MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2013

The following Management's Discussion and Analysis ("MD&A") of Iskander Energy Corp. ("Iskander" or the "Company") is dated May 27, 2013, and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2012 and 2011. The interim condensed consolidated financial statements for the three months ended March 31, 2013 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting within 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 three months ended March 31, 2013 and up to the date of this report the following highlights occurred:

Financial

- On March 14, 2013, the Company closed on CAD $7.1 million as a first tranche of its current financing which resulted in the issuance of 7.1 million units consisting of 1 common share and 1 warrant exercisable at $1.50 for a period of 18 months. The units also contain a 10% penalty, payable in shares, if a liquidity event does not occur within 12 months and provisions to compensate the investors with additional shares in the event of a subsequent offering completed at less than $1 per share during the next 12 months;
- As at May 27, 2013, the Company has approximately net $8.0 million of working capital excluding $2.9 million of exploration and evaluation assets in Poland which are classified as assets held for sale but dependent on the disposal of the assets in Poland in order to become liquid;

Strategic

- The Company 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 production sharing agreement. Closing of the transaction is subject to necessary approvals and completion of key agreements which is expected to occur by the end of June 2013;
- The Company exercised its rights to acquire an additional 8.75% in the Polish assets for $10, as a result of its partner's failure to fund its drilling obligations. Divestiture of the Company's now 24% interest in the Polish assets continued with several interested parties conducting due diligence work;
- In an effort to better align its interest with shareholders of Iskander, the executive management and the board agreed to a 25% decrease in the cash compensation which will be paid in the form of equity.

Operational

- Sourcing of long lead items commenced for the Company's anticipated drilling operations in Georgia scheduled for August 2013 subject to the closing of its farm-in agreement;
- Preparations commenced for the anticipated drilling and recompletion operations in Ukraine for the second half of 2013 targeting the evaluation of the Company's exciting CBM opportunities focused on the South Donbass license;
- Testing operations were completed on the Company's first well in Ukraine, KRA #1. Economic quantities of gas were not recovered and the well was temporarily suspended pending future evaluation operations which are currently being evaluated;
- An extension of six months with an Iskander option for an additional six months was negotiated over the Krasno block to provide Iskander with additional time to complete its farm-in obligations of drilling 1 additional well. If an additional well is not drilled prior to April 30, 2014, Iskander's 51% interest in the Krasno block would be forfeited.

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 early 2014. 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. Initial operations are expected to commence in July 2013 with the drilling of 1 new CBM well and the re-entry of 1 to 3 existing CBM wells;

Bulgaria

- Continuing negotiations with the goal of concluding farm-in transactions with large multi-national companies with extensive shale gas experience;

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 in Georgia to farm-in on currently producing light oil assets with low risk development drilling opportunities. Drilling equipment is in place which would allow the Company to commence operations in the third quarter of 2013 with the potential for production during December 2013.

2013 Annual and Special Meeting of Shareholders

On June 26, 2013, at 4:00 pm EDT, Iskander will hold its annual and special meeting of Shareholders at the offices of Norton Rose Canada LLP located at TD Waterhouse Tower, Suite 2300, 79 Wellington Street West, Toronto Ontario.

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, is a joint-venture partner on a property in Poland and is looking to conclude a farm-in agreement which would result in a joint-venture partnership covering one producing development block in Georgia.

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 March 31, 2013, the Company’s principal land holdings and exploration blocks were as follows:

Country	License	Working Interest	Royalty	Operator	Gross Acreage	Expiry
Ukraine	Krasno	51%	5% gross override and 25% to the state	Yes	58,070	January 2015
Ukraine	S.Donbass	95%		Yes	106,502	December 2013
Ukraine	Kruto	90%	25% to the state	Yes	169,267	July 2016
Bulgaria	Gradishte	75%	R-factor scale from 4.5% to 32% to the state	Yes	465,794	July 2015
Bulgaria	Kilifarevo	75%		Yes	4,942	July 2015
Poland	Bieszczady	24%	5.9 PLN/1000 m^3 Higher rates proposed (up to 40%) effective 2015	No	869,810	July 2013. Extension available upon application

<u>Ukraine Properties</u>

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 $3.0 - $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, subject to having sufficient capital, 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%. During Q1, 2013 the Company completed the drilling of its first earn-in well and obtained an extension of up to 1 year to complete the drilling of the second earn-in well as per the terms of the farm-in agreement.

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.

<u>Bulgaria Properties</u>

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 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 reasonable likelihood of the ban being removed. 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 modification of its work commitments as at May 27, 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, the Company 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.

<u>Poland Properties</u>

In Poland, as at March 31, 2013, the Company had an effective 24% participating interest in the Bieszczady Block through its 100% ownership of the outstanding equity of EuroGas Polska Sp. Z.o.o. ("EuroGas Polska") pursuant to the definitive joint operation agreement. During February 2013, the Company exercised its right to acquire the remaining 35% interest in Eurogas Polska, increasing its interest from 65% to 100%, 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.

Basis of Presentation

The Interim Financial Statements of the Company as at and for the three month period ended March 31, 2013 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 Interim 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 closed on the first tranche of its private financing for CAD$7.1 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.

All financial information has been prepared in accordance with IAS 34, Interim Financial Reporting of International Financial Reporting Standards ("IFRS"). Unless otherwise noted all financial information is reported in in United States dollars.

Effective January 1, 2013, the Company has adopted new and amended standards with respect to presentation of items of other comprehensive income (IAS 1), consolidation (IFRS 10), joint arrangements (IFRS 11), disclosures of interest in other entities (IFRS 12), fair value measurement (IFRS 13) as well as amendments related to investments in associates and joint ventures (IAS 28). The adoption of these standards and amendments had no impact on the amounts recorded in the condensed interim consolidated financial statements for the three month period ended March 31, 2013.

Financial Results

The following table provides selected financial information extracted from the Interim Financial Statements:

	Three Months Ended March 31,	
	2013	2012
Revenue	-	-
General and administrative	995	1,486
Share-based compensation	312	337
Pre-license expense	57	-
Foreign exchange loss (gain)	(392)	25
Loss on investment	6,196	-
Finance expense (income) and other	(4)	(67)
Share of loss from joint venture	65	(1)
Net loss from continuing operations	7,229	1,780
Net loss from discontinued operations	80	-
Net loss	7,309	1,780

General and Administrative Expense

	Three Months Ended March 31,	
	2013	2012
Salaries and wages	570	783
Consulting fees	90	84
Severance costs	-	200
Travel expenses	68	96
Professional and legal fees	111	251
Rent	60	27
Miscellaneous	96	45
General and Administrative expenses	995	1,486

General and administrative ("G&A") costs for the three months ended March 31, 2013 were $1.0 million (2012 - $1.5 million). The decrease is mainly attributable to $0.4 million of expenses associated with the transition from the prior management team to the current executive management that occurred during the three months ended March 31, 2012.

Share-based Compensation Expense

Share-based compensation for the three months ended March 31, 2013 was $0.3 million (2011 - $0.3 million). The share-based compensation expense arises from share options granted to employees, officers, directors and consultants.

Pre-license Expense

The Company recognizes pre-license expense on potential investment opportunities which occur prior to the closing of a transaction or do not result in an acquisition. For the three months ended March 31, 2013 pre-license expense was $57,000 (2011 - nil) which primarily related to costs incurred in the due diligence of the assets in Georgia to which the Company signed a MOU on April 5, 2013.

Foreign Exchange Loss (gain)

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 the first quarter of 2013, the Company incurred unrealized foreign exchange gains on its inter-company balances outstanding, specifically between the parent company and its foreign subsidiaries whose functional currency is USD. The intercompany balances are in a large portion denominated in USD, however since the parent's functional currency is CAD which during the first quarter of 2013 devalued, the Company incurred unrealized foreign exchange gains.

Discontinued Operations

During the fourth quarter of 2012, the Company appointed a third party agent to divest its assets in Poland. The financial results for the three months ended March 31, 2013 are presented as discontinued operations, as determined in accordance with IFRS 5. While the net assets have been classified as assets held for sale.

Capital Expenditures and Loss on Investment

	Capital expenditure	Investment in joint ventures [1]	Capital expenditures to settle carried interest liability[2]	Total capital spending
Bulgaria	-	40	72	112
Ukraine:				
- Krasno	-	1,603	40	1,643
- South Donbass	71	-	-	71
- Kruto	-	-	-	-
Other	36	-	-	36
	107	1,643	112	1,862

(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. Costs incurred in excess of original fair value estimates are shown as an investment with no corresponding reduction of the liability.

<u>*Ukraine*</u>

Krasno license

During the first quarter of 2013, the Company completed testing of its first well drilled in 2012. 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 levels of natural gas.

The Company has negotiated an agreement for a one year extension to its obligation to drill a second well in order to earn an indirect 51% working interest in the Krasno license. The Company is currently re-evaluating its further operations options. Because of this uncertainty, the Company has recorded a $6.2 million impairment of its investment which represents primarily the $5.6 million incurred on the drilling, completion and testing of the KRA#1 well but also G&G costs associated with the license.

Bulgaria

The Company did not incur any significant capital expenditures in Bulgaria because of the fracking moratorium which was imposed by the Bulgarian government in January 2012.

Summary of Quarterly Results

($000, except per share amounts)

	2013	2012				2011		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	-	-	-	-	-	-	-	-
Loss for the period	(8,394)	(10,559)	(2,559)	(547)	(1,780)	(10,421)	(7,110)	(21,622)
Net loss per share - basic	(0.14)	(0.18)	(0.03)	(0.04)	(0.02)	(0.12)	(0.10)	(0.50)

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

- During the first quarter of 2013, the Company recognized $6.2 million impairment loss on its investment in Krasno license;
- 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).

Liquidity and Capital Resources

As at March 31, 2013 Iskander had $8.5 million of cash on hand. The Company's cash balances reside in current accounts, of which approximately 98% is held on account in Canada.

As at March 31, 2013, net working capital was $7.6 million (December 31, 2012 - $2.6 million). The working capital of $7.6 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 closed on the first tranche of its private financing for CAD$7.1 million. The Company's cash and additional financing in May 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 May 27, 2013 Iskander had 67,645,489 common shares outstanding.

	Number of shares	Amount
Balance, December 31, 2012	60,053,489	44,966
Issued for cash via subscription agreements	7,100,000	5,666
Issued for cash – exercise of warrants	492,000	164
Share issuance costs	-	(623)
Balance, December 31, 2012	67,645,489	50,173

Issued for cash

In March 2013, the Company completed an initial tranche of private financing, issuing 7,100,000 units at a price of $1.00 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant shall be exercisable to acquire one common share of the Company at an exercise price equal to $1.50 for a period of 18 months following the closing date. Share issue costs include a cash fee equal to 6% of the gross proceeds of the offering paid to the agents and 284,000 broker warrants with an exercise price of $1.50 and exercisable for a period of 18 months.

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 March 31, 2013 and May 27, 2013 there were 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, Poland and potential assets in Georgia. 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 is 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 March 31, 2013 and 2012 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 three month period ended March 31, 2013 and 2012.

Critical Accounting Estimates

The preparation of Interim 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 Interim Financial Statements which are in detail described in the notes to those Interim Financial Statements as at and for the period ended March 31, 2013:

- Note 4 – Assets Held for Sale and Discontinued Operations
- Note 6 – Property, Plant and Equipment
- Note 7 – Investments in Joint Ventures
- Note 11 c) – Stock Options
- Note 11 d) - Warrants

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, Poland and Georgia, including, potential timing of production in the Ukraine and Georgia; the potential withdrawal or revision of a temporary fracking moratorium in Bulgaria; 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 is not permanent in nature; the Company will successfully enter into farm-out 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.

DIRECTORS

Kent Jespersen
Chairman of the Board

Teimour Bagirov

Jay Thornton

Dave Berry

Grant Fagerheim

Michael Hibberd

Wayne Thomson

Luis Vazquez

OFFICERS AND SENIOR EXECUTIVES

Wayne Thomson
Chief Executive Officer
Jaroslav Kinach
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Roger McMechan
Chief Operating Officer
Bradley Giblin
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