Condensed Interim Consolidated Financial Statements

March 31, 2013

(Unaudited)

ISKANDER ENERGY CORP.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Unaudited (thousands of United States dollars)

	Note	March 31, 2013	December 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents		8,578	5,329
Accounts receivable and others		221	404
Assets held for sale	4	3,776	3,776
		12,575	9,509
Non-current assets			
Exploration and evaluation assets	5	2,912	2,913
Property, plant and equipment	6	1,881	1,891
Investment in joint ventures	7	13,047	19,606
		17,840	24,410
Total assets		30,415	33,919
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	8	1,123	1,499
Carried interest liabilities	9	927	2,479
		2,050	3,978
Non-current liabilities			
Long term loans & other liabilities	10	6,223	6,231
		6,223	6,231
Shareholders' equity			
Share capital	11 (a)	50,173	44,966
Contributed surplus	11 (b)	36,468	37,161
Warrants	11 (d)	2,592	1,285
Reserve for repurchase of shares	11 (e)	(380)	(380)
Accumulated other comprehensive income		(1,021)	64
Deficit		(65,690)	(58,381)
Equity attributable to Iskander shareholders		22,142	24,715
Non-controlling interest		-	(1,005)
Total equity		22,142	23,710
Total liabilities and shareholders' equity		30,415	33,919

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

Going concern	2
Commitments	16
Subsequent events	15

ISKANDER ENERGY CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For three months ended March 31, 2013 and March 31, 2012

Unaudited (thousands of United States dollars)

	Notes	2013	2012
Revenue		-	-
Other income		11	69
Total revenue and other income		11	69
Administrative expenses	14	995	1,486
Share-based compensation	11 (a-iv), (b)	312	337
Pre-license expense		57	-
Foreign exchange loss (gain)		(392)	25
Loss on investment	7	6,196	-
Finance expense and other		7	2
Share of loss from joint venture		65	(1)
Total expenses		7,240	1,849
Loss before tax		(7,229)	(1,780)
Net loss for the period		(7,229)	(1,780)
Items that may be reclassified subsequently to net income			
Foreign currency translation gain/(loss) of foreign operations		(633)	-
Items that will not be reclassified to net income			
Foreign currency translation gain/(loss) of parent company		(452)	-
Other comprehensive loss		(1,085)	-
Comprehensive loss from continuing operations		(8,314)	(1,780)
Comprehensive loss from discontinued operations	4	(80)	-
Comprehensive loss for the period		(8,394)	(1,780)
Loss attributable to non-controlling interest from discontinued operations	4	-	61
Loss and comprehensive loss attributable to Iskander shareholders		(8,394)	(1,719)

Basic and diluted loss per share	11 (f)	$(0.14)	$ (0.02)

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

ISKANDER ENERGY CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY

For three months ended March 31, 2013 and March 31, 2012

Unaudited (thousands of United States dollars)

	2013	2012
Share Capital		
Balance, beginning of year	44,966	66,335
Shares issued net of issuance cost	5,043	1,911
Shares cancelled	-	(26,666)
Exercise of options and warrants	164	-
Balance at March 31,	50,173	41,580
Contributed Surplus		
Balance, beginning of year	37,161	4,796
Shares cancelled	-	26,665
Shareholder's contribution	-	2,005
Acquisition of additional interest in Poland subsidiary	(1,005)	-
Share-based compensation	312	237
Balance at March 31,	36,468	33,703
Broker Warrants		
Balance, beginning of year	1,285	1,185
Warrants issued	1,351	51
Warrants exercised	(44)	-
Balance at March 31,	2,592	1,236
Reserve for Repurchase of Shares		
Balance, beginning of year	(380)	-
Balance at March 31,	(380)	-
Accumulated Other Comprehensive Income		
Balance, beginning of year	64	-
Foreign currency translation adjustment on foreign operations	(1,085)	-
Balance at March 31,	(1,021)	-
Deficit		
Balance, beginning of year	(58,381)	(44,916)
Net (loss) for the period	(7,309)	(1,780)
Loss attributable to non-controlling interest	-	61
Balance at March 31,	(65,690)	(46,635)
Equity attributable to Iskander Energy Corp. shareholders	22,142	29,884
Non-controlling interest		
Balance, beginning of year	(1,005)	1,013
Acquisition of additional interest in subsidiary	1,005	-
(Loss)/Income attributable to non-controlling interest	-	(61)
Balance at March 31,	-	952
Total Equity	22,142	30,836

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 months ended March 31, 2013 and March 31, 2012

Unaudited (thousands of United States dollars)

	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Loss from continuing operations for the period	(7,229)	(1,780)
Adjustments for:		
Share of loss from joint venture	65	(1)
Loss on investment	6,196	-
Share-based compensation	312	337
Depreciation and accretion	7	2
Unrealized foreign exchange (gain)/loss	(422)	25
Loss adjusted for non-cash items	(1,071)	(1,417)
(Increase)/Decrease in accounts receivables	183	(2,158)
(Decrease)/Increase in trade and other payables	(376)	(841)
Net cash from continuing operating activities	(1,264)	(4,416)
Net cash from discontinued operating activities	(38)	-
Net cash from operating activities	(1,302)	(4,416)
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in joint ventures	(1,656)	(79)
Capital expenditures	(217)	(747)
Issuance of promissory notes	-	(628)
Short term investments	-	(84)
Net cash used in continuing investing activities	(1,873)	(1,538)
Net cash used in discontinued investing activities	(44)	-
Net cash used in investing activities	(1,917)	(1,538)
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of shares and units	6,966	2,004
Shareholder’s contribution	-	2,005
Warrants exercised	120	-
Share issue expense	(571)	(142)
Long term loans & other liabilities	-	703
Net cash used in continuing financing activities	6,515	4,570
Net cash used in discontinued financing activities	-	-
Net cash used in financing activities	6,515	4,570
Effect of exchange rate on cash and cash equivalents	(47)	(25)
Increase (decrease) in cash and cash equivalents	3,249	(1,409)
Cash and cash equivalents at beginning of year	5,329	7,480
Cash and cash equivalents at March 31,	8,578	6,071

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 periods ended March 31, 2013 and 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, 2013, 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 Going concern

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

The Company is an oil and gas exploration and development company with properties located in Ukraine, Bulgaria and Poland. The Company’s properties are still in the exploration stage and have no proved reserves or production revenue. To date, the Company's exploration and development operations have been financed by way of equity issuances.

As at March 31, 2013, the Company’s cash position was $8.5 million which may not be sufficient to fund the exploration and development program over the next twelve months (see note 16). There are also significant exploration and development commitments in 2014 and 2015. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In March 2013, the Company completed private financing of CAD $7.1 million (see note 11). The Company's cash and additional CAD $7.1 million financing in 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 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.

The Company will continue to adjust the scope of its operations and anticipated expenditures in light of its working capital position. However, there is no assurance that any steps taken by the Company will be successful in this regard, and there is risk that unforeseen circumstances and expenditures will limit the time period for which cash will be available. The Company may not be able to raise financing of sufficient magnitude, or on a cost-effective basis. The failure of the Company to raise further financing would limit the ability of the Company to advance its business plan and carry on current activities.

The Company’s ability to continue as a going concern is dependent upon its ability to fund its work programs and obligations. The condensed interim consolidated 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.

3 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 May 27, 2013 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, 2012, except as discussed in note 3 c). 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, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

c) Adoption of new accounting pronouncements

On January 1, 2013, the Company adopted new standards with respect to 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.

Presentation of items of Other Comprehensive Income

Effective January 1, 2013, the Company has adopted the amendments to IAS 1, Presentation of items of Other Comprehensive Income. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The amendment affected presentation only and had no impact on the Company's financial position or performance.

4 Assets Held for Sale and Discontinued Operations

During the fourth quarter of 2012, the Board of Directors of Iskander approved the strategic decision to divest of all its assets in Poland. At December 31, 2012 the assets held for sale were measured at the lower of the carrying value and fair value less costs to sell, which resulted in the impairment loss of $5.5 million being recorded in the consolidated statements of the comprehensive income for the year ended December 31, 2012. The current carrying value represents management's best estimate of the proceeds that would be received upon a sale to a willing third party. The Company expects to sell its assets in Poland within next 6-12 months. Fair value was determined based on an analysis of comparable data acquired from the surrounding region of recent transactions along with management estimates regarding the likelihood of similar such transactions being realized given the recent decrease in International investments in Poland.

On February 6, 2013, Iskander Energy Corp. became the sole shareholder of Eurogas Polska Sp. Z.o.o. The shares were acquired by exercising its option to purchase all of the issued and outstanding shares of Eurogas Polska for $10. The change in ownership was registered with the Polish regulatory authorities on March 27, 2013. The acquisition of outstanding shares of Eurogas Polska resulted in a transfer of non-controlling interest balance to contributed surplus (see note 11 b).

As at March 31, 2013 Assets held for sale included $1.1 million of VAT receivable which relates to recoverable amounts in Poland expected to be received in 2013.

5 Exploration and Evaluation Assets

Balance, December 31, 2011	7,706
Additions	840
Joint interest acquisition – South Donbass license	1,463
Joint interest acquisition – Kruto license	1,475
Assets transferred to Assets held for sale – note 4	(8,541)
Cumulative translation adjustment	(30)
Balance, December 31, 2012	2,913
Additions – South Donbass and Kruto license	71
Cumulative translation adjustment	(72)
Balance, March 31, 2013	2,912

6 Property, Plant and Equipment

	Drilling rigs	Furniture, fixtures and other	Total
Cost			
Balance at December 31, 2011	1,672	6	1,678
Additions	66	115	181
Cumulative translation adjustment	44	-	44
Balance, December 31, 2012	1,782	121	1,903
Additions	-	36	36
Cumulative translation adjustment	(36)	(3)	(39)
Balance, March 31, 2013	1,746	154	1,900
Accumulated Depreciation			
Balance, December 31, 2011	-	-	-
Depreciation expense	-	12	12
Balance, December 31, 2012	-	12	12
Depreciation expense	-	7	7
Balance, March 31, 2013	-	19	19
Net Book Value			
Balance, December 31, 2011	1,672	6	1,678
Balance, December 31, 2012	1,782	109	1,891
Balance, March 31, 2013	1,746	135	1,881

The Company plans to use its two drilling rigs for shallow wells within the South Donbass and Kruto licenses in Ukraine. The rigs are not yet being depreciated as they are currently not in use.

7 Investment in Joint Ventures

	March 31, 2013	**December 31, 2012**
RSG (Bulgaria) (i)	12,097	12,118
Non-current loan to RSG Bulgaria	838	788
Karbona Energo LLC (Ukraine) (ii)	635	6,846
Cumulative translation adjustment	(523)	(146)
	13,047	19,606

(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 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.

As at March 31, 2013, the ban on fracking had not been removed or modified which was considered as an indicator of possible impairment. The investment in RSG was assessed for impairment as at December 31, 2012. During the three months period ended March 31, 2012, the impairment indicators remained the same as at December 31, 2012 when a detail impairment test was performed.

The Gradishte and Kilifarevo licenses have resource assessments in the form of independent NI 51-101 Resource Reports. The Corporation utilized internally estimated after-tax cash flows from preliminary economic assessments prepared in connection with the resource reports and developed a number of scenarios that considered the probability of the ban on fracking being removed, scenarios associated with low, best and high estimates of contingent resources, varying levels of capital investment and a range of discount rates.

Due to the ban on fracking, implemented in early 2012, there is a lack of market precedent transactions which limited the Corporation's ability to obtain data for current license values.

The results of the assessment were that the Corporation's Gradishte and Kilifarevo licenses, having an aggregate book value of $12.9 million were not impaired.

Key assumptions used to develop discounted after tax cash flows to consider the impairment of the Gradishte and Kilifarevo licenses included natural gas prices, ranges of possible prospective and contingent resources as per the Independent Resource Reports and discount rates. The Corporation used an after-tax discount rate of 20%. Natural gas prices in Bulgaria were based on publicly available information that identifies current prices of gas available for sale to industrial users in Bulgaria as approximately $12/mcf. It is assumed that prices would then remain constant over the anticipated life of the licenses.

The Corporation recalculated the after-tax discounted cash flows for the Gradishte and Kilifarevo licenses to test their sensitivity to a 10% decrease in average natural gas prices, a 5% increase in the pre-tax discount rate, and a range of assumptions on the removal of the ban on fracking. The individual movements would not result in an impairment charge based on the analysis completed at December 31, 2012.

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, Management 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.

(ii) Investment in Karbona Energo LLC (Ukraine)

During the three months ended March 31, 2013, the Company completed testing of its first well drilled in the Krasno license. Economic quantities of gas were not recovered and the well was temporarily suspended. The Company has renegotiated agreement for an extension of up to 1 year to its obligation to drill a second well in order to earn a 51% working interest in Karbona Energo, the holder of the Krasno license. The Company is currently revaluating its further options. Because of this uncertainty, the Company has recorded $6.2 million impairment of its investment together with the carried interest liability associated with its obligation to drill second well (note 9 (i)). The remaining investment of $0.6 million relates to equipment which has a fair value equal to its carry value.

8 Trade and Other Payables

	March 31, 2013	December 31, 2012
Trade payables	473	490
Accrued liabilities	650	1,009
	1,123	1,499

Accrued liabilities related primarily to obligation to fund $375,000 as part of acquisition of interests in the South Donbass and Kruto licenses (Note 5).

9 Carried Interest Liabilities

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

	March 31, 2013	December 31, 2012
Current portion of carried interest liability in Karbona (i)	-	1,481
Current portion of carried interest liability in Bulgaria (ii)	927	998
	927	2,479

(i) Current portion of carried interest liability in Karbona

During the three months ended March 31, 2013, the Company has reduced its initial obligation for investment in Karbona to nil as result of new terms within the renegotiated agreement (note 7 (ii)).

(ii) Current portion of carried interest liability in Bulgaria

	Total liability
Balance, December 31, 2011	351
Reclassification from Long term carried interest liability	946
Settlement of liability	(299)
Balance, December 31, 2012	998
Settlement of liability	(71)
Balance, March 31, 2013	927

10 Long Term Loans and Other Liabilities

	March 31, 2013	December 31, 2012
Carried interest liability – note 9 (ii)	5,851	5,851
Long term provision for shares repurchase	372	380
	6,223	6,231

The company has recognized a provision for a potential share repurchase based on the terms negotiated as part of South Donbass and Kruto agreement. According to this agreement, 500,000 shares were issued to an unrelated third party during the fourth quarter of 2012. After holding these shares for two years, this unrelated party has the right to sell these shares back to the Company at the prevailing market price. The provision was recognized at a net present value using a 15% discount rate and a share price of $1.00 which was based on the most recent share issuance (note 11 a).

11 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)	2,375,000	4,692
Issued for investment	500,000	1,003
Issued for consulting services (iv)	50,000	100
Issued for nil consideration	996,076	-
Issued for cash – exercise of options	70,000	53
Allocation of fair value – exercise of options	-	31
Cancelled shares (v)	(31,333,434)	(26,666)
Repurchased shares (vi)	(250,000)	(212)
Share issuance costs	-	(370)
Balance, December 31, 2012	60,053,489	44,966

Issued for cash via subscription agreements (ii)	7,100,000	5,666
Issued for cash – exercise of warrants	492,000	164
Share issuance costs	-	(623)
Balance, March 31, 2013	67,645,489	50,173

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. (see note 11 a) (v))

(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 – December 2012	2,375,000	$2.00	4,692
Balance, December 31, 2012	46,427,415		44,360
March 2013 [(2)]	7,100,000	$0.81	5,666
Balance, March 31, 2013	53,527,415		50,026

[(1)] Shares issued under subscription agreement in August 2011 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.

[(2)] In March 2013, the Company completed a 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. The common shares had a fair market value of $5.7 million and warrants were fair valued at $1.3 million. 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.

The Company will issue additional 0.1 shares for each unit subscribed, if there is no liquidity event within 12 months of the completed financing. If the Company issues shares for less than $1.00 per share within following 12 months, then each subscriber will be issued additional shares equivalent to:
[Aggregate subscription amount / lower- priced share issue price x 1.05] – Total number of units subscribed.

(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 year ended December 31, 2012, the terms of transactions and services were adjusted (see note 11 a) (v) – cancelled shares).

(iv) Share based compensation

During the year ended December 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 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 year ended December 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 with Companies that likely meet the definition of a related party under IFRS and third parties. 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 year ended December 31, 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

	March 31, 2013	December 31, 2012
Opening balance	37,161	4,796
Share-based payment transactions	312	3,756
Cancelled shares	-	28,640
Options exercised	-	(31)
Acquisition of additional interest in subsidiary – note 4	(1,005)	-
Closing balance	36,468	37,161

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.

c) Stock options

	Number of options	Weighted average exercise price (CAD)
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
Exercised	(70,000)	$0.75
Balance, December 31, 2012	11,288,334	$1.24
Balance, March 31, 2013	11,288,334	$1.24

For the three months ended March 21, 2013, the Company recorded $312,000 (March 31, 2012 –$237,000) 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, 2013 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	2.99	$0.25	750,000
$0.75	3,663,334	3.33	$0.75	3,413,334
$1.50 - $2.00	6,875,000	3.74	$1.61	4,575,001
	11,288,344	3.56	$1.24	8,738,335

d) Warrants

	Number of warrants	**Weighted average exercise price (CAD)**
Balance, December 31, 2011	3,515,549	$0.91
Granted on issuance of additional shares – (note 11 a) (i))	79,688	$1.50
Granted	146,900	$2.00
Balance, December 31, 2012	3,742,137	$0.97
Warrants issued on financing – (note 11 a) (i) [(2)])		
Granted to brokers	284,000	$1.50
Granted to shareholders	7,100,000	$1.50
Exercised	(492,000)	$0.25
Balance, March 31, 2013	10,634,137	$1.37

During the three months ended March 31, 2013, the Company recorded $52,000 (March 31, 2012 - $51,000) as share issue costs which are shown as a net adjustment to share capital on the consolidated balance sheet.

Warrants outstanding and the weighted average remaining life of the broker warrants at March 31, 2013 are as follows:

	Warrants outstanding		
	Number of warrants	Weighted average remaining life (years)	Weighted average exercise price (CAD)
$0.75	2,048,269	0.26	$0.75
$1.50 - $2.00	8,585,868	1.34	$1.64
	10,634,137	1.13	$1.37

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, 2013	**March 31, 2012**
Risk-free interest rate (%)	1.0%	1.0%
Expected life (years)	1.5	2
Expected volatility (%)	65%	65%
Expected dividends	-	-

The weighted average fair value at the grant date for the three months ended March 31, 2013 was CAD $0.19 per warrant (March 31, 2012 - $0.72). Warrants are recorded as share issue expense based on the estimated fair value at the grant date.

e) *Reserve for repurchase of shares*

The company has created a reserve for a potential share repurchase based on the terms negotiated as part of South Donbass and Kruto agreement. According to this agreement, 500,000 shares were issued to an unrelated third party during the fourth quarter of 2012. After holding these shares for two years, this unrelated party has the right to sell these shares back to the Company at the prevailing market price.

f) *Loss per share*

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

	March 31, 2013	March 31, 2012
Loss for the period	(8,394)	(1,719)
Weighted average number of common shares	61,349	85,946
Basic and diluted loss per share	(0.14)	(0.02)

As at March 31, 2013, the weighted average number of common shares does not include potentially dilutive instruments of 11,288,334 stock options and 10,634,137 warrants.

12 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, 2013, the Company's net working capital was $7.6 million (December 31, 2012 – $2.6 million), largely attributable to the equity offerings. 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. As at March 31, 2013, the Company's cash position was $8.6 million which was not sufficient to fund the exploration and development program over the next twelve months (see note 2). The Company will continue to adjust the scope of its operations and anticipated expenditures to match the capital available.

Iskander has the ability to adjust its capital structure and 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.

The Company has no bank debt and considers its capital structure at this time to include shareholders equity.

13 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 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.

a) Fair value of financial instruments:

Financial instruments comprise cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and long term loans.

There are three levels of fair value by which a financial instrument can be classified:

Level 1 - Quoted prices in active markets for identical assets and liabilities such as traded securities on a registered exchange where there are a sufficient frequency and volume of transactions to provide ongoing pricing information.

Level 2 - Inputs other than quoted prices that are observable for the asset and liability either directly and indirectly such as quoted forward prices for commodities, time value and volatility factors which can be substantially observed or corroborated in the marketplace; and

Level 3 - Inputs that are not based on observable market data.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their short term maturities. The Company's long term liabilities comprise of carried interest liabilities recognized under corporate acquisition agreements during the years 2011 and 2012 and provision for shares purchase. Carried interest liabilities and provision for share purchase have been recognized at their present values using a 15% discount and accordingly the fair market value approximates the present value.

The following table summarizes Iskander's financial instruments as at March 31, 2013 and December 31, 2012:

	Fair value through profit & loss	Fair value through OCI	Loans and receivables	Financial liabilities	Total carrying value
For the period ended March 31, 2013					
Assets					
Cash and cash equivalents	-	-	8,578	-	8,578
Accounts receivable	-	-	221	-	221
	-	-	8,799	-	8,799
Liabilities					
Trade and other liabilities	-	-	-	1,123	1,123
Carried interest liabilities	-	-	-	927	927
Long term loans & other liabilities	-	-	-	6,223	6,223
	-	-	-	8,273	8,273

	Fair value through profit & loss	Fair value through OCI	Loans and receivables	Financial liabilities	Total carrying value
For the year ended December 31, 2012					
Assets					
Cash and cash equivalents	-	-	5,329	-	5,329
Accounts receivable	-	-	404	-	404
	-	-	5,733	-	5,733
Liabilities					
Trade and other payables	-	-	-	1,499	1,499
Carried interest liabilities	-	-	-	2,479	2,479
Long term loans & other liabilities	-	-	-	6,231	6,231
	-	-	-	10,209	10,209

b) Credit risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe it money do not meet their obligations. The Company assesses the financial strength of its joint venture partners and marketing counterparties in its management of credit exposure.

From time to time the Company may hold cash in accounts located in Cyprus, Ukraine, Poland and Bulgaria, and funds these accounts as required to meet payment obligations. The cash balance of all foreign subsidiaries was $228,000 at March 31, 2013. In addition, the Company held $411,000 of cash in Bulgaria through its investment in RSG and $334,000 in Ukraine through its investment in Karbona which is accounted for as an equity investment and therefore not included in the cash and cash equivalents of the Company. Bulbank is the largest in Bulgaria in terms of deposits and loans. Bulbank's credit rating is BBB given Bulgaria's high risk operating environment and narrow-based economy. The Company has exposure to the banking system in Cyprus through its subsidiaries. The Company does not hold funds in these accounts as these are utilized to fund operations via loans to its operating subsidiaries in Ukraine and Bulgaria.

The Company's accounts receivable relate primarily to taxes recoverable from the Government of Canada of which $69,000 was recovered prior to May 27, 2013.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company was formed in 2010 and has not established cash flows from active operations. The Company is considering an operating and capital budget for the next fiscal year with which it manages spending on various initiatives, including the hiring of staff, exploratory and development drilling and the payment of exploration, professional and other costs. This excludes the potential impact of circumstances that cannot be predicted.

Until the Company establishes cash flows from operating activities, it is dependent on its ability to periodically raise funds from the issuance of new equity or debt financing (see note 2) or from the sale of assets. Due to the nature of financial capital markets, funds may not be available when desired or required by the Company, which would severely impact the liquidity available to the Company.

Following table shows the maturities of the financial liabilities mainly associated with capital program commitments by year:

Maturities	Financial Liabilities
2013	2,050
2014	5,182
2015	1,041
	8,273

d) Foreign currency risk

The Company is exposed to foreign currency risk as various portions of its cash balances are held in Canadian dollars (CAD), Ukraine Hryvnia (UAH) and Bulgarian Lev (BGN) while its committed capital expenditures are expected to be primarily denominated in US dollars. The Company has not entered into any foreign currency hedges or swaps.

As at March 31, 2013, the Companies components of working capital, shown in US dollar equivalents, were denominated in the following currencies:

	CAD	USD	EUR	PLN	UAH	Total (USD)
Cash and cash equivalents	6,478	2,047	2	-	51	8,578
Accounts receivables	111	26	15	-	69	221
Assets held for sale	-	2,928	-	848	-	3,776
Total current assets	6,589	5,001	17	848	120	12,575
Trade and other payables	643	409	31	-	40	1,123
Carried interest liabilities	-	927	-	-	-	927
Total current liabilities	643	1,336	31	-	40	2,050
Net working capital	5,946	3,665	(14)	848	80	10,525

The table below summarizes the sensitivities of the company's net income to changes in the fair value of financial instruments only and do not represent the impact of a change in the variable on the operating results for the Company taken as a whole.

The following depicts the impact on net loss for the period had the exchange rate changed by 1 cent:

	Impact on net loss
CAD/USD	(60)
EUR/USD	-
PLN/USD	(28)
UAH/USD	(6)
	(94)

14 Segmented information

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

As at and for the three months ended March 31, 2013

	Canada	***Ukraine***	***Bulgaria***	***Total***
Revenue	-	-	-	-
Salaries and wages	359	211	-	570
Consulting fees	-	90	-	90
Travel expenses	51	17	-	68
Professional and legal fees	84	13	14	111
Miscellaneous	98	55	3	156
Administrative expenses	592	386	17	995
Share-based compensation	312	-	-	312
Pre-license expenses	57	-	-	57
Loss on investment	-	6,196	-	6,196
Foreign exchange (gain)/losses	(384)	17	(25)	(392)
Share of loss from joint venture	-	44	21	65
Finance income	(11)	-	-	(11)
Finance expense and other	5	2	-	7
Net income (loss)	(571)	(6,645)	(13)	(7,229)
Non-current assets	64	5,362	12,414	17,840
Total assets[(1)]	8,612	5,585	12,442	26,639

[(1)] Total assets exclude the assets allocated to discontinued operations in Poland (see note 4).

As at and 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
Foreign exchange (gain)/losses	(123)	139	9	-	25
Share of loss from equity investment	-	-	-	(1)	(1)
Finance income	(69)	-	-	-	(69)
Finance expense and other	-	2	-	-	2
Net income (loss)	(1,196)	(186)	(399)	(1)	(1,780)
Non-current assets	1,761	8,199	171	12,185	22,316
Total assets	20,053	9,173	197	12,212	41,635

15 Subsequent Events

Memorandum of understanding – assets in Georgia

Subsequent to March 31, 2013, the Company has signed a memorandum of understanding (“MOU”) with a private company covering existing producing asset in Georgia. The MOU contemplates earning a 50% working interest in a producing light oil field, which is governed by a Production Sharing Agreement, in exchange for executing a capital program and carrying the partner for its 50% share of the program which will primarily be carried out during 2013. The Due diligence is has been completed and potential closing of such transaction by the end of June 2013.

16 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
2013	$	1,874	$	1,705
2014	$	16,072	$	9,338
2015	$	5,721	$	277
	$	23,667	$	11,320

b) Poland

In Poland, the Company has a commitment to participate in the drilling of an exploration well and acquire additional seismic data which is expected to be approved as part of the 4 year extension which will be applied for by the operator during 2013 as per the Bieszczady license terms. Based on the successful extension, the Company’s work commitments are then estimated at $10.0 million by 2017.

c) Ukraine

In Ukraine, the commitments are associated with licenses in Krasno, South Donbass and Kruto area.

In Krasno, the Company's obligation is to drill and complete 5 wells, conduct geological studies and determine production characteristics for coal beds and sandstone by 2015 with an estimated cost of $3.0 million per well.

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 initial 2 wells and work-overs are estimated at $3.4 million with total costs to increase to $6.0 million if additional 4 wells are drilled.

The Company's work commitments in Kruto area associated with seismic studies of $0.2 million and drilling of one wells estimated at $1.5 million with additional 5 wells subject to successful results of the first well which would then result in total estimated commitments of $6 million by 2015.