for cash via subscription agreements	2,375,000	4,692
Issued for investment	500,000	1,003
Issued for consulting services	50,000	100
Issued for nil consideration	996,076	-
Issued for cash – exercise of options	70,000	53
Allocation of fair value – exercise of options	-	31
Cancelled shares	(31,333,434)	(26,666)
Repurchased shares	(250,000)	(212)
Share issuance costs	-	(370)
Balance, December 31, 2012	60,053,489	44,966

Issued for cash

During the period, the Company raised \$4.7 million via subscription agreements at a price of CAD \$2 per special warrant.

Issued for nil consideration

Certain issuances in 2011 included a provision for additional 10% common shares, if an initial public offering was not completed by February 2012. As a result of the Company not completing an initial public offering, 996,076 common shares were issued during the first quarter of 2012 for no additional proceeds.

Cancelled shares

Effective December 16, 2011, the Company introduced a new Board of Directors and senior executives. During the year ended December 31, 2012, the new Board of Directors and senior executives were able to enter into agreements which resulted in the renegotiation of share-based transaction costs recognized in 2011 and 2010 for services provided, primarily in conjunction with corporate and property acquisitions. As a result, 31.3 million common shares were returned to the Company for nil cash compensation along with an injection of capital of \$2.0 million. For financial statements reporting, shares were cancelled at a weighted average price of \$0.81 of the issued and outstanding common shares as at December 31, 2011. Total expensed costs related to these shares were \$24.6 million. \$4.6 million was recorded for the year ended December 31, 2010 and \$19.9 million for the year ended December 31, 2011. In addition, 3.3 million stock options granted during 2011, were returned to the Company.

Repurchased shares

During the year ended December 31, 2012, 250,000 shares were repurchased from an unrelated party at a share price of \$1.00 which involved a member of the board of directors who facilitated the transaction and therefore constitutes a related party transaction. The excess price paid over the average price per share cancelled during the period has been charged to retained earnings.

Stock option plan

The Company has a stock option plan. The plan provides for the issuance of options to the Company's directors, officers, employees and consultants to acquire common shares. The maximum number of options reserved for issuance under the stock option plan may not exceed 13 million. As at December 31, 2012 there were 11.3 million options outstanding. As at April 9, 2013 there are 11.3 million options outstanding.

Contractual Obligations, Commitments and Guarantees

In the normal course of business, Iskander has entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. These commitments primarily relate to exploration work commitments including seismic and drilling activities. The Company has discretion regarding the timing of capital spending for exploration work commitments, provided that the work is completed by the end of the exploration periods specified in the contracts. The Company's exploration commitments are described under "Description of Business – Principal Properties". These obligations and commitments are considered in assessing cash requirements in the discussion of future liquidity. Failure to not perform work commitments in the South Donbass and Kruto licenses will result in the forfeiture of the licenses whereas failure to drill two wells on the Krasno block would result in the forfeiture of the Company's 51% interest in Karbona Energo LLC. In Bulgaria, the Interest in RSG would be forfeited along with a penalty of \$3 million payable to its working interest partner in the event that work commitments are not performed. There do not currently exist penalties related to non-performance of work in Poland.

Business Environment and Risks

Iskander is exposed to a variety of risks including, but not limited to, operational, financial, competitive, political and environmental risks.

Oil and natural gas exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when oil and natural gas is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable oil and natural gas reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will be successful.

The Company has no commercial reserves. Its future value is therefore dependent, on the success or otherwise of the Company's activities which are principally directed towards the further exploration,

appraisal and development of its assets in the Ukraine, Bulgaria and Poland. Exploration, appraisal and development of oil and gas reserves are speculative and involve a high degree of risk. There is no guarantee that exploration or appraisal of the properties in which the Company holds rights will lead to a commercial discovery or, if there is a commercial discovery, that the Company will be able to realize such reserves as intended.

The Company operates in foreign jurisdiction and is therefore subject to political, economic and other risks and uncertainties. The Company has taken steps to verify title to properties but these procedures do not guarantee the Company's title.

The Company is dependent on various governmental authorities to obtain licenses and permits in order to carry out its planned exploration and development and production activities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits when required.

The Company operates in countries with different legal systems. The Company's ability to exercise or enforce its rights and obligations may differ between countries. Moreover, the jurisdictions in which the Company and its subsidiaries operate may have less developed legal systems which may result in additional risks such as but not limited to higher degrees of discretion on the part of governmental authorities, inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions.

The Company is required to comply with the Canadian Corruption of Foreign Public Officials Act and applicable laws in other jurisdictions which prohibit Canadian companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Although the Company has and will continue to take steps to communicate its policies to associated entities, there is no assurance that the Company's agents or industry partners have not engaged in such illegal conduct.

Recruiting and retaining qualified personnel in the future is critical to the Company's success. As the Company's activities increase, the need for skilled labour will increase and risks exist that the Company will be unable to recruit the appropriately skilled labour to conduct its activities.

The marketability of oil and natural gas that may be acquired or discovered by the Company is and will continue to be affected by numerous factors beyond its control. The Company's ability to market its hydrocarbons may depend upon its ability to access pipelines that deliver hydrocarbons to commercial markets. Prices of hydrocarbons may be volatile and subject to fluctuation. Any material decline in prices could result in a reduction of the net production revenues.

Some of the Company's financial obligations are denominated in foreign currencies. Fluctuations in currency exchange rates may have a material impact on the Company's operational performance and ability to fund obligations.

Off-Balance-Sheet Arrangements

As at December 31, 2012 and 2011 the Company had no off-balance sheet arrangements.

Financial Instruments and Other Instruments

The Company did not utilize financial instruments such as hedges or swaps in the years ended December 31, 2012 and 2011.

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, assumptions and estimates that affect the financial results of the Company. Management reviews its estimates regularly but new information and changed circumstances may result

in actual results or changes to estimated amounts that differ materially from current estimates. The Company believes the following are the most critical accounting estimates in preparing its consolidated financial statements which are in detail described in the notes to those consolidated financial statements as at and for the year ended December 31, 2012:

- Note 5 – Determination of Fair Values
- Note 17 – Decommissioning Liabilities
- Note 18 b) – Stock Options
- Note 21 – Income Tax

Advisory on Forward-Looking Statements

This MD&A contains forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "will", "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "may", "project", "should", "considers", "opportunity", "focused", "potential", "goal", "possible" and variations of such words and similar expressions and are intended to identify forward-looking statements. These statements and information are only predictions. Actual events or results may differ materially from the events and results expressed in the forward-looking statements.

Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur.

Specific forward-looking statements contained in this MD&A include, among others, statements regarding: expectations as to the timing and completion of an IPO; expectations as to potential resources; expectations as to the timing of, and results related to, the Company's drilling programs in Ukraine, Bulgaria and Poland, including, potential timing of production in the Ukraine; the potential withdrawal or revision of a temporary fracking moratorium in Bulgaria; the modification of work programs in Bulgaria as a result of the fracking ban; farm-out opportunities in Bulgaria; divestment opportunities in Poland; completion of a farm-in transaction in Georgia and expectations as to the Company's capital program for 2013.

Statements relating to "resources" are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions, that the resources described exist in the quantities predicted or estimated, and can be profitably produced in the future.

With respect to forward-looking statements contained in this MD&A, the Company made assumptions regarding, among other things: those referred to in the Critical Accounting estimates section; timing and progress of work relating to the Company's assets; capital expenditures and business plans and the ability to raise sufficient capital to fund such plans; that the current fracking moratorium in Bulgaria will be rescinded in 2013; the Company will successfully enter into farmout arrangements in respect of its Bulgarian shale gas working interests; the Company will successfully enter into farm-in arrangements in respect of the Georgian opportunity and the Company will successfully divest its interest in the Bieszczady block in Poland.

These assumptions are based on certain factors and events that are not within the control of the Company and there is no assurance they will prove to be correct. The forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied in the forward-looking statements.

The Company's forward-looking statements speak only as of the date made, and the Company undertakes no obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

Resources Disclosure

In this MD&A the Company has disclosed estimated volumes of contingent and prospective resources. Prospective resources and contingent resources do not constitute, and should not be confused with, reserves. There is no certainty that it will be commercially viable to produce any portion of the resources. Resource estimates provided herein are estimates only. Actual contingent and prospective resources (and any volumes that may be classified as reserves) and future production from such contingent and prospective resources may be greater than or less than the estimates provided herein.

"Contingent resources" means those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage.

"Prospective resources" means those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.

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