



December 18, 2014

Dear Shareholders,

There has been considerable activity on many fronts since our last letter update to you.

The Company is exclusively focused on its producing asset in Georgia where we expect to have preliminary results from the recompletions and workovers by the end of February. In Ukraine, we shut down our field operations and closed our office in Kyiv because of ongoing turmoil. We sold our Polish asset and we secured a 2 year standstill agreement from the Bulgarian government while the moratorium on fracking is still in place.

We closed the final stage of our CAD \$5M financing which was completed at \$0.01 per share. These critical funds will be focused towards the current workover and recompletions underway in Georgia. We understand the substantial dilution experienced by shareholders who chose not to participate in this financing but without these new funds, the company had no financial resources to move forward.

### **Georgia**

The workover and recompletion program has commenced and initial results from the first 2 wells are expected before the end of the year. We started our work in the field which will include the reperforation and reactivation of existing wells that are either out of service or in need of reperforating and new bottom hole pumps. Once this relatively minor work is completed, we will commence with preparing the first two wells for fracking by repairing the primary cement behind casing to isolate the zones of interest in the wells. We are also conducting cased hole logging to confirm our zones of interest for both reperforation and fracking.

Our completions manager is in country leading our operational efforts. Although the overall program is behind schedule due to the delays in completing the financing, we still expect to have results from the fracing operations by the end of February.

Even in a \$60/bbl Brent price environment, our field netbacks are forecast to be ~\$30-\$35/bbl which shows the economically robust nature of our project there and the ability to maintain quick payouts from the upcoming capital program and establish cash flow to sustain the Company and fund future projects.

### **Corporate Changes**

The recent plunge in oil prices will put pressure on the Company's cash flow and will require the management to be very prudent in its spending of our limited financial resources. Consistent with this focus, the management structure has been streamlined with the intent to reduce overhead and focus all its financial and human resources on developing the Georgian asset.



The size of the Board of Directors has been reduced from 9 to 7. Grant Fagerheim, Teimour Bagirov and Jay Thornton have retired from the Board. Iskander would like to thank them for their valued contributions during the Company's recent history. The Company also wishes to welcome the addition of Mr. Carl Calandra from Dundee Corporation who joined the Board in November.

The Executive team has also changed as Wayne Thomson retired from the role as Chief Executive Officer. Mr Thomson will continue on the Board. Roger McMechan has assumed the CEO role.

With the reduction in staff, executives, consultants, cancellation of office leases in Calgary and Ukraine and overall cost saving initiatives, the Company has reduced its monthly G&A costs to approximately \$60,000 per month.

#### **Ukraine**

Violence continues to plague any efforts to find a peaceful resolution in Ukraine. Our permit applications are essentially frozen until there is a recognized regional government again in the Donetsk region. Even if such were to occur, it is not clear as to what impact this would have on our applications and licenses. The office in Kyiv has been closed and all but one of our national staff have been let go. The operations in the field have been shut down and all equipment and materials have been stored in a relatively secure area as we attempt to sell them to the remaining active operators. We are in standby mode doing what is possible to protect our licenses and keep costs to an absolute minimum.

**Bulgaria:** There was an election in October that unfortunately resulted in another minority government although the ex-Prime Minister from 2 years ago was voted back in. We currently have no reason to believe that the moratorium on fracking will be reversed anytime soon.

We will continue to update you on our progress in Georgia as results are forthcoming early next year. In the meantime, I wish you all a happy, safe and festive season. We enter into 2015 with anticipation of the positive results to come.

A handwritten signature in black ink, appearing to read "Roger G. McMechan".

**Roger G. McMechan**

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