Condensed Interim Consolidated Financial Statements

(unaudited)

September 30, 2012

ISKANDER ENERGY CORP.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Unaudited (thousands of United States dollars)

	Note	September 30, 2012	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents		8,683	7,480
Short term investments		2,500	6,777
Financial assets at fair value through profit and loss		2,861	2,056
Accounts receivable	3	1,443	1,545
		15,487	17,858
Non-current assets			
Exploration and evaluation assets	4	10,992	7,706
Property, plant and equipment		1,907	1,678
Investment in joint ventures	5	16,218	12,185
		29,117	21,569
Total assets		44,604	39,427
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	6	4,943	2,348
		4,943	2,348
Non-current liabilities			
Long term loans & other liabilities	7	9,523	8,496
Decommissioning liabilities		175	170
		9,698	8,666
Shareholders' equity			
Share capital	8 (a)	43,887	66,335
Contributed surplus	8 (b)	34,178	4,796
Broker warrants	8 (c)	1,263	1,185
Accumulated other comprehensive income		(538)	-
Deficit		(49,718)	(44,916)
Equity attributable to Iskander shareholders		29,072	27,400
Non-controlling interest		891	1,013
Total equity		29,963	28,413
Total liabilities and shareholders' equity		44,604	39,427

Commitments	13
Subsequent events	12

The notes form an integral part of these condensed interim consolidated financial statements.

ISKANDER ENERGY CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited (thousands of United States dollars)

	Notes	Three months ended September 30 2012	Three months ended September 30 2011	Nine months ended September 30 2012	Nine months ended September 30 2011
Revenue			-		-
Finance income		22	46	113	72
Total revenue and finance income		22	46	113	72
Administrative expenses		1,416	2,861	3,781	6,898
Share-based compensation	8 (a-iv), (b)	397	2,122	842	2,626
Transaction expense		-	198	-	17,573
Exploration expense		21	636	21	1,041
Foreign exchange loss (gain)		738	1,334	279	1,846
Finance expense and other		8	-	12	(6)
Share of loss from joint venture		1	1	64	1
Total expenses		2,581	7,152	4,999	29,979
Loss before tax		(2,559)	(7,106)	(4,886)	(29,907)
Net loss for the period		(2,559)	(7,106)	(4,886)	(29,907)
Foreign currency translation gain/(loss) of foreign operations		755	-	(539)	-
Other comprehensive income (loss) for the period		755	-	(539)	-
Comprehensive income (loss) for the period		(1,804)		(5,425)	
Loss (income) attributable to non-controlling interest		240	39	122	124
Loss and comprehensive loss attributable to Iskander shareholders		(1,564)	(7,067)	(5,303)	(29,783)
Basic and diluted loss per share	8 (d)	$ (0.03)	$ (0.10)	$ (0.08)	$ (0.60)

The notes form an integral part of these condensed interim consolidated financial statements.

ISKANDER ENERGY CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY

For nine months ended September 30, 2012 and September 30, 2011

Unaudited (thousands of United States dollars)

	2012	2011
Share Capital		
Balance, beginning of period	66,335	4,648
Shares issued net of issuance cost	4,430	52,854
Shares cancelled	(26,666)	-
Repurchase of shares	(212)	-
Balance at September 30,	43,887	57,502
Contributed Surplus		
Balance, beginning of period	4,796	-
Shares cancelled	26,665	-
Shareholder's contribution	2,005	-
Settlement of stock options	(30)	-
Share-based compensation	742	2,626
Balance at September 30,	34,178	2,626
Broker Warrants		
Balance, beginning of period	1,185	-
Warrants issued	78	1,016
Balance at September 30,	1,263	1,016
Accumulated Other Comprehensive Income		
Balance, beginning of period	-	-
Foreign currency translation adjustment on foreign operations	(538)	-
Balance at September 30,	(538)	-
Deficit		
Balance, beginning of period	(44,916)	(4,650)
Net (loss) for the period	(4,886)	(29,907)
Repurchase of shares	(38)	-
Loss (income) attributable to non-controlling interest	122	124
Balance at September 30,	(49,718)	(34,433)
Equity attributable to Iskander Energy Corp. shareholders	29,072	26,711

Non-controlling interest		
Balance, beginning of period	1,013	-
Corporate acquisition	-	1,077
(Loss)/Income attributable to non-controlling interest	(122)	(124)
Balance at September 30,	891	953
Total Equity	29,963	27,664

The notes form an integral part of these condensed interim consolidated financial statements.

ISKANDER ENERGY CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For three and nine months ended September 30, 2012 and September 30, 2011

Unaudited (thousands of United States dollars)

	Three months ended September 30		Nine months ended September 30	
	2012	**2011**	**2012**	**2011**
CASH FLOW FROM OPERATING ACTIVITIES				
Loss for the period	(2,559)	(7,106)	(4,886)	(29,907)
Adjustments for:				
Share of loss from joint venture	1	1	64	1
Share-based compensation	397	2,122	842	2,626
Depreciation and accretion	8	-	12	-
Non-cash transaction expense	-	-	-	20,148
Unrealized foreign exchange loss	712	1,333	243	1,845
Income adjusted for non-cash items	(1,441)	(3,650)	(3,725)	(5,287)
(Increase)/Decrease in accounts receivables	235	(296)	102	(1,008)
(Decrease)/Increase in trade and other payables	(966)	296	(649)	1,643
Net cash from operating activities	(2,172)	(3,650)	(4,272)	(4,652)
CASH FLOW FROM INVESTING ACTIVITIES				
Investment in joint ventures	(1,364)	(4,099)	(1,532)	(6,099)
Capital expenditures	(1,016)	(903)	(3,865)	(1,321)
Issuance of promissory notes	(124)	6	(805)	(2,340)
Short term investments	4,243	(940)	4,277	(9,241)
Change in non-current liabilities	375	-	375	-
Net cash used in investing activities	2,114	(5,936)	(1,550)	(19,001)
CASH FLOW FROM FINANCING ACTIVITIES				
Issuance of shares	1,051	18,131	4,682	36,927
Shareholder’s contribution	-	-	2,005	-
Share issue expense	(64)	(1,360)	(274)	(3,204)
Repurchase of shares	-	-	(250)	-
Settlement of stock options	-	-	(31)	-
Long term loans & other liabilities	259	(36)	761	1,065
Net cash used in financing activities	1,246	16,735	6,893	34,788
Effect of exchange rate on cash and cash equivalents	180	(1,333)	132	(1,845)
Increase in cash and cash equivalents	1,368	5,816	1,203	9,290
Cash and cash equivalents at beginning of period	7,315	3,474	7,480	-
Cash and cash equivalents at September 30	8,683	9,290	8,683	9,290

The notes form an integral part of these condensed interim consolidated financial statements.

1 Corporate Information

The condensed interim consolidated financial statements of Iskander Energy Corp. ("Iskander" or the "Company") for the three and nine month periods ended September 30, 2012 are comprised of Iskander and its subsidiaries (together the Company). The Company is engaged in the exploration for and ultimately the development and production of oil and natural gas from its licensed properties in Central Eastern Europe (Ukraine, Bulgaria and Poland). As at September 30, 2012, the Company is in the process of determining and quantifying its resources. To the date of these financial statements, the Company has incurred exploration and evaluation costs in respect of mineral licenses but has not incurred any costs with respect to developing any mineral properties.

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.

2 Basis of Presentation

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting of International Financial Reporting Standards (“IFRS”).

On December 7, 2012 the Board of Directors approved the condensed interim consolidated financial statements.

b) Change in functional currency

The functional currency of Company has been changed from USD to Canadian dollars. The Company’s presentation currency remains USD in order to facilitate a better comparison to other international oil and gas companies. The functional currency of the Company’s Ukrainian subsidiaries and jointly controlled Bulgarian entity has been changed from USD to Ukrainian Hryvnia and Bulgarian Lev respectively. The change in functional currency has been adopted as the Company is of the opinion that changed functional currencies best reflect the primary economic environment in which the entities operate.

In accordance with IAS 21 this change has been applied prospectively from April 1, 2012. In preparing the Company’s consolidated financial statements, the financial statements of each entity are translated directly into the presentation currency of the Company. The assets and liabilities of entities with functional currency other than the Company’s presentation currency are translated into U.S. dollars at the period-end exchange rate. The income and expenses are translated using average foreign exchange rates for the period. Translation gains and losses are included in other comprehensive income.

c) Accounting policies and disclosures

In preparing these condensed interim consolidated financial statements, management has applied the same accounting policies and estimates as outlined in the Company’s consolidated financial statements for the year ended December 31, 2011 with exception of the change in functional currency discussed in b) above. Certain information and disclosures normally included in the notes to the consolidated annual financial statements have been condensed or have been disclosed on an annual basis only. The condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

There are no new IFRSs or IFRICs that are effective for the first time for this interim period that would be expected to have a material impact on the Company.

3 Accounts Receivable

	September 30, 2012	December 31, 2011
Due from RSG (Bulgaria)	-	440
Other receivables	289	112
VAT receivables	1,025	863
Prepayments	129	130
	1,443	1,545

As at September 30, 2012 VAT receivable relates to 2012 recoverable amounts in Poland.

4 Exploration and Evaluation Assets

Balance at January 1, 2011	-
Additions	4,140
Abandonment costs	170
Corporate acquisition	3,396
Balance, December 31, 2011	7,706
Additions	635
Joint interest acquisition (i)	1,263
Joint interest acquisition (ii)	1,505
Cumulative translation adjustment	(117)
Balance, September 30, 2012	10,992

a) Acquisition of Joint Interest - Ukraine

(i) IUD block

On March 20, 2012 the Company acquired a joint interest in the IUD 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. As a result of fulfilling the above work program and payments, the Company will earn a 95% interest in the license (see also Note 4 a) (iii). During the nine months ended September 30, 2012 the Company incurred $400,000 as part of the agreement with a further $500,000 payable in subsequent periods upon obtaining a production license.

(ii) EcoMethan block

On June 21, 2012, the Company signed a joint activity agreement on the EcoMethan 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 September 30, 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 (see also Note 4 a) (iii).

(iii) Renegotiation of IUD and EcoMethan MOU's

During the nine months period ended September 30, 2012, the Company was able to renegotiate key terms of the IUD and EcoMethan 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, upon receipt of all final documentation, the Company was able to increase its earned interest the IUD and EcoMethan licenses from 61.75% to 95% and 58.5% to 90% respectively.

5 Investment in joint ventures

	September 30, 2012	December 31, 2011
RSG (Bulgaria) (i)	12,761	12,185
Karbona Energo LLC (Ukraine) (ii)	4,060	-
Cumulative translation adjustment	(603)	-
	16,218	12,185

(i) Investment in RSG (Bulgaria)

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. In the event of a permanent moratorium on fracture stimulations, 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.

(ii) Investment in 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 Karbona license. The terms of the deal are to drill two shallow wells to earn 51% with an option, to the Company, to earn an additional 9% by completing the drilling of a third deep well. The fair value of this option is measured using the Black-Scholes option pricing model. Measurement inputs include the estimated fair value of the joint venture on measurement date, exercise price of the option, expected future volatility of the joint ventures fair value and the risk-free interest rate (based on Government of Canada Bonds) for the term of the option. The fair value of this option was determined to be nominal and therefore it was not recognized as a financial asset as at September 30, 2012.

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 September 30, 2012.

During the period, the Company invested an additional $1.8 million to fund the capital program of Karbona which increased the initial investment by $0.9 million and reduced the obligation for investment by $0.9 million (see also Note 6).

6 Trade and Other Payables

	September 30, 2012	December 31, 2011
Trade payables	530	1,452
Obligation for investment in Karbona – note 5	2,268	-
Current portion of carried interest liability in Bulgaria – note 7	352	366
Accrued liabilities	1,793	530
	4,943	2,348

Accrued liabilities include a provision of $1 million representing the fair value of 500,000 shares issued on November 28, 2012 in respect to the IUD and EcoMethan blocks (see Note 4 a) (iii).

During the nine months ended September 30, 2012, the Company has reduced its initial obligation for investment in Karbona as some work commitments were fulfilled.

	Total liability
Balance, December 31, 2011	-
Obligation for investment in Karbona	3,168
Settlement of liability	(1,024)
Cumulative translation adjustment	124
Balance, September 30, 2012	2,268

7 Long Term Loans and Other Liabilities

	September 30, 2012	December 31, 2011
Carried interest liability (i)	6,555	6,797
Long term loan	2,593	1,699
Other liabilities	375	-
	9,523	8,496

Long-term loans represent the loans made by the non-controlling partner to Eurogas Polska with a five year term and 5% per annum interest.

Other liabilities relate to non-current portion of total cash commitment of $750,000 associated with renegotiated terms of IUD and EkoMethan licsense (see Note 4 a) iii).

(i) Carried interest liability (investment in joint venture)

Carried interest liability represents Company's contractual obligation to fund work program commitments also on behalf of other partners in below listed joint venture investments. Initially, the Company recognized 100% of the obligation liability, which is reduced as work commitment is fulfilled.

	Total liability
Balance, January 1, 2011	-
Obligation for investment in RSG - Bulgaria	6,797
Balance, December 31, 2011	6,797
Settlement of liability	(242)
Balance, September 30, 2012	6,555

8 Share Capital

a) Issued and outstanding common shares

	Number of shares	Amount
Balance, January 1, 2011 (i)	19,000,100	4,648
Issued for cash via subscription agreements (ii)	44,052,415	39,668
Issued for services and transactions (iii)	23,083,333	24,594
Issued for investment in joint venture	1,333,333	2,019
Issued for cash – exercise of options and warrants	176,666	76
Allocation of fair value – exercise of options and warrants	-	39
Share issuance costs	-	(4,709)
Balance, December 31, 2011	87,645,847	66,335
Issued for cash via subscription agreements (ii)	2,370,000	4,682
Issued for consulting services (iv)	50,000	100
Issued for nil consideration (ii)	996,076	-
Cancelled shares (v)	(31,333,434)	(26,666)
Repurchased shares (vi)	(250,000)	(212)
Share issuance costs	-	(352)
Balance, September 30, 2012	59,478,489	43,887

The Company has authorized and unlimited number of voting common shares without nominal or par value.

(i) Founders shares

During 2010, the Company issued 19,000,100 founders shares with fair value of $0.25 per share.

(ii) Issued for cash via subscription agreements

The following offerings of shares were completed via subscription agreements.

	Number of shares	Price per share (CAD)	Proceeds (USD)
March 2011	6,020,000	$0.25	1,537
April 2011	25,603,917	$0.75	18,286
August 2011 (1)	9,960,998	$1.50	15,056
November 2011	2,467,500	$2.00	4,789
Balance, December 31, 2011	44,052,415		39,668
January – March 2012	1,012,500	$2.00	2,004
April - June 2012	827,500	$2.00	1,627
July – September 2012	530,000	$2.00	1,051
Balance, September 30, 2012	46,422,415		44,350

(1) Shares issued under subscription agreement 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.

(iii) Issued for services and transactions

The following offerings of shares were issued for services and as compensation for acquisitions:

	Number of shares	Transaction expense
Bulgaria assets	6,500,000	10,117
Ukraine assets	11,500,000	10,810
Consulting Services	5,083,333	3,667
Balance, December 31, 2011	23,083,333	24,594

During the nine months ended September 30, 2012 the terms of transactions and services were adjusted (see note 8 a) (v) – cancelled shares).

(iv) Share based compensation

During the nine months ended September 30, 2012, 50,000 common shares were issued for nil consideration as part of board and management change which was completed in December 2011. Shares were issued at fair value of CAD $2.00 per share and $100,000 was recorded as share based compensation on the statement of comprehensive income.

(v) Cancelled shares

Effective December 12, 2011, the Company introduced a new Board of Directors and senior executives. During the nine months ended September 30, 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.

(vi) Repurchased shares

During the nine months ended September 30, 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.

b) Contributed surplus and stock options

	September 30, 2012	December 31, 2011
Opening balance	4,796	-
Share-based payment transactions	742	4,796
Cancelled shares	28,640	-
Closing balance	34,178	4,796

The Company has a stock option plan which provides for the issuance of options to the Company's directors, officers, employees and consultants to acquire common shares. The options have vesting schedules that either vest immediately or over a two-year period and expire between 4 - 5 years from the date of grant.

	Number of options	Weighted average exercise price (CAD)
Balance, December 31, 2010	-	-
Granted	16,975,000	$0.97
Exercised	(66,666)	$0.75
Balance, December 31, 2011	16,908,334	$0.98
Granted	450,000	$2.00
Cancelled	(5,750,000)	$0.55
Forfeited	(250,000)	$0.75
Balance, September 30, 2012	11,358,334	$1.23

During the nine months period ended September 30, 2012, the Company cancelled or were forfeited 6.0 million stock options. 3.3 million were returned to the Company as result of the agreement described in note 8 a) (v), and remaining 2.7 million were cancelled or were forfeited due to termination of employment or consulting arrangements.

For the three and nine months ended September 30, 2012, the Company recorded $0.4 million and $0.7 million, respectively (2011 –$2.1 million and $2.6 million) as share-based compensation on the consolidated statement of comprehensive income related to the granting of stock options.

Stock options outstanding and the weighted average remaining life of the stock options at September 30, 2012 are as follows:

	Options outstanding			Options Vested
	Number of options	Weighted average remaining life (years)	Weighted average exercise price (CAD)	Number of options
$0.25	750,000	3.48	$0.25	750,000
$0.75	3,733,334	3.83	$0.75	2,983,334
$1.50 - $2.00	6,875,000	4.24	$1.61	2,575,002
	11,358,334	4.05	$1.23	6,308,336

c) Broker warrants

During the nine months ended September 30, 2012, the Company raised funds via subscription agreements which provided for finder's fee compensation in the form of cash and warrants. The warrants have a two year life and have an exercise price equal to that of the shares which they relate to.

	Number of warrants	Weighted average exercise price (CAD)
Balance, December 31, 2010	-	-
Granted	3,625,549	$0.90
Exercised	(110,000)	$0.25
Balance, December 31, 2011	3,515,549	$0.91
Granted on issuance of additional shares – note 8 a) (ii)	79,688	$1.50
Granted	116,900	$2.00
Balance, September 30, 2012	3,712,137	$0.96

For the three and nine months ended September 30, 2012, the Company recorded $2,000 and $78,000, respectively (2011 - $424,000 and $1.0 million) as share issue costs which are shown as a net adjustment to share capital on the consolidated balance sheet.

Broker warrants outstanding and the weighted average remaining life of the broker warrants at September 30, 2012 are as follows:

	Warrants outstanding		
	Number of warrants	Weighted average remaining life (years)	Weighted average exercise price (CAD)
$0.25	492,000	0.48	$0.25
$0.75	2,048,269	0.76	$0.75
$1.50 - $2.00	1,171,868	1.08	$1.63
	3,712,137	0.82	$0.96

The fair value of each warrant granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	September 30, 2012	September 30, 2011
Risk-free interest rate (%)	1.0%	1.0%
Expected life (years)	2	2
Expected volatility (%)	65%	65%
Expected dividends	-	-

The weighted average fair value at the grant date for the nine months ended September 30, 2012 was CAD $0.34 per warrant (September 30, 2011 - $0.30). Broker warrants are recorded as share issue expense based on the estimated fair value at the grant date.

d) Loss per share

The following table shows the calculation of basic and diluted loss per share for the periods:

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Loss for the period	(1,564)	(7,067)	(5,303)	(29,783)
Weighted average number of common shares	59,364	71,513	65,474	49,683
Basic and diluted loss per share	(0.03)	(0.10)	(0.08)	(0.60)

As at September 30, 2012, the weighted average number of common shares does not include potentially dilutive instruments of 11,358,334 stock options and 3,712,137 broker warrants.

9 Capital Management

The Company's policy is to maintain a strong capital base in order to provide flexibility in the future development of the business and maintain the confidence of investors and capital markets.

The Company manages its capital to achieve the following:

- Maintain balance sheet strength in order to meet the Company's strategic growth objectives; and
- Ensure financial capacity is available to fund the Company's exploration commitments.

As at September 30, 2012, the Company's net working capital was $10.5 million (December 31, 2011 – $15.5 million), largely attributable to the equity offerings completed via subscription agreements during 2011 and 2012.

Iskander has the ability to adjust its capital structure by issuing new equity, issuing debt, utilizing farm-out arrangements and making adjustments to its capital expenditure program to the extent the capital expenditures are not committed. The Company's working capital is in excess of its 2012 commitments and the Company has no bank debt. The Company considers its capital structure at this time to include shareholders equity.

10 Financial Instruments and Risk Management

The Company has exposure to credit, liquidity and foreign currency risk from its use of financial instruments and investment in foreign operations.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statement; they should be read in conjunction with the Company's financial statements as at December 31, 2011. There have been no changes in the Company's approach to risk management since year end or in any risk management policies.

The Board of Directors has overall responsibility for identifying the principal risks of the Company and ensuring the policies and procedures are in place to appropriately manage these risks. Iskander's management identifies, analyzes and monitors risks and considers the implication of the market condition in relation to the Company's activities.

11 Segmented information

The Company has foreign subsidiaries and the following segmented information is provided:

As at and for three months ended September 30, 2012	***Canada***	***Poland***	***Ukraine***	***Bulgaria***	***Total***
Revenue	-	-	-	-	-
Salaries and wages	374	-	229	-	603
Consulting fees	24	-	91	-	115
Travel expenses	118	-	17	-	135
Professional and legal fees	222	56	35	-	313
Miscellaneous	129	1	120	-	250
Administrative expenses	867	57	492	-	1,416
Share-based compensation	397	-	-	-	397
Exploration expenses	21	-	-	-	21
Foreign exchange (gain)/losses	112	626	-	-	738
Share of loss from equity investment	-	-	(5)	6	1
Finance income	(22)	-	-	-	(22)
Finance expense and other	6	2	-	-	8
Net income (loss)	(1,381)	(685)	(487)	(6)	(2,559)
Non-current assets	1,855	8,198	6,765	12,299	29,117
Total assets	15,361	9,381	7,537	12,325	44,604

As at and for three months ended September 30, 2011	**Canada**	**Poland**	**Ukraine**	**Bulgaria**	**Total**
Revenue	-	-	-	-	-
Salaries and wages	378	-	1	-	379
Consulting fees	824	-	-	-	824
Travel expenses	393	-	-	-	393
Professional and legal fees	1,109	35	83	-	1,227
Miscellaneous	31	-	7	-	38
Administrative expenses	2,735	35	91	-	2,861
Share-based compensation	2,122	-	-	-	2,122
Transaction costs	-	-	-	198	198
Exploration expenses	-	-	636	-	636
Foreign exchange (gain)/losses	1,267	66	1	-	1,334
Share of loss from equity investment	-	-	-	1	1
Finance income	(46)	-	-	-	(46)
Finance expense and other	-	-	-	-	-
Net income (loss)	(6,078)	(101)	(728)	(199)	(7,106)
Non-current assets	-	4,718	-	11,247	15,965
Total assets	21,589	5,190	29	11,277	38,085

As at and for nine months ended September 30, 2012	***Canada***	***Poland***	***Ukraine***	***Bulgaria***	***Total***
Revenue	-	-	-	-	-
Salaries and wages	1,219	-	612	-	1,831
Consulting fees	62	-	179	-	241
Travel expenses	302	-	20	-	322
Professional and legal fees	552	101	57	-	710
Miscellaneous	461	3	213	-	677
Administrative expenses	2,596	104	1,081	-	3,781
Share-based compensation	842	-	-	-	842
Exploration expenses	21	-	-	-	21
Foreign exchange (gain)/losses	75	206	(2)	-	279
Share of loss from equity investment	-	-	(4)	68	64
Finance income	(113)	-	-	-	(113)
Finance expense and other	6	5	1	-	12
Net income (loss)	(3,427)	(315)	(1,076)	(68)	(4,886)
Non-current assets	1,855	8,198	6,765	12,299	29,117
Total assets	15,361	9,381	7,537	12,325	44,604

As at and for nine months ended September 30, 2011	**Canada**	**Poland**	**Ukraine**	**Bulgaria**	**Total**
Revenue	-	-	-	-	-
Salaries and wages	398	-	1	-	399
Consulting fees	4,034	-	-	-	4,034
Travel expenses	664	-	-	-	664
Professional and legal fees	1,565	60	96	-	1,721
Miscellaneous	55	18	7	-	80
Administrative expenses	6,716	78	104	-	6,898
Share-based compensation	2,626	-	-	-	2,626
Transaction costs	17,375	-	-	198	17,573
Exploration expenses	-	-	1,041	-	1,041
Foreign exchange (gain)/losses	1,574	271	1	-	1,846
Share of loss from equity investment	-	-	-	1	1
Finance income	(72)	-	-	-	(72)
Finance expense and other	-	(6)	-	-	(6)
Net income (loss)	(28,219)	(343)	(1,146)	(199)	(29,907)
Non-current assets	-	4,718	-	11,247	15,965
Total assets	21,589	5,190	29	11,277	38,085

12 Subsequent Events

a) Share Issuance

Subsequent to September 30, 2012, the Company issued 500,000 shares at $2.00 per share as part of the IUD and EcoMethan agreements (see also Note 4 a) iii).

b) Memorandum of understanding – assets in Georgia

Subsequent to September 30, 2012, the Company has signed a non-binding memorandum of understanding ("MOU") with a private company covering existing producing asset in Georgia. Due diligence is expected to be completed by year-end with potential closing of such transaction in early 2013.

13 Commitments

The Company's commitments represent work commitments in Bulgaria, Poland, and Ukraine.

a) Bulgaria

In Bulgaria, the Company's exploration commitments are in respect the Gradishte and Kilifarevo blocks and are estimated to be as follows:

		Gradishte		**Kilifarevo**
2012	$	202	$	202
2013	$	1,874	$	1,705
2014	$	16,072	$	9,338
2015	$	5,721	$	277
	$	23,869	$	11,522

b) Poland

In Poland, the Company has a commitment to participate in the drilling of an exploration well which is expected to be approved as part of the 5 year extension which will be applied for by the operator during 2013 as per the Biesczady license terms.

c) Ukraine

In Ukraine, the commitments are associated with licenses in Krasnoarmeysk, South Dobass and Krutoyarivska area.

In Krasnoarmeysk, the Company's obligation is to drill and complete 5 wells, conduct geological studies and determine production characteristics for coal beds and sandstone.

Under the terms of South Donbass license, the Company is committed to work over up to 3 wells, drill up to 6 new wells subject to successful results of work overs and initial 2 wells.

The Company's work commitments in Krutoyarivska area associated with seismic studies and drilling of up to 6 wells subject to successful results of the first well.