Condensed Interim Consolidated Financial Statements

(unaudited)

March 31, 2012

ISKANDER ENERGY CORP.
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Unaudited (thousands of United States dollars)	**Note**	**March 31, 2012**	**December 31, 2011**
Assets			
Current assets			
Cash and cash equivalents		6,071	7,480
Short term investments		6,862	6,777
Financial assets at fair value through profit and loss		2,684	2,056
Accounts receivables	3	3,702	1,545
		19,319	17,858
Non-current assets			
Exploration and evaluation assets	4	8,371	7,706
Property, plant and equipment		1,760	1,678
Investment in joint venture		12,185	12,185
		22,316	21,569
Total assets		41,635	39,427
Liabilities			
Current liabilities			
Trade and other payables		1,508	2,348
		1,508	2,348
Non-current liabilities			
Long term loans & other liabilities	5	9,119	8,496
Decommissioning liabilities		172	170
		9,291	8,666
Total liabilities		10,799	11,014
Shareholders' equity			
Share capital	6 (a)	41,580	66,335
Contributed surplus	6 (b)	33,703	4,796
Broker warrants	6 (c)	1,236	1,185
Deficit		(46,635)	(44,916)
Equity attributable to Iskander shareholders		29,884	27,400
Non-controlling interest		952	1,013
Total equity		30,836	28,413
Total equity & liabilities		41,635	39,427

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For three months ended March 31, 2012 and March 31, 2011

Unaudited (thousands of United States dollars)	**Notes**	**2012**	**2011**
Revenue		-	-
Finance income		69	-
Total revenue and finance income		69	-
Administrative expenses		1,486	667
Share-based compensation	6 (b)	337	444
Depreciation and amortization		2	-
Foreign exchange loss		25	67
Finance expense		-	-
Share of loss from joint venture		(1)	-
Total expenses		1,849	1,178
Loss before tax		(1,780)	(1,178)
Income tax expense(recovery)		-	-
Net loss and comprehensive loss for the period		(1,780)	(1,178)
Loss attributable to non-controlling interest		61	-
Loss and comprehensive loss attributable to Iskander shareholders		(1,719)	(1,178)
Basic and diluted loss per share	6 (d)	$ (0.02)	$ (0.06)

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY

For three months ended March 31, 2012 and March 31, 2011

Unaudited (thousands of United States dollars)

	2012	2011
Share Capital		
Balance, beginning of period	66,335	-
Shares issued net of issuance cost	1,911	6,191
Shares cancelled	(26,666)	-
Balance at March 31,	41,580	6,191
Contributed Surplus		
Balance, beginning of period	4,796	-
Shares cancelled	26,665	-
Shareholder's contribution	2,005	-
Share-based compensation	237	444
Balance at March 31,	33,703	444
Broker Warrants		
Balance, beginning of period	1,185	-
Warrants issued	51	81
Balance at March 31,	1,236	81
Deficit		
Balance, beginning of period	(44,916)	(4,650)
Net (loss) for the period	(1,780)	(1,178)
Loss attributable to non-controlling interest	61	-
Balance at March 31,	(46,635)	(5,828)
Equity attributable to Iskander Energy Corp. shareholders	29,884	888
Non-controlling interest		
Balance, beginning of period	1,013	-
Loss attributable to non-controlling interest	(61)	-
Balance at March 31,	952	-
Total Equity	30,836	888

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For three months ended March 31, 2012 and March 31, 2011

Unaudited (thousands of United States dollars)	**2012**	**2011**
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the period	(1,780)	(1,178)
Adjustments for:		
Share of loss from joint venture	(1)	-
Share-based compensation	337	444
Depreciation and accretion	2	-
Non-cash transaction expense	-	283
Unrealized foreign exchange loss	25	67
Funds flow from operations before working capital changes	(1,417)	(384)
(Increase) in accounts receivables	(2,158)	(116)
(Decrease) in trade and other payables	(841)	674
Net cash from operating activities	(4,416)	174
CASH FLOW FROM INVESTING ACTIVITIES		
Settlement of carried interest liability	(79)	-
Capital expenditures in property, plant and equipment	(82)	-
Capital expenditures in exploration and evaluation assets	(665)	
Issuance of promissory notes	(628)	(1,050)
Short term investments	(84)	-
Net cash used in investing activities	(1,538)	(1,050)
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of shares	2,004	1,537
Shareholder's contribution	2,005	
Share issue expense	(142)	(197)
Long term loans & other liabilities	703	-
Net cash used in financing activities	4,570	1,340
Effect of exchange rate on cash and cash equivalents	(25)	(67)
Increase in cash and cash equivalents	(1,409)	397
Cash and cash equivalents at beginning of period	7,480	-
Cash and cash equivalents at March 31	6,071	397

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 month period ended March 31, 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 March 31, 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 August 9, 2012 the Board of Directors approved the condensed interim consolidated financial statements.

b) Accounting policies and disclosures

In preparing these condensed interim consolidated financial statements, the 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. 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 this Company.

3 Accounts Receivable

	March 31, 2012	December 31, 2011
Due from RSG (Bulgaria)	459	440
Trade receivables	149	112
Shareholder's receivable – note 6 a) (v)	2,005	-
VAT receivables	973	863
Prepayments	116	130
	3,702	1,545

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	515
Joint interest acquisition (i)	150
Balance, March 31, 2012	8,371

(i) Acquisition of Joint Interest - Ukraine

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 10 a) iii). During the three months ended March 31, 2012 the Company incurred $150,000 as part of the agreement with a further $750,000 payable in subsequent periods upon completion of various milestones of which $250,000 is expected to be paid in 2012 with the remainder upon obtaining a production license.

5 Long Term Loans and Other Liabilities

	March 31, 2012	December 31, 2011
Carried interest liability (investment in joint venture)	6,718	6,797
Long term loan	2,401	1,699
	9,119	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.

6 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	75
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)	1,012,500	2,004
Issued for consulting services (iv)	50,000	100
Issued for nil consideration (ii)	991,554	-
Cancelled shares (v)	(31,333,434)	(26,666)
Share issuance costs	-	(193)
Balance, March 31, 2012	58,366,467	41,580

The Company has authorized an 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 2012	1,012,500	$2.00	2,004
Balance, March 31, 2012	45,064,915		41,672

[1] Shares issued under subscription agreement included a provision for an 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, 991,554 common shares were issued during the first quarter of 2012.

(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 three months ended March 31, 2012 the terms of transactions and services were adjusted (see note 6 a) (v) – cancelled shares).

(iv) Share based compensation

During the three months ended March 31, 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 $2.00 per share and $100,000 was recorded and as share based compensation on the statement of comprehensive income.

(v) Cancelled shares

Effective December 16, 2011, the Company introduced a new Board of Directors and senior executives. During the three months ended March 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 along with an injection of capital of $2.0 million which was collected subsequent to March 31, 2012. The 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.

b) Stock options

The Company has a stock option plan which provides for the issuance of options to the Company's directors, officers, certain employees and certain consultants to acquire common shares. The options have vesting schedules that either vest immediately or over a two-year period and expire between 3 - 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
Cancelled	(4,450,000)	$0.50
Balance, March 31, 2012	12,458,334	$1.15

During the period, the Company cancelled 4.45 million stock options, 3.3 million were returned to the Company as result of the agreement described in note 6 a) (v), and remaining 1.15 million were cancelled due to termination of employment.

During the three months ended March 31, 2012, the Company recorded $237,000 (March 31, 2011 - $444,000) 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 March 31, 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	3.99	$0.25	750,000
$0.75	5,283,334	4.13	$0.75	3,600,000
$1.50 - $2.00	6,425,000	4.70	$1.58	2,425,003
	12,458,334	4.41	$1.15	6,775,003

c) Broker warrants

During the three months ended March 31, 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 6a) (ii)	79,688	$1.50
Granted	79,000	$2.00
Balance, March 31, 2012	3,674,237	$0.95

During the three months ended March 31, 2012, the Company recorded $51,000 (March 31, 2011 - $81,000) 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 March 31, 2012 are as follows:

	Warrants outstanding		
	Number of warrants	Weighted average remaining life (years)	Weighted average exercise price (CAD)
$0.25	492,000	0.98	$0.25
$0.75	2,048,269	1.26	$0.75
$1.50 - $2.00	1,133,968	1.55	$1.61
	3,674,237	1.31	$0.95

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:

	March 31, 2012	March 31, 2011
Risk-free interest rate (%)	1.0%	1.7%
Expected life (years)	2	2
Expected volatility (%)	65%	65%
Expected dividends	-	-

The weighted average fair value at the grant date for the three months ended March 31, 2012 was CAD $0.33 per warrant (March 31, 2011 - $0.09). 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:

Loss for the period	March 31, 2012	March 31, 2011
Loss for the period	(1,719)	(1,178)
Weighted average number of common shares	85,946	19,658
Basic and diluted loss per share	(0.02)	(0.06)

As at March 31, 2012, the weighted average number of common shares does not include potentially dilutive instruments of 12,458,334 stock options and 3,674,237 broker warrants.

7 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 March 31, 2012, the Company's net working capital was $17.8 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, 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.

8 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. This note represents information about the Company's exposure to these risks, the Company's objectives, policies and processes for measuring and managing risk.

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 risk management department 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, analyze and monitors risks and considers the implication of the market condition in relation to the Company's activities.

9 Segmented information

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

a) For the three months ended March 31, 2012

	Canada	Poland	Ukraine	Bulgaria	Total
Revenue	-	-	-	-	-
Salaries and wages	534	-	249	-	783
Consulting fees	-	-	84	-	84
Travel expenses	96	-	-	-	96
Professional and legal fees	189	44	18	-	251
Miscellaneous	232	1	39	-	272
Administrative expenses	1,051	45	390	-	1,486
Share-based compensation	337	-	-	-	337
Depreciation and amortization	-	2	-	-	2
Foreign exchange (gain)/losses	(123)	139	9	-	25
Share of loss from equity investment	-	-	-	(1)	(1)
	1,265	186	399	(1)	1,849
Finance income	(69)	-	-	-	(69)
Finance expense	-	-	-	-	-
	(69)	-	-	-	(69)
Net income (loss)	1,196	186	399	(1)	1,780
Non-current assets	1,761	8,199	171	12,185	22,316
Capital expenditures	89	493	165	-	747
Total assets	20,053	9,173	197	12,212	41,635

During the three months ended March 31, 2011, the Company incurred net loss of $1,178 in Canada.

10 Subsequent Events

a) Asset acquisitions - Ukraine

(i) EcoMethan block - Subsequent to March 31, 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 of $750,000 which is split between closing of the agreement and 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 9 (a) iii).

(ii) Karbona block - Subsequent to March 31, 2012, the Company agreed to enter into a shareholder agreement as part of the transaction to acquire 51% - 60% 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.

(iii) Renegotiation of IUD and EcoMethan MOU's - Subsequent to March 31, 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 the issuance of 500,000 common shares of Iskander, the Company was able to increase its earned interest the IUD and EcoMethan license from 61.75% to 95% and 58.5% to 90% respectively.

b) Share Issuance

Subsequent to March 31, 2012, the Company has raised CAD $2.7 million and issued 1.34 million shares via subscription agreements at CAD $2 per share.