



October 31, 2013

Dear Shareholders,

Financing Update

Iskander closed on \$2.8m of financing from an existing shareholder early in October. This issue was done at \$0.75 per unit, comprised of one share and a full warrant exercisable at \$1.50 for 18 months. We continue to pursue alternative methods of financing; including farmout, sale of non-core assets and sale of well data.

The budget to complete our capital program this year is very tight but we expect that this program will provide proof of concept in Ukraine and potential production in Georgia. We will need another round of financing to develop both our Ukraine and Georgia assets at a reasonable pace. Following success in Ukraine and Georgia, we expect to do a fundraising in the first half 2014 with a group of potential investors who have previously expressed interest.

First Ukraine CBM Drilling

We are scheduled to have Schlumberger frac our first Coal Bed Methane (CBM) well starting November 15th. We are fracing 12 coals seams with 7 separate fracs. We expect to pump water out of this well which entails installing a pump using a service rig and then allowing time for the gas flow to build; it will be the end of this year before we can estimate the gas rate.

We are particularly encouraged by the results of an injectivity test we performed following drilling on this well to assist in designing our fracs. We know the gas is there but need to determine whether sufficient permeability exists to have an economic gas rate. The results from the injectivity test indicate that the permeability estimates are higher than we had expected.

Acquisition of Partners Interest in Ukraine Block

We acquired our partner's 49% interest in our Ukraine block with tight gas potential (not CBM), for less than the funds that were tied up in the company jointly owned with our partner. We are in discussions with a major company to drill a well on this block. If these discussions prove to be fruitful, a well would be planned for first half of 2014.



Georgian Light Oil Asset

Georgia is particularly exciting for us since we would be capable of bringing any production onstream within a couple of weeks of completing a well. We are currently purchasing the minimal required equipment and doing the work in the field that, along with existing infrastructure, will ensure any successful wells drilled would be capable of production immediately following completion operations.

We closed our farmin agreement last week following the government approval of the revision to the Production Sharing Agreement (PSA) recognizing Iskander as a party. It has taken the Georgian government two months longer than we had been earlier advised to get our PSA in front of their High Council for approval; therefore we were prevented from closing our agreement, which pushed out our drilling, fracing and production startup.

We are currently moving the rig to our first location and expect to spud by November 3rd. With the estimated core evaluation time we now expect to frac the well in the second half of January (following Orthodox holidays) and, assuming success, production startup within a couple of weeks following the frac. In particular, the core work is to ensure that the frac fluid does not react with the clays that we know are in the formation.

Civil works have begun on our second drilling location which we expect to spud by the end of November, following our first well.

Collaboration with our partner has been excellent as we have worked together to solve many challenges.

Sale of Poland Assets

We have been encouraged by recent discussions regarding the potential sale of our Polish assets. If these discussions are successful, any sale transaction would likely not close until first quarter 2014.

Sincerely,

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