**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three and nine months ended September 30, 2013**

The following Management's Discussion and Analysis ("MD&A") of Iskander Energy Corp. ("Iskander" or the "Company") is dated December 2, 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 and nine months ended September 30, 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. Effective August 2, 2013, the Company was continued into the Province of Alberta.

All financial amounts are in United States (US) dollars unless otherwise stated.

## Highlights

During the nine months ended September 30, 2013 and up to the date of this report the following highlights occurred:

*Operational*

- During the third quarter, the Company drilled its first well in the South Donbass for $1.4 which will be its first evaluation of its coal-bed methane ("CBM") prospects. The fracing operations were completed on budget for $1.2 million in November. Down hole pumps are expected to be installed in early December with results available by the end of 2013.
- On November 1, 2013, the Company spud its first well in Georgia. The well reached its total depth in the middle of November and fracing of the well is currently expected to commence in early 2014.

*Strategic*

- The Company signed a farm-in agreement covering an existing producing asset in Georgia. The deal provides Iskander with the opportunity to drill 3 wells to earn 50%. On October 24, 2013, the Georgian Ministry of Justice issued a revised Production Sharing Agreement ("PSA"), which closed this transaction and made Iskander a 50% working interest partner in the PSA, subject to fulfilling its capital program commitments.
- 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 as these exploration assets do not fit the core strategy of the Company.
- On October 3, 2013, the Company became the sole shareholder of Karbona Energo LLC. The shares were acquired in exchange for $0.3 million cash. The acquisition relinquished the Company from its earn-in drilling commitments and allowed the Company to control the $0.4 million of cash in Karbona Energo LLC.

- In an effort to better align its interest with shareholders of Iskander, the executive management and the board agreed to, on average, a 25% decrease in the cash compensation which will be paid in the form of equity.

*Financial*

- On November 25, 2013, the Company received $1.2 million of VAT receivable from its operations in Poland.
- On October 3, 2013, the Company completed private financing of CAD $2.8 million at a price per unit of $0.75 issuing 3.7 million of common shares and 3.7 million of warrants. The lower price per unit triggered the down-round protection from the March financing and resulted in the issuance of additional 2.8 million shares. The October financing has similar terms to the March financing, providing for penalties in the event of no liquidity event and if the Company issues shares for less than $0.75 within following twelve months.
- As at September 30, 2013, the Company has a cash plus accounts receivable and value added tax receivable from discontinued operations in Poland less trade and other payables (including trade payables from discontinued operations in Poland) of $1.9 million.
- On March 14, 2013, the Company closed a CAD $7.1 million tranche of 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.

## Outlook

Subject to obtaining the necessary financing from the current fundraising activities or farm-out transactions, the Company intends to conduct capital expenditures and strategic activities focused on delivering a material increase in value to shareholders. The critical activities of this strategy are as follows:

*Ukraine*

- Proving up the potential of CBM in Ukraine by testing its first CBM well which was fraced in November. The Company has submitted technical and geological data to support a production license application and expects to receive preliminary remarks by January 2014. Following preliminary approvals, the production license will be submitted to local and national authorities for review and approval which may take until the second quarter of 2014.

*Bulgaria*

- Continued discussions with the government on declaring force majeure and obtaining a suspension of work commitments on our two blocks as a result of the current fracing moratorium in Bulgaria;

*Poland*

- Divest exploration assets in Poland which do not fit with the Company's strategy of operating shallow, lower geological risk opportunities;

*Georgia*

- Drilling of Company's first well during the fourth quarter of 2013. Fracing of the well is expected in January 2014, with the potential for production during the first quarter of 2014.

## 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.

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 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 largest under-exploited hydrocarbon basins.

### *Principal Properties*

As at December 2, 2013, the Company's principal land holdings and exploration blocks were as follows:

| Country | License | Working Interest | Royalty | Operator | Gross Acreage | Expiry |
|---|---|---|---|---|---|---|
| Ukraine | Kruto | 90% | 5% gross override and 25% to the state | Yes | 169,267 | July 2016 |
| Ukraine | S.Donbass | 95% | | Yes | 106,502 | December 2013 |
| Ukraine | Krasno | 100%(1) | 25% to the state | Yes | 58,070 | January 2015 |
| Bulgaria | Gradishte | 75% | R-factor scale from 4.5% to 32% to the state and 2% gross override | 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 application submitted. |
| Georgia | Producing Asset | 50%(2) | Contractor share 75% before payout and 40% after payout. | Joint(3) | 6,500 | December 2025 |

(1) As at September 30, 2013, the Company had a 51% working interest. On October 3, 2013, the Company acquired the remaining 49% of the issued and outstanding shares of Karbona Energo, the holder of the Krasno permit.
(2) Transaction closed on October 24, 2013 upon approval of the new PSA.
(3) Iskander operates earning wells. Once earn-in period is complete, the Company will operate as 50/50 joint operator.

<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 capital program during 2013 is focused on proving up economic resources on the South Donbass permit. The preliminary reports for applying for a production license were filed in November, 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 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 2014. 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. On October 3, 2013, the Company acquired the remaining 49% interest in this license.

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 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 fracing moratorium on the work commitments associated with its licenses but have not been able to obtain modification of its work commitments as at December 2, 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 fracing technology and therefore a permanent or extended ban on fracing would likely result in a full impairment of its investment in Bulgaria. In addition, the terms of the investment in RSG contain a potential penalty of $3 million payable if the entire work program is not fulfilled.

Poland Properties

In Poland, as at September 30, 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 expired in July 2013. An application for a new exploration permit has been submitted and is expected to be received during the fourth quarter of 2013.

Georgia Properties

During the second quarter of 2013, the Company entered into a farm-in agreement to earn 50% of a producing asset with a private Georgian company. The transaction closed on October 24, 2013 upon receipt of a revised PSA which includes Company as a direct participant to the PSA, subject to completion of a work program. The transaction requires the Company to drill and frac 3 wells by the end of 2014. The estimated capital associated with its commitments is approximately $10.4 million.

## Basis of Presentation

The Interim Financial Statements of the Company as at and for the three and nine month period ended September 30, 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 a tranche of private financing for CAD $7.1 million. Subsequent to September 30, 2013, the Company has raised additional CAD $2.8 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 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 Interim Financial Statements for the three and nine month period ended September 30, 2013.

## Financial Results

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

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Revenue | - | - | - | - |
| General and administrative | 743 | 1,416 | 2,649 | 3,781 |
| Share-based compensation | 516 | 397 | 1,603 | 842 |
| Pre-license expense | 5 | 21 | 151 | 21 |
| Foreign exchange loss (gain) | 142 | 738 | (1,269) | 279 |
| Loss on investment | - | - | 6,196 | - |
| Asset impairment | - | - | 1,012 | - |
| Finance expense (income) and other | 2,187 | (14) | 2,178 | (101) |
| Share of loss from joint venture | (110) | 1 | 3 | 64 |
| Net loss from continuing operations | 3,483 | 2,559 | 12,523 | 4,886 |
| Net (income) loss from discontinued operations | (43) | - | 250 | - |
| Net loss | 3,440 | 2,559 | 12,773 | 4,886 |

### *General and Administrative Expense*

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Salaries and wages | 426 | 603 | 1,432 | 1,831 |
| Consulting fees | 17 | 115 | 268 | 241 |
| Severance costs | - | 70 | 5 | 289 |
| Travel expenses | 71 | 135 | 186 | 322 |
| Professional and legal fees | 50 | 313 | 293 | 710 |
| Rent | 63 | 66 | 184 | 148 |
| Miscellaneous | 116 | 114 | 281 | 240 |
| General and Administrative expenses | 743 | 1,416 | 2,649 | 3,781 |

General and administrative ("G&A") costs for the three and nine months ended September 30, 2013 were $0.7 million and $2.6 million, respectively (2012 - $1.4 million and $3.8 million, respectively). The decrease of $1.1 million for the nine month period is mainly attributable to the following:

- $0.4 million of expenses associated with the transition from the prior management team to the current executive management that occurred during the first quarter of 2012;
- $0.2 million on lower salaries as effective March 1, 2013, the members of the Board and the executive officers of the Corporation agreed to a salary reduction;
- $0.4 million on lower professional and legal fees incurred as part of acquisitions during 2012 and 2013;
- Overall costs reduction of G&A in order to maximize funds available for capital projects.

### *Share-based Compensation Expense*

Share-based compensation for the three and nine months ended September 30, 2013 was $0.5 million and $1.6 million, respectively (2012 - $0.4 million and $0.8 million, respectively). The increase for the nine month period is primarily due to 462,000 deferred share units granted to the directors and officers which were a part of the senior executives and the board of directors change in remuneration to better align compensation with shareholder interests by reducing cash and increasing equity compensation.

### *Pre-license Expense*

The Company recognizes pre-license expense on investment opportunities which occur prior to the closing of a transaction or do not result in an acquisition. For the three and nine months ended September 30, 2013 pre-license expense was $5,000 and $151,000, respectively (2012 - $21,000 and $21,000, respectively) which related to costs incurred in the due diligence of the assets in Georgia.

### *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 nine month period ended September 30, 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.

### *Asset Impairment*

During the third quarter of 2013, the Company entered in a verbal agreement to sell its two drilling rigs for net proceeds of $675,000. As such, drilling rigs were adjusted to its net realizable value and impairment loss of $1,012,000 was recorded in the consolidated statements of the comprehensive income for the nine months period ended September 30, 2013. As at December 2, 2013, the transaction has not closed. The Company continues to pursue additional options to monetize value of the rigs.

### *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 and nine months ended September 30, 2013 are presented as discontinued operations, as determined in accordance with IFRS 5. 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 | - | 73 | 205 | 278 |
| Ukraine: | | | | |
| - Krasno | - | 1,251 | 40 | 1,291 |
| - South Donbass | 3,200 | - | - | 3,200 |
| - Kruto | 29 | - | - | 29 |
| Georgia | 1,600 | - | - | 1,600 |
| other | 43 | - | - | 43 |
| | 4,872 | 1,324 | 245 | 6,441 |

(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.

*Ukraine*

*South Donbass license*

During the nine months ended September 30, 2013, the Company incurred $1.4 million associated with its first CBM well drilled in South Donbass and $1.1 million was spent on inventory to be used on completion of existing wells and drilling of additional wells.

*Krasno license*

During the first quarter of 2013, 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. On October 3, 2013, the Company became the sole shareholder of Karbona Energo LLC which holds 100% interest in the Krasno license.

*Bulgaria*

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

*Georgia and other*

During the nine months ended September 30, 2013, the Company incurred $1.6 million for the purchase of long lead items associated with drilling of its first two wells in Georgia during the fourth quarter of 2013.

## Summary of Quarterly Results

*($000, except per share amounts)*

| | 2013 | | | 2012 | | | | 2011 |
|---|---|---|---|---|---|---|---|---|
| | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** | **Q4** |
| Revenue | - | - | - | - | - | - | - | - |
| Loss for the period | (3,483) | (1,811) | (7,229) | (10,559) | (2,559) | (547) | (1,780) | (10,421) |
| Net loss per share - basic | (0.03) | (0.05) | (0.14) | (0.18) | (0.03) | (0.04) | (0.02) | (0.12) |

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

- The third quarter of 2013 net loss was a result of $2.2 million of accretion posted on fair valuation of liability on work commitments in Bulgaria.
- The second quarter of 2013 net loss was mainly impacted by $1.0 million impairment loss on its two drilling rigs;
- 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;

## Liquidity and Capital Resources

As at September 30, 2013 Iskander had $1.9 million of cash on hand. The Company's cash balances reside in current accounts, of which approximately 83% is held on account in Canada.

As at September 30, 2013, the Company has a cash plus accounts receivable less trade and other payables of $1.8 million (December 31, 2012 - $2.6 million). The Company has excluded $3.6 million of current assets related to Poland and the rigs as these require a successful transaction in order to monetize their fair value. The Company has also excluded the current carried interest in Bulgaria as it expects that these costs will be deferred if a standstill agreement was received from the Bulgarian government.

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 a tranche of private financing for CAD $7.1 million and on October 3, 2013, the Company has raised additional CAD $2.8 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.

In November 2013, the Company received $1.2 million of VAT receivable in Poland.

## Outstanding Share Data

Iskander is authorized to issue an unlimited number of voting common shares without nominal or par value. As at September 30, 2013 Iskander had 67,680,901 common shares outstanding. As at December

2, 2013, the Company has 74,269,234 common shares, 13.0 million stock options and 11.6 million broker warrants 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 consulting services | 32,787 | 32 |
| Issued for cash – exercise of warrants | 492,000 | 164 |
| Share issuance costs | - | (761) |
| Other | 2,625 | - |
| Balance, September 30, 2013 | 67,680,901 | 50,067 |

*Issued for cash*

In March 2013, the Company completed a 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 13.0 million. As at September 30, 2013 and December 2, 2013 there were 13.0 million options outstanding.

*Warrants*

The Company has issued warrants in connection with financing during 2011-2013. As at September 30, 2013, there were 10.6 million warrants outstanding with an average exercise price of $1.37 and an average remaining life of 0.72 years. As part of the October 2013 financing, the Company issued additional 3.7 million warrants with a term of 18 months and exercise price of $1.50. Effective November 30, 2013 2.8 million warrants expired unexercised with exercise prices between $0.75 - $1.50.

*Deferred share unit plan*

On May 27, 2013, the Company established the Deferred Share Unit ('DSU') Plan to provide a compensation system for the members of the Board of Directors and senior executives which is compatible with shareholder interests and designed to reward significant performance achievements. Each DSU granted permits the holder to receive a cash payment equal to the volume of DSU's multiplied by the fair market value share price which shall be determined by the Corporate Governance Committee of the Board. DSU's vest immediately upon grant but are not exercisable until resignation or termination from the Board of Directors or employment. As at September 30, 2013, there were 462,000 DSU's outstanding with a fair value of $0.3 million.

## 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 some 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.  In Bulgaria, the Interest in RSG would be forfeited along with a potential penalty of $3 million payable in the event that work commitments are not performed.  There do not currently exist any 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 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 and has completed due diligence on all significant transactions, 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 September 30, 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 and nine month period ended September 30, 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 September 30, 2013:

- Note 5 – Assets Held for Sale and Discontinued Operations
- Note 7 – Property, Plant and Equipment
- Note 8 – Investments in Joint Ventures
- Note 13 c) – Stock Options
- Note 13 d) – Deferred Share Unit Plan
- Note 13 e) – 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 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 fracing moratorium in Bulgaria; farm-out opportunities in Bulgaria; divestment opportunities in Poland; drilling and completion of first two producing wells 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 fracing moratorium in Bulgaria is not permanent in nature; the Company will receive the new license in Poland and that the Company will successfully divest its interest in the Bieszczady block.

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.

## 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**
*President*

**Roger McMechan**
*Chief Operating Officer*

**Bradley Giblin**
*Chief Financial Officer*

## CORPORATE HEADQUARTERS

**Iskander Energy Corp.**
400, 333-11th Avenue S.W.,
Calgary, Alberta, Canada T2R 1L9

Tel: 403-460-0647
Fax: 587-352-7713
E-mail: info@Iskanderenergy.com

## OPERATING OFFICES

**Ukraine office**
4 Muzeyniy Provulok, Suite 6-3
01001 Kyiv, Ukraine
Tel/Fax: 380-44-490-7040

**Bulgaria office**
9 Fridtjof Nansen Blvd., Floor 8
Sofia 1000, Bulgaria

**Georgia office**
5th floor, 2nd entrance, 4A Freedom Square, Tbilisi, Georgia
Fax: +995-32-2-999-492

## AUDITORS

**PricewaterhouseCoopers LLP**
Calgary, Alberta

## LEGAL COUNSEL

**Norton Rose LLP**
Calgary, Alberta

## TRANSFER AGENT AND REGISTRAR

**Computershare Canada**
Calgary, Alberta

## RESERVES EVALUATORS

**RPS Energy Canada**
Calgary, Alberta

## WEBSITE

www.iskanderenergy.com